UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER	REGISTRANT; STATE OF INCORPORATION; ADDRESS; AND TELEPHONE NUMBER	IRS EMPLOYER IDENTIFICATION NO.
1-9513	CMS Energy Corporation (A Michigan Corporation) Fairlane Plaza South, Suite 1100 330 Town Center Drive, Dearborn, Michigan 48126 (313)436-9200	38-2726431
1-5611	Consumers Energy Company (A Michigan Corporation) 212 West Michigan Avenue, Jackson, Michigan 49201 (517)788-0550	38-0442310
1-2921	Panhandle Eastern Pipe Line Company (A Delaware Corporation) 5444 Westheimer Road, P.O. Box 4967, Houston, Texas 77210-4967 (713)989-7000	44-0382470

Securities registered pursuant to Section 12(b) of the Act:

REGISTRANT	TITLE OF CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
CMS ENERGY CORPORATION	Common Stock, $.01 par value	New York Stock Exchange
CMS ENERGY TRUST II	8.75% Adjustable Convertible Trust Securities	New York Stock Exchange
CMS ENERGY TRUST III	7.25% Premium Equity Participating Security Units	New York Stock Exchange
CONSUMERS ENERGY COMPANY	Preferred Stocks, $100 par value: $4.16 Series, $4.50 Series	New York Stock Exchange
CONSUMERS POWER COMPANY FINANCING I	8.36% Trust Originated Preferred Securities	New York Stock Exchange
CONSUMERS ENERGY COMPANY FINANCING II	8.20% Trust Originated Preferred Securities	New York Stock Exchange
CONSUMERS ENERGY COMPANY FINANCING III	9.25% Trust Originated Preferred Securities	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: None

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Panhandle Eastern Pipe Line Company meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format. Items 4, 6, 10, 11, 12 and 13 have been omitted and Items 1, 2 and 7 have been reduced in accordance with Instruction I.

The aggregate market value of CMS Energy voting and non-voting common equity held by non-affiliates was $3,883,404,796 for the 131,418,098 CMS Energy Common Stock shares outstanding on February 28, 2001.

On February 28, 2001 CMS Energy held all voting and non-voting common equity of Consumers and Panhandle.

Documents incorporated by reference: CMS Energy's proxy statement and Consumers' information statement relating to the 2001 annual meeting of shareholders to be

held May 25, 2001, are incorporated by reference in Part III, except for the
organization and compensation committee report and the performance graph
contained therein.

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CMS Energy Corporation
and
Consumers Energy Company
and
Panhandle Eastern Pipe Line Company
Annual Reports on Form 10-K to the Securities and Exchange Commission for the Year Ended December 31, 2000

This combined Form 10-K is separately filed by 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 its subsidiaries, Consumers Energy Company and Panhandle Eastern Pipe Line Company make no representation as to information relating to any other companies affiliated with CMS Energy Corporation.

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GLOSSARY

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

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

Duke Energy................................	Duke Energy Corporation, a non-affiliated company
EITF.......................................	Emerging Issues Task Force
El Chocon..................................	Hidroelectrica El Chocon S.A., an indirect subsidiary of CMS Generation
Enterprises................................	CMS Enterprises Company, a subsidiary of CMS Energy
EPA..	U.S. Environmental Protection Agency
EPS..	Earnings per share
FASB.......................................	Financial Accounting Standards Board
FERC.......................................	Federal Energy Regulatory Commission
FMLP.......................................	First Midland Limited Partnership, a partnership which holds a lessor interest in the MCV Facility
FTC..	Federal Trade Commission
GCR..	Gas cost recovery
GTNs.......................................	CMS Energy General Term Notes(R), $250 million Series A, $125 million Series B, $150 million Series C, $200 million Series D, $400 million Series E and $18 million Series F
GWh..	Gigawatt-hour
Huron......................................	Huron Hydrocarbons, Inc., a subsidiary of Consumers
INGAA......................................	Interstate Natural Gas Association of America
ITC..	Investment tax credit
Jorf Lasfar................................	The 1,356 MW coal-fueled power plant in Morocco, jointly owned by CMS Generation and ABB Energy Venture, Inc.
kWh..	Kilowatt-hour
Loy Yang...................................	The 2,000 MW brown coal fueled Loy Yang A power plant and an associated coal mine in Victoria, Australia, in which CMS Generation holds a 50 percent ownership interest
LNG..	Liquefied natural gas
Ludington..................................	Ludington pumped storage plant, jointly owned by Consumers and Detroit Edison
mcf..	Thousand cubic feet
MCV Facility...............................	A natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership
MCV Partnership............................	Midland Cogeneration Venture Limited Partnership in which Consumers has a 49 percent interest through CMS Midland
MD&A.......................................	Management's Discussion and Analysis
MEPCC......................................	Michigan Electric Power Coordination Center
Michigan Gas Storage.......................	Michigan Gas Storage Company, a subsidiary of Consumers
Michigan State Utility Workers Council....	The executive board and negotiating body for local chapters of the Union
Michigan Transco...........................	Michigan Electric Transmission Company, a subsidiary of Consumers Energy
Mbbls......................................	Thousand barrels
MMbbls.....................................	Million barrels
MMBtu......................................	Million British thermal unit
MMcf.......................................	Million cubic feet
MPSC.......................................	Michigan Public Service Commission
MW...	Megawatts
MWh..	Megawatt-hours
Natural Gas Act............................	Federal Natural Gas Act
NEIL.......................................	Nuclear Electric Insurance Limited, an industry mutual insurance company owned by member utility companies
Nitrotec...................................	Nitrotec Corporation, a propriety gas technology company in which CMS Gas Transmission owns an equity interest

NMC......................................	Nuclear Management Company, a Wisconsin company, formed in 1999 by Northern States Power Company (now Xcel Energy Inc.), Alliant Energy, Wisconsin Electric Power Company, and Wisconsin Public Service Company to operate and manage nuclear capacity owned by the four utilities
NOx......................................	Nitrogen Oxide
NRC......................................	Nuclear Regulatory Commission
NYMEX....................................	New York Mercantile Exchange
OPEB.....................................	Postretirement benefit plans other than pensions for retired employees
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 Eastern Pipe Line..............	Panhandle Eastern Pipe Line Company, a wholly owned subsidiary of CMS Gas Transmission
Panhandle Storage........................	CMS Panhandle Storage Company, a subsidiary of Panhandle Eastern Pipe Line Company
PCBs.....................................	Poly chlorinated biphenyls
Pension Plan.............................	The trusteed, non-contributory, defined benefit pension plan of Panhandle, Consumers and CMS Energy
PPA......................................	The Power Purchase Agreement between Consumers and the MCV Partnership with a 35-year term commencing in March 1990
ppm......................................	Parts per million
PSCR.....................................	Power supply cost recovery
PUHCA....................................	Public Utility Holding Company Act of 1935
RTO......................................	Regional Transmission Organization
SAB......................................	Staff Accounting Bulletin
Sea Robin................................	Sea Robin Pipeline Company
SEC......................................	U.S. Securities and Exchange Commission
Securitization...........................	A financing authorized by statute in which a MPSC approved flow of revenues from a portion of the rates charged by a utility to its customers is set aside and pledged as security for the repayment of Securitization bonds issued by a special purpose entity affiliated with such utility
Senior Credit Facility...................	$1 billion one-year revolving credit facility maturing in June 2001
SERP.....................................	Supplemental Executive Retirement Plan
SFAS.....................................	Statement of Financial Accounting Standards
SIPS.....................................	State Implementation Plans
SOP......................................	Statement of Position
Stranded Costs...........................	Costs incurred by utilities in order to serve their customers in a regulated monopoly environment, but which may not be recoverable in a competitive environment because of customers leaving their systems and ceasing to pay for their costs. These costs could include owned and purchased generation and regulatory assets
Superfund................................	Comprehensive Environmental Response, Compensation and Liability Act

TBtu......................................	Trillion british thermal unit
TGN.......................................	Transportadora de Gas del Norte S.A., a natural gas pipeline located in Argentina
Transition Costs..........................	Stranded Costs, as defined, plus the costs incurred in the transition to competition
Trunkline.................................	Trunkline Gas Company, a subsidiary of Panhandle Eastern Pipe Line Company
Trunkline LNG.............................	Trunkline LNG Company, a subsidiary of Panhandle Eastern Pipe Line Company
Trust Preferred Securities................	Securities representing an undivided beneficial interest in the assets of statutory business trusts, which interests have a preference with respect to certain trust distributions over the interests of either CMS Energy or Consumers, as applicable, as owner of the common beneficial interests of the trusts
Union.....................................	Utility Workers of America, AFL-CIO

PART I

ITEM 1. BUSINESS

GENERAL

CMS ENERGY

CMS Energy, formed in Michigan in 1987, is a leading diversified energy company operating in the United States and in selected growth markets around the world. Its two principal subsidiaries are Consumers and Enterprises. Consumers is a public utility that provides natural gas and/or electricity to almost six million of the 9.9 million residents in Michigan's lower peninsula. Enterprises, through subsidiaries, is engaged in several energy businesses in the United States and in approximately 20 countries on five continents.

In 2000, CMS Energy's consolidated operating revenue was $9.0 billion. See BUSINESS SEGMENTS later in this Item 1 for further discussion of each segment.

CONSUMERS

Consumers, formed in Michigan in 1968, is the successor to a corporation organized in Maine in 1910 that conducted business in Michigan from 1915 to 1968. In 1997, Consumers, originally named Consumers Power Company, changed its name to Consumers Energy Company to reflect its increasing focus on providing customers with total energy solutions.

Consumers' service areas include automotive, metal, chemical, food and wood products and a diversified group of other industries. Consumers' consolidated operations account for a majority of CMS Energy's total assets and income, as well as a substantial portion of its operating revenue. At year-end 2000, Consumers' customer base and operating revenues were as follows:

	CUSTOMERS SERVED (MILLIONS)	OPERATING REVENUE (MILLIONS)	2000 VS. 1999 OPERATING REVENUE % INCREASE
Electric Utility Business	1.69	2,676	0.3
Gas Utility Business	1.61	1,196	3.5
Non-Utility	--	63(a)	23.5
Total	3.18	3,935	1.6

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(a) Primarily represents earnings attributable to Consumers' interest in the MCV Partnership and MCV Facility, the earnings of which are reported within CMS Energy's independent power production business segment.

Consumers' rates and certain other aspects of its business are subject to the jurisdiction of the MPSC and FERC, as described in CMS ENERGY, CONSUMERS AND PANHANDLE REGULATION later in this Item 1.

CONSUMERS PROPERTIES -- GENERAL: The principal properties of Consumers and its subsidiaries are owned in fee, except that most electric lines and gas mains are located, pursuant to easements and other rights, in public roads or on land owned by others. Substantially all of Consumers' properties are subject to the lien of its First Mortgage Bond Indenture. For additional information on Consumers' properties see BUSINESS SEGMENTS -- Consumers Electric Utility -- Electric Utility Properties, and -- Consumers Gas Utility-Gas Utility Properties, below.

For information on capital expenditures, see ITEM 7. CONSUMERS MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 10 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

BUSINESS SEGMENTS

CMS ENERGY, CONSUMERS AND PANHANDLE FINANCIAL INFORMATION

For information with respect to operating revenue, net operating income, identifiable assets and liabilities attributable to all of CMS Energy's business segments and international and domestic operations, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- SELECTED FINANCIAL INFORMATION AND CMS ENERGY'S CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

For information with respect to the operating revenue, net operating income, identifiable assets and liabilities attributable only to Consumers' business segments, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- SELECTED FINANCIAL INFORMATION AND CONSUMERS' CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

For information with respect to the operating revenue, net operating income, identifiable assets and liabilities attributable only to Panhandle's business segments, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- PANHANDLE'S CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSUMERS ELECTRIC UTILITY

Based on the number of customers, Consumers' electric utility operations, if independent, would be the twelfth largest electric utility company in the United States. The electric operations of Consumers include the generation, purchase, transmission, distribution and sale of electricity. At year-end 2000, it served customers in 61 of the 68 counties of Michigan's lower peninsula. Principal cities served include Battle Creek, Flint, Grand Rapids, Jackson, Kalamazoo, Midland, Muskegon and Saginaw. Consumers' electric utility customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry. Consumers' electric operations are not dependent upon a single customer, or even a few customers, and the loss of any one or even a few of such customers is not reasonably likely to have a material adverse effect on its financial condition.

Consumers' electric operations are seasonal. The summer months usually increase demand for electric energy, principally due to the use of air conditioners and other cooling equipment, thereby affecting revenues. In 2000, total electric sales were 41 billion kWh, similar to 1999 levels.

Consumers experienced a 2000 winter peak demand of 6,159 MW and a summer peak demand of 7,325 MW. In 2000, based on the summer peak, Consumers' power reserve, also called a reserve margin, was 21 percent compared to 14.7 percent in 1999. Consumers estimates that during the summer of 2001, it will be able to satisfy its peak demand with a reserve margin of approximately 15 percent from a combination of its owned electric generating plants and electricity purchase contracts or options, as well as other arrangements. Consumers bases this estimate on other energy suppliers providing 64 MW of power to retail open access customers at the time of Consumers' peak customer demand. Consumers has offered other energy suppliers the opportunity to serve up to 750 MW of nominal retail open access load prior to summer 2001.

ELECTRIC UTILITY PROPERTIES: At December 31, 2000, Consumers' electric generating system consists of the following:

NAME AND LOCATION (MICHIGAN)	SIZE AND YEAR ENTERING SERVICE	2000 SUMMER NET DEMONSTRATED CAPABILITY (KWHS)	2000 NET GENERATION (THOUSANDS OF KWHS)
COAL GENERATION			
J H Campbell 1&2 -- West Olive	2 Units, 1962-1967	609,000	3,639,548
J H Campbell 3 -- West Olive	1 Unit, 1980	765,100(a)	4,322,824
D E Karn -- Essexville	2 Units, 1959-1961	515,000	3,580,567
B C Cobb -- Muskegon	2 Units, 1956-1957	320,000	2,182,702
J R Whiting -- Erie	3 Units, 1952-1953	324,000	2,004,412
J C Weadock -- Essexville	2 Units, 1955-1958	310,000	2,196,344
Total coal generation		2,843,100	17,926,397
OIL/GAS GENERATION			
B C Cobb -- Muskegon	3 Units, 1999-2000	183,000	52,900
D E Karn -- Essexville	2 Units, 1975-1977	1,276,000	939,212
Total oil/gas generation		1,459,000	992,112
HYDROELECTRIC			
Conventional Hydro Generation	13 Plants, 1907-1949	73,500	351,263
Ludington Pumped Storage	6 Units, 1973	954,700(b)	(540,446)(c)
Total Hydroelectric		1,028,200	(189,183)
NUCLEAR GENERATION			
Palisades -- South Haven	1 Unit, 1971	760,000	5,723,784
GAS/OIL COMBUSTION TURBINE GENERATION	8 Plants, 1966-1999	346,800(d)	52,295
Total owned generation		6,437,100	24,505,405
PURCHASED AND INTERCHANGE POWER CAPACITY		1,644,200(e)	
Total		8,081,300	

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(a) Represents Consumers' share of the capacity of the J H Campbell 3, net of 6.69 percent (ownership interests of the Michigan Public Power Agency and Wolverine Power Supply Cooperative, Inc.).

(b) Represents Consumers' share of the capacity of Ludington. Consumers and Detroit Edison have 51 percent and 49 percent undivided ownership, respectively, in the plant, and the capacity of the plant is shared accordingly.

(c) Represents Consumers' share of net pumped storage generation. This facility electrically pumps water during off-peak hours for storage to later generate electricity during peak-demand hours.

(d) Includes 1.8 MW of distributed generation.

(e) Includes capacity from long-term power purchase contracts, including 1,240 MW of purchased contract capacity from the MCV Facility.

In 2000, Consumers purchased, through long-term purchase contracts, options, spot market and other seasonal purchases, 2,552 MW of net capacity from other power producers, which amounted to 34.8 percent of Consumers' total system requirements, the largest of which was the MCV Partnership.

A high voltage transmission system interconnects Consumers' electric generating plants at many locations with transmission facilities of unaffiliated systems, including those of other utilities in Michigan and Indiana. The interconnections permit a sharing of the reserve capacity of the connected systems. This allows mutual assistance during emergencies and substantially reduces investment in utility plant facilities. Consumers owns: a) 4,467 miles of overhead transmission lines operating at 120 kilovolts and above; b) owns 4,176 miles of subtransmission overhead lines operating at 23 kilovolts and 46 kilovolts; c) owns 16 subsurface miles of subtransmission underground lines operating at 23 kilovolts and 46 kilovolts; d) owns 61,298 miles of electric distribution overhead lines; e) owns 7,386 subsurface mile of underground distribution lines and f) owns substations having an aggregate transformer capacity of 40,254,830 kilovoltamperes.

FUEL SUPPLY: Consumers has four generating plant sites that use coal as a fuel source and that constitute 73.2 percent of its baseload capacity, the capacity used to serve a constant level of customer demand. In 2000, these plants produced a combined total of 17,926 million kWhs of electricity and required 8.5 million tons of coal. On December 31, 2000, Consumers' coal inventory amounted to approximately 50 days' supply. For additional information on future sources of coal, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- UNCERTAINTIES -- OTHER ELECTRIC UNCERTAINTIES.

Consumers owns two nuclear power plants, Big Rock, located near Charlevoix, Michigan and Palisades, located near South Haven, Michigan. In 1997, Consumers ceased operating Big Rock, and therefore in 2000 it only operated Palisades. During 2000, Palisades' net generation was 5,724 million kWhs, constituting 23.4 percent of Consumers' baseload supply. Consumers currently has two contracts for uranium concentrates sufficient to provide up to 43 percent of its fuel supply requirements for the 2001 period. Consumers also has contracts for conversion services and enrichment services with quantity flexibility ranging from 40 percent to 100 percent and 50 percent and 100 percent of its nuclear fuel requirements, respectively. If spot market prices are below the contract price, Consumers will purchase only the minimum amount of nuclear fuel required by the contracts. Conversely, if spot market prices are above the contracts prices, Consumers will purchase the maximum amount of nuclear fuel allowed by the contracts to meet its requirements.

For the spring 2001 refueling outage, Consumers has purchased all of its fuel supply requirements. Consumers also has contracts for nuclear fuel services and for fabrication of nuclear fuel assemblies. The fabrication contract for Palisades remains in effect for the next three reloads with options to extend the contract for an additional two reloads. The fuel contracts are with major private industrial suppliers of nuclear fuel and related services and with uranium producers, converters and enrichers who participate in the world nuclear fuel marketplace.

As shown below, Consumers generates electricity principally from coal and nuclear fuel.

	MILLIONS OF KWHS				
POWER GENERATED	2000	1999	1998	1997	1996
Coal	17,926	19,085	17,959	16,427	16,928
Nuclear	5,724	5,105	5,364	5,970	5,653
Oil	645	809	520	258	364
Gas	400	441	302	80	74
Hydro	351	365	395	467	473
Net pumped storage(a)	(541)	(476)	(480)	(477)	(419)
Total net generation	24,505	25,329	24,060	22,725	23,073

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(a) Represents Consumers' 51 percent share of net generation from Ludington. This facility pumps water into a storage pond using electricity generated during off-peak hours to generate electricity later during peak demand hours.

The cost of all fuels consumed, shown below, fluctuates with the mix of fuel burned.

FUEL CONSUMED	COST PER MILLION BTU				
	2000	1999	1998	1997	1996
Coal	$1.34	$1.38	$1.45	$1.53	$1.50
Oil	3.30	2.69	2.73	2.97	2.67
Gas	4.80	2.74	2.66	3.36	3.60
Nuclear (a)	0.45	0.52	0.50	0.57	0.50
All Fuels(b)	1.27	1.29	1.28	1.29	1.27

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(a) Includes amounts charged, and included in fuel expense, to Palisades and Big Rock for decontamination and decommission of uranium enrichment facility.

(b) Weighted average fuel costs.

Pursuant to the Nuclear Waste Policy Act of 1982, the federal government became responsible for the permanent disposal of spent nuclear fuel and high-level radioactive waste by 1998. To date, the DOE has been unable to arrange for storage facilities to meet this obligation and it does not expect that in 2001 it will be able to receive spent nuclear fuel for storage. For additional information on disposal of nuclear fuel see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 1 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. The amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity, and Consumers is currently storing spent nuclear fuel in NRC-approved steel and concrete vaults, known as "dry casks". Currently, three storage casks are available for future storage. For a discussion relating to the NRC approval of dry casks and Consumers' use of the casks, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

INSURANCE: Consumers maintains primary and excess nuclear property insurance from NEIL totaling $2.4 billion in recoverable limits for Palisades. The insurance covers risks of direct property loss, decontamination, and debris removal subject to standard policy terms and conditions. Also covered by insurance are a portion of the costs arising from accidental premature decommissioning not funded by the decommissioning trust funds, and part of the remaining book value of the plant. For any loss more than $100 million, the ongoing nuclear contamination must be stabilized and decontaminated prior to NEIL remitting proceeds to Consumers for its coverage.

Consumers also procured coverage from NEIL that would partially cover the cost of replacement power during certain prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but insurance would cover most of such costs during the next 52 weeks of the outage, followed by a reduced level of coverage for a period up to 110 additional weeks.

The permanently closed Big Rock remains insured by NEIL for up to $500 million for decontamination, debris removal, and covered direct property loss, subject to standard policy terms and conditions.

Consumers retains the risk of loss to the extent of the insurance deductibles and to the extent that its loss exceeds its policy limits. Because NEIL is a mutual insurance company, Consumers could be subject to assessments from NEIL up to $12.8 million in any policy year if insured losses in excess of NEIL's maximum policyholders surplus occur at its, or any other member's, nuclear facility.

Consumers maintains nuclear liability insurance for injuries and off-site property damage insurance for the nuclear hazard at Palisades for up to approximately $9.5 billion, the maximum insurance liability limits established by the Price-Anderson Act. Congress enacted the Price-Anderson Act to provide financial protection for persons who may be liable for a nuclear accident or incident and persons who may be injured by a nuclear incident. Part of this financial protection consists of a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed if a nuclear incident occurs at any of such facilities. The maximum assessment against Consumers could be $88 million per occurrence, limited to maximum annual installment payments of $10 million. Consumers also maintains insurance under a master worker program that covers tort claims for bodily injury to workers caused by nuclear hazards. The policy contains a $200 million nuclear industry aggregate limit. Under a previous insurance program providing coverage for claims brought by nuclear workers, Consumers remains responsible for a maximum assessment of up to $6.3 million. The Big Rock plant remains insured for nuclear liability by a combination of insurance and United States government indemnity totaling $544 million.

Consumers has not obtained insurance for property damage at its nuclear plants caused by floods and earthquakes because it believes that the protective systems built into these plants and the low probability of an event of this type at the locations of these plants makes such insurance unnecessary.

Insurance policy terms, limits and conditions are subject to change during the year as Consumers renews its policies.

CONSUMERS GAS UTILITY

Based on the number of customers, Consumers' gas utility operations, if independent, would be the fifth largest gas utility company in the United States. Consumers' gas utility operations purchase, transport, store, distribute and sell natural gas. As of December 31, 2000, it was authorized to provide service in 54 of the 68 counties in Michigan's lower peninsula. Principal cities served include Bay City, Flint, Jackson, Kalamazoo, Lansing, Pontiac and Saginaw, as well as the suburban Detroit area, where nearly 900,000 of the gas customers are located. Consumers' gas operations are not dependent upon a single customer, or even a few customers, and the loss of any one or even a few of such customers is not reasonably likely to have a material adverse effect on its financial condition.

Consumers' gas operations are seasonal. Consumers and its wholly owned subsidiary, Michigan Gas Storage, inject natural gas into storage during the summer months of the year for use during the winter months when demand is higher. Peak demand usually occurs in the winter due to colder temperatures and the resulting increased demand for heating fuels. In 2000, total deliveries of natural gas sold by Consumers and by other sellers over Consumers' pipeline and distribution network to ultimate customers, including the MCV Partnership, totaled 410 bcf.

GAS UTILITY PROPERTIES: Consumers' gas distribution and transmission system consists of 24,383 miles of distribution mains and 1,108 miles of transmission lines throughout Michigan's lower peninsula. It owns and operates six compressor stations with a total of 115,400 installed horsepower. Consumers has 11 gas storage fields located across Michigan with an aggregate storage capacity of 221.3 bcf.

Michigan Gas Storage's transmission system consists of 521 miles of pipelines within Michigan's lower peninsula. It owns and operates two compressor stations with a total of 46,600 installed horsepower. Michigan Gas Storage has three gas storage fields located in Osceola, Clare and Missaukee counties of Michigan with an aggregate storage capacity of 109.5 bcf.

GAS SUPPLY: In 2000, Consumers purchased 37.2 percent of its required gas supply under contracts with a duration of longer than one year. Total 2000 purchases included 15.3 percent from United States producers outside Michigan, 18.6 percent from Canadian producers, 3.3 percent from Michigan producers and 42.7 percent from the spot market. Authorized suppliers in the experimental gas customer choice pilot program, which started in April 1998, supplied the remaining 20.1 percent of gas delivered by Consumers.

Consumers' firm transportation agreements, excluding agreements with Michigan Gas Storage, are with Trunkline, Panhandle, ANR Pipeline Company and Great Lakes Gas Transmission, L.P. Consumers uses these agreements to deliver gas to Michigan for ultimate deliveries to market. In total, Consumers' firm transportation arrangements are capable of carrying over 80 percent of Consumers' total gas supply requirements. As of December 31, 2000, Consumers' portfolio of firm transportation from pipelines to Michigan is as follows:

	VOLUME (DEKATHERMS/DAY)	EXPIRATION	
Trunkline	336,375	October	2002
Panhandle	60,000	October	2002
ANR Pipeline Company	10,000	December	2002
	6,000	January	2002
	83,790	October	2003
Great Lakes Gas Transmission, L.P.	85,092	April	2004

Consumers transports the balance of its required gas supply under interruptible contracts. The amount of interruptible transportation service and the use of it varies primarily with the price for such service and the availability and price of the spot supplies being purchased and transported. Consumers' use of interruptible transportation is generally in off-peak summer months and after Consumers has fully utilized the services under the firm transportation agreements.

NATURAL GAS TRANSMISSION

CMS Gas Transmission, formed in 1988, owns, develops and manages domestic and international natural gas facilities. In 2000, CMS Gas Transmission's operating revenue was $906 million. CMS Energy expanded the importance of this business segment with the acquisition of Panhandle in 1999. For additional information on the acquisition of Panhandle, see ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS.

PANHANDLE: Panhandle Eastern Pipe Line, formed in Delaware in 1929, is a wholly owned subsidiary of CMS Gas Transmission. In March 1999, CMS Energy acquired Panhandle Eastern Pipe Line and its principal subsidiaries, Trunkline and Pan Gas Storage, as well as Panhandle Eastern Pipe Line affiliates, Trunkline LNG and Panhandle Storage, from subsidiaries of Duke Energy. Immediately following the acquisition, Trunkline LNG and Panhandle Storage became wholly owned subsidiaries of Panhandle Eastern Pipe Line.

Panhandle is primarily engaged in the interstate transmission and storage of natural gas. Panhandle operates a large natural gas pipeline network, providing customers in the Midwest and Southwest with a comprehensive array of transportation services. Panhandle's major customers include 25 utilities located primarily in the United States Midwest market area, which encompasses large portions of Michigan, Ohio, Indiana, Illinois, Missouri and Tennessee.

In 2000, Panhandle's consolidated operating revenue was $483 million. Of Panhandle's operating revenue, 79 percent was generated from transportation services, 9 percent from storage services, 8 percent from LNG terminalling services and 4 percent from other services. During 2000, 1999 and 1998, sales to ProLiance Energy, L.L.C., a nonaffiliated gas marketer, accounted for at least 10 percent of consolidated revenues of Panhandle. During 2000 and 1999, sales to subsidiaries of CMS Energy, primarily Consumers, accounted for at least 10 percent of consolidated revenues of Panhandle. No other customer accounted for 10 percent or more of Panhandle's revenues during 2000, 1999 or 1998. For additional information, see ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- RESULTS OF OPERATIONS.

For the years 1996 to 2000, Panhandle's combined throughput was 1,319 TBtu, 1,279 TBtu, 1,141 TBtu, 1,139 TBtu and 1,374 TBtu, respectively. Beginning in March 2000, the amount includes Sea Robin's throughput. A majority of Panhandle's revenue comes from long-term service agreements with local distribution company customers. Panhandle also provides firm transportation services under contract to gas marketers, producers, other pipelines, electric power generators and a variety of end-users. In addition, the pipelines offer both firm and interruptible transportation to customers on a short-term or seasonal basis. Demand for gas transmission on Panhandle's pipeline systems is seasonal, with the highest throughput and a higher portion of revenues occurring during the colder period in the first and fourth quarters.

NATURAL GAS TRANSMISSION PROPERTIES: Domestic -- CMS Gas Transmission has a total of 15,734 miles of pipeline in the United States, including 154 miles of projects under construction, with a daily capacity of approximately 8.5 bcf. Panhandle Eastern Pipe Line's portion of CMS Gas Transmission's natural gas transmission system consists of four large diameter pipelines extending approximately 1,300 miles from producing areas in the Anadarko Basin of Texas, Oklahoma and Kansas through the states of Missouri, Illinois, Indiana, Ohio and into Michigan. Trunkline's transmission system extends approximately 1,400 miles from the Gulf Coast areas of Texas and Louisiana through the states of Arkansas, Mississippi, Tennessee, Kentucky, Illinois and Indiana to a point on the Indiana-Michigan border.

At December 31, 2000, CMS Gas Transmission had processing capabilities of approximately 1.0 bcf per day of natural gas at nine plants in Michigan, Oklahoma and Texas including a hydrocarbon fractionation plant in Michigan with a capacity of 30,000 barrels per day. Through Panhandle, CMS Gas Transmission owns and operates 51 compressor stations. It also has six gas storage fields located in Illinois, Kansas, Louisiana, Michigan and Oklahoma with an aggregate storage capacity of 70 bcf. One underground storage field in which CMS Gas Transmission has a 51 percent ownership is used for natural gas liquids. CMS Gas Transmission currently has two gas storage field under development.

Through subsidiaries, CMS Gas Transmission operates 4,569 miles of gas gathering systems with total capacity of 1.5 bcf per day in Michigan, Oklahoma, Texas and Wyoming.

CMS Gas Transmission, through Panhandle, owns and operates an LNG receiving terminal in Louisiana. Panhandle also owns a one-third interest in a company that plans to extend and to convert an existing 26-inch pipeline, currently owned by Trunkline, from natural gas transmission service to liquid products service by the beginning of 2002.

International -- At December 31, 2000, CMS Gas Transmission has ownership interests in the following pipelines:

LOCATION	OWNERSHIP INTEREST (%)	MILES OF PIPELINES
Argentina	29.4	3,331
Argentina to Brazil	20.0	258
Argentina to Chile	50.0	707
Australia (Western Australia)	40.0(a)	927
Australia (Western Australia)	100.0	259

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(a) CMS Gas Transmission has a 45 percent interest in a consortium that acquired an 88 percent interest in the pipeline.

CMS Gas Transmission has an ownership interest in a methanol plant under construction in Equatorial Guinea, Africa. The plant is scheduled to go into service in mid-2001 and will have a capacity of 2,500 metric tonnes per day.

Properties of certain CMS Gas Transmission subsidiaries are subject to liens of creditors of the respective subsidiaries.

INDEPENDENT POWER PRODUCTION

CMS Generation, formed in 1986, invests in, acquires, develops, constructs and operates non-utility power generation plants in the United States and abroad. The rapid growth in CMS Generation's generating capacity has been matched by growth in this business segment's operating revenue. In 2000, the independent power production business segment's operating revenue, which includes revenues from CMS Generation, CMS Operating, S.A., the MCV Facility and the MCV Partnership, was $500 million. For additional information, see ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- INDEPENDENT POWER PRODUCTION RESULTS OF OPERATIONS.

INDEPENDENT POWER PRODUCTION PROPERTIES: As of December 31, 2000, CMS Generation had ownership interests in operating power plants totaling 8,365 gross MW (3,533 net MW) throughout the United States and abroad. At December 31, 2000, additional plants totaling approximately 3,553 gross MW are under construction or advanced development.

The following table details CMS Generation's interest in independent power plants in the United States as well as abroad as of year end 2000 (excluding the MCV facility and plants owned by CMS Operating, S.A. discussed further below):

LOCATION	FUEL TYPE	OWNERSHIP INTEREST (%)	GROSS CAPACITY (MW)
DOMESTIC			
California	Wind	8.5	72
California	Wind	22.7	30
California	Wood	37.8	36
Connecticut	Scrap tire	50.0	31
Maine	Hydro	50.0	4
Michigan	Wood	50.0	35
Michigan	Wood	50.0	39
Michigan	Natural gas	100.0	160
Michigan	Coal	50.0	62
Michigan	Natural gas	100.0	68
Michigan	Natural gas	100.0	156
New York	Hydro	1.0	14
New York	Hydro	50.0	3
North Carolina	Wood	50.0	45
Oklahoma	Natural gas	8.8	124
Virginia	Hydro	55.0	3
INTERNATIONAL			
Argentina	Hydro	17.2	1,320
Australia	Coal	49.6	2,000
Chile	Natural gas	50.0	555
Ghana	Light fuel oil	90.0	224
India	Diesel	49.0	200
India	Natural gas	33.2	235
Jamaica	Diesel	41.2	63
Latin America	Various	Various	912
Morocco	Coal	50.0	1,008
Philippines	Coal	47.5	96
Philippines	Diesel	47.5	50
Thailand	Coal	66.0	300
United Arab Emirates	Natural gas	40.0	370
Venezuela	Diesel	70.0	150

In 2000, CMS Generation sold its ownership interest in a 58 MW hydroelectric generating project located in New York and its ownership interest in a 239 MW natural gas-fueled generating plant in New Jersey.

CMS Enterprises, through CMS Operating, S.A., owns a 128 MW natural gas power plant, and has a 92.6 percent ownership interest in a 540 MW natural gas power plant, each in Argentina.

CMS Midland owns 49 percent interest in the MCV Partnership, which was formed to construct and operate the MCV Facility. The MCV Facility was sold to five owner trusts and leased back to the MCV Partnership. CMS Holdings is a limited partner in the FMLP, which is a beneficiary of one of these trusts. CMS Holdings' indirect beneficial interest in the MCV Facility is 35 percent. The MCV Facility has gross capacity of approximately 1,370 MW (671 net MW).

CMS Generation has ownership interests in certain facilities such as Loy Yang, Jorf Lasfar and El Chocon. The Loy Yang assets are owned in fee, but are subject to the security interests of its lenders. The Jorf Lasfar facility is held pursuant to a right of possession agreement with the Moroccan state-owned Office National de l'Electricite. The El Chocon facility is held pursuant to a 30-year possession agreement.

For information on capital expenditures, see ITEM 7. CMS ENERGY MANAGEMENT'S DISCUSSION AND ANALYSIS -- CAPITAL RESOURCES AND LIQUIDITY AND ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

OIL AND GAS EXPLORATION AND PRODUCTION

CMS Oil and Gas formed in 1967, conducts oil and gas exploration and development operations in the United States, primarily the Permian Basin in Texas and the Power River Basin in Wyoming and in the countries of Cameroon, Congo, Colombia, Equatorial Guinea, Tunisia and Venezuela. In 2000, CMS Oil and Gas achieved production levels of 7.27 million barrels of oil, condensate and plant products and 17.56 bcf of gas. At January 1, 2001, CMS Oil and Gas's proven oil and gas reserves total 234.6 million net equivalent barrels reflecting a balanced portfolio of reserves, consisting of 45.5 percent oil and condensate and 54.5 percent natural gas.

During 2000, CMS Oil and Gas participated with a working interest in drilling wells as follows:

	NUMBER OF WELLS		NUMBER OF SUCCESSFUL WELLS		SUCCESS RATIO	
TYPE OF WELL	GROSS	NET	GROSS	NET	GROSS	NET
Exploratory	--	--	--	--	--	--
Development	466	245	466	245	100%	100%
Total	466	245	466	245	100%	100%

The preceding table includes CMS Oil and Gas' participation in coal bed methane gas wells in Wyoming and Montana, where CMS Oil and Gas participated in 409 wells (198 net) during 2000. In 2000, CMS Oil and Gas' operating revenue was $131 million.

OIL AND GAS EXPLORATION AND PRODUCTION PROPERTIES: The following table shows net oil and gas production by CMS Oil and Gas for the years 1998 through 2000:

	2000	1999	1998
Oil and condensate (Mbbls)(a)	6,980	7,288	7,307
Natural gas (MMcf)(a)	17,564	26,412	26,495
Plant products (Mbbls)(a)	287	396	413
Reserves to annual production ratio			
Oil (MMbbls)	14.7	15.2	11.5
Gas (bcf)	43.7	29.9	21.3

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(a) Revenue interest to CMS Oil and Gas.

The following table shows CMS Oil and Gas' undeveloped net acres of oil and gas leasehold interests.

DECEMBER 31	2000	1999
DOMESTIC		
Wyoming	177,408	177,691
Montana	95,852	96,994
Michigan	--	71,718
Texas (including offshore acreage)(a)	44,372	50,735
Indiana	--	12,212
Ohio	--	6,887
Louisiana	2,232	3,480
Total domestic	319,864	419,717
INTERNATIONAL		
Venezuela	339,521	339,521
Colombia	331,378	251,680
Cameroon	183,636	187,636
Equatorial Guinea	209,806	148,977
Ecuador	--	66,430
Tunisia	64,761	64,761
Congo	17,364	17,364
Total international	1,146,466	1,076,369
Total net acres	1,466,330	1,496,086

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(a) Does not include net undeveloped acreage of 40,845 in Texas in which CMS Oil and Gas holds a contractual right to earn an interest by drilling as of December 31, 2000.

The following table shows CMS Oil and Gas' estimated proved reserves of oil and gas for the years 1998 through 2000.

	TOTAL		INTERNATIONAL AFRICA		INTERNATIONAL SOUTH AMERICA		DOMESTIC U.S.	
	OIL	GAS	OIL	GAS	OIL	GAS	OIL	GAS
	(OIL IN MMBBLS AND NATURAL GAS IN BCF)							
Estimated Proved Developed and Undeveloped Reserves:								
December 31, 1997	98.3	322.2	43.0	74.1	53.7	--	1.6	248.1
Revisions and other changes	(8.2)	(27.4)	2.0	1.4	(10.7)	--	0.5	(28.8)
Extensions and discoveries	3.3	278.3	3.2	270.9	0.1	--	--	7.4
Acquisitions of reserves	2.9	17.4	2.9	17.4	--	--	--	--
Sales of reserves	--	--	--	--	--	--	--	--
Production	(7.7)	(26.5)	(2.8)	(1.9)	(4.2)	--	(0.7)	(24.6)
December 31, 1998	88.6	564.0	48.3	361.9	38.9	--	1.4	202.1
Revisions and other changes	15.2	135.2	15.3	131.1	(0.6)	--	0.5	4.1
Extensions and discoveries	12.0	23.2	0.1	2.1	11.2	--	0.7	21.1
Acquisitions of reserves	8.8	92.1	8.8	92.1	--	--	--	--
Sales of reserves	--	--	--	--	--	--	--	--
Production	(7.7)	(26.4)	(3.4)	(3.3)	(3.6)	--	(0.7)	(23.1)
December 31, 1999	116.9	788.1	69.1	583.9	45.9	--	1.9	204.2
Revisions and other changes	(6.4)	(7.3)	(2.0)	(2.6)	(4.6)	--	0.1	(4.7)
Extensions and discoveries	27.7	172.2	20.8	102.0	1.3	7.9	5.5	62.3
Acquisitions of reserves	--	--	--	--	--	--	--	--
Sales of reserves	(24.3)	(167.5)	--	--	(23.5)	--	(0.8)	(167.5)
Production	(7.3)	(17.6)	(3.6)	(3.9)	(3.2)	(0.9)	(0.5)	(12.8)
December 31, 2000	106.6	767.9	84.3	679.4	15.9	7.0	6.2	81.5
Estimated Proved Developed Reserves(a)								
December 31, 1997	45.3	267.8	25.1	29.6	18.5	--	1.7	238.2
December 31, 1998	50.6	448.8	31.7	251.0	17.5	--	1.4	197.8
December 31, 1999	74.5	652.7	50.9	460.9	21.8	--	1.8	191.8
December 31, 2000	94.1	748.2	80.8	679.4	10.8	7.0	2.4	61.8

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(a) The government license in Venezuela is an oil service contract whereby CMS Oil and Gas is paid a fee per barrel for oil discovered, lifted, and delivered to Maraven S.A., a subsidiary of Petroleos de Venezuela S.A. Additionally, CMS Oil and Gas receives a fee for reimbursement of certain capital expenditures. The volumes presented represent actual production with respect to which CMS Oil and Gas is paid a per barrel fee.

Properties of certain CMS Oil and Gas subsidiaries are also subject to liens of creditors of the respective subsidiaries. In 2000, CMS Oil and Gas sold all of its northern Michigan oil and gas properties. In that same year, it also sold its working interest in oil reserves located in Ecuador.

MARKETING, SERVICES AND TRADING

CMS MST, formed in 1996 and the surviving entity of a 1997 merger with CMS Gas Marketing Company formed in 1987, provides gas, oil, and electric marketing, risk management and energy management services to industrial, commercial, utility and municipal energy users throughout the United States and abroad. CMS MST has grown dramatically since its inception. CMS Energy intends to use CMS MST to enhance performance of CMS Energy assets, such as gas reserves and power plants. CMS MST markets approximately 614 bcf of natural gas, 37,781 GWh of electricity, 31 million barrels of crude oil and 9 million barrels of natural gas liquids. From

1997 through 2000, CMS MST also performed 350 energy management services projects. At December 31, 2000, CMS MST had more than 10,611 customers, transported gas on more than 40 gas pipelines and was active in 39 states and Canada and Brazil. In 2000, CMS MST's operating revenue was $3.3 billion. For additional information, see ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- MARKETING, SERVICES AND TRADING RESULTS OF OPERATIONS.

INTERNATIONAL ENERGY DISTRIBUTION

CMS Electric and Gas, formed in 1996, is involved in purchasing, investing in and operating gas and electric distribution systems worldwide. In 2000, operating revenue was $265 million.

INTERNATIONAL ENERGY DISTRIBUTION PROPERTIES: As of December 31, 2000, CMS Electric and Gas had ownership interest in electric distribution companies as follows:

LOCATION	OWNERSHIP INTEREST (%)	CUSTOMERS SERVED (APPROX.)	SALES (GWH)
Venezuela	70.00	94,000	816
Argentina	24.56	235,000	1,225
Brazil	81.22	146,000	1,125

In January 2000, CMS Electric and Gas sold its interest in Companhia Forca Luz Cataguazes -- Leopoldina and its subsidiaries in Brazil. In December 2000, CMS Energy sold approximately one-half of its 48 percent ownership interest in Empressa Distribuidora de Electricidad de Entre Rios, S.A., an electric distribution utility serving the province of Entre Rios, Argentina and executed an agreement to sell the remaining 24.56 percent in 2001.

SALES BETWEEN BUSINESS SEGMENTS

CMS Energy's sales between business segments for the years ended December 31 were as follows:

YEARS ENDED DECEMBER 31	2000	1999	1998
Oil and Gas Exploration and Production	$ 24	$ 45	$ 64
Natural Gas Transmission	177	69	9
Marketing, Services and Trading	176	73	68

CMS ENERGY, CONSUMERS AND PANHANDLE REGULATION

CMS Energy is a public utility holding company that is exempt from registration under PUHCA. CMS Energy, Consumers, Panhandle and their subsidiaries are subject to regulation by various federal, state, local and foreign governmental agencies, including those specifically described below.

MICHIGAN PUBLIC SERVICE COMMISSION

Consumers is subject to the jurisdiction of the MPSC, which regulates public utilities in Michigan with respect to retail utility rates, accounting, utility services, certain facilities and various other matters. The MPSC also has, or will have, rate jurisdiction over several limited partnerships in which CMS Gas Transmission has ownership interests. These partnerships own, or will own, and operate intrastate gas transmission pipelines.

The Attorney General, ABATE, and the MPSC staff typically intervene in MPSC electric and gas related proceedings concerning Consumers and intervened in the proceeding described below. For many years, almost every significant MPSC order affecting Consumers has been appealed. Certain appeals from the MPSC orders are pending in the Court of Appeals and the Michigan Supreme Court.

RATE PROCEEDINGS: In 1996, the MPSC issued orders that established the electric authorized rate of return on common equity at 12.25 percent and the gas authorized rate of return on common equity at 11.6 percent.

MPSC REGULATORY AND MICHIGAN LEGISLATIVE CHANGES: State regulation of the retail electric and gas utility businesses is in the process of undergoing significant changes. In 2000, the Michigan Legislature enacted the Customer Choice Act. By 2002, the Customer Choice Act will permit all Consumers' electric customers to choose their electric energy supplier. The enactment of the Customer Choice Act imposed rate cuts, rate freezes and rate caps. For a description and additional information regarding the Customer Choice Act, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 TO CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 TO CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

As a result of regulatory changes in the natural gas industry, Consumers transports the natural gas commodity that is sold to some customers by competitors like gas producers, marketers and others. In 1998, Consumers' implemented a statewide three-year experimental gas customer choice pilot program eventually allowing up to 300,000 residential, commercial and industrial retail gas sales customers to choose their gas supplier. The program froze the rates Consumers' is permitted to charge for the service of distributing gas to its customers through March 31, 2001.

Beginning April 1, 2001, Consumers will establish a permanent gas customer choice program that will allow up to 600,000 of Consumers' gas customers to participate in the permanent gas customer choice program. By 2003, all of Consumers' gas customers will be eligible to select an alternative gas commodity supplier. Also on April 1, 2001, Consumers will return to a GCR mechanism that will allow it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities. For additional information on gas customer choice programs see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 TO CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 TO CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

FEDERAL ENERGY REGULATORY COMMISSION

FERC has limited rate jurisdiction over several independent power plants in which CMS Generation has ownership interests. FERC also has more comprehensive jurisdiction over Michigan Gas Storage, Panhandle Eastern Pipe Line, Pan Gas Storage, Trunkline, Trunkline LNG and Sea Robin as natural gas companies within the meaning of the Natural Gas Act. FERC jurisdiction relates, among other things, to the acquisition, operation and disposal of assets and facilities and to the service provided and rates charged. Some of Consumers' gas business is also subject to regulation by FERC, including a blanket transportation tariff pursuant to which Consumers can transport gas in interstate commerce.

FERC has authority to regulate rates and charges for transportation or storage of natural gas in interstate commerce or sold by a natural gas company in interstate commerce for resale. FERC also has authority over the construction and operation of pipeline and related facilities utilized in the transportation and sale of natural gas in interstate commerce, including the extension, enlargement of or abandonment of service using such facilities. Panhandle Eastern Pipe Line, Trunkline Gas Company, Sea Robin, Trunkline LNG, Michigan Gas Storage and Pan Gas Storage hold certificates of public convenience and necessity issued by the FERC, authorizing them to construct and operate the pipelines, facilities and properties now in operation for which such certificates are required, and to transport and store natural gas in interstate commerce.

FERC also regulates certain operation aspects of Consumers' electric operations including compliance with FERC accounting rules; transmission of electric energy; wholesale rates; transfers of certain facilities; corporate mergers and issuance of securities.

The Federal Power Act grants independent power producers and electricity marketers "direct access" to the interstate electric transmission systems owned by electric utilities, and all electric utilities are required to offer transmission services to all market participants on a non-discriminatory basis under tariffs approved by the FERC. For a discussion of the effect of certain FERC orders on Consumers, see ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK -- CONSUMERS' ELECTRIC BUSINESS OUTLOOK and ITEM 7. CONSUMERS' MANAGEMENT'S DISCUSSION AND ANALYSIS --

OUTLOOK -- ELECTRIC UTILITY OUTLOOK . For a discussion of the effect of certain FERC orders on Panhandle see ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OTHER MATTERS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 3 TO PANHANDLE'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NUCLEAR REGULATORY COMMISSION

Under the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, Consumers is subject to the jurisdiction of the NRC with respect to the design, construction, operation and decommissioning of its nuclear power plants. Consumers is also subject to NRC jurisdiction with respect to certain other uses of nuclear material. These and other matters concerning Consumers' nuclear plants are more fully discussed in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTES 2 AND 5 TO CMS ENERGY'S CONSOLIDATED FINANCIAL STATEMENTS, and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTES 1 AND 2 TO CONSUMERS' CONSOLIDATED FINANCIAL STATEMENTS.

OTHER REGULATION

The Secretary of Energy regulates the importation and exportation of natural gas and has delegated various aspects of this jurisdiction to the Office of Fossil Fuels of the DOE.

Panhandle is also subject to the Natural Gas Pipeline Safety Act of 1968, which regulates gas pipeline safety requirements, and to the Hazardous Liquid Pipeline Safety Act of 1979, which regulates oil and petroleum pipelines.

CMS ENERGY, CONSUMERS AND PANHANDLE ENVIRONMENTAL COMPLIANCE

CMS Energy, Consumers and Panhandle and their subsidiaries are subject to various federal, state and local regulations for environmental quality, including air and water quality, waste management, zoning and other matters. Management believes that the responsible administration of CMS Energy's, Consumers' and Panhandle's energy resources includes reasonable programs for the protection and enhancement of the environment. For additional information concerning environmental matters, see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 2 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. For additional information on Panhandle's environmental matters, see ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OTHER ENVIRONMENTAL MATTERS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 10 OF PANHANDLE'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consumers installed and is currently installing modern emission controls at its electric generating plants and converted electric generating units to burn cleaner fuels. Consumers expects that the cost of future environmental compliance, especially compliance with clean air laws, will be significant as a result of EPA regulations regarding nitrogen oxide and particulate-related emissions. These regulations will require Consumers to make significant capital expenditures. For the preliminary estimates of these capital expenditures to reduce nitrogen oxide-related emissions see ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- and NOTE 2 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Consumers' Electric Utility Contingencies -- Electric Environmental Matters -- Cost of Environmental Law Compliance.

Consumers is in the process of closing older ash disposal areas at two plants. Construction, operation, and closure of a modern solid waste disposal area for ash can be expensive, due to the imposition of stricter federal and state requirements. In order to significantly reduce the closure costs, Consumers has worked with others to use bottom ash and fly ash as part of temporary and final cover for ash disposal areas in place of native materials where such use is compatible with environmental standards. To reduce disposal volumes, Consumers sells coal ash for use as a filler for asphalt, for incorporation into concrete products, and for other environmentally compatible uses. The EPA has announced an intention to develop new nationwide standards for ash disposal areas. Consumers intends to work through industry groups to help ensure that any such regulations that may be issued will require the minimum cost consistent with protection of the environment. In 2000, capital expenditures by Consumers for environmental protection additions were $103 million. Consumers estimates 2001 expenditures for this program at $181 million.

Consumers has PCB in some of its electrical equipment, as do most electric utilities. During routine maintenance activities, Consumers identified PCB as a component in certain paint, grout and sealant materials at the Ludington Pumped Storage facility. Consumers removed and replaced part of the PCB material. Consumers proposed a plan to the EPA to deal with the remaining materials and is waiting on a response from the EPA.

Certain environmental regulations affecting CMS Energy, Consumers and Panhandle include, but are not limited to, the Clean Air Act Amendments of 1990 and Superfund. Superfund can require any individual or entity that may have owned or operated a disposal site, as well as transporters or generators of hazardous substances that were sent to such site, to share in remediation costs for the site.

Consumers', CMS Energy's and Panhandle's current insurance coverages do not extend to certain environmental clean-up costs, such as claims for air pollution, some past PCB contamination and for some long-term storage or disposal of pollutants.

For discussion of environmental matters involving Panhandle, including possible liability and capital costs, see ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OTHER ENVIRONMENTAL MATTERS and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 10 OF PANHANDLE'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. Panhandle does not anticipate that compliance with federal, state and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment will have a material adverse effect on the competitive position, consolidated results of operations or financial position of Panhandle.

CMS ENERGY, CONSUMERS AND PANHANDLE COMPETITION

ELECTRIC COMPETITION

Consumers' electric utility business experiences competition, actual and potential, from many sources, both in the wholesale and retail markets, and in electric generation, electric delivery, and retail services.

In the wholesale electricity markets, Consumers competes with other wholesale suppliers, marketers and brokers. Electric competition in the wholesale markets increased significantly since 1996 due to FERC Order 888. However, wholesale for retail transactions by Consumers generated an immaterial amount of Consumers' 2000 revenues from electric operations. Consumers does not believe future loss of wholesale for retail sales to be significant. In most instances, the customers will continue to be transmission customers even if they cease to be generation customers.

A significant increase in retail electric competition is now possible with the passage of the Customer Choice Act and the availability of retail direct access. The Customer Choice Act requires Consumers to open up to 750 MW of its electric customer power supply requirement to competition by the end of 2001. The Consumer Choice Act gives all customers the right to choose their own electric supplier after January 1, 2002.

