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 JUNE 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) 5400 Westheimer Court, P.O. Box 4967, Houston, Texas 77210-4967 (713)627-5400	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 July 31, 1999:

CMS ENERGY CORPORATION:

CMS Energy Common Stock, $.01 par value	109,393,114
CMS Energy Class G Common Stock, no par value	8,662,417
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 JUNE 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.

Term	Definition
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 and is the principal 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 from Duke Energy, 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

	In Millions, Except Per Share Amounts		
June 30	1999	1998	Change
THREE MONTHS ENDED			
Consolidated Net Income	$ 75	$ 65	$ 10
Net Income Attributable to Common Stocks:			
CMS Energy	74	64	10
Class G	1	1	--
Earnings Per Average Common Share:			
CMS Energy			
Basic	.68	.63	.05
Diluted	.67	.62	.05
Class G			
Basic and Diluted	.10	.12	(.02)
SIX MONTHS ENDED		(a)	
Consolidated Net Income	$ 173	$ 153	$ 20
Net Income Attributable to Common Stocks:			
CMS Energy	162	143	19
Class G	11	10	1

Earnings Per Average Common Share:			
CMS Energy			
Basic	1.50	1.42	.08
Diluted	1.48	1.39	.09
Class G			
Basic and Diluted	1.28	1.20	.08
TWELVE MONTHS ENDED		(a)	
Consolidated Net Income	$ 305	$ 272	$ 33
Net Income Attributable to Common Stocks:			
CMS Energy	291	258	33
Class G	14	14	--
Earnings Per Average Common Share:			
CMS Energy			
Basic	2.75	2.60	.15
Diluted	2.71	2.57	.14
Class G			
Basic and Diluted	1.65	1.71	(.06)

(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 second 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 international energy distribution business. Partially offsetting these increases were lower earnings from the gas utility, independent power production, oil and gas exploration and production, and marketing services and trading businesses; and higher interest expense.

The increase in consolidated net income for the six months ended June 30, 1999 over the comparable period in 1998 resulted from increased earnings in the electric and gas utilities; independent power production; natural gas transmission, storage and processing as a result of the Panhandle acquisition; and international energy distribution businesses; 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 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 June 30, 1999 over the comparable 1998 period reflects increased earnings from the electric and gas utilities; independent power production; 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 oil and gas exploration and production and international energy distribution 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 June 30 1999 vs 1998	Six Months Ended June 30 1999 vs 1998	Twelve Months Ended June 30 1999 vs 1998
Electric deliveries	$ 12	$ 23	$ 50
Power supply costs	14	18	39
Rate increases and other non-commodity revenue	(3)	(4)	(6)
Operations and maintenance	(5)	(3)	(17)
General taxes and depreciation	(3)	(4)	(9)
Total change	$ 15	$ 30	$ 57

ELECTRIC DELIVERIES: Total electric deliveries for the three months, six months and twelve months ended June 30, 1999, increased in all customer classes. Electric deliveries were 10.3 billion kWh for the three months ended June 30, 1999, an increase of 6.0 percent. Electric deliveries were 20.3 billion kWh for the six months ended June 30, 1999, an increase of 5.0 percent. Electric deliveries were 41 billion kWh for the twelve months ended June 30, 1999, an increase of 4.6 percent.

POWER COSTS:

	In Millions		
June 30	1999	1998	Change
Three months ended	$ 293	$ 312	$ (19)
Six months ended	571	583	(12)
Twelve months ended	1,164	1,170	(6)

Power costs decreased for the three month period ended June 30, 1999 compared to the same 1998 period as a result of lower power purchase costs. Power costs also decreased for the six months and twelve months ended June 30, 1999 compared to the same period in 1998 for the same reason.

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, 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 Facility; 4) electric industry restructuring; 5) implementation of a frozen PSCR and initiatives to be undertaken to reduce exposure to high energy prices; 6) underrecoveries associated with power purchases from the MCV Partnership; and 7) 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 June 30 1999 vs 1998	Six Months Ended June 30 1999 vs 1998	Twelve Months Ended June 30 1999 vs 1998
Gas deliveries	$ 2	$ 22	$ 10
Gas cost	(2)	12	24
Gas wholesale and retail services activities	1	2	5
Operation and maintenance	(5)	(5)	4
General taxes, depreciation and other	(1)	(12)	(25)
Total increase (decrease) in pretax operating income	$ (5)	$ 19	$ 18

GAS DELIVERIES: System deliveries for the three month period ended June 30, 1999, including miscellaneous transportation, were 62.5 bcf compared to 61.3 bcf for the same 1998 period. This increase of 1.8 percent was primarily due to growth during the period. System deliveries for the six month period ended June 30, 1999, including miscellaneous transportation, were 228.7 bcf compared to 207.8 bcf for the same 1998 period. This increase of 20.9 bcf or 10.1 percent was primarily due to colder temperatures during the 1999 heating season. System deliveries for the twelve month period ended June 30, 1999, including miscellaneous transportation, were 380.7 bcf compared to 383.6 bcf for the same 1998 period. This decrease of 0.7 percent was primarily the result of reduced gas transported to the MCV Facility.

COST OF GAS SOLD:

	In Millions		
June 30	1999	1998	Change
Three months ended	$ 78	$ 74	$ 4
Six months ended	384	338	46
Twelve months ended	609	600	9

The cost increases for the three month period ended June 30, 1999 was the result of increased gas deliveries due to growth during this period. The cost increases for the six month period and the twelve month period ended June 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 utility 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 June 30, 1999 decreased $8 million (16 percent) from the comparable period in 1998. This decrease primarily reflects the 1998 gain on the sale of a biomass power purchase agreement and the scheduled reduction of the industry expertise service fee income earned in connection with the purchase of Loy Yang, partially offset by increased operating income from international and domestic plant earnings and fees, reduced net operating expenses and a gain on the sale of two hydro plants. Pretax operating income for the six months ended June 30, 1999 increased $4 million (6 percent) from the comparable period in 1998. This increase primarily reflects increased operating income from international and domestic plant earnings and fees, reduced net operating expenses and increased earnings from the MCV Partnership, partially offset by a 1998 gain on the sale of a power purchase agreement, 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. Pretax operating income for the twelve months ended June 30, 1999 increased $21 million (17 percent) from the comparable period in 1998, primarily reflecting increased international and domestic earnings and gains on the sale of plant assets and power purchase agreements, partially offset by higher operating expenses, the settlement of a lawsuit and a scheduled reduction of the industry expertise service fee income earned in connection with the purchase of Loy Yang.

OIL AND GAS EXPLORATION AND PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended June 30, 1999 decreased $1 million (14 percent) from the comparable period in 1998 as a result of increased expenses relating to the centralization of certain functions from a district to home office, partially offset by lower exploration expenses. Pretax operating income for the six months ended June 30, 1999 decreased $1 million (11 percent) from the comparable period in 1998 due to lower gas and natural gas liquid prices. Pretax operating income for the twelve months ended June 30, 1999 decreased $27 million (84 percent) from the comparable period in 1998 as a result of lower oil and gas prices and a gain in the prior period from the sale of CMS Oil and Gas' entire interest in oil and gas properties in Yemen, partially offset by lower operating expenses.

NATURAL GAS TRANSMISSION, STORAGE AND PROCESSING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: Pretax operating income for the three months ended June 30, 1999 increased $39 million (433 percent) from the comparable period in 1998. The increase reflects earnings from Panhandle, which was acquired in March 1999, and increased earnings from international operations, partially offset by a gain in the prior period on the sale of Australian gas reserves and increased net operating expenses primarily relating to the Panhandle acquisition. Pretax operating income for the six months ended June 30, 1999 increased $29 million (132 percent) primarily due to earnings from Panhandle and increased earnings from international operations, partially offset by gains in the prior period on the sale of Petal Gas Storage Company and Australian gas reserves, decreased other domestic earnings, and increased net operating expenses primarily relating to the Panhandle acquisition. Pretax operating income for the twelve months ended June 30, 1999 increased $29 million (88 percent) from the comparable period in 1998. The increase primarily reflects earnings from Panhandle and increased earnings from international operations, partially offset by a gain in the prior period on the sale of Petal Gas Storage Company, decreased other domestic earnings, and increased net operating expenses primarily relating to the Panhandle acquisition.

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 June 30, 1999 decreased $5 million from the comparable period in 1998. The decrease is the result of lower margins in the electric wholesale market, increased price volatility in the gas markets, and additional growth-related operating costs. Pretax operating income for the six months ended June 30, 1999 increased $1 million from the comparable period in 1998. The increase is due to improved commodity margins and the effect of the accounting change that recognizes currently the fair market value of trading contracts. Pretax operating income for the twelve months ended June 30, 1999 increased $12 million from the comparable period in 1998. The increase is a result of improved margins on electric and gas sales, increased electric volumes and the mark-to-market adjustments of trading contracts, partially offset by increased expenses related to growth objectives. Gas managed and marketed for end users totaled 181 bcf and 156 bcf for the six months ended June 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 June 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 $6.7 billion at June 30, 1999 with a fair value of $6.6 billion. The fair value of CMS Energy's financial derivative instruments at June 30, 1999, with a notional amount

of $790 million, was $300,000, representing the amount CMS Energy would pay 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 June 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 June 30, 1999, but would result in a net cash settlement of approximately $121 million. The estimated fair value of the foreign exchange and option contracts at June 30, 1999 was $21 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 June 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 operating cash is dividends and distributions from subsidiaries. For the first six months of 1999, Consumers paid $173 million in common dividends and Enterprises paid $33 million in common dividends to CMS Energy. In July 1999, Consumers declared a $35 million dividend payable in August 1999 to CMS Energy. In June 1999, CMS Energy contributed $150 million of paid-in capital to Consumers. CMS Energy's consolidated operating 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 $309 million for the first six months of 1999 and 1998, respectively. The $131 million increase resulted from increased earnings and higher depreciation, coupled with a $29 million net increase due to the absence of the 1998 accounting change for property taxes and the increased 1998 provision for underrecoveries under the PPA. CMS Energy uses its operating cash 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 $2.441 billion and $467 million for the first six months of 1999 and 1998, respectively. The increase of $1.974 billion primarily reflects the acquisition of Panhandle in March 1999. CMS Energy's expenditures during the first six months of 1999 for its utility and international businesses were $197 million and $2.256 billion, respectively, compared to $181 million and $292 million, respectively, during the comparable period in 1998.

FINANCING ACTIVITIES: CMS Energy's net cash provided by financing activities totaled $2.113 billion and $319 million for the first six months of 1999 and 1998, respectively. The increase of $1.794 billion in net cash provided by financing activities resulted from an increase of $3.823 billion in the issuance of new securities (see table below) and a decrease in the retirement of bonds and other long-term debt ($428

million), partially offset by an increase in the repayment of bank loans ($2.319 billion), and an increase in the retirement of existing securities ($194 million).

	Month Issued	Maturity	Distribution/ Interest Rate	In Millions Principal Amount	Use of Proceeds
CMS ENERGY					
GTNs Series E	(1)	(1)	7.0%(1)	$ 114	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
Subtotal				$1,544	
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				$2,344	

(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 August 1999, Panhandle initiated an exchange offer which will replace the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes. Panhandle expects to complete the exchange offer by early September 1999.

(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.

For the first six months of 1999, CMS Energy paid $71 million in cash dividends to holders of CMS Energy Common Stock and $6 million in cash dividends to holders of Class G Common Stock. In July 1999, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock and $.34 per share on Class G Common Stock, payable in August 1999. This represents an annualized increase in the dividend on CMS Energy Common Stock to $1.46 per share from the previous $1.32 per share (a 10.6 percent increase), and an annualized increase in the dividend on Class G Common Stock to $1.36 per share from the previous $1.30 per share (a 4.6 percent increase).

OTHER INVESTING AND FINANCING MATTERS: At June 30, 1999, the book value per share of CMS Energy Common Stock and Class G Common Stock was $20.96 and $12.01, respectively.

At June 30, 1999, CMS Energy had an aggregate $1.8 billion in securities registered for future issuance, which may include the issuance of up to $600 million of CMS Energy Common Stock during the next twelve months.

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 $306 million. These credit facilities are available to finance working capital requirements and to pay for capital expenditures between long-term financings. At June 30, 1999, the total amount utilized under the Senior Credit Facilities was $700 million, including $41 million of contingent obligations, and under the unsecured lines of credit and letters of credit was $75 million. For detailed information, see Note 3, incorporated by reference herein.

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. Consumers is authorized by FERC to issue securities and guarantees. Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds needed to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 3.

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 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.

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)	$ 375	$ 435	$ 520
Consumers gas operations (a)	125	130	130
Independent power production	525	591	293
Oil and gas exploration and production	135	160	210
Natural gas transmission and storage	2,540(b)	247	200
International energy distribution	120	150	150
Marketing, services and trading	5	12	12
Other	10	-	-
	$3,835	$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, Asia, Australia, the Pacific Rim region, North Africa and the Middle East; 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 2.3 percent per year in electric system deliveries over the next five years, absent the impact of restructuring on the industry and changed regulation in Michigan. Abnormal weather, changing economic conditions, or the developing competitive market for electricity may affect actual electric sales in future periods.

RESTRUCTURING: Consumers' retail electric business is affected by competition. To meet its challenges, Consumers entered into 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 customers have the option of terminating their contracts early.

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, while Detroit Edison contends that the pool agreement should be terminated immediately. Among Consumers' alternatives in the event of the pool being terminated would be joining an independent system operator. 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 Matters Electric Restructuring", incorporated by reference herein.

RATE MATTERS: In November 1997, ABATE filed a complaint with the MPSC alleging that Consumers' earnings are in excess of its authorized rate of return and seeking an immediate reduction in Consumers' electric rates. In May 1999, the MPSC issued an order reversing an April 1999 decision of an ALJ which explicitly restricted the scope of the current proceeding to a determination of whether there should be a subsequent rate case proceeding to examine Consumers' electric rates, however, the order confirmed that ABATE and intervenors bear the burden of persuading the MPSC in this matter that a rate reduction is warranted. In the absence of meeting that burden, Consumers' rates will remain unchanged. 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 Panhandle's future operating results.

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 June 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 June 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 June 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	6/99	99%	9/99	97%	9/99	74%	9/99	100%
Oil and gas	6/99	99%	9/99	94%	9/99	84%	9/99	10%
Natural gas transmission	6/99	100%	9/99	99%	9/99	98%	9/99	10%
Marketing, services and trading	6/99	100%	9/99	99%	9/99	17%	9/99	10%
Essential goods and services	6/99	56%		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 spending for software modifications as incurred, and capitalizes and amortizes the cost for new software and equipment over its useful life. The total estimated cost of the Year 2000 Program is approximately $30 million. Costs incurred through June 30, 1999 were approximately $25 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 being revised and executed 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 so that in the event that 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 are being 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 June 30, 1999, the change in the foreign currency translation adjustment totaled $10 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 $1.3 billion at June 30, 1999, which includes $515 million, $250 million and $440 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at June 30, 1999 was $21 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. These statements are necessarily based 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, 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 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.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

JUNE 30	THREE MONTHS ENDED 1999	THREE MONTHS ENDED 1998	SIX MONTHS ENDED 1999	SIX MONTHS ENDED 1998	TWELVE MONTHS ENDED 1999	TWELVE MONTHS ENDED 1998
				In Millions, Except Per Share Amounts		
OPERATING REVENUE						
Electric utility	$ 663	$ 649	$ 1,299	$ 1,261	$ 2,644	$ 2,558
Gas utility	175	170	681	599	1,133	1,085
Natural gas transmission, storage and processing	209	22	313	49	424	93
Independent power production	85	75	158	119	316	216
Oil and gas exploration and production	25	19	44	31	76	87
Marketing, services and trading	146	196	304	443	800	922
Other	50	1	92	4	133	9
	1,353	1,132	2,891	2,506	5,526	4,970
OPERATING EXPENSES						
Operation						
Fuel for electric generation	106	85	199	164	394	334
Purchased power - related parties	139	144	278	290	562	592
Purchased and interchange power	103	160	206	244	546	394
Cost of gas sold	276	182	772	645	1,338	1,335
Other	250	176	457	358	862	729
	874	747	1,912	1,701	3,702	3,384
Maintenance	49	42	88	79	185	171
Depreciation, depletion and amortization	138	107	288	235	537	468
General taxes	60	48	126	106	235	208
	1,121	944	2,414	2,121	4,659	4,231
PRETAX OPERATING INCOME (LOSS)						
Electric utility	122	107	256	226	505	448
Gas utility	16	21	94	75	145	127
Independent power production	42	50	70	66	148	127
Natural gas transmission, storage and processing	48	9	51	22	62	33
Oil and gas exploration and production	6	7	8	9	5	32
Marketing, services and trading	(4)	1	1	--	5	(7)
Other	2	(7)	(3)	(13)	(3)	(21)
	232	188	477	385	867	739
OTHER INCOME (DEDUCTIONS)						
Accretion income	1	1	2	3	5	7
Accretion expense	(4)	(4)	(7)	(8)	(15)	(17)
Loss on MCV power purchases	--	--	--	(37)	--	(37)
Other, net	15	3	18	6	13	2
	12	--	13	(36)	3	(45)
FIXED CHARGES						
Interest on long-term debt	134	78	230	154	394	300
Other interest	9	13	21	25	43	52
Capitalized interest	(13)	(7)	(23)	(11)	(41)	(18)
Preferred dividends	--	5	5	10	15	21
Preferred securities distributions	9	8	17	16	32	29
	139	97	250	194	443	384
INCOME BEFORE INCOME TAXES	105	91	240	155	427	310
INCOME TAXES	30	26	67	45	122	81
CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	75	65	173	110	305	229
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $23 TAX	--	--	--	43	--	43
CONSOLIDATED NET INCOME	$ 75	$ 65	$ 173	$ 153	$ 305	$ 272

JUNE 30		THREE MONTHS ENDED 1999	1998
NET INCOME ATTRIBUTABLE TO COMMON STOCKS	CMS ENERGY	$ 74	$ 64
	CLASS G	$ 1	$ 1
AVERAGE COMMON SHARES OUTSTANDING	CMS ENERGY	109	101
	CLASS G	9	8
BASIC EARNINGS PER AVERAGE COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	CMS ENERGY	$ .68	$ .63
	CLASS G	$ .10	$ .12
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX, PER AVERAGE COMMON SHARE	CMS ENERGY	$ --	$ --
	CLASS G	$ --	$ --
BASIC EARNINGS PER AVERAGE COMMON SHARE	CMS ENERGY	$ .68	$ .63
	CLASS G	$ .10	$ .12
DILUTED EARNINGS PER AVERAGE COMMON SHARE	CMS ENERGY	$ .67	$ .62
	CLASS G	$ .10	$ .12
DIVIDENDS DECLARED PER COMMON SHARE	CMS ENERGY	$ .33	$ .30
	CLASS G	$ .325	$ .31

JUNE 30	SIX MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
	In Millions, Except Per Share Amounts			
NET INCOME ATTRIBUTABLE TO COMMON STOCKS	$ 162	$ 143	$ 291	$ 258
	$ 11	$ 10	$ 14	$ 14
AVERAGE COMMON SHARES OUTSTANDING	108	101	106	99
	9	8	8	8
BASIC EARNINGS PER AVERAGE COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	$ 1.50	$ 1.02	$ 2.75	$ 2.20
	$ 1.28	$ .84	$ 1.65	$ 1.35
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX, PER AVERAGE COMMON SHARE	$ --	$ .40	$ --	$ .40
	$ --	$ .36	$ --	$ .36
BASIC EARNINGS PER AVERAGE COMMON SHARE	$ 1.50	$ 1.42	$ 2.75	$ 2.60
	$ 1.28	$ 1.20	$ 1.65	$ 1.71
DILUTED EARNINGS PER AVERAGE COMMON SHARE	$ 1.48	$ 1.39	$ 2.71	$ 2.57
	$ 1.28	$ 1.20	$ 1.65	$ 1.71
DIVIDENDS DECLARED PER COMMON SHARE	$ .66	$ .60	$ 1.32	$ 1.20
	$ .65	$ .62	$ 1.30	$ 1.24

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

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

JUNE 30	SIX MONTHS ENDED 1999	SIX MONTHS ENDED 1998	TWELVE MONTHS ENDED 1999	TWELVE MONTHS ENDED 1998
				In Millions
CASH FLOWS FROM OPERATING ACTIVITIES				
Consolidated net income	$ 173	$ 153	$ 305	$ 272
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization (includes nuclear decommissioning of $24, $25, $51 and $50, respectively)	288	235	537	468
Loss on MCV power purchases	--	37	--	37
Capital lease and debt discount amortization	26	29	48	51
Accretion expense	7	8	15	17
Accretion income - abandoned Midland project	(2)	(3)	(5)	(7)
Cumulative effect of accounting change	--	(66)	--	(66)
MCV power purchases	(28)	(32)	(60)	(64)
Undistributed earnings of related parties	(46)	(34)	(107)	(72)
Deferred income taxes and investment tax credit	43	84	13	92
Other	12	3	15	(1)
Changes in other assets and liabilities	(33)	(105)	(114)	(152)
Net cash provided by operating activities	440	309	647	575
CASH FLOWS FROM INVESTING ACTIVITIES				
Aquisition of companies net of cash acquired	(1,899)	--	(1,899)	--
Capital expenditures (excludes assets placed under capital lease)	(291)	(289)	(1,297)	(625)
Investments in partnerships and unconsolidated subsidiaries	(258)	(162)	(441)	(458)
Cost to retire property, net	(39)	(44)	(78)	(61)
Other	44	(40)	116	(66)
Proceeds from sale of property	2	68	(9)	104
Net cash used in investing activities	(2,441)	(467)	(3,608)	(1,106)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank loans, notes and bonds	5,356	1,554	6,150	2,187
Issuance of common stock	51	30	290	224
Retirement of bonds and other long-term debt	(48)	(476)	(233)	(948)
Repayment of bank loans	(2,893)	(574)	(2,893)	(581)
Increase (decrease) in notes payable, net	(64)	(127)	10	9
Payment of common stock dividends	(77)	(66)	(151)	(129)
Payment of capital lease obligations	(18)	(22)	(32)	(45)
Retirement of preferred stock	(194)	--	(194)	(120)
Retirement of common stock	--	--	(3)	(2)
Proceeds from preferred securities	--	--	--	113
Net cash provided by financing activities	2,113	319	2,944	708
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	112	161	(17)	177
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	101	69	230	53
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 213	$ 230	$ 213	$ 230

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

CASH TRANSACTIONS				
Interest paid (net of amounts capitalized)	$ 186	$ 160	$ 339	$ 318
Income taxes paid (net of refunds)	41	31	55	52
NON-CASH TRANSACTIONS				
Nuclear fuel placed under capital lease	$ (2)	$ 15	$ 28	$ 16
Other assets placed under capital leases	7	7	7	10
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	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
			In Millions
PLANT AND PROPERTY (AT COST)			
Electric utility	$ 6,832	$ 6,720	$ 6,579
Gas utility	2,394	2,360	2,307
Natural gas transmission, storage and processing	1,882	341	171
Oil and gas properties (successful efforts method)	706	670	588
Independent power production	575	518	125
Other	417	373	46
	12,806	10,982	9,816
Less accumulated depreciation, depletion and amortization	5,917	5,213	4,975
	6,889	5,769	4,841
Construction work-in-progress	363	271	307
	7,252	6,040	5,148
INVESTMENTS			
Independent power production	1,017	888	890
Natural gas transmission, storage and processing	498	494	305
International energy distribution	146	209	259
First Midland Limited Partnership	238	240	247
Midland Cogeneration Venture Limited Partnership	230	209	189
Other	35	33	36
	2,164	2,073	1,926
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	213	101	230
Accounts receivable, notes receivable and accrued revenue, less allowances of $15, $13 and $7, respectively	939	720	509
Inventories at average cost			
Gas in underground storage	167	219	178
Materials and supplies	145	99	89
Generating plant fuel stock	32	43	35
Deferred income taxes	1	--	2
Prepayments and other	197	225	214
	1,694	1,407	1,257
NON-CURRENT ASSETS			
Nuclear decommissioning trust funds	581	557	521
Unamortized nuclear costs	521	--	--
Postretirement benefits	358	373	389
Abandoned Midland project	60	71	83
Other	1,517	789	534
	3,037	1,790	1,527
TOTAL ASSETS	$14,147	$11,310	$ 9,858

STOCKHOLDERS' INVESTMENT AND LIABILITIES	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity	$ 2,390	$ 2,216	$ 1,877
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
Company-obligated Trust Preferred Securities of CMS RHINOS Trust(c)	250	--	--
Long-term debt	7,079	4,726	4,294
Non-current portion of capital leases	92	105	78
	10,248	7,678	6,880
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	306	293	126
Notes payable	264	328	255
Accounts payable	397	501	302
Accrued taxes	261	272	160
Accrued interest	106	65	56
Accounts payable - related parties	73	79	114
Power purchases	47	47	47
Accrued refunds	14	11	11
Other	363	211	178
	1,831	1,807	1,249
NON-CURRENT LIABILITIES			
Deferred income taxes	661	652	693
Postretirement benefits	488	489	504
Deferred investment tax credit	131	135	146
Regulatory liabilities for income taxes, net	115	87	59
Power purchases	101	121	146
Other	572	341	181
	2,068	1,825	1,729
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$14,147	$11,310	$ 9,858

(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) As described in Note 3, 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.