In addition to retail electric customer choice, Consumers also has competition or potential competition from: 1) the threat of customers relocating outside Consumers' service territory; 2) the possibility of municipalities owning or operating competing electric delivery systems; 3) customer self-generation; and 4) adjacent municipal utilities that extend lines to customers near service territory boundaries. Consumers addresses this competition primarily through offering rate discounts, providing additional services and insistence upon compliance with MPSC rules.

Consumers offers non-commodity retail services to electric customers in an effort to offset costs. Consumers faces competition from many sources, including energy management services companies, other utilities, contractors, and retail merchandisers.

CMS Energy's non-utility electric subsidiaries primarily face competition from other marketers, brokers, financial management firms, energy management firms, and other utilities through the marketing services and trading business segment; and from other generators, marketers, brokers, and price of power on the wholesale market through the independent power production business segment.

For additional information concerning electric competition, see ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK -- CONSUMERS' ELECTRIC UTILITY OUTLOOK and ITEM 7. CONSUMERS MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK -- ELECTRIC BUSINESS OUTLOOK.

GAS COMPETITION

Competition has existed for several years, and is likely to increase, in various aspects of Consumers' gas business. Competition traditionally comes from alternate fuels and energy sources, such as propane, oil, and electricity. Increasingly, competition comes from other suppliers of the natural gas commodity.

Changes in regulation have resulted in increased competition from other sellers of natural gas for sale of the gas commodity to Consumers' customers. As a result of the regulatory changes that separated (unbundled) the transportation and storage of natural gas from the sale of natural gas by interstate pipelines and Michigan gas distributors, Consumers offers unbundled services (transportation and some storage) to its larger end-use customers. Additionally, to prepare for the unbundled retail market, Consumers is conducting an experimental gas customer choice program that, through March 2001, allows 300,000 residential, commercial, and industrial retail gas sales customers to choose an alternative gas supplier in direct competition with Consumers as a supplier of the gas commodity. In late 2000, Consumers received MPSC authorization to implement a permanent gas customer choice pilot program beginning April 1, 2001. This permanent program will allow all gas customers to select an alternative gas supplier by 2003.

CMS Energy's non-utility gas subsidiaries face significant competition from other gas pipeline companies, gas producers, gas storage companies, brokers and marketers and competition from other fuels such as oil and coal.

For additional information concerning gas competition, see Panhandle Competition below, ITEM 7. CMS ENERGY'S MANAGEMENT DISCUSSION AND ANALYSIS -- OUTLOOK, ITEM 7. CONSUMERS' MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK and ITEM 7. PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OUTLOOK.

PANHANDLE COMPETITION

Panhandle's interstate pipelines compete with other interstate and intrastate pipeline companies in the transportation and storage of natural gas. The principal elements of competition among pipelines are rates, terms of service and flexibility and reliability of service. Panhandle competes directly with ANR Pipeline Company, Natural Gas Pipeline Company of America, Texas Gas Transmission Corporation, Northern Border Pipeline Company, Alliance Pipeline and Northern Natural Gas Company in the Midwest market area.

Natural gas competes with other forms of energy available to Panhandle's customers and end-users, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the availability or price of natural gas and other forms of energy, the level of business activity, conservation, legislation and governmental regulations, the capability to convert to alternative fuels, and other factors, including weather, affect the demand for natural gas in the areas served by Panhandle.

EMPLOYEES

CMS ENERGY

As of December 31, 2000, CMS Energy and its subsidiaries, including Consumers and Panhandle, had 11,652 full-time equivalent employees of whom 11,599 are full-time employees and 53 full-time equivalent employees associated with the part-time work force. Included in the total are 3,939 employees who are covered by union contracts.

CONSUMERS

As of December 31, 2000, Consumers and its subsidiaries had 8,755 full-time equivalent employees of whom 8,704 are full-time employees and 51 full-time equivalent employees associated with the part-time work force. Included in the total are 3,663 full-time operating, maintenance and construction employees of Consumers who are represented by the Union. Consumers and the Union negotiated a collective bargaining agreement that became effective as of June 1, 2000. By its terms, it will continue in full force and effect until June 1, 2005.

PANHANDLE

At December 31, 2000, Panhandle had 1,105 full-time equivalent employees. Of these employees, 250 were represented by the Paper, Allied - Industrial Chemical and Energy Workers International Union, AFL-CIO, CLC.

CMS ENERGY, CONSUMERS AND PANHANDLE FORWARD-LOOKING STATEMENTS CAUTIONARY FACTORS AND UNCERTAINTIES.

INTERNATIONAL OPERATIONS

CMS Energy, through certain of its Enterprises subsidiaries, has made substantial international investments in approximately 20 countries. These international investments in electric generating facilities, oil and gas exploration, production and processing facilities, natural gas pipelines and electric distribution systems face a number of risks inherent in acquiring, developing and owning these types of facilities. CMS Energy believes that its subsidiaries maintain traditional insurance, similar to comparable companies in the same line of business, for the various risk exposures including political risk from possible nationalization or expropriation and inability to convert currency, incidental to CMS Energy's respective businesses.

Although CMS Energy maintains insurance for various risks, CMS Energy is exposed to some risks that include local political and economic factors over which it has no control. CMS Energy, through its Enterprises subsidiaries, may incur risk exposures such as changes in foreign governmental and regulatory policies (including changes in industrial regulation and control and changes in taxation), changing political conditions and international monetary fluctuations. Particularly, international investments of the type CMS Energy is making are subject to the risk that they may be expropriated or that the required agreements, licenses, permits and other approvals may be changed or terminated in violation of their terms. Also, the local foreign currency may be devalued or the conversion of the currency may be restricted or prohibited or other actions, such as increases in taxes, royalties or import duties, may be taken which adversely affect the value and the recovery of our investment. In some of these cases, the investment may have to be abandoned or disposed of at a loss. These factors could significantly adversely affect the financial results of the affected subsidiary and, in turn, CMS Energy's growth plans for Enterprises' international investments and CMS Energy's financial position and results of operations.

UNCERTAINTIES

Specific uncertainties are described in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 5 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, NOTE 2 OF CONSUMERS' NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, and NOTE 3 and NOTE 10 OF PANHANDLE'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS. Certain risks are described in ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- MARKET RISK INFORMATION and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTE 10 OF CMS ENERGY'S NOTES TO CONSOLIDATED FINANCIAL STATEMENTS and in ITEM 7. CONSUMERS' MANAGEMENT'S DISCUSSION AND ANALYSIS -- DERIVATIVES AND HEDGES.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements to encourage such disclosures without the threat of litigation, providing those statements are identified as forward-looking and are accompanied by meaningful, cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the statement. Forward-looking statements give our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements have been and will be made in this Form 10-K and in our other written documents (such as press releases, visual presentations, and securities disclosure documents) and oral presentations (such as analyst conference calls). Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used in our documents or oral presentations, we intend the words "anticipate", "believe", "estimate", "expect", "forecast", "intend", "objective", "plan", "possible", "potential", "project" "projection" and variations of such words and similar expressions to target forward-looking statements that involve risk and uncertainty.

Any or all of our forward-looking statements in oral or written statements or in other publications may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results. Consequently, we cannot guarantee any forward-looking statement.

In addition to any assumptions and other factors referred to specifically in connection with such forward-looking statements, there are numerous factors that could cause our actual results to differ materially from those contemplated in any forward-looking statements. Such factors include our inability to predict and/or control:

- Sale of assets in accordance with plans;

- Achievement of operating synergies and revenue enhancement;

- Capital and financial market conditions, including current price of our common stock, interest rates and availability of financing, market perceptions of the energy industry, our company, or any of our subsidiaries, our, or any of our subsidiaries', securities ratings, and currency exchange controls;

- Factors affecting utility and diversified energy operations such as unusual weather conditions, catastrophic weather-related damage, unscheduled generation outages, maintenance or repairs, unanticipated changes to fossil fuel, nuclear fuel or gas supply costs or availability due to higher demand, shortages, transportation problems or other developments, environmental incidents, or electric transmission or gas pipeline system constraints;

- International, national, regional and local economic, competitive and regulatory conditions and developments, particularly the trade, monetary, fiscal, taxation and environmental policies of governments, agencies and similar organizations in geographic areas where we have a financial interest;

- Adverse regulatory or legal decisions, including environmental laws and regulations, the manner and terms of implementation of the Customer Choice Act; the pace of implementation and provisions for deregulation of the natural gas industry, whether by legislative or regulatory action;

- Federal regulation of electric sales and transmission of electricity that grants independent power producers and electricity marketers and other utilities "direct access" to the interstate electric transmission systems owned by electric utilities, creating opportunity for competitors to market electricity to our wholesale customers;

- 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 due to lower or higher demand, shortages, transportation problems or other developments;

- The increased competition caused by FERC approval of new pipeline and pipeline expansion projects that transport large additional volumes of natural gas to the Midwestern United States from Canada, which could reduce volumes of gas transported by our natural gas transmission businesses or cause them to lower rates in order to meet competition;

- Potential disruption, expropriation or interruption of facilities or operations due to accidents or political events and the ability to get or maintain insurance coverage for such events;

- Nuclear power plant performance, decommissioning, policies, procedures, incidents, and regulation, including the availability of spent nuclear fuel storage;

- Technological developments in energy production, delivery and usage that may result in competitive disadvantages and create the potential for impairment of existing assets;

- Financial or regulatory accounting principles or policies imposed by the FASB, the SEC, the FERC, the MPSC and similar entities with regulatory oversight;

- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;

- The development or operation of projects in which our subsidiaries have a minority interest;

- Other uncertainties, which are difficult to predict and many of which are beyond our control; and

- Other business or investment considerations that may be disclosed from time to time in CMS Energy's, Consumers' or Panhandle's SEC filings or in other publicly disseminated written documents.

CMS Energy, Consumers, Panhandle and their affiliates undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors pursuant to the Private Securities Litigation Reform Act should not be construed as exhaustive or as any admission regarding the adequacy of our disclosures prior to the effective date of the Act. Certain risk factors are detailed from time to time in our various public filings. You are advised, however to consult any further disclosures we make on related subjects in our reports to the SEC. In particular, you should read the discussion in the section entitled "Forward-Looking Statements" in our most recent reports to the SEC on Form 10-Q or Form 8-K filed subsequent to this Form 10-K.

EXECUTIVE OFFICERS

As of March 1, 2001

CMS ENERGY

NAME	AGE	POSITION	PERIOD
William T. McCormick, Jr.	56	Chairman of the Board, President and Chief Executive Officer of CMS Energy	2000-Present
		Chairman of the Board and President of Consumers	2000-Present
		Chairman of the Board, President and Chief Executive Officer of Enterprises	2000-Present
		Chairman of the Board and Chief Executive Officer of CMS Energy	1987-2000
		Chairman of the Board of Enterprises	1987-2000
		Chairman of the Board of Consumers	1985-2000
Alan M. Wright	55	Executive Vice President, Chief Financial Officer and Chief Administrative Officer of CMS Energy	2000-Present
		Executive Vice President, Chief Financial Officer and Chief Administrative Officer of Consumers	2000-Present
		Executive Vice President and Chief Financial Officer of Enterprises	2000-Present
		Senior Vice President and Chief Financial Officer of CMS Energy	1998-2000
		Senior Vice President and Chief Financial Officer of Enterprises	1998-2000
		Senior Vice President, Chief Financial Officer and Treasurer of Enterprises	1994-1998
		Senior Vice President, Chief Financial Officer and Treasurer of CMS Energy	1994-1998
		Senior Vice President and Chief Financial Officer of Consumers	1993-2000
David W. Joos	47	Executive Vice President and Chief Operating Officer -- Electric of CMS Energy	2000-Present
		Executive Vice President and Chief Operating Officer -- Electric of Enterprises	2000-Present
		President and Chief Executive Officer -- Electric of Consumers	1997-Present
		Executive Vice President and Chief Operating Officer -- Electric of Consumers	1994-1997
William J. Haener	59	Chairman of the Board -- Panhandle Eastern Pipe Line	2001-Present
		Executive Vice President and Chief Operating Officer -- Gas of CMS Energy	2000-Present
		Executive Vice President and Chief Operating Officer -- Gas of Enterprises	2000-Present
		Senior Vice President of Enterprises	1998-2000
		President and Chief Executive Officer of CMS Gas Transmission	1994-Present
Rodger A. Kershner	52	Senior Vice President and General Counsel of CMS Energy	1996-Present
		Senior Vice President of Enterprises	1999-Present
		Senior Vice President and General Counsel of Enterprises	1996-1999

NAME	AGE	POSITION	PERIOD
John W. Clark........................	56	Senior Vice President of CMS Energy	1987-Present
		Senior Vice President of Consumers	1985-Present
Preston D. Hopper....................	50	Senior Vice President, Chief Accounting Officer and Controller of CMS Energy	1996-Present
		Senior Vice President and Chief Accounting Officer of Enterprises	1997-Present
		Senior Vice President and Controller of Enterprises	1996-1997
		Vice President, Controller and Chief Accounting Officer of CMS Energy	1992-1996
		Vice President and Controller of Enterprises	1992-1996
Rodney E. Boulanger..................	60	Senior Vice President of Enterprises	1996-Present
		President and Chief Executive Officer of CMS Generation	1995-Present
Carl L. English......................	54	President and Chief Executive Officer -- Gas of Consumers	2000-Present
		Vice President of Consumers	1990-2000
James W. Cook........................	60	Senior Vice President of CMS Energy	1995-Present
		Senior Vice President of Enterprises	1994-Present
Doris F. Galvin......................	46	Senior Vice President of Enterprises	1999-Present
		Vice President and Treasurer of CMS Energy	1998-1999
		Vice President and Treasurer of Enterprises	1998-1999
		Vice President and Treasurer of Consumers	1993-1999
Frank Johnson........................	53	President and Chief Executive Officer of CMS Electric and Gas	2000-present
		Vice President and Chief Operating Officer of CMS Electric and Gas	2000
		Vice President of CMS Electric and Gas	1996-2000
Bradley W. Fischer...................	54	President and Chief Executive Officer of CMS Oil and Gas	1998-Present
		Vice President of CMS Oil and Gas	1997-1998
*Christopher A. Helms................	46	President and Chief Executive Officer of Panhandle Eastern Pipe Line	2000-Present
		President and Chief Operating Officer of Panhandle Eastern Pipe Line	1999-2000
**Tamela W. Pallas...................	43	President and Chief Operating Officer of CMS MST	1999-Present
***David Presley.....................	47	Vice President of CMS Gas Transmission	1999-Present
		President of CMS Field Services, Inc.	1998-Present

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* Mr. Helms has served as President and Chief Operating Officer of Panhandle Eastern Pipe Line since March 1999. From 1993 through March 1999, Mr. Helms served as Director of Corporate Development and Vice President of Corporate Affairs of Duke Energy Corporation.

** Ms. Pallas has served as President and Chief Operating Officer of CMS MST since November 1999. From 1997 until November 1999, Ms. Pallas served as Senior Vice President of Reliant Energy. From 1992 until 1997, Ms. Pallas was employed by Basis Energy as a Senior Vice President.

*** Mr. Presley was the founder and President of Heritage Gas Services from 1995 through October 1998.

The present term of office of each of the executive officers extends to the first meeting of the Board of Directors after the next annual election of Directors of CMS Energy (scheduled to be held on May 25, 2001).

There are no family relationships among executive officers and directors of CMS Energy.

CONSUMERS

NAME	AGE	POSITION	PERIOD
William T. McCormick, Jr.............	56	See the information under CMS Energy's Executive Officers section above.	
Alan M. Wright.......................	55	See the information under CMS Energy's Executive Officers section above.	
William J. Haener....................	59	See the information under CMS Energy's Executive Officers section above.	
David W. Joos........................	47	See the information under CMS Energy's Executive Officers section above.	
John W. Clark........................	56	See the information under CMS Energy's Executive Officers section above.	
Dennis DaPra.........................	58	Senior Vice President and Controller of Consumers	2001-Present
		Vice President and Controller of Consumers	1991-2001
Kenneth C. Emery.....................	53	Senior Vice President of Consumers	2000-Present
		Vice President of Consumers	1996-2000
Carl L. English......................	54	See the information under CMS Energy's Executive Officers section above.	
Robert A. Fenech.....................	53	Senior Vice President of Consumers	1997-Present
		Vice President of Consumers	1994-1997
David A. Mikelonis...................	52	Senior Vice President and General Counsel of Consumers	1988-Present
Paul N. Preketes.....................	51	Senior Vice President of Consumers	2000-Present
		Vice President of Consumers	1994-2000
John G. Russell......................	43	Senior Vice President of Consumers	2000-Present
		Vice President of Consumers	1999-2000

The present term of office of each of the executive officers extends to the first meeting of the Board of Directors after the next annual election of Directors of Consumers (scheduled to be held on May 25, 2001).

There are no family relationships among executive officers and directors of Consumers.

ITEM 2. PROPERTIES.

A description of CMS Energy, Consumers and Panhandle properties is contained in ITEM 1. BUSINESS -- Consumers -- Consumers Properties -- General; BUSINESS -- BUSINESS SEGMENTS -- Consumers Electric Utility -- Electric Utility Properties; Consumers Gas Utility -- Gas Utility Properties; Natural Gas Transmission -- Natural Gas Transmission Properties; Independent Power Production -- Independent Power Production Properties; Oil and Gas Exploration and Production -- Oil and Gas Exploration and Production Properties; International Energy Distribution -- International Energy Distribution Properties, all of which are incorporated by reference herein.

ITEM 3. LEGAL PROCEEDINGS

CMS Energy, Consumers, Panhandle and some of their subsidiaries and affiliates are parties to certain routine lawsuits and administrative proceedings incidental to their businesses involving, for example, claims for personal injury and property damage, contractual matters, various taxes, and rates and licensing. Reference is made to the ITEM 1. BUSINESS -- CMS ENERGY, CONSUMERS AND PANHANDLE REGULATION, as well as to each of CMS Energy's, Consumers' and Panhandle's ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS and CMS Energy's, Consumers' and Panhandle's ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS included herein for additional information regarding various pending administrative and judicial proceedings involving regulatory, operating and environmental matters.

CMS ENERGY

OXFORD TIRE RECYCLING LITIGATION: For a discussion of Oxford Tire Recycling litigation see CMS Energy's ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- NOTE 5 -- UNCERTAINTIES.

PATRIOT OIL COMPANY LITIGATION: In December 2000, Patriot Oil Company and Frank J. Holdampf filed a claim in the District Court of Midland County, Texas, 385th Judicial District against CMS Oil and Gas and others. CMS Oil and Gas had acquired an oil and gas lease from Mr. Kessler and others, and the subsequent holders of the land rights sought to quiet title to the land. The Complaint filed by Patriot Oil and Mr. Holdampf against CMS Oil and Gas and others asserts, among other claims, breach of contract, interference with contractual relationship and various fraud claims and seeks damages in excess of $3 billion dollars. In January 2001, the Court dismissed CMS Oil and Gas from this case. This matter is now closed.

CONSUMERS

ANTITRUST LITIGATION: In October 1997, Indeck Energy Services, Inc. and Indeck Saginaw Limited Partnership, independent power producers, filed a lawsuit against Consumers and CMS Energy in the United States District Court for the Eastern District of Michigan. The suit alleged antitrust violations relating to contracts that Consumers entered into with some of its customers as well as claims relating to independent power production projects. The plaintiffs claimed damages of $100 million (which could be trebled in antitrust cases as provided by law). The transactions of which plaintiffs complained were regulated by and subject to the jurisdiction of the MPSC. In September 1998, the United States District Court for the Eastern District of Michigan granted CMS Energy's motion to dismiss the complaint for failure to state a claim against which relief may be granted. In March 1999, the Court issued an opinion and order granting Consumers' motion for summary judgment, resulting in dismissal of the case. The 6th Circuit Court of Appeals upheld the dismissal and in December 2000 denied an independent power producer's petition for rehearing. The independent power producers are attempting to have this matter reviewed by the United States Supreme Court.

CMS ENERGY, CONSUMERS AND PANHANDLE

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

CMS ENERGY

In fourth quarter of 2000, CMS Energy did not submit any matters to vote of security holders.

CONSUMERS

In fourth quarter of 2000, Consumers did not submit any matters to vote of security holders.

PART II

ITEM 5. MARKET FOR CMS ENERGY'S, CONSUMERS' AND PANHANDLE'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

CMS ENERGY

Market prices for CMS Energy's Common Stock and related security holder matters are contained in ITEM 7. CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- RECAPITALIZATION and ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CMS ENERGY'S QUARTERLY FINANCIAL AND COMMON STOCK INFORMATION, which is incorporated by reference herein. At February 28, 2001, the number of registered shareholders totaled 66,783.

CONSUMERS

Consumers' common stock is privately held by its parent, CMS Energy, and does not trade in the public market. In January, May, August, November and December 2000, Consumers paid $79 million, $30 million, $17 million, $61 million and $58 million in cash dividends, respectively, on its common stock. In December 2000, Consumers also made a $2 million distribution of stock held as an investment. In January, May, August and November 1999, Consumers paid $97 million, $76 million, $34 million and $55 million in cash dividends, respectively, on its common stock.

PANHANDLE

Panhandle's common stock is privately held by its parent, CMS Gas Transmission, and does not trade in the public market. In March, June, September and December 2000, Panhandle paid $30 million, $9 million, $15 million and $11 million in cash dividends, respectively, on its common stock to CMS Gas Transmission. In June, September and December 1999, Panhandle paid $13 million, $16 million and $12 million in cash dividends, respectively, on its common stock. In the first quarter of 1999, Panhandle recorded dividends on common stock of $81 million to a subsidiary of Duke Energy.

ITEM 6. SELECTED FINANCIAL DATA.

CMS ENERGY

Selected financial information is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CMS ENERGY'S SELECTED FINANCIAL INFORMATION, which is incorporated by reference herein.

CONSUMERS

Selected financial information is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CONSUMERS' SELECTED FINANCIAL INFORMATION, which is incorporated by reference herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CMS ENERGY

Management's discussion and analysis of financial condition and results of operations is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

CONSUMERS

Management's discussion and analysis of financial condition and results of operations is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CONSUMERS' MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

PANHANDLE

Management's discussion and analysis of financial condition and results of operations is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

CMS ENERGY

Quantitative and Qualitative Disclosures About Market Risk is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CMS ENERGY'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- RESULTS OF OPERATIONS -- MARKET RISK INFORMATION, which is incorporated by reference herein.

CONSUMERS

Quantitative and Qualitative Disclosures About Market Risk is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- CONSUMERS' MANAGEMENT'S DISCUSSION AND ANALYSIS -- OTHER MATTERS -- MARKET RISK INFORMATION, which is incorporated by reference herein.

PANHANDLE

Quantitative and Qualitative Disclosures About Market Risk is contained in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA -- PANHANDLE'S MANAGEMENT'S DISCUSSION AND ANALYSIS -- OTHER MATTERS -- MARKET RISK INFORMATION, which is incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Financial Statements:

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[CMS ENERGY LOGO]

2000 FINANCIAL STATEMENTS

CMS ENERGY CORPORATION
SELECTED FINANCIAL INFORMATION

		2000	1999	1998	1997	1996
Operating revenue (in millions)............	($)	8,998	6,103	5,141	4,781	4,324
Consolidated net income (in millions).......	($)	36	277	285	244	224
Average common shares outstanding (in thousands)						
CMS Energy...............................		113,128	110,140	102,446	96,144	92,462
Class G..................................		--	--	8,333	8,015	7,727
Earnings per average common share						
CMS Energy -- Basic.......................	($)	0.32	2.18(a)	2.65	2.39	2.27
-- Diluted..................	($)	0.32	2.17(a)	2.62	2.37	2.26
Class G -- Basic and Diluted..........	($)	--	4.21(a)	1.56	1.84	1.82
Cash from operations (in millions)..........	($)	453	917	516	624	647
Capital expenditures, excluding acquisitions, capital lease additions and DSM (in millions).........................	($)	1,032	1,124	1,295	678	643
Total assets (in millions).................	($)	15,851	15,462	11,310	9,508	8,363
Long-term debt, excluding current maturities (in millions)............................	($)	6,770	6,428(b)	4,726	3,272	2,842
Non-current portion of capital leases (in millions)................................	($)	54	88	105	75	103
Total preferred stock (in millions).........	($)	44	44	238	238	356
Total Trust Preferred Securities (in millions)................................	($)	1,089	1,119	393	393	100
Cash dividends declared per common share						
CMS Energy...............................	($)	1.46	1.39	1.26	1.14	1.02
Class G..................................	($)	--	0.99	1.27	1.21	1.15
Market price of common stock at year-end						
CMS Energy...............................	($)	31 11/16	31 3/16	48 7/16	44 1/16	33 5/8
Class G..................................	($)	--	24 9/16(c)	25 1/4	27 1/8	18 3/8
Book value per common share at year-end						
CMS Energy...............................	($)	19.48	21.17	19.61	16.84	15.24
Class G..................................	($)	--	--	11.46	10.91	11.38
Return on average common equity............	(%)	1.5	11.8	14.2	14.7	15.7
Return on assets...........................	(%)	3.5	5.3(b)	5.5	5.6	5.4
Number of employees at year-end (full-time equivalents).............................		11,652	11,462	9,710	9,682	9,712
ELECTRIC UTILITY STATISTICS						
Sales (billions of kWh)..................		41.0	41.0	40.0	37.9	37.1
Customers (in thousands).................		1,691	1,665	1,640	1,617	1,594
Average sales rate per kWh...............	(cents)	6.56	6.54	6.50	6.57	6.55
GAS UTILITY STATISTICS						
Sales and transportation deliveries (bcf)................................		410	389	360	420	448
Customers (in thousands)(d)..............		1,611	1,584	1,558	1,533	1,504
Average sales rate per mcf...............	($)	4.39	4.52	4.56	4.44	4.45
INTERNATIONAL DIVERSIFIED ENERGY STATISTICS						
CMS Energy's share of unconsolidated revenue (in millions):						
Independent power production...........	($)	837	802	761	621	493
Natural gas transmission...............	($)	171	130	67	51	42
Marketing, services and trading........	($)	1,157	524	291	202	--
Independent power production sales (millions of kWh)......................		21,379	20,478(b)	19,017	13,126	7,823

		2000	1999	1998	1997	1996
Gas pipeline throughput (bcf).............		1,742	1,141(b)	253	226	177
Gas managed and marketed for end users (bcf)..................................		614	470	366	243	108
Electric power marketed (millions of kWh)...................................		37,781	3,709	6,973	900	--
EXPLORATION AND PRODUCTION STATISTICS						
Sales (net equiv. MMbbls).................		10.2	12.1	12.1	11.4	10.1
Proved reserves (net equiv. MMbbls).......		234.6	248.2	182.6	152.0	133.5
Proved reserves added (net equiv. MMbbls)................................		48.8	77.7	42.7	29.9	19.1
Finding cost per net equiv. barrel........	($)	2.63	1.94	3.35	2.38	2.94

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(a) 1999 earnings per average common share includes allocation of the premium on redemption of Class G Common Stock of $(.26) per CMS Energy basic share, $(.25) per CMS Energy diluted share and $3.31 per Class G basic and diluted share.

(b) Certain prior year amounts were restated for comparative purposes.

(c) Reflects closing price at the October 25, 1999 exchange date.

(d) Excludes off-system transportation customers.

CMS ENERGY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

CMS Energy is the parent holding company of Consumers and Enterprises. Consumers is a combination electric and gas utility company serving the Lower Peninsula of Michigan. Enterprises, through subsidiaries, including Panhandle and its subsidiaries, which were acquired in March 1999, is engaged in several domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; oil and gas exploration and production; energy marketing, services and trading; and international energy distribution.

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

RESULTS OF OPERATIONS

In the first quarter of 2000, CMS Energy announced its intention to sell its 50 percent ownership interest in Loy Yang, retained the services of investment bankers to assist in the sales process, and solicited bids from potential buyers for CMS Energy's interest in Loy Yang. As a result of being unable to attract a reasonable offer for Loy Yang by the end of November 2000, and after re-evaluating the expected future cash flows from this investment, including the continuing unfavorable electric market prices in Victoria, Australia, management determined in the fourth quarter of 2000 that the carrying amount of the equity investment in Loy Yang was not recoverable. Consequently, management determined that a loss in value of CMS Energy's investment occurred, and an impairment loss was realized on the carrying amount of the Loy Yang investment of $329 million ($268 million after-tax, or $2.37 per share). This loss does not include cumulative net foreign currency losses of $164 million due to unfavorable changes in exchange rates, which, in accordance with SFAS No. 52, Foreign Currency Translation, will not be realized until there has been a sale or full liquidation of CMS Energy's investment. CMS Energy is continuing to review its business alternatives for its investment in Loy Yang, including future financing and operating alternatives, the nature and extent of CMS Energy's future involvement and the potential for an ultimate sale of its interest in the future. CMS Energy has not established a deadline for any of these alternatives.

Also in 2000, CMS Energy adopted the provisions of the SEC's SAB No. 101 summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. As a result, the SEC staff viewed the oil and gas exploration and production industry's long-standing practice of recording inventories at their net realizable amount at the time of production as inappropriate. Consequently, in conforming to the interpretations of SAB No. 101, CMS Energy implemented a change in the recording of these oil and gas exploration and production inventories as of January 1, 2000. The cumulative effect of this one-time non-cash accounting change decreased 2000 income by $7 million or by $5 million, net of tax, or $.04 per basic and diluted share of CMS Energy Common Stock.

In 1999, CMS Energy recorded losses of $84 million ($49 million after-tax, or $.45 and $.43 per basic and diluted share, respectively) relating to its investments in Nitrotec, a proprietary gas processing company that has patents for its helium removal and nitrogen rejection processes for purifying natural gas. After reviewing the business alternatives and strategic outlook for its investments in Nitrotec, CMS Energy determined that the probability of recovering any portion of its investments was unlikely. Accordingly, in 1999, CMS Energy recorded losses equal to the carrying amount of its investments.

In October 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million outstanding shares of Class G Common Stock. Each Class G Common Stock shareholder received a 15 percent premium for each Class G share held. The adjusted value of all Class G Common Stock was then exchanged for an equivalent value of CMS Energy Common Stock. The exchange reduced CMS Energy's basic and diluted earnings per share by $.26 and $.25, respectively, and increased Class G's basic and diluted earnings per share by $3.31. The per share allocation did not affect CMS Energy's net income for 1999 or for future periods.

The following table depicts CMS Energy's Results of Operations before and after the effects of the above-mentioned events of 2000 and 1999.

CMS ENERGY CONSOLIDATED EARNINGS

YEARS ENDED DECEMBER 31	2000	1999	1998
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS		
CONSOLIDATED NET INCOME	$ 36	$ 277	$ 285
Net Income Attributable to CMS Energy Common Stock	36	269	272
Net Income Attributable to Class G Common Stock	--	8	13
CONSOLIDATED NET INCOME OF CMS ENERGY			
Net Income Before Reconciling Items	$ 309	$ 318	$ 229
Cumulative Effect of Change in Accounting for Inventories, Net of $2 Tax	(5)	--	--
Effects of Losses on Investment in Loy Yang, Net of $61 Tax	(268)	--	--
Effects of Losses on Investments in Nitrotec, Net of $35 Tax	--	(49)	--
Cumulative Effect of Change in Accounting for Property Taxes, Net of $23 Tax	--	--	43
Net Income Attributable to CMS Energy Common Stock	$ 36	$ 269	$ 272
BASIC EARNINGS PER AVERAGE COMMON SHARE OF CMS ENERGY			
Net Income Before Reconciling Items	$ 2.73	$2.89	$2.25
Cumulative Effect of Change in Accounting for Inventories	(.04)	--	--
Effects of Losses on Investment in Loy Yang	(2.37)	--	--
Effects of Losses on Investments in Nitrotec	--	(.45)	--
Effects of Class G Common Stock Exchange	--	(.26)	--
Cumulative Effect of Change in Accounting for Property Taxes	--	--	.40
Net Income Available After Reconciling Items	$ .32	$2.18	$2.65
DILUTED EARNINGS PER AVERAGE COMMON SHARE OF CMS ENERGY			
Net Income Before Reconciling Items	$ 2.73	$2.85	$2.22
Cumulative Effect of Change in Accounting for Inventories	(.04)	--	--
Effects of Losses on Investment in Loy Yang	(2.37)	--	--
Effects of Losses on Investments in Nitrotec	--	(.43)	--
Effects of Class G Common Stock Exchange	--	(.25)	--
Cumulative Effect of Change in Accounting for Property Taxes	--	--	.40
Net Income Available After Reconciling Items	$ .32	$2.17	$2.62

For the year 2000, the decrease in consolidated net income as compared to 1999, before the effects of losses on investments in Loy Yang and Nitrotec and after the cumulative effect of the change in accounting for inventories, resulted from decreased earnings from the electric and gas utilities and higher interest expense principally related to the Panhandle acquisition. Increased earnings from CMS Energy's other diversified energy businesses partially offset these earnings decreases, including the natural gas transmission business, primarily as a result of the Panhandle acquisition; the independent power production business; the oil and gas exploration and production business; the international energy distribution business; and the marketing, services and trading business. Gains on the sale of non-strategic assets also partially offset the earnings decreases. Approximately $.20 per diluted share of after-tax gains exceeds the amount CMS Energy expects to sustain in future years as part of its continuing asset portfolio management program.

For the year 1999, the increase in consolidated net income as compared to 1998, before the effects of losses on investments in Nitrotec, resulted from increased earnings from the electric and gas utilities; the natural gas transmission business, primarily as a result of the Panhandle acquisition; the independent power production business; the oil and gas exploration and production business; and lower losses from the international energy distribution business. Partially offsetting these increases was higher interest expense principally related to the Panhandle acquisition.

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 UTILITY PRETAX OPERATING INCOME:

For the year 2000, electric utility pretax operating income decreased $13 million from 1999. The earnings decrease reflects increased cost of power, increased costs for the purchase of electricity options and the impact of the five percent residential customer rate reduction resulting from the Customer Choice Act. The increased cost of power also includes additional purchased power costs due to outages at Consumers' generating facilities. These earnings reductions were partially offset by increased electric delivery revenue from commercial and wholesale customers, increased non-commodity revenue, and decreased operating expenses. Operating expense reductions resulted primarily from increased nuclear insurance refunds, reduced storm related costs in 2000 and a $11 million reduction in employee paid absence cost.

For the year 1999, electric utility pretax operating income increased $19 million from 1998. Changes in regulation, effective in 1998, allowed Consumers the opportunity to benefit from reduced power supply costs. In the past, such cost reductions had no impact on net income because Consumers passed on power cost savings to its electric customers. This earnings increase was partially offset by higher depreciation costs for new property and equipment and lower non-commodity revenues. The following table quantifies these impacts on pretax operating income:

CHANGE COMPARED TO PRIOR YEAR	2000 VS 1999	1999 VS 1998
	IN MILLIONS	
Electric deliveries	$ 12	$37
Rate decrease	(22)	--
Power supply costs and related revenue	(13)	27
Net energy option costs	(37)	(19)
Non-commodity revenue	14	(13)
Operations and maintenance	28	(3)
General taxes and depreciation	5	(10)
Total change	$(13)	$19

ELECTRIC DELIVERIES: For the year 2000, electric deliveries were 41 billion kWh, similar to 1999; however, in 2000 deliveries to residential, commercial and wholesale customers were higher compared with 1999, while deliveries to industrial customers were lower. For the year 1999, total electric deliveries were 41 billion kWh, an increase of 1 billion kWh or 2.5 percent compared with 1998. In 1999 total electric deliveries increased in all customer classes.

POWER SUPPLY COSTS:

YEARS ENDED DECEMBER 31	2000	1999	CHANGE	1999	1998	CHANGE
			IN MILLIONS			
	$1,260	$1,193	$67	$1,193	$1,175	$18

For the year 2000, the increase in power supply costs was due to unscheduled plant outages. These outages required increased purchases of higher cost power to meet demand. For the year 1999, power supply cost increases reflect higher internal generation to meet the increased demand for electricity and increased power options costs as compared to 1998.

For the years 2000 and 1999 respectively, Consumers purchased $51 million and $19 million of energy options for physical delivery of electricity to ensure a reliable source of power during the summer months. As a result of periodic excess daily capacity, some options were sold for $1 million and $6 million in the years 2000 and 1999, respectively. All of the remaining options were exercised or expired. Consumers reflected the costs relating to the expired options and the income received from the sale of options, as purchased power costs.

CONSUMERS' GAS UTILITY RESULTS OF OPERATIONS

GAS UTILITY PRETAX OPERATING INCOME:

For the year 2000, gas utility pretax operating income decreased by $34 million from 1999. The earnings decrease primarily reflects increased gas costs and the recording of a regulatory liability related to the increased gas costs, which were significantly above the gas commodity rate being collected from Consumers gas customers. This commodity rate, which is frozen through March 31, 2001, relates to a three-year experimental gas choice pilot program, which provided Consumers the opportunity to benefit or lose from changes in gas commodity costs. See Note 5, Uncertainties, for more detailed information on this matter. Partially offsetting these decreases in earnings were increased gas distribution service revenue from increased gas deliveries due to colder heating season temperatures during the fourth quarter of 2000, increased gas wholesale and retail services revenue and lower operating costs and a benefit of $5 million related to reductions in employee paid absence cost. For the year 1999, gas pretax operating income increased by $6 million from 1998. The earnings increase is primarily the result of increased gas distribution service revenue from increased gas deliveries due to colder temperatures during the first and fourth quarters of 1999 and increased revenues from gas wholesale and retail services activity. Partially offsetting this earnings increase were a regulatory disallowance, higher operation and maintenance costs, and increased depreciation and general taxes due to new property and equipment. The following table quantifies these impacts on Pretax Operating Income.

CHANGE COMPARED TO PRIOR YEAR	2000 VS 1999	1999 VS 1998
	IN MILLIONS	
Gas deliveries	$ 17	$ 32
Gas commodity and related revenue	(64)	(5)
Gas wholesale and retail services	4	5
Operation and maintenance	11	(14)
General taxes and depreciation	(2)	(12)
Total change	$(34)	$ 6

GAS DELIVERIES: For the year 2000, gas system deliveries, including miscellaneous transportation, totaled 410 bcf, an increase of 21 bcf or 5 percent compared with 1999. The increased deliveries reflect colder heating season temperatures in the fourth quarter of 2000. For the year 1999, system deliveries, including miscellaneous transportation, totaled 389 bcf, an increase of 29 bcf or 8 percent compared with 1998. The increased deliveries reflect colder temperatures during the first quarter of 1999.

COST OF GAS SOLD:

YEARS ENDED DECEMBER 31	2000	1999	CHANGE	1999	1998	CHANGE
			IN MILLIONS			
	$719	$637	$82	$637	$564	$73

For the year 2000, the cost of gas sold increase was the result of increased gas costs and increased sales from colder heating season temperatures during 2000. For the year 1999, the cost of gas sold increase was the result of increased sales from colder temperatures during 1999 and higher gas costs.

NATURAL GAS TRANSMISSION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the year 2000, pretax operating income, excluding the 1999 effects of the Nitrotec write-down, increased $79 million (53 percent) from the comparable period in 1999. The increase primarily reflects full year earnings from Panhandle and Sea Robin in 2000, which CMS Energy acquired in March 1999 and March 2000, respectively, increased earnings from a more than 100 percent increase in LNG shipments compared to 1999, and increased earnings from domestic gas gathering and processing operations. For the year 1999, pretax operating income, excluding $84 million of losses on investments in Nitrotec, increased $128 million (640 percent) from the comparable period in 1998. The increase reflects earnings from Panhandle, which CMS Energy acquired in March 1999, and increased earnings from other operations.

INDEPENDENT POWER PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the year 2000, pretax operating income, excluding the effects of the Loy Yang write-down, increased $29 million (18 percent) from the comparable period in 1999. This increase primarily reflects a full year of earnings benefits from a new African facility and an Asian facility that commenced operations in the third quarter of 1999, increased earnings from the expansion of the Jorf Lasfar facility in 2000, and the restructuring of a power supply contract. These increases were partially offset by decreased earnings from domestic plants primarily due to the sale of the Lakewood plant in May 2000, a scheduled reduction in operating fees, and the write-off of unsuccessful development costs. For the year 1999, pretax operating income increased $54 million (51 percent) from the comparable period in 1998. This increase primarily reflects increased operating income from international and domestic plant earnings and fees and an increase in income earned from management service fees.

OIL AND GAS EXPLORATION AND PRODUCTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the year 2000, pretax operating income increased $14 million (82 percent) from the comparable period in 1999. The increase reflects higher realized commodity prices, increased production from Venezuelan properties, increased production from new core areas, including West Texas and Powder River properties, and lower operating expenses, including decreased exploration, depreciation, depletion and amortization expenses. These increases were partially offset by increased general and administrative expenses and reduced earnings from northern Michigan and Ecuador properties, which were sold in March 2000 and June 2000, respectively. For the year 1999, pretax operating income increased $11 million (183 percent) from the comparable period in 1998 as a result of higher realized commodity prices and lower exploration expenses. Partially offsetting this increase were higher operating expenses.

MARKETING, SERVICES AND TRADING RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the year 2000, pretax operating income increased $10 million from the comparable period in 1999. The increase reflects increased earnings from wholesale gas trading, increased LNG sales, and earnings from an energy management services business acquired in late 1999. The volumes of marketed natural gas and power traded increased 31 percent and 919 percent, respectively. Partially offsetting these increases were lower power trading margins, primarily due to cooler than normal summer weather in Michigan, and increased operating expenses as the business continues to expand its trading and marketing activities and increase its customer base. For the year 1999, pretax operating income was unchanged from the comparable period in 1998. Increased earnings from retail gas sales, wholesale gas price volatility and a 1999 acquisition of an energy management services business were offset by costs related to market development activities.

INTERNATIONAL ENERGY DISTRIBUTION RESULTS OF OPERATIONS

PRETAX OPERATING INCOME: For the year 2000, pretax operating income increased $31 million from the comparable period in 1999. The increase primarily reflects earnings from new investments in a Brazilian electric distribution utility, increased earnings from Argentine and Venezuelan electric distribution utilities, and lower operating expenses. For the year 1999, pretax operating income increased $7 million from the comparable period in 1998. The increase primarily reflects earnings from investments in a Brazilian electric distribution utility, partially offset by operating losses from a new investment in a Venezuelan electric distribution utility.

MARKET RISK INFORMATION

CMS Energy is exposed to market risks including, but not limited to, changes in interest rates, currency exchange rates, and certain commodity and equity security prices. CMS Energy's derivative activities are subject to the direction of the Executive Oversight Committee, consisting of certain members of CMS Energy's senior management, and its Risk Committee, consisting of CMS Energy business unit managers. The goal of the risk management policy is to measure and limit CMS Energy's overall energy commodity risk by implementing an enterprise-wide policy across all CMS Energy business units. This allows CMS Energy to maximize the use of hedges between its business units before utilizing derivatives with external parties. The role of the Risk Committee is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by the Board of Directors. Management employs established policies and procedures to manage its risks associated with market fluctuations, including the use of various derivative instruments such as futures, swaps, options and forward contracts. Management believes that any losses incurred on derivative instruments used to hedge risk would be offset by an opposite movement of the value of the hedged risk.

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

COMMODITY PRICE RISK: CMS Energy is exposed to market fluctuations in the price of natural gas, oil, electricity, coal and natural gas liquids. CMS Energy employs established policies and procedures to manage these risks using various commodity derivatives, including futures contracts, options and swaps (which require a net cash payment for the difference between a fixed and variable price.) The prices of these energy commodities can fluctuate because of, among other things, changes in the supply of and demand for those commodities. To minimize adverse price changes, CMS Energy also hedges certain inventory and purchases and sales contracts. Based on a sensitivity analysis, CMS Energy estimates that if energy commodity prices average 10 percent higher or lower, pretax operating income for the subsequent twelve months would increase or decrease, respectively, by approximately $17 million. These hypothetical 10 percent shifts in quoted commodity prices would not have had a material impact on CMS Energy's consolidated financial position or cash flows as of December 31, 2000. The analysis does not quantify short-term exposure to hypothetically adverse price fluctuations in inventories.

INTEREST RATE RISK: CMS Energy is exposed to interest rate risk resulting from the issuance of fixed-rate and variable-rate debt, including that associated with trust preferred securities, and from interest rate swaps and interest rate lock agreements. CMS Energy uses a combination of fixed-rate and variable-rate debt, as well as interest rate swaps and rate locks to manage and mitigate interest rate risk exposure when deemed appropriate, based upon market conditions. CMS Energy employs these strategies to attempt to provide and maintain the lowest cost of capital. In August 2000, CMS Energy entered into floating-to-fixed interest rate swap agreements for a total notional amount of $1.0 billion to exchange variable rate interest payment obligations to fixed rate obligations to minimize potential adverse interest rate changes. At December 31, 2000, the carrying amounts of long-term debt and trust preferred securities were $6.8 billion and $1.1 billion, respectively, with corresponding fair values of $6.6 billion and $1.1 billion, respectively. The fair value of CMS Energy's interest rate swaps at December 31, 2000, with a notional amount of $1.1 billion, was $9 million, representing the amount CMS Energy would pay upon settlement. Based on a sensitivity analysis at December 31, 2000, CMS Energy estimates that if market interest rates average 10 percent higher or lower, earnings before income taxes for the subsequent twelve months would decrease or increase, respectively, by approximately $4 million. In addition, based on a 10 percent adverse shift in market rates, CMS Energy would have an exposure of approximately $361 million to the fair value of its long-term debt and trust preferred securities if it had to refinance all of its long-term fixed-rate debt and trust preferred securities. CMS Energy does not intend to refinance its fixed-rate debt and trust preferred securities in the near term and believes that any adverse change in interest rates would not have a material effect on CMS Energy's consolidated financial position as of December 31, 2000.

CURRENCY EXCHANGE RISK: CMS Energy is exposed to foreign currency risk that arises from net investments in foreign operations. CMS Energy uses forward exchange and option contracts to hedge certain net investments in foreign operations. At December 31, 2000, CMS Energy's primary foreign currency exchange rate exposures were the Brazilian real, the Argentine peso and the Australian dollar. Based on a sensitivity analysis at December 31, 2000, a 10 percent adverse shift in currency exchange rates would not have a material effect on CMS Energy's consolidated financial position or results of operations as of December 31, 2000, but would result in a net cash settlement of approximately $11 million. The estimated fair value of the foreign exchange and option contracts at December 31, 2000 was $10 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 December 31, 2000.

For a discussion of accounting policies related to derivative transactions, see Note 10.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

CMS Energy's primary ongoing source of cash is dividends and other distributions from subsidiaries. In 2000, Consumers paid $245 million in common dividends and Enterprises paid $534 million in common dividends and other distributions to CMS Energy. In February 2001, Consumers paid a $66 million dividend to CMS Energy. CMS Energy's consolidated cash requirements are primarily met by its operating and financing activities.

OPERATING ACTIVITIES: CMS Energy's consolidated net cash provided by operating activities is derived mainly from the processing, storage, transportation and sale of natural gas; the generation, transmission, distribution and sale of electricity; and the sale of oil. For 2000 and 1999, consolidated cash from operations totaled $453 million and $917 million, respectively. The $464 million decrease resulted primarily from a decrease in cash earnings excluding gains from asset sales, gas purchase prices that were significantly higher than the frozen gas customer rate, the electric rate reduction required by the Customer Choice Act enacted in June 2000 and the timing of cash receipts and payments related to working capital items. CMS Energy uses its cash derived from operating activities primarily to maintain and expand its international and domestic businesses, to maintain and expand electric and gas systems of Consumers, to pay interest on and retire portions of its long-term debt, and to pay dividends.

INVESTING ACTIVITIES: For 2000 and 1999, CMS Energy's consolidated net cash used in investing activities totaled $867 million and $3.564 billion, respectively. The decrease of $2.7 billion primarily reflects the acquisition of Panhandle in March 1999 (for approximately $1.9 billion and existing debt of $300 million) and a $560 million increase in proceeds from the sales of assets. CMS Energy's expenditures (excluding acquisitions) during 2000 for its utility and diversified energy businesses were $550 million and $873 million, respectively, compared to $505 million and $962 million, respectively, during the comparable period in 1999.

FINANCING ACTIVITIES: For 2000 and 1999, CMS Energy's net cash provided by financing activities totaled $464 million and $2.678 billion, respectively. Net cash provided in 1999 primarily related to funding the Panhandle acquisition in March 1999 (for approximately $1.9 billion and existing debt of $300 million). The decrease of $2.214 billion in net cash provided by financing activities resulted from a decrease of $2.278 billion in the issuance of new securities (see table below), an increase in the retirement of bonds, other long-term debt and trust preferred securities ($442 million), and an increase in the repurchase of common stock ($129 million), partially offset by an increase in the issuance of common stock ($242 million), a decrease in the retirement of preferred stock ($194 million) and a decrease in the retirement of notes payable ($230 million).

	MONTH ISSUED (IN 2000)	MATURITY	DISTRIBUTION/ INTEREST RATE	PRINCIPAL AMOUNT IN MILLIONS	USE OF PROCEEDS
CMS ENERGY					
GTNs Series E........	(1)	(1)	9.02%(1)	$ 120	General corporate purposes
GTNs Series F........	(1)	(1)	8.80%	11	General corporate purposes
Senior Notes.........	October	2007	9.875%	500	Repay debt and general corporate purposes
Trust Preferred Securities(2)......	August	2004	7.25%	220	To redeem the trust preferred securities of CMS RHINOS Trust
Common Stock.........	October	n/a	11.0 shares	305	General corporate purposes
				1,156	
CONSUMERS					
Senior Notes.........	November	2001	(3)	125	Repay debt and general corporate purposes
Senior Notes.........	November	2002	(4)	100	Repay debt and general corporate purposes
				225	
PANHANDLE					
Senior Notes.........	March	2010	8.25%	100	To fund acquisition of Sea Robin and general corporate purposes
				100	
Total................				$1,481	

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

(2) Refer to Note 8 for further information regarding these securities.

(3) The 2001 notes bear interest at a floating rate reset each quarter based upon LIBOR plus .60%.

(4) The 2002 notes bear interest at a floating rate reset each quarter based upon LIBOR plus .98%.

In 2000, CMS Energy declared and paid $167 million in cash dividends to holders of CMS Energy Common Stock. In February 2001, CMS Energy paid $44 million in cash dividends to holders of CMS Energy Common Stock.

OTHER INVESTING AND FINANCING MATTERS: At December 31, 2000, the book value per share of CMS Energy Common Stock was $19.48.

In February 2001, CMS Energy sold 10 million shares of CMS Energy Common Stock. CMS Energy used the net proceeds of approximately $296 million to repay borrowings under the Senior Credit Facility. At February 28, 2001, CMS Energy had an aggregate $1.95 billion in securities registered for future issuance.

CMS Energy's Senior Credit Facility consists of a $1 billion one-year revolving credit facility maturing in June 2001. CMS Energy also has unsecured lines of credit as anticipated sources of funds to finance working capital requirements and to pay for capital expenditures between long-term financings. At December 31, 2000, the total amount available under the Senior Credit Facility and the unsecured lines of credit were $555 million and $34 million, respectively. For detailed information, see Note 7, incorporated by reference herein.

Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 6, incorporated by reference herein.

CMS Energy has identified for possible sale assets that are expected to contribute little or no earnings benefit in the short to medium term. From December 1, 1999 through December 31, 2000, CMS Energy sold $719 million of these assets, as more fully discussed in Note 4. These asset sales resulted in total cash proceeds and associated reduction of consolidated project debt of approximately $1.2 billion. CMS Energy plans to continue to sell additional assets resulting in cash proceeds and associated reduction of consolidated project debt, as more fully discussed in the Outlook -- Financial Improvement Plan section below.

CAPITAL EXPENDITURES

During 2001 through 2003, CMS Energy estimates that capital expenditures, including new lease commitments and investments in partnerships and unconsolidated subsidiaries, will total $3.9 billion. These estimates are prepared for planning purposes and are subject to revision. CMS Energy expects to satisfy a substantial portion of the capital expenditures with cash from operations. During 2001, CMS Energy will continue to evaluate capital markets as a potential source for financing its subsidiaries' investing activities. CMS Energy estimates capital expenditures by business segment over the next three years as follows:

YEARS ENDED DECEMBER 31	2001	2002	2003
		IN MILLIONS	
Consumers electric operations(a)(b)	$ 555	$ 555	$ 355
Consumers gas operations(a)	145	145	135
Natural gas transmission	220	215	280
Independent power production	65	150	240
Oil and gas exploration and production	195	235	245
Marketing, services and trading	5	5	5
International energy distribution	60	5	5
Other	30	25	5
	$1,275	$1,335	$1,270

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

(b) These amounts include estimates for capital expenditures that may be required by recent revisions to the Clean Air Act's national air quality standards. For further information see Note 5, Uncertainties.

CMS Energy currently plans investments from 2001 to 2003 in focused markets, which include: North and South America; the Middle East; West Africa; and India. Investments will be made in market segments which align with CMS Energy's varied business units' skills with a focus on optimization and integration of existing assets, as further discussed in the Outlook section below.

OUTLOOK

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

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

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

- Strengthen customer relationships through the development of energy-related products and services for electric and gas utility customers and through the international energy distribution business and marketing, services and trading business;

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

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

- Continued management of the asset portfolio.