(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)

JUNE 30	THREE MONTHS ENDED 1999	THREE MONTHS ENDED 1998	SIX MONTHS ENDED 1999	SIX MONTHS ENDED 1998	TWELVE MONTHS ENDED 1999	TWELVE MONTHS ENDED 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	2,619	2,287	2,594	2,267	2,297	2,075
Redemption of affiliate's preferred stock	--	--	(2)	--	(2)	--
Common stock reacquired	--	--	--	--	(3)	(2)
Common stock issued:						
CMS Energy	21	9	47	27	344	216
Class G	3	1	4	3	7	8
At end of period	2,643	2,297	2,643	2,297	2,643	2,297
REVALUATION CAPITAL						
At beginning of period	(13)	(3)	(9)	(6)	(6)	(6)
Change in unrealized investment-gain (loss) (a)	23	(3)	19	--	16	--
At end of period	10	(6)	10	(6)	10	(6)
FOREIGN CURRENCY TRANSLATION						
At beginning of period	(141)	(94)	(136)	(96)	(123)	--
Change in foreign currency translation (a)	15	(29)	10	(27)	(3)	(123)
At end of period	(126)	(123)	(126)	(123)	(126)	(123)
RETAINED EARNINGS (DEFICIT)						
At beginning of period	(174)	(324)	(234)	(379)	(292)	(435)
Consolidated net income (a)	75	65	173	153	305	272
Common stock dividends declared:						
CMS Energy	(36)	(31)	(71)	(61)	(139)	(118)
Class G	(3)	(2)	(6)	(5)	(12)	(11)
At end of period	(138)	(292)	(138)	(292)	(138)	(292)
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 2,390	$ 1,877	$ 2,390	$ 1,877	$ 2,390	$ 1,877

(a) DISCLOSURE OF COMPREHENSIVE INCOME:						
Revaluation capital						
Unrealized investment-gain (loss), net of tax of $(12), $2, $(10), $-, $(8) and $-, respectively	$ 23	$ (3)	$ 19	$ --	$ 16	$ --
Foreign currency translation	15	(29)	10	(27)	(3)	(123)
Consolidated net income	75	65	173	153	305	272
Total Consolidated Comprehensive Income	$ 113	$ 33	$ 202	$ 126	$ 318	$ 149

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 the principal subsidiary of CMS Energy. Enterprises, through subsidiaries, is engaged in several domestic and international energy-related businesses including: natural gas transmission, interstate transportation, 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 from Duke Energy, 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, six and twelve-month periods ended June 30, 1999, undistributed equity earnings were $30 million, $46 million and $107 million, respectively, compared to $17 million, $34 million and $72 million for the three, six and twelve-month periods ended June 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 June 30, 1999, the change in the foreign currency translation adjustment totaled $10 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 June 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 revenues, expenses, assets and liabilities are recognized.

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 expects 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 June 30, 1999, Consumers had a net investment in energy supply facilities of $924 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. The Trust Preferred Securities and $350 million of the CMS Energy senior notes replace the initial pro forma assumption that included the issuance of $600 million of CMS Energy Common Stock. The differences in the unaudited pro forma amounts presented below as compared to those obtained utilizing the issuance of $600 million of CMS Energy Common Stock assumption are an increase in basic and diluted earnings per share of $.04 and a decrease in consolidated net income of approximately $31 million.

In Millions, except per share amounts

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998	Year ended December 31, 1998
Operating revenue	$ 1,353	$ 1,224	$ 3,004	$ 2,719	$ 5,566
Consolidated net income	73	61	184	165	289
Basic earnings per share	.66	.59	1.59	1.53	2.70
Diluted earnings per share	.66	.59	1.57	1.51	2.67

	June 30, 1999	June 30, 1998	December 31, 1998
Total assets	$14,147	$12,323	$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, and in 1997 the EPA revised these standards. The anticipated effect of these revisions was to impose further limitations on nitrogen oxide and small particulate-related emissions. A United States Court of Appeals recently ruled however, that the EPA's revision of the standards was an unconstitutional delegation of legislative power. As a result, the standards will not be implemented unless the issue relating to the unconstitutional delegation of legislative power is resolved. The EPA has requested a rehearing of this ruling.

In September 1998, based in part upon the 1997 standards, the EPA Administrator signed 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. The United States Court of Appeals recently granted an indefinite stay of the submission date for the 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. If a court were to order the EPA to adopt the State of Michigan's proposed positions then compliance costs could be less than the preliminary estimated amounts.

The preliminary estimate of capital expenditures to reduce nitrogen oxide-related emissions for Consumers' fossil-fueled generating units is approximately $290 million. Consumers anticipates that these capital expenditures will be incurred between 1999 and 2004. Consumers may need an equivalent amount of capital expenditures, plus $10 million per year for operation and maintenance costs, to comply with the new small particulate standards.

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 June 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 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; 3) suspension of the PSCR clause as discussed below; and 4) 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 will 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 the plan, Consumers proposed to phase in 750 MW of retail customer open access load over the 1998-2001 period. In March 1999, Consumers received MPSC electric restructuring orders, which generally supported Consumers' implementation plan. Consumers is in the process of implementing electric customer retail open access.

There are numerous appeals pending at the Court of Appeals relating to the MPSC's restructuring orders, including appeals by Consumers. 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, and its appeal generally is limited to this jurisdictional issue. 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. The MPSC is expected to issue an order addressing this subject in the third quarter 1999. 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 program, customers buying electricity from Consumers as traditional customers 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, any change in power supply costs was passed through to such customers. In order to reduce the risk of high energy prices during peak demand periods, Consumers has agreements to purchase, in 1999, approximately $19 million of options to insure a reliable source of capacity during the months of June through September 1999. Consumers is planning to have sufficient generation and purchased capacity for approximately a 16 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 capacity and 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 an independent 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 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 expeditiously. 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			
	Six Months Ended		Twelve Months Ended	
June 30	1999	1998	1999	1998
Pretax operating income	$26	$23	$51	$51
Income taxes and other	8	7	16	16
Net income	$18	$16	$35	$35

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 this capacity, Consumers expects to recover these increases through an adjustment to the currently frozen PSCR level, which is currently under consideration by the MPSC. 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 supply PECO with electric generating capacity 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 transaction. In an order issued on April 30, 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. Consumers and other parties have filed petitions for clarification and rehearing which request that the MPSC clarify certain aspects of its order. The MPSC has not yet acted on this request.

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 June 30, 1999 and June 30, 1998, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $96 million and $126 million, respectively. At June 30, 1999, the undiscounted after-tax amount associated with this liability totaled $153 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 $17 million as of June 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	$ 29	$ 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 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 June 30, 1999 Consumers had loaded 14 dry storage casks with spent nuclear fuel at Palisades and plans to load four additional casks in 1999 pending approval by the NRC. 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.

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 17 weeks of any outage, but would cover most of such costs during the next 58 weeks of the outage, followed by reduced coverage to 80 percent for two additional years. 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. 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 June 30, 1999, Consumers had an investment in nuclear decommissioning trust funds of $400 million for Palisades and $181 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 six months of 1999, Consumers spent $24 million for the decommissioning and withdrew $21 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has spent $99 million for the decommissioning and withdrew $90 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. By late 1999, Consumers expects to have completed sufficient investigation of the 23 sites to make a more accurate estimate of remediation methods and costs. 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 estimates its costs related to investigation and remedial action for all 23 sites between $48 million and $98 million, of which Consumers accrued a liability for $48 million. These estimates are based on undiscounted 1998 costs. As of June 30, 1999, Consumers has an accrued liability of $48 million and a regulatory asset for approximately the same amount. 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, eventually allowing 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 July 1, 1999, more than 165,000 customers chose alternative gas suppliers, representing approximately 40 bcf of gas load. Under traditional regulation, Consumers had not been allowed to benefit from reducing its cost of the commodity supplied to its customers, so the loss of commodity sales to these customers will not have any impact on net income. 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 June 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: 7 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 prices 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 of 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.

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 June 30, 1999 and December 31, 1998, accounts receivable included $52 million and $50 million, respectively, due from natural gas producers, and other current liabilities included $52 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. The filing status is currently under review by Trunkline and by FERC.

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.

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 $3.835 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 June 30, 1999, CMS Energy and Enterprises have guaranteed up to $557 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 $306 million. At June 30, 1999, the total amount utilized under the Senior Credit Facilities was $700 million, including $41 million of contingent obligations, and under the unsecured lines of credit and letters of credit was $75 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 June 30, 1999, this entire bridge loan facility had been repaid.

At June 30, 1999, CMS Energy had $116 million of Series A GTNs, $117 million of Series B GTNs, $150 million of Series C GTNs, $200 million of Series D GTNs, and $148 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 7.0 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 June 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 $475 million and $425 million of long-term securities with maturities up to 30 years for refinancing purposes and for general corporate purposes, respectively.

Consumers had an unsecured $425 million credit facility. In July 1999, Consumers renegotiated this facility in the reduced amount of $300 million. Consumers also has unsecured lines of credit aggregating $120 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At June 30, 1999, a total of $264 million was outstanding at a weighted average interest rate of 6.1 percent, compared with $255 million outstanding at June 30, 1998, at a weighted average interest rate of 6.0 percent. In January 1999, Consumers renegotiated a variable-to-fixed interest rate swap totaling $175 million in order to reduce the impact of interest rate fluctuations.

Consumers also has in place a $325 million trade receivables sale program. At June 30, 1999 and 1998, receivables sold under the program totaled $266 million and $236 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.

Under the provisions of its Articles of Incorporation, Consumers had $319 million of unrestricted retained earnings available to pay common dividends at June 30, 1999. In May 1999, Consumers declared and paid a $76 million common dividend. In July 1999, Consumers declared a $35 million common dividend payable in August 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 August 1999, Panhandle initiated an exchange offer which will replace the $800 million of notes originally issued by CMS Panhandle Holding with substantially identical SEC-registered notes. Panhandle expects to complete the exchange offer by early September 1999.

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, six and twelve months ended June 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 June 30, 1999 and 1998 are based on 25.87 percent and 25.27 percent, respectively, of the income of Consumers Gas Group.

COMPUTATION OF EARNINGS PER SHARE:

	In Millions, Except Per Share Amounts					
	Three Months Ended June 30		Six Months Ended June 30		Twelve Months Ended June 30	
	1999	1998	1999	1998 (a)	1999	1998 (a)
NET INCOME APPLICABLE TO BASIC AND DILUTED EPS						
Consolidated Net Income	$ 75	$ 65	$173	$153	$305	$272
Net Income Attributable to Common Stocks:						
CMS Energy - Basic EPS	$ 74	$ 64	$162	$143	$291	$258
Add conversion of 7.75% Trust Preferred Securities (net of tax)	2	2	4	4	9	9
CMS Energy - Diluted EPS	$ 76	$ 66	$166	$147	$300	$267
Class G:						
Basic and Diluted EPS	$ 1	$ 1	$ 11	$ 10	$ 14	$ 14
AVERAGE COMMON SHARES OUTSTANDING APPLICABLE TO BASIC AND DILUTED EPS						
CMS Energy:						
Average Shares - Basic	109	101	108	101	106	99
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	106	113	106	111	104
Class G:						
Average Shares						
Basic and Diluted	9	8	9	8	8	8
EARNINGS PER AVERAGE COMMON SHARE						
CMS Energy:						
Basic	$.68	$.63	$1.50	$1.42	$2.75	$2.60
Diluted	$.67	$.62	$1.48	$1.39	$2.71	$2.57
Class G:						
Basic and Diluted	$.10	$.12	$1.28	$1.20	$1.65	$1.71

(a) Includes the cumulative effect of an accounting change in the first quarter of 1998 which increased net income attributible 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 July 1999, the Board of Directors declared a quarterly dividend of $.365 per share on CMS Energy Common Stock and $.34 per share on Class G Common Stock, payable in August 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 commodity price risk management activities for 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 June 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 June 30, 1999, no letter of credit was posted by either party to the agreement. As of June 30, 1999, the fair value of this contract is $11 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 $790 million at June 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 $1.3 billion at June 30, 1999, which includes $515 million, $250 million and $440 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at June 30, 1999 was $21 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	
	June 30, 1999	December 31, 1998
Identifiable Assets		
Electric utility (a)	$ 4,610	$ 4,640
Gas utility (a)	1,636	1,726
Independent power production	2,585	2,252
Oil and gas exploration and production	567	547
Natural gas transmission, storage and processing	3,388	971
Marketing, services and trading	167	152
Other	1,194	1,022
	$14,147	$11,310

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

ARTHUR ANDERSEN LLP

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 June 30, 1999 and 1998, and the related consolidated statements of income and common stockholders' equity for the three-month, six-month and twelve-month periods then ended and the related consolidated statements of cash flows for the six-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, 1998, 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.

Arthur Andersen LLP

Detroit, Michigan,
August 12, 1999.

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 the principal 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		
June 30	1999	1998	Change
Three months ended	$ 68	$ 60	$ 8
Six months ended	177	162	15
Twelve months ended	327	305	22

Net income available to the common stockholder was $68 million for the three months ended June 30, 1999 compared to $60 million for the same 1998 period. The $8 million earnings increase was due to higher electric and gas deliveries resulting from growth and lower electric power supply costs. The increased deliveries were partially offset by higher operating costs related to the additional electric and gas deliveries. Net income for the six months ended June 30, 1999 was $177 million compared to $162 million for the same period in 1998. The $15 million earnings increase was due to higher electric deliveries resulting from growth and above-average temperatures, higher gas deliveries as a result of a more normal heating season compared to 1998, reduced power supply costs, and changes in regulation which allow Consumers to benefit from reduced gas costs. These increases were partially offset by higher operating costs related to the additional deliveries 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 June 30, 1999 was $327 million compared to $305 million for the same period in 1998. The $22 million earnings increase was due to higher electric and gas deliveries and from changes in

regulation which allow Consumers to benefit from lower electric power supply costs and reduced gas costs. Partially offsetting these increases in earnings were additional operating expenses, 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:

June 30	1999	1998	Change
	In Millions		
Three months ended	$ 122	$ 107	$ 15
Six months ended	256	226	30
Twelve months ended	505	448	57

Electric pretax operating income was $122 million for the three months ended June 30, 1999 compared to $107 million for the same period in 1998. The $15 million earnings increase was due to higher electric deliveries and reduced power supply costs. The earnings increase was partially offset by increased operating expenses, as a result of additional electric deliveries, and depreciation costs for new property and equipment. Electric pretax operating income was $256 million for the six months ended June 30, 1999 compared to $226 million for the same period in 1998. The $30 million earnings increase was due to higher electric deliveries and reduced power supply costs. This earnings increase was partially offset by increased operating expenses as a result of additional electric deliveries and depreciation costs for new property and equipment. Electric pretax operating income was $505 million for the twelve months ended June 30, 1999 compared to $448 million for the same period in 1998. The $57 million earnings increase was due to higher electric deliveries and changes in regulation, which after 1997 provided Consumers the opportunity to benefit from reduced power supply costs. The earnings increase for the twelve months ended June 30, 1999 was also partially offset by increased operating expenses and depreciation as discussed above. The following table quantifies these impacts on Pretax Operating Income:

Change Compared to Prior Year	Three Months Ended June 30 1999 vs 1998	Six Months Ended June 30 1999 vs 1998	Twelve Months Ended June 30 1999 vs 1998
	In Millions		
Electric deliveries	$ 12	$ 23	$ 50
Power supply costs	14	18	39
Rate increases and other non-commodity revenue	(3)	(4)	(6)
Operations and maintenance	(5)	(3)	(17)
General taxes and depreciation	(3)	(4)	(9)
Total change	$ 15	$ 30	$ 57

ELECTRIC DELIVERIES: Total electric deliveries for the three months, six months and twelve months ended June 30, 1999, increased in all customer classes. Electric deliveries were 10.3 billion kWh for the three months ended June 30, 1999, an increase of 6.0 percent. Electric deliveries were 20.3 billion kWh for the six months ended June 30, 1999, an increase of 5.0 percent. Electric deliveries were 41 billion kWh for the twelve months ended June 30, 1999, an increase of 4.6 percent.

POWER COSTS:

June 30	1999	1998	Change
	In Millions		
Three months ended	$ 293	$ 312	$ (19)
Six months ended	571	583	(12)
Twelve months ended	1,164	1,170	(6)

Power costs decreased for the three month period ended June 30, 1999 compared to the same 1998 period as a result of lower power purchase costs. Power costs also decreased for the six months and twelve months ended June 30, 1999 compared to the same period in 1998 for the same reason.

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, 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 Facility; 4) electric industry restructuring; 5) implementation of a frozen PSCR and initiatives to be undertaken to reduce exposure to high energy prices; 6) underrecoveries associated with power purchases from the MCV Partnership; and 7) 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:

June 30	1999	1998	Change
	In Millions		
Three months ended	$ 16	$ 21	$ (5)
Six months ended	94	75	19
Twelve months ended	145	127	18

Gas pretax operating income was $16 million for the three months ended June 30, 1999 compared to $21 million for the same period in 1998. The decrease of $5 million was primarily the result of increased operating costs related to higher gas deliveries and higher depreciation cost for new property and equipment. For the six months ended June 30, 1999, gas pretax operating income was $94 million compared to $75 million for the same period in 1998. The increase of $19 million was the result of increased gas deliveries due to colder temperatures during the 1999 heating season and changes in gas regulation, 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. The increased deliveries were partially offset by increased depreciation costs and general tax expense associated with new property and equipment and higher

operation and maintenance costs for the additional deliveries. Gas pretax operating income was $145 million for the twelve month period ended June 30, 1999 compared to $127 million for the same period in 1998. The increase of $18 million was the result of increased gas sales during the winter heating season, the suspension of Consumers' GCR clause during 1998 as discussed above, increased wholesale and retail services activities, and lower operation and maintenance costs due to cost controls. This increase in pretax operating income for the twelve month period ended June 30, 1999 was partially offset by higher depreciation costs and general tax expense associated with new property and equipment. The following table quantifies these impacts on Pretax Operating Income:

	In Millions		
Change Compared to Prior Year	Three Months Ended June 30 1999 vs 1998	Six Months Ended June 30 1999 vs 1998	Twelve Months Ended June 30 1999 vs 1998
Gas deliveries	$ 2	$ 22	$ 10
Gas cost	(2)	12	24
Gas wholesale and retail services activities	1	2	5
Operation and maintenance	(5)	(5)	4
General taxes, depreciation and other	(1)	(12)	(25)
Total increase (decrease) in pretax operating income	$ (5)	$ 19	$ 18

GAS DELIVERIES: System deliveries for the three month period ended June 30, 1999, including miscellaneous transportation, were 62.5 bcf compared to 61.3 bcf for the same 1998 period. This increase of 1.8 percent was primarily due to growth during the period. System deliveries for the six month period ended June 30, 1999, including miscellaneous transportation, were 228.7 bcf compared to 207.8 bcf for the same 1998 period. This increase of 20.9 bcf or 10.1 percent was primarily due to colder temperatures during the 1999 heating season. System deliveries for the twelve month period ended June 30, 1999, including miscellaneous transportation, were 380.7 bcf compared to 383.6 bcf for the same 1998 period. This decrease of 0.7 percent was primarily the result of reduced gas transported to the MCV Facility.

COST OF GAS SOLD:

	In Millions		
June 30	1999	1998	Change
Three months ended	$ 78	$ 74	$ 4
Six months ended	384	338	46
Twelve months ended	609	600	9

The cost increases for the three month period ended June 30, 1999 was the result of increased gas deliveries due to growth during this period. The cost increases for the six month period and the twelve month period ended June 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 operations, from the sale and transportation of natural gas and the generation, transmission and sale of electricity. Cash from operations totaled $460 million and $325 million for the first six months of 1999 and 1998, respectively. The $135 million increase resulted primarily from higher electric and gas sales, a $61 million decrease in gas and coal inventories and a $59 million increase in the sale of accounts receivable. Consumers uses operating cash primarily to maintain and expand electric and gas systems, to retire portions of long-term debt, and to pay dividends.

INVESTING ACTIVITIES: Cash used in investing activities totaled $(238) million and $(174) million for the first six months of 1999 and 1998, respectively. The change of $64 million was primarily the result of a $33 million increase in capital expenditures and the absence of $27 million proceeds from the 1998 sale of two non-utility partnerships.

FINANCING ACTIVITIES: Cash used in financing activities totaled $(218) million for the first six months of 1999 compared to zero in the first six months of 1998. The change of $218 million is primarily the result of a $129 million net decrease in proceeds from the refinancing and issuance of Consumers' debt in 1998, $200 million retirement of preferred stock, a $44 million increase in the payment of common stock dividends offset by $150 million of paid 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 is authorized by FERC to issue securities and guarantees. Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds needed to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 3, Short-Term Financings and Capitalization.

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.

Years Ended December 31	1999	2000	2001
	In Millions		
Construction	$470	$539	$609
Nuclear fuel lease	11	-	19
Capital leases other than nuclear fuel	19	26	22
	$500	$565	$650
Electric utility operations (a)	$375	$435	$520
Gas utility operations (a)	125	130	130
	$500	$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 2.3 percent per year in electric system deliveries over the next five years, absent the impact of restructuring on the industry and changed regulation in Michigan. Abnormal weather, changing economic conditions, or the developing competitive market for electricity may affect actual electric sales in future periods.

RESTRUCTURING: Consumers' retail electric business is affected by competition. To meet its challenges, Consumers entered into 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 customers have the option of terminating their contracts early.

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, while Detroit Edison contends that the pool agreement should be terminated immediately. Among Consumers' alternatives in the event of the pool being terminated would be joining an independent system operator. 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' earnings are in excess of its authorized rate of return and seeking an immediate reduction in Consumers' electric rates. In May 1999, the MPSC issued an order reversing an April 1999 decision of an ALJ which explicitly restricted the scope of the current proceeding to a determination of whether there should be a subsequent rate case proceeding to examine Consumers' electric rates, however, the order confirmed that ABATE and intervenors bear the burden of persuading the MPSC in this matter that a rate reduction is warranted. In the absence of meeting that burden, Consumers' rates will remain unchanged. 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 and, if uncorrected, could cause Consumers 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, 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. 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. 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. 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 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.

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 of these businesses and their risk through readiness assessment questionnaires.

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

	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	96%	9/99	95%	6/99	100%
Operating Services	3/98	100%	6/99	100%	9/99	99%	6/99	100%
Information Technology	3/98	100%	9/99	99%	9/99	99%	6/99	100%
Essential Goods & Services	7/99	75%		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 cost for software modifications as incurred, and capitalizes and amortizes the cost for new software and equipment over its useful life. The total estimated cost of the Year 2000 Program is $22 million. Costs incurred through June 30, 1999 were $18 million. Consumers' annual Year 2000 Program costs represent approximately 1% to 10% of a typical Consumers' annual information technology budget. Year 2000 compliance work is being funded primarily from operations. To date, the commitment of Consumers resources to the year 2000 issue has not deferred any information technology projects which could have a material adverse affect 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, 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 in place and will be executed, if necessary, to further mitigate the risks associated with these scenarios.

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 so that in the event that 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 national electric and gas industry associations, other Michigan utilities and state

government agencies to address external factors which could affect energy delivery and to 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. 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 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, all derivative financial instruments are entered into 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 $15 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 June 30, 1999, Consumers had outstanding $485 million of variable-rate debt. In order to minimize adverse interest-rate changes, Consumers entered into fixed interest-rate swaps for a notional amount of $190 million. Assuming a hypothetical 10 percent adverse change in market interest rates, Consumers' exposure to earnings is limited to $3 million. As of June 30, 1999, Consumers has outstanding fixed-rate debt including fixed-rate swaps of $2.143 billion with a fair value of $2.104 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," as well as variations of such words and similar expressions, are intended to identify forward-looking statements that involve risk and uncertainty. These statements are based upon various assumptions involving judgments with respect to 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; year 2000 readiness; and other uncertainties, all of which are difficult to predict and many of which 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 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 Consumers with the SEC.

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

JUNE 30	THREE MONTHS ENDED 1999	1998	SIX MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
						In Millions
OPERATING REVENUE						
Electric	$ 663	$ 649	$1,299	$1,261	$2,644	$2,558
Gas	175	170	681	599	1,133	1,085
Other	12	13	27	23	55	53
	850	832	2,007	1,883	3,832	3,696
OPERATING EXPENSES						
Operation						
Fuel for electric generation	88	80	164	151	330	308
Purchased power - related parties	139	144	278	290	562	592
Purchased and interchange power	66	88	129	142	272	270
Cost of gas sold	78	74	384	338	609	600
Other	152	130	281	262	563	544
	523	516	1,236	1,183	2,336	2,314
Maintenance	41	42	79	78	174	168
Depreciation, depletion and amortization	92	88	213	198	417	390
General taxes	45	45	103	100	204	197
	701	691	1,631	1,559	3,131	3,069
PRETAX OPERATING INCOME						
Electric	122	107	256	226	505	448
Gas	16	21	94	75	145	127
Other	11	13	26	23	51	52
	149	141	376	324	701	627
OTHER INCOME (DEDUCTIONS)						
Loss on MCV power purchases	-	-	-	(37)	-	(37)
Dividends and interest from affiliates	3	4	6	8	13	22
Accretion income	1	1	2	3	5	7
Accretion expense	(4)	(4)	(7)	(8)	(15)	(17)
Other, net	7	-	8	2	5	1
	7	1	9	(32)	8	(24)
INTEREST CHARGES						
Interest on long-term debt	35	35	70	68	139	137
Other interest	9	8	17	19	36	39
Capitalized interest	-	-	-	-	(1)	(1)
	44	43	87	87	174	175
NET INCOME BEFORE INCOME TAXES	112	99	298	205	535	428
INCOME TAXES	39	30	107	67	175	129
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	73	69	191	138	360	299
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $23 TAX	-	-	-	43	-	43
NET INCOME	73	69	191	181	360	342
PREFERRED STOCK DIVIDENDS	-	5	5	10	15	21
PREFERRED SECURITIES DISTRIBUTIONS	5	4	9	9	18	16
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 68	$ 60	$ 177	$ 162	$ 327	$ 305

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

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

JUNE 30	SIX MONTHS ENDED 1999	SIX MONTHS ENDED 1998	TWELVE MONTHS ENDED 1999	TWELVE MONTHS ENDED 1998
				In Millions
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 191	$ 181	$ 360	$ 342
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization (includes nuclear decommissioning of $24, $25, $51 and $50, respectively)	213	198	417	390
Loss on MCV power purchases	-	37	-	37
Capital lease and other amortization	20	21	34	44
Accretion expense	7	8	15	17
Deferred income taxes and investment tax credit	6	27	-	24
Accretion income - abandoned Midland project	(2)	(3)	(5)	(7)
Undistributed earnings of related parties	(27)	(24)	(53)	(50)
MCV power purchases	(28)	(32)	(60)	(64)
Cumulative effect of accounting change	-	(66)	-	(66)
Changes in other assets and liabilities	80	(22)	55	6
Net cash provided by operating activities	460	325	763	673
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures (excludes assets placed under capital lease)	(192)	(159)	(401)	(355)
Cost to retire property, net	(39)	(44)	(79)	(61)
Investments in nuclear decommissioning trust funds	(24)	(25)	(51)	(50)
Investment in Electric Restructuring Implementation Plan	(11)	(3)	(28)	(6)
Proceeds from FMLP	7	-	19	-
Proceeds from nuclear decommissioning trust funds	21	27	47	27
Proceeds from the sale of two non-utility partnerships	-	27	-	27
Associated company preferred stock redemption	-	-	50	-
Other	-	3	2	54
Net cash used in investing activities	(238)	(174)	(441)	(364)
CASH FLOWS FROM FINANCING ACTIVITIES				
Retirement of preferred stock	(200)	-	(200)	(118)
Payment of common stock dividends	(173)	(129)	(285)	(278)
Retirement of bonds and other long-term debt	(23)	(622)	(206)	(673)
Payment of capital lease obligations	(18)	(22)	(29)	(46)
Payment of preferred stock dividends	(9)	(10)	(19)	(25)
Preferred securities distributions	(9)	(9)	(18)	(16)
Proceeds from bank loans	15	-	15	-
Increase (decrease) in notes payable, net	49	(122)	9	14
Proceeds from senior notes	-	914	132	914
Contribution from (return of equity to) stockholder	150	-	150	(50)
Proceeds from Trust Preferred Securities	-	-	-	116
Net cash provided by (used in) financing activities	(218)	-	(451)	(162)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	4	151	(129)	147
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	25	7	158	11
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 29	$ 158	$ 29	$ 158

JUNE 30	SIX 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)	$ 82	$ 83	$160	$166
Income taxes paid (net of refunds)	95	79	170	113
NON-CASH TRANSACTIONS				
Nuclear fuel placed under capital lease	$ (2)	$ 15	$ 28	$ 16
Other assets placed under capital leases	7	7	14	10

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	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
			In Millions
PLANT (AT ORIGINAL COST)			
Electric	$6,832	$6,720	$6,579
Gas	2,394	2,360	2,307
Other	25	25	23
	9,251	9,105	8,909
Less accumulated depreciation, depletion and amortization	5,493	4,862	4,707
	3,758	4,243	4,202
Construction work-in-progress	171	165	166
	3,929	4,408	4,368
INVESTMENTS			
Stock of affiliates	222	241	278
First Midland Limited Partnership	238	240	247
Midland Cogeneration Venture Limited Partnership	230	209	189
	690	690	714
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	29	25	158
Accounts receivable and accrued revenue, less allowances of $4, $5 and $5, respectively	102	114	76
Accounts receivable - related parties	59	63	71
Inventories at average cost			
Gas in underground storage	166	219	178
Materials and supplies	51	67	63
Generating plant fuel stock	32	43	35
Postretirement benefits	25	25	25
Prepaid property taxes and other	82	162	148
	546	718	754
NON-CURRENT ASSETS			
Regulatory assets			
Unamortized nuclear costs	521	-	-
Postretirement benefits	356	372	388
Abandoned Midland Project	60	71	83
Other	116	133	135
Nuclear decommissioning trust funds	581	557	521
Other	206	214	113
	1,840	1,347	1,240
TOTAL ASSETS	$7,005	$7,163	$7,076

STOCKHOLDERS' INVESTMENT AND LIABILITIES	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholder's equity			
Common stock	$ 841	$ 841	$ 841
Paid-in capital	645	502	452
Revaluation capital	57	68	59
Retained earnings since December 31, 1992	438	434	396
	1,981	1,845	1,748
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	2,008	2,007	2,159
Non-current portion of capital leases	88	100	77
	4,341	4,410	4,442
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	148	152	94
Notes payable	264	215	255
Accounts payable	157	190	150
Accrued taxes	160	238	154
Accounts payable - related parties	82	79	76
Power purchases	47	47	47
Accrued interest	35	36	31
Deferred income taxes	9	9	12
Accrued refunds	14	11	11
Other	151	138	139
	1,067	1,115	969
NON-CURRENT LIABILITIES			
Deferred income taxes	641	666	680
Post-retirement benefits	436	456	474
Deferred investment tax credit	129	134	144
Regulatory liabilities for income taxes, net	115	87	59
Power purchases	101	121	146
Other	175	174	162
	1,597	1,638	1,665
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 7,005	$ 7,163	$ 7,076

(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)

JUNE 30	THREE MONTHS ENDED 1999	1998	SIX 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	495	452	502	452	452	504
Stockholder's contribution	150	-	150	-	250	-
Return of stockholder's contribution	-	-	-	-	(50)	(50)
Capital stock reacquired	-	-	(7)	-	(7)	(2)
At end of period	645	452	645	452	645	452
REVALUATION CAPITAL						
At beginning of period	54	65	68	58	59	41
Change in unrealized investment - gain (loss) (a)	3	(6)	(11)	1	(2)	18
At end of period	57	59	57	59	57	59
RETAINED EARNINGS						
At beginning of period	446	385	434	363	396	368
Net income (a)	73	69	191	181	360	342
Common stock dividends declared	(76)	(49)	(173)	(129)	(285)	(277)
Preferred stock dividends declared	-	(5)	(5)	(10)	(15)	(21)
Preferred securities distributions	(5)	(4)	(9)	(9)	(18)	(16)
At end of period	438	396	438	396	438	396
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 1,981	$ 1,748	$ 1,981	$ 1,748	$ 1,981	$ 1,748
(a) DISCLOSURE OF COMPREHENSIVE INCOME:						
Revaluation capital						
Unrealized investment - gain (loss), net of tax of $2, $(3), $(6), $-, $(1) and $10, respectively	$ 3	$ (6)	$ (11)	$ 1	$ (2)	$ 18
Net income	73	69	191	181	360	342
Total Comprehensive Income	$ 76	$ 63	$ 180	$ 182	$ 358	$ 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 the principal 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 revenues, expenses, assets and liabilities are recognized.

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 expects 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 June 30, 1999, Consumers had a net investment in energy supply facilities of $924 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, and in 1997 the EPA revised these standards. The anticipated effect of these revisions was to impose further limitations on nitrogen oxide and small particulate-related emissions. A United States Court of Appeals recently ruled however, that the EPA's revision of the standards was an unconstitutional delegation of legislative power. As a result, the standards will not be implemented unless the issue relating to the

unconstitutional delegation of legislative power is resolved. The EPA has requested a rehearing of this ruling.

In September 1998, based in part upon the 1997 standards, the EPA Administrator signed 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. The United States Court of Appeals recently granted an indefinite stay of the submission date for the 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. If a court were to order the EPA to adopt the State of Michigan's proposed positions then compliance costs could be less than the preliminary estimated amounts.

The preliminary estimate of capital expenditures to reduce nitrogen oxide-related emissions for Consumers' fossil-fueled generating units is approximately $290 million. Consumers anticipates that these capital expenditures will be incurred between 1999 and 2004. Consumers may need an equivalent amount of capital expenditures, plus $10 million per year for operation and maintenance costs, to comply with the new small particulate standards.

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 June 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 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; 3) suspension of the PSCR clause as discussed below; and 4) 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 will 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 the plan, Consumers proposed to phase in 750 MW of retail customer open access load over the 1998-2001 period. In March 1999, Consumers received MPSC electric restructuring orders, which generally supported Consumers' implementation plan. Consumers is in the process of implementing electric customer retail open access.

There are numerous appeals pending at the Court of Appeals relating to the MPSC's restructuring orders, including appeals by Consumers. 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, and its appeal generally is limited to this jurisdictional issue. 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. The MPSC is expected to issue an order addressing this subject in the third quarter 1999. 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 program, customers buying electricity from Consumers as traditional customers 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, any change in power supply costs was passed through to such customers. In order to reduce the risk of high energy prices during peak demand periods, Consumers has agreements to purchase, in 1999, approximately $19 million of options to insure a reliable source of capacity during the months of June through September 1999. Consumers is planning to have sufficient generation and purchased capacity for approximately a 16 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 capacity and 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 an independent 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 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 expeditiously. 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-

June 30	Six Months Ended 1999	1998	Twelve Months Ended 1999	1998
	In Millions			
Pretax operating income	$ 26	$ 23	$ 51	$ 51
Income taxes and other	8	7	16	16
Net income	$ 18	$ 16	$ 35	$ 35

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 this capacity, Consumers expects to recover these increases through an adjustment to the currently frozen PSCR level, which is currently under consideration by the MPSC. 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 supply PECO with electric generating capacity 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 transaction. In an order issued on April 30, 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. Consumers and other parties have filed petitions for clarification and rehearing which request that the MPSC clarify certain aspects of its order. The MPSC has not yet acted on this request.

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 June 30, 1999 and June 30, 1998, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $96 million and $126 million, respectively. At June 30, 1999, the undiscounted after-tax amount associated with this liability totaled $153 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 $17 million as of June 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	$ 29	$ 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 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 June 30, 1999 Consumers had loaded 14 dry storage casks with spent nuclear fuel at Palisades and plans to load four additional casks in 1999 pending approval by the NRC. 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.

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 17 weeks of any outage, but would cover most of such costs during the next 58 weeks of the outage, followed by reduced coverage to 80 percent for two additional years. 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. 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 June 30, 1999, Consumers had an investment in nuclear decommissioning trust funds of $400 million for Palisades and $181 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 six months of 1999, Consumers spent $24 million for the decommissioning and withdrew $21 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has spent $99 million for the decommissioning and withdrew $90 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 $375 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. By late 1999, Consumers expects to have completed sufficient investigation of the 23 sites to make a more accurate estimate of remediation methods and costs. 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 estimates its costs related to investigation and remedial action for all 23 sites between $48 million and $98 million, of which Consumers accrued a liability for $48 million. These estimates are based on undiscounted 1998 costs. As of June 30, 1999, Consumers has an accrued liability of $48 million and a regulatory asset for approximately the same amount. 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, eventually allowing 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 July 1, 1999, more than 165,000 customers chose alternative gas suppliers, representing approximately 40 bcf of gas load. Under traditional regulation, Consumers had not been allowed to benefit from reducing its cost of the commodity supplied to its customers, so the loss of commodity sales to these customers will not have any impact on net income. 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 June 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: 7 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 prices 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 June 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 $475 million and $425 million of long-term securities with maturities up to 30 years for refinancing purposes and for general corporate purposes, respectively.

SHORT-TERM FINANCING: Consumers had an unsecured $425 million credit facility. In July 1999, Consumers renegotiated this facility in the reduced amount of $300 million. Consumers also has unsecured lines of credit aggregating $120 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At June 30, 1999, a total of $264 million was outstanding at a weighted average interest rate of 6.1 percent, compared with $255 million outstanding at June 30, 1998, at a weighted average interest rate of 6.0 percent. In January 1999, Consumers renegotiated a variable-to-fixed interest rate swap totaling $175 million in order to reduce the impact of interest rate fluctuations.

Consumers also has in place a $325 million trade receivables sale program. At June 30, 1999 and 1998, receivables sold under the program totaled $266 million and $236 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.

Under the provisions of its Articles of Incorporation, Consumers had $319 million of unrestricted retained earnings available to pay common dividends at June 30, 1999. In May 1999, Consumers declared and paid a $76 million common dividend. In July 1999, Consumers declared a $35 million common dividend payable in August 1999.

ARTHUR ANDERSEN LLP

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 June 30, 1999 and 1998, and the related consolidated statements of income and common stockholder's equity for the three-month, six-month and twelve-month periods then ended, and the related statements of cash flows for the six-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.

Arthur Andersen LLP

Detroit, Michigan,
August 12, 1999.

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 expects to complete the exchange offer by early 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		
June 30	1999	1998	Change
Six Months Ended	$ 48	$ 53	$(5)

For the three months ended June 30, 1999, net income was $14 million, down $4 million from the comparable period in 1998. Total natural gas transportation volumes for the three months ended June 30, 1999 decreased 9 percent from the same period in 1998. For the six months ended June 30, 1999, net income was $48 million, down $5 million from the comparable period in 1998. Total natural gas transportation volumes for the six months ended June 30, 1999 decreased 5 percent from the same period in 1998.

Revenues for the three months and the six months ended June 30, 1999 decreased $8 million and $15 million, respectively, from the comparable periods in 1998 due primarily to decreased reservation revenues, the transfer of Panhandle Field Services to Duke Energy in March 1999, and lower transportation volumes in 1999.

Operating expenses for the three months and the six months ended June 30, 1999 decreased $6 million and $12 million, respectively, from the comparable 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 six months ended June 30, 1999 increased $13 million from the comparable periods in 1998 primarily due to interest on the new debt assumed by Panhandle (See Note 11). Other interest decreased $13 million for the three months and six months ended June 30, 1999 from the comparable 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:

	In Millions
Change Compared to Prior Year	Six Months Ended June 30 1999 vs. 1998

Commodity revenue	$ (2)
Reservation and other revenues	(13)
Operations and maintenance	13
General taxes	(1)
Total Change	$ (3)

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 $81 million and $85 million for the first six months of 1999 and 1998, respectively. Panhandle uses operating cash primarily to maintain and expand its gas systems.

INVESTING ACTIVITIES: Panhandle's consolidated net cash used in investing activities totaled $1.9 billion and $85 million for the first six 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 six 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 expected to be 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 future operating results.

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.

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 has 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 June 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 JUNE 30		Mar. 29- June 30,	Jan. 1 - Mar. 28,	Six Months Ended June 30,
	1999	1998	1999	1999	1998
OPERATING REVENUE					
Transportation and storage of natural gas	$ 97	$105	$101	$123	$237
Other	6	6	6	5	13
Total operating revenue	103	111	107	128	250
OPERATING EXPENSES					
Operation and maintenance	38	45	40	40	93
Depreciation and amortization	16	16	16	14	30
General taxes	7	6	7	7	13
Total operating expenses	61	67	63	61	136
OPERATING INCOME	42	44	44	67	114
OTHER, NET	1	3	1	4	9
EARNINGS BEFORE INTEREST AND TAXES	43	47	45	71	123
FIXED CHARGES					
Interest on long-term debt	20	6	20	5	12
Other interest	-	13	-	13	26
Total Fixed Charges	20	19	20	18	38
NET INCOME BEFORE INCOME TAXES	23	28	25	53	85
INCOME TAXES	9	10	10	20	32
CONSOLIDATED NET INCOME	$ 14	$ 18	$ 15	$ 33	$ 53

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

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

	March 29 - June 30, 1999	January 1 - March 28, 1999	Six Months Ended June 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 15	$ 33	$ 53
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16	14	30
Deferred income taxes	8	-	(6)
Changes in current assets and liabilities	25	(29)	7
Other, net	(4)	3	1
Net cash provided by operating activities	60	21	85
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Panhandle	(1,900)	-	-
Capital and investment expenditures	(8)	(4)	(41)
Net decrease (increase) in advances receivable - parent	-	(17)	(42)
Retirements and other	-	-	(2)
Net cash used in investing activities	(1,908)	(21)	(85)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from parent	1,116	-	-
Proceeds from senior notes	785	-	-
Net decrease (increase) in note receivable - parent	(40)	-	-
Dividends paid	(13)	-	-
Net cash provided by financing activities	1,848	-	-
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)	$ -	$ 12	$ 38
Income taxes paid (net of refunds)	2	37	56

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

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

	June 30, 1999 (Unaudited)	December 31, 1998
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$1,495	$2,760
Less accumulated depreciation and amortization	25	1,798
Sub-total	1,470	962
Construction work-in-progress	13	17
Net property, plant and equipment	1,483	979
INVESTMENTS		
Advances receivable - related parties	-	738
Investment in affiliates	1	44
Other	-	6
Total investments and other assets	1	788
CURRENT ASSETS		
Receivables	84	94
Inventory and supplies	54	55
Deferred income taxes	11	2
Current portion of regulatory assets	-	6
Note receivable - related parties	40	-
Other	25	23
Total current assets	214	180
NON-CURRENT ASSETS		
Goodwill, net	695	-
Deferred income taxes	6	-
Debt expense	12	11
Other	2	15
Total non-current assets	715	26
TOTAL ASSETS	$2,413	$1,973

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

	June 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	2	91
Total common stockholder's equity	1,130	558
Long-term debt	1,094	299
Total capitalization	2,224	857
CURRENT LIABILITIES		
Note payable - PanEnergy	-	675
Accounts payable	2	56
Accrued taxes	7	58
Accrued interest	22	8
Other	107	117
Total current liabilities	138	914
NON-CURRENT LIABILITIES		
Deferred income taxes	-	99
Other	51	103
Total non-current liabilities	51	202
COMMITMENTS AND CONTINGENCIES (NOTES 6 AND 7)		
TOTAL STOCKHOLDER'S INVESTMENT AND LIABILITIES	$2,413	$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 - June 30, 1999	January 1 - March 28, 1999	Six Months Ended June 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	15	33	53
Assumption of net liability by PanEnergy	-	57	-
Common stock dividends	(13)	(81)	(2)
At end of period	2	101	85
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 1,130	$ 568	$ 552

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

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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 expects to complete the exchange offer by early 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, the financial statements will 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	699
Regulatory Assets, Net	(15)
Liabilities	(25)
Other	5
Total	$ 1,309

Goodwill of approximately $699 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 will 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.