FINANCIAL IMPROVEMENT PLAN

In October 2000, CMS Energy announced a plan to strengthen its balance sheet using proceeds from equity offerings and asset sales to reduce debt. As a part of that plan, CMS Energy sold $305 million and $296 million of CMS Energy Common Stock in October 2000 and February 2001, respectively, and used the proceeds to reduce debt. These sales of CMS Energy Common Stock have allowed CMS Energy to defer indefinitely the previously announced initial public offering of up to 49 percent of its ownership interest in CMS Oil and Gas.

Under its asset sale program, CMS Energy identified for possible sale certain assets expected to contribute little or no earnings benefit in the short to medium terms. As of December 31, 2000, CMS Energy sold assets resulting in approximately $1.2 billion of cash proceeds and associated reduction of consolidated project debt. In 2001, CMS Energy intends to sell assets, potentially including the electric transmission facilities of Consumers, that it anticipates will result in cash proceeds and associated reduction of consolidated project debt in the total amount of approximately $450 million. There are no assurances that CMS Energy can achieve this level of asset sales and associated debt reduction in 2001 as planned.

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

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

DIVERSIFIED ENERGY OUTLOOK

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

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

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

CONSUMERS' ELECTRIC UTILITY OUTLOOK

GROWTH: Over the next five years, Consumers expects electric system deliveries to grow an average of approximately two and one half percent per year based primarily on a steadily growing customer base. This growth rate does not take into account the impact of electric industry restructuring, including the impact of the Customer Choice Act that allows all customers to choose their electricity supplier beginning January 1, 2002, or of changing regulation. Abnormal weather, changing economic conditions or the developing competitive market for electricity may affect actual electric deliveries by Consumers in future periods.

COMPETITION AND REGULATORY RESTRUCTURING: The Customer Choice Act, passed by the Michigan Legislature, as a result of repeated efforts to enact electric utility restructuring legislation, became effective June 2000.

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

In 1996, as a result of efforts to transition the electric industry in Michigan to competition, Detroit Edison gave Consumers the required four-year contractual notice of its intent to terminate the agreements under which the companies jointly operate the MEPCC, effective January 1, 2001. Detroit Edison and Consumers have negotiated to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but have expressly excluded any merchant operations (electricity purchasing, sales, and dispatch operations). The parties have extended the effective termination date of the operating agreement to March 31, 2001. Consumers does not anticipate that the restructuring of the MEPCC will cause it a material adverse impact. Consumers expects to implement systems and procedures to perform independent merchant operations by April 1, 2001. The termination of joint merchant operations with Detroit Edison will open Detroit Edison and Consumers to wholesale market competition as individual companies. CMS Energy cannot predict the financial impact of terminating these joint merchant operations.

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

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

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

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

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 2, Summary of Significant Accounting Policies and Other Matters, and Note 5, Uncertainties, incorporated by reference herein.

NUCLEAR MATTERS: There are a number of issues related to nuclear matters that may affect Consumers' business. For further information and material changes relating to nuclear matters, see Note 5, Uncertainties.

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

CONSUMERS' GAS UTILITY OUTLOOK

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

GAS RESTRUCTURING: On April 1, 1998, Consumers implemented an experimental gas customer choice pilot program. The pilot program ends March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of December 31, 2000, more than 150,000 customers chose alternative gas suppliers, representing approximately 38 bcf of gas requirements. Customers who choose to remain sales customers of Consumers will have fixed gas commodity rates through the end of the program. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a delivered gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain predetermined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. In October 2000, the MPSC approved Consumers' application for a permanent gas customer choice program commencing April 1, 2001. Under the permanent gas customer choice program, Consumers will no longer be subject to a frozen gas commodity cost and delivery charge. Consumers will then return to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001, up to 900,000 gas customers by April 1, 2002, and all of Consumers' gas customers beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

During the last year of the experimental pilot program, significant increases in gas costs had exposed Consumers to gas commodity losses. In the second quarter 2000, Consumers recorded a regulatory liability of $45 million to reflect estimated losses due to increases in natural gas commodity costs. In October 2000, the MPSC approved Consumers' accounting application to revise its inventory accounting and reclassify low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to immediately begin to include the cost of its recoverable base gas with higher cost purchased gas. Consumers expects the gas accounting order to eliminate the need for Consumers to recognize any further losses related to gas commodity cost underrecoveries.

UNCERTAINTIES: Several gas business trends or uncertainties may affect CMS Energy's financial results and conditions. These trends or uncertainties have, or CMS Energy reasonably expects could have, a material impact on net sales, revenues, or income from continuing gas operations. Such trends and uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) future gas industry restructuring initiatives; 3) implementation of the permanent gas customer choice program; 4) implementation of a suspended GCR clause and any initiatives undertaken to protect against gas price increases; and 5) market and regulation responses to increases in gas costs. For detailed information about these uncertainties see Note 5, Uncertainties, incorporated by reference herein.

PANHANDLE OUTLOOK

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

UNCERTAINTIES: Panhandle's results of operations and financial position may be affected by a number of trends or uncertainties that have, or Panhandle reasonably expects could have, a material impact on income from continuing operations and cash flows. Such trends and uncertainties include: 1) the increased competition in the market for transmission of natural gas to the Midwest causing pressure on prices charged by Panhandle; 2) the current market conditions causing more contracts to be of shorter duration, which may increase revenue volatility; 3) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility in LNG terminalling revenues; 4) the impact of any future rate cases for any of Panhandle's regulated operations; 5) current initiatives for additional federal rules and legislation regarding pipeline safety; 6) capital spending requirements for safety, environmental or regulatory requirements that could result in depreciation expense increases not covered by additional revenues; and 7) the potential effect of a January 2000 FERC order could, if approved on rehearing without modification or acceptance of Trunkline's settlement filing, substantially reduce Trunkline's tariff rates and future revenue levels.

OTHER MATTERS

NEW ACCOUNTING RULES

In June 1998, the FASB issued SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, which has been deferred by SFAS No. 137 Accounting for Derivative Instruments and Hedging Activities --

Deferral of the Effective Date of FASB Statement No. 133, and amended by the issuance in June 2000 of SFAS No. 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133. These statements are collectively referred to hereafter as SFAS No. 133. SFAS No. 133 requires CMS Energy to record every contract that meets the definition of a derivative instrument on the balance sheet as an asset or liability measured at its fair value and to recognize changes in the fair value of these contracts currently in earnings unless specific hedge accounting criteria are met. SFAS No. 133 is effective for fiscal years beginning after June 15, 2000. Effective January 1, 2001, CMS Energy adopted SFAS No. 133. Upon initial adoption of the statement, CMS Energy will reflect the difference between the current fair market value of the derivative instruments and the recorded book value of the derivative instruments as a cumulative effect type adjustment to either net income or accumulated other comprehensive income. CMS Energy will reclassify the gains and losses on the derivative instruments that are reported in accumulated other comprehensive income as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion, if any, of all hedges will be recognized in current period earnings. CMS Energy determines fair market value based upon mathematical models using current and historical pricing data.

CMS Energy believes that the majority of its non-trading derivative contracts, power purchase agreements and gas transportation contracts qualify for the normal purchases and sales exception of SFAS No. 133 and therefore would not be recognized at fair value on the balance sheet. CMS Energy does, however, use certain derivative instruments to limit its exposures to gas commodity price risk, interest rate risk, and foreign currency exchange risk. The interest rate and foreign exchange contracts meet the requirements for hedge accounting under SFAS No. 133 and CMS Energy will record the changes in the fair value of these contracts in accumulated other comprehensive income on the balance sheet.

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

	MILLIONS
Fair Value of Derivative Assets............................	$28
Fair Value of Derivative Liabilities........................	14
Increase in Other Comprehensive Income, Net of Tax..........	8

The cumulative effects on accumulated other comprehensive income from a change in accounting principle relate to gas options, gas fuel swap contracts, and interest rate swap contracts that qualified for cash flow hedge accounting prior to the adoption of SFAS No. 133. These amounts will reduce, or be charged to, cost of gas, cost of power, or interest expense, respectively, when the related hedged transaction occurs. Based on the pre-tax amount recorded in accumulated other comprehensive income on the January 1, 2001 transition date, CMS Energy expects to record $24 million as a reduction to cost of gas, $2 million as a reduction in cost of power, and $14 million as an increase to interest expense in 2001.

After January 1, 2001, certain gas option contracts will not qualify for cash flow hedge accounting under SFAS No. 133, and CMS Energy will therefore record any change in fair value subsequent to January 1, 2001 directly in earnings, which could cause earnings volatility. Additionally, derivative and hedge accounting for certain utility industry contracts, particularly electric call option contracts, remains uncertain. CMS Energy is currently accounting for electric call options contracts and other electric option-like contracts as derivatives that qualify for the normal purchase exception of SFAS No. 133, and as such, has not recorded these contracts on the balance sheet at fair value. The ultimate financial impact depends upon resolution of these industry-specific issues with the FASB and could be materially different than stated above.

In the year 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125. SFAS No. 140 revises the criteria for accounting for securitizations, other financial asset transfers and collateral and introduces new disclosures. Certain disclosures and amendments of collateral provisions are effective for fiscal years ending after December 15, 2000. The other provisions of SFAS No. 140 apply prospectively to transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. CMS Energy has adopted the disclosure requirements effective December 31, 2000, and does not expect that for the other provisions of SFAS No. 140 will have a material impact on CMS Energy's consolidated results of operations or financial position.

FOREIGN CURRENCY TRANSLATION

CMS Energy adjusts common stockholders' equity to reflect foreign currency translation adjustments for the operation of long-term investments in foreign countries. The adjustment is primarily due to the exchange rate fluctuations between the United States dollar and each of the Australian dollar, Brazilian real and Argentine peso. For the year ended December 31, 2000, the foreign currency translation amount realized from asset sales increased equity by $25 million and the change in the foreign currency translation adjustment decreased equity by $171 million, net of after-tax hedging proceeds. Although management currently believes that the currency exchange rate fluctuations over the long term will not have a material adverse affect on CMS Energy's financial position, liquidity or results of operations, CMS Energy has hedged its exposure to the Australian dollar, the Brazilian real and the Argentine peso. CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The notional amount of the outstanding foreign exchange contracts was $546 million at December 31, 2000, which includes $21 million, $75 million and $450 million for Australian, Brazilian and Argentine foreign exchange contracts, respectively. The estimated fair value of the foreign exchange and option contracts at December 31, 2000 was $10 million, representing the amount CMS Energy would pay upon settlement.

OTHER

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

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

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CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	2000	1999	1998
	YEARS ENDED DECEMBER 31 — IN MILLIONS		
OPERATING REVENUE			
Electric utility	$2,676	$2,667	$2,606
Gas utility	1,196	1,156	1,051
Natural gas transmission	906	785	160
Independent power production	500	390	277
Oil and gas exploration and production	131	98	63
Marketing, services and trading	3,294	799	939
International energy distribution	265	177	30
Other	30	31	15
	8,998	6,103	5,141
OPERATING EXPENSES			
Operation			
Fuel for electric generation	408	406	359
Purchased and interchange power -- Marketing, services and trading	1,457	108	287
Purchased and interchange power	529	401	297
Purchased power -- related parties	555	560	573
Cost of gas sold -- Marketing, services and trading	1,734	700	628
Cost of gas sold	967	846	584
Other operating expenses	1,076	1,049	814
	6,726	4,070	3,542
Maintenance	298	216	176
Depreciation, depletion and amortization	637	595	484
General taxes	281	254	215
Write-off of investments in Loy Yang (2000) and Nitrotec (1999)	329	84	--
	8,271	5,219	4,417
PRETAX OPERATING INCOME (LOSS)			
Electric utility	481	494	475
Gas utility	98	132	126
Natural gas transmission, net of $84 Nitrotec write-off in 1999	227	64	20
Independent power production, net of $329 Loy Yang write-off in 2000	(140)	160	106
Oil and gas exploration and production	31	17	6
Marketing, services and trading	14	4	4
International energy distribution	22	(9)	(16)
Other	(6)	22	3
	727	884	724
OTHER INCOME (DEDUCTIONS)			
Accretion income	2	4	6
Accretion expense	(33)	(27)	(16)
Gain on asset sales, net of foreign currency translation losses of $25 in 2000	84	42	51
Loss on MCV power purchases	--	--	(37)
Other, net	9	30	1
	62	49	5

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
FIXED CHARGES			
Interest on long-term debt	591	502	318
Other interest	48	69	47
Capitalized interest	(49)	(41)	(29)
Preferred dividends	2	6	19
Preferred securities distributions	93	56	32
	685	592	387
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	104	341	342
INCOME TAXES	60	64	100
MINORITY INTERESTS	3	--	--
CONSOLIDATED NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	41	277	242
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR TREATMENT OF INVENTORY AND PROPERTY TAXES, NET OF TAX (BENEFIT) OF $(2), $- AND $23, RESPECTIVELY	(5)	--	43
CONSOLIDATED NET INCOME	$ 36	$ 277	$ 285

	IN MILLIONS, EXCEPT PER SHARE AMOUNTS		
CMS ENERGY			
NET INCOME			
Net Income Attributable to Common Stock	$ 36	$ 269	$ 272
Premium on Redemption of Class G Stock	--	(28)	--
Net Income Available to Common Stock	$ 36	$ 241	$ 272
BASIC EARNINGS PER AVERAGE COMMON SHARE			
Net Income Attributable to Common Stock	$ 0.32	$ 2.44	$ 2.65
Premium on Redemption of Class G Stock	--	(0.26)	--
Net Income Available to Common Stock	$ 0.32	$ 2.18	$ 2.65
DILUTED EARNINGS PER AVERAGE COMMON SHARE			
Net Income Attributable to Common Stock	$ 0.32	$ 2.42	$ 2.62
Premium on Redemption of Class G Stock	--	(0.25)	--
Net Income Available to Common Stock	$ 0.32	$ 2.17	$ 2.62
DIVIDENDS DECLARED PER COMMON SHARE	$ 1.46	$ 1.39	$ 1.26
CLASS G			
NET INCOME			
Net Income Attributable to Common Stock	$ --	$ 8	$ 13
Premium on Redemption of Class G Stock	--	28	--
Net Income Available to Common Stock	$ --	$ 36	$ 13
BASIC EARNINGS PER AVERAGE COMMON SHARE			
Net Income Attributable to Common Stock	$ --	$ 0.90	$ 1.56
Premium on Redemption of Class G Stock	--	3.31	--
Net Income Available to Common Stock	$ --	$ 4.21	$ 1.56
DILUTED EARNINGS PER AVERAGE COMMON SHARE			
Net Income Attributable to Common Stock	$ --	$ 0.90	$ 1.56
Premium on Redemption of Class G Stock	--	3.31	--
Net Income Available to Common Stock	$ --	$ 4.21	$ 1.56
DIVIDENDS DECLARED PER COMMON SHARE	$ --	$ 0.99	$ 1.27

The accompanying notes are an integral part of these statements.

CMS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31 2000	1999	1998
	IN MILLIONS		
CASH FLOWS FROM OPERATING ACTIVITIES			
Consolidated net income	$ 36	$ 277	$ 285
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization (includes nuclear decommissioning of $39, $50 and $51, respectively)	637	595	484
Deferred income taxes and investment tax credit	8	10	54
Capital lease and debt discount amortization	34	35	51
Loss on MCV power purchases	--	--	37
Accretion expense	33	27	16
Accretion income -- abandoned Midland project	(2)	(4)	(6)
Write-off of investments in Loy Yang (2000) and Nitrotec (1999)	329	84	--
Undistributed earnings of related parties	(171)	(45)	(95)
Gain on sale of assets, net of foreign currency translation losses	(84)	(42)	(51)
Cumulative effect of accounting change	7	--	(66)
MCV power purchases	(60)	(62)	(64)
Changes in assets and liabilities:			
Increase in accounts receivable	(398)	(268)	(188)
Increase in inventories	(54)	(5)	(41)
Increase (decrease) in accounts payable and accrued expenses	181	300	(52)
Increase in Regulatory obligation -- gas choice	33	--	--
Changes in other assets and liabilities	(76)	15	152
Net cash provided by operating activities	453	917	516
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures (excludes assets placed under capital lease)	(1,032)	(1,124)	(1,295)
Investments in partnerships and unconsolidated subsidiaries	(344)	(380)	(345)
Cost to retire property, net	(56)	(93)	(83)
Acquisition of companies, net of cash acquired	(74)	(1,938)	--
Proceeds from sale of property	629	69	57
Other	10	(98)	32
Net cash used in investing activities	(867)	(3,564)	(1,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes, bonds and other long-term debt	1,064	2,836	2,348
Proceeds from trust preferred securities	220	726	--
Issuance of common stock	332	90	269
Retirement of bonds and other long-term debt	(691)	(499)	(1,235)
Retirement of trust preferred securities	(250)	--	--
Retirement of common stock	(16)	(2)	(3)
Retirement of preferred stock	--	(194)	--
Repurchase of common stock	(129)	--	--
Payment of common stock dividends	(167)	(163)	(140)
Payment of capital lease obligations	(32)	(19)	(36)
Increase (decrease) in notes payable, net	133	(97)	(53)
Net cash provided by financing activities	464	2,678	1,150

	YEARS ENDED DECEMBER 31 2000	1999	1998
	IN MILLIONS		
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	50	31	32
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	132	101	69
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 182	$ 132	$ 101
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:			
CASH TRANSACTIONS			
Interest paid (net of amounts capitalized)	$ 563	$ 424	$ 313
Income taxes paid (net of refunds)	--	59	64
NON-CASH TRANSACTIONS			
Nuclear fuel placed under capital leases	$ 4	$ 6	$ 46
Other assets placed under capital lease	15	14	14
Common stock issued to retire Class G Common Stock	--	217	--
Common stock issued to acquire companies	--	--	61
Assumption of debt	--	305	88

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

The accompanying notes are an integral part of these statements.

CMS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

DECEMBER 31	2000	1999
	IN MILLIONS	
ASSETS		
PLANT AND PROPERTY (AT COST)		
Electric utility	$ 7,241	$ 6,981
Gas utility	2,503	2,461
Natural gas transmission	2,191	1,934
Oil and gas properties (successful efforts method)	630	817
Independent power production	398	974
International energy distribution	258	445
Other	105	62
	13,326	13,674
Less accumulated depreciation, depletion and amortization	6,252	6,157
	7,074	7,517
Construction work-in-progress	761	604
	7,835	8,121
INVESTMENTS		
Independent power production	924	950
Natural gas transmission	436	369
International energy distribution	63	150
Midland Cogeneration Venture Limited Partnership	290	247
First Midland Limited Partnership	245	240
Other	58	40
	2,016	1,996
CURRENT ASSETS		
Cash and temporary cash investments at cost, which approximates market	182	132
Accounts receivable, notes receivable and accrued revenue, less allowances of $18 in 2000 and $12 in 1999	1,440	959
Inventories at average cost		
Gas in underground storage	297	225
Materials and supplies	124	158
Generating plant fuel stock	46	47
Deferred income taxes	39	33
Prepayments and other	321	263
	2,449	1,817
NON-CURRENT ASSETS		
Regulatory Assets		
Securitization costs	709	--
Postretirement benefits	232	341
Abandoned Midland project	22	48
Unamortized nuclear costs	6	519
Other	87	125
Goodwill, net	891	891
Nuclear decommissioning trust funds	611	602
Notes receivable - related parties	155	251
Other	838	751
	3,551	3,528
TOTAL ASSETS	$15,851	$15,462

The accompanying notes are an integral part of these statements.

DECEMBER 31	2000	1999
	IN MILLIONS	
STOCKHOLDERS' INVESTMENT AND LIABILITIES		
CAPITALIZATION		
Common stockholders' equity	$ 2,361	$ 2,456
Preferred stock of subsidiary	44	44
Company-obligated mandatorily redeemable preferred securities of:		
Consumers Power Company Financing I (a)	100	100
Consumers Energy Company Financing II (a)	120	120
Consumers Energy Company Financing III (a)	175	175
Company-obligated convertible Trust Preferred Securities of:		
CMS Energy Trust I (a)	173	173
CMS Energy Trust II (a)	301	301
CMS Energy Trust III (a)	220	--
Company-obligated Trust Preferred Securities of CMS RHINOS Trust (a)	--	250
Long-term debt	6,770	6,428
Non-current portion of capital leases	54	88
	10,318	10,135
MINORITY INTERESTS	88	222
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	707	1,111
Notes payable	403	230
Accounts payable	1,024	775
Accrued taxes	309	320
Accrued interest	159	148
Accounts payable -- related parties	70	61
Other	530	421
	3,202	3,066
NON-CURRENT LIABILITIES		
Deferred income taxes	749	702
Postretirement benefits	437	485
Deferred investment tax credit	110	126
Regulatory liabilities for income taxes, net	246	64
Other	701	662
	2,243	2,039
Commitments and Contingencies (Notes 2, 3, 5, 14 and 18)		
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$15,851	$15,462

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(a) For further discussion, see Note 8 to the Consolidated Financial Statements.

CMS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF PREFERRED STOCK

DECEMBER 31	SERIES	OPTIONAL REDEMPTION PRICE	2000	1999	2000	1999
			NUMBER OF SHARES		IN MILLIONS	
CONSUMERS' PREFERRED STOCK						
Cumulative, $100 par value, authorized						
7,500,000 shares,	$4.16	$103.25	68,451	68,451	$ 7	$ 7
with no mandatory redemption	4.50	110.00	373,148	373,148	37	37
TOTAL PREFERRED STOCK					$44	$44

The accompanying notes are an integral part of these statements.

CMS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31	2000	1999	1998	2000	1999	1998
	NUMBER OF SHARES IN THOUSANDS			IN MILLIONS		
COMMON STOCK						
At beginning and end of period.........				$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL -- CMS ENERGY						
At beginning of period.................	116,038	108,104	100,792	2,749	2,452	2,131
Redemption of affiliate's preferred stock...............................	--	--	--	--	(2)	--
Common stock repurchased...............	(6,600)	--	--	(129)	--	--
Common stock reacquired................	(259)	(61)	(72)	(16)	(2)	(3)
Common stock issued....................	11,538	1,823	7,383	321	83	324
Common stock reissued..................	484	39	1	11	1	--
Exchange of Class G common stock.......	--	6,133	--	--	217	--
At end of period..................	121,201	116,038	108,104	2,936	2,749	2,452
OTHER PAID-IN CAPITAL -- CLASS G						
At beginning of period.................	--	8,453	8,219	--	142	136
Common stock reacquired................	--	--	(1)	--	--	--
Common stock issued....................	--	257	235	--	6	6
Redemption of common stock.............	--	(8,710)	--	--	(148)	--
At end of period..................	--	--	8,453	--	--	142
REVALUATION CAPITAL						
At beginning of period.................				3	(9)	(6)
Change in unrealized investment-gain (loss)(a)...........................				(5)	12	(3)
At end of period..................				(2)	3	(9)
FOREIGN CURRENCY TRANSLATION						
At beginning of period.................				(108)	(136)	(96)
Change in foreign currency translation realized from asset sale(a).........				25	--	--
Change in foreign currency translation(a)......................				(171)	28	(40)
At end of period..................				(254)	(108)	(136)
RETAINED EARNINGS (DEFICIT)						
At beginning of period.................				(189)	(234)	(379)
Consolidated net income(a).............				36	277	285
Redemption of Class G common stock.....				--	(69)	--
Common stock dividends declared:						
CMS Energy..........................				(167)	(154)	(129)
Class G.............................				--	(9)	(11)
At end of period..................				(320)	(189)	(234)
TOTAL COMMON STOCKHOLDERS' EQUITY........				$2,361	$2,456	$2,216
(A) DISCLOSURE OF COMPREHENSIVE INCOME (LOSS):						
Revaluation capital						
Unrealized investment-gain (loss), net of tax (benefit) of $3, $(6) and $2, respectively......				$ (5)	$ 12	$ (3)
Foreign currency translation......				(146)	28	(40)
Consolidated net income...........				36	277	285
Total Consolidated Comprehensive Income (Loss)..................				$ (115)	$ 317	$ 242

The accompanying notes are an integral part of these statements.

CMS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1: CORPORATE STRUCTURE

CMS Energy is the parent holding company of Consumers and Enterprises. Consumers, a combination electric and gas utility company serving the Lower Peninsula of Michigan, is a subsidiary of CMS Energy. Enterprises, through subsidiaries, is engaged in several domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; oil and gas exploration and production; energy marketing, services and trading; and international energy distribution. In March 1999, CMS Energy completed the acquisition of Panhandle Eastern Pipe Line, including its subsidiaries Trunkline and Pan Gas Storage, and its affiliates Panhandle Storage and Trunkline LNG, as discussed further below. Panhandle is primarily engaged in the interstate transportation, storage and processing of natural gas.

2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of CMS Energy, Consumers and Enterprises and their majority-owned subsidiaries. Investments in affiliated companies where CMS Energy has the ability to exercise significant influence but not control, are accounted for using the equity method. Intercompany transactions and balances have been eliminated.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GAS INVENTORY: Consumers uses the weighted average cost method for valuing working gas inventory. Beginning October 2000, gas inventory also includes recoverable cushion gas. Consumers records nonrecoverable cushion gas in the appropriate gas utility plant account. Consumers stores gas inventory in its underground storage facilities.

PLANT AND PROPERTY: Plant and Property, including improvements, is stated at cost. Construction-related labor and material costs, as well as indirect construction costs such as engineering and interest costs, are capitalized. Property repairs, minor property replacements and maintenance are charged to maintenance expense as incurred. When depreciable plant and property maintained by CMS Energy's regulated operations are retired or sold, the original cost plus cost of removal (net of salvage credits), is charged to accumulated depreciation. Consumers bases depreciation provisions for utility property on straight-line and units-of-production rates approved by the MPSC. The composite depreciation rate for electric utility property was 3.1 percent for 2000, 3.0 percent for 1999 and 3.5 percent for 1998. The composite rate for gas utility property was 4.4 percent for 2000 and 1999, and 4.2 percent for 1998. The composite rate for other property was 10.7 percent for 2000, 8.6 percent for 1999 and 7.4 percent for 1998. Other nonutility depreciable property is amortized over its estimated useful life; gains and losses on asset sales are recognized at the time of sale.

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

GOODWILL: Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized using the straight-line method principally over 40 years. The carrying amount of goodwill is reviewed annually using undiscounted cash flows for the businesses acquired over the remaining amortization periods. At December 31, 2000, no goodwill impairments existed. Accumulated amortization of goodwill at December 31, 2000 and 1999 was $49 million and $25 million, respectively.

IMPAIRMENT OF INVESTMENTS AND LONG-LIVED ASSETS: In accordance with APB Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock and SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, CMS Energy evaluates the potential impairment of its investments in projects and other long-lived assets, including goodwill, based on various analyses, including the projection of undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the carrying amount of the investment or asset exceeds the amount of the expected future undiscounted cash flows, an impairment loss is recognized and the investment or asset is written down to its estimated fair value.

REVENUE RECOGNITION POLICY: Revenues from deliveries of electricity and the transportation and storage of natural gas are recognized as services are provided. Revenues on sales of marketed electricity, natural gas, and other energy products, as well as natural gas and LNGs, are recognized at delivery. Revenues on sales of oil and natural gas produced are recognized when production occurs, a sale is completed, and the risk of loss transfers to a third-party purchaser. Accounts receivable on the Consolidated Balance Sheets include $266 million and $202 million at December 31, 2000 and 1999, respectively, for electric and gas service that has been provided but not yet billed to customers. Prior to final FERC approval of filed rates, Panhandle is exposed to risk that the FERC will ultimately approve the rate at a level lower than those requested. The difference is subject to refund with reserves established, where required, for that purpose.

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

UNAMORTIZED DEBT PREMIUM, DISCOUNT AND EXPENSE: CMS Energy amortizes premiums, discounts and expenses incurred in connection with the issuance of presently outstanding long-term debt over the terms of the respective issues. For the regulated portions of CMS Energy's businesses, if debt is refinanced, CMS Energy amortizes any unamortized premiums, discounts and expenses over the term of the new debt, as allowed under regulated utility accounting.

ACCRETION INCOME AND EXPENSE: In 1991, the MPSC allowed Consumers to recover a portion of its abandoned Midland investment over a 10-year period, but did not allow Consumers to earn a return on that amount. Consumers reduced the recoverable investment to the present value of the future recoveries. During the recovery period, Consumers adjusts the unrecovered asset to its present value. It reflects this adjustment as accretion income. Conversely, in 1992, Consumers recorded a loss for the present value of its estimated future underrecoveries of power costs resulting from purchases from the MCV Partnership (see Note 5). It now recognizes accretion expense annually to reflect the time value of money on the recorded loss.

CMS MST has entered into sales arrangements to provide natural gas to various entities over periods of up to 12 years at predetermined price levels. CMS MST has established a liability for these outstanding obligations equal to the discounted present value of the contracts, and has hedged its exposures under these arrangements. At December 31, 2000 and 1999, the amounts recorded as liabilities on the Consolidated Balance Sheets totaled $348 million and $339 million, respectively, and are guaranteed by Enterprises. As CMS MST fulfills its obligations under the contracts, CMS Energy records an adjustment to the outstanding obligation through accretion expense.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Consumers expenses interest on leased nuclear fuel as it is incurred. Under current federal law, as a federal court decision confirmed, the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. For fuel used after April 6, 1983, Consumers charges disposal costs to nuclear fuel expense, recovers these costs through electric rates, and then remits them to the DOE quarterly.

Consumers elected to defer payment for disposal of spent nuclear fuel burned before April 7, 1983. As of December 31, 2000, Consumers has a recorded liability to the DOE of $130 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest. In 1997, the DOE declared that it would not begin to accept spent nuclear fuel deliveries in 1998. Also in 1997, a federal court affirmed the DOE's duty to take delivery of spent fuel. Subsequent litigation in which Consumers, and certain other utilities, participated has not been successful in producing more specific relief for the DOE's failure to comply.

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

NUCLEAR PLANT DECOMMISSIONING: In 2000, Consumers collected $39 million from its electric customers for decommissioning its two nuclear plants. Amounts collected from electric retail customers and deposited in trusts (including trust earnings) are credited to accumulated depreciation. In March 1999, Consumers received a decommissioning order from the MPSC that approved estimated decommissioning costs for Big Rock and Palisades that were $294 million and $518 million, in 1997 dollars, respectively. Using the inflation factors presented to the MPSC in order to escalate the estimated decommissioning costs to 2000 dollars, the Big Rock and Palisades estimated decommissioning costs are $325 million and $592 million, 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 March 22, 1999 MPSC order set the annual decommissioning surcharge for Big Rock at $32 million through December 31, 2000 and the December 16, 1999 MPSC order set the annual decommissioning surcharge for Palisades at $6 million a year. Consumers is required to file a "Report on the Adequacy of the Existing Annual Provision for Nuclear Plant Decommissioning" (Report) with the MPSC by March 31, 2001. In December 2000, the NRC extended the Palisades' operating license to March 2011. The impact of this extension will be evaluated as part of Consumers' March 31, 2001 Report to the MPSC.

In 1997, Big Rock closed permanently, even though the plant was originally scheduled to close on May 31, 2000, at the end of the plant's operating license, and plant decommissioning began. It may take five to ten years to return the site to its original condition. For 2000, Consumers incurred costs of $36 million that were charged to the accumulated depreciation reserve for decommissioning and withdrew $37 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has incurred costs of $162 million that have been charged to the accumulated depreciation reserve for decommissioning and withdrew $149 million from the Big Rock nuclear decommissioning trust fund. These activities had no material impact on net income. At December 31, 2000, Consumers is the beneficiary of the investment in nuclear decommissioning trust funds of $179 million for Big Rock.

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. Palisades' original NRC license would have expired in 2007 and the trust funds were estimated to have accumulated $667 million, assuming currently approved MPSC 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. At December 31, 2000, Consumers is the beneficiary of the investment in nuclear decommissioning trust funds of $432 million for Palisades.

RECLASSIFICATIONS: CMS Energy has reclassified certain prior year amounts for comparative purposes. These reclassifications did not affect consolidated net income for the years presented.

CMS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

RELATED-PARTY TRANSACTIONS: In 2000, 1999 and 1998, Consumers paid $51 million, $52 million, and $51 million, respectively, for electric generating capacity and the energy generated by that capacity from affiliates of Enterprises. Affiliates of CMS Energy sold, stored and transported natural gas and provided other services to the MCV Partnership totaling $54 million, $37 million, and $21 million for 2000, 1999 and 1998. For additional discussion of related-party transactions with the MCV Partnership and the FMLP, see Notes 5 and 18. Other related-party transactions are immaterial.

UTILITY REGULATION: Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS No. 71, Accounting for the Effects of Certain Types of Regulation. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders. Consistent with these orders, Consumers discontinued application of SFAS No. 71 for the energy supply portion of its business in the first quarter of 1999 because Consumers expected to implement retail open access for its electric customers in September 1999. Discontinuation of SFAS No. 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and establishing a regulatory asset for a corresponding amount. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets if legislation or an MPSC rate order allows the collection of cash flows to recover these regulatory assets from its regulated transmission and distribution customers. As of December 31, 2000, Consumers had a net investment in energy supply facilities of $1.109 billion included in electric plant and property. See Note 5, Uncertainties.

SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, imposes stricter criteria for retention of regulatory-created assets by requiring that such assets be probable of future recovery at each balance sheet date. Management believes these assets are probable of future recovery.

The following regulatory assets (liabilities), which include both current and non-current amounts, are reflected in the Consolidated Balance Sheets. These costs are expected to be recovered through rates over periods of up to 14 years.

	DECEMBER 31	
	2000	1999
	IN MILLIONS	
Securitization costs	$ 709	$ --
Unamortized nuclear costs	6	519
Postretirement benefits	251	366
Income taxes	24	193
Abandoned Midland project	22	48
Manufactured gas plant sites	63	65
DSM -- deferred costs	6	13
Uranium enrichment facility	--	18
Other	18	35
Total regulatory assets	$1,099	$1,257
Income taxes	$ (270)	$ (257)
Gas customer choice reserve	(33)	--
Other	(6)	(17)
Total regulatory liabilities	$ (309)	$ (274)

In October 2000, Consumers received an MPSC order authorizing Consumers to securitize certain regulatory assets up to $470 million, net of tax (See Note 5, Uncertainties). Accordingly, in December 2000, Consumers established a regulatory asset for securitization costs of $709 million, before tax, that had previously been recorded in other regulatory asset accounts. As a result, regulatory assets totaling $709 million were transferred to the regulatory asset Securitization Costs from the following regulatory asset components:

Unamortized nuclear costs	$405
Postretirement benefits	84
Income taxes	203
Uranium enrichment facility	16
Other	1
Total securitized regulatory assets	$709

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS: In December 1999, the SEC released SAB No. 101, Revenue Recognition, summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. The SEC staff deferred the implementation date of SAB No. 101 until no later than the fourth quarter of fiscal years beginning after December 15, 1999. As a result of adopting SAB No. 101, CMS Energy recorded a cumulative effect of a change in accounting for exploration and production oil and gas inventories as more fully discussed in Note 3.

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

For the year ended December 31, 2000 the foreign currency translation amount realized from asset sales increased equity by $25 million and the change in the foreign currency translation adjustment decreased equity by $171 million, net of after-tax hedging proceeds. During 2000, the Australian dollar experienced a significant devaluation relative to the U.S. dollar, declining from .6567 to the dollar at December 31, 1999 to an average of .5588 to the dollar for the year ended December 31, 2000. This devaluation resulted in significant foreign currency translation losses during 2000 that are recorded within common stockholder's equity. CMS Energy recorded $104 million of non-cash foreign currency translation losses on its investments in Australian affiliates during 2000.

OTHER: For significant accounting policies regarding risk management activities and financial instruments, see Note 10; income taxes, see Note 11; executive incentive compensation, see Note 12; and retirement benefits, see Note 13.

3: UNUSUAL CHARGES/ITEMS

LOY YANG WRITE-DOWN: In the first quarter of 2000, CMS Energy announced its intention to sell its 50 percent ownership interest in Loy Yang, retained the services of investment bankers to assist in the sales process, and solicited bids from potential buyers for CMS Energy's interest in Loy Yang. As a result of being unable to attract a reasonable offer for Loy Yang by the end of November 2000, and after re-evaluating the expected future cash flows from this investment, including the continuing unfavorable electric market prices in Victoria, Australia, management determined in the fourth quarter of 2000 that the carrying amount of the equity investment in Loy Yang was not recoverable. Consequently, in accordance with the provisions of APB Opinion

No. 18, The Equity Method of Accounting for Investments in Common Stock, CMS Energy determined that there has been a loss in value of the investment and an impairment loss on the carrying amount of the investment has been realized.

This impairment loss is recorded in Operating Expenses on the Consolidated Statement of Income in 2000 as a pretax impairment charge of $329 million ($268 million after-tax, or $2.37 per share). This loss does not include cumulative net foreign currency losses of $164 million due to unfavorable changes in exchange rates, which, in accordance with SFAS No. 52, Foreign Currency Translation, will not be realized until there has been a sale or full liquidation of CMS Energy's investment. CMS Energy is continuing to review its business alternatives for its investment in Loy Yang, including future financing and operating alternatives, the nature and extent of CMS Energy's future involvement and the potential for an ultimate sale of its interest in the future. CMS Energy has not established a deadline for any of these alternatives.

NITROTEC WRITE-DOWN: In 1999, CMS Gas Transmission wrote off the carrying amounts of investments in Nitrotec, a proprietary gas processing company which has patents for its helium removal and nitrogen rejection processes for purifying natural gas. This write-off occurred after determining that it was unlikely CMS Gas Transmission would recover any portion of its investments. The write-off of these investments is recorded in Operating Expenses on the Consolidated Statement of Income in 1999 as a pretax charge of $84 million ($49 million after-tax, or $.45 and $.43 per basic and diluted share, respectively).

CHANGE IN METHOD OF ACCOUNTING FOR PROPERTY TAXES: During the first quarter of 1998, Consumers implemented a change in the method of accounting for property taxes so that such taxes are recognized during the fiscal period of the taxing authority for which the taxes are levied. This change better matches property tax expense with the services provided by the taxing authorities, and is considered the most acceptable basis of recording property taxes. Prior to 1998, Consumers recorded property taxes monthly during the year following the assessment date (December 31). The cumulative effect of this one-time change in accounting increased income in 1998 by $66 million or $43 million, net of tax, or $.40 per basic and diluted share of CMS Energy Common Stock, including increased other income by $18 million or $12 million, net of tax, or $.36 per basic and diluted share of Class G Common Stock.

CHANGE IN METHOD OF ACCOUNTING FOR INVENTORIES: In 2000, CMS Energy adopted the provisions of the SAB No. 101 summarizing the SEC staff's views on revenue recognition policies based upon existing generally accepted accounting principles. As a result, the oil and gas exploration and production industry's long-standing practice of recording inventories at their net realizable amount at the time of production was viewed as inappropriate. Rather, inventories should be presented at the lower of cost or market. Consequently, in conforming to the interpretations of SAB No. 101, CMS Energy implemented a change in the recording of these oil and gas exploration and production inventories as of January 1, 2000. In accordance with the provisions of SAB No. 101, prior year financial results are not required to be restated. The cumulative effect of this one-time non-cash accounting change decreased 2000 income by $7 million, or $5 million, net of tax, or $.04 per basic and diluted share of CMS Energy Common Stock. The pro forma effect on prior years' consolidated net income of retroactively recording inventories as if the new method of accounting had been in effect for all periods is not material.

As a result of this accounting change, certain unaudited quarterly financial information for the three months ended March 31, 2000, June 30, 2000 and September 30, 2000 has been restated below. The effects of the accounting change on assets, liabilities and equity are not material.

Income Statement Data (Unaudited)

	THREE MONTHS ENDED					
	MARCH 31, 2000		JUNE 30, 2000		SEPTEMBER 30, 2000	
	AS REPORTED	RESTATED	AS REPORTED	RESTATED	AS REPORTED	RESTATED
Operating revenue	$1,827	$1,825	$1,599	$1,595	$2,395	$2,391
Operating expenses	1,534	1,533	1,394	1,393	2,148	2,147
Pretax operating income	293	292	205	202	247	244
Other income (deductions)	2	2	61	61	4	4
Fixed charges	161	161	169	169	175	175
Income taxes	53	52	15	14	20	19
Minority interests	1	1	1	1	1	1
Consolidated net income before cumulative effect of accounting change	$ 80	$ 80	$ 81	$ 79	$ 55	$ 53
Cumulative effects of accounting change	--	(5)	--	--	--	--
Consolidated net income	$ 80	$ 75	$ 81	$ 79	$ 55	$ 53
Basic earnings per average common share	$ .71	$ .66	$ .73	$ .72	$ .51	$ .49
Diluted earnings per average common share	$ .70	$ .65	$ .72	$ .71	$ .51	$ .49

4: ACQUISITIONS AND DISPOSITIONS

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

The following unaudited pro forma amounts for operating revenue, consolidated net income and basic and diluted earnings per share, 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.

	YEARS ENDED DECEMBER 31 1999	1998
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS	
Operating revenue	$6,216	$5,566
Consolidated net income	$ 287	$ 289
Basic earnings per share	$ 2.27(a)	$ 2.70
Diluted earnings per share	$ 2.26(a)	$ 2.67

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(a) Reflects the reallocation of net income and earnings per share as a result of the premiums on exchange of Class G Common Stock. As a result, CMS Energy's basic and diluted earnings per share were reduced $.26 and $.25, respectively.

In March 2000, Trunkline, a subsidiary of Panhandle, acquired the Sea Robin Pipeline from El Paso Energy Corporation for cash of approximately $74 million. Sea Robin is a 1 bcf per day capacity natural gas and condensate pipeline system located in the Gulf of Mexico offshore Louisiana west of Trunkline's existing Terrebonne system.

DISPOSITIONS: CMS Energy is currently implementing a financial plan to attempt to strengthen its balance sheet, reduce fixed expenses and enhance earnings per share growth. In conjunction with this plan, CMS Energy has identified for possible sale certain non-strategic assets that are expected to contribute little or no earnings benefits in the short to medium term. In addition, this plan will allow CMS Energy to achieve more geographic and business focus, thereby allowing CMS Energy to concentrate on its most profitable and growing ventures. As a result, from December, 1999 through December 31, 2000, CMS Energy has received $719 million of proceeds from the sale of these non-strategic assets. In addition, these sales resulted in an approximately $465 million reduction in consolidated project debt.

Proceeds and pretax gains (losses) from the assets sold are included in the following table:

	ASSETS/INVESTMENTS SALES PROCEEDS	PRETAX GAIN (LOSS)
	IN MILLIONS	
Powder River -- Bighorn	$ 65	$--(a)
Cataguazes	141	(5)
Antrim Gas Properties	163	13
Lakewood Cogeneration Power Plant	94	41
Ecuador Oil Reserves	96	25
Curtis Palmer Hydro Plant	12	1
Securities	95	12
Other	53(b)	(3)
	$719	$84

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(a) Investment was sold in December 1999, and consequently, the gain was recorded in 1999. Approximately $39 million of sale proceeds were received in 1999.

(b) Includes $51 million related to transactions involving the disposition of assets.

5: UNCERTAINTIES

CONSUMERS' ELECTRIC UTILITY CONTINGENCIES

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

1997 EPA Revised NOx and Small Particulate Emissions Standards -- In 1997, the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. The United States Supreme Court recently found that the EPA has power to revise the standards but found that the EPA's implementation plan was not lawful. While this case has been pending in federal courts, and while continuing through the lower federal courts as ordered by the Supreme Court, the EPA suspended the standards under the 1997 rule and reinstated the pre-1997 standards.

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

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

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

Cost of Environmental Law Compliance -- To meet the EPA's 1998 rule and/or the Section 126 nitrous oxide emission rules, the estimated cost to Consumers will be between $290 million and $500 million, calculated in year 2000 dollars. The lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that it will incur these capital expenditures between 2000 and either 2003 or 2004, depending upon whether the EPA prevails in the Section 126 litigation. In addition, Consumers expects to incur cost of removal related to this effort, but is unable to predict the amount at this time.

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

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

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

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $2 million and $9 million. As of December 31, 2000, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

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

CONSUMERS' ELECTRIC UTILITY RATE MATTERS

ELECTRIC RESTRUCTURING: Since 1997, the Michigan Legislature has been considering electric utility restructuring legislation. These efforts finally resulted in the passage of the Customer Choice Act, which became effective June 5, 2000.

The Customer Choice Act: 1) permits all customers to exercise choice of electric generation suppliers by January 1, 2002; 2) cuts residential electric rates by five percent; 3) freezes all electric rates through December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of Securitization to refinance stranded costs as a means of offsetting the earnings impact of the five percent residential rate reduction; 5) establishes a market power test which may require the transfer of control of a portion of generation resources in excess of that required to serve firm retail sales requirements (a requirement with which Consumers is in compliance); 6) requires Michigan utilities to join a FERC-approved RTO or divest their interest in transmission facilities to an independent transmission owner; 7) requires the joint expansion of available transmission capability by Consumers, Detroit Edison and American Electric Power by at least 2,000 MW by June 5 of 2002; and 8) allows for the recovery of stranded costs and implementation costs incurred as a result of the passage of the act. Consumers is highly confident that it will meet the conditions of items 5 and 7 above, prior to the earliest rate cap termination dates specified in the act. Failure to do so would result in an extension of the rate caps to as late as December 31, 2013. As of 2000, Consumers spent $13 million on the required expansion of transmission capabilities. Consumers anticipates it will spend an additional $24 million in 2001 and 2002, unless Consumers transfers its transmission facilities to a FERC-approved RTO or to an independent transmission owner.

In July 2000, in accordance with the Customer Choice Act, Consumers filed an application with the MPSC to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. In October 2000 and January 2001, the MPSC issued a financing order and a final order, respectively, authorizing Securitization of approximately $470 million in qualified costs, which were primarily regulatory assets, consisting of electric utility stranded generation costs, plus recovery of the expenses of the Securitization. Cost savings from Securitization depend upon the level of debt or equity securities ultimately retired, the amortization schedule for the securitized qualified costs and the interest rates of the retired debt securities and the Securitization bonds. These savings will only be determined once the Securitization bonds are issued and will offset substantially all of the CMS Energy revenue impact of the five percent residential rate reduction, $51 million on an annual basis, that Consumers was required to implement by the Customer Choice Act. The order directs Consumers to apply any cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential and retail open access customers after the bonds are sold. In a subsequent order, the MPSC confirmed that Consumers could recover the five percent residential rate reduction's effect on revenues lost from the date of the financing order. Consumers estimates that the disallowed portion of revenue recovery relating to the year 2000 five percent residential rate reduction reduced its operating earnings by $22 million in 2000. Consumers, and its special purpose subsidiary that will issue the bonds, will recover the repayment of principal, interest and other expenses relating to the issuance of the bonds through a Securitization charge and a tax charge. These charges are subject to an annual true-up until one year prior to the last expected maturity date of the Securitization bonds and no more than quarterly thereafter. The MPSC's order will not increase current electric rates for any of Consumers' tariff customers.

In January 2001, Consumers accepted the MPSC's final financing order. The final financing order has been appealed by the Attorney General of Michigan. Consumers cannot predict the outcome of the appeal or its effect on the schedule for issuance of Securitization bonds. Beginning January 1, 2001, and continuing during the appeal period, the amortization of the approved regulatory assets being securitized as qualified costs is being deferred which effectively offsets the loss in revenue resulting from the five percent residential rate reduction. The amortization will be reestablished later, after the Securitization bond sale, based on a schedule that is the same as the recovery of the principal amounts of the securitized qualified costs. Ultimately, sale of Securitization bonds will be required to offset substantially all of the CMS Energy revenue impact of the rate reduction over the term of the bonds.

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

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

POWER COSTS: During periods when electric demand is high, the cost of purchasing energy on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power reserve, also called a reserve margin, of approximately 15 percent. The reserve margin provides Consumers with additional power above its anticipated peak power demands. It also allows Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. For the summers 2001, 2002, and 2003, Consumers is planning for a reserve margin of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access requirements being served by others during the summer, and any unscheduled plant outages. The existing retail open access plan allows other electric service providers with the opportunity to serve up to 750 MW of nominal retail open access requirements. As of January 2001, alternative electric service providers are providing service to 67 MW of retail open access requirements.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing electricity call option contracts for the physical delivery of electricity during the months of June through September. The cost of these electricity call option contracts for summer 2000 was $51 million. Consumers expects to use a similar strategy in the future, but cannot predict the cost of this strategy at this time. As of December 31, 2000, Consumers had purchased or had commitments to purchase electricity call option contracts covering the estimated reserve margin requirements for summer 2001, and partially covering the estimated reserve margin requirements for summers 2002 through 2005, at a recognized cost of $86 million, of which $42 million pertains to 2001. Changes in power costs as a result of fluctuating energy prices will not be reflected in rates during the rate freeze period as discussed above.

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

In 1999, Consumers and four other electric utility companies joined together to form a coalition known as the Alliance Companies for the purpose of creating a FERC approved RTO. As the FERC has not made a final disposition of the Alliance RTO, Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in the Alliance RTO.

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

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

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

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

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Pretax operating income	$56	$49	$49
Income taxes and other	18	15	15
Net income	$38	$34	$34

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

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC cost recovery orders. At December 31, 2000 and December 31, 1999, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $44 million and $78 million, respectively. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that capped availability payments to the MCV Partnership at 98.5 percent. If the MCV Facility generates electricity at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

	2001	2002	2003	2004	2005
			IN MILLIONS		
Estimated cash underrecoveries at 98.5%, net of tax	$39	$38	$37	$36	$35

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

NUCLEAR MATTERS: In March 2000, Palisades received its annual performance review in which the NRC stated that no significant performance issues existed during the assessment period in the reactor safety, radiation safety, and safeguards strategic performance areas. The NRC stated that Palisades continues to operate in a safe manner. Further, it stated that over the next few years the NRC plans to conduct only routine inspections at Palisades. In April 2000, the NRC implemented the revised reactor oversight process industry-wide, including for Palisades. As part of that process, in April 2000, Palisades submitted required NRC performance data that indicated that Consumers was within the limits of acceptable performance for which no NRC response is required.

The amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of December 31, 2000, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load additional casks by 2004 in order to continue operation. Palisades currently has three additional empty storage-only casks on site, with storage pad capacity for up to seven additional loaded casks. Consumers anticipates, however, that licensed transportable casks will be available prior to 2004.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $12.8 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

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

In November 2000, Consumers signed an agreement to acquire an interest in NMC. In connection with this agreement, Consumers requested approval from the NRC for an amendment to Palisades' operating license designating NMC as the plant's operator. Consumers will retain ownership of Palisades, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Under this agreement, salaried Palisades' employees will become NMC employees by mid-year 2001. Union employees will work under the supervision of NMC pursuant to their existing labor contract as Consumers employees. Consumers will benefit by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated on behalf of the five NMC member companies. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 MW of generating capacity in Wisconsin, Minnesota, Iowa and Michigan. The ultimate financial impact is uncertain.

COMMITMENTS FOR COAL SUPPLIES: Consumers has entered into coal supply contracts with various suppliers for its coal-fired generating stations. Under the terms of these agreements, Consumers is obligated to take physical delivery of the coal and make payment based upon the contract terms. Consumers' current contracts have expiration dates that range from 2001 to 2004. Consumers enters into long-term contracts for approximately 60 to 85 percent of its annual coal requirements. In 2000, coal purchases totaled $239 million of which $195 million (81 percent of the tonnage requirement) was under long-term contract. Consumers supplements its long-term contracts with spot-market purchases.

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

Consumers' electric business also uses purchased gas call option and gas swap contracts to hedge against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These contracts are financial contracts that will be used to offset increases in the price of probable forecasted gas purchases.

These contracts are designated as cash flow hedges, and therefore, Consumers will record any change in the fair value of these contracts in other comprehensive income until the forecasted transaction occurs. Consumers believes that these contracts will be highly effective in achieving offsetting cash flows of future gas purchases. Consumers will record any ineffectiveness, as required by SFAS No. 133, in earnings immediately as part of power costs. At January 1, 2001, Consumers had a derivative asset with a fair value of $3 million, which includes $1 million of premiums paid for these contracts. These contracts expire in 2001.

CONSUMERS' GAS UTILITY CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 sites that formerly housed manufactured gas plant facilities, even those in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. On sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to further investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. Using this model, Consumers estimates the costs to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. As of December 31, 2000, Consumers has an accrued liability of $56 million (net of expenditures incurred to date), and a regulatory asset of $63 million. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect the estimate of remedial action costs for the sites. Consumers defers and amortizes, over a period of ten years, environmental clean-up costs above the amount currently being recovered in rates. Rate recognition of amortization expense cannot begin until after a prudence review in a future general gas rate case. The MPSC allows Consumers to recover $1 million annually. Consumers has initiated lawsuits against certain insurance companies regarding coverage for some or all of the costs that it may incur for these sites.