Proforma 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		
	Six Months Ended June 30, 1998	Six Months Ended June 30, 1998	Year Ended December 31, 1998
Revenues	$ 231	$ 235	$ 470
Net Income	41	39	60
Total Assets	2,413	2,465	2,477

2. REGULATORY MATTERS

Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. Hearings were completed in October of 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.

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 June 30, 1999 and December 31, 1998, accounts receivable included $52 million and $50 million, respectively, due from natural gas producers, and other current liabilities included $52 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. The filing status is currently under review by Trunkline and by FERC.

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.

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	
	June 30, 1999	December 31, 1998
Receivables	$ 6	$ 2
Accounts payable	-	46
Taxes accrued	(1)	35

Interest charges included $14 million for the three months ended June 30, 1998; $13 million and $28 million for the six months ended June 30, 1999 and 1998, respectively, for interest associated with notes payable to a subsidiary of Duke Energy.

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 June 30, 1999 and December 31, 1998, other current assets included $18 million and $20 million, respectively, and other current liabilities included $23 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.

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 $48 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 expects to complete the exchange offer by early 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.

ARTHUR ANDERSEN LLP

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 June 30, 1999, and the related consolidated statements of income, common stockholder's equity and cash flows for the three-month and six-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.

ARTHUR ANDERSEN LLP

Houston, Texas
August 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 quarter ended March 31, 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the CMS Energy Annual Meeting of Shareholders held on May 28, 1999, the shareholders ratified the appointment of Arthur Andersen LLP as independent auditors of CMS Energy for the year ended December 31, 1999. The vote was 103,854,969 shares in favor and 386,829 against, with 318,133 abstaining. The CMS Energy shareholders voted on a proposal to amend CMS Energy Corporation's Performance Incentive Stock Plan. The vote was 72,326,489 shares in favor and 23,208,873 against, with 812,690 abstaining. The CMS Energy shareholders also elected all eleven nominees for the office of director. The votes for individual nominees were as follows:

CMS ENERGY CORPORATION

Number of Votes:	For	Against	Total
William T. McCormick, Jr.	103,776,899	783,033	104,559,932
John M. Deutch	103,804,227	755,705	104,559,932
James J. Duderstadt	103,834,522	725,410	104,559,932
Kathleen R. Flaherty	103,859,538	700,394	104,559,932
Victor J. Fryling	103,831,308	728,624	104,559,932
Earl D. Holton	103,851,428	708,504	104,559,932
William U. Parfet	103,825,925	734,007	104,559,932
Percy A. Pierre	103,855,888	704,044	104,559,932
Kenneth L. Way	103,866,848	693,084	104,559,932
Kenneth Whipple	103,856,196	703,736	104,559,932
John B. Yasinsky	103,868,050	691,882	104,559,932

Consumers did not solicit proxies for the matters submitted to votes at the contemporaneous May 28, 1999 Consumers' Annual Meeting of Shareholders. All 84,108,789 shares of Consumers Common Stock were voted in favor of re-electing the above-named individuals as directors of Consumers and in favor of ratifying the appointment of Arthur Andersen LLP as independent auditors of Consumers for the year ended December 31, 1999. None of the 441,599 shares of Consumers Preferred Stock were voted at the Annual Meeting.

ITEM 5. OTHER INFORMATION

A shareholder who intends to submit a proposal for a vote at CMS Energy's 2000 Annual Meeting of Shareholders but which will not be included in CMS Energy's 2000 proxy statement must send the proposal to reach CMS Energy on or before March 6, 2000. The proposals should be addressed to: Mr. Thomas A. McNish, Corporate Secretary, Fairlane Plaza South, Suite 1100, 330 Town Center Drive, Dearborn, Michigan 48126. Failure to timely submit the proposal will allow management to use discretionary voting authority when the proposal is raised at the Annual Meeting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) LIST OF EXHIBITS

(4)(a)	-	Ninth Supplemental Indenture dated as of June 22, 1999 to the Indenture dated September 15, 1992 between CMS Energy and Bank One Trust Company, NA (successor to NBD Bank), as Trustee.
(4)(b)	-	Second Supplemental Indenture dated as of June 1, 1999 to the Indenture dated as of June 1, 1997 between CMS Energy and The Bank of New York, as Trustee. Pursuant to Item 601(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, CMS Energy agrees to furnish a copy of such agreement to the Commission upon request.
(10)(a)	-	Amendment No. 3 dated as of June 22, 1999 to the Credit Agreement dated July 2, 1997, among CMS Energy, the Administrative Agent, Collateral Agent, Documentation Agent, Syndication Agent, Co-Agents and Lead Manager, all as defined therein, and the Exhibits and Schedules thereto.
(10)(b)	-	Employment Agreement dated March 20, 1996 between CMS Energy and Preston D. Hopper
(10)(c)	-	Employment Agreement dated April 29, 1998 between CMS Energy and Bradley W. Fischer
(10)(d)	-	Employment Agreement dated March 29, 1999 between Panhandle Eastern Pipe Line and Christopher A. Helms
(12)	-	CMS Energy: Statements regarding computation of Ratio of Earnings to Fixed Charges
(15)(a)	-	CMS Energy: 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 April 6, 1999 covering matters pursuant to "Item 2. Acquisition of Assets" and "Item 7. Exhibits," on June 29, 1999 covering matters pursuant to "Item 7. Exhibits," on July 1, 1999 covering matters pursuant to "Item 5. Other Events" and "Item 7. Exhibits" and on July 13, 1999 covering matters pursuant to "Item 7. Exhibits."

Panhandle Eastern Pipe Line Company filed a Current Report on Form 8-K on April 5, 1999 covering matters pursuant to "Item 1. Acquisition of Assets," "Item 4. Changes in Registrant's Certifying Accountant," and "Item 7. Exhibits" and filed an amendment to 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."

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."

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: August 12, 1999

By: /s/ A.M. Wright
Alan M. Wright
Senior Vice President and
Chief Financial Officer

CONSUMERS ENERGY COMPANY
(Registrant)

Dated: August 12, 1999

By: /s/ A.M. Wright
Alan M. Wright
Senior Vice President and
Chief Financial Officer

PANHANDLE EASTERN PIPE LINE COMPANY
(Registrant)

Dated: August 12, 1999

By: /s/ A.M. Wright
Alan M. Wright
Senior Vice President and
Chief Financial Officer

INDEX TO EXHIBITS

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

EXHIBIT (4)(a)

NINTH SUPPLEMENTAL INDENTURE
DATED AS OF JUNE 22, 1999

This Ninth Supplemental Indenture, dated as of June 22, 1999 between CMS Energy Corporation, a corporation duly organized and existing under the laws of the State of Michigan (hereinafter called the "Issuer") and having its principal office at Fairlane Plaza South, Suite 1100, 330 Town Center Drive, Dearborn, Michigan 48126, and Bank One Trust Company, NA (successor to NBD Bank, a Michigan banking corporation (hereinafter called the "Trustee") and having its Corporate Trust Office at 611 Woodward Avenue, Detroit, Michigan 48226.

WITNESSETH:

WHEREAS, the Issuer and the Trustee entered into an Indenture, dated as of September 15, 1992 (the "Original Indenture"), pursuant to which one or more series of debt securities of the Issuer (the "Securities") may be issued from time to time; and

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

WHEREAS, Section 8.1(e) of the Original 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, the Issuer has requested the Trustee to join with it in the execution and delivery of this Ninth Supplemental Indenture in order to supplement and amend the Original Indenture by, among other things, establishing the form and terms of a series of Securities to be known as the Issuer's "$250,000,000 Senior Notes, 8% Reset Put Securities, Due 2011 and the $150,000,000 Senior Note, 8 3/8% Reset Put Securities, Due 2013 (individually the "2011 Notes" and the "2013 Notes" and collectively the "Notes"), providing for the issuance of the Notes and amending and adding certain provisions thereof for the benefit of the Holders of the Notes; and

WHEREAS, the Issuer and the Trustee desire to enter into this Ninth Supplemental Indenture for the purposes set forth in Sections 2.3 and 8.1(e) of the Original Indenture as referred to above; and

WHEREAS, the Issuer has furnished the Trustee with a copy of the resolutions of its Board of Directors certified by its Secretary or Assistant Secretary authorizing the execution of this Ninth Supplemental Indenture; and

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

NOW, THEREFORE, THIS NINTH SUPPLEMENTAL INDENTURE WITNESSETH:

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

ARTICLE I
STANDARD PROVISIONS; DEFINITIONS

SECTION 1.01. Standard Provisions. The Original Indenture together with this Ninth Supplemental Indenture and all previous indentures supplemental thereto entered into pursuant to the applicable terms thereof are hereinafter sometimes collectively referred to as the "Indenture." All capitalized terms which are used herein and not otherwise defined herein are defined in the Indenture and are used herein with the same meanings as in the Indenture.

SECTION 1.02. Definitions. Section 1.1 of the Original Indenture is amended to insert the new definitions applicable to the Notes, in the appropriate alphabetical sequence, as follows:

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

"Applicable Premium" means, with respect to a Note (or portion thereof) being redeemed at any time, the excess of (A) the present value at such time of the principal amount of such Note (or portion thereof) being redeemed plus all interest payments due on such present value shall be computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the principal amount of such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

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

"Capital Lease Obligation" of a Person means any obligation that is required to be classified and accounted for as a capital lease on the face of a balance sheet of such Person prepared

in accordance with generally accepted accounting principles; the amount of such obligation shall be the capitalized amount thereof, determined in accordance with generally accepted accounting principles; the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty; and such obligation shall be deemed secured by a Lien on any property or assets to which such lease relates.

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

"Change in Control" means an event or series of events by which (i) the Issuer ceases to own beneficially, directly or indirectly, at least 80% of the total voting power of all classes of Capital Stock then outstanding of Consumers (whether arising from issuance of securities of the Issuer or Consumers, any direct or indirect transfer of securities by the Issuer or Consumers, any merger, consolidation, liquidation or dissolution of the Issuer or Consumers or otherwise); (ii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as such term is used in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have "beneficial ownership" of all shares that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the Voting Stock of the Issuer; or (iii) the Issuer consolidates with or merges into another corporation or directly or indirectly conveys, transfers or leases all or substantially all of its assets to any Person, or any corporation consolidates with or merges into the Issuer, in either event pursuant to a transaction in which the outstanding Voting Stock of the Issuer is changed into or exchanged for cash, securities, or other property, other than any such transaction in which (A) the outstanding Voting Stock of the Issuer is changed into or exchanged for Voting Stock of the surviving corporation and (B) the holders of the Voting Stock of the Issuer immediately prior to such transaction retain, directly or indirectly, substantially proportionate ownership of the Voting Stock of the surviving corporation immediately after such transaction.

"CMS Electric and Gas" means CMS Electric and Gas Company, a Michigan corporation and wholly-owned subsidiary of Enterprises.

"CMS Gas Transmission and Storage" means CMS Gas Transmission and Storage Company, a Michigan corporation and wholly-owned subsidiary of Enterprises.

"CMS Generation" means CMS Generation Co., a Michigan corporation and wholly-owned subsidiary of Enterprises.

"CMS MST" means CMS Marketing, Services and Trading Company, a Michigan corporation and wholly-owned subsidiary of Enterprises.

"CMS Oil & Gas" means CMS Oil & Gas Co. (formerly known as CMS NOMECO Oil & Gas Co.), a Michigan corporation and wholly-owned subsidiary of Enterprises.

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

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

"Consolidated Current Liabilities" means, for any period, the aggregate amount of liabilities of the Issuer and its Consolidated Subsidiaries which may properly be classified as current liabilities (including taxes accrued as estimated), after (i) eliminating all inter-company items between the Issuer and any Consolidated Subsidiary and (ii) deducting all current maturities of long-term Indebtedness, all as determined in accordance with generally accepted accounting principles.

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

"Consolidated Interest Expense" means, for any period, the total interest expense in respect of Consolidated Indebtedness of the Issuer and its Consolidated Subsidiaries, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash interest payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under Interest Rate Protection Agreements (including amortization of discount) and (vii) interest expense in respect of obligations of other Persons deemed to be Indebtedness of the Issuer or any Consolidated Subsidiaries under clause (v) or (vi) of the definition of Indebtedness, provided, however, that Consolidated Interest Expense shall exclude (a) any costs otherwise included in interest expense recognized on early retirement of debt and (b) any interest expense in respect of any Indebtedness of any Subsidiary of Consumers, CMS Generation, CMS Oil & Gas, CMS Electric and Gas, CMS Gas Transmission and Storage, CMS MST or any other Designated Enterprises Subsidiary, provided that such Indebtedness is without recourse to any assets of the Issuer, Consumers, Enterprises, CMS Generation, CMS Oil & Gas, CMS Electric and Gas, CMS Gas Transmission and Storage, CMS MST or any other Designated Enterprises Subsidiary.

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

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

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

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

(iv) any net income of any Subsidiary of Consumers, CMS Generation, CMS Oil & Gas, CMS Electric and Gas, CMS Gas Transmission and Storage, CMS MST or any other Designated Enterprises Subsidiary whose interest expense is excluded from Consolidated Interest Expense, provided, however, that for purposes of this subsection (iv), any cash, dividends or distributions of any such Subsidiary to the Issuer shall be included in calculating Consolidated Net Income.

"Consolidated Net Tangible Assets" means, for any period, the total amount of assets (less accumulated depreciation or amortization, allowances for doubtful receivables, other applicable reserves and other properly deductible items) as set forth on the most recently available quarterly or annual consolidated balance sheet of the Issuer and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, and after giving effect to purchase accounting and after deducting therefrom, to the extent otherwise included, the amounts of: (i) Consolidated Current Liabilities; (ii) minority interests in Consolidated Subsidiaries held by Persons other than the Issuer or a Restricted Subsidiary; (iii) excess of cost over fair value of assets of businesses acquired, as determined in good faith by the Board of Directors as evidenced by Board resolutions; (iv) any revaluation or other write-up in value of assets subsequent to December 31, 1996, as a result of a change in the method of valuation in accordance with generally accepted accounting principles; (v) unamortized debt discount and expenses and other unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, licenses organization or developmental expenses and other intangible items; (vi) treasury stock; and (vii) any cash set apart and held in a sinking or other analogous fund established for the purpose of redemption or other retirement of Capital Stock to the extent such obligation is not reflected in Consolidated Current Liabilities.

"Consolidated Net Worth" of any Person means the total of the amounts shown on the consolidated balance sheet of such Person and its consolidated subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of any date selected by such Person not more than 90 days prior to the taking of any action for the purpose of

which the determination is being made (and adjusted for any material events since such date), as (i) the par or stated value of all outstanding Capital Stock plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit, (B) any amounts attributable to Redeemable Stock and (C) any amounts attributable to Exchangeable Stock.

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

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

"Designated Enterprises Subsidiary" means any wholly-owned subsidiary of Enterprises formed after the date of this Ninth Supplemental Indenture which is designated a Designated Enterprises Subsidiary by the Board of Directors.

"Enterprises" means CMS Enterprises Company, a Michigan corporation and wholly-owned subsidiary of the Issuer.

"Event of Default" with respect to the Notes has the meaning specified in Article V of this Ninth Supplemental Indenture.

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

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

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

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

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

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

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

"Indebtedness" of any Person means, without duplication,

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

(ii) all Capital Lease Obligations of such Person;

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

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

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

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

"Interest Payment Date" means January 1, 2000 and each July 1 and January 1 in each year thereafter.

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

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

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

"Net Cash Proceeds" means, (a) with respect to any Asset Sale, the aggregate proceeds of such Asset Sale including the fair market value (as determined by the Board of Directors and net of any associated debt and of any consideration other than Capital Stock received in return) of property other than cash, received by the Issuer, net of (i) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale, (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Issuer and its Restricted Subsidiaries, taken as a whole, (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Lien on the property or assets sold or (B) is required to be paid as a result of such sale and (iv) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary of the Issuer as a reserve against any liabilities associated with such Asset Sale including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with generally accepted accounting principles and (b) with respect to any issuance or sale or contribution in respect of Capital Stock, the aggregate proceeds of such issuance, sale or contribution, including the fair market value (as determined by the Board of Directors and net of any associated debt and of any consideration other than Capital Stock received in return) of property other than cash, received by the Issuer, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof, provided, however, that if such fair market value as determined by the Board of Directors of property other than cash is greater than $25 million, the value thereof shall be based upon an opinion from an independent nationally recognized firm experienced in the appraisal or similar review of similar types of transactions.

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

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

issuance costs, any nonrecurring, noncash charges to earnings and any negative accretion recognition.

"Other Rating Agency" shall mean any one of Duff & Phelps Credit Rating Co., Fitch Investors Service, L.P. or Moody's Investors Service, Inc., and any successor to any of these organizations which is a nationally recognized statistical rating organization.

"Paying Agent" means any person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any of the Notes on behalf of the Issuer. Initially, the Paying Agent shall be the Trustee.

"Predecessor Note" of any particular previous Note evidencing all or a portion of the same debt as that evidenced by such particular Note; and, for the purposes of the definition, any Note authenticated and delivered under Section 2.9 of the Indenture in exchange for or in lieu of a mutilated, destroyed, lost or stolen Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Note.

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

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

"Restricted Subsidiary" means any Subsidiary (other than Consumers and its subsidiaries) of the Issuer which, as of the date of the Issuer's most recent quarterly consolidated balance sheet, constituted at least 10% of the total Consolidated Assets of the Issuer and its Consolidated Subsidiaries and any other Subsidiary which from time to time is designated a Restricted Subsidiary by the Board of Directors provided that no Subsidiary may be designated a Restricted Subsidiary if, immediately after giving effect thereto, an Event of Default or event that, with the lapse of time or giving of notice or both, would constitute an Event of Default would exist or the Issuer and its Restricted Subsidiaries could not incur at least one dollar of additional Indebtedness under Section 4.04, and (i) any such Subsidiary so designated as a Restricted Subsidiary must be organized under the laws of the United States or any State thereof, (ii) more than 80% of the Voting Stock of such Subsidiary must be owned of record and beneficially by the Issuer or a Restricted Subsidiary and (iii) such Restricted Subsidiary must be a Consolidated Subsidiary.

"Standard & Poor's" shall mean Standard & Poor's Ratings Group, a division of McGraw Hill Inc., and any successor thereto which is a nationally recognized statistical rating organization, or if such entity shall cease to rate the Notes or shall cease to exist and there shall be

no such successor thereto, any other nationally recognized statistical rating organization selected by the Issuer which is acceptable to the Trustee.

"Subordinated Indebtedness" means any Indebtedness of the Issuer (whether outstanding on the date of this Ninth Supplemental Indenture or thereafter incurred) which is contractually subordinated or junior in right of payment to the Notes.

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

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

"Treasury Rate" means the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least two Business Days prior to the redemption date or, in the case of defeasance, prior to the date of deposit (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the then remaining average life to stated maturity of the Notes; provided, however, that if the average life to stated maturity of the Notes is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given.

"Voting Stock" means securities of any class or classes the holders of which are ordinarily, in the absence of contingencies, entitled to vote for corporate directors (or persons performing similar functions).

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

ARTICLE II

DESIGNATION AND TERMS OF THE NOTES; FORMS

SECTION 2.01. Establishment of 2011 Notes. (a) There is hereby created a series of Securities to be known and designated as the "Senior Notes, 8% Reset Put Securities, Due 2011" and limited in aggregate principal amount (except as contemplated in Section 2.3(f)(2) of the Indenture) to $250,000,000. The Stated Maturity of the 2011 Notes is July 1, 2011.

(b) The 2011 Notes will bear interest from the Original Issue Date, or from the most recent date to which interest has been paid or duly provided for, at the rate of 8% per annum stated therein until the principal thereof is paid or made available for payment. Interest will be payable semiannually on each Interest Payment Date and at Maturity, as provided in the form of the 2011 Note in Section 2.03 hereof.

(c) The Record Date referred to in Section 2.3(f)(4) of the Indenture for the payment of the interest on any 2011 Note payable on any Interest Payment Date (other than at Maturity) shall be the 15th day (whether or not a Business Day) of the calendar month preceding the month in which such Interest Payment Date occurs and, in the case of interest payable at Maturity, the Record Date shall be the date of Maturity.

(d) The payment of the principal of, premium (if any) and interest on the 2011 Notes shall not be secured by a security interest in any property.

(e) NationsBank, N.A. has the right to purchase the 2011 Notes on July 1, 2001 for 100% of the then outstanding principal amount. If NationsBank, N.A. does not purchase the Notes on July 1, 2001, the Trustee must on behalf of the Holders exercise the right to require the Issuer to Purchase all of the 2011 Notes for 100% of the then outstanding principal amount.

(f) The 2011 Notes shall not be convertible.

(g) The 2011 Notes will not be subordinated to the payment of Senior Debt.

(h) The Issuer will not pay any additional amounts on the 2011 Notes held by a Person who is not a U.S. Person in respect of any tax, assessment or government charge withheld or deducted.

(i) The events specified in Events of Default with respect to the 2011 Notes shall include the events specified in Article Five of this Ninth Supplemental Indenture. In addition to the covenants set forth in Article Three of the Original Indenture, the Holders of the 2011 Notes shall have the benefit of the covenants of the Issuer set forth in Article Four hereto.

SECTION 2.02. Forms Generally. The 2011 Notes and Trustee's certificates of authentication shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such 2011 Notes, as evidenced by their execution thereof.

The definitive 2011 Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such 2011 Notes, as evidenced by their execution thereof.

SECTION 2.03. Form of Face of 2011 Note.

CMS ENERGY CORPORATION
SENIOR NOTES, 8% RESET PUT SECURITIES, DUE 2011

No. ________ $__________

CMS Energy Corporation, a corporation duly organized and existing under the laws of the State of Michigan (herein called the "Issuer", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to __________, or registered assigns, the principal sum of ___________________ United States Dollars ($___________) on July 1, 2011 ("Maturity") and to pay interest thereon from June 22, 1999 (the "Original Issue Date") or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on January 1 and July 1 in each year, commencing January 1, 2000, and at Maturity at the rate of 8% per annum, until the principal hereof is paid or made available for payment. 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. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 2011 Note (or one or more Predecessor 2011 Notes) is registered at the close of business on the Record Date for such interest, which shall be the 15th day of the calendar month preceding the month in which such Interest Payment Date occurs (whether or not a Business Day) except that the Record Date for interest payable at Maturity shall be the date of Maturity. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and may either be paid to the Person in whose name this 2011 Note (or one or more Predecessor 2011 Notes) is registered at the close of business on a subsequent Record Date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of 2011 Notes not less than 15 days preceding such subsequent Record Date.

Payment of the principal of (and premium, if any) and interest, if any, on this 2011 Note will be made at the office or agency of the Issuer maintained for that purpose in New York, New York (the "Place of Payment"), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Issuer payment of interest (other than interest payable at Maturity) may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account designated by such Person not later than ten days prior to the date of such payment.

Reference is hereby made to the further provisions of this 2011 Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this 2011 Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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

Dated:

CMS ENERGY CORPORATION

By____________________________
Its: Senior Vice President and
Chief Financial Officer

By____________________________
Its: Vice President and Treasurer

SECTION 2.04. Form of Reverse of 2011 Note.

This Senior Note, 8% Reset Put Securities, Due 2011 is one of a duly authorized issue of securities of the Issuer (herein called the "2011 Notes"), issued and to be issued under an Indenture, dated as of September 15, 1992, as supplemented by certain supplemental indentures, including the Ninth Supplemental Indenture, dated as of June 22, 1999 (herein collectively referred to as the "Indenture"), between the Issuer and Bank One Trust Company, NA, a national banking association (successor to NBD Bank), as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee, and the Holders of the 2011 Notes and of the terms upon which the 2011 Notes are, and are to be, authenticated and delivered. This 2011 Note is one of the series designated on the face hereof, limited in aggregate principal amount to $250,000,000.

INTEREST RATE AND INTEREST PAYMENT DATES

The 2011 Notes will bear interest at the rate of 8% from and including June 22, 1999 to but excluding July 1, 2001 (the "Coupon Reset Date"). Interest on the 2011 Notes will be payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2000 (each, an "Interest Payment Date"). Interest will be calculated based on a 360-day year consisting of twelve 30-day months. "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or regulation to be closed.

If NationsBank, N.A. (the "Callholder") elects to purchase the 2011 Notes pursuant to the Call Option (as defined below), the Calculation Agent (as defined below) will reset the interest rate for the 2011 Notes effective on the Coupon Reset Date, pursuant to the Coupon Reset Process described below. In such circumstance, (i) this Note will be purchased by the Callholder at 100% of the principal amount hereof on the Coupon Reset Date, on the terms and subject to the conditions described herein (interest accrued to but excluding the Coupon Reset Date will be paid by the Issuer on such date to the Holder hereof on the most recent Record Date), and (ii) from and including the Coupon Reset Date, the 2011 Notes will bear interest at the rate determined by the Calculation Agent in accordance with the procedures set forth under "Coupon Reset Process if 2011 Notes are Called" below.

MATURITY DATE

The 2011 Notes will mature on July 1, 2011 (the "Maturity Date"). On the Coupon Reset Date, the Holder hereof will be entitled to receive 100% of the principal amount hereof from either (i) the Callholder, if the Callholder purchases this Note pursuant to the Call Option, or (ii) the Issuer, by exercise of the Put Option (as defined below) by the Trustee for and on behalf of the Holder hereof, if the Callholder does not purchase this Note pursuant to the Call Option.

CALL OPTION; PUT OPTION

(i) Call Option. The Callholder, by giving notice to the Trustee (the "Call Notice"), has the right to purchase the aggregate principal amount of this Note, in whole but not in part (the "Call Option"), on the Coupon Reset Date, at a price equal to 100% of the principal amount hereof (the "Call Price") (interest accrued to but excluding the Coupon Reset Date will be paid by the Issuer on such date to the Holder hereof on the most recent Record Date). The Call Notice is required to be given to the Trustee, in writing, prior to 4:00 p.m., New York time, no later than fifteen calendar days prior to the Coupon Reset Date for the 2011 Notes. The Call Notice must contain the requisite delivery details, including the identity of the Callholder's Depositary account. The Call Notice may be revoked by the Callholder at any time prior to 2:00 p.m., New York time, on the Business Day prior to the Coupon Reset Date.

If the Callholder exercises the Call Option, unless terminated in accordance with its terms, (i) not later than 2:00 p.m., New York time, on the Business Day prior to the Coupon Reset Date, the Callholder will deliver the Call Price in immediately available funds to the Trustee for payment of the Call Price on the Coupon Reset Date and (ii) the Holder hereof will be required to deliver and will be deemed to have delivered this Note to the Callholder against payment therefor on the Coupon Reset Date through the facilities of the Depositary. No holder of any 2011 Notes or any interest in such 2011 Notes will have any right or claim against the Callholder as a result of the Callholder's decision whether or not to exercise the Call Option or performance or nonperformance of its obligations with respect thereto.

The Callholder may at any time assign its rights and obligations under its Call Option; provided, however, that (i) such rights and obligations are assigned in whole and not in part and (ii)

it provides the Trustee and the Issuer with notice of such assignment contemporaneously with such assignment. Upon receipt of notice of assignment, the Trustee will treat the assignee as Callholder for all purposes hereunder. The Callholder may assign its rights under the Call Option without notice to, or consent of, the holders of the 2011 Notes (including, if applicable, the Holder hereof).

Except as otherwise specified in clause (i) below, the Call Option will automatically and immediately terminate, no payment will be due hereunder from the Callholder, and the Coupon Reset Process will terminate, if any of the following occurs: (i) an Event of Default occurs under Section 5.1(a), (b), (c), (d), (g) or (h) under the Indenture (in such event, termination is at the Callholder's option) or under Section 5.1(e) or (f) under the Indenture (in such event, termination is automatic); (ii) the Callholder fails to deliver the Call Notice to the Trustee prior to 4:00 p.m., New York time, on the fifteenth calendar day prior to the Coupon Reset Date or revokes the Call Notice; (iii) on the Bid Date (as defined below), fewer than two Dealers (as defined below) submit timely Bids (as defined below) substantially as provided below; or (iv) the Callholder fails to pay the Call Price by 2:00 p.m., New York time, on the Business Day prior to the Applicable Coupon Reset Date.

If the Call Option is terminated by the Callholder or the Issuer, notice of such termination will be immediately given in writing to the Trustee by the Callholder or the Issuer, as the case may be. If the Call Option so terminates or is automatically terminated, the Trustee will exercise the Put Option described below with respect to the 2011 Notes.

(ii) Put Option. If the Call Option is not exercised or if the Call Option otherwise terminates, the Trustee will exercise the right of the holders of the 2011 Notes (including, if applicable, the Holder hereof) to require the Issuer to purchase the aggregate principal amount of 2011 Notes, in whole but not in part (the "Put Option"), on the Coupon Reset Date at a price equal to 100% of the principal amount thereof (the "Put Price"), plus accrued but unpaid interest to but excluding the Coupon Reset Date, in each case, to be paid by the Issuer to the Holders of the 2011 Notes (including, if applicable, the Holder hereof) in immediately available funds on the Coupon Reset Date. If the Trustee exercises the Put Option then the Issuer will deliver the Put Price in immediately available funds to the Trustee by no later than 10:00 a.m., New York time, on the Coupon Reset Date and the holders of the 2011 Notes will be required to deliver and will be deemed to have delivered the 2011 Notes to the Issuer against payment therefor on the Coupon Reset Date through the facilities of the Depositary. By its purchase of 2011 Notes, each Holder irrevocably agrees that the Trustee shall exercise the Put Option relating to such 2011 Notes for or on behalf of the 2011 Notes as provided herein. No holder of any 2011 Notes or any interest therein has the right to consent or object to the exercise of the Trustee's duties under the Put Option.

NOTICE TO HOLDERS BY TRUSTEE

In anticipation of the exercise of the Call Option or the Put Option on the Coupon Reset Date, the Trustee will notify the Holder hereof, not less than 30 days nor more than 60 days prior to the Coupon Reset Date, that all 2011 Notes will be delivered on the Coupon Reset Date through the facilities of the Depositary against payment of the Call Price by the Callholder under the Call Option or payment of the Put Price by the Issuer under the Put Option. The Trustee will notify the Holder

hereof once it is determined whether the Call Price or the Put Price will be delivered in accordance with the provisions hereof.

COUPON RESET PROCESS IF 2011 NOTES ARE CALLED

The following steps shall be taken in order to determine the interest rate to be paid on the 2011 Notes on and after the Applicable Coupon Reset Date in the event the Call Option has been exercised with respect to the 2011 Notes.

Pursuant to and subject to the terms of a Calculation Agency Agreement, dated June 22, 1999, between the Issuer and Banc of America Securities LLC, Banc of America Securities LLC has been appointed the calculation agent for the 2011 Notes (in such capacity as calculation agent, the "Calculation Agent"). If the Callholder has exercised the Call Option, then the following steps (the "Coupon Reset Process") will be taken in order to determine the interest rate to be paid on the 2011 Notes from and including the Coupon Reset Date to but excluding the Maturity Date. The Issuer and the Calculation Agent will use reasonable efforts to cause the actions contemplated below to be completed in as timely a manner as possible.

(a) The Issuer will provide the Calculation Agent with (i) a list (the "Dealer List"), no later than five Business Days prior to the Applicable Coupon Reset Date, containing the names and addresses of three dealers, one of which shall be Banc of America Securities LLC, from whom the Issuer desires the Calculation Agent to obtain the Bids for the purchase of such 2011 Notes and (ii) such other material as may reasonably be requested by the Calculation Agent to facilitate a successful Coupon Reset Process.

(b) Within one Business Day following receipt by the Calculation Agent of the Dealer List, the Calculation Agent shall provide to each dealer ("Dealer") on the Dealer List (i) a copy of the Prospectus Supplement dated June 22, 1999 and Prospectus dated April 20, 1999, relating to the offering of the 2011 Notes (collectively, the "Pricing Supplement"), (ii) a copy of the form of 2011 Notes and (iii) a written request that each Dealer submit a Bid to the Calculation Agent by 12:00 noon, New York time, on the third Business Day prior to the Coupon Reset Date (the "Bid Date"). "Bid" means an irrevocable written offer given by a Dealer for the purchase of all the 2011 Notes, settling on the Coupon Reset Date, and shall be quoted by such Dealer as a stated yield to maturity on the 2011 Notes ("Yield to Maturity"). Each Dealer will also be provided with (i) the name of the Issuer, (ii) an estimate of the Purchase Price (which shall be stated as a US Dollar amount and be calculated by the Calculation Agent in accordance with paragraph (c) below), (iii) the principal amount and maturity of the 2011 Notes and (iv) the method by which interest will be calculated on the 2011 Notes.

(c) The purchase price for the 2011 Notes in connection with the exercise of the Call Option (the "Purchase Price") shall be equal to (i) the principal amount of the 2011 Notes, plus (ii) a premium (the "2011 Notes Premium") which shall be equal to the excess, if any, of (A) the discounted present value to the Coupon Reset Date of a bond with a maturity of

10 years from the Coupon Reset Date which has an interest rate of 5.78%, semi-annual interest payments on each January 1 and July 1 commencing January 1, 2002 following the Coupon Reset Date, and a principal amount equal to the principal amount of the 2011 Notes, and assuming a discount rate equal to the Treasury Rate over (B) such principal amount of 2011 Notes. The "Treasury Rate" means the per annum rate equal to the offer side yield to maturity of the current on-the-run ten-year United States Treasury Security per Telerate page 500, or any successor page, at 11:00 a.m., New York time, on the Bid Date (or such other time or date that may be agreed upon by the Issuer and the Calculation Agent) or, if such rate does not appear on Telerate page 500, or any successor page, at such time, the rates on GovPX End-of-Day Pricing at 3:00 p.m., New York time, on the Bid Date (or such other time or date that may be agreed upon by the Issuer and the Calculation Agent).

(d) The Calculation Agent will provide written notice to the Issuer by 12:30 p.m., New York time on the Bid Date, setting forth (i) the names of each of the Dealers from whom the Calculation Agent received Bids on the Bid Date, (ii) the Bid submitted by each such Dealer and (iii) the Purchase Price as determined pursuant to paragraph (c) above. The Calculation Agent will thereafter select from the Bids received the Bid with the lowest Yield to Maturity (the "Selected Bid"); provided, however, that (i) if the Calculation Agent has not received a timely Bid from a Dealer on or before the Bid Date, the Selected Bid shall be the lowest of all Bids received by such time; (ii) if any two or more of the lowest Bids submitted are equivalent, the Issuer shall in its sole discretion select any of such equivalent Bids (and such selected Bid shall be the Selected Bid); and (iii) Banc of America Securities LLC has the right to match the Bid with the lowest Yield to Maturity, in which case Banc of America Securities LLC's Bid shall be the Selected Bid. The Calculation Agent will set the Coupon Reset Rate equal to the interest rate that would amortize the 2011 Notes Premium fully over the term of the 2011 Notes at the Yield to Maturity indicated by the Selected Bid (the "Coupon Reset Rate"). The Calculation Agent will notify the Dealer that submitted the Selected Bid by 4:00 p.m., New York time, on the Bid Date that its Bid was determined to be the Selected Bid.

(e) Immediately after calculating the Coupon Reset Rate for the 2011 Notes, the Calculation Agent will provide written notice to the Issuer and the Trustee, setting forth the Coupon Reset Rate. The Coupon Reset Rate for the 2011 Notes will be effective from and including the Applicable Coupon Reset Date to but excluding the Maturity Date.

If a Change in Control occurs, the Issuer shall notify the Holder of this 2011 Note of such occurrence and such Holder shall have the right to require the Issuer to make a Required Repurchase of all or any part of this 2011 Note at a Change in Control Purchase Price equal to 101% of the principal amount of this 2011 Note to be so purchased as more fully provided in the Indenture and subject to the terms and conditions set forth therein. In the event of a Required Repurchase of only a portion of this 2011 Note, a new 2011 Note or Notes for the unrepurchased portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to this 2011 Note shall occur and be continuing, the principal of this 2011 Note may be declared due and payable in the manner and with the effect provided in the Indenture.

In any case where any Interest Payment Date, repurchase date, Stated Maturity or Maturity of any 2011 Note shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of the Indenture or this 2011 Note), payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, repurchase date or at the Stated Maturity or Maturity; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, redemption date, repurchase date, Stated Maturity or Maturity, as the case may be, to such Business Day.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this 2011 Note or (ii) certain restrictive covenants and Events of Default with respect to this 2011 Note, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of all outstanding 2011 Notes under the Indenture at any time by the Issuer and the Trustee with the consent of the Holders of not less than a majority in principal amount of Securities of all series then outstanding and affected (voting as one class).

The Indenture permits the Holders of not less than a majority in principal amount of Securities of all series at the time outstanding with respect to which a default shall have occurred and be continuing (voting as one class) to waive on behalf of the Holders of all outstanding Securities of such series any past default by the Issuer, provided that no such waiver may be made with respect to a default in the payment of the principal of or the interest on any Security of such series or the default by the Issuer in respect of certain covenants or provisions of the Indenture, the modification or amendment of which must be consented to by the Holder of each outstanding Security of each series affected.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any 2011 Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the outstanding Securities of each affected series (voting as one class) shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the outstanding Securities of each affected series (voting as one class) a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and

premium, if any) or any interest on this 2011 Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this 2011 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 any premium and interest on this 2011 Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this 2011 Note is registerable in the Security Register, upon surrender of this 2011 Note for registration of transfer at the office or agency of the Issuer in any place where the principal of and any premium and interest on this 2011 Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new 2011 Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The 2011 Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, 2011 Notes are exchangeable for a like aggregate principal amount of 2011 Notes and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

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

The Issuer shall not be required to (a) issue, exchange or register the transfer of this 2011 Note for a period of 15 days next preceding the mailing of the notice of redemption of 2011 Notes or (b) exchange or register the transfer of any 2011 Note or any portion thereof selected, called or being called for redemption, except in the case of any 2011 Note to be redeemed in part, the portion thereof not so to be redeemed.

Prior to due presentment of this 2011 Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this 2011 Note is registered as the owner hereof for all purposes, whether or not this 2011 Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this 2011 Note without definition which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

SECTION 2.05. Form of Trustee's Certificate of Authentication. The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

as Trustee

By_____________________________________
Authorized Officer

SECTION 2.06 Establishment of 2013 Notes. (a) There is hereby created a series of Securities to be known and designated as the "Senior Notes, 8 3/8% Reset Put Securities, Due 2013" and limited in aggregate principal amount (except as contemplated in Section 2.3(f)(2) of the Indenture) to $150,000,000. The Stated Maturity of the 2013 Notes is July 1, 2013.

(b) The 2013 Notes will bear interest from the Original Issue Date, or from the most recent date to which interest has been paid or duly provided for, at the rate of 8 3/8% per annum stated therein until the principal thereof is paid or made available for payment. Interest will be payable semiannually on each Interest Payment Date and at Maturity, as provided in the form of the 2013 Note in Section 2.03 hereof.

(c) The Record Date referred to in Section 2.3(f)(4) of the Indenture for the payment of the interest on any 2013 Note payable on any Interest Payment Date (other than at Maturity) shall be the 15th day (whether or not a Business Day) of the calendar month preceding the month in which such Interest Payment Date occurs and, in the case of interest payable at Maturity, the Record Date shall be the date of Maturity.

(d) The payment of the principal of, premium (if any) and interest on the 2013 Notes shall not be secured by a security interest in any property.

(e) NationsBank, N.A. has the right to purchase the 2013 Notes on July 1, 2003 for 100% of the then outstanding principal amount. If NationsBank, N.A. does not purchase the Notes on July 1, 2003, the Trustee must on behalf of the Holders exercise the right to require the Issuer to Purchase all of the 2013 Notes for 100% of the then outstanding principal amount.

(f) The 2013 Notes shall not be convertible.

(g) The 2013 Notes will not be subordinated to the payment of Senior Debt.

(h) The Issuer will not pay any additional amounts on the 2013 Notes held by a Person who is not a U.S. Person in respect of any tax, assessment or government charge withheld or deducted.

(i) The events specified in Events of Default with respect to the 2013 Notes shall include the events specified in Article Five of this Ninth Supplemental Indenture. In addition to the covenants set forth in Article Three of the Original Indenture, the Holders of the 2013 Notes shall have the benefit of the covenants of the Issuer set forth in Article Four hereto.

SECTION 2.07 Forms Generally. The 2013 Notes and Trustee's certificates of authentication shall be in substantially the form set forth in this Article, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by the Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such 2013 Notes, as evidenced by their execution thereof.

The definitive 2013 Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such 2013 Notes, as evidenced by their execution thereof.

SECTION 2.08 Form of Face of 2013 Note.

CMS ENERGY CORPORATION
SENIOR NOTES, 8 3/8% RESET PUT SECURITIES, DUE 2013

No. ________ $__________

CMS Energy Corporation, a corporation duly organized and existing under the laws of the State of Michigan (herein called the "Issuer", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to __________, or registered assigns, the principal sum of _________________________ United States Dollars ($___________) on July 1, 2013 ("Maturity") and to pay interest thereon from June 22, 1999 (the "Original Issue Date") or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on January 1 and July 1 in each year, commencing January 1, 2000, and at Maturity at the rate of 83/8% per annum, until the principal hereof is paid or made available for payment. 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. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in such Indenture, be paid to the Person in whose name this 2013 Note (or one or more Predecessor 2013 Notes) is registered at the close of business on the Record Date for such interest, which shall be the 15th day of the calendar month preceding the month in which such Interest Payment Date occurs (whether or not a Business Day) except that the Record Date for interest payable at Maturity shall be the date of Maturity. Any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and may either be paid to the Person in whose name this 2013 Note (or one or more Predecessor 2013 Notes) is registered at the close of business on a subsequent Record Date (which shall be not less than five Business Days prior to the date of payment of such defaulted interest) for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of 2013 Notes not less than 15 days preceding such subsequent Record Date.

Payment of the principal of (and premium, if any) and interest, if any, on this 2013 Note will be made at the office or agency of the Issuer maintained for that purpose in New York, New York (the "Place of Payment"), in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Issuer payment of interest (other than interest payable at Maturity) may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account designated by such Person not later than ten days prior to the date of such payment.

Reference is hereby made to the further provisions of this 2013 Note set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this 2013 Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

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

Dated:

CMS ENERGY CORPORATION

By____________________________
Its: Senior Vice President and
Chief Financial Officer

By____________________________
Its: Senior Vice President, Controller and
Chief Accounting Officer

SECTION 2.09 Form of Reverse of the 2013 Note.

This Senior Note, 83/8% Reset Put Securities, Due 2013 is one of a duly authorized issue of securities of the Issuer (herein called the "2013 Notes"), issued and to be issued under an Indenture, dated as of September 15, 1992, as supplemented by certain supplemental indentures, including the Ninth Supplemental Indenture, dated as of June 22, 1999 (herein collectively referred to as the "Indenture"), between the Issuer and Bank One Trust Company, NA, a national banking association (successor to NBD Bank), as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Issuer, the Trustee, and the Holders of the 2013 Notes and of the terms upon which the 2013 Notes are, and are to be, authenticated and delivered. This 2013 Note is one of the series designated on the face hereof, limited in aggregate principal amount to $150,000,000.

INTEREST RATE AND INTEREST PAYMENT DATES

The 2013 Notes will bear interest at the rate of 83/8% from and including June 22, 1999 to but excluding July 1, 2003 (the "Coupon Reset Date"). Interest on the 2013 Notes will be payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2000 (each, an "Interest Payment Date"). Interest will be calculated based on a 360-day year consisting of twelve 30-day months. "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in The City of New York are authorized or required by law or regulation to be closed.

If NationsBank, N.A. (the "Callholder") elects to purchase the 2013 Notes pursuant to the Call Option (as defined below), the Calculation Agent (as defined below) will reset the interest rate for the 2013 Notes effective on the Coupon Reset Date, pursuant to the Coupon Reset Process described below. In such circumstance, (i) this Note will be purchased by the Callholder at 100% of the principal amount hereof on the Coupon Reset Date, on the terms and subject to the conditions described herein (interest accrued to but excluding the Coupon Reset Date will be paid by the Issuer on such date to the Holder hereof on the most recent Record Date), and (ii) from and including the Coupon Reset Date, the 2013 Notes will bear interest at the rate determined by the Calculation Agent in accordance with the procedures set forth under "Coupon Reset Process if 2013 Notes are Called" below.

MATURITY DATE

The 2013 Notes will mature on July 1, 2013 (the "Maturity Date"). On the Coupon Reset Date, the Holder hereof will be entitled to receive 100% of the principal amount hereof from either (i) the Callholder, if the Callholder purchases this Note pursuant to the Call Option, or (ii) the Issuer, by exercise of the Put Option (as defined below) by the Trustee for and on behalf of the Holder hereof, if the Callholder does not purchase this Note pursuant to the Call Option.