CONSUMERS' GAS UTILITY MATTERS

GAS RESTRUCTURING: On April 1, 1998, Consumers implemented an experimental gas customer choice pilot program. The pilot program ends March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of December 31, 2000, more than 150,000 customers chose alternative gas suppliers, representing approximately 38 bcf of gas requirements. Customers who choose to remain sales customers of Consumers will have fixed gas commodity rates through the end of the program. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain predetermined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. In October 2000, the MPSC approved Consumers' application for a permanent gas customer choice program commencing April 1, 2001. Under the permanent gas customer choice program, Consumers will no longer be subject to a frozen gas commodity cost and delivery charge. Consumers will then return to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001, up to 900,000 gas customers by April 1, 2002, and all of Consumers' gas customers beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

During the last year of the experimental pilot program, significant increases in gas costs had exposed Consumers to gas commodity losses. In the second quarter 2000, Consumers recorded a regulatory liability of $45 million to reflect estimated losses due to increases in natural gas commodity costs. In October 2000, the MPSC approved Consumers' accounting application to revise its inventory accounting and reclassify low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to immediately begin to include the cost of its recoverable base gas with higher cost purchased gas. Consumers expects the gas accounting order to eliminate the need for Consumers to recognize any further losses related to gas commodity cost underrecoveries.

OTHER GAS UNCERTAINTIES

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

DERIVATIVE ACTIVITIES: Consumers' gas business uses a combination of written put and purchased call options to manage the cost of gas supplied to its customers. These options do not qualify for hedge accounting under SFAS No. 133; therefore, Consumers will record any change in the fair value of these contracts directly in earnings as part of the cost of gas. Consumers is recognizing the net premium to the cost of gas through March 2001 when the contracts expire. As of January 1, 2001, these contracts had a net fair value of $25 million.

PANHANDLE MATTERS

REGULATORY MATTERS: Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. On September 16, 1999, Trunkline filed a FERC settlement agreement to resolve certain issues in this proceeding. FERC approved this settlement February 1, 2000 and required refunds of approximately $2 million that were made in April 2000, with supplemental refunds of $1.3 million in June 2000. On January 12, 2000, FERC issued an order on the remainder of the rate proceeding which, if approved on rehearing without modification, could result in a substantial reduction to Trunkline's tariff rates which could impact future revenues and require refunds. On January 29, 2001, Trunkline filed a settlement to resolve the remaining matters in the proceeding. This settlement is pending FERC review. Management believes that reserves for refund established are adequate and there will not be a material adverse effect on consolidated results of operations or financial position.

In conjunction with a FERC order issued in September 1997, FERC required certain natural gas producers to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines, including Panhandle. FERC ordered these pipelines to refund these amounts to their customers. The pipelines must make all payments in compliance with prescribed FERC requirements. At December 31, 2000 and December 31, 1999, accounts receivable included $59 million and $54 million, respectively, due from natural gas producers, and other current liabilities included $59 million and $54 million, respectively, for related obligations.

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 containing PCBs in compressed air systems and the prior use of wastewater collection facilities and other on-site disposal areas. Under the terms of the sale of

Panhandle to CMS Energy, a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to indemnify against certain future environmental litigation and claims. The Illinois EPA included Panhandle and Trunkline, together with other non-affiliated parties, in a cleanup of former waste oil disposal sites in Illinois. Prior to a partial cleanup by the United States EPA, a preliminary study estimated the cleanup costs at one of the sites to be between $5 million and $15 million. The State of Illinois contends that Panhandle Eastern Pipe Line and Trunkline's share for the costs of assessment and remediation of the sites, based on the volume of waste sent to the facilities, is 17.32 percent. Management believes that the costs of cleanup, if any, will not have a material adverse impact on Panhandle's financial position, liquidity, or results of operations.

OTHER UNCERTAINTIES

CMS GENERATION-OXFORD TIRE RECYCLING: In a 1999 administrative order, the California Regional Water Control Board of the State of California named CMS Generation as a potentially responsible party for the clean up of the waste from a fire that occurred in September 1999 at the Filbin tire pile. The tire pile was maintained as fuel for an adjacent power plant owned by Modesto Energy Limited Partnership. Oxford Tire Recycling of Northern California, Inc., a subsidiary of CMS Generation until 1995, owned the Filbin tire pile. CMS Generation has not owned an interest in Oxford Tire Recycling of Northern California, Inc. or Modesto Energy Limited Partnership since 1995. In April 2000, the California Attorney General filed a complaint against the potentially responsible parties for clean up of the site and assessed penalties for violation of the California Regional Water Control Board order. The complaint alleges $20 million of clean up costs to be shared among all the potentially responsible parties. In an interim settlement between CMS Generation and the Attorney General of California, CMS Generation agreed to assist the state with some of the clean up at the site at a cost of less than $1 million, and the state agreed to suspend the daily $15,000 penalty it imposed on the potentially responsible parties. CMS Generation and the Attorney General of California are currently in negotiations to extend the interim settlement. CMS Generation filed a cross claim against the owner of the plant and a co-defendant in this case, alleging that they were responsible for the environmental damages. Also in connection with this same fire, several class action lawsuits were filed claiming that the fire resulted in damage to the class and that management of the site caused the fire.

CMS Generation believes these cases are without merit and intends to vigorously defend against them. CMS Generation's primary insurance carrier has agreed to pay a portion of the clean-up costs and legal fees under an existing policy.

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

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

OTHER: CMS Energy and Enterprises have guaranteed repayment of debt through letters of credit and surety bonds, of unconsolidated affiliates and related parties approximating $381 million and $517 million as of December 31, 2000 and 1999, respectively.

Additionally, Enterprises, in the ordinary course of business, has guarantees in place for contracts of CMS MST in the maximum amount of $651 million and $375 million at December 31, 2000 and 1999, respectively, which contain certain schedule and performance requirements. As of December 31, 2000, the actual amount of financial exposure covered by these guarantees was $299 million. These amounts exclude the guarantees associated with CMS MST's natural gas sales arrangements described in Note 2. The increase in guarantees in 2000 is due to the transition of the energy marketing unit from a retail to wholesale business. Management monitors and approves these obligations and believes it is unlikely that CMS Energy or Enterprises would be required to perform or otherwise incur any material losses associated with the above obligations.

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

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

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

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

CAPITAL EXPENDITURES: CMS Energy estimates capital expenditures, including investments in unconsolidated subsidiaries and new lease commitments, of $1.275 billion for 2001, $1.335 billion for 2002, and $1.270 billion for 2003. For further information, see Capital Resources and Liquidity-Capital Expenditures in the Management's Discussion and Analysis.

6: SHORT-TERM FINANCINGS

AUTHORIZATION: At February 1, 2001, Consumers had FERC authorization to issue or guarantee through June 2002, up to $900 million of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2002 up to $25 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers had remaining FERC authorization to issue $275 million of first mortgage bonds to be issued solely as security for the long-term securities mentioned above.

SHORT-TERM FINANCINGS: Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $190 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At December 31, 2000, a total of $403 million was outstanding at a weighted average interest rate of 7.4 percent, compared with $214 million outstanding at December 31, 1999, at a weighted average interest rate of 6.6 percent.

Consumers currently has in place a $325 million trade receivables sale program. At December 31, 2000 and 1999, receivables sold under the program totaled $325 million for each year. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

7: LONG-TERM DEBT

Long-term debt consists of the following:

			DECEMBER 31	
	INTEREST RATE(%)	MATURITY	2000	1999
			IN MILLIONS	
CMS ENERGY				
Senior Notes	7.375	2000	$ --	$ 300
	8.125	2002	350	350
	7.625	2004	180	180
	6.750	2004	300	300
	9.875	2007	500	--
	7.500	2009	480	480
	8.000	2011	250	250
	8.375	2013	150	150
			2,210	2,010
General Term Notes				
Series A	7.897(a)	2001-2010	110	114
Series B	8.072(a)	2001-2010	107	108
Series C	7.878(a)	2001-2010	127	150
Series D	6.985(a)	2001-2010	191	199
Series E	7.761(a)	2001-2010	397	278
Series F	8.800(a)	2001-2010	11	--
			943	849
Extendible Tenor Rate Adjusted Securities	7.000	2005	180	180
Senior Credit Facility		2001	400	444
Lines of Credit		2001	29	115
			609	739
CONSUMERS ENERGY				
First Mortgage Bonds	6.375	2003	300	300
	7.375	2023	263	263
			563	563
Senior Notes	(c)	2001	125	--
	(d)	2002	100	--
	6.375	2008	250	250
	6.200	2008	250	250
	6.875	2018	225	225
	6.500	2018	200	200
	6.500	2028	145	149
			1,295	1,074

	INTEREST RATE(%)	MATURITY	DECEMBER 31 2000	DECEMBER 31 1999
			IN MILLIONS	
Long-Term Bank Loans		2002-2003	190	190
Pollution Control Revenue Bonds	5.100	2010-2018	126	131
Nuclear Fuel Disposal		(b)	130	123
			446	444
PANHANDLE				
Senior Notes	7.875	2004	100	100
	6.125	2004	300	300
	6.500	2009	200	200
	8.250	2010	100	--
	7.950	2023	100	100
	7.200	2024	100	100
	7.000	2029	300	300
			1,200	1,100
OTHER			184	754
Principal Amount Outstanding			7,450	7,533
Current Amounts			(649)	(1,075)
Net Unamortized Discount			(31)	(30)
Total Long-Term Debt			$6,770	$ 6,428

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(a) Represents the weighted average interest rate at December 31, 2000.

(b) Maturity date uncertain (see Note 2 -- Summary of Significant Accounting Policies and Other Matters -- Nuclear Fuel Cost).

(c) The notes bear interest at a floating rate reset each quarter based upon LIBOR plus .60%.

(d) The notes bear interest at a floating rate reset each quarter based upon LIBOR plus .98%.

The scheduled maturities of long-term debt and improvement fund obligations are as follows: $649 million in 2001, $806 million in 2002, $921 million in 2003, $1.1 billion in 2004 and $3.9 billion in 2005 and thereafter.

CMS ENERGY

CMS Energy's Senior Credit Facility consists of a $1 billion one-year revolving credit facility maturing in June 2001. Additionally, CMS Energy has unsecured lines of credit in an aggregate amount of $63 million. As of December 31, 2000, the total amounts utilized under the Senior Credit Facility, which includes a $45 million letter of credit, and the unsecured lines of credit, were $445 million and $29 million, respectively. The amounts available under the Senior Credit Facility and the unsecured lines of credit were $555 million and $34 million, respectively.

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

CONSUMERS

LONG-TERM FINANCINGS: Consumers issued floating rate senior notes of $225 million in November 2000, maturing in November 15, 2001 and 2002.

FIRST MORTGAGE BONDS: Consumers secures its First Mortgage Bonds by a mortgage and lien on substantially all of its property. Consumers' ability to issue and sell securities is restricted by certain provisions in its First Mortgage Bond Indenture, its Articles of Incorporation and the need for regulatory approvals to meet appropriate federal law.

OTHER: Consumers has a total of $126 million of long-term pollution control revenue bonds outstanding, secured by first mortgage bonds and insurance policies. These bonds had a weighted average interest rate of 5.1 percent at December 31, 2000.

PANHANDLE

In March 2000, Panhandle received net proceeds of $99 million from the sale of $100 million 8.25 percent senior notes, due April 2010. Proceeds from this offering were used to fund the acquisition of Sea Robin.

CMS OIL AND GAS

CMS Oil and Gas has a $225 million floating rate revolving credit facility that matures in May 2002. At December 31, 2000, the amount utilized under the credit facility was $80 million.

8: CAPITALIZATION

CMS ENERGY

The authorized capital stock of CMS Energy consists of 250 million shares of CMS Energy Common Stock, 60 million shares of Class G Common Stock, and 10 million shares of CMS Energy Preferred Stock, $.01 par value.

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

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

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

Trust Preferred Security. In addition to the similar provisions previously discussed, specific terms of the securities follow:

CMS ENERGY TRUST AND SECURITIES DECEMBER 31	RATE	AMOUNT OUTSTANDING 2000	1999	MATURITY	EARLIEST REDEMPTION
		IN MILLIONS			
CMS Energy Trust I, Convertible, Quarterly Income Preferred Securities(a)..........	7.75%	$173	$173	2027	2001
CMS Energy Trust II, Adjustable Convertible Preferred Securities........	8.75%(b)	301	301	2004	--
CMS Energy Trust III, Premium Equity Participating Security Units(c).........	7.25%	220	--	2004	--
CMS RHINOS Trust..........................	LIBOR + 1.75%	--	250	--	(d)

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

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

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

(d) Redeemed in August 2000.

CONSUMERS ENERGY COMPANY TRUST AND SECURITIES DECEMBER 31	RATE	AMOUNT OUTSTANDING 2000	1999	MATURITY	EARLIEST REDEMPTION
		IN MILLIONS			
Consumers Power Company Financing I, Trust Originated Preferred Securities...................	8.36%	$100	$100	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities...................	8.20%	120	120	2027	2002
Consumers Energy Company Financing III, Trust Originated Preferred Securities...................	9.25%	175	175	2029	2004

OTHER: Under its most restrictive borrowing arrangement at December 31, 2000, none of CMS Energy's consolidated net income was restricted for payment of common dividends. CMS Energy could pay $1 billion in common dividends under its most restrictive debt covenant.

CONSUMERS

Under the provisions of its Articles of Incorporation, Consumers had $373 million of unrestricted retained earnings available to pay common dividends at December 31, 2000. In January 2001, Consumers declared a $66 million common dividend that was paid in February 2001.

9: EARNINGS PER SHARE AND DIVIDENDS

On October 25, 1999, CMS Energy exchanged approximately 6.1 million shares of CMS Energy Common Stock for all of the approximately 8.7 million issued and outstanding shares of Class G Common Stock in a tax-free exchange for United States federal income tax purposes. Earnings per share attributable to all classes of Common Stock from January 1, 1999 to October 25, 1999 and for the year ended December 31, 1998 reflect the performance of the gas distribution, storage and transportation business currently conducted by 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 of Class G Common Stock 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 following table presents a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

COMPUTATION OF EARNINGS PER SHARE (EPS):

	2000	1999	1998(A)
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS		
NET INCOME APPLICABLE TO BASIC AND DILUTED EPS			
Consolidated Net Income	$ 36	$ 277	$ 285
Net Income Attributable to Common Stocks:			
CMS Energy -- Basic	$ 36(e)	$ 241(b)	$ 272
Add conversion of 7.75% Trust Preferred Securities (net of tax)	--(d)	9	9
CMS Energy -- Diluted	$ 36	$ 250(b)	$ 281
Class G:			
Basic and Diluted	--	$ 36(b)(c)	$ 13
AVERAGE COMMON SHARES OUTSTANDING APPLICABLE TO BASIC AND DILUTED EPS			
CMS Energy:			
Average Shares -- Basic	113.1	110.1	102.4
Add conversion of 7.75% Trust Preferred Securities	--(d)	4.3	4.3
Options -- Treasury Shares	--	0.3	0.5
Average Shares -- Diluted	113.1	114.7	107.2
Class G:			
Average Shares -- Basic and Diluted	--	8.6(c)	8.3
EARNINGS PER AVERAGE COMMON SHARE			
CMS Energy:			
Basic	$ 0.32(e)	$ 2.18(b)	$ 2.65
Diluted	$ 0.32(e)	$ 2.17(b)	$ 2.62
Class G:			
Basic and Diluted	--	$ 4.21(b)(c)	$ 1.56

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

(b) Reflects the reallocation of net income and earnings per share as a result of the premium on exchange of Class G Common Stock. As a result, CMS Energy's basic and diluted earnings per share were reduced $.26 and $.25, respectively, and Class G's basic and diluted earnings per share were increased $3.31.

(c) From January 1, 1999 to October 25, 1999.

(d) The effects of converting the 7.75% Trust Preferred Securities were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

(e) Includes the cumulative effect of accounting change for exploration and production inventories, which decreased net income by $5 million, or $.04 per basic and diluted share of CMS Energy Common Stock.

In February, May, August and November 2000, CMS Energy paid dividends of $.365 per share on CMS Energy Common Stock. In February 2001, CMS Energy paid a quarterly dividend of $.365 per share on CMS Energy Common Stock.

10: RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS

The overall goal of the CMS Energy risk management policy is to analyze and manage individual business unit commodity exposures to take advantage of the presence of internal hedge opportunities within its diversified business units. CMS Energy and its subsidiaries, primarily through CMS MST, utilize a variety of derivative instruments (derivatives) for both trading and non-trading purposes. These derivatives include futures contracts, swaps, options and forward contracts with external parties to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. To qualify for hedge accounting, derivatives must meet the following criteria: i) the item to be hedged exposes the enterprise to price, interest or exchange rate risk; and ii) the derivative reduces that exposure and is designated as a hedge.

Derivative instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. CMS Energy minimizes such risk by performing financial credit reviews using, among other things, publicly available credit ratings of such counterparties. No material nonperformance is expected.

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

CMS Energy believes that the majority of its non-trading derivative contracts, power purchase agreements and gas transportation contracts qualify for the normal purchases and sales exception of SFAS No. 133 and therefore would not be recognized at fair value on the balance sheet. CMS Energy does, however, use certain derivative instruments to limit its exposures to gas commodity price risk, interest rate risk, and foreign currency exchange risk. The interest rate and foreign exchange contracts meet the requirements for hedge accounting under SFAS No. 133 and CMS Energy will record the changes in the fair value of these contracts in accumulated other comprehensive income on the balance sheet.

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

	IN MILLIONS
Fair value of derivative assets	$28
Fair value of derivative liabilities	14
Increase in accumulated other comprehensive income, net of tax	8

The increase in accumulated other comprehensive income relates to gas options, gas fuel swap contracts, and interest rate swap contracts that qualified for cash flow hedge accounting prior to the adoption of SFAS No. 133. These amounts will reduce, or be charged to, cost of gas, cost of power or interest expense, respectively, when the related hedged transaction occurs. Based on the pretax amount recorded in accumulated other comprehensive income on the January 1, 2001 transition date, CMS Energy expects to record $24 million as a reduction to cost of gas, $2 million as a reduction in cost of power, and $14 million as an increase to interest expense in 2001.

After January 1, 2001, certain gas option contracts will not qualify for cash flow hedge accounting under SFAS No. 133, and CMS Energy will therefore record any change in fair value subsequent to January 1, 2001 directly in earnings, which could cause earnings volatility. Additionally, derivative and hedge accounting for certain utility industry contracts, particularly electric call option contracts, remains uncertain. CMS Energy is currently accounting for electric call option contracts and other electric option-like contracts as derivatives that qualify for the normal purchase exception of SFAS No. 133, and, as such, has not recorded these contracts on the balance sheet at fair value. The ultimate financial impact depends upon resolution of these industry-specific issues with the FASB and could be materially different than stated above.

COMMODITY DERIVATIVES (NON-TRADING): CMS Energy accounts for its non-trading activities as hedges and, as such, defers any changes in market value and gains and losses resulting from settlements until the hedged transaction is complete. If there was a material lack of correlation between the changes in the market value of the commodity price contracts and the market price ultimately received for the hedged item, the open commodity price contracts would be marked-to-market and gains and losses would be recognized in the income statement currently. At December 31, 2000, these commodity derivatives extended for periods up to 5 years.

CMS Energy had unrealized net gains (losses) of $61 million and $(10) million, respectively, for the years ended December 31, 2000 and 1999, related to non-trading activities. The determination of unrealized net gains (losses) represents management's best estimate of prices including the use of exchange and other third party quotes, time value and volatility factors in estimating fair value. Accordingly, the unrealized net gains (losses) as of December 31, 2000 and 1999 are not necessarily indicative of the amounts CMS Energy could realize in the current market.

Notional Contract Quantity of Commodity Derivatives Held for Non-trading Purposes:

	VOLUMES AT DECEMBER 31	
	2000	1999
Natural gas (bcf)	14	19
Electricity (MWh)	1,582	432
Oil (Mbbls)	495	6,448

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not necessarily reflect CMS Energy's exposure to market risks.

COMMODITY DERIVATIVES (TRADING): CMS Energy, through its subsidiary CMS MST, engages in trading activities. CMS MST manages any open positions within certain guidelines which limit its exposure to market risk and requires timely reporting to management of potential financial exposure. These guidelines include statistical risk tolerance limits using historical price movements to calculate daily value at risk measurements. At December 31, 2000, the weighted-average life of the trading portfolio was approximately 12 months.

CMS Energy adopted EITF 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities, effective January 1, 1999. EITF 98-10 calls for energy trading contracts to be marked-to-market. Under the mark-to-market method of accounting, transactions are recorded at market value, net of estimated future transactional reserves, and changes in these positions are recognized as gains and losses in the Consolidated Statement of Income. Changes result from cash settlement of existing positions, new positions and the change in value of the outstanding positions.

Net Gains (Losses) Recognized from Trading Commodity Derivatives:

	YEAR ENDED DECEMBER 31	
	2000	1999
	IN MILLIONS	
Natural gas	$40	$10
Electricity	3	3
Oil	(4)	4

Notional Contract Quantity of Commodity Derivatives Held for Trading Purposes:

	VOLUMES AT DECEMBER 31	
	2000	1999
Natural gas (bcf)	2	3
Electricity (MWh)	3,942	51,200
Oil (barrels)	22,851	4,000

Notional amounts reflect the volume of transactions but do not represent the amounts exchanged by the parties to the financial instruments. Accordingly, notional amounts do not necessarily reflect CMS Energy's exposure to market risks.

Fair Values of Trading Commodity Derivatives:

	2000		1999	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	IN THOUSANDS			
Fair Value at December 31				
Natural gas	$35,826	$6,997	$7,275	$1,608
Electricity	10,675	--	804	--
Oil	405	1,633	1,860	--
Average Fair Values for the Year				
Natural gas	$21,550	$4,302	$3,638	$ 804
Electricity	5,739	--	402	--
Oil	1,132	817	930	--

INTEREST RATE DERIVATIVES: CMS Energy and its subsidiaries enter into interest rate swap agreements to exchange variable rate interest payments to fixed rate interest payments without exchanging the underlying notional amounts. These agreements convert variable rate debt to fixed rate debt to reduce the impact of interest rate fluctuations. The notional amounts parallel the underlying debt levels and are used to measure interest to be paid or received and do not represent the exposure to credit loss. In August 2000, CMS Energy entered into floating-to-fixed interest rate swap agreements with a total notional amount of $1.0 billion. The difference between the amounts paid and received under the swaps is accrued and recorded as an adjustment to interest expense over the life of the hedged agreement. As of December 31, 2000, the weighted average interest rate associated with outstanding swaps was approximately 6.8 percent.

	INTEREST RATE SWAPS			
	NOTIONAL AMOUNT	MATURITY DATE	FAIR VALUE	UNREALIZED GAIN (LOSS)
			IN MILLIONS	
December 31, 2000	$1,086	2001-2006	$(9)	$(9)
December 31, 1999	2,877	2000-2008	6	6

FOREIGN EXCHANGE DERIVATIVES: CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The purpose of CMS Energy's foreign currency hedging activities is to protect the company from the risk that U.S. dollar net cash flows resulting from sales to foreign customers and purchases from foreign suppliers and the repayment of non-U.S. dollar borrowings as well as equity reported on the company's balance sheet, may be adversely affected by changes in exchange rates. These contracts do not subject CMS Energy to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on assets and liabilities being hedged. The estimated fair value of the foreign exchange and option contracts at December 31, 2000 and 1999 was $10 million and $64 million, respectively, representing the amount CMS Energy would pay upon settlement.

Foreign exchange contracts outstanding as of December 31, 2000 had a total notional amount of $546 million. Of this amount, $450 million was related to CMS Energy's investment in Argentina. The Argentine contracts have a weighted average rate of 1.037 and mature at various times during 2001 and 2002. In addition, $75 million of the foreign exchange contracts are related to investments in Brazil. The Brazilian contracts mature at various times during 2001 and have a weighted average rate of 2.021. The contracts for the Australian investments have a notional amount of $21 million, maturing in July 2001, and have transaction rates that range from .520 to .538.

The notional amount of the outstanding foreign exchange contracts at December 31, 1999 was $1.555 billion consisting of $207 million, $435 million, $880 million and $33 million for Australian, Brazilian, Argentine and other, respectively. All of these contracts have expired or have been replaced prior to December 31, 2000.

FINANCIAL INSTRUMENTS: The carrying amounts of cash, short-term investments and current liabilities approximate their fair values due to their short-term nature. The estimated fair values of long-term investments are based on quoted market prices or, in the absence of specific market prices, on quoted market prices of similar investments or other valuation techniques. Judgment may also be required to interpret market data to develop certain estimates of fair value. Accordingly, the estimates determined as of December 31, 2000 and 1999 are not necessarily indicative of the amounts that may be realized in current market exchanges. The carrying amounts of all long-term investments in financial instruments, except as shown below, approximate fair value.

	YEARS ENDED DECEMBER 31					
	2000			1999		
	CARRYING COST	FAIR VALUE	UNREALIZED GAIN (LOSS)	CARRYING COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
	IN MILLIONS					
Long-Term Debt(a)..............	$6,770	$6,567	$(203)	$6,428	$6,163	$(265)
Preferred Stock and Trust Preferred Securities.........	1,133	1,083	(50)	1,163	1,042	(121)
Available-for-Sale Securities						
Nuclear Decommissioning........	$ 480	$ 611	$ 131	$ 448	$ 602	$ 154
SERP...........................	50	59	9	56	60	4

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

	YEARS ENDED DECEMBER 31			
	2000		1999	
	FAIR VALUE	UNREALIZED GAIN	FAIR VALUE	UNREALIZED GAIN
Trading Securities	IN MILLIONS			
Investments..	$9	$5	$91	$17

CMS Energy transferred $85 million of investment securities from the available-for-sale category into the trading category, and correspondingly, reflected $14 million of unrealized gains in consolidated net income for the year ended December 31, 1999.

11: INCOME TAXES

CMS Energy and its subsidiaries file a consolidated federal income tax return. Income taxes are generally allocated based on each company's separate taxable income. CMS Energy and Consumers practice full deferred tax accounting for temporary differences, but federal income taxes have not been recorded on the undistributed earnings of international subsidiaries where CMS Energy intends to permanently reinvest those earnings. Upon distribution, those earnings may be subject to both U.S. income taxes (adjusted for foreign tax credits or deductions) and withholding taxes payable to various foreign countries. It is not practical to estimate the amount of unrecognized deferred income taxes or withholding taxes on undistributed earnings.

CMS Energy used ITC to reduce current income taxes payable, and amortizes ITC over the life of the related property. Any AMT paid generally becomes a tax credit that CMS Energy can carry-forward indefinitely to reduce regular tax liabilities in future periods when regular taxes paid exceed the tax calculated for AMT. The significant components of income tax expense (benefit) consisted of:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Current income taxes			
Federal and other	$ 24	$40	$ 61
State and local	4	2	5
Foreign	45	12	3
	73	54	69
Deferred income taxes			
Federal	(48)(a)	21	77(b)
State	11	4	--
Foreign	30	(6)	(7)
	(7)	19	70
Deferred ITC, net	(8)	(9)	(16)
	$ 58	$64	$123

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(a) Includes $(2) million for 2000 change in exploration and production inventory accounting.

(b) Includes $23 million for 1998 change in property tax accounting.

The principal components of CMS Energy's deferred tax assets (liabilities) recognized in the balance sheet are as follows:

	DECEMBER 31	
	2000	1999
	IN MILLIONS	
Property	$ (714)	$ (606)
Securitization costs	(185)	--
Unconsolidated investments	(112)	(208)
Postretirement benefits	(88)	(128)
Abandoned Midland project	(8)	(17)
Employee benefit obligations (includes postretirement benefits of $129 and $140)	174	174
AMT carryforward	136	112
Power purchases	24	42
Regulatory liabilities	86	22
Other	(18)	(56)
	$ (705)	$ (665)
Valuation allowances	(5)	(5)
	$ (710)	$ (670)
Gross deferred tax liabilities	$(1,734)	$(1,512)
Gross deferred tax assets	1,024	842
	$ (710)	$ (670)

CMS ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The actual income tax expense differs from the amount computed by applying the statutory federal tax rate of 35% to income before income taxes as follows:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Consolidated net income before preferred dividends			
Domestic	$ 208	$187	$247
Foreign	(170)	96	57
	38	283	304
Income tax expense	58	64	123(a)
	96	347	427
Statutory federal income tax rate	x 35%	x 35%	x 35%
Expected income tax expense	34	121	149
Increase (decrease) in taxes from:			
Capitalized overheads previously flowed through	5	5	5
Differences in book and tax depreciation not previously deferred	22	19	14
Impact of foreign taxes, tax rates and credits	24	15	(5)
Write-off of Loy Yang and Nitrotec Investments	53	(6)	--
Asset sales	(5)	--	--
Undistributed earnings of international subsidiaries	(67)	(45)	(13)
ITC amortization/adjustments	(8)	(8)	(16)
Section 29 fuel tax credits	(3)	(12)	(13)
Valuation allowances, net	--	(10)(b)	--
State and Local income taxes, net of federal benefit	11	5	--
Reversal of income tax accruals	--	(21)	--
Other, net	(8)	1	2
	$ 58	$ 64	$123
Effective tax rate	60.4%	18.4%	28.8%

- ------------------------
(a) Includes $23 million for 1998 change in property tax accounting.

(b) Benefit realization of preacquisition carryforwards.

12: EXECUTIVE INCENTIVE COMPENSATION

Under CMS Energy's Performance Incentive Stock Plan, restricted shares of Common Stock as well as stock options and stock appreciation rights relating to Common Stock may be granted to key employees based on their contributions to the successful management of CMS Energy and its subsidiaries. Awards under the plan may consist of any class of Common Stock. Certain plan awards are subject to performance-based business criteria. The plan reserves for award not more than five percent, as amended January 1, 1999, of Common Stock outstanding on January 1 each year, less (i) the number of shares of restricted Common Stock awarded and (ii) Common Stock subject to options granted under the plan during the immediately preceding four calendar years. The number of shares of restricted Common Stock awarded under this plan cannot exceed 20% of the aggregate number of shares reserved for award. Any forfeitures of shares previously awarded will increase the number of shares available to be awarded under the plan. At December 31, 2000, awards of up to 2,274,490 shares of CMS Energy Common Stock may be issued.

Restricted shares of Common Stock are outstanding shares with full voting and dividend rights. These awards vest over five years at the rate of 25 percent per year after two years. The restricted shares are subject to achievement of specified levels of total shareholder return and are subject to forfeiture if employment terminates before vesting. If performance objectives are exceeded, the plan provides additional awards. Restricted shares vest fully if control of CMS Energy changes, as defined by the plan. At December 31, 2000, 594,700 of the 786,427 shares of restricted CMS Energy Common Stock outstanding are subject to performance objectives.

Under the plan, stock options and stock appreciation rights relating to Common Stock are granted with an exercise price equal to the closing market price on each grant date. Some options may be exercised upon grant; some vest over five years at the rate of 25 percent per year beginning at the end of the first year and others vest over three years at a rate of 33 1/3 percent per year after one year. All options expire up to ten years and one month from date of grant. In 1999, all outstanding Class G Common Stock and options were converted to CMS Energy Common Stock and options at an exchange rate of .7041 per Class G Common Stock or option held. The original vesting or exercise period was retained for all converted shares or options. The status of the restricted stock granted to CMS Energy's key employees under the Performance Incentive Stock Plan and options granted under the plan follows.

	RESTRICTED STOCK	OPTIONS	
	NUMBER OF SHARES	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
CMS ENERGY COMMON STOCK:			
Outstanding at January 1, 1998	748,211	1,665,717	$28.65
Granted	304,750	376,000	$43.38
Exercised or Issued	(185,217)	(331,925)	$27.69
Forfeited	(6,000)	--	--
Outstanding at December 31, 1998	861,744	1,709,792	$32.07
Granted	284,364	1,137,912	$39.23
Converted from Class G	6,060	19,503	$32.62
Exercised or Issued	(172,916)	(258,267)	$29.44
Forfeited	(95,123)	--	--
Expired	--	(78,900)	$39.58
Outstanding at December 31, 1999	884,129	2,530,040	$35.33
Granted	246,250	878,630	$17.96
Exercised or Issued	(134,173)	(185,600)	$17.36
Forfeited	(209,779)	--	--
Expired	--	(164,884)	$34.58
Outstanding at December 31, 2000	786,427	3,058,186	$31.47

	RESTRICTED STOCK	OPTIONS	
	NUMBER OF SHARES	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
CLASS G COMMON STOCK:			
Outstanding at January 1, 1998	19,791	28,000	$18.89
Granted	14,720	45,900	$24.50
Exercised or Issued	(4,021)	--	--
Outstanding at December 31, 1998	30,490	73,900	$22.37
Granted	3,427	--	--
Exercised or Issued	(7,360)	(19,000)	$18.45
Forfeited	(17,949)	--	--
Expired	--	(27,200)	$24.50
Converted to CMS Energy	(8,608)	(27,700)	$22.98
Outstanding at December 31, 1999	--	--	--
Outstanding at December 31, 2000	--	--	--

The following table summarizes information about stock options outstanding at December 31, 2000:

Range of Exercise Prices	NUMBER OF SHARES OUTSTANDING	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
CMS ENERGY COMMON STOCK:			
$17.00 -- $24.75	1,031,320	7.11 years	$19.09
$25.13 -- $39.06	1,448,628	7.38 years	$35.85
$41.44 -- $44.06	578,238	7.92 years	$42.59
$17.00 -- $44.06	3,058,186	7.39 years	$31.47

The weighted average fair value of options granted for CMS Energy Common Stock was $2.04 in 2000, $5.93 in 1999 and $6.43 in 1998. Fair value is estimated using the Black-Scholes model, a mathematical formula used to value options traded on securities exchanges, with the following assumptions:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
CMS ENERGY COMMON STOCK OPTIONS			
Risk-free interest rate	6.56%	5.65%	5.45%
Expected stock-price volatility	27.25%	16.81%	15.93%
Expected dividend rate	$.365	$.365	$.33
Expected option life (years)	4.1	4.5	4.0

CMS Energy applies APB Opinion No. 25 and related interpretations in accounting for the Performance Incentive Stock Plan. Since stock options are granted at market price, no compensation cost has been recognized for stock options granted under the plan. The compensation cost charged against income for restricted stock was $2 million in 2000, $12 million in 1999 and $9 million in 1998. If compensation cost for stock options had been determined in accordance with SFAS No. 123, Accounting for Stock-Based Compensation, CMS Energy's consolidated net income and earnings per share would have been as follows:

	YEARS ENDED DECEMBER 31			
	PRO FORMA		AS REPORTED	
	2000	1999	2000	1999
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS			
Consolidated Net Income	$35	$ 272	$ 36	$ 277
Net Income Attributable to Common Stocks				
CMS Energy	35	236	36	241
Class G	--	36	--	36
Earnings Per Average Common Share				
CMS Energy				
Basic	.31	2.14	.32	2.18
Diluted	.31	2.14	.32	2.17
Class G				
Basic and Diluted	--	4.21	--	4.21

13: RETIREMENT BENEFITS

CMS Energy and its subsidiaries provide retirement benefits under a number of different plans, including certain health care and life insurance benefits under OPEB, benefits to certain management employees under SERP, and benefits to substantially all its employees under a trusteed, non-contributory, defined benefit Pension Plan of Consumers and CMS Energy, and a defined contribution 401(k) plan.

Amounts presented below for the Pension Plan include amounts for employees of CMS Energy and nonutility affiliates which were not distinguishable from the plan's total assets.

Weighted-Average Assumptions:

	YEARS ENDED DECEMBER 31					
	PENSION & SERP			OPEB		
	2000	1999	1998	2000	1999	1998
Discount rate	7.75%	7.75%	7.00%	7.75%	7.75%	7.00%
Expected long-term rate of return on plan assets:	9.75%	9.25%	9.25%			
Union	--	--	--	9.75%	7.00%	7.00%
Non-Union	--	--	--	6.00%	7.00%	7.00%
Rate of compensation increase:						
Pension -- to age 45	5.25%	5.25%	5.25%			
-- age 45 to assumed retirement	3.75%	3.75%	3.75%			
SERP	5.50%	5.50%	5.50%			

Retiree health care costs at December 31, 2000 are based on the assumption that costs would increase 7.0 percent in 2000 with a gradual decrease to 5.5 percent in 2007 and thereafter.

Net Pension Plan, SERP and OPEB costs consist of:

	YEARS ENDED DECEMBER 31					
	PENSION & SERP			OPEB		
	2000	1999	1998	2000	1999	1998
	IN MILLIONS					
Service cost	$ 33	$ 34	$ 27	$ 14	$ 15	$ 11
Interest expense	82	71	64	56	47	43
Expected return on plan assets	(92)	(84)	(73)	(35)	(24)	(17)
Amortization of:						
Prior service cost	6	4	4	--	--	--
Net transition (asset) obligation	(5)	(5)	(5)	--	--	--
Other	(2)	--	--	(2)	(1)	(1)
Ad hoc retiree increase	--	3	--	--	--	--
Net periodic benefit cost	$ 22	$ 23	$ 17	$ 33	$ 37	$ 36

The health care cost trend rate assumption significantly affects the amounts reported. A one percentage point change in the assumed health care cost trend assumption would have the following effects:

	ONE PERCENTAGE POINT INCREASE	ONE PERCENTAGE POINT DECREASE
	IN MILLIONS	
Effect on total service and interest cost components	$ 12	$ (10)
Effect on accumulated postretirement benefit obligation	124	(104)

The funded status of CMS Energy's Pension Plan, SERP and OPEB plans is reconciled with the liability recorded at December 31 as follows:

	PENSION PLAN		SERP		OPEB	
	2000	1999	2000	1999	2000	1999
			IN MILLIONS			
Benefit obligation, January 1	$ 971	$ 874	$ 53	$ 50	$ 736	$ 655
Service cost	30	31	3	3	14	15
Interest cost	78	68	4	4	56	47
Plan amendments	54	4	--	--	--	--
Business combinations	--	70	--	3	--	29
Actuarial loss (gain)	25	3	(1)	(6)	44	21
Benefits paid	(77)	(79)	(1)	(1)	(35)	(31)
Benefit obligation, December 31	$1,081	$ 971	$ 58	$ 53	$ 815	$ 736
Plan assets at fair value, January 1	$1,094	$ 970	$ --	$ --	$ 432	$ 327
Actual return on plan assets	(23)	120	--	--	(16)	50
Company contribution	--	--	1	1	57	55
Business combinations	--	83	--	--	--	--
Actual benefits paid	(77)	(79)	(1)	(1)	--	--
Plan assets at fair value, December 31	$ 994(a)	$1,094(a)	$ --	$ --	$ 473	$ 432
Benefit obligation less than (in excess of) plan assets	$ (87)	$ 123	$(58)	$(52)	$(342)	$(305)
Unrecognized:						
Net (gain) loss from experience different than assumed	(71)	(212)	4	4	20	(68)
Prior service cost	76	28	1	1	--	--
Net transition (asset) obligation	(5)	(11)	--	--	--	--
Other	(9)	--	--	--	--	--
Recorded liability	$ (96)	$ (72)	$(53)	$(47)	$(322)	$(373)

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(a) Primarily stocks and bonds, including $166 million in 2000 and $108 million in 1999 of CMS Energy Common Stock.

SERP benefits are paid from a trust established in 1988. SERP is not a qualified plan under the Internal Revenue Code, and as such, earnings of the trust are taxable and trust assets are included in consolidated assets. At December 31, 2000 and 1999, trust assets were $59 million and $60 million, respectively, and were classified as other noncurrent assets. The accumulated benefit obligation for SERP was $39 million in 2000 and $33 million in 1999.

Contributions to the 401(k) plan are invested in CMS Energy Common Stock. Amounts charged to expense for this plan were $24 million in 2000, $20 million in 1999, and $18 million in 1998.

Beginning January 1, 1986, the amortization period for the Pension Plan's unrecognized net transition asset is 16 years. Prior service costs are amortized on a straight-line basis over the average remaining service period of active employees.

CMS Energy and its subsidiaries adopted SFAS No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, effective as of the beginning of 1992 and Consumers recorded a liability of $466 million for the accumulated transition obligation and a corresponding regulatory asset for anticipated recovery in utility rates (see Note 2, Utility Regulation). The MPSC authorized recovery of the electric utility portion of these costs in 1994 over 18 years and the gas utility portion of 1996 over 16 years.

14: LEASES

CMS Energy, Consumers, and Enterprises lease various assets, including vehicles, rail cars, aircraft, construction equipment, computer equipment, nuclear fuel and buildings. Consumers' nuclear fuel capital leasing arrangement expires in November 2001, yet provides for additional one-year extensions upon mutual agreements by the parties. Upon termination of the lease, the lessor would be entitled to a cash payment equal to its remaining investment, which was $44 million as of December 31, 2000. Consumers is responsible for payment of taxes, maintenance, operating costs, and insurance.

Minimum rental commitments under CMS Energy's non-cancelable leases at December 31, 2000 were:

	CAPITAL LEASES	OPERATING LEASES
	IN MILLIONS	
2001	$ 67	$ 33
2002	20	27
2003	17	20
2004	13	17
2005	12	13
2006 and thereafter	14	62
Total minimum lease payments	143	$172
Less imputed interest	31	
Present value of net minimum lease payments	112	
Less current portion	58	
Noncurrent portion	$ 54	

Consumers recovers lease charges from customers and accordingly charges payments for its capital and operating leases to operating expense. Operating lease charges, including charges to clearing and other accounts for the years ended December 31, 2000, 1999 and 1998, were $34 million, $35 million, and $19 million, respectively.

Capital lease expenses for the years ended December 31, 2000, 1999 and 1998 were $42 million for each period. Included in these amounts for the years ended 2000, 1999 and 1998 are nuclear fuel lease expenses of $22 million, $23 million and $23 million, respectively.

15: JOINTLY OWNED UTILITY FACILITIES

Consumers is responsible for providing its share of financing for the jointly owned utility facilities. Consumers includes in operating expenses the direct expenses of the joint plants. The following table indicates the extent of Consumers' investment in jointly owned utility facilities:

	DECEMBER 31			
	NET INVESTMENT		ACCUMULATED DEPRECIATION	
	2000	1999	2000	1999
	IN MILLIONS			
Campbell Unit 3 -- 93.3 percent	$291	$284	$299	$295
Ludington -- 51 percent	100	104	105	100
Transmission lines -- various	31	32	17	16

16: REPORTABLE SEGMENTS

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

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

The Consolidated Statements of Income show operating revenue and pretax operating income by reportable segment. Revenues from a land development business fall below the quantitative thresholds for reporting, and has never met any of the quantitative thresholds for determining reportable segments. Amounts shown for the natural gas transmission segment include Panhandle, which was acquired in March 1999. Other financial data for reportable segments and geographic area are as follows:

REPORTABLE SEGMENTS

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Depreciation, Depletion and Amortization			
Electric utility	$ 311	$ 315	$ 304
Gas utility	113	107	97
Natural gas transmission	91	68	14
Independent power production	44	35	22
Oil and gas exploration and production	37	44	38
Marketing, services and trading	5	3	2
International energy distribution	32	20	5
Other	4	3	2
	$ 637	$ 595	$ 484
Identifiable Assets			
Electric utility(a)	$ 5,231	$ 4,675	$ 4,640
Gas utility(a)	1,780	1,731	1,726
Natural gas transmission	3,836	3,526	971
Independent power production	2,753	3,076	2,252
Oil and gas exploration and production	636	659	547
Marketing, services and trading	632	367	152
International energy distribution	499	774	598
Other	484	654	424
	$15,851	$15,462	$11,310
Capital Expenditures(b)			
Electric utility	$ 430	$ 385	$ 332
Gas utility	120	120	114
Natural gas transmission	276	2,216	563
Independent power production	452	392	459
Oil and gas exploration and production	141	151	143
Marketing, services and trading	11	42	1
International energy distribution	59	96	88
Other	8	3	--
	$ 1,497	$ 3,405	$ 1,700
Investments in Equity Method Investees			
Natural gas transmission	$ 436	$ 369	$ 494
Independent power production	1,459	1,437	1,337
Marketing, services and trading	32	27	25
International energy distribution	63	150	209
Other	26	13	8
	$ 2,016	$ 1,996	$ 2,073

	2000	1999	1998
	YEARS ENDED DECEMBER 31 — IN MILLIONS		
Earnings from Equity Method Investees(c)			
Natural gas transmission	$ 24	$ 20	$ 9
Independent power production	166	119	158
Marketing, services and trading	9	3	2
International energy distribution	--	(9)	(5)
Other	4	5	7
	$ 203	$ 138	$ 171

Geographic Areas(d)

	OPERATING REVENUE	PRETAX OPERATING INCOME	IDENTIFIABLE ASSETS
2000			
United States	$8,213	$775	$12,672
International	785	(48)	3,179
1999			
United States	$5,560	$752	$11,714
International	543	132	3,748
1998			
United States	$4,860	$648	$ 8,682
International	281	76	2,628

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

(b) Includes electric restructuring implementation plan, capital leases for nuclear fuel and other assets and electric DSM costs. Amounts also include an attributed portion of Consumers' capital expenditures for plant and equipment common to both the electric and gas utility businesses.

(c) These amounts are included in operating revenue in the Consolidated Statements of Income.

(d) Revenues are attributed to countries based on location of customers.

17. EQUITY METHOD INVESTMENTS

Certain of CMS Energy's investments in companies, partnerships and joint ventures, where ownership is more than 20 percent but less than a majority, are accounted for by the equity method. In 2000, 1999 and 1998, consolidated net income included undistributed equity earnings of $171 million, $45 million, and $95 million, respectively, from these investments. The more significant of these investments are CMS Energy's 50 percent interest in Loy Yang and CMS Energy's 50 percent interest in Jorf Lasfar. Summarized combined financial information of CMS Energy's equity method investees follows, except for the MCV Partnership, which is disclosed separately in Note 18.

Income Statement Data

	YEARS ENDED DECEMBER 31			
	2000			
	JORF LASFAR	LOY YANG	ALL OTHERS	TOTAL
	IN MILLIONS			
Operating revenue	$246	$268	$3,576	$4,090
Operating expenses	102	123	3,043	3,268
Operating income	144	145	533	822
Other expense, net	29	169	246	444
Net income (loss)	$115	$(24)	$ 287	$ 378

	1999			
	JORF LASFAR	LOY YANG	ALL OTHERS	TOTAL
Operating revenue	$189	$322	$2,389	$2,900
Operating expenses	85	140	1,840	2,065
Operating income	104	182	549	835
Other expense, net	27	191	321	539
Net income (loss)	$ 77	$ (9)	$ 228	$ 296

	1998			
	JORF LASFAR	LOY YANG	ALL OTHERS	TOTAL
Operating revenue	$212	$319	$1,724	$2,255
Operating expenses	117	137	1,249	1,503
Operating income	95	182	475	752
Other expense, net	29	186	194	409
Net income (loss)	$ 66	$ (4)	$ 281	$ 343

Balance Sheet Data

	AS OF DECEMBER 31			
	2000			
	JORF LASFAR	LOY YANG	ALL OTHERS	TOTAL
	IN MILLIONS			
Assets				
Current assets	$ 145	$ 100	$ 725	$ 970
Property, plant and equipment, net	834	2,601	4,836	8,271
Other assets	1,499	27	2,089	3,615
	$2,478	$2,728	$7,650	$12,856
Liabilities and Equity				
Current liabilities	$ 49	$ 106	$ 952	$ 1,107
Long-term debt and other noncurrent liabilities	2,144	1,936	3,832	7,912
Equity	285	686	2,866	3,837
	$2,478	$2,728	$7,650	$12,856

	1999			
	JORF LASFAR	LOY YANG	ALL OTHERS	TOTAL
Assets				
Current assets	$ 79	$ 111	$ 637	$ 827
Property, plant and equipment, net	701	3,102	4,195	7,998
Other assets	1,630	34	2,296	3,960
	$2,410	$3,247	$7,128	$12,785
Liabilities and Equity				
Current liabilities	$ 47	$ 117	$ 785	$ 949
Long-term debt and other noncurrent liabilities	2,186	2,302	3,529	8,017
Equity	177	828	2,814	3,819
	$2,410	$3,247	$7,128	$12,785

18: SUMMARIZED FINANCIAL INFORMATION OF SIGNIFICANT RELATED ENERGY SUPPLIER

Under the PPA with the MCV Partnership discussed in Note 5, Consumers' 2000 obligation to purchase electric capacity from the MCV Partnership provided 15.3 percent of Consumers' owned and contracted electric generating capacity. Summarized financial information of the MCV Partnership follows:

STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Operating revenue(a)	$604	$617	$627
Operating expenses	392	401	405
Operating income	212	216	222
Other expense, net	122	136	142
Net income	$ 90	$ 80	$ 80

BALANCE SHEETS

	AS OF DECEMBER 31	
	2000	1999
	IN MILLIONS	
ASSETS		
Current assets(b)	$ 429	$ 397
Plant, net	1,671	1,732
Other assets	175	170
	$2,275	$2,299

	AS OF DECEMBER 31	
	2000	1999
	IN MILLIONS	
LIABILITIES AND EQUITY		
Current liabilities	$ 316	$ 275
Noncurrent liabilities(c)	1,431	1,586
Partners' equity(d)	528	438
	$2,275	$2,299

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(a) Revenue from Consumers for 2000, 1999, and 1998 totaled $569 million, $586 million and $584 million, respectively.

(b) Receivables from Consumers totaled $43 and $49 million at December 31, 2000 and 1999, respectively.

(c) FMLP is the sole beneficiary of an owner trust that is the lessor in a long-term direct finance lease with the lessee, MCV Partnership. CMS Holdings holds a 46.4 percent ownership interest in FMLP. At December 31, 2000 and 1999, the MCV Partnership owed lease obligations of $1.24 billion and $1.36 billion, respectively, to the owner trust. CMS Holdings' share of the interest and principal portion for the 2000 lease payments was $52 million and $67 million, respectively, and for the 1999 lease payments was $55 million and $23 million, respectively. As of December 31, 2000 the lease payments service $733 million and $854 million in non-recourse debt outstanding, respectively, of the owner-trust. The MCV Partnership's lease obligations, assets, and operating revenues secures FMLP's debt. For 2000 and 1999, the owner-trust made debt payments (including interest) of $212 million and $167 million, respectively. FMLP's earnings for 2000, 1999, and 1998 were $27 million, $24 million, and $23 million, respectively.

(d) CMS Midland's recorded investment in the MCV Partnership includes capitalized interest, which Consumers is amortizing to expense over the life of its investment in the MCV Partnership. Covenants contained in financing agreements prohibit the MCV Partnership from paying distributions until it meets certain financial test requirements. Consumers does not anticipate receiving a cash distribution in the near future.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CMS Energy Corporation:

We have audited the accompanying consolidated balance sheets and consolidated statements of preferred stock of CMS ENERGY CORPORATION (a Michigan corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CMS Energy Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As explained in Note 3 to the financial statements, effective January 1, 1998, Consumers Energy Company, a wholly owned subsidiary of CMS Energy Corporation, changed its method of accounting for property taxes and effective January 1, 2000, CMS Energy Corporation changed its method of accounting for oil and gas exploration and production inventories.

/s/ ARTHUR ANDERSEN LLP
Detroit, Michigan,
February 2, 2001

CMS ENERGY CORPORATION

QUARTERLY FINANCIAL AND COMMON STOCK INFORMATION

QUARTERS ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
	2000 (UNAUDITED)			
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS			
Operating revenue (a) (b)	$ 1,825	$ 1,595	$ 2,391	$3,187
Pretax operating income (loss) (a)(b)	$ 292	$ 202	$ 244	$ (11)
Consolidated net income (loss) (b)	$ 75	$ 79	$ 53	$ (171)
Basic earnings (loss) per average common share (b) (c):				
CMS Energy	$ 0.66	$ 0.72	$ 0.49	$(1.44)
Class G	N/A	N/A	N/A	N/A
Diluted earnings (loss) per average common share (b) (c):				
CMS Energy	$ 0.65	$ 0.71	$ 0.49	$(1.44)
Class G	N/A	N/A	N/A	N/A
Dividends declared per common share:				
CMS Energy	$ 0.365	$ 0.365	$ 0.365	$0.365
Class G	N/A	N/A	N/A	N/A
Common stock prices (e)				
CMS Energy:				
High	$ 32 1/16	$ 23 11/16	$ 29 11/16	$32 1/4
Low	$ 16 1/16	$ 17 3/4	$ 22 1/16	$25 1/8
Class G:				
High	N/A	N/A	N/A	N/A
Low	N/A	N/A	N/A	N/A

QUARTERS ENDED	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
	1999 (UNAUDITED)			
	IN MILLIONS, EXCEPT PER SHARE AMOUNTS			
Operating revenue (a) (b)	$ 1,537	$1,332	$ 1,466	$ 1,768
Pretax operating income (loss) (a)(b)	$ 245	$ 231	$ 273	$ 135
Consolidated net income (loss) (b)	$ 98	$ 75	$ 83	$ 21
Basic earnings (loss) per average common share (b) (c):				
CMS Energy	$ 0.82	$ 0.68	$ 0.79	$ (0.08)(d)
Class G	$ 1.19	$ 0.10	$ (0.38)	$ 3.31(d)
Diluted earnings (loss) per average common share (b) (c):				
CMS Energy	$ 0.80	$ 0.67	$ 0.78	$ (0.08)(d)
Class G	$ 1.19	$ 0.10	$ (0.38)	$ 3.31(d)
Dividends declared per common share:				
CMS Energy	$ 0.33	$ 0.33	$ 0.365	$ 0.365
Class G	$ 0.325	$0.325	$ 0.34	N/A
Common stock prices (e)				
CMS Energy:				
High	$ 48 7/16	$47 1/16	$ 41 15/16	$ 38 1/16
Low	$ 39 9/16	$39 1/4	$ 33 5/8	$ 30 5/16
Class G:				
High	$ 26	$25 3/8	$ 26 7/8	$ 24 15/16(f)
Low	$ 20 1/8	$20 1/2	$ 22 3/8	$ 22 1/4(f)

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(a) Certain amounts in 1999 were restated for comparative purposes.