Call Option; Put Option

(i) Call Option. The Callholder, by giving notice to the Trustee (the "Call Notice"), has the right to purchase the aggregate principal amount of this Note, in whole but not in part (the "Call Option"), on the Coupon Reset Date, at a price equal to 100% of the principal amount hereof (the "Call Price") (interest accrued to but excluding the Coupon Reset Date will be paid by the Issuer on such date to the Holder hereof on the most recent Record Date). The Call Notice is required to be given to the Trustee, in writing, prior to 4:00 p.m., New York time, no later than fifteen calendar days prior to the Coupon Reset Date for the 2013 Notes. The Call Notice must contain the requisite delivery details, including the identity of the Callholder's Depositary account. The Call Notice may be revoked by the Callholder at any time prior to 2:00 p.m., New York time, on the Business Day prior to the Coupon Reset Date.

If the Callholder exercises the Call Option, unless terminated in accordance with its terms, (i) not later than 2:00 p.m., New York time, on the Business Day prior to the Coupon Reset Date, the Callholder will deliver the Call Price in immediately available funds to the Trustee for payment of the Call Price on the Coupon Reset Date and (ii) the Holder hereof will be required to deliver and will be deemed to have delivered this Note to the Callholder against payment therefor on the Coupon Reset Date through the facilities of the Depositary. No holder of any 2013 Notes or any interest in such 2013 Notes will have any right or claim against the Callholder as a result of the Callholder's decision whether or not to exercise the Call Option or performance or nonperformance of its obligations with respect thereto.

The Callholder may at any time assign its rights and obligations under its Call Option; provided, however, that (i) such rights and obligations are assigned in whole and not in part and (ii)

it provides the Trustee and the Issuer with notice of such assignment contemporaneously with such assignment. Upon receipt of notice of assignment, the Trustee will treat the assignee as Callholder for all purposes hereunder. The Callholder may assign its rights under the Call Option without notice to, or consent of, the holders of the 2013 Notes (including, if applicable, the Holder hereof).

Except as otherwise specified in clause (i) below, the Call Option will automatically and immediately terminate, no payment will be due hereunder from the Callholder, and the Coupon Reset Process will terminate, if any of the following occurs: (i) an Event of Default occurs under Section 5.1(a), (b), (c), (d), (g) or (h) under the Indenture (in such event, termination is at the Callholder's option) or under Section 5.1(e) or (f) under the Indenture (in such event, termination is automatic); (ii) the Callholder fails to deliver the Call Notice to the Trustee prior to 4:00 p.m., New York time, on the fifteenth calendar day prior to the Coupon Reset Date or revokes the Call Notice; (iii) on the Bid Date (as defined below), fewer than two Dealers (as defined below) submit timely Bids (as defined below) substantially as provided below; or (iv) the Callholder fails to pay the Call Price by 2:00 p.m., New York time, on the Business Day prior to the Applicable Coupon Reset Date.

If the Call Option is terminated by the Callholder or the Issuer, notice of such termination will be immediately given in writing to the Trustee by the Callholder or the Issuer, as the case may be. If the Call Option so terminates or is automatically terminated, the Trustee will exercise the Put Option described below with respect to the 2013 Notes.

(ii) Put Option. If the Call Option is not exercised or if the Call Option otherwise terminates, the Trustee will exercise the right of the holders of the 2013 Notes (including, if applicable, the Holder hereof) to require the Issuer to purchase the aggregate principal amount of 2013 Notes, in whole but not in part (the "Put Option"), on the Coupon Reset Date at a price equal to 100% of the principal amount thereof (the "Put Price"), plus accrued but unpaid interest to but excluding the Coupon Reset Date, in each case, to be paid by the Issuer to the Holders of the 2013 Notes (including, if applicable, the Holder hereof) in immediately available funds on the Coupon Reset Date. If the Trustee exercises the Put Option then the Issuer will deliver the Put Price in immediately available funds to the Trustee by no later than 10:00 a.m., New York time, on the Coupon Reset Date and the holders of the 2013 Notes will be required to deliver and will be deemed to have delivered the 2013 Notes to the Issuer against payment therefor on the Coupon Reset Date through the facilities of the Depositary. By its purchase of 2013 Notes, each Holder irrevocably agrees that the Trustee shall exercise the Put Option relating to such 2013 Notes for or on behalf of the 2013 Notes as provided herein. No holder of any 2013 Notes or any interest therein has the right to consent or object to the exercise of the Trustee's duties under the Put Option.

NOTICE TO HOLDERS BY TRUSTEE

In anticipation of the exercise of the Call Option or the Put Option on the Coupon Reset Date, the Trustee will notify the Holder hereof, not less than 30 days nor more than 60 days prior to the Coupon Reset Date, that all 2013 Notes will be delivered on the Coupon Reset Date through the facilities of the Depositary against payment of the Call Price by the Callholder under the Call Option or payment of the Put Price by the Issuer under the Put Option. The Trustee will notify the Holder

hereof once it is determined whether the Call Price or the Put Price will be delivered in accordance with the provisions hereof.

COUPON RESET PROCESS IF 2013 NOTES ARE CALLED

The following steps shall be taken in order to determine the interest rate to be paid on the 2013 Notes on and after the Applicable Coupon Reset Date in the event the Call Option has been exercised with respect to the 2013 Notes.

Pursuant to and subject to the terms of a Calculation Agency Agreement, dated June 22, 1999, between the Issuer and Banc of America Securities LLC, Banc of America Securities LLC has been appointed the calculation agent for the 2013 Notes (in such capacity as calculation agent, the "Calculation Agent"). If the Callholder has exercised the Call Option, then the following steps (the "Coupon Reset Process") will be taken in order to determine the interest rate to be paid on the 2013 Notes from and including the Coupon Reset Date to but excluding the Maturity Date. The Issuer and the Calculation Agent will use reasonable efforts to cause the actions contemplated below to be completed in as timely a manner as possible.

(a) The Issuer will provide the Calculation Agent with (i) a list (the "Dealer List"), no later than five Business Days prior to the Applicable Coupon Reset Date, containing the names and addresses of three dealers, one of which shall be Banc of America Securities LLC, from whom the Issuer desires the Calculation Agent to obtain the Bids for the purchase of such 2013 Notes and (ii) such other material as may reasonably be requested by the Calculation Agent to facilitate a successful Coupon Reset Process.

(b) Within one Business Day following receipt by the Calculation Agent of the Dealer List, the Calculation Agent shall provide to each dealer ("Dealer") on the Dealer List (i) a copy of the Prospectus Supplement dated June 22, 1999 and Prospectus dated April 20, 1999, relating to the offering of the 2013 Notes (collectively, the "Pricing Supplement"), (ii) a copy of the form of 2013 Notes and (iii) a written request that each Dealer submit a Bid to the Calculation Agent by 12:00 noon, New York time, on the third Business Day prior to the Coupon Reset Date (the "Bid Date"). "Bid" means an irrevocable written offer given by a Dealer for the purchase of all the 2013 Notes, settling on the Coupon Reset Date, and shall be quoted by such Dealer as a stated yield to maturity on the 2013 Notes ("Yield to Maturity"). Each Dealer will also be provided with (i) the name of the Issuer, (ii) an estimate of the Purchase Price (which shall be stated as a US Dollar amount and be calculated by the Calculation Agent in accordance with paragraph (c) below), (iii) the principal amount and maturity of the 2013 Notes and (iv) the method by which interest will be calculated on the 2013 Notes.

(c) The purchase price for the 2013 Notes in connection with the exercise of the Call Option (the "Purchase Price") shall be equal to (i) the principal amount of the 2013 Notes, plus (ii) a premium (the "2013 Notes Premium") which shall be equal to the excess, if any, of (A) the discounted present value to the Coupon Reset Date of a bond with a maturity of

10 years from the Coupon Reset Date which has an interest rate of 5.78%, semi-annual interest payments on each January 1 and July 1 commencing January 1, 2004 following the Coupon Reset Date, and a principal amount equal to the principal amount of the 2013 Notes, and assuming a discount rate equal to the Treasury Rate over (B) such principal amount of 2013 Notes. The "Treasury Rate" means the per annum rate equal to the offer side yield to maturity of the current on-the-run ten-year United States Treasury Security per Telerate page 500, or any successor page, at 11:00 a.m., New York time, on the Bid Date (or such other time or date that may be agreed upon by the Issuer and the Calculation Agent) or, if such rate does not appear on Telerate page 500, or any successor page, at such time, the rates on GovPX End-of-Day Pricing at 3:00 p.m., New York time, on the Bid Date (or such other time or date that may be agreed upon by the Issuer and the Calculation Agent).

(d) The Calculation Agent will provide written notice to the Issuer by 12:30 p.m., New York time on the Bid Date, setting forth (i) the names of each of the Dealers from whom the Calculation Agent received Bids on the Bid Date, (ii) the Bid submitted by each such Dealer and (iii) the Purchase Price as determined pursuant to paragraph (c) above. The Calculation Agent will thereafter select from the Bids received the Bid with the lowest Yield to Maturity (the "Selected Bid"); provided, however, that (i) if the Calculation Agent has not received a timely Bid from a Dealer on or before the Bid Date, the Selected Bid shall be the lowest of all Bids received by such time; (ii) if any two or more of the lowest Bids submitted are equivalent, the Issuer shall in its sole discretion select any of such equivalent Bids (and such selected Bid shall be the Selected Bid); and (iii) Banc of America Securities LLC has the right to match the Bid with the lowest Yield to Maturity, in which case Banc of America Securities LLC's Bid shall be the Selected Bid. The Calculation Agent will set the Coupon Reset Rate equal to the interest rate that would amortize the 2013 Notes Premium fully over the term of the 2013 Notes at the Yield to Maturity indicated by the Selected Bid (the "Coupon Reset Rate"). The Calculation Agent will notify the Dealer that submitted the Selected Bid by 4:00 p.m., New York time, on the Bid Date that its Bid was determined to be the Selected Bid.

(e) Immediately after calculating the Coupon Reset Rate for the 2013 Notes, the Calculation Agent will provide written notice to the Issuer and the Trustee, setting forth the Coupon Reset Rate. The Coupon Reset Rate for the 2013 Notes will be effective from and including the Applicable Coupon Reset Date to but excluding the Maturity Date.

If a Change in Control occurs, the Issuer shall notify the Holder of this 2013 Note of such occurrence and such Holder shall have the right to require the Issuer to make a Required Repurchase of all or any part of this 2013 Note at a Change in Control Purchase Price equal to 101% of the principal amount of this 2013 Note to be so purchased as more fully provided in the Indenture and subject to the terms and conditions set forth therein. In the event of a Required Repurchase of only a portion of this 2013 Note, a new 2013 Note or Notes for the unrepurchased portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

If an Event of Default with respect to this 2013 Note shall occur and be continuing, the principal of this 2013 Note may be declared due and payable in the manner and with the effect provided in the Indenture.

In any case where any Interest Payment Date, repurchase date, Stated Maturity or Maturity of any 2013 Note shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of the Indenture or this 2013 Note), payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date, repurchase date or at the Stated Maturity or Maturity; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, redemption date, repurchase date, Stated Maturity or Maturity, as the case may be, to such Business Day.

The Indenture contains provisions for defeasance at any time of (i) the entire indebtedness of this 2013 Note or (ii) certain restrictive covenants and Events of Default with respect to this 2013 Note, in each case upon compliance with certain conditions set forth therein.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Holders of all outstanding 2013 Notes under the Indenture at any time by the Issuer and the Trustee with the consent of the Holders of not less than a majority in principal amount of Securities of all series then outstanding and affected (voting as one class).

The Indenture permits the Holders of not less than a majority in principal amount of Securities of all series at the time outstanding with respect to which a default shall have occurred and be continuing (voting as one class) to waive on behalf of the Holders of all outstanding Securities of such series any past default by the Issuer, provided that no such waiver may be made with respect to a default in the payment of the principal of or the interest on any Security of such series or the default by the Issuer in respect of certain covenants or provisions of the Indenture, the modification or amendment of which must be consented to by the Holder of each outstanding Security of each series affected.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any 2013 Note will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default, the Holders of not less than 25% in principal amount of the outstanding Securities of each affected series (voting as one class) shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the Holders of a majority in principal amount of the outstanding Securities of each affected series (voting as one class) a direction inconsistent with such request and shall have failed to institute such proceeding within 60 days; provided, however, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of (and

premium, if any) or any interest on this 2013 Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this 2013 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 any premium and interest on this 2013 Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this 2013 Note is registerable in the Security Register, upon surrender of this 2013 Note for registration of transfer at the office or agency of the Issuer in any place where the principal of and any premium and interest on this 2013 Note are payable, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new 2013 Notes of this series and of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The 2013 Notes are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, 2013 Notes are exchangeable for a like aggregate principal amount of 2013 Notes and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

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

The Issuer shall not be required to (a) issue, exchange or register the transfer of this 2013 Note for a period of 15 days next preceding the mailing of the notice of redemption of 2013 Notes or (b) exchange or register the transfer of any 2013 Note or any portion thereof selected, called or being called for redemption, except in the case of any 2013 Note to be redeemed in part, the portion thereof not so to be redeemed.

Prior to due presentment of this 2013 Note for registration of transfer, the Issuer, the Trustee and any agent of the Issuer or the Trustee may treat the Person in whose name this 2013 Note is registered as the owner hereof for all purposes, whether or not this 2013 Note be overdue, and neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.

All terms used in this 2013 Note without definition which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

SECTION 2.10. Form of Trustee's Certificate of Authentication. The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

as Trustee

By_____________________________________
Authorized Officer

ARTICLE III

CHANGE OF CONTROL

SECTION 3.01. Change of Control. Upon the occurrence of a Change in Control (the effective date of such Change in Control being the "Change in Control Date"), each Holder of a Note shall have the right to require that the Issuer repurchase (a "Required Repurchase") all or any part of such Holder's Note at a repurchase price payable in cash equal to 101% of the principal amount of such Note plus accrued interest to the Purchase Date (the "Change in Control Purchase Price").

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

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

(ii) the Change of Control Purchase Price;

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

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

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

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

If a Note is represented by a Global Note (as described in Article VI below), the Depositary or its nominee will be the Holder of such Note and therefore will be the only entity that can elect a Required Repurchase of such Note. To obtain repayment pursuant to this Section 3.01 with respect to such Note, the beneficial owner of such Note must provide to the broker or other entity through which it holds the beneficial interest in such Note (i) the Change in Control Purchase Notice signed by such beneficial owner, and such signature must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States, and (ii) instructions to such broker or other entity to notify the Depositary of such beneficial owner's desire to obtain repayment pursuant to this Section 3.01. Such broker or other entity will provide to the Paying Agent (i) the Change of Control Purchase Notice received from such beneficial owner and (ii) a certificate satisfactory to the Paying Agent from such broker or other entity stating that it represents such beneficial owner. Such broker or other entity will be responsible for disbursing any payments it receives pursuant to this Section 3.01 to such beneficial owner.

(c) Payment of the Change of Control Purchase Price for a Note for which a Change in Control Purchase Notice has been delivered and not withdrawn is conditioned (except in the case of a Note represented by one or more Global Notes) upon delivery of such Note (together with necessary endorsements) to the Paying Agent at its office in Detroit, Michigan, or any other office of the Paying Agent maintained for such purpose, at any time (whether prior to, on or after the Purchase Date) after the delivery of such Change in Control Purchase Notice. Payment of the Change of Control Purchase Price for such Note will be made promptly following the later of the Purchase Date or the time of delivery of such Note. If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Change in Control Purchase Price of such Note on the Business Day following the Purchase Date, then, on and after such date, interest will cease accruing, and all other rights

of the Holder shall terminate (other than the right to receive the Change of Control Purchase Price upon delivery of the Note).

(d) The Issuer shall comply with the provisions of Regulation 14E and any other tender offer rules under the Exchange Act, which may then be applicable in connection with any offer by the Issuer to repurchase Notes at the option of Holders upon a Change in Control.

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

ARTICLE IV
ADDITIONAL COVENANTS OF THE ISSUER
WITH RESPECT TO THE NOTES

SECTION 4.01. Existence. So long as any of the Notes are outstanding, subject to Article 9 of the Original Indenture, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 4.02. Limitation on Certain Liens. (a) So long as any of the Notes are outstanding, the Issuer shall not create, incur, assume or suffer to exist any lien, mortgage, pledge, security interest, conditional sale, title retention agreement or other charge or encumbrance of any kind, or any other type of arrangement intended or having the effect of conferring upon a creditor of the Issuer or any Subsidiary a preferential interest (hereinafter in this Section referred to as a "Lien") upon or with respect to any of its property of any character, including without limitation any shares of Capital Stock of Consumers or Enterprises, without making effective provision whereby the Notes shall (so long as any such other creditor shall be so secured) be equally and ratably secured (along with any other creditor similarly entitled to be secured) by a direct Lien on all property subject to such Lien, provided, however, that the foregoing restrictions shall not apply to:

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

(ii) pledges or deposits to secure (a) obligations under workmen's compensation laws or similar legislation, (b) statutory obligations of the Issuer or (c) Support Obligations;

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

(iv) purchase money Liens upon or in property acquired and held by the Issuer in the ordinary course of business to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such

Liens, or Liens existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such Lien shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien being extended, renewed or replaced, and provided, further, that the aggregate principal amount of the Indebtedness at any one time outstanding secured by Liens permitted by this clause (iv) shall not exceed $10,000,000; and

(v) Liens not otherwise permitted by clauses (i) through (iv) of this Section securing Indebtedness of the Issuer; provided that on the date such Liens are created, and after giving effect to such Indebtedness, the aggregate principal amount at maturity of all of the secured Indebtedness of the Issuer at such date shall not exceed 5% of Consolidated Net Tangible Assets at such date.

SECTION 4.03. Limitation on Consolidation, Merger, Sale or Conveyance. So long as any of the Notes are outstanding and until the Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or, if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization), at which time the Issuer will be permanently released from the provisions of this Section 4.03, and subject also to Article Nine of the Indenture, the Issuer shall not consolidate with or merge into any other Person or sell, lease or convey the property of the Issuer in the entirety or substantially as an entirety, unless (i) immediately after giving effect to such transaction the Consolidated Net Worth of the surviving entity is at least equal to the Consolidated Net Worth of the Issuer immediately prior to the transaction, and (ii) after giving effect to such transaction, the surviving entity would be entitled to incur at least one dollar of additional Indebtedness (other than revolving Indebtedness to banks) without violation of the limitations in Section 4.04 hereof.

SECTION 4.04. Limitation on Consolidated Indebtedness. (a) So long as any of the Notes are outstanding and until the Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or, if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization), at which time the Issuer will be permanently released from the provisions of this Section 4.04, the Issuer shall not, and shall not permit any Consolidated Subsidiary of the Issuer to, issue, create, assume, guarantee, incur or otherwise become liable for (collectively, "issue"), directly or indirectly, any Indebtedness unless the Consolidated Coverage Ratio of the Issuer and its Consolidated Subsidiaries for the four consecutive fiscal quarters immediately preceding the issuance of such Indebtedness (as shown by a pro forma consolidated income statement of the Issuer and its Consolidated Subsidiaries for the four most recent fiscal quarters ending at least 30 days prior to the issuance of such Indebtedness after giving effect to (i) the issuance of such Indebtedness and (if applicable) the application of the net proceeds thereof to refinance other Indebtedness as if such Indebtedness was issued at the beginning of the period, (ii) the issuance and retirement of any other Indebtedness since the first day of the period as if such Indebtedness was issued or retired at the beginning of the period and (iii) the acquisition of any company or business acquired by the Issuer or any Subsidiary since the first day of the period (including giving effect to the pro forma historical earnings of such company or business), including any acquisition which will be consummated contemporaneously with the

issuance of such Indebtedness, as if in each case such acquisition occurred at the beginning of the period) exceeds a ratio of 1.7 to 1.0.

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

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

(2) Indebtedness (other than Indebtedness described in clause (1) of this Subsection) outstanding on the date of this Ninth Supplemental Indenture, as set forth on Schedule 4.04(b)(2) attached hereto and made a part hereof, and Indebtedness issued in exchange for, or the proceeds of which are used to refund or refinance, any Indebtedness permitted by this clause (2); provided, however, that (i) the principal amount (or accreted value in the case of Indebtedness issued at a discount) of the Indebtedness so issued shall not exceed the principal amount (or accreted value in the case of Indebtedness issued at a discount) of, premium, if any, and accrued but unpaid interest on, the Indebtedness so exchanged, refunded or refinanced and (ii) the Indebtedness so issued (A) shall not mature prior to the stated maturity of the Indebtedness so exchanged, refunded or refinanced, (B) shall have an Average Life equal to or greater than the remaining Average Life of the Indebtedness so exchanged, refunded or refinanced and (C) if the Indebtedness to be exchanged, refunded or refinanced is subordinated to the Notes, the Indebtedness is subordinated to the Notes in right of payment;

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

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

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

(6) Indebtedness of a Consolidated Subsidiary issued to acquire, develop, improve, construct or to provide working capital for a gas, oil or electric generation, exploration, production, distribution, storage or transmission facility and related assets, provided that such Indebtedness is without recourse to any assets of the Issuer, Consumers, Enterprises, CMS Generation, CMS Oil & Gas, CMS Electric and Gas, CMS Gas Transmission and Storage, CMS MST or any other Designated Enterprises Subsidiary;

(7) Indebtedness of a Person existing at the time at which such person became a Subsidiary and not incurred in connection with, or in contemplation of, such Person becoming a Subsidiary. Such Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Consolidated Subsidiary;

(8) Indebtedness issued by the Issuer not to exceed $150,000,000 in aggregate principal amount at any time; and

(9) Indebtedness of a Consolidated Subsidiary in respect of rate reduction bonds issued to recover electric restructuring transition costs of Consumers provided that such Indebtedness is without recourse to the assets of Consumers.

SECTION 4.05. Limitation on Restricted Payments. (a) So long as the Notes are outstanding and until the Notes are rated BBB- or above (or an equivalent rating) by Standard & Poor's and one Other Rating Agency (or, if Standard & Poor's shall change its rating system, an equivalent of such rating then employed by such organization), at which time the Issuer will be permanently released from the provisions of this Section 4.05, the Issuer shall not, and shall not permit any Restricted Subsidiary of the Issuer, directly or indirectly, to (i) declare or pay any dividend or make any distribution on the Capital Stock of the Issuer to the direct or indirect holders of its Capital Stock (except dividends or distributions payable solely in its Non-Convertible Capital Stock or in options, warrants or other rights to purchase such Non-Convertible Capital Stock and except dividends or distributions payable to the Issuer or a Subsidiary), (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Issuer, or (iii) purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity or scheduled repayment thereof, any Subordinated Indebtedness (any such dividend, distribution, purchase,

redemption, repurchase, defeasing, other acquisition or retirement being hereinafter referred to as a "Restricted Payment") if at the time the Issuer or such Subsidiary makes such Restricted Payment:

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

(2) the aggregate amount of such Restricted Payment and all other Restricted Payments made since May 6, 1997 would exceed the sum of:

(A) $100,000,000;

(B) 100% of Consolidated Net Income, accrued during the period (treated as one accounting period) from May 6, 1997 to the end of the most recent fiscal quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such sum shall be a deficit, minus 100% of the deficit); and

(C) the aggregate Net Cash Proceeds received by the Issuer from the issue or sale of or contribution with respect to its Capital Stock subsequent to May 6, 1997.

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

(b) The provisions of Section 4.05(a) shall not prohibit:

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

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

(iii) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Section; provided, however, that at the time of payment of such dividend, no Event of Default

shall have occurred and be continuing (or result therefrom), and provided further, however, that such dividends shall be included (without duplication) in the calculation of the amount of Restricted Payments; or

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

SECTION 4.06. Limitation on Asset Sales. So long as any of the Notes are outstanding, the Issuer may not sell, transfer or otherwise dispose of any property or assets of the Issuer, including Capital Stock of any Consolidated Subsidiary, in one transaction or a series of transactions in an amount which exceeds $50,000,000 (an "Asset Sale") unless the Issuer shall (i) apply an amount equal to such excess Net Cash Proceeds to permanently repay Indebtedness of a Consolidated Subsidiary or Indebtedness of the Issuer which is pari passu with the Notes or (ii) invest an equal amount not so used in clause (i) in property or assets of related business within 24 months after the date of the Asset Sale (the "Application Period") or (iii) apply such excess Net Cash Proceeds not so used in (i) or (ii) (the "Excess Proceeds") to make an offer, within 30 days after the end of the Application Period, to purchase from the Holders on a pro rata basis an aggregate principal amount of Notes on the relevant purchase date equal to the Excess Proceeds on such date, at a purchase price equal to 100% of the principal amount of the Notes on the relevant purchase date and unpaid interest, if any, to the purchase date. The Issuer shall only be required to make an offer to purchase Notes from Holders pursuant to subsection (iii) if the Excess Proceeds equal or exceed $25,000,000 at any given time.

The procedures to be followed by the Issuer in making an offer to purchase Notes from the Holders with Excess Proceeds, and for the acceptance of such offer by the Holders, shall be the same as those set forth in Section 3.01 herein with respect to a Change in Control.

ARTICLE V
ADDITIONAL EVENTS OF DEFAULT
WITH RESPECT TO THE NOTES

SECTION 5.01. Definition. All of the events specified in clauses (a) through (h) of Section 5.1 of the Original Indenture shall be "Events of Default" with respect to the Notes.

SECTION 5.02. Amendments to Section 5.1 of the Original Indenture. Solely for the purpose of determining Events of Default with respect to the Notes, paragraphs (e), (f) and (h) of Section 5.1 of the Original Indenture shall be amended such that each and every reference therein to the Issuer shall be deemed to mean either the Issuer or Consumers.

ARTICLE VI

GLOBAL NOTES

The Notes will be issued initially in the form of Global Notes. "Global Note" means a registered Note evidencing one or more Notes issued to a depositary (the "Depositary") or its

nominee, in accordance with this Article and bearing the legend prescribed in this Article. One or more Global Notes will represent all Notes. The Issuer shall execute and the Trustee shall, in accordance with this Article and the Issuer Order with respect to the Notes, authenticate and deliver one or more Global Notes in temporary or permanent form that (i) shall represent and shall be denominated in an aggregate amount equal to the aggregate principal amount of the Notes to be represented by such Global Note or Notes, (ii) shall be registered in the name of the Depositary for such Global Note or Notes or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions and (iv) shall bear a legend substantially to the following effect: "Unless the Global Note is presented by an authorized representative of the Depository to the Issuer or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of a nominee of the Depository, or in such other name as is requested by an authorized representative of the Depository (and any payment is made to the nominee of the Depository, or to such other entity as is requested by an authorized representative of the Depository), any transfer, pledge or other use hereof for value or otherwise by or to any Person is wrongful inasmuch as the registered owner hereof has an interest herein."

Notwithstanding Section 2.8 of the Indenture, unless and until it is exchanged in whole or in part for Notes in definitive form, a Global Note representing one or more Notes may not be transferred except as a whole by the Depositary, to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for Notes or a nominee of such successor Depositary.

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

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

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

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

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

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

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

ARTICLE VII

DEFEASANCE

All of the provisions of Article Ten of the Original Indenture shall be applicable to the Notes. Upon satisfaction by the Issuer of the requirements of Section 10.1(c) of the Indenture, in connection with any covenant defeasance (as provided in Section 10.1(c) of the Indenture), the Issuer shall be released from its obligations under Article Nine of the Original Indenture and under Articles III and IV of this Ninth Supplemental Indenture with respect to the Notes.

ARTICLE VIII
SUPPLEMENTAL INDENTURES

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

TESTIMONIUM

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

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

CMS ENERGY CORPORATION

/s/ Alan M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

Attest: /s/ Robert C. Shrosbree

BANK ONE TRUST COMPANY, NA
as Trustee

/s/ Ernest J. Peck

Ernest J. Peck
Vice President

Attest:

EXHIBIT (10)(a)

[EXECUTION COPY]

AMENDMENT NO. 3 TO CREDIT AGREEMENT

This AMENDMENT NO. 3, dated as of June 22, 1999, is made by and among CMS ENERGY CORPORATION, a Michigan corporation (the "BORROWER"), the lenders parties to the Credit Agreement referred to below (the "LENDERS"), THE CHASE MANHATTAN BANK, as administrative agent (the "ADMINISTRATIVE AGENT"), documentation agent (the "DOCUMENTATION AGENT"), collateral agent (the "COLLATERAL AGENT") and syndication agent (the "SYNDICATION AGENT") for the Lenders, and the Co-Agents (the "CO-AGENTS") and Lead Managers (the "LEAD MANAGERS") named therein.

PRELIMINARY STATEMENTS:

(1) The Borrower, the Lenders, the Administrative Agent, the Documentation Agent, the Collateral Agent, the Syndication Agent, the Co-Agents and the Lead Managers have entered into a Credit Agreement, dated as of July 2, 1997, as amended by Amendment No. 1, dated as of January 30, 1998, and Amendment No. 2, dated as of November 5, 1998 (as so amended, the "CREDIT AGREEMENT"). Unless otherwise defined herein, the terms defined in the Credit Agreement shall be used herein as therein defined.

(2) The Borrower has requested amendments to the consolidated leverage ratio and the cash dividend coverage ratio set forth in Section 8.01(i) and Section 8.01(j), respectively, of the Credit Agreement, and certain other amendments to the Credit Agreement. The Lenders have agreed to the Borrower's request, upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. The Credit Agreement is, effective as of the date hereof (subject to the satisfaction of the conditions precedent set forth in Section 2 hereof), hereby amended as follows:

(a) Section 8.01(i) of the Credit Agreement is amended in full to read as follows:

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(i) Consolidated Leverage Ratio. The Borrower shall maintain at all times a ratio of Consolidated Debt to Consolidated Capital of not more than the amount set forth below during each corresponding period set forth below:

PERIOD	AMOUNT
Closing Date through June 30, 1998	0.68:1.0
July 1, 1998 through November 30, 1998	0.67:1.0
December 1, 1998 through June 21, 1999	0.745:1.0
June 22, 1999 through June 30, 2000	0.75:1.0
July 1, 2000 through June 30, 2001	0.63:1.0
Thereafter	0.60.1.0

(b) Section 8.01(j) of the Credit Agreement is amended in full to read as follows:

(j) Cash Dividend Coverage Ratio. The Borrower shall maintain, as of the last day of each fiscal quarter (in each case, the "MEASUREMENT QUARTER"), a ratio of (i) the sum of (A) Cash Dividend Income for the immediately preceding four-fiscal-quarter period ending on the last day of the fiscal quarter immediately preceding such Measurement Quarter, plus (B) 25% of the amount of Equity Distributions received by the Borrower during such period but in no event in excess of $10,000,000, plus (C) all amounts received by the Borrower from its Subsidiaries and Affiliates during such period constituting reimbursement of interest expense (including commitment, guaranty and letter of credit fees) paid by the Borrower on behalf of any such Subsidiary or Affiliate to (ii) interest expense (including commitment, guaranty and letter of credit fees) accrued by the Borrower in respect of all Debt during such period of (1) not less than 2.1 to 1.0 for each such period from the Closing Date until (and including) the fiscal quarter ending December 31, 1998, (2) not less than 1.9 to 1 for each such period from January 1, 1999 until (and including) the fiscal quarter ending June 30, 1999, (3) not less than 1.5 to 1 for each such period from July 1, 1999 until (and including) the fiscal quarter ending March 31, 2000, and (4) not less than 2.0 to 1.0 thereafter; provided, that

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the Borrower shall be deemed not to be in breach of the foregoing covenant if, during the Measurement Quarter, it has (I) permanently reduced the Commitments and the principal amount outstanding under this Agreement and the Promissory Notes such that the amount determined pursuant to clause (ii) above, when recalculated on a pro forma basis assuming that the amount of such reduced Commitments and principal amount outstanding under this Agreement and the Promissory Notes were in effect at all times during such four-fiscal-quarter period, would result in the Borrower being in compliance with such ratio, and/or (II) increased Cash Dividend Income during such Measurement Quarter such that the ratio of (x) Cash Dividend Income for the four-fiscal-quarter period ending on the last day of the Measurement Quarter to (y) the amount determined pursuant to clause (ii) above (as recalculated pursuant to clause (I) above), equals or exceeds (1) 2.1 to 1.0 for each such period from the Closing Date until (and including) the fiscal quarter ending December 31, 1998, (2) 1.9 to 1 for each such period from January 1, 1999 until (and including) the fiscal quarter ending June 30, 1999, (3) 1.5 to 1 for each such period from July 1, 1999 until (and including) the fiscal quarter ending March 31, 2000, and (4) 2.0 to 1.0 thereafter; and provided further, that until the Borrower so reduces such Commitments and principal amount outstanding under this Agreement and the Promissory Notes and/or increases Cash Dividend Income during such Measurement Quarter, the Borrower may not request any additional Extensions of Credit (other than Conversions).

(c) Section 8.03 of the Credit Agreement is amended by deleting the phrase "the Borrower will, unless the Required Lenders shall otherwise consent in writing, furnish to each Lender" in its entirety and substituting therefor the new phrase "the Borrower will, unless the Required Lenders shall otherwise consent in writing, furnish to the Administrative Agent (with sufficient copies for each Lender)".

(d) Section 8.03(k) of the Credit Agreement is amended by deleting the phrase "and copies of all final prospectuses" in its entirety and substituting therefor the new phrase "and notice to the Administrative Agent of any sending or filing of, and (upon the request of any Agent or Lender) copies of, final prospectuses".

SECTION 2. CONDITIONS OF EFFECTIVENESS. The amendments to the Credit Agreement contained in Section 1 hereof shall become effective when, and only when, the Administrative Agent shall have received (a) counterparts of this Amendment executed by the Borrower and the Required Lenders, (b) evidence, in form and substance satisfactory to the Administrative Agent, that the Letter of Credit and Reimbursement Agreement, dated as of September 11, 1997, as amended, among the Borrower, Bank of America National Trust and Savings Association, as Administrative Agent and Letter of Credit Issuing Bank, and the other financial institutions party thereto, has been amended in a manner substantially similar to the amendments contained in Section 1 hereof, and (c) evidence, in form and substance satisfactory to the Administrative Agent, that the

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Letter of Credit Reimbursement Agreement, dated March 20, 1996, among the Borrower, The Chase Manhattan Bank, as Administrative Agent, and the other financial institutions party thereto, has been amended in a manner substantially similar to the amendments contained in Section 1 hereof.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows:

(a) The execution, delivery and performance by the Borrower of this Amendment, and the performance by the Borrower of the Credit Agreement, as amended by this Amendment, (i) are within the Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action and (iii) do not and will not (A) require any consent or approval of the stockholders of the Borrower, (B) violate any provision of the charter or by-laws of the Borrower or of law, (C) violate any legal restriction binding on or affecting the Borrower, (D) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected, or (E) result in or require the creation of any Lien (other than pursuant to the Loan Documents) upon or with respect to any of its properties.

(b) No Governmental Approval is required for the due execution, delivery and performance by the Borrower of this Amendment or for the performance by the Borrower of the Credit Agreement, as amended by this Amendment.

(c) This Amendment and the Credit Agreement, as amended by this Amendment, are the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms; subject to the qualification, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law). This Amendment has been duly executed and delivered on behalf of the Borrower.

(d) The representations and warranties of the Borrower set forth in Section 7.01 of the Credit Agreement are true and correct on and as of the date hereof, as though made on and as of such date.

(e) No event has occurred and is continuing that constitutes a Default or an Event of Default.

SECTION 4. REFERENCE TO AND EFFECT ON THE LOAN DOCUMENTS. (a) Upon the effectiveness of this Amendment, on and after the date hereof each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to "the Credit

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Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other Loan Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agents under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 5. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Amendment.

SECTION 6. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CMS ENERGY CORPORATION

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

THE CHASE MANHATTAN BANK, as Administrative Agent, Collateral Agent, Documentation Agent and Syndication Agent

By /s/ Thomas L. Casey
Name: Thomas L. Casey
Title: Vice President

LENDERS

THE CHASE MANHATTAN BANK

By /s/ Thomas L. Casey
Name: Thomas L. Casey
Title: Vice President

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ABN AMRO BANK N.V.

By /s/ Peter D. Gaw

Name: Peter D. Gaw
Title: Senior Vice President
& Managing Director

By /s/ Robert E. Lee IV

Name: Robert E. Lee IV
Title: Assistant Vice President

BANK OF AMERICA ILLINOIS

By /s/ Gretchen P. Burud

Name: Gretchen P. Burud
Title: Principal

NATIONSBANK, N.A.

By /s/ Gretchen P. Burud

Name: Gretchen P. Burud
Title: Principal

BANKBOSTON, N.A.

By /s/ Thomas E. O'Leary

Name: Thomas E. O'Leary
Title: Director Executive

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BARCLAYS BANK PLC

By /s/ Sydney G. Dennis

Name: Sydney G. Dennis
Title: Director

DRESDNER BANK AG, NEW YORK
AND GRAND CAYMAN BRANCHES

By /s/ Michael E. Higgins

Name: Michael E. Higgins
Title: Vice President

By /s/ Robert Preminger

Name: Robert Preminger
Title: Assistant Vice President

NATIONAL AUSTRALIA BANK LIMITED

By /s/ Jeff D. White

Name: Jeff D. White
Title: Vice President

THE SUMITOMO BANK, LIMITED,
CHICAGO BRANCH

By /s/ John H. Kemper

Name: John H. Kemper
Title: Senior Vice President

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BANK OF MONTREAL

By /s/ Howard H. Turner

Name: Howard H. Turner
Title: Director

THE BANK OF NEW YORK

By /s/ John N. Watt

Name: John N. Watt
Title: Vice President

BANK OF SCOTLAND

By /s/ Annie Glynn

Name: Annie Glynn
Title: Senior Vice President

BANQUE PARIBAS

By /s/ Dan Cozine

Name: Dan Cozine
Title: Director

By /s/ Ralph Scholtz

Name: Ralph Scholtz
Title: Director

COMERICA BANK

By /s/ David C. Bird

Name: David C. Bird
Title: Vice President

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CREDIT LYONNAIS CHICAGO BRANCH

By /s/ Mary Ann Klemm

Name: Mary Ann Klemm
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By /s/ Walter R. Wolff

Name: Walter R. Wolff
Title: Joint General Manager

MICHIGAN NATIONAL BANK

By /s/ Mark S. Aben

Name: Mark S. Aben
Title: Sr. Relationship Manager

THE MITSUBISHI TRUST AND
BANKING CORPORATION, LOS
ANGELES AGENCY

By /s/ Yasushi Satomi

Name: Yasushi Satomi
Title: Senior Vice President

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SOCIETE GENERALE, CHICAGO BRANCH

By /s/ Jose A. Moreno

Name: Jose A. Moreno
Title: Director

TORONTO DOMINION (TEXAS), INC.

By /s/ Alva J. Jones

Name: Alva J. Jones
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By /s/ David Musicant

Name: David Musicant
Title: Vice President

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

By /s/ Elizabeth M. Waters

Name: Elizabeth M. Waters
Title: Vice President

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THE BANK OF NOVA SCOTIA

By /s/ F.C.H. Ashby

Name: F.C.H. Ashby
Title: Senior Manager Loan Operations

BANQUE NATIONALE DE PARIS

By /s/ Jo Ellen Bender

Name: Jo Ellen Bender
Title: Senior Vice President

BHF-BANK AKTIENGESELLSCHAFT

By /s/ Eric Emmert

Name: Eric Emmert
Title: Associate

By /s/ Geoffrey C. Gavin

Name: Geoffrey C. Gavin
Title: Assistant Vice President

CHANG HWA COMMERCIAL BANK,
LTD., NEW YORK BRANCH

By /s/ Wan-Tu Yeh

Name: Wan-Tu Yeh
Title: Vice President and General Manager

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CIBC INC.

By /s/ Denis P. O'Meara

Name: Denis P. O'Meara
Title: Executive Director
CIBC World Markets Corp. as Agent

CITIBANK, N.A.

By /s/ J. Nicholas McKee

Name: J. Nicholas McKee
Title: Vice President

THE FIRST NATIONAL BANK OF CHICAGO

By /s/ Jane Bek

Name: Jane Bek
Title: Vice President

MELLON BANK, N.A.

By /s/ Richard A. Matthews

Name: Richard A. Matthews
Title: Vice President

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NATIONAL WESTMINSTER BANK PLC

By /s/ Maria Amaral-LeBlanc

Name: Maria Amaral-LeBlanc
Title: Vice President

THE ROYAL BANK OF SCOTLAND PLC

By /s/ Scott Barton

Name: Scott Barton
Title: Vice President

THE SAKURA BANK, LIMITED

By

Name:
Title:

THE SANWA BANK, LIMITED,
CHICAGO BRANCH

By /s/ Kenneth C. Eichwald

Name: Kenneth C. Eichwald
Title: First Vice President and
Assistant General Manager

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THE SUMITOMO TRUST & BANKING
CO., LTD., NEW YORK BRANCH

By /s/ Stephen A. Stratico

Name: Stephen A. Stratico
Title: Vice President

UBS AG, NEW YORK BRANCH (as successor to
Union Bank of Switzerland, New York Branch)

By /s/ Paul R. Morrison

Name: Paul R. Morrison
Title: Executive Director

By /s/ Andrew N. Taylor

Name: Andrew N. Taylor
Title: Associate Director

FIRST COMMERCIAL BANK
(INCORPORATED IN TAIWAN,
R.O.C.), LOS ANGELES BRANCH

By /s/ June Shiong Lu

Name: June Shiong Lu
Title: Senior Vice President and General Manager

THE FUJI BANK, LIMITED

By /s/ Peter L. Chinnici

Name: Senior Vice President and Group Head
Title:

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ARAB AMERICAN BANK

By /s/ Carmelo L. Foti

Name: Carmelo L. Foti
Title: Vice President

By /s/ William C. Reynolds

Name: William C. Reynolds
Title: Vice President

NATIONAL CITY BANK

By /s/ Kenneth R. Ehrhardt

Name: Kenneth R. Ehrhardt
Title: Vice President

EXHIBIT (10)(b)

EMPLOYMENT AGREEMENT

AGREEMENT between CMS Energy Corporation, a Michigan corporation ("Corporation"), and Preston D. Hopper (the "Executive") dated this 20th day of March 1996.

Whereas the Corporation considers the maintenance of a vital management essential to protecting and enhancing the best interests of the Corporation and its shareholders. Whereas the Corporation has determined to encourage the continuing attention and dedication of the key members of its management without the distraction arising from the possibility of a change in control.

Therefore, the parties hereto agree as follows:

1. Operation of Agreement. The "Effective Date" shall be the date on which a Change of Control (as defined in Section 2) shall occur.

2. Change of Control. As used in this Agreement, "Change of Control" shall be deemed to have taken place if a person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 becomes the beneficial owner of shares having 35% or more of the total number of votes that may be cast in the election of Directors of CMS Energy Corporation.

3. Employment. The Corporation hereby agrees to continue to employ and engage the services of the Executive as its Senior Vice President, Controller and Chief Accounting Officer of CMS Energy Corporation for the period beginning on the Effective Date and ending on the earlier of the fifth anniversary of such date or the Normal Retirement Date of the Executive under the Consumers Power Company's Pension Plan (hereinafter "Employment Period"). The Executive agrees to serve the Corporation in such position, unless an event shall occur which is described in Section 6.

4. Duties. The Executive agrees during the Employment Period to devote his full business time to the business and affairs of the Corporation (except for (i) services on corporate, civic or charitable boards or committees, (ii) such reasonable time as shall be required for the investment of the Executive's assets, which do not significantly interfere with the performance of his responsibilities hereunder and (iii) periods of vacation and sick leave to which he is entitled) and to use his best efforts to promote the interests of the Corporation and to perform faithfully and efficiently the responsibilities of Senior

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Vice President, Controller and Chief Accounting Officer of CMS Energy Corporation.

5. Compensation and Other Terms of Employment.

(a) Base Salary. The Executive shall receive an annual base salary ("Base Salary") of not less than his annual salary immediately prior to the Effective Date (payable in equal semi-monthly installments) from the Corporation.

The Base Salary shall be reviewed and may be increased at any time and from time to time in accordance with the Corporation's regular practices, and shall be reviewed at least annually by the Organization and Compensation Committee of its Board of Directors.

(b) Incentive Compensation. As further compensation, the Executive will be eligible for awards ("Incentive Compensation") under the Corporation's Executive Incentive Compensation Plan in which he was participating immediately prior to the Effective Date.

(c) Retirement, Savings and Stock Option Plans. In addition to the Base Salary and Incentive Compensation payable as hereinabove provided, the Executive shall be entitled to participate in savings, stock options and other incentive plans and programs available to executives of the Corporation or to opportunities provided under any such plans in which he was participating immediately preceding the Effective Date, whichever is greater.

(d) Vacation and Employee Benefits.

(i) The Executive shall be entitled to paid vacation and other employee benefits and perquisites, in accordance with the policies of the Corporation in effect for executive officers, or the vacation employee benefits and perquisites to which he was entitled immediately prior to the Effective Date, whichever is greater.

6. Termination.

(a) Death. This Agreement shall terminate automatically upon the Executive's death. In the event of such termination, the Corporation shall pay to the Executive's estate all benefits and compensation accrued hereunder to the date of death, including a pro rata portion of incentive compensation.

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(b) Disability. In the event the Executive becomes unable by reason of physical or mental disability to render the services required hereunder and such disability continues for a continuous period of 6 months, the employment of the Executive hereunder shall terminate, unless the employment is extended by agreement of the Corporation and the Executive. Commencing at the date of termination of employment for disability, the Executive shall receive annually a sum equal to 50% of his Base Salary at the time of termination of employment, in monthly installments until his 62nd birthday, or his death if earlier. Disability payments hereunder shall be reduced by the amount of other Corporation-sponsored disability benefits paid to the Executive through insurance or otherwise.