(b) Amounts in 2000 were restated to reflect change in method of accounting for oil and gas exploration and production inventories. For further discussion, see Note 3 to the Consolidated Financial Statements.

(c) The sum of the quarters may not equal the annual earnings per share due to changes in shares outstanding.

(d) Includes allocation of the premium on redemption of Class G Common Stock of $(.26) per CMS Energy basic share, $ (.25) per CMS Energy diluted share and $3.31 per Class G basic and diluted share.

(e) Based on New York Stock Exchange -- Composite transactions.

(f) Through October 25, 1999.

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[CONSUMERS ENERGY LOGO]

2000 FINANCIAL STATEMENTS

CONSUMERS ENERGY COMPANY
SELECTED FINANCIAL INFORMATION

		2000	1999	1998	1997	1996
Operating revenue (in millions)	($)	3,935	3,874	3,709	3,769	3,770
Net income (in millions) (Note 1)	($)	304	340	349	321	296
Net income available to common stockholder (in millions)	($)	268	313	312	284	260
Cash from operations (in millions)	($)	468	791	637	761	672
Capital expenditures, excluding capital lease additions and DSM (in millions)	($)	498	444	369	360	410
Total assets (in millions)	($)	7,773	7,170	7,163	6,949	7,025
Long-term debt, excluding current maturities (in millions)	($)	2,110	2,006	2,007	1,369	1,900
Non-current portion of capital leases (in millions)	($)	49	85	100	74	100
Total preferred stock (in millions)	($)	44	44	238	238	356
Total preferred securities (in millions)	($)	395	395	220	220	100
Number of preferred shareholders at year-end		2,365	2,534	5,649	6,178	9,540
Book value per common share at year-end	($)	24.09	23.87	21.94	20.38	19.96
Return on average common equity	(%)	13.3	16.2	17.5	16.8	15.9
Return on average assets	(%)	5.7	6.4	6.6	6.2	5.7
Number of full-time equivalent employees at year-end						
Consumers		8,748	8,736	8,456	8,640	8,938
Michigan Gas Storage		57	63	65	66	67
ELECTRIC STATISTICS						
Sales (billions of kWh)		41.0	41.0	40.0	37.9	37.1
Customers (in thousands)		1,691	1,665	1,640	1,617	1,594
Average sales rate per kWh	(cents)	6.56	6.54	6.50	6.57	6.55
GAS STATISTICS						
Sales and transportation deliveries (bcf)		410	389	360	420	448
Customers (in thousands)(a)		1,611	1,584	1,558	1,533	1,504
Average sales rate per mcf	($)	4.39	4.52	4.56	4.44	4.45

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(a) Excludes off-system transportation customers.

CONSUMERS ENERGY COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

RESULTS OF OPERATIONS

CONSUMERS CONSOLIDATED EARNINGS

	YEARS ENDED DECEMBER 31					
	2000	1999	CHANGE	1999	1998	CHANGE
	IN MILLIONS					
Net income available to common stockholder.........	$268	$313	$(45)	$313	$312	$1

The year 2000 net income available to the common stockholder is $268 million, a decrease of $45 million from 1999. The earnings decrease primarily reflects higher gas costs, which are above the frozen gas commodity rate charged to customers, the impact of a five percent electric rate reduction for residential customers due to the passing of the Customer Choice Act, and the purchase of electricity options, which were not needed due to the milder-than-expected summer temperatures. Partially offsetting these decreases were lower operating costs, including reductions in employee paid absence cost, increased gas distribution service revenue from increased gas deliveries and increased electric delivery revenue from commercial and wholesale customers. The year 1999 net income available to the common stockholder is an increase of $1 million over 1998. This increase includes the net impact of higher electric and gas deliveries and reduced power costs. Changes in regulation have allowed Consumers to temporarily benefit when power costs are lower than those used to establish rates. Somewhat masking these improvements was a change in accounting for property taxes (as described in Note 1) that provided a non-recurring benefit in 1998 of $66 million ($43 million after-tax) and the recognition of a $37 million loss ($24 million after-tax) for the underrecovery of power costs under the PPA. In addition, 1999 net income reflects $9 million of gains for the sale of property. For further information, see the Electric and Gas Utility Results of Operations sections and Note 2, Uncertainties.

ELECTRIC UTILITY RESULTS OF OPERATIONS

ELECTRIC UTILITY PRETAX OPERATING INCOME:

YEARS ENDED DECEMBER 31					
2000	1999	CHANGE	1999	1998	CHANGE
IN MILLIONS					
$481	$494	$(13)	$494	$475	$19

For the year 2000, electric utility pretax operating income decreased $13 million from 1999. The earnings decrease reflects increased cost of power, increased costs for the purchase of electricity options and the impact of the five percent residential customer rate reduction resulting from the Customer Choice Act. The increased cost of power also includes additional purchased power costs due to outages at Consumers' generating facilities. These earnings reductions were partially offset by increased electric delivery revenue from commercial and wholesale customers, increased non-commodity revenue and decreased operating expenses. Operating expense reductions resulted primarily from increased nuclear insurance refunds, reduced storm related costs in 2000 and a $11 million reduction in employee paid absence cost.

For the year 1999, electric utility pretax operating income increased $19 million from 1998. Changes in regulation, effective in 1998, allowed Consumers the opportunity to benefit from reduced power supply costs. In the past, such cost reductions had no impact on net income because Consumers passed on power cost savings to its electric customers. This earnings increase was partially offset by higher depreciation costs for new property and equipment and lower non-commodity revenues. The following table quantifies these impacts on pretax operating income:

	CHANGE COMPARED TO PRIOR YEAR	
	2000 VS 1999	1999 VS 1998
	IN MILLIONS	
Electric deliveries	$ 12	$ 37
Rate decrease	(22)	0
Power supply costs and related revenue	(13)	27
Net energy option costs	(37)	(19)
Non-commodity revenue	14	(13)
Operations and maintenance	28	(3)
General taxes and depreciation	5	(10)
Total change	$(13)	$ 19

ELECTRIC DELIVERIES: For the year 2000, electric deliveries were 41 billion kWh, similar to 1999; however, in 2000 deliveries to residential, commercial and wholesale customers were higher compared with 1999, while deliveries to industrial customers were lower. For the year 1999, total electric deliveries were 41 billion kWh, an increase of 1 billion kWh or 2.5 percent compared with 1998. In 1999 total electric deliveries increased in all customer classes.

POWER SUPPLY COSTS:

YEARS ENDED DECEMBER 31					
2000	1999	CHANGE	1999	1998	CHANGE
IN MILLIONS					
$1,260	$1,193	$67	$1,193	$1,175	$18

For the year 2000, the increase in power supply costs was due to unscheduled plant outages. These outages required increased purchases of higher cost power to meet demand. For the year 1999, power supply cost increases reflect higher internal generation to meet the increased demand for electricity and increased power options costs as compared to 1998.

For the years 2000 and 1999 respectively, Consumers purchased $51 million and $19 million of energy options for physical delivery of electricity to ensure a reliable source of power during the summer months. As a result of periodic excess daily capacity, some options were sold for $1 million and $6 million in the years 2000 and 1999, respectively. All of the remaining options were exercised or expired. Consumers reflected the costs relating to the expired options and the income received from the sale of options, as purchased power costs.

GAS UTILITY RESULTS OF OPERATIONS

GAS UTILITY PRETAX OPERATING INCOME:

YEARS ENDED DECEMBER 31					
2000	1999	CHANGE	1999	1998	CHANGE
IN MILLIONS					
$98	$132	$(34)	$132	$126	$6

For the year 2000, gas utility pretax operating income decreased by $34 million from 1999. The earnings decrease primarily reflects increased gas costs and the recording of a regulatory liability related to the increased gas costs, which were significantly above the gas commodity rate being collected from Consumers' gas customers. This commodity rate, which is frozen through March 31, 2001, relates to a three-year experimental gas choice pilot program, which provided Consumers the opportunity to benefit or lose from changes in gas commodity costs. See Note 2, Uncertainties, "Gas Rate Matters -- Gas Restructuring", for more detailed information on this matter. Partially offsetting these decreases in earnings were increased gas distribution service revenue from increased gas deliveries due to colder heating season temperatures during the fourth quarter of 2000, increased gas wholesale and retail services revenue and lower operating costs and a benefit of $5 million related to reductions in employee paid absence cost. For the year 1999, gas pretax operating income increased by $6 million from 1998. The earnings increase is primarily the result of increased gas distribution service revenue from increased gas deliveries due to colder temperatures during the first and fourth quarters of 1999 and increased revenues from gas wholesale and retail services activity. Partially offsetting this earnings increase were a regulatory disallowance, higher operation and maintenance costs, and increased depreciation and general taxes due to new property and equipment. The following table quantifies these impacts on Pretax Operating Income.

	CHANGE COMPARED TO PRIOR YEAR	
	2000 VS 1999	1999 VS 1998
	IN MILLIONS	
Gas deliveries	$ 17	$ 32
Gas commodity and related revenue	(64)	(5)
Gas wholesale and retail services	4	5
Operation and maintenance	11	(14)
General taxes and depreciation	(2)	(12)
Total change	$(34)	$ 6

GAS DELIVERIES: For the year 2000, gas system deliveries, including miscellaneous transportation, totaled 410 bcf, an increase of 21 bcf or 5 percent compared with 1999. The increased deliveries reflect colder heating season temperatures in the fourth quarter of 2000. For the year 1999, system deliveries, including miscellaneous transportation, totaled 389 bcf, an increase of 29 bcf or 8 percent compared with 1998. The increased deliveries reflect colder temperatures during the first quarter of 1999.

COST OF GAS SOLD:

YEARS ENDED DECEMBER 31					
2000	1999	CHANGE	1999	1998	CHANGE
IN MILLIONS					
$719	$637	$82	$637	$564	$73

For the year 2000, the cost of gas sold increase was the result of increased gas costs and increased sales from colder heating season temperatures during 2000. For the year 1999, the cost of gas sold increase was the result of increased sales from colder temperatures during 1999 and higher gas costs.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

OPERATING ACTIVITIES: Consumers derives cash from operating activities involving the sale and transportation of natural gas and the generation, transmission, distribution and sale of electricity. Cash from operations totaled $468 million and $791 million for 2000 and 1999, respectively. The $323 million decrease was primarily due to a $33 million increase in gas costs, a $50 million increase in purchased electricity options, and a $31 million electric rate reduction required by the Customer Choice Act as discussed in the results of operations. The decrease in cash was also affected by a $183 million increase in accounts receivable. For additional information, see Note 12, Supplemental Cash Flow Information. Consumers primarily uses cash derived from operating activities to maintain and expand electric and gas systems, to retire portions of long-term debt, and to pay dividends.

INVESTING ACTIVITIES: Cash used for investing activities totaled $557 million and $519 million for 2000 and 1999, respectively. The change of $38 million is primarily the result of a $54 million increase in capital expenditures offset by a $15 million decrease in the cost to retire property.

FINANCING ACTIVITIES: Cash provided by financing activities totaled $92 for 2000 compared to $279 million used in 1999. The change of $371 million is primarily the result of a $477 million net increase in the proceeds from the refinancing and issuance of Consumers' debt. Offsetting this increase is the absence of $200 million retirement of preferred stock, the absence of $150 million capital contribution from Consumers' common stockholder, and the absence of $169 million in proceeds from the issuance of preferred securities.

OTHER INVESTING AND FINANCING MATTERS: Consumers has credit facilities, lines of credit and a trade receivable sale program in place as anticipated sources of funds to fulfill its currently expected capital expenditures. For detailed information about these sources of funds, see Note 1, "Nuclear Fuel Cost" and Note 3, Short-Term Financing and Capitalization.

OUTLOOK

CAPITAL EXPENDITURES OUTLOOK

Consumers estimates the following capital expenditures, including new lease commitments, by expenditure type and by business segments over the next three years. Consumers prepares these estimates for planning purposes and may revise them.

	YEARS ENDED DECEMBER 31		
	2001	2002	2003
	IN MILLIONS		
Construction	$653	$650	$466
Nuclear fuel lease	16	26	--
Capital leases other than nuclear fuel	31	24	24
	$700	$700	$490
Electric utility operations (a)(b)	$555	$555	$355
Gas utility operations (a)	145	145	135
	$700	$700	$490

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

(b) These amounts include estimates for capital expenditures that may be required by recent revisions to the Clean Air Act's national air quality standards. For further information see Note 2, Uncertainties.

ELECTRIC BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects electric system deliveries to grow an average of approximately two and one half percent per year based primarily on a steadily growing customer base. This growth rate does not take into account the impact of electric industry restructuring, including the impact of the Customer Choice Act that allows all customers to choose their electricity supplier beginning January 1, 2002, or of changing regulation. Abnormal weather, changing economic conditions or the developing competitive market for electricity may affect actual electric deliveries by Consumers in future periods.

COMPETITION AND REGULATORY RESTRUCTURING: The Customer Choice Act, passed by the Michigan Legislature, as a result of repeated efforts to enact electric utility restructuring legislation, became effective June 2000.

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

In 1996, as a result of efforts to transition the electric industry in Michigan to competition, Detroit Edison gave Consumers the required four-year contractual notice of its intent to terminate the agreements under which the companies jointly operate the MEPCC, effective January 1, 2001. Detroit Edison and Consumers have negotiated to restructure and continue certain parts of the MEPCC control area and joint transmission operations, but have expressly excluded any merchant operations (electricity purchasing, sales, and dispatch operations). The parties have extended the effective termination date of the operating agreement to March 31, 2001. Consumers does not anticipate that the restructuring of the MEPCC will cause it a material adverse impact. Consumers expects to implement systems and procedures to perform independent merchant operations by April 1, 2001. The termination of joint merchant operations with Detroit Edison will open Detroit Edison and Consumers to wholesale market competition as individual companies. Consumers cannot predict the financial impact of terminating these joint merchant operations.

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

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

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

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

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

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

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

GAS BUSINESS OUTLOOK

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

GAS RESTRUCTURING: On April 1, 1998, Consumers implemented an experimental gas customer choice pilot program. The pilot program ends March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of December 31, 2000, more than 150,000 customers chose alternative gas suppliers, representing approximately 38 bcf of gas requirements. Customers who choose to remain sales customers of Consumers will have fixed gas commodity rates through the end of the program. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain predetermined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between Consumers and marketers, including its affiliated marketers. In October 2000, the MPSC approved Consumers' application for a permanent gas customer choice program commencing April 1, 2001. Under the permanent gas customer choice program, Consumers will no longer be subject to a frozen gas commodity cost and delivery charge. Consumers will then return to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001, up to 900,000 gas customers by April 1, 2002, and all of Consumers' gas customers beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

During the last year of the experimental pilot program, significant increases in gas costs had exposed Consumers to gas commodity losses. In the second quarter 2000, Consumers recorded a regulatory liability of $45 million to reflect estimated losses due to increases in natural gas commodity costs. In October 2000, the MPSC approved Consumers' accounting application to revise its inventory accounting and reclassify low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to immediately begin to include the cost of its recoverable base gas with higher cost purchased gas. Consumers expects the gas accounting order to eliminate the need for Consumers to recognize any further losses related to gas commodity cost underrecoveries.

UNCERTAINTIES: Several gas business trends or uncertainties may affect Consumers' financial results and conditions. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing gas operations. Such trends and uncertainties include: 1) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 2) future gas industry restructuring initiatives; 3) implementation of the permanent gas customer choice program 4) implementation of a suspended GCR clause and any initiatives undertaken to protect against gas price increases; and 5) market and regulation responses to increases in gas costs. For detailed information about these uncertainties see Note 2, Uncertainties, incorporated by reference herein.

OTHER OUTLOOK

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

OTHER MATTERS

NEW ACCOUNTING STANDARDS

Effective January 1, 2001, Consumers adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted. For a detailed discussion of the effects of the standard, including earnings volatility, and the financial impact upon adoption, see Note 1, Corporate Structure and Summary of Significant Accounting Policies, Implementation of New Accounting Standards, Note 2, Uncertainties, and Note 3, Short-Term Financings and Capitalization, incorporated by reference herein.

In the year 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125. SFAS No. 140 revises the criteria for accounting for securitizations, other financial asset transfers and collateral and introduces new disclosures. Certain disclosures and amendments of collateral provisions are effective for fiscal years ending after December 15, 2000. The other provisions of SFAS No. 140 apply prospectively to transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Consumers has adopted the disclosure requirements effective December 31, 2000, and does not expect that the other provisions of SFAS No. 140 will have a material impact on Consumers' consolidated results of operations or financial position.

DERIVATIVES AND HEDGES

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

In accordance with SEC disclosure requirements, Consumers performs sensitivity analyses to assess the potential loss in fair value, cash flows and earnings based upon hypothetical 10 percent adverse changes in market rates or prices. Consumers determines fair value based upon mathematical models using current and historical pricing data. Management does not believe that sensitivity analyses alone provides an accurate or reliable method for monitoring and controlling risks. Therefore, Consumers relies on the experience and judgment of senior management and traders to revise strategies and adjust positions, as they deem necessary. Losses in excess of the amounts determined in sensitivity analyses could occur if market rates or prices exceed the 10 percent shift used for the analyses.

EQUITY SECURITY PRICE RISK: Consumers has a less than 20 percent equity investment in CMS Energy. A hypothetical 10 percent adverse change in market price would result in a $11 million change in its equity investment. This instrument is currently marked-to-market through equity. Consumers believes that such an adverse change would not have a material effect on its consolidated financial position, results of operation or cash flows.

INTEREST RATE RISK: Consumers is exposed to interest rate risk resulting from the issuance of fixed-rate debt and variable-rate debt, and from interest rate swap and rate lock agreements. Consumers uses a combination of fixed-rate and variable-rate debt, as well as interest rate swaps and rate locks to manage and mitigate interest rate risk exposure when deemed appropriate, based upon market conditions. These strategies attempt to provide and maintain the lowest cost of capital. As of December 31, 2000 Consumers had outstanding $843 million of variable-rate debt. Assuming a hypothetical 10 percent adverse change in market interest rates, Consumers exposure to earnings, before tax, would be $5 million. In order to minimize adverse interest-rate changes, Consumers entered into floating-to-fixed interest rate swap agreements for a total notional amount of $300 million. These swaps exchange variable-rate interest payment obligations to fixed-rate obligations to minimize the impact of potential adverse interest rate changes. As of December 31, 2000, Consumers had outstanding long-term fixed-rate debt including fixed-rate swaps of $2.583 billion with a fair value of $2.515 billion. Assuming a hypothetical 10 percent adverse change in market rates, Consumers would have an exposure of $133 million to the fair value of these instruments if it had to refinance all of its long-term fixed-rate debt. Consumers does not intend to refinance its fixed-rate debt in the near term and believes that any adverse change in debt price and interest rates would not have a material effect on either its consolidated financial position, results of operation or, cash flows. For further discussion Note 3, Short-Term Financings and Capitalization, "Derivative Activities."

COMMODITY MARKET RISK: Consumers uses electricity and gas call options and swap contracts to protect against risk due to fluctuations in the market price of these commodities and to ensure a reliable source of capacity to meet its customers electric needs. Consumers also uses a combination of gas written put and purchased call options to manage the cost of gas supplied to its customers.

At December 31, 2000, the fair value, based on quoted future market prices, of electricity-related option and swap contracts was $126 million. Assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $16 million. As of December 31, 2000, Consumers had an asset of $86 million as a result of premiums incurred for electricity call option contracts. Consumers' maximum exposure associated with the call option contracts is limited to the premiums paid.

In addition, Consumers recognized an asset of $1 million associated with net premiums paid for the combination gas written put and purchased call options. At December 31, 2000, these options had a fair value of $25 million. Assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $6 million. For further discussion on commodity derivatives see "Derivative Activities" under Note 2, Uncertainties, Other Electric Uncertainties and Other Gas Uncertainties.

OTHER

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

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

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CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
OPERATING REVENUE			
Electric	$2,676	$2,667	$2,606
Gas	1,196	1,156	1,051
Other	63	51	52
	3,935	3,874	3,709
OPERATING EXPENSES			
Operation Fuel for electric generation	324	336	317
Purchased power -- related parties	534	560	573
Purchased and interchange power	402	297	285
Cost of gas sold	719	637	564
Other	526	570	544
	2,505	2,400	2,283
Maintenance	172	174	173
Depreciation, depletion and amortization	426	424	403
General taxes	197	201	201
	3,300	3,199	3,060
PRETAX OPERATING INCOME			
Electric	481	494	475
Gas	98	132	126
Other	56	49	48
	635	675	649
OTHER INCOME (DEDUCTIONS)			
Loss on MCV power purchases	--	--	(37)
Dividends and interest from affiliates	10	11	14
Accretion income (Note 1)	2	4	6
Accretion expense (Note 1)	(7)	(14)	(16)
Other, net	(5)	17	--
	--	18	(33)
INTEREST CHARGES			
Interest on long-term debt	141	140	138
Other interest	44	41	38
Capitalized interest	(2)	--	(1)
	183	181	175
NET INCOME BEFORE INCOME TAXES	452	512	441
INCOME TAXES	148	172	135
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	304	340	306
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR PROPERTY TAXES, NET OF $23 TAX (NOTE 1)	--	--	43
NET INCOME	304	340	349
PREFERRED STOCK DIVIDENDS	2	6	19
PREFERRED SECURITIES DISTRIBUTIONS	34	21	18
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 268	$ 313	$ 312

The accompanying notes are an integral part of these statements.

CONSUMERS ENERGY COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 304	$ 340	$ 349
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation, depletion and amortization (includes nuclear decommissioning of $39, $50 and $51, respectively)	426	424	403
Regulatory liability -- gas choice	33	--	--
Capital lease and other amortization	32	35	36
Accretion expense	7	14	16
Cumulative effect of accounting change	--	--	(66)
Loss on MCV power purchases	--	--	37
Accretion income -- abandoned Midland project	(2)	(4)	(6)
Deferred income taxes and investment tax credit	(9)	2	21
Undistributed earnings of related parties (net of dividends, $8, $10 and $12, respectively)	(49)	(40)	(38)
MCV power purchases	(60)	(62)	(64)
Changes in other assets and liabilities	(214)	82	(51)
Net cash provided by operating activities	468	791	637
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures (excludes assets placed under capital lease)	(498)	(444)	(369)
Cost to retire property, net	(78)	(93)	(83)
Investments in nuclear decommissioning trust funds	(39)	(50)	(51)
Investment in Electric Restructuring Implementation Plan	(29)	(32)	(17)
Proceeds from nuclear decommissioning trust funds	37	43	53
Associated company preferred stock redemption	50	50	50
Proceeds from the sale of two non-utility partnerships	--	--	27
Other	--	7	4
Net cash used in investing activities	(557)	(519)	(386)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of common stock dividends	(245)	(262)	(241)
Preferred securities distributions	(34)	(21)	(18)
Payment of capital lease obligations	(32)	(33)	(35)
Retirement of bonds and other long-term debt	(9)	(87)	(854)
Payment of preferred stock dividends	(2)	(10)	(19)
Retirement of preferred stock	--	(200)	--
Contribution from (return of equity to) stockholder	--	150	50
Proceeds from preferred securities	--	169	--
Increase (decrease) in notes payable, net	189	--	(162)
Proceeds from senior notes & bank loans	225	15	1,046
Net cash provided from (used in) financing activities	92	(279)	(233)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENT	3	(7)	18
Cash and temporary cash investments -- Beginning of year	18	25	7
End of year	$ 21	$ 18	$ 25

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:			
CASH TRANSACTIONS			
Interest paid (net of amounts capitalized)	$ 183	$ 168	$ 161
Income taxes paid (net of refunds)	149	187	153
NON-CASH TRANSACTIONS			
Nuclear fuel placed under capital lease	$ 4	$ 6	$ 46
Other assets placed under capital leases	15	14	14

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

The accompanying notes are an integral part of these statements.

CONSUMERS ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31 2000	DECEMBER 31 1999
	IN MILLIONS	
ASSETS		
PLANT (AT ORIGINAL COST)		
Electric	$7,241	$6,981
Gas	2,503	2,461
Other	23	25
	9,767	9,467
Less accumulated depreciation, depletion and amortization	5,768	5,643
	3,999	3,824
Construction work-in-progress	279	199
	4,278	4,023
INVESTMENTS		
Stock of affiliates	86	139
First Midland Limited Partnership	245	240
Midland Cogeneration Venture Limited Partnership	290	247
	621	626
CURRENT ASSETS		
Cash and temporary cash investments at cost, which approximates market	21	18
Accounts receivable and accrued revenue, less allowances of $3 in 2000 and $4 in 1999	225	98
Accounts receivable -- related parties	111	67
Inventories at average cost		
Gas in underground storage	271	216
Materials and supplies	66	62
Generating plant fuel stock	46	46
Prepaid property taxes	136	139
Regulatory assets	19	31
Deferred income taxes	2	8
Other	13	14
	910	699
NON-CURRENT ASSETS		
Regulatory Assets		
Securitization costs	709	--
Postretirement benefits	232	341
Abandoned Midland project	22	48
Unamortized nuclear costs	6	519
Other	87	125
Nuclear decommissioning trust funds	611	602
Other	297	187
	1,964	1,822
TOTAL ASSETS	$7,773	$7,170

	DECEMBER 31	
	2000	1999
	IN MILLIONS	
STOCKHOLDERS' INVESTMENT AND LIABILITIES		
CAPITALIZATION (NOTE 3)		
Common stockholder's equity		
Common stock	$ 841	$ 841
Paid-in capital	646	645
Revaluation capital	33	37
Retained earnings since December 31, 1992	506	485
	2,026	2,008
Preferred stock	44	44
Company-obligated mandatorily redeemable preferred securities of:		
Consumers Power Company Financing I (a)	100	100
Consumers Energy Company Financing II (a)	120	120
Consumers Energy Company Financing III (a)	175	175
Long-term debt	2,110	2,006
Non-current portion of capital leases	49	85
	4,624	4,538
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	231	90
Notes payable	403	214
Accounts payable	254	224
Accrued taxes	247	232
Accounts payable -- related parties	67	82
Other	253	234
	1,455	1,076
NON-CURRENT LIABILITIES		
Deferred income taxes	716	700
Postretirement benefits	366	420
Regulatory liabilities for income taxes, net	246	64
Deferred investment tax credit	109	125
Other	257	247
	1,694	1,556
Commitments and Contingencies (Notes 1, 2, 8 and 11)		
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$7,773	$7,170

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

The accompanying notes are an integral part of these Balance Sheets.

CONSUMERS ENERGY COMPANY

CONSOLIDATED STATEMENTS OF LONG-TERM DEBT

	SERIES(%)		DECEMBER 31 2000	DECEMBER 31 1999
			IN MILLIONS	
FIRST MORTGAGE BONDS	6 3/8	2003	$ 300	$ 300
	7 3/8	2023	263	263
			563	563
SENIOR NOTES	Floating	2001	125	--
	Floating	2002(a)	100	--
	6 3/8	2008(b)	250	250
	6 7/8	2018	225	225
	6 1/5	2008	250	250
	6 1/2	2018(c)	200	200
	6 1/2	2028	145	149
			1,858	1,637
LONG-TERM BANK DEBT			190	190
POLLUTION CONTROL REVENUE BONDS			126	131
NUCLEAR FUEL DISPOSAL(D)			130	123
PRINCIPAL AMOUNT OUTSTANDING			2,304	2,081
CURRENT AMOUNTS			(175)	(55)
NET UNAMORTIZED DISCOUNT			(19)	(20)
TOTAL LONG-TERM DEBT			$2,110	$2,006

LONG-TERM DEBT MATURITIES

	FIRST MORTGAGE BONDS	SENIOR NOTES	LONG-TERM BANK DEBT	OTHER	TOTAL
	IN MILLIONS				
2001	$ --	$125	$50	--	$175
2002	--	100	94	--	194
2003	300	250(b)	41	--	591
2004	--	--	--	--	--
2005	--	200(c)	--	--	200

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(a) Consumers has the option to redeem these notes after November 15, 2001

(b) These Notes are subject to a Call Option by the Callholder or a Mandatory Put on May 1, 2003

(c) Senior Remarketed Notes subject to optional redemption by Consumers after June 15, 2005

(d) Due date uncertain (see Note 1)

The accompanying notes are an integral part of these statements.

CONSUMERS ENERGY COMPANY

CONSOLIDATED STATEMENTS OF PREFERRED STOCK

	SERIES	OPTIONAL REDEMPTION PRICE	DECEMBER 31 2000	DECEMBER 31 1999	DECEMBER 31 2000	DECEMBER 31 1999
			NUMBER OF SHARES		IN MILLIONS	
PREFERRED STOCK						
Cumulative, $100 par value, authorized 7,500,000 shares, with no mandatory redemption..............................	$4.16	$103.25	68,451	68,451	$ 7	$ 7
	4.50	110.00	373,148	373,148	37	37
TOTAL PREFERRED STOCK........................					$44	$44

The accompanying notes are an integral part of these statements.

CONSUMERS ENERGY COMPANY

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
COMMON STOCK			
At beginning and end of period(a)	$ 841	$ 841	$ 841
OTHER PAID-IN CAPITAL			
At beginning of period	645	502	452
Capital stock expense	--	(7)	--
Stockholder's contribution	--	150	100
Return of stockholder's contribution	--	--	(50)
Miscellaneous	1	--	--
At end of period	646	645	502
REVALUATION CAPITAL			
At beginning of period	37	68	58
Change in unrealized investment -- gain (loss)(b)	(4)	(31)	10
At end of period	33	37	68
RETAINED EARNINGS			
At beginning of period	485	434	363
Net income(b)	304	340	349
Cash dividends declared -- Common Stock	(247)	(262)	(241)
Cash dividends declared -- Preferred Stock	(2)	(6)	(19)
Preferred securities distributions	(34)	(21)	(18)
At end of period	506	485	434
TOTAL COMMON STOCKHOLDER'S EQUITY	$2,026	$2,008	$1,845

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

(b) Disclosure of Comprehensive Income:

Revaluation capital			
Unrealized investment -- gain (loss), net of tax of $(2), $(17) and $6, respectively	$ (4)	$ (31)	$ 10
Net income	304	340	349
Total Comprehensive Income	$ 300	$ 309	$ 359

The accompanying notes are an integral part of these statements.

CONSUMERS ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION: The consolidated financial statements include Consumers and its wholly owned subsidiaries. Consumers prepared the financial statements in conformity with generally accepted accounting principles that include the use of management's estimates. Consumers uses the equity method of accounting for investments in its companies and partnerships where it has more than a 20 percent but less than a majority ownership interest and includes these results in operating income.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates and assumptions are also used in the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION POLICY: Revenues from deliveries of electricity and natural gas, and the storage of natural gas, are recognized as services are provided. Therefore, revenues include the accrual of electricity or gas consumed and/or delivered, but not billed at month-end.

ACCRETION INCOME AND EXPENSE: In 1991, the MPSC allowed Consumers to recover a portion of its abandoned Midland investment over a 10-year period, but did not allow Consumers to earn a return on that amount. Consumers reduced the recoverable investment to the present value of the future recoveries. During the recovery period, Consumers adjusts the unrecovered asset to its present value. It reflects this adjustment as accretion income. Conversely, in 1992, Consumers recorded a loss for the present value of its estimated future underrecoveries of power costs resulting from purchases from the MCV Partnership (see Note 2). It now recognizes accretion expense annually to reflect the time value of money on the recorded loss.

GAS INVENTORY: Consumers uses the weighted average cost method for valuing working gas inventory. Beginning October 2000, gas inventory also includes recoverable cushion gas. Consumers records nonrecoverable cushion gas in the appropriate gas utility plant account. Consumers stores gas inventory in its underground storage facilities.

MAINTENANCE, DEPRECIATION AND DEPLETION: Consumers charges property repairs and minor property replacements to maintenance expense. Depreciable property retired or sold, plus cost of removal (net of salvage credits), is charged to accumulated depreciation. Consumers bases depreciation provisions for utility property on straight-line and units-of-production rates approved by the MPSC. The composite depreciation rate for electric utility property was 3.1 percent for 2000, 3.0 percent for 1999 and 3.5 percent for 1998. The composite rate for gas utility property was 4.4 percent for 2000 and 1999 and 4.2 percent for 1998. The composite rate for other property was 10.7 percent for 2000, 8.6 percent for 1999 and 7.4 percent for 1998.

NUCLEAR FUEL COST: Consumers amortizes nuclear fuel cost to fuel expense based on the quantity of heat produced for electric generation. Consumers expenses interest on leased nuclear fuel as it is incurred. Under current federal law, as a federal court decision confirmed, the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. For fuel used after April 6, 1983, Consumers charges disposal costs to nuclear fuel expense, recovers these costs through electric rates, and then remits them to the DOE quarterly. Consumers elected to defer payment for disposal of spent nuclear fuel burned before April 7, 1983. As of December 31, 2000, Consumers has a recorded liability to the DOE of $130 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest. In 1997, the DOE declared that it would not begin to accept spent nuclear fuel deliveries in 1998. Also in 1997, a federal court affirmed the DOE's duty to take delivery of spent fuel. Subsequent litigation in which Consumers, and certain other utilities, participated has not been successful in producing more specific relief for the DOE's failure to comply.

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

NUCLEAR PLANT DECOMMISSIONING: In 2000, Consumers collected $39 million from its electric customers for decommissioning its two nuclear plants. Amounts collected from electric retail customers and deposited in trusts (including trust earnings) are credited to accumulated depreciation. In March 1999, Consumers received a decommissioning order from the MPSC that approved estimated decommissioning costs for Big Rock and Palisades that were $294 million and $518 million in 1997 dollars, respectively. Using the inflation factors presented to the MPSC in order to escalate the estimated decommissioning costs to 2000 dollars, the Big Rock and Palisades estimated decommissioning costs are $325 million and $592 million, 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 March 22, 1999 MPSC order set the annual decommissioning surcharge for Big Rock at $32 million through December 31, 2000 and the December 16, 1999 MPSC order set the annual decommissioning surcharge for Palisades at $6 million a year. Consumers is required to file a "Report on the Adequacy of the Existing Annual Provision for Nuclear Plant Decommissioning" (Report) with the MPSC by March 31, 2001. In December 2000, the NRC extended the Palisades' operating license to March 2011. The impact of this extension will be evaluated as part of Consumers' March 31, 2001 Report to the MPSC.

In 1997, Big Rock closed permanently even though the plant was originally scheduled to close on May 31, 2000, at the end of the plant's operating license, and plant decommissioning began. It may take five to ten years to return the site to its original condition. For 2000, Consumers incurred costs of $36 million that were charged to the accumulated depreciation reserve for decommissioning and withdrew $37 million from the Big Rock nuclear decommissioning trust fund. In total, Consumers has incurred costs of $162 million that have been charged to the accumulated depreciation reserve for decommissioning and withdrew $149 million from the Big Rock nuclear decommissioning trust fund. These activities had no material impact on net income. At December 31, 2000, Consumers is the beneficiary of the investment in nuclear decommissioning trust funds of $179 million for Big Rock.

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. Palisades' original NRC license would have expired in 2007 and the trust funds were estimated to have accumulated $667 million, assuming currently approved MPSC 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. At December 31, 2000, Consumers is the beneficiary of the investment in nuclear decommissioning trust funds of $432 million for Palisades.

UNAMORTIZED DEBT PREMIUM, DISCOUNT AND EXPENSE: Consumers amortizes premiums, discounts and expenses incurred in connection with the issuance of presently outstanding long-term debt over the terms of the respective issues. For the regulated portions of our businesses, if debt is refinanced, Consumers amortizes any unamortized premiums, discounts and expenses over the term of the new debt, as allowed under regulated utility accounting.

CONSUMERS ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RECLASSIFICATIONS: Consumers reclassified certain prior year amounts for comparative purposes. These reclassifications did not affect consolidated net income for the years presented.

RELATED-PARTY TRANSACTIONS: At December 31, 2000 and 1999, Consumers' investment in Enterprises' preferred stock was $50 million and $100 million, respectively. The remaining $50 million will be paid to Consumers within one year. The amount is classified on the balance sheet in accounts receivable-related parties. In addition, Consumers has an investment in 2.7 million shares of CMS Energy Common Stock with a fair value totaling $86 million at December 31, 2000 (see Note 5). From these two investments, Consumers received dividends from affiliates' common and preferred stock totaling $10 million, $11 million, and $14 million in 2000, 1999 and 1998, respectively.

Consumers purchases a portion of its gas from CMS Oil and Gas. The purchases for the years ended 2000, 1999 and 1998 were $3 million, $19 million and $24 million, respectively. In 2000, 1999 and 1998, Consumers paid $51 million, $52 million and $51 million, respectively, for electric generating capacity and energy from affiliates of Enterprises. Consumers pays a portion of its gas transportation costs to Panhandle and its subsidiary Trunkline. In 2000 and 1999 transportation fees paid was $38 million and $33 million, respectively. Consumers and its subsidiaries sold, stored and transported natural gas and provided other services to the MCV Partnership totaling $26 million, $23 million and $13 million in 2000, 1999 and 1998, respectively. For additional discussion of related-party transactions with the MCV Partnership and the FMLP, see Notes 2 and 11. Other related-party transactions are immaterial.

UTILITY REGULATION: Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS No. 71, Accounting for the Effects of Certain Types of Regulation. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders. Consistent with these orders, Consumers discontinued application of SFAS No. 71 for the energy supply portion of its business in the first quarter of 1999 because Consumers expected to implement retail open access for its electric customers in September 1999. Discontinuation of SFAS No. 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets by approximately $535 million and establishing a regulatory asset for a corresponding amount. According to current accounting standards, Consumers can continue to carry its energy supply-related regulatory assets if legislation or an MPSC rate order allows the collection of cash flows to recover these regulatory assets from its regulated transmission and distribution customers. As of December 31, 2000, Consumers had a net investment in energy supply facilities of $1.109 billion included in electric plant and property. See Note 2, Uncertainties, "Electric Rate Matters -- Electric Restructuring."

SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, imposes stricter criteria for retention of regulatory-created assets by requiring that such assets be probable of future recovery at each balance sheet date. Management believes these assets are probable of future recovery.

CONSUMERS ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following regulatory assets (liabilities), which include both current and non-current amounts, are reflected in the Consolidated Balance Sheets. These costs are expected to be recovered through rates over periods of up to 14 years.

	DECEMBER 31	
	2000	1999
	IN MILLIONS	
Securitization costs (Note 2)	$ 709	$ --
Unamortized nuclear costs	6	519
Postretirement benefits (Note 7)	251	366
Income taxes (Note 4)	24	193
Abandoned Midland project	22	48
Manufactured gas plant sites (Note 2)	63	65
DSM -- deferred costs	6	13
Uranium enrichment facility	--	18
Other	18	35
Total regulatory assets	$1,099	$1,257
Income taxes (Note 4)	$ (270)	$ (257)
Gas customer choice reserve	(33)	--
Other	(6)	(17)
Total regulatory liabilities	$ (309)	$ (274)

In October 2000, Consumers received an MPSC order authorizing Consumers to securitize certain regulatory assets up to $470 million, net of tax (See Note 2, Electric Rate Matters). Accordingly, in December 2000, Consumers established a regulatory asset for securitization costs of $709 million, before tax, that had previously been recorded in other regulatory asset accounts. As a result, regulatory assets totaling $709 million were transferred to the regulatory asset Securitization Costs from the following regulatory asset components:

Unamortized nuclear costs	$405
Postretirement benefits	84
Income taxes	203
Uranium enrichment facility	16
Other	1
Total securitized regulatory assets	$709

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

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

Consumers enters into interest rate swap agreements to exchange variable-rate interest payment obligations for fixed-rate obligations without exchanging the underlying notional amounts. These agreements convert variable-rate debt to fixed-rate debt in order to reduce the impact of interest rate fluctuations. The notional amounts parallel the underlying debt levels and are used to measure interest to be paid or received and do not represent the exposure to credit loss. For further discussion see Note 3, Short-Term Financing and Capitalization, "Derivative Activities".

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

OTHER: For significant accounting policies regarding income taxes, see Note 4; for executive incentive compensation, see Note 6; and for pensions and other postretirement benefits, see Note 7.

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

Effective January 1, 2001, Consumers adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended and interpreted. SFAS No. 133 requires Consumers to recognize at fair value, all contracts that meet the definition of a derivative instrument, on the balance sheet as either assets or liabilities. This standard also requires Consumers to record all changes in fair value directly in earnings, or other comprehensive income if the derivative meets certain qualifying hedge criteria. Upon initial adoption of the standard, Consumers will record the difference between the current fair value of the contract and the recorded book value of the contract as a cumulative effect type adjustment to accumulated other comprehensive income. Consumers determines fair value based upon mathematical models using current and historical pricing data.

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

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

	IN MILLIONS
Cumulative effect on accumulated other comprehensive income from a change in accounting principle, net of tax.........	$16

The cumulative effect on accumulated other comprehensive income from a change in accounting principle relates to gas options and gas fuel and interest rate swap contracts that qualified for cash flow hedge accounting prior to the initial adoption of SFAS No. 133. This amount will reduce, or be charged to, cost of gas, cost of power, or interest expense, respectively, when the related hedged transaction occurs. Based on the pretax amount recorded in accumulated other comprehensive income on the January 1, 2001 transition date, Consumers expects to record $24 million as a reduction to cost of gas, $2 million as a reduction to cost of power, and $2 million as an increase to interest expense in 2001.

After January 1, 2001, certain gas option contracts will not qualify for cash flow hedge accounting under SFAS No. 133, and Consumers will therefore record any change in fair value subsequent to January 1, 2001 directly in earnings, which could cause earnings volatility.

Additionally, derivative and hedge accounting for certain utility industry contracts, particularly electric call option contracts remains uncertain. Consumers is currently accounting for electric call option contracts and other electric option-like contracts as derivatives that qualify for the normal purchase exception of SFAS No. 133, and as such, has not recorded these contracts on the balance sheet at fair value. The ultimate financial statement impact depends upon resolution of these industry specific issues with the FASB and could be materially different than stated above. For further discussion of derivative activities, see "Derivative Activities" under Note 2, Uncertainties, Other Electric Uncertainties and Other Gas Uncertainties and Note 3, Short-Term Financings and Capitalization.

CHANGE IN METHOD OF ACCOUNTING FOR PROPERTY TAXES: During the first quarter of 1998, Consumers implemented a change in the method of accounting for property taxes so that such taxes are recognized during the fiscal period of the taxing authority for which the taxes are levied. This change better matches property tax expense with the services provided by the taxing authorities and is considered the most acceptable basis of recording property taxes. Prior to 1998, Consumers recorded property taxes monthly during the year following the assessment date (December 31). In 1998, the cumulative effect of this one-time change in accounting increased other income by $66 million, and earnings, net of tax, by $43 million.

2: UNCERTAINTIES

ELECTRIC CONTINGENCIES

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

1997 EPA Revised NOx and Small Particulate Emissions Standards -- In 1997, the EPA revised these standards to impose further limitations on nitrogen oxide and small particulate-related emissions. The United States Supreme Court recently found that the EPA has power to revise the standards but found that the EPA's implementation plan was not lawful. While this case has been pending in federal courts, and while continuing through the lower federal courts as ordered by the Supreme Court, the EPA suspended the standards under the 1997 rule and reinstated the pre-1997 standards.

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

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

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

Cost of Environmental Law Compliance -- To meet the EPA's 1998 rule and/or the Section 126 nitrous oxide emission rules, the estimated cost to Consumers will be between $290 million and $500 million, calculated in year 2000 dollars. The lower estimate represents the capital expenditure level that would satisfactorily meet the proposed emissions limits but would result in higher operating expense. The higher estimate in the range includes expenditures that result in lower operating costs while complying with the proposed emissions limit. Consumers anticipates that it will incur these capital expenditures between 2000 and either 2003 or 2004, depending upon whether the EPA prevails in the Section 126 litigation. In addition, Consumers expects to incur cost of removal related to this effort, but is unable to predict the amount at this time.

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

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

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

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $2 million and $9 million. As of December 31, 2000, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

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

ELECTRIC RATE MATTERS

ELECTRIC RESTRUCTURING: Since 1997, the Michigan Legislature has been considering electric utility restructuring legislation. These efforts finally resulted in the passage of the Customer Choice Act, which became effective June 5, 2000.

The Customer Choice Act: 1) permits all customers to exercise choice of electric generation suppliers by January 1, 2002; 2) cuts residential electric rates by five percent; 3) freezes all electric rates through December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of Securitization to refinance stranded costs as a means of offsetting the earnings impact of the five percent residential rate reduction; 5) establishes a market power test which may require the transfer of control of a portion of generation resources in excess of that required to serve firm retail sales requirements (a requirement with which Consumers is in compliance); 6) requires Michigan utilities to join a FERC-approved RTO or divest their interest in transmission facilities to an independent transmission owner; 7) requires the joint expansion of available transmission capability by Consumers, Detroit Edison and American Electric Power by at least 2,000 MW by June 5 of 2002; and 8) allows for the recovery of stranded costs and implementation costs incurred as a result of the passage of the act. Consumers is highly confident that it will meet the conditions of items 5 and 7 above, prior to the earliest rate cap termination dates specified in the act. Failure to do so would result in an extension of the rate caps to as late as December 31, 2013. As of 2000, Consumers spent $13 million on the required expansion of transmission capabilities. Consumers anticipates it will spend an additional $24 million in 2001 and 2002, unless Consumers transfers its transmission facilities to a FERC approved RTO or to an independent transmission owner.

In July 2000, in accordance with the Customer Choice Act, Consumers filed an application with the MPSC to begin the Securitization process. Securitization typically involves the issuance of asset backed bonds with a higher credit rating than conventional utility corporate financing. In October 2000 and January 2001, the MPSC issued a financing order and a final order, respectively, authorizing Securitization of approximately $470 million in qualified costs, which were primarily regulatory assets, consisting of electric utility stranded generation costs, plus recovery of the expenses of the Securitization. Cost savings from Securitization depend upon the level of debt or equity securities ultimately retired, the amortization schedule for the securitized qualified costs and the interest rates of the retired debt securities and the Securitization bonds. These savings will only be determined once the Securitization bonds are issued and will offset the majority of the revenue impact of the five percent residential rate reduction, $51 million on an annual basis, that Consumers was required to implement by the Customer Choice Act. The order directs Consumers to apply any cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential and retail open access customers after the bonds are sold. In a subsequent order, the MPSC confirmed that Consumers could recover the five percent residential rate reduction's effect on revenues lost from the date of the financing order. Consumers estimates that the disallowed portion of revenue recovery relating to the year 2000 five percent residential rate reduction reduced its operating earnings by $22 million in 2000. Consumers, and its special purpose subsidiary that will issue the bonds, will recover the repayment of principal, interest and other expenses relating to the issuance of the bonds through a Securitization charge and a tax charge. These charges are subject to an annual true-up until one year prior to the last expected maturity date of the Securitization bonds and no more than quarterly thereafter. The MPSC's order will not increase current electric rates for any of Consumers' tariff customers.

In January 2001, Consumers accepted the MPSC's final financing order. The final financing order has been appealed by the Attorney General of Michigan. Consumers cannot predict the outcome of the appeal or its effect on the schedule for issuance of Securitization bonds. Beginning January 1, 2001, and continuing during the appeal period, the amortization of the approved regulatory assets being securitized as qualified costs is being deferred which effectively offsets the loss in revenue resulting from the five percent residential rate reduction. The amortization will be reestablished later, after the Securitization bond sale, based on a schedule that is the same as the recovery of the principal amounts of the securitized qualified costs. Ultimately, sale of Securitization bonds will be required to offset the majority of the revenue impact of the rate reduction over the term of the bonds.

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

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

POWER COSTS: During periods when electric demand is high, the cost of purchasing energy on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power reserve, also called a reserve margin, of approximately 15 percent. The reserve margin provides Consumers with additional power above its anticipated peak power demands. It also allows

Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. For the summers 2001, 2002, and 2003, Consumers is planning for a reserve margin of 15 percent. The actual reserve margin needed will depend primarily on summer weather conditions, the level of retail open access requirements being served by others during the summer, and any unscheduled plant outages. The existing retail open access plan allows other electric service providers with the opportunity to serve up to 750 MW of nominal retail open access requirements. As of January 2001, alternative electric service providers are providing service to 67 MW of retail open access requirements.

To reduce the risk of high energy prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing electricity call option contracts for the physical delivery of electricity during the months of June through September. The cost of these electricity call option contracts for summer 2000 was $51 million. Consumers expects to use a similar strategy in the future, but cannot predict the cost of this strategy at this time. As of December 31, 2000, Consumers had purchased or had commitments to purchase electricity call option contracts covering the estimated reserve margin requirements for summer 2001, and partially covering the estimated reserve margin requirements for summers 2002 through 2005, at a recognized cost of $86 million, of which $42 million pertains to 2001. Changes in power costs as a result of fluctuating energy prices will not be reflected in rates during the rate freeze period as discussed above.

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

In 1999, Consumers and four other electric utility companies joined together to form a coalition known as the Alliance Companies for the purpose of creating a FERC approved RTO. As the FERC has not made a final disposition of the Alliance RTO, Consumers is uncertain about the outcome of the Alliance matter before the FERC and its continued participation in the Alliance RTO.

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

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

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

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

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
		IN MILLIONS	
Pretax operating income	$56	$49	$49
Income taxes and other	18	15	15
Net income	$38	$34	$34

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

Consumers recognized a loss in 1992 for the present value of the estimated future underrecoveries of power costs under the PPA based on MPSC cost recovery orders. At December 31, 2000 and December 31, 1999, the remaining after-tax present value of the estimated future PPA liability associated with the 1992 loss totaled $44 million and $78 million, respectively. In March 1999, Consumers and the MCV Partnership reached an agreement effective January 1, 1999 that capped availability payments to the MCV Partnership at 98.5 percent. If the MCV Facility generates electricity at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

	2001	2002	2003	2004	2005
			IN MILLIONS		
Estimated cash underrecoveries at 98.5%, net of tax	$39	$38	$37	$36	$35

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

NUCLEAR MATTERS: In March 2000, Palisades received its annual performance review in which the NRC stated that no significant performance issues existed during the assessment period in the reactor safety, radiation safety, and safeguards strategic performance areas. The NRC stated that Palisades continues to operate in a safe manner. Further, it stated that over the next few years the NRC plans to conduct only routine inspections at Palisades. In April 2000, the NRC implemented the revised reactor oversight process industry-wide, including for Palisades. As part of that process, in April 2000, Palisades submitted required NRC performance data that indicated that Consumers was within the limits of acceptable performance for which no NRC response is required.

The amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, commonly known as "dry casks", for temporary on-site storage. As of December 31, 2000, Consumers had loaded 18 dry storage casks with spent nuclear fuel at Palisades. Palisades will need to load additional casks by 2004 in order to continue operation. Palisades currently has three additional empty storage-only casks on-site, with storage pad capacity for up to seven additional loaded casks. Consumers anticipates, however, that licensed transportable casks will be available prior to 2004.

Consumers maintains insurance against property damage, debris removal, personal injury liability and other risks that are present at its nuclear facilities. Consumers also maintains coverage for replacement power costs during prolonged accidental outages at Palisades. Insurance would not cover such costs during the first 12 weeks of any outage, but would cover most of such costs during the next 52 weeks of the outage, followed by reduced coverage to 80 percent for 110 additional weeks. If certain covered losses occur at its own or other nuclear plants similarly insured, Consumers could be required to pay maximum assessments of $12.8 million in any one year to NEIL; $88 million per occurrence under the nuclear liability secondary financial protection program, limited to $10 million per occurrence in any year; and $6 million if nuclear workers claim bodily injury from radiation exposure. Consumers considers the possibility of these assessments to be remote.

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

In November 2000, Consumers signed an agreement to acquire an interest in NMC. In connection with this agreement, Consumers requested approval from the NRC for an amendment to Palisades' operating license designating NMC as the plant's operator. Consumers will retain ownership of Palisades, its 789 MW output, the spent fuel on site, and ultimate responsibility for the safe operation, maintenance and decommissioning of the plant. Under this agreement, salaried Palisades' employees will become NMC employees by mid-year 2001. Union employees will work under the supervision of NMC pursuant to their existing labor contract as Consumers employees. Consumers will benefit by consolidating expertise and controlling costs and resources among all of the nuclear plants being operated on behalf of the five NMC member companies. With Consumers as a partner, NMC will have responsibility for operating eight units with 4,500 MW of generating capacity in Wisconsin, Minnesota, Iowa and Michigan. The ultimate financial impact is uncertain.