(c) Termination with Cause. The Corporation may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" shall mean an act or acts of dishonesty, fraud, misappropriation or intentional material damage to the property or business of the Corporation or commission of a felony on the Executive's part. If the Executive's employment is terminated for Cause, the Corporation shall pay the Executive his full accrued Base Salary through the date of such termination at the rate in effect at the time of such termination, and the Corporation shall have no further obligations to the Executive under this Agreement.

(d) Other Termination or Resignation of Executive.

(i) The Corporation may terminate the Executive's employment without Cause.

(ii) In the event that the Executive determines in his sole judgment that his position, authority, or responsibilities have been diminished as a result of the "Change of Control," the Executive may terminate his employment with the Corporation upon written notice given within 12 months after the Effective Date.

(iii) In the event of a termination of employment under this subsection (d), the Executive shall receive a severance payment equal to twice his Base Salary at the time of termination of employment plus either twice his incentive compensation payable with respect to the last full calendar year prior to the termination of employment or, if no incentive compensation was awarded to the Executive with respect to the last full calendar year prior to the termination of employment, twice the standard incentive award, as defined in the Corporation's Executive Incentive Compensation Plan for the salary grade of the

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Executive for such year. The severance payment shall be paid in a lump sum payment, in cash, or as otherwise directed by the Executive.

7. No Obligation to Mitigate Damages. The Executive shall not be obligated to seek other employment in mitigation of amounts payable or arrangements made under the provisions of this Agreement and the obtaining of any such other employment shall in no event effect any reduction of the Corporation's obligations to make the payments and arrangements required to be made under this Agreement.

8. Indemnification. The Corporation shall include the Executive in its Director and Officer Liability Insurance policy, if any, during his Employment Period and for a period of not less than five years after the termination of the Executive's employment for any reason whatsoever. In addition to insurance and any other indemnification available to the Executive as an Officer, the Corporation shall indemnify, to the extent permitted by applicable law, the Executive for settlements, judgments and reasonable expenses in connection with activities arising from services rendered by the Executive as a Director or Officer of the Corporation or any affiliated company.

9. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified mail to the Executive at the last address he has filed in writing with the Corporation or, in the case of the Corporation, Attn: Secretary, at its principal executive offices.

10. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien or security interest upon any amounts provided under this Agreement; and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law, except by will or the laws of descent and distribution.

11. Governing Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Michigan.

12. Amendment. This Agreement may be amended or cancelled only by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

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13. Successor to the Corporation. Except as may be otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Corporation and any successor of the Corporation.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

IN WITNESS WHEREOF, the Corporation and the Executive have executed this Agreement as of the date first above written.

/s/ P. D. Hopper

Preston D. Hopper

CMS ENERGY CORPORATION

By: /s/ William T. McCormick, Jr.

William T. McCormick, Jr.
Chairman of the Board
and Chief Executive Officer

EXHIBIT (10)(c)

EMPLOYMENT AGREEMENT

Agreement between CMS Energy Corporation, a Michigan corporation ("Company") and Bradley W. Fischer ("Executive") dated this 29th day of April 1998.

Whereas the Company considers the maintenance of a vital management at CMS NOMECO Oil & Gas Co. ("NOMECO") essential to the best interests of the Company and its shareholders.

Whereas the Company wishes to encourage the continuing dedication and attention of the key executives of NOMECO's management without the possible distraction arising from the engagement of a new Chief Executive Officer.

Therefore, the parties agree as follows:

1. Operation of Agreement. The "Effective Date" shall be the employment date of the successor Chief Executive Officer to Gordon L. Wright.

2. Employment. A period extending one year from the Effective Date shall be the Employment Period.

3. Termination Without Cause. In the event that NOMECO terminates the Executive's employment without cause during the Employment Period, the Executive shall receive a separation payment equal to his regular annual salary at the time of termination of employment plus an amount equal to the standard award for his salary grade under the NOMECO Annual Executive Incentive Compensation Plan. The separation payment shall be paid in a lump sum or as otherwise directed by the Executive.

4. No Obligation to Mitigate Damages. The Executive shall have no obligation to seek other employment, and the obtaining of other employment shall not reduce the Company's obligation to make the payments required hereunder.

5. Non-Alienation. No benefits payable hereunder shall be assignable in anticipation of payment either by the Executive or by operation of law, except by will or the laws of descent and distribution.

6. Governing Law. The provisions of this Agreement shall be construed

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in accordance with the laws of the State of Michigan.

7. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date above.

CMS ENERGY CORPORATION

/s/ Bradley W. Fischer	By /s/ William T. McCormick, Jr.
Bradley W. Fischer	William T. McCormick, Jr. Chairman of the Board and Chief Executive Officer

EXHIBIT (10)(d)

EMPLOYMENT AGREEMENT

AGREEMENT between Panhandle Eastern Pipe Line Company, a Michigan corporation ("Company"), and Christopher A. Helms (the "Executive") dated this 29th day of March 1999.

Whereas the Company considers the maintenance of a vital management essential to protecting and enhancing the best interests of the Company and its shareholders. Whereas the Company has determined to encourage the continuing attention and dedication of the key members of its management without the distraction arising from the possibility of a change in control.

Therefore, the parties hereto agree as follows:

1. Operation of Agreement. The "Effective Date" shall be the date on which a Change of Control (as defined in Section 2) shall occur.

2. Change of Control. As used in this Agreement, "Change of Control" shall be deemed to have taken place if a person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934 becomes the beneficial owner of shares having 35% or more of the total number of votes that may be cast in the election of Directors of CMS Energy Corporation.

3. Employment. The Company hereby agrees to continue to employ and engage the services of the Executive as its President and Chief Operating Officer of the Company for the period beginning on the Effective Date and ending on the earlier of the fifth anniversary of such date or the Normal Retirement Date of the Executive under the Company's Pension Plan (hereinafter "Employment Period"). The Executive agrees to serve the Company in such position, unless an event shall occur which is described in Section 6.

4. Duties. The Executive agrees during the Employment Period to devote his full business time to the business and affairs of the Company (except for (i) services on corporate, civic or charitable boards or committees, (ii) such reasonable time as shall be required for the investment of the Executive's assets, which do not significantly interfere with the performance of his responsibilities hereunder and (iii) periods of vacation and sick leave to which he is entitled) and to use his best efforts to promote the interests of the Company and to perform faithfully and efficiently the responsibilities of President and Chief Operating Officer.

5. Compensation and Other Terms of Employment.

(a) Base Salary. The Executive shall receive an annual base salary ("Base Salary") of not less than his annual salary immediately prior to the Effective Date (payable in equal semi-monthly installments) from the Company.

The Base Salary shall be reviewed and may be increased at any time and from time to time in accordance with the Company's regular practices, and shall be reviewed at least annually by the Organization and Compensation Committee of its Board of Directors.

(b) Incentive Compensation. As further compensation, the Executive will be eligible for awards ("Incentive Compensation") under the Company's Executive Incentive Compensation Plan in which he was participating immediately prior to the Effective Date.

(c) Retirement, Savings and Stock Option Plans. In addition to the Base Salary and Incentive Compensation payable as hereinabove provided, the Executive shall be entitled to participate in savings, stock options and other incentive plans and programs available to executives of the Company or to opportunities provided under any such plans in which he was participating immediately preceding the Effective Date, whichever is greater.

(d) Vacation and Employee Benefits.

(i) The Executive shall be entitled to paid vacation and other employee benefits and perquisites, in accordance with the policies of the Company in effect for executive officers, or the vacation employee benefits and perquisites to which he was entitled immediately prior to the Effective Date, whichever is greater.

6. Termination.

(a) Death. This Agreement shall terminate automatically upon the Executive's death. In the event of such termination, the Company shall pay to the Executive's estate all benefits and compensation accrued hereunder to the date of death, including a pro rata portion of incentive compensation.

(b) Disability. In the event the Executive becomes unable by reason of physical or mental disability to render the services required hereunder and such disability continues for a continuous period of 6 months, the employment of the Executive hereunder shall terminate, unless the employment is extended by agreement of the Company and the Executive. Commencing at the date of termination of employment for disability, the Executive shall receive annually a sum equal to 50% of his Base Salary at the time of termination of employment, in monthly installments until his 62nd birthday, or his death if earlier. Disability payments hereunder shall be reduced by the amount of other Company-sponsored disability benefits paid to the Executive through insurance or otherwise.

(c) Termination with Cause. The Company may terminate the Executive's employment for Cause. For purposes of this Agreement, "Cause" shall mean an act or acts of dishonesty, fraud, misappropriation or intentional material damage to the property or business of the Company or commission of a felony on the Executive's part. If the

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Executive's employment is terminated for Cause, the Company shall pay the Executive his full accrued Base Salary through the date of such termination at the rate in effect at the time of such termination, and the Company shall have no further obligations to the Executive under this Agreement.

(d) Other Termination or Resignation of Executive.

(i) The Company may terminate the Executive's employment without Cause.

(ii) In the event that the Executive determines in his sole judgment that his position, authority, or responsibilities have been diminished as a result of the "Change of Control," the Executive may terminate his employment with the Company upon written notice given within 12 months after the Effective Date.

(iii) In the event of a termination of employment under this subsection (d), the Executive shall receive a severance payment equal to twice his Base Salary at the time of termination of employment plus either twice his incentive compensation payable with respect to the last full calendar year prior to the termination of employment or, if no incentive compensation was awarded to the Executive with respect to the last full calendar year prior to the termination of employment, twice the standard incentive award, as defined in the Company's Executive Incentive Compensation Plan for the salary grade of the Executive for such year. The severance payment shall be paid in a lump sum payment, in cash, or as otherwise directed by the Executive.

7. No Obligation to Mitigate Damages. The Executive shall not be obligated to seek other employment in mitigation of amounts payable or arrangements made under the provisions of this Agreement and the obtaining of any such other employment shall in no event effect any reduction of the Company's obligations to make the payments and arrangements required to be made under this Agreement.

8. Indemnification. The Company shall include the Executive in its Director and Officer Liability Insurance policy, if any, during his Employment Period and for a period of not less than five years after the termination of the Executive's employment for any reason whatsoever. In addition to insurance and any other indemnification available to the Executive as an Officer, the Company shall indemnify, to the extent permitted by applicable law, the Executive for settlements, judgments and reasonable expenses in connection with activities arising from services rendered by the Executive as a Director or Officer of the Company or any affiliated company.

9. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and if sent by registered or certified

mail to the Executive at the last address he has filed in writing with the Company or, in the case of the Company, Attn: Secretary, at its principal executive offices.

10. Non-Alienation. The Executive shall not have any right to pledge, hypothecate, anticipate or in any way create a lien or security interest upon any amounts provided under this Agreement; and no benefits payable hereunder shall be assignable in anticipation of payment either by voluntary or involuntary acts, or by operation of law, except by will or the laws of descent and distribution.

11. Governing Law. The provisions of this Agreement shall be construed in accordance with the laws of the State of Michigan.

12. Amendment. This Agreement may be amended or canceled only by mutual agreement of the parties in writing without the consent of any other person and, so long as the Executive lives, no person, other than the parties hereto, shall have any rights under or interest in this Agreement or the subject matter hereof.

13. Successor to the Company. Except as may be otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Company and any successor of the Company.

14. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date first above written.

/s/ Christopher A. Helms

Christopher A. Helms

PANHANDLE EASTERN PIPE LINE COMPANY

By: /s/ Victor J. Fryling

Victor J. Fryling
Chairman of the Board

EXHIBIT (12)

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

	Six Months Ended June 30, 1999	1998 (b)	1997	1996	1995	1994
			Years Ended December 31 -			
Earnings as defined (a)						
Consolidated net income	$ 173	$ 242	$ 244	$ 224	$ 195	$ 177
Income taxes	67	100	108	137	113	91
Exclude equity basis subsidiaries	(37)	(92)	(80)	(85)	(57)	(18)
Fixed charges as defined, adjusted to exclude capitalized interest of $23,$28, $13, $5, $4 and $2 million for the six months ended June 30, 1999 and for the years ended December 31, 1998, 1997, 1996, 1995 and 1994, respectively	252	395	360	313	299	253
Earnings as defined	$ 455	$ 645	$ 632	$ 589	$ 550	$ 503
Fixed charges as defined (a)						
Interest on long-term debt	$ 230	$ 319	$ 273	$ 230	$ 224	$ 193
Estimated interest portion of lease rental	3	8	8	10	9	9
Other interest charges	21	48	49	43	42	30
Preferred securities dividends and distributions	34	77	67	54	42	36
Fixed charges as defined	$ 288	$ 452	$ 397	$ 337	$ 317	$ 268
Ratio of earnings to fixed charges and preferred securities dividends and distributions	1.58	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)

ARTHUR ANDERSEN LLP

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 June 30, 1999, which includes our report dated August 12, 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.

Arthur Andersen LLP

Detroit, Michigan,
August 12, 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

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
PER-BOOK
3,909
5,507
1,694
3,037
0
14,147
1
2,643
(138)
2,390
643
44
2,147
264
4,932
0
271
0
92
35
3,213
14,147
2,891
67
2,414
2,481
410
13
423
228
195
22
173
77
0
440
1.50
1.48

EPS for CMS Energy Common Stock $1.50
EPS for Class G Common Stock $1.28

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

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
PER-BOOK
3,909
710
546
1,840
0
7,005
841
645
438
1,981
220
44
806
264
1,202
0
115
0
88
33
2,309
7,005
2,007
107
1,631
1,738
269
9
278
87
191
14
177
173
0
460
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 JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000076063
PANHANDLE EASTERN PIPE LINE COMPANY
1,000

6-MOS
DEC-31-1999
JUN-30-1999
0
0
84,000
0
54,000
214,000
1,508,000
25,000
2,413,000
138,000
1,094,000
0
0
1,000
1,129,000
2,413,000
0
235,000
0
80,000
44,000
0
38,000
116,000
30,000
48,000
0
0
0
48,000
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 the principal 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.

Results of Operations

	In Millions		
June 30	1999	1998	Change
Three Months Ended	$ 4	$ 4	$--
Six months ended	43	40	3
Twelve Months Ended	55	56	(1)

Net income for the three month period ended June 30, 1999 remained consistent compared with the same period ending June 30, 1998. The increase in net income for the six months ended June 30, 1999 compared to the same 1998 period reflects increased gas deliveries due to colder temperatures during the 1999 heating season. Partially offsetting the increase was the benefit resulting from a one-time accounting change for property taxes in the first quarter of 1998. The recognition of property tax expense was changed from expensing on a calendar year basis to a fiscal year basis which resulted in a benefit of $18 million ($12 million after-tax). The decrease in earnings for the twelve months ended June 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 six months of 1999 and 1998 totaled $221 million and $139 million, respectively. The $82 million increase primarily reflects increased earnings and depreciation, the absence of the 1998 cumulative effect of the property tax accounting change, decreased inventory balances due to increased sales, 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 six months of 1999 and 1998 totaled $46 million and $52 million, respectively. The $6 million decrease in cash used primarily reflects decreased capital expenditures.

FINANCING ACTIVITIES: Cash used in financing activities during the first six months of 1999 and 1998 totaled $174 million and $37 million, respectively. The $137 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 June 30, 1999, receivables sold totaled $266 million. Consumers Gas Group's attributed portion of these receivables sold totaled $44 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)

JUNE 30	THREE MONTHS ENDED 1999	1998	SIX MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
				In Millions, Except Per Share Amounts		
OPERATING REVENUE	$175	$170	$681	$599	$1,133	$ 1,085
OPERATING EXPENSES						
Operation						
Cost of gas sold	78	74	384	338	609	600
Other	47	44	94	90	181	183
	125	118	478	428	790	783
Maintenance	9	8	17	16	33	34
Depreciation, depletion and amortization	16	14	60	51	107	89
General taxes	9	9	32	29	58	52
	159	149	587	524	988	958
PRETAX OPERATING INCOME	16	21	94	75	145	127
OTHER INCOME (DEDUCTIONS)	2	--	4	--	--	(1)
FIXED CHARGES						
Interest on long-term debt	7	7	15	14	29	28
Other interest	4	4	7	8	14	15
Preferred dividends	--	1	1	2	3	4
	11	12	23	24	46	47
INCOME BEFORE INCOME TAXES	7	9	75	51	99	79
INCOME TAXES	3	5	32	23	44	35
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4	4	43	28	55	44
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $6 TAX	--	--	--	12	--	12
NET INCOME	$ 4	$ 4	$ 43	$ 40	$ 55	$ 56
NET INCOME ATTRIBUTABLE TO CMS ENERGY SHAREHOLDERS THROUGH RETAINED INTEREST	$ 3	$ 3	$ 32	$ 30	$ 41	$ 42
NET INCOME ATTRIBUTABLE TO CLASS G SHAREHOLDERS	$ 1	$ 1	$ 11	$ 10	$ 14	$ 14
AVERAGE CLASS G COMMON SHARES OUTSTANDING	9	8	9	8	8	8
BASIC AND DILUTED EARNINGS PER AVERAGE CLASS G COMMON SHARE BEFORE CHANGE IN ACCOUNTING PRINCIPLE	$.10	$.12	$1.28	$.84	$ 1.65	$ 1.35
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX, PER AVERAGE CLASS G COMMON SHARE	$ --	$ --	$ --	$.36	$ --	$ .36
BASIC AND DILUTED EARNINGS PER AVERAGE CLASS G COMMON SHARE	$.10	$.12	$1.28	$1.20	$ 1.65	$ 1.71
DIVIDEND DECLARED PER CLASS G COMMON SHARE	$.325	$.31	$.65	$.62	$ 1.30	$ 1.24

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

CONSUMERS GAS GROUP
BALANCE SHEETS

ASSETS	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
		In Millions	
PLANT AND PROPERTY (AT COST)			
Plant and property	$2,394	$2,360	$2,307
Less accumulated depreciation, depletion and amortization	1,302	1,252	1,215
	1,092	1,108	1,092
Construction work-in-progress	35	31	29
	1,127	1,139	1,121
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	4	2	52
Accounts receivable and accrued revenue, less allowances of $2, $3, and $3, respectively	45	75	14
Inventories at average cost			
Gas in underground storage	166	219	178
Materials and supplies	6	6	6
Prepayments and other	31	51	46
	252	353	296
NON-CURRENT ASSETS			
Postretirement benefits	126	131	137
Deferred income taxes	40	16	10
Other	91	87	61
	257	234	208
TOTAL ASSETS	$1,636	$1,726	$1,625

STOCKHOLDERS' INVESTMENT AND LIABILITIES	JUNE 30 1999 (UNAUDITED)	DECEMBER 31 1998	JUNE 30 1998 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity	$ 399	$ 379	$ 360
Preferred stock	10	52	52
Long-term debt	449	454	486
Non-current portion of capital leases	15	14	16
	873	899	914
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	33	37	27
Notes payable	30	118	64
Accounts payable	108	92	74
Accrued taxes	48	61	45
Accrued refunds	11	9	8
Accrued interest	8	8	6
Deferred income taxes	5	4	3
Other	52	47	43
	295	376	270
NON-CURRENT LIABILITIES			
Regulatory liabilities for income taxes, net	213	189	180
Postretirement benefits	152	159	164
Deferred investment tax credit	24	25	25
Other	79	78	72
	468	451	441
COMMITMENTS AND CONTINGENCIES (NOTE 4)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$1,636	$1,726	$1,625

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

CONSUMERS GAS GROUP
STATEMENTS OF CASH FLOWS
(UNAUDITED)

JUNE 30	SIX MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 1999	1998
				In Millions
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 43	$ 40	$ 55	$ 56
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, depletion and amortization	60	51	107	89
Capital lease and other amortization	2	2	3	5
Deferred income taxes and investment tax credit	-	11	4	9
Cumulative effect of accounting change	-	(18)	-	(18)
Other	(1)	-	(1)	-
Changes in other assets and liabilities	117	53	24	13
Net cash provided by operating activities	221	139	192	154
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures (excludes assets placed under capital lease)	(45)	(49)	(107)	(111)
Cost to retire property, net	(2)	(4)	(7)	(9)
Proceeds from the sale of property	1	-	5	-
Other	-	1	1	2
Net cash used in investing activities	(46)	(52)	(108)	(118)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in notes payable, net	(88)	(55)	(34)	35
Return of CMS Energy stockholders' contribution	(35)	(21)	(46)	(60)
Payment of common stock dividends	(22)	(20)	(44)	(41)
Retirement of bonds and other long-term debt	(21)	(123)	(57)	(133)
Retirement of preferred stock	(42)	-	(42)	(26)
Payment of capital lease obligations	(2)	(3)	(5)	(6)
Contribution from CMS Energy stockholders	30	-	67	-
Proceeds from long-term note and bank loans	3	-	-	25
Issuance of common stock	4	3	7	8
Proceeds from senior notes	-	182	30	182
Repayment of bank loans	-	-	(8)	-
Net cash used in financing activities	(173)	(37)	(132)	(16)
Net Increase (Decrease) in Cash and Temporary Cash Investments	2	50	(48)	20
Cash and Temporary Cash Investments, Beginning of Period	2	2	52	32
Cash and Temporary Cash Investments, End of Period	$ 4	$ 52	$ 4	$ 52
Other cash flow activities and non-cash investing and financing activities were:				
Cash transactions				
Interest paid (net of amounts capitalized)	$ 20	$ 18	$ 39	$ 39
Income taxes paid (net of refunds)	23	24	31	39
Non-cash transactions				
Assets placed under capital lease	$ 2	$ 3	$ 2	$ 5

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
STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(UNAUDITED)

JUNE 30	THREE MONTHS ENDED 1999	1998	SIX MONTHS ENDED 1999	1998	TWELVE MONTHS ENDED 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	79	88	113	102	84	136
Common stock issued	3	1	4	3	7	8
CMS Energy stockholders' contribution	30	-	30	-	67	-
Return of CMS Energy stockholders' contribution	-	(5)	(35)	(21)	(46)	(60)
At end of period	112	84	112	84	112	84
RETAINED EARNINGS						
At beginning of period	110	98	82	72	92	77
Net income	4	4	43	40	55	56
Common stock dividends declared	(11)	(10)	(22)	(20)	(44)	(41)
At end of period	103	92	103	92	103	92
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 399	$ 360	$ 399	$ 360	$ 399	$ 360

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 the principal 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 June 30, 1999 and June 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 six months ended June 30, 1999 and 1998, are based on 25.9 percent, 25.3 percent of the income of Consumers Gas Group, respectively.

In February and April 1999, CMS Energy declared and paid dividends of $.325 per share on Class G Common Stock. In July 1999, the Board of Directors declared a quarterly dividend of $.34 per share on Class G Common Stock, to be paid in August of 1999. This represents an increase in the annualized dividend on Class G Common Stock of $1.36 per share from the previous dividend of $1.30 (a 4.6 percent increase).

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 June 30, 1999 and 1998, is estimated by management to be $44 million and $40 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.

ARTHUR ANDERSEN LLP

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 June 30, 1999 and 1998, and the related statements of income and common stockholders' equity for the three-month, six-month and twelve-month periods then ended, and the related statements of cash flows for the six-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.

Arthur Andersen LLP

Detroit, Michigan,
August 12, 1999.