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

COMMITMENTS FOR COAL SUPPLIES: Consumers has entered into coal supply contracts with various suppliers for its coal-fired generating stations. Under the terms of these agreements, Consumers is obligated to take physical delivery of the coal and make payment based upon the contract terms. Consumers' current contracts have expiration dates that range from 2001 to 2004. Consumers enters into long-term contracts for approximately 60 to 85 percent of its annual coal requirements. In 2000, coal purchases totaled $239 million of which $195 million (81 percent of the tonnage requirement) was under long-term contract. Consumers supplements its long-term contracts with spot-market purchases.

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

Consumers' electric business also uses purchased gas call option and gas swap contracts to hedge against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These contracts are financial contracts that will be used to offset increases in the price of probable forecasted gas purchases. These contracts are designated as cash flow hedges, and therefore, Consumers will record any change in the fair value of these contracts in other comprehensive income until the forecasted transaction occurs. Consumers believes that these contracts will be highly effective in achieving offsetting cash flows of future gas purchases. Consumers will record any ineffectiveness, as required by SFAS No. 133, in earnings immediately as part of power costs. At January 1, 2001, Consumers had a derivative asset with a fair value of $3 million, which includes $1 million of premiums paid for these contracts. These contracts expire in 2001.

GAS CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 sites that formerly housed manufactured gas plant facilities, even those in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. On sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to further investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. Using this model, Consumers estimates the costs to be between $66 million and $118 million. These estimates are based on undiscounted 1999 costs. As of December 31, 2000, Consumers has an accrued liability of $56 million, (net of expenditures incurred to date), and a regulatory asset of $63 million. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect the estimate of remedial action costs for the sites. Consumers defers and amortizes, over a period of ten years, environmental clean-up costs above the amount currently being recovered in rates. Rate recognition of amortization expense cannot begin until after a prudence review in a future general gas rate case. The MPSC allows Consumers to recover $1 million annually. 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: On April 1, 1998, Consumers implemented an experimental gas customer choice pilot program. The pilot program ends March 31, 2001. The program allows up to 300,000 residential, commercial and industrial retail gas sales customers to choose an alternative gas commodity supplier in direct competition with Consumers. As of December 31, 2000, more than 150,000 customers chose alternative gas suppliers, representing approximately 38 bcf of gas requirements. Customers who choose to remain sales customers of Consumers will have fixed gas commodity rates through the end of the program. This three-year program: 1) freezes gas distribution rates through March 31, 2001, establishing a gas commodity cost at a fixed rate of $2.84 per mcf; 2) establishes an earnings sharing mechanism with customers if Consumers' earnings exceed certain pre-determined levels; and 3) establishes a gas transportation code of conduct that addresses the relationship between

Consumers and marketers, including its affiliated marketers. In October 2000, the MPSC approved Consumers' application for a permanent gas customer choice program commencing April 1, 2001. Under the permanent gas customer choice program, Consumers will no longer be subject to a frozen gas commodity cost and delivery charge. Consumers will then return to a GCR mechanism that allows it to recover from its customers all prudently incurred costs to purchase the natural gas commodity and transport it to Consumers' facilities. Under the permanent gas customer choice program, up to 600,000 of Consumers' natural gas customers will be eligible to participate in the program beginning April 1, 2001, up to 900,000 gas customers by April 1, 2002, and all of Consumers' gas customers beginning April 1, 2003. Consumers would continue to transport and distribute gas to these customers.

During the last year of the experimental pilot program, significant increases in gas costs had exposed Consumers to gas commodity losses. In the second quarter 2000, Consumers recorded a regulatory liability of $45 million to reflect estimated losses due to increases in natural gas commodity costs. In October 2000, the MPSC approved Consumers' accounting application to revise its inventory accounting and reclassify low-cost, base gas in Consumers' gas storage reservoirs. The MPSC allowed Consumers to immediately begin to include the cost of its recoverable base gas with higher cost purchased gas. Consumers expects the gas accounting order to eliminate the need for Consumers to recognize any further losses related to gas commodity cost underrecoveries.

OTHER GAS UNCERTAINTIES

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

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

DERIVATIVE ACTIVITIES: Consumers' gas business uses a combination of written put and purchased call options to manage the cost of gas supplied to its customers. These options do not qualify for hedge accounting under SFAS No. 133; therefore, Consumers will record any change in the fair value of these contracts directly in earnings as part of the cost of gas. Consumers is recognizing the net premium to the cost of gas through March 2001 when the contracts expire. As of January 1, 2001, these contracts had a net fair value of $25 million.

OTHER UNCERTAINTIES

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

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

3: SHORT-TERM FINANCINGS AND CAPITALIZATION

AUTHORIZATION: At February 1, 2001, Consumers had FERC authorization to issue or guarantee through June 2002, up to $900 million of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2002 up to $25 million and $800 million of long-term securities for refinancing or refunding purposes and for general corporate purposes, respectively. Additionally, Consumers had remaining FERC authorization to issue $275 million of first mortgage bonds to be issued solely as security for the long-term securities mentioned above.

SHORT-TERM FINANCINGS: Consumers has an unsecured $300 million credit facility and unsecured lines of credit aggregating $190 million. These facilities are available to finance seasonal working capital requirements and to pay for capital expenditures between long-term financings. At December 31, 2000, a total of $403 million was outstanding at a weighted average interest rate of 7.4 percent, compared with $214 million outstanding at December 31, 1999, at a weighted average interest rate of 6.6 percent.

Consumers currently has in place a $325 million trade receivables sale program. At December 31, 2000 and 1999, receivables sold under the program totaled $325 million for each year. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold.

LONG-TERM FINANCINGS: Consumers issued floating rate senior notes of $225 million in November 2000, maturing in November 15, 2001 and 2002. For detailed information about long-term financing, see the Consolidated Statements of Long-Term Debt.

FIRST MORTGAGE BONDS: Consumers secures its First Mortgage Bonds by a mortgage and lien on substantially all of its property. Consumers' ability to issue and sell securities is restricted by certain provisions in its First Mortgage Bond Indenture, its Articles of Incorporation and the need for regulatory approvals to meet appropriate federal law.

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

CONSUMERS ENERGY COMPANY TRUST AND SECURITIES DECEMBER 31	RATE	AMOUNT OUTSTANDING 2000	1999	MATURITY	EARLIEST REDEMPTION
		IN MILLIONS			
Consumers Power Company Financing I, Trust Originated Preferred Securities	8.36%	$100	$100	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities	8.20%	$120	$120	2027	2002
Consumers Energy Company Financing III, Trust Originated Preferred Securities	9.25%	$175	$175	2029	2004

OTHER: Consumers has a total of $126 million of long-term pollution control revenue bonds outstanding, secured by first mortgage bonds and insurance policies. These bonds had a weighted average interest rate of 5.1 percent at December 31, 2000.

Under the provisions of its Articles of Incorporation, Consumers had $373 million of unrestricted retained earnings available to pay common dividends at December 31, 2000. In January 2001, Consumers declared a $66 million common dividend that was paid in February 2001.

DERIVATIVE ACTIVITIES: Consumers uses interest-rate swaps to hedge the risk associated with forecasted interest payments on variable rate debt. These interest rate swaps are designated as a cash flow hedges. As such, Consumers will record any change in the fair value of these contracts in other comprehensive income until the forecasted transaction occurs. These swaps fix the interest rate on $300 million of variable rate debt, and expire at varying times from June through December 2001. As of January 1, 2001, these interest rate swaps had a negative fair value of $2 million.

4: INCOME TAXES

Consumers and its subsidiaries file a consolidated federal income tax return with CMS Energy. Income taxes are generally allocated based on each company's separate taxable income. Consumers practices full deferred tax accounting for temporary differences as authorized by the MPSC.

Consumers uses ITC to reduce current income taxes payable, and defers and amortizes ITC over the life of the related property. Any AMT paid generally becomes a tax credit that Consumers can carry forward indefinitely to reduce regular tax liabilities in future periods when regular taxes paid exceed the tax calculated for AMT. The significant components of income tax expense (benefit) consisted of:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Current federal income taxes	$149	$170	$138
Deferred income taxes, includes $23 for 1998 change in accounting (Note 1)	7	11	36
Deferred ITC, net	(8)	(9)	(16)
	$148	$172	$158

The principal components of Consumers' deferred tax assets (liabilities) recognized in the balance sheet are as follows:

	DECEMBER 31 2000	DECEMBER 31 1999
	IN MILLIONS	
Property	$ (522)	$ (587)
Securitization costs (Note 2)(a)	(185)	--
Unconsolidated investments	(226)	(230)
Postretirement benefits (Note 7)	(88)	(128)
Abandoned Midland project	(8)	(17)
Employee benefit obligations, includes postretirement benefits of $122 and $134 (Note 7)	148	171
Power purchases (Note 2)	24	42
AMT carryforward	53	48
FAS 109 regulatory liability	86	22
Other	4	(13)
	$ (714)	$ (692)
Gross deferred tax liabilities	$(1,365)	$(1,388)
Gross deferred tax assets	651	696
	$ (714)	$ (692)

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(a) During 2000, Consumers Energy established a regulatory asset for securitization costs of $709 million, before tax, which had previously been recorded in other regulatory asset accounts. As a result, deferred taxes totaling $185 million were transferred from the following components:

Property	$ (81)
Postretirement benefits	(29)
FAS 109 regulatory liability	(70)
Other	(5)
	$(185)

The actual income tax expense differs from the amount computed by applying the statutory federal tax rate to income before income taxes as follows:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Net income	$304	$340	$349
Income tax expense, includes $23 for 1998 change in accounting (Note 1)	148	172	158
Preferred securities distributions	(34)	(21)	(18)
Pretax income	418	491	489
Statutory federal income tax rate	x 35%	x 35%	x 35%
Expected income tax expense	146	172	171
Increase (decrease) in taxes from Capitalized overheads previously flowed through	5	5	5
Differences in book and tax depreciation not previously deferred	11	10	3
ITC amortization/adjustments	(9)	(9)	(16)
Affiliated companies' dividends	(3)	(4)	(5)
Other, net	(2)	(2)	--
Actual income tax expense	$148	$172	$158
Effective tax rate	35.4%	35.0%	32.3%

5: FINANCIAL INSTRUMENTS

The carrying amounts of cash, short-term investments and current liabilities approximate their fair values due to their short-term nature. Consumers estimates the fair values of long-term investments based on quoted market prices or, in the absence of specific market prices, on quoted market prices of similar investments or other valuation techniques. The carrying amounts of all long-term investments, except as shown below, approximate fair value.

	DECEMBER 31					
	2000			1999		
AVAILABLE-FOR-SALE SECURITIES	COST	FAIR VALUE	UNREALIZED GAIN	COST	FAIR VALUE	UNREALIZED GAIN
	IN MILLIONS					
Common stock of CMS Energy	$ 40	$ 86	$ 46	$ 42	$ 90	$48
SERP	21	26	5	20	28	8
Nuclear decommissioning investments(a)	480	611	131	448	602	154

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(a) Consumers classifies its unrealized gains and losses on nuclear decommissioning investments in accumulated depreciation.

The carrying amount of long-term debt was $2.1 billion at December 31, 2000 and $2.0 billion at December 31, 1999, and the fair values were $2.0 billion and $1.9 billion, respectively. For held-to-maturity securities and related-party financial instruments, see Note 1.

6: EXECUTIVE INCENTIVE COMPENSATION

Consumers participates in CMS Energy's Performance Incentive Stock Plan. Under the plan, restricted shares of Common Stock of CMS Energy, stock options and stock appreciation rights related to Common Stock may be granted to key employees based on their contributions to the successful management of CMS Energy and its subsidiaries. Awards under the plan may consist of any class of Common Stock of CMS Energy. Certain plan awards are subject to performance-based business criteria. The plan reserves for award not more than five percent, as amended January 1, 1999, of CMS Energy's Common Stock outstanding on January 1 each year, less (1) the number of shares of restricted Common Stock awarded and (2) Common Stock subject to options granted under the plan during the immediately preceding four calendar years. The number of shares of restricted Common Stock awarded under this plan cannot exceed 20% of the aggregate number of shares reserved for award. Any forfeiture of shares previously awarded will increase the number of shares available to be awarded under the plan. As of December 31, 2000, under the plan, awards of up to 2,274,490 shares of CMS Energy Common Stock may be issued.

Restricted shares of Common Stock are outstanding shares with full voting and dividend rights. These awards vest over five years at the rate of 25 percent per year after two years. The restricted shares are subject to achievement of specified levels of total shareholder return and are subject to forfeiture if employment terminates before vesting. If performance objectives are exceeded, the plan provides for additional awards. Restricted shares vest fully if control of CMS Energy changes, as defined by the plan. At December 31, 2000, 189,327 of the 259,377 shares of restricted CMS Energy Common Stock outstanding are subject to performance objectives.

The plan grants stock options and stock appreciation rights relating to Common Stock with an exercise price equal to the closing market price on each grant date. Some options may be exercised upon grant; others vest over five years at the rate of 25 percent per year, beginning at the end of the first year. All options expire up to ten years and one month from date of grant. In 1999, all outstanding Class G Common Stock and options were converted to CMS Energy Common Stock and options at an exchange rate of .7041 per Class G Common Stock or option held. The original vesting or exercise period was retained for all converted shares or options. The status of the restricted stock and options granted to Consumers' key employees under the Performance Incentive Stock Plan follows.

	RESTRICTED STOCK	OPTIONS	
	NUMBER OF SHARES	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
CMS ENERGY COMMON STOCK			
Outstanding at January 1, 1998	310,351	537,780	$28.84
Granted	92,319	116,164	$43.38
Exercised or Issued	(74,319)	(123,288)	$28.05
Outstanding at December 31, 1998	328,351	530,656	$32.21
Granted	71,025	250,020	$38.56
Exercised or Issued	(80,489)	(68,609)	$29.76
Forfeited	(41,890)	--	
Expired	--	(37,900)	$39.21
Class G Common Stock Converted	6,060	19,503	$32.64
Outstanding at December 31, 1999	283,057	693,670	$34.37
Granted	81,030	221,900	$17.00
Exercised or Issued	(48,979)	(43,368)	$17.48
Forfeited	(55,731)	--	
Expired	--	(30,083)	$31.87
Outstanding at December 31, 2000	259,377	842,119	$30.75

	RESTRICTED STOCK	OPTIONS	
	NUMBER OF SHARES	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
CLASS G COMMON STOCK			
Outstanding at January 1, 1998	19,791	28,000	$18.89
Granted	14,720	45,900	$24.50
Exercised or Issued	(4,021)	--	
Outstanding at December 31, 1998	30,490	73,900	$22.37
Granted	3,427	--	
Exercised or Issued	(7,360)	(19,000)	$18.45
Forfeited	(17,949)	--	
Expired	--	(27,200)	$24.50
Converted to CMS Energy Common Stock	(8,608)	(27,700)	$22.98
Outstanding at December 31, 1999	--	--	--
Outstanding at December 31, 2000	--	--	--

The following table summarizes information about CMS Energy Common Stock options outstanding at December 31, 2000:

RANGE OF EXERCISE PRICES	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE
CMS Energy Common Stock:			
$17.00 -- $24.75	295,365	6.89 years	$18.89
$25.39 -- $39.06	438,590	7.21 years	$35.62
$43.38 -- $43.38	108,164	7.57 years	$43.38
$17.00 -- $43.38	842,119	7.14 years	$30.75

The weighted average fair value of options granted for CMS Energy Common Stock was $1.91 in 2000, $6.08 in 1999, and $6.43 in 1998. The weighted average fair value of options granted for Class G Common Stock was $3.03 in 1998. Fair value is estimated using the Black-Scholes model, a mathematical formula used to value options traded on securities exchanges, with the following assumptions:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
CMS ENERGY COMMON STOCK OPTIONS			
Risk-free interest rate	6.56%	5.66%	5.45%
Expected stock price volatility	26.53%	16.96%	15.93%
Expected dividend rate	$.365	$.365	$.33
Expected option life (years)	4.4	4.7	4.0
CLASS G COMMON STOCK OPTIONS			
Risk-free interest rate			5.44%
Expected stock price volatility			20.02%
Expected dividend rate			$.325
Expected option life			5 years

Consumers applies APB Opinion No. 25 and related interpretations in accounting for the Performance Incentive Stock Plan. Since stock options are granted at market price, no compensation cost has been recognized for stock options granted under the plan. If compensation cost for stock options had been determined in accordance with SFAS No. 123, Accounting for Stock-Based Compensation, Consumers' net income would have decreased by less than $1 million for 2000, 1999 and 1998. The compensation cost charged against income for restricted stock was $1 million in 2000, $3 million in 1999, and $4 million in 1998.

7: RETIREMENT BENEFITS

Consumers provides retirement benefits under a number of different plans, including certain health care and life insurance benefits under OPEB, benefits to certain management employees under SERP, and benefits to substantially all its employees under a trusteed, non-contributory, defined benefit Pension Plan, and a defined contribution 401(k) plan.

Amounts presented below for the Pension Plan include amounts for employees of CMS Energy and non-utility affiliates, which were not distinguishable from the plan's total assets.

	WEIGHTED-AVERAGE ASSUMPTIONS					
	PENSION & SERP			OPEB		
	YEARS ENDED DECEMBER 31					
	2000	1999	1998	2000	1999	1998
Discount rate	7.75%	7.75%	7.00%	7.75%	7.75%	7.00%
Expected long-term rate of return on plan assets	9.75%	9.25%	9.25%	7.00%	7.00%	7.00%
Rate of compensation increase:						
Pension -- to age 45	5.25%	5.25%	5.25%			
-- age 45 to assumed retirement	3.75%	3.75%	3.75%			
SERP	5.5%	5.50%	5.50%			

Retiree health care costs at December 31, 2000 are based on the assumption that costs would decrease gradually from the 2000 trend rate of 7.0 percent to 5.5 percent in 2007 and thereafter.

CMS Energy's Net Pension Plan, Consumers' SERP and OPEB benefit costs consist of:

	PENSION & SERP			OPEB		
	YEARS ENDED DECEMBER 31					
	2000	1999	1998	2000	1999	1998
	IN MILLIONS					
Service cost	$ 31	$ 32	$ 26	$ 11	$ 12	$ 10
Interest expense	79	69	61	52	44	42
Expected return on plan assets	(92)	(84)	(73)	(34)	(24)	(17)
Amortization of unrecognized transition (asset)	(5)	(5)	(5)	--	--	--
Ad Hoc Retiree Increase	--	3	--	--	--	--
Amortization of:						
Net (gain) or loss	--	--	--	(1)	(1)	(1)
Prior service cost	4	4	4	--	--	--
Net periodic pension and postretirement benefit cost	$ 17	$ 19	$ 13	$ 28	$ 31	$ 34

The health care cost trend rate assumption significantly affects the amounts reported. A one-percentage point change in the assumed health care cost trend assumption would have the following effects:

	ONE PERCENTAGE POINT INCREASE	ONE PERCENTAGE POINT DECREASE
	IN MILLIONS	
Effect on total service and interest cost component	$ 11	$ (9)
Effect on postretirement benefit obligation	$113	$(94)

The funded status of the CMS Energy Pension Plan, Consumers' SERP and OPEB is reconciled with the liability recorded at December 31 as follows:

	PENSION PLAN		SERP		OPEB	
	2000	1999	2000	1999	2000	1999
			IN MILLIONS			
Benefit obligation January 1	$ 971	$ 874	$ 19	$ 21	$ 685	$ 643
Service cost	30	31	1	1	11	12
Interest cost	78	68	1	1	52	44
Plan amendment	54	4	--	--	--	--
Business combinations	--	70	--	--	--	--
Actuarial loss (gain)	25	3	1	(3)	40	17
Benefits paid	(77)	(79)	(1)	(1)	(34)	(31)
Benefit obligation December 31	$1,081	$ 971	$ 21	$ 19	$ 754	$ 685
Plan assets at fair value at January 1	$1,094	$ 970	$ --	$ --	$ 418	$ 321
Actual return on plan assets	(23)	120	--	--	(16)	49
Company contribution	--	--	--	--	48	48
Business combinations	--	83	--	--	--	--
Actual benefits paid	(77)	(79)	--	--	--	--
Plan assets at fair value at December 31	$ 994(a)	$1,094(a)	$ --	$ --	$ 450	$ 418
Benefit obligation less than (in excess of) plan assets	$ (87)	$ 123	$(21)	$(19)	$(304)	$(267)
Unrecognized net (gain) loss from experience different than assumed	(71)	(212)	2	2	13	(79)
Unrecognized prior service cost	76	28	1	1	(1)	(1)
Unrecognized net transition (asset) obligation	(5)	(11)	--	--	--	--
Panhandle Adjustment	(9)	--	--	--	--	--
Recorded liability	$ (96)	$ (72)	$(18)	$(16)	$(292)	$(347)

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(a) Primarily stocks and bonds, including $166 million in 2000 and $108 million in 1999 of CMS Energy Common Stock.

SERP benefits are paid from a trust established in 1988. SERP is not a qualified plan under the Internal Revenue Code, and as such, earnings of the trust are taxable and trust assets are included in consolidated assets. At December 31, 2000 and 1999, trust assets were $26 million and $28 million, respectively, and were classified as other non-current assets. The accumulated benefit obligation for SERP was $15 million in 2000 and $13 million in 1999.

Contributions to the 40l(k) plan are invested in CMS Energy Common Stock. Amounts charged to expense for this plan were $18 million in 2000, $16 million in 1999, and $15 million in 1998.

Beginning January 1, 1986, the amortization period for the Pension Plan's unrecognized net transition asset is 16 years. Prior service costs are amortized on a straight-line basis over the average remaining service period of active employees.

Consumers adopted the required accounting for postretirement benefits effective in 1992 and recorded a liability of $466 million for the accumulated transition obligation and a corresponding regulatory asset for anticipated recovery in utility rates (see Note 1, Utility Regulation). The MPSC authorized recovery of the electric utility portion of these costs in 1994 over 18 years and the gas utility portion in 1996 over 16 years.

8: LEASES

Consumers leases various assets, including vehicles, railcars, aircraft, construction equipment, computer equipment, nuclear fuel and buildings. In November 1999, Consumers' lessor granted Consumers an extension to the nuclear fuel capital leasing arrangement. The lease expires in November 2001, but provides for additional one-year extensions upon mutual agreement by the parties. Upon termination of the lease, the lessor would be entitled to a cash payment equal to its remaining investment, which was $44 million as of December 31, 2000. Consumers generally is responsible for payment of taxes, maintenance, operating costs, and insurance.

Minimum rental commitments under Consumers' non-cancelable leases at December 31, 2000, were:

	CAPITAL LEASES	OPERATING LEASES
	IN MILLIONS	
2001	$ 65	$ 14
2002	19	12
2003	16	11
2004	13	8
2005	12	6
2006 and thereafter	11	47
Total minimum lease payments	136	$ 98
Less imputed interest	31	
Present value of net minimum lease payments	105	
Less current portion	56	
Non-current portion	$ 49	

Consumers recovers lease charges from customers and accordingly charges payments for its capital and operating leases to operating expense. Operating lease charges, including charges to clearing and other accounts for the years ended December 31, 2000, 1999 and 1998, were $16 million, $14 million and $11 million, respectively.

Capital lease expenses for the years ended December 31, 2000, 1999 and 1998 were $41 million for each period. Included in these amounts, for the years ended 2000, 1999 and 1998, are nuclear fuel lease expenses of $22 million, $23 million and $23 million, respectively.

9: JOINTLY OWNED UTILITY FACILITIES

Consumers is responsible for providing its share of financing for the jointly owned utility facilities. Consumers includes in operating expenses the direct expenses of the joint plants. The following table indicates the extent of Consumers' investment in jointly owned utility facilities:

	NET INVESTMENT		ACCUMULATED DEPRECIATION	
	DECEMBER 31			
	2000	1999	2000	1999
	IN MILLIONS			
Campbell Unit 3 -- 93.3 percent	$291	$284	$299	$295
Ludington -- 51 percent	100	104	105	100
Transmission lines -- various	31	32	17	16

CONSUMERS ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10: REPORTABLE SEGMENTS

Consumers has two reportable segments: electric and gas. The electric segment consists of regulated activities associated with the generation, transmission and distribution of electricity. The gas segment consists of regulated activities associated with the transportation, storage and distribution of natural gas. Consumers' reportable segments are domestic strategic business units organized and managed by the nature of the product and service each provides. The accounting policies of the segments are the same as those Consumers describes in the summary of significant accounting policies. Consumers' management evaluates performance based on pretax operating income. The Consolidated Statements of Income show operating revenue and pretax operating income by reportable segment. These amounts include earnings from investments accounted for by the equity method of $57 million, $50 million and $50 million for 2000, 1999 and 1998, respectively. Consumers had investments accounted for by the equity method of $535 million, $487 million and $449 million for 2000, 1999 and 1998, respectively. In 1998, Consumers implemented a change in the method of accounting for property taxes. The cumulative effect of this one-time change in accounting increased electric and gas earnings, net of tax, by $31 million and $12 million, respectively. Consumers accounts for intersegment sales and transfers at current market prices and eliminates them in consolidated pretax operating income by segment. Other segment information follows:

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Depreciation, depletion and amortization			
Electric	$ 311	$ 315	$ 304
Gas	113	107	97
Other	2	2	2
Total Consolidated	$ 426	$ 424	$ 403
Interest Charges			
Electric	$ 145	$ 133	$ 129
Gas	48	48	44
Other	27	19	19
Subtotal	220	200	192
Eliminations	(37)	(19)	(17)
Total Consolidated	$ 183	$ 181	$ 175
Income Taxes			
Electric	$ 115	$ 126	$ 110
Gas	24	41	35
Other(a)	9	5	13
Total Consolidated	$ 148	$ 172	$ 158

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Total assets			
Electric(b)	$5,231	$4,675	$4,640
Gas(b)	1,780	1,731	1,726
Other	762	764	797
Total Consolidated	$7,773	$7,170	$7,163
Capital expenditures(c)			
Electric	$ 430	$ 385	$ 331
Gas	120	120	114
Total	$ 550	$ 505	$ 445

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(a) 1998 amount includes the tax effect of the change in accounting method for property taxes.

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

(c) Includes electric restructuring implementation plan, capital leases for nuclear fuel and other assets and electric DSM costs. Amounts also include an attributed portion of Consumers' capital expenditures for plant and equipment common to both the electric and gas utility businesses.

11: SUMMARIZED FINANCIAL INFORMATION OF SIGNIFICANT RELATED ENERGY SUPPLIER

Under the PPA with the MCV Partnership discussed in Note 2, Consumers' 2000 obligation to purchase electric capacity from the MCV Partnership provided 15.3 percent of Consumers' owned and contracted electric generating capacity. Summarized financial information of the MCV Partnership follows:

STATEMENTS OF INCOME

	YEARS ENDED DECEMBER 31		
	2000	1999	1998
	IN MILLIONS		
Operating revenue(a)	$604	$617	$627
Operating expenses	392	401	405
Operating income	212	216	222
Other expense, net	122	136	142
Net income	$ 90	$ 80	$ 80

CONSUMERS ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEETS

	DECEMBER 31 2000	DECEMBER 31 1999
	IN MILLIONS	
ASSETS		
Current assets(b)	$ 429	$ 397
Plant, net	1,671	1,732
Other assets	175	170
	$2,275	$2,299

	DECEMBER 31 2000	DECEMBER 31 1999
	IN MILLIONS	
LIABILITIES AND EQUITY		
Current liabilities	$ 316	$ 275
Noncurrent liabilities(c)	1,431	1,586
Partners' equity(d)	528	438
	$2,275	$2,299

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(a) Revenue from Consumers for 2000, 1999, and 1998 totaled $569 million, $586 million and $584 million, respectively.

(b) Receivables from Consumers totaled $43 and $49 million at December 31, 2000 and 1999, respectively.

(c) FMLP is the sole beneficiary of an owner trust that is the lessor in a long-term direct finance lease with the lessee, MCV Partnership. CMS Holdings holds a 46.4 percent ownership interest in FMLP. At December 31, 2000 and 1999, the MCV Partnership owed lease obligations of $1.24 billion and $1.36 billion, respectively, to the owner trust. CMS Holdings' share of the interest and principal portion for the 2000 lease payments was $52 million and $67 million, respectively, and for the 1999 lease payments was $55 million and $23 million, respectively. As of December 31, 2000 the lease payments service $733 million and $854 million in non-recourse debt outstanding, respectively, of the owner-trust. The MCV Partnership's lease obligations, assets, and operating revenues secures FMLP's debt. For 2000 and 1999, the owner-trust made debt payments (including interest) of $212 million and $167 million, respectively. FMLP's earnings for 2000, 1999, and 1998 were $27 million, $24 million, and $23 million, respectively.

(d) CMS Midland's recorded investment in the MCV Partnership includes capitalized interest, which Consumers is amortizing to expense over the life of its investment in the MCV Partnership. Covenants contained in financing agreements prohibit the MCV Partnership from paying distributions until it meets certain financial test requirements. Consumers does not anticipate receiving a cash distribution in the near future.

12: SUPPLEMENTAL CASH FLOW INFORMATION

Changes in other assets and liabilities as shown on the Consolidated Statements of Cash Flows are described below:

	YEARS ENDED DECEMBER 31 2000	1999	1998
	IN MILLIONS		
Accounts payable	$ 15	$36	$ 19
Sale of receivables, net	--	19	(29)
Inventories(a)	(12)	5	(34)
Accounts receivable and Accrued revenue	(171)	(7)	(5)
Other current assets and liabilities, net	51	(3)	(4)
Other non-current assets and liabilities, net	(97)	32	2
	$(214)	$82	$(51)

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(a) Reduced by $47 million reclassification of recoverable base gas, see Note 2, Uncertainties, "Gas Restructuring."

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Consumers Energy Company:

We have audited the accompanying consolidated balance sheets and consolidated statements of long-term debt and preferred stock of CONSUMERS ENERGY COMPANY (a Michigan corporation and wholly owned subsidiary of CMS Energy Corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, common stockholder's equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consumers Energy Company and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 1998, Consumers Energy Company changed its method of accounting for property taxes.

/s/ ARTHUR ANDERSEN LLP
Detroit, Michigan,
February 2, 2001

CONSUMERS ENERGY COMPANY
QUARTERLY FINANCIAL INFORMATION

QUARTERS ENDED	2000 (UNAUDITED) MARCH 31	JUNE 30	SEPT. 30	DEC. 31	1999 (UNAUDITED) MARCH 31	JUNE 30	SEPT. 30	DEC. 31
				IN MILLIONS				
Operating revenue..........	$1,126	$808	$874	$1,127	$1,156	$850	$878	$990
Pretax operating income....	$ 187	$ 92	$142	$ 214	$ 227	$149	$175	$124
Net income.................	$ 94	$ 33	$ 72	$ 105	$ 119	$ 73	$ 93	$ 55
Preferred stock dividends................	--	--	--	$ 2	$ 5	--	--	$ 1
Preferred securities distributions............	$ 9	$ 9	$ 9	$ 7	$ 5	$ 5	$ 5	$ 6
Net income available to common stockholder.......	$ 85	$ 24	$ 63	$ 96	$ 109	$ 68	$ 88	$ 48

[CMS ENERGY-PANHANDLE EASTERN PIPELINE LOGO]

2000 FINANCIAL STATEMENTS

PANHANDLE EASTERN PIPE LINE COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This MD&A refers to, and in some sections specifically incorporates by reference, Panhandle's Notes to Consolidated Financial Statements and should be read in conjunction with such Consolidated Financial Statements and Notes. This Annual Report and other written and oral statements that Panhandle may make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Panhandle's intentions with the use of the words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations of such words and similar expressions, is solely to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause Panhandle's actual results to differ materially from the results anticipated in such statements. Panhandle has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factor effects the information contained in such statements. Panhandle does, however, discuss certain risk factors, uncertainties and assumptions in this MD&A and in Item 1 of this Form 10-K in the section entitled "Forward-Looking Statements Cautionary Factors" and in various public filings it periodically makes with the SEC. Panhandle designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact Panhandle's outlook. This Annual Report also describes material contingencies in the Notes to Consolidated Financial Statements and Panhandle encourages its readers to review these Notes.

On March 29, 1999, Panhandle Eastern Pipe Line and its principal subsidiaries, Trunkline and Pan Gas Storage, as well as Panhandle Eastern Pipe Line'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.

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 Eastern Pipe Line. Panhandle Eastern Pipe Line then became a wholly owned subsidiary of CMS Gas Transmission Company, an indirect wholly owned subsidiary of CMS Energy. At that time, the CMS Panhandle Holding notes became direct obligations of Panhandle Eastern Pipe Line. In September 1999, Panhandle Eastern Pipe Line completed 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 Eastern Pipe Line.

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

In March 2000, Trunkline, a subsidiary of Panhandle Eastern Pipe Line, acquired the Sea Robin pipeline from El Paso Energy Corporation for cash of approximately $74 million plus certain other consideration. Sea Robin is a 1 bcf per day capacity, approximately 450-mile pipeline system located in the Gulf of Mexico. On March 27, 2000, Panhandle issued $100 million of 8.25 percent senior notes due 2010. Panhandle Eastern Pipe Line used the funds primarily to finance the purchase of Sea Robin (See Note 1) and the remaining funds were loaned to CMS Capital.

In March 2000, Trunkline refiled its abandonment application with the FERC regarding its 26-inch pipeline with a planned conversion of the line from natural gas service to a refined products pipeline. Panhandle owns a one-third interest in the Centennial Pipeline venture, which if approved is planned to go into service in January 2002 (See Note 3).

The following information is provided to facilitate increased understanding of the Consolidated Financial Statements and accompanying Notes of Panhandle and should be read in conjunction with these financial statements. Because all of the outstanding common stock of Panhandle Eastern Pipe Line is owned by CMS Gas Transmission Company, a wholly-owned subsidiary of CMS Energy, the following discussion uses the reduced disclosure format permitted by Form 10-K for issuers that are wholly-owned subsidiaries of reporting companies.

RESULTS OF OPERATIONS

NET INCOME:

	YEARS ENDED DECEMBER 31		
	2000	1999	CHANGE
	IN MILLIONS		
Net Income	$64	$74	$(10)

For the year 2000, net income was $64 million, a decrease of $10 million from the corresponding period in 1999 due primarily to lower reservation revenues, higher benefits and fuel costs and higher interest expense in 2000, partially offset by higher LNG terminalling revenues in 2000. Total natural gas transportation volumes delivered for the year 2000 increased 21 percent from 1999 primarily due to the addition of Sea Robin in March 2000 (See Note 1).

Revenues for the year 2000 increased $12 million from the corresponding periods in 1999 due primarily to increased LNG terminalling revenues and revenues from Sea Robin in 2000, partially offset by lower reservation revenues in 2000.

Operating expenses for the year 2000 increased $21 million from the corresponding period in 1999 due primarily to increased depreciation and amortization, benefits and fuel costs and the acquisition of Sea Robin.

Other income for the year 2000 increased $2 million due to higher interest income on a related-party Note Receivable balance, partially offset by a non-recurring interest income transition surcharge recovery recorded in 1999.

Interest on long-term debt for the year 2000 increased $18 million from the corresponding period in 1999 primarily due to interest on the additional debt incurred by Panhandle in March 2000 and March 1999 (See Note 1 and Note 6). Other interest decreased $11 million for the year 2000 from the corresponding period in 1999, primarily due to interest on the intercompany note with PanEnergy. The note was eliminated with the sale of Panhandle to CMS Panhandle Holding (See Note 1 and Note 4).

PRETAX OPERATING INCOME:

	CHANGE COMPARED TO PRIOR YEAR 2000 VS 1999 IN MILLIONS
Reservation revenue	$(32)
LNG terminalling revenue	27
Commodity and other revenue	17
Operations and maintenance	(20)
Depreciation and amortization	(7)
General taxes	6
Total Change	$ (9)

OUTLOOK

CMS Energy intends to use Panhandle as a platform for growth in the United States and derive added value through expansion opportunities for multiple CMS Energy businesses. The growth strategy around Panhandle includes enhancing the opportunities for other CMS Energy businesses involved in electric power generation and distribution, mid-stream activities (gathering and processing), and exploration and production. By providing additional transportation, storage and other asset-based value-added services to customers such as new gas-fueled power plants, local distribution companies, industrial and end-users, marketers and others, CMS Energy expects to expand its natural gas pipeline business. CMS Energy also plans to convert certain Panhandle pipeline facilities through a joint venture to permit the throughput of liquid products (See Note 3). Panhandle continues to attempt to maximize revenues from existing assets and to pursue acquisition opportunities and development projects that provide expanded services to meet the specific needs of customers.

UNCERTAINTIES: Panhandle's results of operations and financial position may be affected by a number of trends or uncertainties that have, or Panhandle reasonably expects could have, a material impact on income from continuing operations and cash flows. Such trends and uncertainties include: 1) the increased competition in the market for transmission of natural gas to the Midwest causing pressure on prices charged by Panhandle; 2) the current market conditions causing more contracts to be of shorter duration, which may increase revenue volatility; 3) the expected increase in competition for LNG terminalling services, and the volatility in natural gas prices, creating volatility in LNG terminalling revenues; 4) the impact of any future rate cases, for any of Panhandle's regulated operations; 5) current initiatives for additional federal rules and legislation regarding pipeline safety; 6) capital spending requirements for safety, environmental or regulatory requirements that could result in depreciation expense increases not covered by additional revenues; and 7) the potential effect of a January 2000 FERC order could, if approved on rehearing without modification or acceptance of Trunkline's settlement filing, substantially reduce Trunkline's tariff rates and future revenue levels.

OTHER MATTERS

ENVIRONMENTAL MATTERS

Panhandle is subject to federal, state, and local laws and regulations governing environmental quality and pollution control. These laws and regulations under certain circumstances require Panhandle to remove or remedy the effect on the environment of the disposal or release of specified substances at its operating sites.

PCB (POLYCHLORINATED BIPHENYL) ASSESSMENT AND CLEAN-UP PROGRAMS: Panhandle previously identified environmental contamination at certain sites on its systems and undertook clean-up programs at these sites. The contamination was caused by the past use of lubricants containing PCB's in compressed air systems and resulted in contamination of the on-site air systems, wastewater collection facilities and on-site disposal areas. Soil and sediment testing to date detected no significant off-site contamination. Panhandle communicated with the EPA and appropriate state regulatory agencies on these matters. Under the terms of the sale of Panhandle to CMS Energy (See Note 1), a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to defend and indemnify Panhandle against certain future environmental litigation and claims. Panhandle expects these clean-up programs to continue through 2001 (See Note 11).

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including 5 states in which Panhandle operates. This EPA ruling was challenged in court by various states, industry and other interests, including the INGAA, an industry group to which Panhandle belongs. In March 2000, the court upheld most aspects of the EPA's rule, but agreed with INGAA's position and remanded back to the EPA the sections of the rule that affected Panhandle. Based on the court's decision, most of the states subject to the rule submitted their SIP revisions in October 2000. However, the EPA must revise the section of the rule that affected Panhandle's facilities. Panhandle expects the EPA to make this section of the rule effective in 2001 and expects the costs to range from $13 to $29 million for capital improvements to comply.

NEW ACCOUNTING RULES

Panhandle is required to adopt SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, effective January 1, 2001. For a detailed discussion of the effects of the standard and financial impact upon adoption, see Note 2.

In the year 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125. SFAS No. 140 revises the criteria for accounting for securitizations of other financial asset transfers and collateral and introduces new disclosures. Certain disclosures and amendments of collateral provisions are effective for fiscal years ending after December 15, 2000. The other provisions of SFAS No. 140 apply prospectively to transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Panhandle has adopted the disclosure requirements effective December 31, 2000, and does not expect that the other provisions of SFAS No. 140 will have a material impact on Panhandle's consolidated results of operations or financial position.

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PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED DECEMBER 31, 2000	MARCH 29- DECEMBER 31, 1999	JANUARY 1- MARCH 28, 1999	YEAR ENDED DECEMBER 31, 1998
		(IN MILLIONS)		
OPERATING REVENUE				
Transportation and storage of natural gas...	$425	$318	$123	$468
Other..	58	25	5	28
Total operating revenue................	483	343	128	496
OPERATING EXPENSES				
Operation and maintenance...................	211	151	40	213
Depreciation and amortization...............	65	44	14	56
General taxes...............................	23	22	7	26
Total operating expenses..............	299	217	61	295
PRETAX OPERATING INCOME.......................	184	126	67	201
OTHER INCOME, NET.............................	8	2	4	24
INTEREST CHARGES				
Interest on long-term debt..................	82	59	5	25
Other interest..............................	3	1	13	52
Total interest charges................	85	60	18	77
NET INCOME BEFORE INCOME TAXES................	107	68	53	148
INCOME TAXES..................................	43	27	20	57
CONSOLIDATED NET INCOME.......................	$ 64	$ 41	$ 33	$ 91

The accompanying notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	DECEMBER 31, 2000	MARCH 29- DECEMBER 31, 1999	JANUARY 1- MARCH 28, 1999	DECEMBER 31, 1998
	(IN MILLIONS)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 64	$ 41	$ 33	$ 91
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	65	44	14	61
Deferred income taxes	87	34	--	17
Changes in current assets and liabilities	(35)	51	(29)	4
Other, net	(7)	9	3	1
Net cash provided by operating activities	174	179	21	174
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Panhandle	--	(1,900)	--	--
Capital and investment expenditures	(129)	(53)	(4)	(85)
Net increase in advances receivable -- PanEnergy	--	--	(17)	(106)
Retirements and other	(1)	(1)	--	17
Net cash used in investing activities	(130)	(1,954)	(21)	(174)
CASH FLOWS FROM FINANCING ACTIVITIES				
Contribution from parent	--	1,116	--	--
Proceeds from senior notes	99	785	--	--
Net increase in note receivable -- CMS Capital	(77)	(85)	--	--
Dividends paid	(66)	(41)	--	--
Net cash provided by/(used by) financing activities	(44)	1,775	--	--
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)	$ 80	$ 31	$ 12	78
Income taxes paid (net of refunds)	(12)	8	37	56
OTHER NONCASH ACTIVITIES WERE:				
Noncash property dividend	$ (4)	$ --	$(81)	$ --

The accompanying notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(IN MILLIONS)	
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$1,679	$1,492
Less accumulated depreciation and amortization	99	37
Sub-total	1,580	1,455
Construction work-in-progress	20	45
Net property, plant and equipment	1,600	1,500
INVESTMENTS	7	2
CURRENT ASSETS		
Accounts Receivable, less allowances of $1 as of December 31, 2000 and 1999	140	112
Gas Imbalances -- Receivable	71	22
Inventory and supplies	21	34
Deferred income taxes	12	11
Note receivable -- CMS Capital	162	85
Other	21	8
Total current assets	427	272
NON-CURRENT ASSETS		
Goodwill, net	753	774
Debt issuance cost	11	11
Other	8	1
Total non-current assets	772	786
TOTAL ASSETS	$2,806	$2,560
COMMON STOCKHOLDER'S EQUITY AND LIABILITIES		
CAPITALIZATION		
Common stockholder's equity		
Common stock, no par, 1,000 shares authorized, issued and outstanding	$ 1	$ 1
Paid-in capital	1,127	1,127
Retained earnings	(6)	--
Total common stockholder's equity	1,122	1,128
Long-term debt	1,193	1,094
Total capitalization	2,315	2,222
CURRENT LIABILITIES		
Accounts payable	32	28
Gas Imbalances -- Payable	56	30
Accrued taxes	3	8
Accrued interest	31	29
Accrued liabilities	45	30
Other	104	79
Total current liabilities	271	204
NON-CURRENT LIABILITIES		
Deferred income taxes	134	45
Other	86	89
Total non-current liabilities	220	134
TOTAL COMMON STOCKHOLDER'S EQUITY AND LIABILITIES	$2,806	$2,560

The accompanying notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

	YEAR ENDED DECEMBER 31, 2000	MARCH 29- DECEMBER 31, 1999	JANUARY 1- MARCH 28, 1999	YEAR ENDED DECEMBER 31, 1998
	(IN MILLIONS)			
COMMON STOCK				
At beginning and end of period	$ 1	$ 1	$ 1	$ 1
OTHER PAID-IN CAPITAL				
At beginning of period	1,127	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	1,127	466	466
RETAINED EARNINGS				
At beginning of period	--	101	92	34
Acquisition adjustment to eliminate original retained earnings	--	(101)	--	--
Net income	64	41	33	91
Assumption of net liability by PanEnergy	--	--	57	--
Common stock dividends	(70)	(41)	(81)	(34)
At end of period	(6)	--	101	91
TOTAL COMMON STOCKHOLDER'S EQUITY	$1,122	$1,128	$568	$558

The accompanying notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE STRUCTURE

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

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

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

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

Assets acquired and liabilities assumed are recorded at their estimated fair values. Panhandle allocated the excess purchase price over the fair value of net assets acquired of $788 million to goodwill and is amortizing this amount on a straight-line basis over forty years. The amortization of the excess purchase price over 40 years reflects the nature of the industry in which Panhandle competes as well as the long-lived nature of Panhandle's assets. As a result of regulation, high replacement costs, and competition, entry into the natural gas transmission and storage business requires a significant investment. The excess purchase price over the prior carrying amount of Panhandle's net identifiable assets as of March 29, 1999 totaled $1.3 billion, and was allocated as follows:

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

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

	YEAR ENDED DECEMBER 31, 1999 (UNAUDITED)	YEAR ENDED DECEMBER 31, 1998 (UNAUDITED)
	IN MILLIONS	
Revenues	$ 467	$ 470
Net income	67	60
Total assets	2,560	2,477

In March 2000, Trunkline, a subsidiary of Panhandle Eastern Pipe Line, acquired the Sea Robin Pipeline from El Paso Energy Corporation for cash of approximately $74 million and certain other consideration (See Note 8). Sea Robin is a 1 bcf per day capacity natural gas and condensate pipeline system located in the Gulf of Mexico offshore Louisiana west of Trunkline's existing Terrebonne system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

CONSOLIDATIONS: The consolidated financial statements include the accounts of all of Panhandle's majority-owned subsidiaries after the elimination of significant intercompany transactions and balances. Investments in other entities that are not controlled by Panhandle, but where it has significant influence over operations, are accounted for using the equity method.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current and expected future events, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS: All liquid investments with maturities at date of purchase of three months or less are considered cash equivalents.

INVENTORY: Inventory consists of gas held for operations and materials and supplies and is recorded at the lower of cost or market, using the weighted average cost method. Effective January 1, 1999, Trunkline changed to the weighted average cost method from the last-in first-out method for its gas held for operations with no material impact on the financial statements.

GAS IMBALANCES: Gas imbalances occur as a result of differences in volumes of gas received and delivered. Gas imbalance inventory receivables and payables are valued at lower of cost or market.

PROPERTY, PLANT AND EQUIPMENT: On March 29, 1999, Panhandle's assets were acquired by CMS Panhandle Holding. The acquisition was accounted for using the purchase method of accounting in accordance with generally accepted accounting principles. Panhandle's property, plant and equipment (PP&E) was adjusted to estimated fair market value on March 29, 1999 and depreciated based on revised estimated remaining useful lives. Panhandle's accumulated depreciation and amortization provision balance at March 29, 1999 was eliminated pursuant to the purchase method of accounting (See Note 1).

Ongoing additions of PP&E are stated at original cost. Panhandle capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. The cost of renewals and betterments that extend the useful life of PP&E is also capitalized. The cost of repairs and replacements of minor items of PP&E is charged to expense as incurred. Depreciation is generally computed using the straight-line method. The composite weighted-average depreciation rates were 2.9 percent, 2.6 percent and 2.2 percent for 2000, 1999 and 1998, respectively.

When PP&E is retired, the original cost plus the cost of retirement, less salvage, is charged to accumulated depreciation and amortization. When entire regulated operating units are sold or non-regulated properties are retired or sold, the property and related accumulated depreciation and amortization accounts are reduced, and any gain or loss is recorded in income.

IMPAIRMENT OF LONG-LIVED ASSETS: The recoverability of long-lived assets and intangible assets is reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such evaluation is based on various analyses, including undiscounted cash flow projections.

UNAMORTIZED DEBT PREMIUM, DISCOUNT AND EXPENSE: Panhandle amortizes premiums, discounts and expenses incurred in connection with the issuance of long-term debt over the terms of the respective issues.

ENVIRONMENTAL EXPENDITURES: Environmental expenditures that relate to an existing condition caused by past operations that do not contribute to current or future revenue generation are expensed. Environmental expenditures relating to current or future revenues are expensed or capitalized as appropriate. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. Under the terms of the sale of Panhandle to CMS Energy (See Note 1), a subsidiary of Duke Energy is obligated to complete the Panhandle clean-up programs at certain agreed-upon sites and to defend and indemnify Panhandle against certain future environmental litigation and claims. These clean-up programs are expected to continue through 2001.

REVENUES: Revenues on transportation and storage of natural gas are recognized as service is provided. Prior to final FERC approval of filed notes, Panhandle is exposed to risk that the FERC will ultimately approve rates at a level lower than those requested. The difference is subject to refund and reserves are established, where required, for that purpose.

During 2000, 1999 and 1998, sales to ProLiance Energy, L.L.C., a nonaffiliated gas marketer, accounted for at least 10 percent of consolidated revenues of Panhandle. During 2000 and 1999, sales to subsidiaries of CMS Energy, primarily Consumers, accounted for at least 10 percent of consolidated revenues of Panhandle. No other customer accounted for 10 percent or more of consolidated revenues during 2000, 1999, or 1998.

CHANGE IN ACCOUNTING POLICY: As a result of Panhandle's new cost basis resulting from the merger with CMS Panhandle Holding in 1999, which included costs not likely to be considered for regulatory recovery, in addition to the level of discounting being experienced, Panhandle no longer met the criteria of SFAS No. 71, Accounting for the Effects of Certain Types of Regulation, and therefore discontinued application of SFAS No. 71, effective March 1999. Accordingly, upon acquisition by CMS Panhandle Holding, the remaining net regulatory assets of approximately $15 million were eliminated in purchase accounting (See Note 1).

INTEREST COST CAPITALIZED: SFAS No. 34, Capitalization of Interest Cost, requires capitalization of interest on certain qualifying assets that are undergoing activities to prepare them for their intended use. SFAS No. 34

limits the capitalization of interest for the period to the actual interest cost that is incurred and prohibits imputing interest costs on any equity funds. As a result of the discontinuance of SFAS No. 71, Panhandle is now subject to the provisions of SFAS No. 34.

INCOME TAXES: CMS Energy and its subsidiaries file a consolidated federal income tax return. Federal income taxes have been provided by Panhandle on the basis of its separate company income and deductions in accordance with the established practices of the tax sharing agreement of the consolidated group. Deferred income taxes have been provided for temporary differences. Temporary differences occur when events and transactions recognized for financial reporting result in taxable or tax-deductible amounts in different periods.

GOODWILL AMORTIZATION: Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is amortized using the straight-line method over forty years. Accumulated amortization of goodwill was $35 million and $14 million, at December 31, 2000 and December 31, 1999, respectively.

RECLASSIFICATIONS: Certain amounts have been reclassified in the Consolidated Financial Statements to conform to the current presentation.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS: Panhandle is required to adopt SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, effective January 1, 2001. SFAS No. 133 requires companies to recognize all derivative instruments as assets or liabilities in the balance sheet and to measure those instruments at fair value. SFAS No. 133 requires that as of the date of the initial adoption the difference between the fair market value of derivative instruments recorded on the Company's balance sheet and the previously recorded book value of the derivative instruments should be reflected as the cumulative effect of a change in accounting principle in either net income or other comprehensive income as appropriate. The gain and losses on derivative instruments that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion, if any, of all hedges is recognized in current period earnings. Fair market value is determined based upon mathematical models using current and historical data. The Company anticipates that, at January 1, 2001, the adoption SFAS No. 133 will not have a material effect on the financial statements.

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

In 2000, the FASB issued SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities -- a Replacement of FASB Statement No. 125. SFAS No. 140 revises the criteria for accounting for securitizations, other financial asset transfers and collateral and introduces new disclosures. Certain disclosures and amendments of collateral provisions are effective for fiscal years ending after December 15, 2000. The other provisions of SFAS No. 140 apply prospectively to transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Panhandle has adopted the disclosure requirements effective December 31, 2000, and does not expect that the other provisions of SFAS No. 140 will have a material impact on Panhandle's consolidated results of operations or financial position.

3. REGULATORY MATTERS

Effective August 1996, Trunkline placed into effect a general rate increase, subject to refund. On September 16, 1999, Trunkline filed a FERC settlement agreement to resolve certain issues in this proceeding. FERC approved this settlement February 1, 2000 and required refunds of approximately $2 million which were made in April 2000, with supplemental refunds of $1.3 million in June 2000. On January 12, 2000, FERC issued an order on the remainder of the rate proceeding which, if approved on rehearing without modification, could result in a substantial reduction to Trunkline's tariff rates which could impact future revenues and require refunds. On January 29, 2001, Trunkline filed a settlement to resolve the remaining matters in the proceeding. This settlement is pending FERC review. Management believes that reserves for refund established are adequate and there will not be a material adverse effect on consolidated results of operations or financial position.

In conjunction with a FERC order issued in September 1997, FERC required certain natural gas producers to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines, including Panhandle. FERC ordered these pipelines to refund these amounts to their customers. The pipelines must make all payments in compliance with prescribed FERC requirements. At December 31, 2000 and December 31, 1999, accounts receivable included $59 million and $54 million, respectively, due from natural gas producers, and other current liabilities included $59 million and $54 million, respectively, for related obligations.

On March 9, 2000, Trunkline filed an abandonment application with FERC seeking to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. This filing is in conjunction with a plan for a limited liability corporation to convert the line from natural gas transmission service to a refined products pipeline called Centennial Pipeline by January 2002. Panhandle owns a one-third interest in the venture along with TEPPCO Partners L.P. and Marathon Ashland Petroleum L.L.C. As of December 31, 2000, Panhandle had made a $5.3 million cash investment in the Centennial project.

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 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. The Commission approved the LNG settlement to be effective April 1, 1999. Trunkline's refunds, which were made in April 2000, included $12 million to Consumers Energy, $4 million to Panhandle Eastern Pipe Line, and $1 million to other Trunkline customers. In conjunction with the acquisition of Panhandle by CMS Energy, Duke Energy indemnified Panhandle for this refund obligation and reimbursed Trunkline for the refunds in April 2000. On May 31, 2000, the FERC approved Panhandle Eastern Pipe Line's flow through of its portion of the settlement amounts to its customers.

4. RELATED PARTY TRANSACTIONS

	YEAR ENDED DECEMBER 31, 2000	MARCH 29- DECEMBER 31 1999	JANUARY 1- MARCH 28 1999	YEAR ENDED DECEMBER 31, 1998
	IN MILLIONS			
Transportation of natural gas	$54	$45	$ 6	$29
Other operating revenues	28	19	2	15
Operation and maintenance(a)	39	25	8	60
Interest income	8	2	--	--
Interest expense	--	--	13	55

- ------------------------
(a) Includes allocated benefit plan costs.

Amounts for 1999 reflect only related party transactions with CMS Energy and its subsidiaries for the period after the sale of Panhandle to CMS Energy. Interest charges include $55 million for the twelve months ended 1998 for interest associated with notes payable to a subsidiary of Duke Energy. At December 31, 2000, Note Receivable -- CMS Capital represented a $162 million note that bore interest at the 30-day commercial paper interest rate. Net cash generated by Panhandle in excess of operating or investing needs has been loaned to CMS Capital. Other income includes $8 million for the period ended December 31, 2000 for interest on note receivable from CMS Capital.

PANHANDLE EASTERN PIPE LINE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	DECEMBER 31, 2000	DECEMBER 31, 1999
	IN MILLIONS	
Receivables	$48	$21
Accounts Payable/Other Current Liabilities	27	16

5. INCOME TAXES

The separate components of income tax expense consist of:

INCOME TAX EXPENSE	YEAR ENDED DECEMBER 31, 2000	MARCH 29- DECEMBER 31 1999	JANUARY 1- MARCH 28 1999	YEAR ENDED DECEMBER 31, 1998
	IN MILLIONS			
Current income taxes				
Federal	$(42)	$(7)	$18	$34
State	(2)	--	2	6
Total current income taxes	(44)	(7)	20	40
Deferred income taxes, net				
Federal	76	29	--	14
State	11	5	--	3
Total deferred income taxes, net	87	34	--	17
Total income tax expense	$ 43	$27	$20	$57

The actual income tax expense differs from the amount computed by applying the statutory federal tax rate to income before income taxes as follows:

INCOME TAX EXPENSE RECONCILIATION TO STATUTORY RATE	YEAR ENDED DECEMBER 31, 2000	MARCH 29- DECEMBER 31 1999	JANUARY 1- MARCH 28 1999	YEAR ENDED DECEMBER 31, 1998
	IN MILLIONS			
Income tax, computed at the statutory rate	$ 38	$ 24	$ 18	$ 52
Adjustments resulting from:				
State income tax, net of federal income tax effect	5	3	2	5
Total income tax expense	$ 43	$ 27	$ 20	$ 57
Effective tax rate	40.2%	39.6%	38.2%	38.5%

The principal components of Panhandle's deferred tax assets (liabilities) recognized in the balance sheet are as follows:

NET DEFERRED INCOME TAX LIABILITY COMPONENTS	DECEMBER 31, 2000	DECEMBER 31, 1999
	IN MILLIONS	
Deferred credits and other liabilities	$ 18	$ 30
Other	37	32
Total deferred income tax assets	55	62
Investments and other assets	(24)	(18)
Property, plant and equipment	(71)	(10)
Goodwill	(73)	(65)
Alternative Minimum Tax Credit	1	--
Total deferred income tax liabilities	(167)	(93)
State deferred income tax, net of federal tax effect	(10)	(3)
Net deferred income tax liability	(122)	(34)
Portion classified as current asset	12	11
Noncurrent liability	$(134)	$(45)

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. As of December 31, 2000, Panhandle had recorded a $2 million current state tax benefit that is expected to be utilized through carrybacks and unitary or combined returns with other subsidiaries of CMS Energy.

6. PROPERTY, PLANT AND EQUIPMENT

	DECEMBER 31, 2000	DECEMBER 31, 1999
	IN MILLIONS	
Transmission	$1,365	$1,189
Gathering	18	18
Underground storage	226	245
General plant	70	40
Construction work-in-progress	20	45
Total property, plant and equipment	1,699	1,537
Less accumulated depreciation and amortization	99	37
Net property, plant and equipment	$1,600	$1,500

7. FINANCIAL INSTRUMENTS

Panhandle's financial instruments include approximately $1.2 billion and $1.1 billion of long-term debt at December 31, 2000 and 1999, respectively, with an approximate fair value of $1.1 billion and $1 billion as of December 31, 2000 and 1999, respectively. Estimated fair value amounts of long-term debt were obtained from independent parties. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 2000 and 1999 are not necessarily indicative of the amounts Panhandle could have realized in current market exchanges.

The $162 million Note Receivable with CMS Capital is at fair value since the interest portion is calculated using a floating rate which is updated monthly (See Note 4).

8. LONG-TERM DEBT

	YEAR DUE	DECEMBER 31, 2000	DECEMBER 31, 1999
		IN MILLIONS	
6.125% -- 8.25% Notes	2004 - 2029	$1,000	$ 900
7.2% -- 7.95% Debentures	2023 - 2024	200	200
Unamortized debt (discount) and premium, net		(7)	(6)
Total long-term debt		$1,193	$1,094

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

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

In conjunction with the application of purchase accounting, Panhandle's existing notes totaling $300 million were revalued resulting in a net premium recorded of approximately $5 million. The 7.2 percent -- 7.95 percent Debentures have call options whereby Panhandle has the option to repay the debt early. Based on the year in which Panhandle may first exercise the redemption options, all $200 million could potentially be repaid in 2003.

OTHER: Under its most restrictive borrowing arrangement at December 31, 2000 and December 31, 1999, none of Panhandle's consolidated net income was restricted for payment of common dividends.

9. INVESTMENT IN AFFILIATES

Investments in Affiliates include undistributed earnings of $.4 million and $.4 million in 2000 and 1999, respectively. Panhandle's proportionate share of net income from these affiliates for the years ended December 31, 2000, 1999 and 1998 was $.3 million, $.2 million and $6 million, respectively. These amounts are reflected in the Consolidated Statements of Income as Other Operating Revenues. Investment in affiliates includes the following:

CENTENNIAL. Panhandle owns a one-third interest in the Centennial Pipeline L.L.C. along with TEPPCO Partners L.P. and Marathon Ashland Petroleum L.L.C. The joint venture will operate an interstate refined petroleum products pipeline extending from the U.S. Gulf Coast to Illinois. Trunkline, which owns an existing 720-mile pipeline, has filed with the FERC to take the line out of natural gas service, pending FERC approval. Conversion of the pipeline to liquid products service is expected to be completed by January 2002.

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

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 Panhandle Holding, Panhandle transferred its interest in Northern Border to a subsidiary of Duke Energy in the first quarter of 1999.

10. COMMITMENTS AND CONTINGENCIES

CAPITAL EXPENDITURES: Panhandle estimates capital expenditures and investments, including allowance for funds used during construction, to be approximately $83 million in 2001 and $70 million in each of the two following years. These estimates are prepared for planning purposes and are subject to revision. Normal capital expenditures for 2000 were 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.

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

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including 5 states in which Panhandle operates. This EPA ruling was challenged in court by various states, industry and other interests, including the INGAA, an industry group to which Panhandle belongs. In March 2000, the court upheld most aspects of the EPA's rule, but agreed with INGAA's position and remanded back to the EPA the sections of the rule that affected Panhandle. Based on the court's decision, most of the states subject to the rule submitted their SIP revisions in October 2000. However, the EPA must revise the section of the rule that affected Panhandle's facilities. Panhandle expects the EPA to make this section of the rule effective in 2001 and expects the costs to range from $13 to $29 million for capital improvements to comply.

OTHER COMMITMENTS AND CONTINGENCIES: In 1993, the U.S. Department of the Interior announced its intention to seek additional royalties from gas producers as a result of payments received by such producers in connection with past take-or-pay settlements, and buyouts and buydowns of gas sales contracts with natural gas pipelines. Panhandle's pipelines, with respect to certain producer contract settlements, may be contractually required to reimburse or, in some instances, to indemnify producers against such royalty claims. The potential liability of the producers to the government and of the pipelines to the producers involves complex issues of law and fact 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 $15 million through October 2001. Management believes the probability that Panhandle will be required to perform under this guarantee is remote.

In conjunction with the Centennial Pipeline project, Panhandle intends to provide a guaranty related to project financing in an amount up to $50 million during the construction and initial operating period of the project. The guaranty will be released when Centennial reaches certain operational and financial targets (See Note 3).

LEASES: Panhandle utilizes assets under operating leases in several areas of operation. Consolidated rental expense amounted to $13 million in 2000, $14 million in 1999 ($11 million related to the CMS Energy ownership period and $3 million during the Duke Energy ownership period) and $15 million in 1998. Future minimum rental payments under Panhandle's various operating leases for the years 2001 through 2005 are $13 million, $10 million, $4 million, $4 million and $3 million, respectively and $8 million for 2006 and thereafter.

11. EXECUTIVE INCENTIVE COMPENSATION

Panhandle participates in CMS Energy's Performance Incentive Stock Plan. Under the plan, restricted shares of Common Stock of CMS Energy, as well as stock options and stock appreciation rights related to Common Stock may be granted to key employees based on their contributions to the successful management of CMS Energy and its subsidiaries. Awards under the plan may consist of any class of Common Stock. Certain plan awards are subject to performance-based business criteria. The plan reserves for awards not more than five percent, as amended January 1, 1999, of Common Stock outstanding on January 1 each year, less (i) the number of shares of restricted Common Stock awarded and (ii) Common Stock subject to options granted under the plan during the immediately preceding four calendar years. The number of shares of restricted Common Stock awarded under this plan cannot exceed 20% of the aggregate number of shares reserved for award. Any forfeiture of shares previously awarded will increase the number of shares available to be awarded under the plan. At December 31, 2000, awards of up to 2,274,490 shares of CMS Energy Common Stock may be issued.

PANHANDLE EASTERN PIPE LINE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Restricted shares of Common Stock are outstanding shares with full voting and dividend rights. These awards vest over five years at the rate of 25 percent per year after two years. The restricted shares are subject to achievement of specific levels of total shareholder return and are subject to forfeiture if employment terminates before vesting. If performance objectives are exceeded, the plan provides additional awards. Restricted shares vest fully if control of CMS Energy changes, as defined by the plan. At December 31, 2000, all of the 20,000 shares of restricted CMS Energy Common Stock outstanding are subject to performance objectives.

The plan grants stock options and stock appreciation rights relating to Common Stock with an exercise price equal to the closing market price on each grant date. Some options may be exercised upon grant; others vest over five years at the rate of 25 percent per year after one year. All options expire up to ten years and one month from date of grant. The status of the restricted stock and options granted to Panhandle's key employees under the Performance Incentive Stock Plan follows:

	RESTRICTED STOCK	OPTIONS	
	NUMBER OF SHARES	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
CMS ENERGY COMMON STOCK			
Outstanding at December 31, 1998	--	--	--
Granted	12,000	299,912	$41.07
Exercised or Issued	--	--	--
Outstanding at December 31, 1999	12,000	299,912	$41.07
Outstanding at December 31, 1999	12,000	299,912	$41.07
Granted	12,000	48,000	$17.00
Exercised or Issued	--	(24,000)	$17.00
Forfeited	(4,000)	(33,964)	$40.88
Outstanding at December 31, 2000	20,000	289,948	$39.10

The following table summarizes information about CMS Energy Common Stock options outstanding at December 31, 2000:

RANGE OF EXERCISE PRICES	NUMBER OF SHARES OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE	WEIGHTED AVERAGE EXERCISE PRICE
CMS Energy Common Stock $17.00 -- $41.75	289,948	8.36 years	$39.10

The weighted average fair value of options granted to Panhandle employees for CMS Energy Common Stock was $4.38 and $5.93 in 2000 and 1999, respectively. Fair value is estimated using the Black-Scholes model, a mathematical formula used to value options traded on securities exchanges, with the following assumptions:

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999
Risk-free interest rate	6.56%	5.65%
Expected stock price volatility	27.25%	16.81%
Expected dividend rate	$.365	$.365
Expected option life (years)	4.1	4.5

Panhandle applies APB Opinion No. 25 and related interpretations in accounting for the Performance Incentive Stock Plan. Since stock options are granted at market price, no compensation cost has been recognized for stock options granted under the plan. If compensation cost for stock options had been determined in accordance with SFAS No. 123, Accounting for Stock-Based Compensation, Panhandle's net income would have decreased by approximately $.1 million and $1.2 million in 2000 and 1999, respectively. The compensation cost charged against income for restricted stock was $.2 million and $.1 million in 2000 and 1999, respectively.

12. BENEFIT PLANS

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.

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. Panhandle, through CMS Energy, provides retirement benefits under a number of different plans, including certain health care and life insurance benefits under OPEB, benefits to certain management employees under SERP, and benefits to substantially all its employees under a trusteed, non-contributory, defined benefit Pension Plan of CMS Energy and a defined contribution 401(k) plan.

CMS Energy's policy is to fund amounts, as necessary, on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. With respect to the CMS Pension Plan, the fair value of the plan assets was $994 million at December 31, 2000 as compared to the benefit obligation of $1,081 million. In 1999, the fair value of the plan assets was $1,094 million, as compared to the benefit obligation of $971 million at December 31, 1999.

Panhandle's net periodic pension cost, as allocated by CMS Energy, was $2 million in 2000 and $2 million in 1999. For 1998, Panhandle's net periodic pension benefit, as allocated by a subsidiary of Duke Energy, was $14 million.

Amounts presented below for the Pension Plan include amounts for employees of CMS Energy and nonutility affiliates which were not distinguishable from the plan's total assets.

WEIGHTED-AVERAGE ASSUMPTIONS:

	PENSIONS & SERP			OPEB		
	YEARS ENDED DECEMBER 31					
	2000(A)	1999(A)	1998	2000(A)	1999(A)	1998
Discount rate	7.75%	7.75%	6.75%	7.75%	7.75%	6.75%
Expected long-term rate of return on plan assets	9.25%	9.25%	9.25%	7.00%	7.00%	9.25%
Rate of compensation increase			4.67%			
pension -- to age 45	5.25%	5.25%	NA			
-- age 45 to assumed retirement	3.75%	3.75%	NA			
SERP	5.50%	5.50%	NA			

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(a) 2000 and 1999 reflects CMS Energy's Pension and Other Postretirement benefits accounting.

The Pension Plan's net unrecognized transition obligation, resulting from the implementation of accrual accounting, is amortized over 16 years and 11 years for the SERP on a straight-line basis over the average remaining service period of active employees.

Panhandle accrues health care and life insurance benefit costs over the active service period of employees to the date of full eligibility for the benefits.

With respect to the CMS OPEB Plan, the fair value of the plan assets was $431 million at December 31, 2000 as compared to the benefit obligation of $725 million. At December 31, 1999, the fair value of the plan assets was $431 million versus projected benefit obligations of $736 million.

It is Panhandle's and CMS Energy's general policy to fund accrued postretirement health care costs. CMS Energy's retiree life insurance plan is fully funded based on actuarially determined requirements.

Panhandle's net periodic postretirement benefit cost, as allocated by CMS Energy, was $3 million in 2000. In 1999 and 1998, Panhandle's net periodic postretirement benefit cost was $4 million and $7 million respectively.

For measurement purposes, a 7.0 percent weighted average rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate is based on assumptions that it will decrease gradually to 5.5 percent in 2007 and thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for Panhandle's health care plans.

SENSITIVITY TO CHANGES IN ASSUMED HEALTH CARE COST TREND RATES

	ONE PERCENTAGE POINT INCREASE	ONE PERCENTAGE POINT DECREASE
	IN MILLIONS	
Effect on total service and interest cost components........	$1	$(1)
Effect on accumulated postretirement benefit obligation.....	$8	$(6)

13. QUARTERLY FINANCIAL DATA (UNAUDITED)

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
		(IN MILLIONS)			
2000					
Operating revenue....................................	$136	$105	$114	$128	$483
Pretax Operating Income..............................	70	34	42	38	184
Net income...	32	9	14	9	64
1999					
Operating revenue....................................	$133(a)	$104(a)	$107	$127	$471
Pretax Operating Income..............................	69(a)	44(a)	41	39	193
Net income...	34	14	14	12	74

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(a) First and second quarters of 1999 were restated to include certain miscellaneous income, including rental income and gain or loss on sale of assets, as other revenue.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Panhandle Eastern Pipe Line Company:

We have audited the accompanying consolidated balance sheets of Panhandle Eastern Pipe Line Company (a Delaware corporation) and subsidiaries as of December 31, 2000 and December 31, 1999, and the related consolidated statements of income, cash flows and common stockholder's equity for year ended December 31, 2000, and for the periods from January 1, 1999 through March 28, 1999 and from March 29, 1999 through December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Panhandle Eastern Pipe Line Company and subsidiaries as of December 31, 2000, and 1999, and the results of their operations and their cash flows for the year ended December 31, 2000, and the periods from January 1, 1999 through March 28, 1999 and from March 29, 1999 through December 31, 1999 in conformity with accounting principles generally accepted in the Unites States.

/s/ ARTHUR ANDERSEN LLP

Houston, Texas
March 6, 2001

INDEPENDENT AUDITORS' REPORT

Panhandle Eastern Pipe Line Company:

We have audited the accompanying consolidated statements of income, cash flows, and common stockholder's equity for the year ended December 31, 1998 of Panhandle Eastern Pipe Line Company and subsidiaries (the "Company"). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the Company's results of their operations and cash flows for the year ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America.

[Deloitte & Touche LLP Sig]
DELOITTE & TOUCHE LLP
Charlotte, North Carolina
February 12, 1999

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

CMS ENERGY

None for CMS Energy.

CONSUMERS

None for Consumers.

PANHANDLE

None for Panhandle.

PART III

ITEMS 10., 11., 12. and 13.

CMS ENERGY

CMS Energy's definitive proxy statement, except for the organization and compensation committee report and the comparison of five-year cumulative total return performance graph contained therein, is incorporated by reference herein. See also ITEM 1. BUSINESS for information pursuant to ITEM 10.

CONSUMERS

Consumers' definitive information statement, except for the organization and compensation committee report contained therein, is incorporated by reference herein. See also ITEM 1. BUSINESS for information pursuant to ITEM 10.

PART IV
ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) Financial Statements and Reports of Independent Public Accountants for CMS Energy, Consumers, and Panhandle are listed in ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA and are incorporated by reference herein.

(a)(2) Financial Statement Schedules and Reports of Independent Public Accountants for CMS Energy, Consumers and Panhandle are listed after the Exhibits in the Index to Financial Statement Schedules, and are incorporated by reference herein.

(a)(3) Exhibits for CMS Energy, Consumers, and Panhandle are listed after Item (c) below and are incorporated by reference herein.

(b) Reports on Form 8-K for CMS Energy, Consumers and Panhandle

CMS ENERGY

Current Reports filed October 2, 2000, October 13, 2000, November 1, 2000, December 11, 2000 and February 23, 2001 covering matters reported pursuant to ITEM 5. OTHER EVENTS.

CONSUMERS

Current Reports filed October 2, 2000, November 1, 2000 and February 23, 2001 covering matters reported pursuant to ITEM 5. OTHER EVENTS.

PANHANDLE

None

(c) Exhibits, including those incorporated by reference (see also Exhibit volume).

CMS ENERGY, CONSUMERS AND PANHANDLE EXHIBITS

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(3)(a)	333-51932	(3)(a)	--	Restated Articles of Incorporation of CMS Energy. (Form S-3 filed December 15, 2000)
(3)(b)	333-45556	(3)(b)	--	By-Laws of CMS Energy. (Form S-3 filed September 11, 2000)
(3)(c)			--	Restated Articles of Incorporation dated May 26, 2000, of Consumers.
(3)(d)	1-5611	(3)(d)	--	By-Laws of Consumers. (1999 Form 10-K)
(3)(e)	1-2921	3.01	--	Restated Certificate of Incorporation of Panhandle. (1993 Form 10-K)
(3)(f)	1-2921	(3)(f)	--	By-Laws of Panhandle. (1999 Form 10-K)
(4)(a)	2-65973	(b)(1)-4	--	Indenture dated as of September 1, 1945, between Consumers and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Trustee, including therein indentures supplemental thereto through the Forty-third Supplemental Indenture dated as of May 1, 1979.
			--	Indentures Supplemental thereto:
	33-41126	(4)(c)	--	68th dated as of 06/15/93
	1-5611	(4)	--	69th dated as of 09/15/93 (Form 8-K dated Sep. 21, 1993)
	1-5611	(4)(a)	--	70th dated as of 02/01/98 (1997 Form 10-K)
	1-5611	(4)(a)	--	71st dated as of 03/06/98 (1997 Form 10-K)
	1-5611	(4)(b)	--	72nd dated as of 05/01/98 (1st Qtr. 1998 Form 10-Q)
	333-58943	(4)(d)	--	73rd dated as of 06/15/98
	1-5611	(4)(b)	--	74th dated as of 10/29/98 (3rd Qtr. 1998 Form 10-Q)
	1-5611	(4)(b)	--	75th dated as of 10/1/99 (1999 Form 10-K)
	1-5611	(4)(d)	--	77th dated as of 10/1/99 (1999 Form 10-K)
(4)(b)			--	78th dated as of 11/15/00
(4)(c)	1-5611	(4)(b)	--	Indenture dated as of January 1, 1996 between Consumers and The Bank of New York, as Trustee. (1995 Form 10-K)
			--	Indentures Supplemental thereto:
	1-5611	(4)(b)	--	1st dated as of 01/18/96 (1995 Form 10-K)
	1-5611	(4)(a)	--	2nd dated as of 09/04/97 (3rd qtr 1997 Form 10-Q)
	1-9513	(4)(a)	--	3rd 11/04/99 (3rd qtr 1999 Form 10-Q)
(4)(d)	1-5611	(4)(c)	--	Indenture dated as of February 1, 1998 between Consumers and The Chase Manhattan Bank, as Trustee. (1997 Form 10-K)
	1-5611	(4)(a)	--	1st dated as of 05/01/98 (1st Qtr. 1998 Form 10-Q)
	333-58943	(4)(b)	--	2nd dated as of 06/15/98
	1-5611	(4)(a)	--	3rd 10/29/98 (3rd Qtr. 1998 Form 10-Q)
(4)(e)	33-47629	(4)(a)	--	Indenture dated as of September 15, 1992 between CMS Energy and NBD Bank, as Trustee. (Form S-3 filed May 1, 1992)
			--	Indentures Supplemental thereto:
	1-9513	(4)	--	1st dated as of 10/01/92 (Form 8-K dated October 1, 1992)
	1-9513	(4)(a)	--	2nd dated as of 10/01/92 (Form 8-K dated October 1, 1992)
	1-9513	(4)	--	3rd dated as of 05/06/97 (1st qtr 1997 Form 10-Q)
	333-37241	(4)(a)	--	4th dated as of 09/26/97 (Form S-3 filed October 6, 1997)
	1-9513	(4)(b)	--	5th dated as of 11/04/97 (3rd qtr 1997 Form 10-Q)
	1-9513	(4)(d)	--	6th dated as of 01/13/98 (1997 Form 10-K)
	1-9513	(4)(d)(i)	--	7th dated as of 01/25/99 (1998 Form 10-K)
	1-9513	(4)(d)(ii)	--	8th dated as of 02/03/99 (1998 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	AS EXHIBIT NUMBER		DESCRIPTION
	1-9513	(4)(a)	--	9th dated as of 06/22/99 (2nd qtr 1999 Form 10-Q)
	333-48276	(4)	--	10th dated as of 10/12/00 (Form S-3MEF filed October 19, 2000)
(4)(f)	1-9513	(4)(b)	--	Indenture between CMS Energy and The Chase Manhattan Bank, as Trustee, dated as of January 15, 1994. (Form 8-K dated March 29, 1994)
			--	Indentures Supplemental thereto:
	1-9513	(4b)	--	1st dated as of 01/20/94 (Form 8-K dated March 29, 1994)
	1-9513	(4)	--	2nd dated as of 03/19/96 (1st qtr 1996 Form 10-Q)
	1-9513	(4)(a)(iv)	--	3rd dated as of 03/17/97 (Form 8-K dated May 1, 1997)
	333-36115	(4)(d)	--	4th dated as of 09/17/97 (Form S-3 filed September 22, 1997)
	333-63229	(4)(c)	--	5th dated as of 08/26/98 (Form S-4 filed September 10, 1998)
	1-9513	(4)	--	6th dated as of 11/9/00 (3rd qtr 2000 Form 10-Q)
(4)(g)	1-9513	(4a)	--	Indenture dated as of June 1, 1997, between CMS Energy and The Bank of New York, as trustee. (Form 8-K filed July 1, 1997)
			--	Indentures Supplemental thereto:
	1-9513	(4)(b)	--	1st dated as of 06/20/97 (Form 8-K filed July 1, 1997)
	333-45556	(4)(e)	--	4th dated as of 08/22/00 (Form S-3 filed September 11, 2000)
(4)(h)	1-2921	(4)(a)	--	Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee. (1st Qtr. 1999 10-Q)
	1-2921	(4)(b)	--	1st Supplemental Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee, including a form of Guarantee by Panhandle Eastern Pipe Line Company of the obligations of CMS Panhandle Holding Company. (1st qtr 1999 Form 10-Q)
	1-2921	(4)(a)	--	2nd Supplemental Indenture dated as of March 27, 2000, among Panhandle, as Issuer and Bank One Trust Company, National Association, as Trustee, Pursuant to Item 6.01(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, Panhandle agrees to furnish a copy of such agreement to the Commission upon request.
(4)(i)	33-58552	(4)	--	Indenture, dated as of February 1, 1993, between Panhandle and Morgan Guaranty Trust Company of New York. (Form S-3 filed February 19, 1993)
(4)(j)	1-9513	(4)	--	Credit Agreement, dated as of June 27, 2000 among CMS Energy, as Borrower, and the Banks named therein, as Banks, and the Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A. and Barclays Bank plc as Co-Syndication Agents, and Citibank, N.A., as Documentation Agent. (2nd qtr 2000 Form 10-Q)
(10(a)	1-9513	(10)(b)	--	Form of Employment Agreement entered into by CMS Energy's and Consumers' executive officers. (1999 Form 10-K)
(10)(b)	1-5611	(10)(g)	--	Consumers' Executive Stock Option and Stock Appreciation Rights Plan effective December 1, 1989. (1990 Form 10-K)
(10)(c)	1-9513	(10)(d)	--	CMS Energy's Performance Incentive Stock Plan effective February 3, 1988, as amended December 3, 1999. (1999 Form 10-K)
(10)(d)	1-9513	(10)(m)	--	CMS Deferred Salary Savings Plan effective January 1, 1994. (1993 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(10)(e)	1-9513	(10)(n)	--	CMS Energy and Consumers Annual Executive Incentive Compensation Plan effective January 1, 1986, as amended January 1995. (1995 Form 10-K)
(10)(f)	1-9513	(10)(h)	--	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers Energy Company effective January 1, 1982, as amended December 3, 1999. (1999 Form 10-K)
(10)(g)	33-37977	4.1	--	Senior Trust Indenture, Leasehold Mortgage and Security Agreement dated as of June 1, 1990 between The Connecticut National Bank and United States Trust Company of New York. (MCV Partnership)
				Indenture Supplemental thereto:
	33-37977	4.2	--	Supplement No. 1 dated as of June 1, 1990. (MCV Partnership)
(10)(h)	1-9513	(28)(b)	--	Collateral Trust Indenture dated as of June 1, 1990 among Midland Funding Corporation I, MCV Partnership and United States Trust Company of New York, Trustee. (3rd qtr 1990 Form 10-Q)
				Indenture Supplemental thereto:
	33-37977	4.4	--	Supplement No. 1 dated as of June 1, 1990. (MCV Partnership)
(10)(i)	1-9513	(10)(v)	--	Amended and Restated Investor Partner Tax Indemnification Agreement dated as of June 1, 1990 among Investor Partners, CMS Midland as Indemnitor and CMS Energy as Guarantor. (1990 Form 10-K)
(10)(j)	1-9513	(19)(d)**	--	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to The Connecticut National Bank and Others. (1990 Form 10-K)
(10)(k)	1-9513	(10)(z)**	--	Indemnity Agreement dated as of June 1, 1990 made by CMS Energy to Midland Cogeneration Venture Limited Partnership. (1990 Form 10-K)
(10)(l)	1-9513	(10)(aa)**	--	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to United States Trust Company of New York, Meridian Trust Company, each Subordinated Collateral Trust Trustee and Holders from time to time of Senior Bonds and Subordinated Bonds and Participants from time to time in Senior Bonds and Subordinated Bonds. (1990 Form 10-K)
(10)(m)	33-37977	10.4	--	Amended and Restated Participation Agreement dated as of June 1, 1990 among MCV Partnership, Owner Participant, The Connecticut National Bank, United States Trust Company, Meridian Trust Company, Midland Funding Corporation I, Midland Funding Corporation II, MEC Development Corporation and Institutional Senior Bond Purchasers. (MCV Partnership)
	1-5611	(10)(w)	--	Amendment No. 1 dated as of July 1, 1991. (1991 Form 10-K)
(10)(n)	33-3797	10.4	--	Power Purchase Agreement dated as of July 17, 1986 between MCV Partnership and Consumers. (MCV Partnership)
				Amendments thereto:
	33-37977	10.5	--	Amendment No. 1 dated September 10, 1987. (MCV Partnership)
	33-37977	10.6	--	Amendment No. 2 dated March 18, 1988. (MCV Partnership)
	33-37977	10.7	--	Amendment No. 3 dated August 28, 1989. (MCV Partnership)
	33-37977	10.8	--	Amendment No. 4A dated May 25, 1989. (MCV Partnership)
(10)(o)	1-5611	(10)(y)	--	Unwind Agreement dated as of December 10, 1991 by and among CMS Energy, Midland Group, Ltd., Consumers, CMS Midland, Inc., MEC Development Corp. and CMS Midland Holdings Company. (1991 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(10)(p)	1-5611	(10)(z)	--	Stipulated AGE Release Amount Payment Agreement dated as of June 1, 1990, among CMS Energy, Consumers and The Dow Chemical Company. (1991 Form 10-K)
(10)(q)	1-5611	(10)(aa)**	--	Parent Guaranty dated as of June 14, 1990 from CMS Energy to MCV, each of the Owner Trustees, the Indenture Trustees, the Owner Participants and the Initial Purchasers of Senior Bonds in the MCV Sale Leaseback transaction, and MEC Development. (1991 Form 10-K)
(10)(r)	1-8157	10.41	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989, and Amendment, dated November 1, 1989. (1989 Form 10-K of PanEnergy Corp.)
(10)(s)	1-8157	10.41	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989. (1991 Form 10-K of PanEnergy Corp.)
(10)(t)	1-2921	10.03	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated September 1, 1993. (1993 Form 10-K)
(12)			--	Statements regarding computation of CMS Energy's Ratio of Earnings to Fixed Charges.
(16)(b)	1-02921	16(B)	--	Letter of Deloitte & Touche LLP (Form 8-K/A dated July 19, 1999).
(21)(a)			--	Subsidiaries of CMS Energy.
(21)(b)			--	Subsidiaries of Consumers.
(23)(a)			--	Consent of Arthur Andersen LLP for CMS Energy.
(23)(b)			--	Consent of Arthur Andersen LLP for Consumers.
(24)(a)			--	Power of Attorney for CMS Energy.
(24)(b)			--	Power of Attorney for Consumers.
(24)(c)			--	Power of Attorney for Panhandle

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** Obligations of only CMS Holdings and CMS Midland, second tier subsidiaries of Consumers, and of CMS Energy but not of Consumers.

Exhibits listed above which have heretofore been filed with the Securities and Exchange Commission pursuant to various acts administered by the Commission, and which were designated as noted above, are hereby incorporated herein by reference and made a part hereof with the same effect as if filed herewith.

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are either not required, not applicable or the required information is shown in the financial statements or notes thereto.

Columns omitted from schedules filed have been omitted because the information is not applicable.

CMS ENERGY CORPORATION
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
			(IN MILLIONS)		
Accumulated provision for uncollectible accounts:					
2000	$12	$14	$ 6	$14(a)	$18
1999	$13	$15	$(3)	$13(a)	$12
1998	$ 7	$12	$ 5	$11(a)	$13

- ------------------------
(a) Accounts receivable written off including net uncollectible amounts of $12 in 2000, $12 in 1999 and $10 in 1998 charged directly to operating expense and credited to accounts receivable.

CONSUMERS ENERGY COMPANY

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
			(IN MILLIONS)		
Accumulated provision for uncollectible accounts:					
2000	$4	$10	--	$11(a)	$3
1999	$5	$ 7	--	$ 8(a)	$4
1998	$6	$10	--	$11(a)	$5

- ------------------------
(a) Accounts receivable written off including net uncollectible amounts of $9 in 2000, $7 in 1999 and $10 in 1998 charged directly to operating expense and credited to accounts receivable.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CMS Energy Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, CMS Energy Corporation's consolidated financial statements included in this Form 10-K, and have issued our report thereon dated February 2, 2001. Our audit was made for the purpose of forming an opinion on those basic consolidated financial statements taken as a whole. The schedule listed in Item 14(a) is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan
February 2, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Consumers Energy Company:

We have audited in accordance with auditing standards generally accepted in the United States, Consumers Energy Company's consolidated financial statements included in this Form 10-K, and have issued our report thereon dated February 2, 2001. Our audit was made for the purpose of forming an opinion on those basic consolidated financial statements taken as a whole. The schedule listed in Item 14(a) is the responsibility of the Company's management and is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
February 2, 2001

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, CMS Energy Corporation has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of March 2001.

CMS ENERGY CORPORATION

By /s/ WILLIAM T. MCCORMICK, JR.
William T. McCormick, Jr.
Chairman of the Board, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of CMS Energy Corporation and in the capacities and on the 23rd day of March 2001.

SIGNATURE	TITLE
(i) Principal executive officer:	
/s/ WILLIAM T. MCCORMICK, JR. William T. McCormick, Jr.	Chairman of the Board, President, Chief Executive Officer and Director
(ii) Principal financial officer:	
/s/ A. M. WRIGHT Alan M. Wright	Executive Vice President, Chief Financial Officer and Chief Administrative Officer
(iii) Controller or principal accounting officer:	
/s/ P. D. HOPPER Preston D. Hopper	Senior Vice President, Chief Accounting Officer and Controller
(iv) A majority of the Directors including those named above:	
JOHN M. DEUTCH* John M. Deutch	Director
JAMES J. DUDERSTADT* James J. Duderstadt	Director
K. R. FLAHERTY* Kathleen R. Flaherty	Director
EARL D. HOLTON* Earl D. Holton	Director
W. U. PARFET* William U. Parfet	Director
PERCY A. PIERRE* Percy A. Pierre	Director
KENNETH L. WAY* Kenneth L. Way	Director
Kenneth Whipple	Director
JOHN B. YASINSKY* John B. Yasinsky	Director

*By /s/ THOMAS A. MCNISH
Thomas A. McNish,
Attorney-in-Fact

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Consumers Energy Company has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of March 2001.

CONSUMERS ENERGY COMPANY

By /s/ WILLIAM T. MCCORMICK, JR.

William T. McCormick, Jr.
Chairman of the Board and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of Consumers Energy Company and in the capacities and on the 23rd day of March 2001.

SIGNATURE	TITLE
(i) Principal executive officer:	
/s/ WILLIAM T. MCCORMICK, JR. William T. McCormick, Jr.	Chairman of the Board, President and Director
(ii) Principal financial officer:	
/s/ A. M. WRIGHT Alan M. Wright	Executive Vice President, Chief Financial Officer and Chief Administrative Officer
(iii) Controller or principal accounting officer:	
/s/ DENNIS DAPRA Dennis DaPra	Senior Vice President and Controller
(iv) A majority of the Directors including those named above:	
JOHN M. DEUTCH* John M. Deutch	Director
JAMES J. DUDERSTADT* James J. Duderstadt	Director
K. R. FLAHERTY* Kathleen R. Flaherty	Director
EARL D. HOLTON* Earl D. Holton	Director
WILLIAM T. MCCORMICK, JR.* William T. McCormick, Jr.	Director
W. U. PARFET* William U. Parfet	Director
PERCY A. PIERRE* Percy A. Pierre	Director
KENNETH L. WAY* Kenneth L. Way	Director
Kenneth Whipple	Director
JOHN B. YASINSKY* John B. Yasinsky	Director
*By /s/ THOMAS A. MCNISH Thomas A. McNish, Attorney-in-Fact	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Panhandle Eastern Pipe Line has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of March 2001.

PANHANDLE EASTERN PIPE LINE COMPANY

By /s/ WILLIAM J. HAENER

William J. Haener
Chairman of the Board and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of Panhandle Eastern Pipe Line Company and in the capacities and on the 23rd day of March 2001.

SIGNATURE	TITLE
(i) Principal executive officer:	
/s/ CHRISTOPHER A. HELMS Christopher A. Helms	President and Chief Executive Officer
(ii) Principal financial officer:	
/s/ A. M. WRIGHT Alan M. Wright	Senior Vice President, Chief Financial Officer, Treasurer and Director
(iii) Controller or principal accounting officer:	
/s/ G. W. LEFELAR Gary W. Lefelar	Vice President and Controller
(iv) A majority of the Directors including those named above:	
/s/ WILLIAM T. MCCORMICK, JR. William T. McCormick, Jr.	Director

CMS ENERGY, CONSUMERS AND PANHANDLE EXHIBITS

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(3)(a)	333-51932	(3)(a)	--	Restated Articles of Incorporation of CMS Energy. (Form S-3 filed December 15, 2000)
(3)(b)	333-45556	(3)(b)	--	By-Laws of CMS Energy. (Form S-3 filed September 11, 2000)
(3)(c)			--	Restated Articles of Incorporation dated May 26, 2000, of Consumers.
(3)(d)	1-5611	(3)(d)	--	By-Laws of Consumers. (1999 Form 10-K)
(3)(e)	1-2921	3.01	--	Restated Certificate of Incorporation of Panhandle. (1993 Form 10-K)
(3)(f)	1-2921	(3)(f)	--	By-Laws of Panhandle. (1999 Form 10-K)
(4)(a)	2-65973	(b)(1)-4	--	Indenture dated as of September 1, 1945, between Consumers and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Trustee, including therein indentures supplemental thereto through the Forty-third Supplemental Indenture dated as of May 1, 1979.
			--	Indentures Supplemental thereto:
	33-41126	(4)(c)	--	68th dated as of 06/15/93
	1-5611	(4)	--	69th dated as of 09/15/93 (Form 8-K dated Sep. 21, 1993)
	1-5611	(4)(a)	--	70th dated as of 02/01/98 (1997 Form 10-K)
	1-5611	(4)(a)	--	71st dated as of 03/06/98 (1997 Form 10-K)
	1-5611	(4)(b)	--	72nd dated as of 05/01/98 (1st Qtr. 1998 Form 10-Q)
	333-58943	(4)(d)	--	73rd dated as of 06/15/98
	1-5611	(4)(b)	--	74th dated as of 10/29/98 (3rd Qtr. 1998 Form 10-Q)
	1-5611	(4)(b)	--	75th dated as of 10/1/99 (1999 Form 10-K)
	1-5611	(4)(d)	--	77th dated as of 10/1/99 (1999 Form 10-K)
(4)(b)			--	78th dated as of 11/15/00
(4)(c)	1-5611	(4)(b)	--	Indenture dated as of January 1, 1996 between Consumers and The Bank of New York, as Trustee. (1995 Form 10-K)
			--	Indentures Supplemental thereto:
	1-5611	(4)(b)	--	1st dated as of 01/18/96 (1995 Form 10-K)
	1-5611	(4)(a)	--	2nd dated as of 09/04/97 (3rd qtr 1997 Form 10-Q)
	1-9513	(4)(a)	--	3rd 11/04/99 (3rd qtr 1999 Form 10-Q)
(4)(d)	1-5611	(4)(c)	--	Indenture dated as of February 1, 1998 between Consumers and The Chase Manhattan Bank, as Trustee. (1997 Form 10-K)
	1-5611	(4)(a)	--	1st dated as of 05/01/98 (1st Qtr. 1998 Form 10-Q)
	333-58943	(4)(b)	--	2nd dated as of 06/15/98
	1-5611	(4)(a)	--	3rd 10/29/98 (3rd Qtr. 1998 Form 10-Q)
(4)(e)	33-47629	(4)(a)	--	Indenture dated as of September 15, 1992 between CMS Energy and NBD Bank, as Trustee. (Form S-3 filed May 1, 1992)
			--	Indentures Supplemental thereto:
	1-9513	(4)	--	1st dated as of 10/01/92 (Form 8-K dated October 1, 1992)
	1-9513	(4)(a)	--	2nd dated as of 10/01/92 (Form 8-K dated October 1, 1992)
	1-9513	(4)	--	3rd dated as of 05/06/97 (1st qtr 1997 Form 10-Q)
	333-37241	(4)(a)	--	4th dated as of 09/26/97 (Form S-3 filed October 6, 1997)
	1-9513	(4)(b)	--	5th dated as of 11/04/97 (3rd qtr 1997 Form 10-Q)
	1-9513	(4)(d)	--	6th dated as of 01/13/98 (1997 Form 10-K)
	1-9513	(4)(d)(i)	--	7th dated as of 01/25/99 (1998 Form 10-K)
	1-9513	(4)(d)(ii)	--	8th dated as of 02/03/99 (1998 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	AS EXHIBIT NUMBER		DESCRIPTION
	1-9513	(4)(a)	--	9th dated as of 06/22/99 (2nd qtr 1999 Form 10-Q)
	333-48276	(4)	--	10th dated as of 10/12/00 (Form S-3MEF filed October 19, 2000)
(4)(f)	1-9513	(4)(b)	--	Indenture between CMS Energy and The Chase Manhattan Bank, as Trustee, dated as of January 15, 1994. (Form 8-K dated March 29, 1994)
			--	Indentures Supplemental thereto:
	1-9513	(4b)	--	1st dated as of 01/20/94 (Form 8-K dated March 29, 1994)
	1-9513	(4)	--	2nd dated as of 03/19/96 (1st qtr 1996 Form 10-Q)
	1-9513	(4)(a)(iv)	--	3rd dated as of 03/17/97 (Form 8-K dated May 1, 1997)
	333-36115	(4)(d)	--	4th dated as of 09/17/97 (Form S-3 filed September 22, 1997)
	333-63229	(4)(c)	--	5th dated as of 08/26/98 (Form S-4 filed September 10, 1998)
	1-9513	(4)	--	6th dated as of 11/9/00 (3rd qtr 2000 Form 10-Q)
(4)(g)	1-9513	(4a)	--	Indenture dated as of June 1, 1997, between CMS Energy and The Bank of New York, as trustee. (Form 8-K filed July 1, 1997)
			--	Indentures Supplemental thereto:
	1-9513	(4)(b)	--	1st dated as of 06/20/97 (Form 8-K filed July 1, 1997)
	333-45556	(4)(e)	--	4th dated as of 08/22/00 (Form S-3 filed September 11, 2000)
(4)(h)	1-2921	(4)(a)	--	Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee. (1st Qtr. 1999 10-Q)
	1-2921	(4)(b)	--	1st Supplemental Indenture dated as of March 29, 1999, among CMS Panhandle Holding Company, Panhandle Eastern Pipe Line Company and NBD Bank, as Trustee, including a form of Guarantee by Panhandle Eastern Pipe Line Company of the obligations of CMS Panhandle Holding Company. (1st qtr 1999 Form 10-Q)
	1-2921	(4)(a)	--	2nd Supplemental Indenture dated as of March 27, 2000, among Panhandle, as Issuer and Bank One Trust Company, National Association, as Trustee, Pursuant to Item 6.01(b)(4)(iii) of Regulation S-K, in lieu of filing a copy of such agreement, Panhandle agrees to furnish a copy of such agreement to the Commission upon request.
(4)(i)	33-58552	(4)	--	Indenture, dated as of February 1, 1993, between Panhandle and Morgan Guaranty Trust Company of New York. (Form S-3 filed February 19, 1993)
(4)(j)	1-9513	(4)	--	Credit Agreement, dated as of June 27, 2000 among CMS Energy, as Borrower, and the Banks named therein, as Banks, and the Chase Manhattan Bank, as Administrative Agent and Collateral Agent, and Bank of America, N.A. and Barclays Bank plc as Co-Syndication Agents, and Citibank, N.A., as Documentation Agent. (2nd qtr 2000 Form 10-Q)
(10(a)	1-9513	(10)(b)	--	Form of Employment Agreement entered into by CMS Energy's and Consumers' executive officers. (1999 Form 10-K)
(10)(b)	1-5611	(10)(g)	--	Consumers' Executive Stock Option and Stock Appreciation Rights Plan effective December 1, 1989. (1990 Form 10-K)
(10)(c)	1-9513	(10)(d)	--	CMS Energy's Performance Incentive Stock Plan effective February 3, 1988, as amended December 3, 1999. (1999 Form 10-K)
(10)(d)	1-9513	(10)(m)	--	CMS Deferred Salary Savings Plan effective January 1, 1994. (1993 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(10)(e)	1-9513	(10)(n)	--	CMS Energy and Consumers Annual Executive Incentive Compensation Plan effective January 1, 1986, as amended January 1995. (1995 Form 10-K)
(10)(f)	1-9513	(10)(h)	--	Supplemental Executive Retirement Plan for Employees of CMS Energy/Consumers Energy Company effective January 1, 1982, as amended December 3, 1999. (1999 Form 10-K)
(10)(g)	33-37977	4.1	--	Senior Trust Indenture, Leasehold Mortgage and Security Agreement dated as of June 1, 1990 between The Connecticut National Bank and United States Trust Company of New York. (MCV Partnership)
				Indenture Supplemental thereto:
	33-37977	4.2	--	Supplement No. 1 dated as of June 1, 1990. (MCV Partnership)
(10)(h)	1-9513	(28)(b)	--	Collateral Trust Indenture dated as of June 1, 1990 among Midland Funding Corporation I, MCV Partnership and United States Trust Company of New York, Trustee. (3rd qtr 1990 Form 10-Q)
				Indenture Supplemental thereto:
	33-37977	4.4	--	Supplement No. 1 dated as of June 1, 1990. (MCV Partnership)
(10)(i)	1-9513	(10)(v)	--	Amended and Restated Investor Partner Tax Indemnification Agreement dated as of June 1, 1990 among Investor Partners, CMS Midland as Indemnitor and CMS Energy as Guarantor. (1990 Form 10-K)
(10)(j)	1-9513	(19)(d)**	--	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to The Connecticut National Bank and Others. (1990 Form 10-K)
(10)(k)	1-9513	(10)(z)**	--	Indemnity Agreement dated as of June 1, 1990 made by CMS Energy to Midland Cogeneration Venture Limited Partnership. (1990 Form 10-K)
(10)(l)	1-9513	(10)(aa)**	--	Environmental Agreement dated as of June 1, 1990 made by CMS Energy to United States Trust Company of New York, Meridian Trust Company, each Subordinated Collateral Trust Trustee and Holders from time to time of Senior Bonds and Subordinated Bonds and Participants from time to time in Senior Bonds and Subordinated Bonds. (1990 Form 10-K)
(10)(m)	33-37977	10.4	--	Amended and Restated Participation Agreement dated as of June 1, 1990 among MCV Partnership, Owner Participant, The Connecticut National Bank, United States Trust Company, Meridian Trust Company, Midland Funding Corporation I, Midland Funding Corporation II, MEC Development Corporation and Institutional Senior Bond Purchasers. (MCV Partnership)
	1-5611	(10)(w)	--	Amendment No. 1 dated as of July 1, 1991. (1991 Form 10-K)
(10)(n)	33-3797	10.4	--	Power Purchase Agreement dated as of July 17, 1986 between MCV Partnership and Consumers. (MCV Partnership)
				Amendments thereto:
	33-37977	10.5	--	Amendment No. 1 dated September 10, 1987. (MCV Partnership)
	33-37977	10.6	--	Amendment No. 2 dated March 18, 1988. (MCV Partnership)
	33-37977	10.7	--	Amendment No. 3 dated August 28, 1989. (MCV Partnership)
	33-37977	10.8	--	Amendment No. 4A dated May 25, 1989. (MCV Partnership)
(10)(o)	1-5611	(10)(y)	--	Unwind Agreement dated as of December 10, 1991 by and among CMS Energy, Midland Group, Ltd., Consumers, CMS Midland, Inc., MEC Development Corp. and CMS Midland Holdings Company. (1991 Form 10-K)

EXHIBITS	PREVIOUSLY FILED WITH FILE NUMBER	PREVIOUSLY FILED AS EXHIBIT NUMBER		DESCRIPTION
(10)(p)	1-5611	(10)(z)	--	Stipulated AGE Release Amount Payment Agreement dated as of June 1, 1990, among CMS Energy, Consumers and The Dow Chemical Company. (1991 Form 10-K)
(10)(q)	1-5611	(10)(aa)**	--	Parent Guaranty dated as of June 14, 1990 from CMS Energy to MCV, each of the Owner Trustees, the Indenture Trustees, the Owner Participants and the Initial Purchasers of Senior Bonds in the MCV Sale Leaseback transaction, and MEC Development. (1991 Form 10-K)
(10)(r)	1-8157	10.41	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989, and Amendment, dated November 1, 1989. (1989 Form 10-K of PanEnergy Corp.)
(10)(s)	1-8157	10.41	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated November 1, 1989. (1991 Form 10-K of PanEnergy Corp.)
(10)(t)	1-2921	10.03	--	Contract for Firm Transportation of Natural Gas between Consumers Power Company and Trunkline Gas Company, dated September 1, 1993. (1993 Form 10-K)
(12)			--	Statements regarding computation of CMS Energy's Ratio of Earnings to Fixed Charges.
(16)(b)	1-02921	16(B)	--	Letter of Deloitte & Touche LLP (Form 8-K/A dated July 19, 1999).
(21)(a)			--	Subsidiaries of CMS Energy.
(21)(b)			--	Subsidiaries of Consumers.
(23)(a)			--	Consent of Arthur Andersen LLP for CMS Energy.
(23)(b)			--	Consent of Arthur Andersen LLP for Consumers.
(24)(a)			--	Power of Attorney for CMS Energy.
(24)(b)			--	Power of Attorney for Consumers.
(24)(c)			--	Power of Attorney for Panhandle

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** Obligations of only CMS Holdings and CMS Midland, second tier subsidiaries of Consumers, and of CMS Energy but not of Consumers.

Exhibits listed above which have heretofore been filed with the Securities and Exchange Commission pursuant to various acts administered by the Commission, and which were designated as noted above, are hereby incorporated herein by reference and made a part hereof with the same effect as if filed herewith.

EXHIBIT 3(c)

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

RESTATED ARTICLES OF INCORPORATION
(Profit Corporation)
021-395

These Restated Articles of Incorporation are executed pursuant to the provisions of Sections 641 through 651, Act 284, Public Acts of 1972, as amended, (the "Act"). These Restated Articles of Incorporation were duly adopted on February 25, 2000 by the Board of Directors of Consumers Energy Company, with the shareholders approval on May 26, 2000, in accordance with provisions of Sections 611(2) and 642 of the Act. These Restated Articles of Incorporation only restate and integrate and do not further amend the provisions of the Articles of Incorporation heretofore amended and there is no material discrepancy between those provisions and the provisions of these Restated Articles.

The present name of the corporation is Consumers Energy Company. The former names of the corporation were Consumers Power Company and Consumers Power Company of Michigan.

Consumers Energy Company is the successor to a corporation with the name of Consumers Power Company which was organized in Maine in 1910 and did business in Michigan from 1915 to 1968.

The date of filing the original Articles of Incorporation in Michigan was January 22, 1968.

RESTATED ARTICLES OF INCORPORATION

The following restated Articles of Incorporation supersede the original Articles as amended and shall be the Articles of Incorporation of the corporation.

ARTICLE I

The name of the corporation is CONSUMERS ENERGY COMPANY (hereinafter called the "Company").

ARTICLE II

The purposes for which the Company is formed are as follows:

(a) To generate, manufacture, produce, gather, purchase, store, transmit, distribute, transform, use, sell and supply electric energy or gas, either artificial or natural, or both electric energy and gas, to the public generally, and to public utilities, natural gas companies and to any and all other entities (whether governmental, public or private); and generally to carry on the electric business or the gas business, or both businesses, as a public utility.

(b) To generate, manufacture, produce, purchase, transmit, distribute, transform, use, sell and supply hot water, steam, heat, power and energy, or any or all thereof, to the public generally, and to any and all other entities (whether governmental, public or private); and generally to carry on any or all of such businesses as a public utility.

(c) To acquire by lease, purchase, grant, donation, devise, bequest or otherwise, all such lands, easements, royalties, leaseholds, flowage rights, water power and other property, real, personal or mixed, tangible or intangible, and any interest therein, wherever the same may be located and whether within or without the State of Michigan, as may be necessary, incidental or appropriate to the carrying out of any of its purposes, and to hold, convey, mortgage or lease, with or without any of its franchises, corporate or otherwise, any of the foregoing.

(d) To dam any stream or streams, lake or other body of water, and excavate, construct, maintain, repair and improve any existing stream, lake, reservoir, body of water, or canal, or which it may excavate and construct, with water power appurtenant thereto; to flood, flow and submerge land and property by any means whatsoever, including but not limited to, the construction of the necessary dams or other facilities in any canal, or in creeks, streams, reservoirs, lakes or other bodies of water or watercourses, natural or artificial; to excavate, construct, improve, maintain, repair, remove and replace reservoirs, dams, dikes and other facilities; and to condemn all lands, easements, rights of way, waterpowers, flowage rights, gas royalties, natural gas leaseholds, royalty interests, and other property, and any and all interests therein, to the extent authorized, and subject to the limitations imposed by the laws of the State of Michigan or of any other State applicable thereto.

(e) To explore for, mine, produce, gather, purchase, store, transmit, distribute, refine, sell and supply natural gas, oil and other hydrocarbons.

(f) To sell appliances and carry on an appliance business.

(g) To carry on any and all other businesses and perform any and all other acts incident to or appropriate in connection with any of the foregoing.

(h) To guarantee, subscribe for, purchase, invest in, own, hold or otherwise acquire, sell, assign, transfer, mortgage, pledge or otherwise dispose of, the shares of the capital stock of, or any bonds, securities or evidences of indebtedness created by, or any other evidences of interest in, any other corporation or corporations or other entity of the District of Columbia or of the State of Michigan or any other State, country, nation or government so far as permitted by the laws applicable thereto, and while the owner thereof to exercise all the rights, powers and privileges of ownership, including the right to vote thereon or with respect thereto and to receive all dividends or payments thereon, so far as permitted by the laws applicable thereto; to lend money to or aid in any lawful manner whatsoever any corporation or other entity now existing or hereafter formed whose shares of capital stock, bonds, securities or evidences of indebtedness, or other evidences of interest therein, are held or are in any manner guaranteed by the Company; and to do any and all lawful acts and things to protect, preserve, improve or enhance the value of any such shares of capital stock, bonds, securities, evidences of indebtedness or other interests.

(i) To acquire, purchase, hold, sell and transfer shares of its own capital stock, bonds and other evidences of indebtedness to the extent and in the manner authorized by, and subject to any requirements of, the laws applicable thereto.

(j) To borrow money and issue, sell or pledge bonds, promissory notes, bills of exchange, debentures and other obligations and evidences of indebtedness, whether secured by mortgage, pledge or otherwise, or unsecured.

(k) To make contributions of money, property, services or otherwise for public welfare, including, among other things, charitable, scientific, educational and religious purposes.

(l) To conduct its business in the State of Michigan, other States, the District of Columbia, the territories and colonies of the United States and in foreign countries and the territories and colonies thereof and to have one or more offices within or without the State of Michigan.

(m) To have and to exercise all such powers as may be conferred by the laws of the State of Michigan applicable to the Company or to corporations engaged in the State of Michigan in any business which may be carried on by the Company.

The foregoing clauses shall be construed both as purposes and powers, but no recitation, expression or declaration of specific or special purposes or powers hereinabove enumerated shall be deemed to be exclusive, it being hereby expressly declared that all purposes and powers not inconsistent therewith or with the laws of the State of Michigan applicable to the Company are hereby included, and the Company shall possess all such incidental and other powers as are reasonably necessary, appropriate or convenient to the accomplishment of any of the foregoing purposes or powers, either alone or in association with other corporations, associations, firms, individuals or entities (whether governmental, public or private), to the same extent and as fully as individuals might or could do, as principals, agents, contractors or otherwise.

ARTICLE III

The street and mailing address of the registered office is 212 West Michigan Avenue, Jackson, Michigan 49201.

The name of the resident agent at the registered office is T. A. McNish.

ARTICLE IV

The total number of shares of all classes of stock which the Company shall have authority to issue is 188,500,000: 23,500,000 shares of preferred stock, 7,500,000 of which are of the par value of $100 per share and are of a class designated Preferred Stock, and 16,000,000 shares of which are of no par value and are of a class designated Class A Preferred Stock; 40,000,000 shares are of the par value of $1 per share and are of a class designated Preference Stock; and 125,000,000 shares are of the par value of $10 per share and are of a class designated Common Stock.

ARTICLE V

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

ARTICLE VI

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

ARTICLE VII

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

PREFERRED STOCK
Preferred Stock Issuable in Series

The shares of Preferred Stock may be divided into and issued in series. Each such series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes, and all shares of the Preferred Stock shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

(a) The rate of dividend;

(b) The price at which shares may be redeemed, such price to be not less than $100 or more than $115 per share, plus accrued dividends to the date of redemption;

(c) The amount payable upon shares in event of involuntary liquidation, which amount shall not be less than $100 per share or more than $115 per share, plus accrued dividends;

(d) The amount payable upon shares in event of voluntary liquidation, which amount shall not be less than $100 per share or more than $115 per share, plus accrued dividends;

(e) The terms and conditions, if any, on which shares shall be by their terms convertible into or exchangeable for shares of any other class of stock of the Company over which the Preferred Stock has preference as to payment of dividends and as to assets;

(f) Subject to the rights and preferences of shares of Preferred Stock set forth under the heading "General Provisions", the terms and conditions of a sinking or purchase fund, if any, for the redemption or purchase of such shares.

No change shall be made in any of the rights and preferences of any series of Preferred Stock at the time outstanding in those respects in which the shares thereof vary from the shares of other series of Preferred Stock at the time outstanding without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of such series of Preferred Stock at the time outstanding, in addition to such other vote, if any, as may be required for such change under the applicable provisions of these Articles or of the Michigan Business Corporation Act.

Series Established By Articles

There are hereby established two series of Preferred Stock designated, respectively, as $4.50 Preferred Stock and $4.16 Preferred Stock.

$4.50 Preferred Stock

The rights and preferences of the shares of $4.50 Preferred Stock in those respects in which the shares thereof may vary from the shares of other series are as follows:

(a) The rate of dividend is $4.50 per annum;

(b) The price at which shares may be redeemed is $110 per share, plus accrued dividends to the date of redemption;

(c) The amount payable in event of involuntary liquidation is $100 per share, plus accrued dividends;

(d) The amount payable in event of voluntary liquidation is $105 per share, plus accrued dividends;

(e) Shares are not, by their terms, convertible or exchangeable;

(f) Shares are not, by their terms, entitled to the benefit of any sinking or purchase fund.

$4.16 Preferred Stock

The rights and preferences of the shares of $4.16 Preferred Stock in those respects in which the shares thereof may vary from the shares of other series are as follows:

(a) The rate of dividend is $4.16 per annum;

(b) The price at which shares may be redeemed is $103.25 per share, plus accrued dividends to the date of redemption;

(c) The amount payable in event of involuntary liquidation is $100 per share, plus accrued dividends;

(d) The amount payable in event of voluntary liquidation is $101 per share, plus accrued dividends;

(e) Shares are not, by their terms, convertible or exchangeable;

(f) Shares are not, by their terms, entitled to the benefit of any sinking or purchase fund.

Authority of Board of Directors as to Other Series

To the extent that series of Preferred Stock have not been established and variations in the relative rights and preferences as between series have not been fixed and determined as hereinbefore set forth in these Articles, authority is vested in the Board of Directors of the Company to divide the shares of Preferred Stock into and to establish series of Preferred Stock, to fix and determine within the limitations hereinabove set forth in these Articles the relative rights and preferences of the shares of any series so established, to issue and sell any and all of the authorized and unissued shares of Preferred Stock as shares of any series thereof established by these Articles or by action of the Board of Directors pursuant hereto, and to create a sinking or purchase fund for the redemption or purchase of shares of any series without the necessity of providing a sinking or purchase fund for any other series, and in the event that the Company shall acquire, by purchase or redemption or otherwise, any issued shares of its Preferred Stock of any series, the Board of Directors may resell or convert and sell or otherwise dispose of, in their discretion, any shares so acquired as shares of the same series or of any other duly created series of Preferred Stock.

CLASS A PREFERRED STOCK

Class A Preferred Stock Issuable in Series

The shares of Class A Preferred Stock may be divided into and issued in series. Each such series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes, and all shares of the Class A Preferred Stock shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

(a) The rate of dividend;

(b) The price at which shares may be redeemed;

(c) The amount payable upon shares in event of involuntary liquidation;

(d) The amount payable upon shares in event of voluntary liquidation;

(e) The voting rights of the holders of such series, if any; provided that such holders of all series shall have the voting rights hereinafter specified in these Articles;

(f) The terms and conditions, if any, on which shares shall be by their terms convertible into or exchangeable for any other securities; and

(g) The terms and conditions of a sinking or purchase fund, if any, for the redemption or purchase of such shares.

No change shall be made in any of the rights and preferences of any series of Class A Preferred Stock at the time outstanding in those respects in which the shares thereof vary from the shares of other series of Class A Preferred Stock at the time outstanding without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of such series of Class A Preferred

Stock at the time outstanding, in addition to such other vote, if any, as may be required for such change under the applicable provisions of these Articles or of the Michigan Business Corporation Act.

Authority of Board of Directors As to Other Series

To the extent that series of Class A Preferred Stock have not been established and variations in the relative rights and preferences as between series have not been fixed and determined as hereinbefore set forth in these Articles, authority is vested in the Board of Directors of the Company to divide the shares of Class A Preferred Stock into and to establish series of Class A Preferred Stock, to fix and determine the relative rights and preferences of the shares of any series so established, to issue and sell any and all of the authorized and unissued shares of Class A Preferred Stock as shares of any series thereof established by these Articles or by action of the Board of Directors pursuant hereto, and to create a sinking or purchase fund for the redemption or purchase of shares of any series without the necessity of providing a sinking or purchase fund for any other series, and in the event that the Company shall acquire, by purchase or redemption or otherwise, any issued shares of its Class A Preferred Stock of any series, the Board of Directors may resell or convert and sell or otherwise dispose of, in their discretion, any shares so acquired as shares of the same series or of any other duly created series of Class A Preferred Stock.

PREFERRED STOCK AND CLASS A PREFERRED STOCK
General Provisions

In these General Provisions, the Company's Preferred Stock, par value $100 per share, is referred to as the "Preferred Stock"; the Company's Class A Preferred Stock is referred to as the "Class A Preferred Stock"; and the Preferred Stock and Class A Preferred Stock are together referred to as the "Company Preferred Stock".

(A) The holders of the Company Preferred Stock of each series shall be entitled to receive dividends, payable when and as declared by the Board of Directors, at such rates as shall be determined for the respective series thereof from the first day of the current dividend period within which such stock shall have been originally issued except that, as to any share of Company Preferred Stock originally issued subsequent to December 31, 1972, from the date upon which such share shall have been originally issued, before any dividends shall be declared or paid upon or set apart for the Common Stock or any other stock of the Company not having preference over the Company Preferred Stock as to payment of dividends. Such dividends shall be cumulative so that if for any dividend period or periods dividends shall not have been paid or declared and set apart for payment upon all outstanding Company Preferred Stock at the rates determined for the respective series, the deficiency shall be fully paid, or declared and set apart for payment, before any dividends shall be declared or paid upon the Common Stock or any other stock of the Company not having preference over the Company Preferred Stock as to payment of dividends. Dividends shall not be declared and set apart for payment, or paid, on the Company Preferred Stock of any one series, for any dividend period, unless dividends have been or are contemporaneously declared and set apart for payment or paid on all series of the Company Preferred Stock for all dividend periods terminating on the same or an earlier date. As to all series of the Company Preferred Stock, the term "dividend period" shall mean any of the four calendar quarters in each year commencing, respectively, the first day of January, April, July and October and the first days of each such calendar quarter shall be the dividend payment dates for the regular quarterly dividends payable for the preceding dividend period on such series.

(B) When full cumulative dividends as aforesaid upon all series of the Company Preferred Stock then outstanding for all past dividend periods and for the current dividend periods shall have been paid or declared and set apart for payment, the Board of Directors may declare dividends on the Common Stock or any other stock over which the Company Preferred Stock has a preference as to payment of dividends, and no holders of any series of the Company Preferred Stock as such shall be entitled to share therein; provided, however, that no dividends (other than dividends paid in or presently thereafter repaid to the Company for or as a capital contribution with respect to stock over which the Company Preferred Stock has preference as to payment of dividends and as to assets) shall be paid or any other distribution of assets made, by purchase of shares or otherwise, on Common Stock or on any other stock over which the Company Preferred Stock has preference as to payment of dividends or as to assets except out of earned surplus of the Company available for distribution to stock over which the Company Preferred Stock has preference as to payment of dividends and as to assets, or if, at the time of declaration thereof or the making of such distribution there shall not remain to the credit of earned surplus account (after deducting therefrom the amount of such dividends and distribution), an amount at least equal to (i) $7.50 per share on all then outstanding shares of the Preferred Stock, (ii) in respect to the Class A Preferred Stock 7.5% of the aggregate amount established by the Board of Directors to be payable on the shares of each series thereof in the event of involuntary liquidation of the Company, and (iii) $7.50 per share on all then outstanding shares of all other stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets.

So long as any shares of the Company Preferred Stock are outstanding, the payment of dividends on the Common Stock (other than dividends payable in Common Stock) and the making of any distribution of assets to holders of Common Stock by purchase of shares or otherwise (each of such actions being herein embraced within the term "payment of Common Stock dividends") shall be subject to the following limitations (except as such payments may be approved or permitted by subsequent order of the Securities and Exchange Commission or any successor thereto or any other Federal governmental agency having the same or similar jurisdiction, or, in the event that the Company ceases to be subject to the jurisdiction of said Commission or of any successor thereto or of any such other Federal governmental agency, except as such payments may be permitted in accordance with a waiver of such limitations which shall have been approved by the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of Preferred Stock and Class A Preferred Stock (voting as separate classes) at the time outstanding):

(a) If and so long as the ratio of the aggregate of the par value of, or stated capital represented by, the outstanding shares of Common Stock (including premiums on the Common Stock but excluding premiums on the Company Preferred Stock) and of the surplus of the Company to the total capitalization and surplus of the Company at the end of a period of twelve consecutive calendar months within the fourteen calendar months immediately preceding the calendar month in which the proposed payment of Common Stock dividends is to be made (which period is hereinafter referred to as the "base period"), adjusted to reflect the proposed payment of Common Stock dividends (which ratio is hereinafter referred to as the "capitalization ratio"), is less than 20%, the payment of Common Stock dividends, including the proposed payment, during the twelve calendar months period ending with and including the calendar month in which the proposed payment is to be made shall not exceed 50% of the net income of the Company available for the payment of dividends on the Common Stock during the base period;

(b) If and so long as the capitalization ratio is 20% or more but less than 25%, the payment of Common Stock dividends, including the proposed payment, during the twelve calendar months period ending with and including the calendar month in which the proposed payment is to be made shall not exceed 75% of the net income of the Company available for the payment of dividends on the Common Stock during the base period;

(c) Except to the extent permitted under paragraphs (a) and (b) above, the Company shall not make any payment of Common Stock dividends which would reduce the capitalization ratio to less than 25%.

For the purpose of the foregoing provisions, the following terms shall have the following meanings:

(1) The term "net income of the Company available for the payment of dividends on the Common Stock" shall mean for any base period the balance remaining after deducting from the total gross revenues of the Company from all sources during such period the following:

(a) All operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant; (b) the amount, if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor; (c) all interest charges and other income deductions, including charges to income for amortization of debt discount, premium and expense and of the Company Preferred Stock premium and expense; and (d) all dividends applicable to the period in question on stock having preference over the Common Stock as to the payment of dividends.

(2) The term "total capitalization" shall mean the aggregate of the principal amount of all outstanding indebtedness of the Company maturing more than twelve months after the date of determination of total capitalization, plus the par value of, or stated capital represented by, the outstanding shares of all classes of stock of the Company, including any premiums on capital stock.

(3) The term "surplus" shall include capital surplus, earned surplus and any other surplus of the Company, adjusted to eliminate any amounts which may then be classified by the

Company on its books as amounts in excess of the original cost of utility plant and which are not provided for by reserve and any items set forth on the asset side of the balance sheet of the Company as a result of accounting convention, such as unamortized debt discount and expense and the Company Preferred Stock expense, unless any such amount or item, as the case may be, is being amortized or is being provided for by reserve.

(C) Upon any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of the Company Preferred Stock of each series, without any preference of the shares of any series of the Company Preferred Stock over the shares of any other series of the Company Preferred Stock, shall be entitled to receive out of the assets of the Company, whether capital, surplus or other, before any distribution of the assets to be distributed shall be made to the holders of Common Stock or of any other stock not having preference as to assets over the Company Preferred Stock, the amount determined to be payable on the shares of such series in the event of voluntary or involuntary liquidation, as the case may be. In case the assets shall not be sufficient to pay in full the amounts determined to be payable on all the shares of the Company Preferred Stock in the event of voluntary or involuntary liquidation, as the case may be, then the assets available for such payment shall be distributed to the extent available as follows: first, to the payment, pro rata, of $100 per share on each share of Preferred Stock outstanding irrespective of series and the amount established by the Board of Directors to be payable on each outstanding share of each series of Class A Preferred Stock in the event of involuntary liquidation; second, to the payment of the accrued dividends on such shares, such payment to be made pro rata in accordance with the amount of accrued dividends on each such share; and, third, to the payment of any amounts in excess of $100 per share of the Preferred Stock outstanding and the difference between the amount established by the Board of Directors to be payable on the outstanding shares of each series of Class A Preferred Stock in the event of voluntary liquidation and the amount similarly determined to be payable on such shares in the event of involuntary liquidation, plus accrued dividends which shall have been determined to be payable on the shares of any series in the event of voluntary or involuntary liquidation, as the case may be, such payment also to be made pro rata in accordance with the amounts, if any, so payable on each such share. After payment to the holders of the Company Preferred Stock of the full preferential amounts hereinbefore provided for, the holders of the Company Preferred Stock as such shall have no right or claim to any of the remaining assets of the

Company, either upon any distribution of such assets or upon dissolution, liquidation or winding up, and the remaining assets to be distributed, if any, upon a distribution of such assets or upon dissolution, liquidation or winding up, may be distributed among the holders of the Common Stock or of any other stock over which the Company Preferred Stock has preference as to assets. Without limiting the right of the Company to distribute its assets or to dissolve, liquidate or wind up in connection with any sale, merger, or consolidation, the sale of all the property of the Company to, or the merger or consolidation of the Company into or with any other corporation shall not be deemed to be a distribution of assets or a dissolution, liquidation or winding up for the purposes of this paragraph.

(D) At the option of the Board of Directors of the Company, the Company may redeem any series of the Company Preferred Stock determined to be redeemable, or any part of any series, at any time at the redemption price determined for such series; provided, however, that not less than thirty nor more than sixty days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the Company Preferred Stock so to be redeemed, by mail or publication, in such manner as may be prescribed by the By-laws of the Company or by resolution of the Board of Directors; and, provided, further, that in every case of redemption of less than all of the outstanding shares of any one series of the Company Preferred Stock, the shares of such series to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Directors. At any time after notice of redemption has been given in the manner prescribed by the By-laws of the Company or by resolution of the Board of Directors to the holders of stock so to be redeemed, the Company may deposit, or may cause its nominee to deposit, the aggregate redemption price with some bank or trust company named in such notice, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective orders of the holders of the shares so to be redeemed, on endorsement to the Company or its nominee, or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon the deposit of said money as aforesaid, or, if no such deposit is made, upon said redemption date (unless the Company defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be shareholders with respect to said shares, and from and after the making of said deposit, or, if no such deposit is made, after the redemption date (the Company not having defaulted in making payment of the redemption price as set forth in such notice), the said holders shall have no interest in or claim against the Company, or its nominee, with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption as aforesaid from said bank or trust company, or if no such deposit is made, from the Company, without interest thereon, upon endorsement, if required, and surrender of the certificates as aforesaid.

If such deposit shall be made by a nominee of the Company as aforesaid, such nominee shall upon such deposit become the owner of the shares with respect to which such deposit was made and certificates of stock may be issued to such nominee in evidence of such ownership.

In case the holder of any such Company Preferred Stock shall not, within six years after said deposit, claim the amount deposited as above stated for the redemption thereof, the Depositary shall upon demand pay over to the Company such amounts so deposited and the Depositary shall thereupon be relieved from all responsibility to the holder thereof.

Nothing herein contained shall limit any legal right of the Company to purchase any shares of the Company Preferred Stock.

(E) So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of the Preferred Stock (voting together as a single class) at the time outstanding, adopt an amendment to these Articles if such amendment would either (i) authorize or create any class of stock preferred as to dividends or assets over the Preferred Stock or (ii) change any of the rights and preferences of the then outstanding Preferred Stock; provided, however, that nothing in this paragraph contained shall authorize the adoption of any amendment of these Articles by the vote of the holders of a less number of shares of the Preferred Stock, or of any other class of stock, or of all classes of stock, than is required for such amendment by the laws of the State of Michigan at the time applicable thereto.

(F) So long as any shares of Class A Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of Class A Preferred Stock at the time outstanding (voting together as a single class) adopt an amendment to these Articles if such amendment would either (i) authorize or create any class of stock preferred as to dividends or assets over the Class A Preferred Stock or (ii) change any of the rights and preferences of the then outstanding Class A Preferred Stock; provided, however, that nothing in this paragraph contained shall authorize the adoption of any amendment of these Articles by the vote of the holders of a lesser number of shares of Class A Preferred Stock, or of any other class of stock, or of all classes of stock, than is required for such amendment by the laws of the State of Michigan at the time applicable thereto.

(G) So long as any shares of the Company Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of the Preferred Stock and Class A Preferred Stock (voting as separate classes) at the time outstanding,

(a) issue, sell or otherwise dispose of any shares of the Company Preferred Stock or issue, sell or otherwise dispose of any stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, unless, in any such case, (i) the net income of the Company available for the payment of dividends for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock (including, in any case in which such stock is to be issued, sold or otherwise disposed of in connection with the acquisition of new property, the net income of the property to be so acquired, computed on the same basis as the net income of the Company available for the payment of dividends) is at least equal to two times the annual dividend requirements on all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued, and (ii) the gross income of the Company available for the payment of interest for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock (including, in any case in which such stock is to be issued, sold or otherwise disposed of in connection with the acquisition of new property, the gross income of the property to be so acquired, computed on the same basis as the gross income of the Company available for the payment of interest) is at least equal to one and one-half times the aggregate of the annual interest requirements (adjusted by provision for amortization of debt discount and expense or of premium on debt, as the case may be) on all outstanding indebtedness of the Company and the annual dividend requirements (adjusted by provision for amortization of the Company Preferred Stock premium and expense) on all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued; or

(b) issue, sell or otherwise dispose of any shares of the Company Preferred Stock or issue, sell or otherwise dispose of any stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, unless, in any such case, the aggregate of the par value of, or stated capital represented by, the outstanding shares of Common Stock and of the surplus of the Company (paid-in, earned and other, if any) shall be not less than the aggregate amount payable in the event of involuntary liquidation upon all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued, provided that no portion of the surplus of the Company utilized to satisfy the foregoing requirement shall be available for dividends or other distributions of assets, by purchase of shares or otherwise, on Common Stock or on any other stock over which the Company Preferred Stock has preference as to the payment of dividends and as to assets until shares of the Company Preferred Stock or of stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets are retired and then only to the extent of the amount payable in the event of involuntary liquidation upon such shares or until and then only to the extent that the par value of, or stated capital represented by, the outstanding shares of Common Stock shall have been increased.

For the purpose of the foregoing provisions, the following terms shall have the following meanings:

(1) The term "net income of the Company available for the payment of dividends" shall mean the balance remaining after deducting from the total gross revenues of the Company from all sources the following: (a) all operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant, (b) the amount, if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor, and (c) all interest charges and other income deductions, including charges to income for the amortization of debt discount, premium and expense and of the Company Preferred Stock premium and expense.

(2) The term "gross income of the Company available for the payment of interest" shall mean the balance remaining after deducting from the total gross revenues of the Company from all sources the following: (a) all operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant and (b) the amount, if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor.

(3) The term "accrued dividends" shall be deemed to mean in respect of any share of any series of the Company Preferred Stock as of any given date, the amount, if any, by which the product of the rate of dividend per annum, determined upon the shares of such series, multiplied by the number of years and any fractional part of a year which shall have elapsed from the date after which dividends on such stock became cumulative to such given date, exceeds the total dividends actually paid on such stock and the dividends declared and set apart for payment. Accumulations of dividends shall not bear interest.

The term "outstanding", whenever used herein with respect to shares of the Company Preferred Stock or of any other class of stock which are by their terms redeemable, or with respect to bonds or other evidences of indebtedness shall not include any such shares or bonds or evidences of indebtedness which have been called for redemption in accordance with the provisions applicable thereto, of which call for redemption notice shall have been given, as required by such provisions and for the redemption of which a sum of money sufficient to pay the amount payable on such redemption shall have been deposited with a bank or trust company, irrevocably in trust for such purpose, or any bonds or other evidences of indebtedness for the payment of which at maturity provision has been made in a similar manner.

The term "capital represented by" whenever used herein with respect to shares of stock of the Company shall mean at any time the amount paid in on or contributed, transferred or otherwise then held and recorded or accounted for, as permitted by the provisions of law applicable thereto, as capital with respect to said shares.

COMMON STOCK

Each share of Common Stock of the Company shall be equal to every other share of said stock in every respect. The entire consideration received for shares of Common Stock shall be capital.

VOTING POWERS GENERALLY

At all meetings of the shareholders of the Company, the holders of the Preferred Stock and the holders of Common Stock shall be entitled on all questions to one vote for each share of stock held by them respectively, regardless of class.

Whenever and as often as four quarterly dividends payable on the Company Preferred Stock of any series shall be in default, in whole or in part, the holders of the Company Preferred Stock of all series shall have the exclusive right, voting separately and as a single class, to vote for and to elect the smallest number of directors which shall constitute a majority of the then authorized number of directors of the Company, and, in all matters other than the election of directors, each holder of one or more shares of the Company Preferred Stock shall be entitled to one vote for each such share of stock held. In the event of defaults entitling the holders of Company Preferred Stock to elect a majority of the directors as aforesaid, the holders of the Common Stock shall, subject to the prior rights of the holders of the Preference Stock, have the exclusive right, voting separately and as a class, to vote for and to elect the greatest number of directors which shall constitute a minority of the then authorized number of directors of the Company, and, in all matters other than the election of directors, each holder of Common Stock shall be entitled to one vote for each such share of stock held. The right of the holders of the Company Preferred Stock to elect a majority of the directors, however, shall cease when all defaults in the payment of dividends on their stock shall have been cured, and such dividends shall be declared and paid out of any funds legally available therefor as soon as, in the judgment of the Board of Directors, is reasonably practicable. The terms of office of all persons who may be directors of the Company at the time when the right to elect a majority of the directors shall accrue to the holders of the Company Preferred Stock, as herein provided, shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders, at the request in writing of the holders of not less than 1,000 shares of the then outstanding Company Preferred Stock entitled to vote addressed to the Secretary of the Company at its principal business office. Any vacancy in the Board of Directors occurring during any period that the Company Preferred Stock shall have elected representatives on the Board shall be filled by a majority vote of the remaining directors (or the one director) representing the class of stock theretofore represented by the director causing the vacancy. Upon the termination of such exclusive right of the holders of the Company Preferred Stock to elect a majority of the directors of the Company, the terms of office of all the directors of the Company shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders, at the request in writing of the holders of not less than 1,000 shares of the then outstanding Common Stock addressed to the Secretary of the Company at its principal business office.

At all meetings of the shareholders held for the purpose of electing directors during such times as the holders of the Company Preferred Stock shall have the exclusive right to elect a majority of the directors of the Company, the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of the Company Preferred Stock shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such meeting, or adjournment thereof, of directors by the other class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided, further, that, in the absence of a quorum of the holders of stock of either class, a majority of those holders of such stock who are present in person or by proxy shall have the power to adjourn the election of those directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

At all elections of directors, shareholders will be entitled to as many votes as shall equal the number of their shares of stock multiplied by the number of directors to be elected for whom such shareholders may vote, and they may cast all of such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as they may see fit.

For the purposes of the foregoing provisions, the Company Preferred Stock of all series shall be deemed to be a single class.

PRE-EMPTIVE RIGHTS

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

PREFERENCE STOCK
Preference Stock Issuable in Series

The shares of Preference Stock may be divided into and issued in series. Each such series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes, and all shares of the Preference Stock shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

(a) The rate of dividend;

(b) The price at which shares may be redeemed;

(c) The amount payable upon shares in event of involuntary liquidation;

(d) The amount payable upon shares in event of voluntary liquidation;

(e) The terms and conditions, if any, on which shares shall be by their terms convertible into or exchangeable for shares of any other class of stock of the Company;

(f) The terms and conditions of a sinking or purchase fund, if any, for the redemption or purchase of such shares.

No change shall be made in any of the rights and preferences of any series of Preference Stock at the time outstanding in those respects in which the shares thereof vary from the shares of other series of Preference Stock at the time outstanding without the affirmative vote in favor thereof of the holders of at least 66-

2/3% of the shares of such series of Preference Stock at the time outstanding, in addition to such other vote, if any, as may be required for such change under the applicable provisions of these Articles or of the laws of the State of Michigan at the time applicable thereto.

PREFERENCE STOCK
Authority of Board of Directors as to Other Series

To the extent that series of Preference Stock have not been established and variations in the relative rights and preferences as between series have not been fixed and determined in these Articles, authority is vested in the Board of Directors of the Company to divide the shares of Preference Stock into and to establish series of Preference Stock, to fix and determine the relative rights and preferences of the shares of any series so established, to issue and sell any and all of the authorized and unissued shares of Preference Stock as shares of any series thereof established by action of the Board of Directors pursuant hereto, and to create a sinking or purchase fund for the redemption or purchase of shares of any series without the necessity of providing a sinking or purchase fund for any other series.

PREFERENCE STOCK
General Provisions

The following provisions shall apply to all shares of the Preference Stock irrespective of series:

(A) The shares of Preference Stock shall be subordinate to the Preferred Stock but in preference to the Common Stock as to the payment of dividends. The holders of the Preference Stock of each series shall be entitled to receive dividends, payable when and as declared by the Board of Directors, at such rates as shall be determined for the respective series, from the date upon which such share shall have been originally issued, before any dividends shall be declared or paid upon or set apart for the Common Stock or any other stock of the Company not having preference over the Preference Stock as to payment of dividends. Such dividends shall be cumulative so that if for any dividend period or periods dividends shall not have been paid or declared and set apart for payment upon all outstanding Preference Stock at the rates determined for the respective series, the deficiency shall be fully paid, or declared and set apart for payment, before any dividends shall be declared or paid upon the Common Stock or any other stock of the Company not having preference over the Preference Stock as to payment of dividends. Dividends shall not be declared and set apart for payment, or paid, on the Preference Stock of any one series, for any dividend period, unless dividends have been or are contemporaneously declared and set apart for payment or paid on the Preference Stock of all series for all dividend periods terminating on the same or an earlier date. As to all series of Preference Stock, the term "dividend period" shall mean any of the four calendar quarters in each year commencing, respectively, the first day of January, April, July and October and the first days of each such calendar quarter shall be the dividend payment dates for the regular quarterly dividends payable for the preceding dividend period of such series.

(B) When full cumulative dividends as aforesaid upon the Preference Stock of all series then outstanding for all past dividend periods and for the current dividend periods shall have been paid or declared and set apart for payment, the Board of Directors may declare dividends on the Common Stock or any other stock over which the Preference Stock has a preference as to payment of dividends, and no holders of any series of the Preference Stock as such shall be entitled to share therein.

(C) The shares of Preference Stock shall be subordinate to the Preferred Stock but in preference to the Common Stock upon any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary. Upon any such dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of Preference Stock of each series, without any preference of the shares of any series of Preference Stock over the shares of any other series of Preference Stock, shall be entitled to receive out of the assets of the Company, whether capital, surplus or other, before any distribution of the assets to be distributed shall be made to the holders of Common Stock or of any other stock not having preference as to assets over the Preference Stock, the amount determined to be payable on the shares of such series in the event of voluntary or involuntary liquidation, as the case may be. In case the assets shall not be sufficient to pay in full the amounts determined to be payable on all the shares of Preference Stock in the event of voluntary or involuntary liquidation, as the case may be, then the assets available for such payment shall be distributed ratably among the holders of the Preference Stock of all series in accordance with the amounts determined to be payable on the shares of each series, in the event of voluntary or involuntary liquidation, as the case may be, in proportion to the full preferential amounts to which they are respectively entitled. After payment to the holders of the Preference Stock of the full preferential amounts hereinbefore provided for, the holders of the Preference Stock as such shall have no right or claim to any of the remaining assets of the Company, either upon any distribution of such assets or upon dissolution, liquidation or winding up, and the remaining assets to be distributed, if any, upon a distribution of such assets or upon dissolution, liquidation or winding up, may be distributed among the holders of the Common Stock or of any other stock over which the Preference Stock has preference as to assets. Without limiting the right of the Company to distribute its assets or to dissolve, liquidate or wind up in connection with any sale, merger, or consolidation, the sale of all the property of the Company to, or the merger or consolidation of the Company into or with any other corporation shall not be deemed to be a distribution of assets or a dissolution, liquidation or winding up for the purposes of this paragraph.

(D) At the option of the Board of Directors of the Company, the Company may redeem any series of Preference Stock determined to be redeemable, or any part of any series, at any time at the redemption price determined for such series; provided, however, that not less than thirty nor more than sixty days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the Preference Stock so to be redeemed, by mail or publication, in such manner as may be prescribed by the By-laws of the Company or by resolution of the Board of Directors; and, provided, further, that in every case of redemption of less than all of the outstanding shares of any one series of Preference Stock, the shares of such series to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Directors. At any time after notice of redemption has been given in the manner prescribed by the By-laws of the Company or by resolution of the Board of Directors to the holders of stock so to be redeemed, the Company may deposit, or may cause its nominee to deposit, the aggregate redemption price with some bank or trust company named in such notice, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective orders of the holders of the shares so to be redeemed, on endorsement to the Company or its nominee, or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon the deposit of said money as aforesaid, or, if no such deposit is made, upon said redemption date (unless the Company defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be shareholders with respect to said shares and from and after the making of said deposit, or, if no such deposit is made, after the redemption date (the Company not having defaulted in making payment of the redemption price as set forth in such notice), the said holders shall have no interest in or claim against the

Company, or its nominee, with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption as aforesaid from said bank or trust company, or if no such deposit is made, from the Company, without interest thereon, upon endorsement, if required, and surrender of the certificates as aforesaid.

If such deposit shall be made by a nominee of the Company as aforesaid, such nominee shall upon such deposit become the owner of the shares with respect to which such deposit was made and certificates of stock may be issued to such nominee in evidence of such ownership.

In case the holder of any such Preference Stock shall not, within six years after said deposit, claim the amount deposited as above stated for the redemption thereof, the Depositary shall upon demand pay over to the Company such amounts so deposited and the Depositary shall thereupon be relieved from all responsibility to the holder thereof.

Nothing herein contained shall limit any legal right of the Company to purchase any shares of the Preference Stock.

(E-1) So long as any shares of the Preference Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of Preference Stock at the time outstanding, adopt an amendment to these Articles if such amendment would either (i) authorize or create, or increase the authorized amount of, any class of stock, other than shares of the Preferred Stock (whether now or hereafter authorized), which is entitled to dividends or assets in priority to the Preference Stock or (ii) change any of the rights and preferences of the then outstanding Preference Stock.

(E-2) So long as any shares of the Preference Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least a majority of the shares of Preference Stock at the time outstanding, adopt an amendment to these Articles if such amendment would either (i) increase the authorized amount of Preference Stock or (ii) authorize or create, or increase the authorized amount of, any class of stock, which is entitled to dividends or assets on a parity with the Preference Stock, provided; however, that nothing in this paragraph or in paragraph E-1 above contained shall authorize the adoption of any amendment of these Articles by the vote of the holders of a less number of shares of Preference Stock, or of any other class of stock, or of all classes of stock, than is required for such amendment by the laws of the State of Michigan at the time applicable thereto.

PREFERENCE STOCK
Voting Powers

The holders of Preference Stock shall not have any right to vote for the election of directors or for any other purpose, except as otherwise provided by law, as set forth in the two immediately preceding paragraphs and as set forth below. Whenever and as often as six quarterly dividends payable on the Preference Stock of any series shall be in default, in whole or in part, the holders of the Preference Stock of all series shall have the exclusive right, voting separately and as a single class, to vote for and to elect two directors, subject to the prior rights of the holders of the Preferred Stock. In the event of defaults entitling the Preference Stock to elect two directors as aforesaid, the holders of the Common Stock shall have the exclusive right, voting separately and as a class, to elect the remaining number of directors of the Company, subject to the prior rights of the holders of the Preferred Stock. The right of the holders of the Preference Stock to elect two directors, however, shall cease when all defaults in the payment of dividends on their stock shall have been cured, and such dividends shall be declared and paid out of any funds legally available therefor as soon as, in the judgment of the Board of Directors, is reasonably practicable. The terms of office of all persons who may be directors of the Company at the time when the right to elect two directors shall accrue to the holders of the Preference Stock, as herein provided, shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders, at the request in writing of the holders of not less than 1,000 shares of the then outstanding Preference Stock addressed to the Secretary of the Company at its principal business office. Any vacancy in the Board of Directors occurring during any period when the Preference Stock shall have elected representatives on the Board shall be filled by a majority vote of the remaining directors (or the one director) representing the class of stock theretofore represented by the director causing the vacancy. In the event of simultaneous vacancies among directors elected by the holders of the Preference Stock, an election, pursuant to the provisions of this paragraph, will be held. Upon the termination of such exclusive right of the holders of the Preference Stock to elect two directors of the Company, the terms of office of all the directors of the Company shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders at the request in writing of the holders of not less than 1,000 shares of the then outstanding Common Stock addressed to the Secretary of the Company at its principal business office.

At all meetings of the shareholders held for the purpose of electing directors during such times as the holders of the Preference Stock shall have the exclusive right to elect two of the directors of the Company, the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of Preference Stock of all series shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such meeting, or adjournment thereof, of directors by the other class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided, further, that, in the absence of a quorum of the holders of stock of either class, a majority of those holders of such stock who are present in person or by proxy shall have the power to adjourn the election of those directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

At all elections of directors, each shareholder will be entitled to as many votes as shall equal the number of his shares of stock multiplied by the number of directors to be elected for whom such shareholder may vote, and he may cast all of such votes for a single director or may distribute them between the two directors to be voted for, as he may see fit.

For the purposes of the foregoing provisions, the Preference Stock of all series shall be deemed to be a single class.

PREFERENCE STOCK
Pre-emptive Rights

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

ARTICLE VIII

Any action required or permitted by the Act to be taken at an annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if consents in writing, setting forth the action so taken, signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote on the action were present and voted. The written consents shall bear the date of signature of each shareholder who signs the consent. No written consents shall be effective to take the corporate action referred to unless, within sixty days after the record date for determining shareholders entitled to express consent to or to dissent from a proposal without a meeting, written consents signed by a sufficient number of shareholders to take the action are delivered to the Company. Delivery shall be to the Company's registered office, its principal place of business, or an officer or agent of the Company having custody of the minutes of the proceedings of its shareholders. Delivery made to a Company's registered office shall be by hand or by certified or registered mail, return receipt requested.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to shareholders who have not consented in writing.

Signed on May 26, 2000 Consumers Energy Company

By: /s/ Thomas A. McNish

Thomas A. McNish
Vice President and Secretary

STATE OF MICHIGAN)
) SS.
COUNTY OF JACKSON)

On this 26th day of May 2000, before me appeared Thomas A. McNish, to me personally known, who, being by me duly sworn, did say that he is Vice President and Secretary of Consumers Energy Company, who executed the foregoing instrument, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and Shareholders, and said officer acknowledged said instrument to be the free act and deed of said corporation.

/s/ Renee E. Stephens

Notary Public

EXHIBIT 4(b)

SEVENTY-EIGHTH SUPPLEMENTAL INDENTURE

Providing among other things for

FIRST MORTGAGE BONDS,

FLOATING RATE SENIOR NOTES, due November 15, 2001

and

FLOATING RATE SENIOR NOTES, due November 15, 2002

Dated as of November 15, 2000

CONSUMERS ENERGY COMPANY

TO

THE CHASE MANHATTAN BANK,

TRUSTEE

Counterpart ______ of 80

SEVENTY-EIGHTH SUPPLEMENTAL INDENTURE, dated as of November 15, 2000 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company, (hereinafter sometimes referred to as the "Company"), and THE CHASE MANHATTAN BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 450 W. 33rd Street, in the Borough of Manhattan, The City of New York, New York 10001 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank as Trustee under the Indenture; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into an Indenture dated as of February 1, 1998 ("Senior Note Indenture") with The Chase Manhattan Bank, as trustee ("Senior Note Trustee") providing for the issuance of notes thereunder, and pursuant to such Senior Note Indenture the Company has agreed to issue to the Senior Note Trustee, as security for the notes ("Senior Notes") to be issued thereunder, a new series of bonds under the Indenture at the time of authentication of each series of Senior Notes issued under such Senior Note Indenture; and

WHEREAS, for such purposes the Company desires to issue: (i) a new series of bonds, to be designated First Mortgage Bonds, Floating Rate Senior Notes, due November 15, 2001, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2001 Note Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature November 15, 2001 and (ii) a new series of bonds, to be designated First Mortgage Bonds, Floating Rate Senior Notes, due November 15, 2002, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2002 Note Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature November 15, 2002; and

WHEREAS, the 2001 Note Bonds shall be issued to the Senior Note Trustee in connection with the issuance by the Company of its Floating Rate Senior Notes due November 15, 2001 (the "2001 Notes") and the 2002 Note Bonds shall be issued to the Senior Note Trustee in connection with the issuance by the Company of its Floating Rate Senior Notes due November 15, 2002 (the "2002 Notes"); and

WHEREAS, each of the registered bonds without coupons of the 2001 Note Bonds and the Trustee's Authentication Certificate thereon and the 2002 Note Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following forms, to wit:

[FORM OF REGISTERED BOND OF THE 2001 NOTE BONDS]

[FACE]

NOTWITHSTANDING ANY PROVISIONS HEREOF OR IN THE INDENTURE, THIS BOND IS NOT ASSIGNABLE OR TRANSFERABLE EXCEPT AS PERMITTED OR REQUIRED BY SECTION 4.04 OF THE INDENTURE, DATED AS OF FEBRUARY 1, 1998 BETWEEN CONSUMERS ENERGY COMPANY AND THE CHASE MANHATTAN BANK, AS TRUSTEE.

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
FLOATING RATE SENIOR NOTES
DUE NOVEMBER 15, 2001

No. 1 $125,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to The Chase Manhattan Bank, as trustee under the Senior Note Indenture hereinafter referred to, or registered assigns, the principal sum of One Hundred Twenty-Five Million Dollars on November 15, 2001, and to pay to the registered holder hereof interest on said sum from the latest quarterly interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to February 15, 2001, in which case from November 20, 2000, (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from the next preceding quarterly interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is February 15, 2001, from November 20, 2000), at the initial rate as set forth in the 2001 Notes referred to below through February 15, 2001. Thereafter, the interest rate shall be determined in accordance with the terms of the 2001 Notes referred to below.

Under an Indenture dated as of February 1, 1998 (hereinafter sometimes referred to as the "Senior Note Indenture"), between Consumers Energy Company and The Chase Manhattan Bank, as trustee (hereinafter sometimes called the "Senior Note Trustee"), the Company will issue, concurrently with the issuance of this bond, an issue of notes under the Senior Note Indenture entitled Floating Rate Senior Notes, due November 15, 2001 (the "2001 Notes"). Pursuant to Article IV of the Senior Note Indenture, this bond is issued to the Senior Note Trustee to secure any and all obligations of the Company under the 2001 Notes and any other series of senior notes from time to time outstanding under the Senior Note Indenture. Payment of principal of, or premium, if any, or interest on, the 2001 Notes shall constitute payments on this bond as further provided herein and in the Supplemental Indenture.

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

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY,

Dated: November ___, 2000 By ________________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK, Trustee

By __________________________________

Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
FLOATING RATE SENIOR NOTES
DUE NOVEMBER 15, 2001

The interest payable on any February 15, May 15, August 15 and November 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be February 1, May 1, August 1 or November 1, as the case may be, next preceding such interest payment date, or, if such February 1, May 1, August 1 or November 1 shall be a legal holiday or a day on which banking institutions in the City of New York, New York or the City of Detroit, Michigan are authorized by law to close, the next succeeding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and the interest on this bond shall be payable at the office or agency of the Company in the City of Jackson, Michigan designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

The 2001 Notes are not subject to redemption.

Upon payment of the principal of and interest by the Company on the 2001 Notes, whether at maturity or otherwise or upon provision for the payment thereof having been made in accordance with Section 5.01(a) of the Senior Note Indenture, the 2001 Note Bonds in a principal amount equal to the principal amount of such 2001 Notes and having both a corresponding maturity date and interest rate shall, to the extent of such payment of principal and interest, be deemed paid and the obligation of the Company thereunder to make such payment shall be discharged to such extent and, in the case of the payment of principal (and premium, if any) this bond shall be surrendered to the Company for cancellation as provided in Section 4.08 of the Senior Note Indenture. The Trustee may at anytime and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged pursuant to the foregoing sentence unless and until the Trustee shall have received a written notice from the Senior Note Trustee signed by one of its officers stating (i) that timely payment of, or premium or interest on, the 2001 Notes has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Senior Note Trustee pursuant to the Senior Note Indenture, and (iii) the amount of the arrearage.

For purposes of Section 4.09 of the Senior Note Indenture, this bond shall be deemed to be the "related series of Senior Note First Mortgage Bonds" in respect of the 2001 Notes.

This bond is one of the bonds issued and to be issued from time to time under and in accordance with and all secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (The Chase Manhattan Bank, successor) (hereinafter sometimes referred to as the "Trustee"), and indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of bonds of this series or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

This bond is not redeemable except upon written demand of the Senior Note Trustee following the occurrence of an Event of Default under the Senior Note Indenture and the acceleration of the senior notes, as provided in Section 8.01 of the Senior Note Indenture. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

This bond shall not be assignable or transferable except as permitted or required by Section 4.04 of the Senior Note Indenture. Any such transfer shall be effected at the Investor Services Department of the Company, as transfer agent (hereinafter referred to as "corporate trust office"). This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at said corporate trust office of the transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

As provided in Section 4.11 of the Senior Note Indenture, from and after the Release Date (as defined in the Senior Note Indenture), the obligations of the Company with respect to this bond shall be deemed to be satisfied and discharged, this bond shall cease to secure in any manner any senior notes outstanding under the Senior Note Indenture, and, pursuant to Section 4.08 of the Senior Note Indenture, the Senior Note Trustee shall forthwith deliver this bond to the Company for cancellation.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

[FORM OF REGISTERED BOND OF THE 2002 NOTE BONDS]

[FACE]

NOTWITHSTANDING ANY PROVISIONS HEREOF OR IN THE INDENTURE, THIS BOND IS NOT ASSIGNABLE OR TRANSFERABLE EXCEPT AS PERMITTED OR REQUIRED BY SECTION 4.04 OF THE INDENTURE, DATED AS OF FEBRUARY 1, 1998 BETWEEN CONSUMERS ENERGY COMPANY AND THE CHASE MANHATTAN BANK, AS TRUSTEE.

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
FLOATING RATE SENIOR NOTES
DUE NOVEMBER 15, 2002

No. 1 $100,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to The Chase Manhattan Bank, as trustee under the Senior Note Indenture hereinafter referred to, or registered assigns, the principal sum of One Hundred Million Dollars on November 15, 2002, and to pay to the registered holder hereof interest on said sum from the latest quarterly interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to February 15, 2001, in which case from November 20, 2000, (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from the next preceding quarterly interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is February 15, 2001, from November 20, 2000), at the initial rate as set forth in the 2002 Notes referred to below through February 15, 2001. Thereafter, the interest rate shall be determined in accordance with the terms of the 2002 Notes referred to below.

Under an Indenture dated as of February 1, 1998 (hereinafter sometimes referred to as the "Senior Note Indenture"), between Consumers Energy Company and The Chase Manhattan Bank, as trustee (hereinafter sometimes called the "Senior Note Trustee"), the Company will issue, concurrently with the issuance of this bond, an issue of notes under the Senior Note Indenture entitled Floating Rate Senior Notes, due November 15, 2002 (the "2002 Notes"). Pursuant to Article IV of the Senior Note Indenture, this bond is issued to the Senior Note Trustee to secure any and all obligations of the Company under the 2002 Notes and any other series of senior notes from time to time outstanding under the Senior Note Indenture. Payment of principal of, or premium, if any, or interest on, the 2002 Notes shall constitute payments on this bond as further provided herein and in the Supplemental Indenture.

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

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY,

Dated: November ___, 2000 By ________________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK, Trustee

By ____________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
FLOATING RATE SENIOR NOTES
DUE NOVEMBER 15, 2002

The interest payable on any February 15, May 15, August 15 and November 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be February 1, May 1, August 1 or November 1, as the case may be, next preceding such interest payment date, or, if such February 1, May 1, August 1 or November 1 shall be a legal holiday or a day on which banking institutions in the City of New York, New York or the City of Detroit, Michigan are authorized by law to close, the next succeeding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and the interest on this bond shall be payable at the office or agency of the Company in the City of Jackson, Michigan designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

The 2002 Notes are subject to Redemption described therein. In the event the Redemption is exercised as set forth in the 2002 Notes, interest on this bond shall cease to accrue on the redemption date in accordance with 2002 Notes. The Senior Note Trustee shall give written notice to the Trustee that the Redemption has been exercised.

Upon payment of the principal of and interest by the Company on the 2002 Notes, whether at maturity or prior to maturity by redemption or otherwise or upon provision for the payment thereof having been made in accordance with Section 5.01(a) of the Senior Note Indenture, the 2002 Note Bonds in a principal amount equal to the principal amount of such 2002 Notes and having both a corresponding maturity date and interest rate shall, to the extent of such payment of principal and interest, be deemed paid and the obligation of the Company thereunder to make such payment shall be discharged to such extent and, in the case of the payment of principal (and premium, if any) this bond shall be surrendered to the Company for cancellation as provided in Section 4.08 of the Senior Note Indenture. The Trustee may at anytime and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged pursuant to the foregoing sentence unless and until the Trustee shall have received a written notice from the Senior Note Trustee signed by one of its officers stating (i) that timely payment of, or premium or interest on, the 2002 Notes has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Senior Note Trustee pursuant to the Senior Note Indenture, and (iii) the amount of the arrearage.

For purposes of Section 4.09 of the Senior Note Indenture, this bond shall be deemed to be the "related series of Senior Note First Mortgage Bonds" in respect of the 2002 Notes.

This bond is one of the bonds issued and to be issued from time to time under and in accordance with and all secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (The Chase Manhattan Bank, successor) (hereinafter sometimes referred to as the "Trustee"), and indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of bonds of this series or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

This bond is not redeemable except upon written demand of the Senior Note Trustee following the occurrence of an Event of Default under the Senior Note Indenture and the acceleration of the senior notes, as provided in Section 8.01 of the Senior Note Indenture. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

This bond shall not be assignable or transferable except as permitted or required by Section 4.04 of the Senior Note Indenture. Any such transfer shall be effected at the Investor Services Department of the Company, as transfer agent (hereinafter referred to as "corporate trust office"). This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at said corporate trust office of the transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

As provided in Section 4.11 of the Senior Note Indenture, from and after the Release Date (as defined in the Senior Note Indenture), the obligations of the Company with respect to this bond shall be deemed to be satisfied and discharged, this bond shall cease to secure in any manner any senior notes outstanding under the Senior Note Indenture, and, pursuant to Section 4.08 of the Senior Note Indenture, the Senior Note Trustee shall forthwith deliver this bond to the Company for cancellation.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

AND WHEREAS all acts and things necessary to make the 2001 Note Bonds and the 2002 Note Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $125,000,000 principal amount of the 2001 Note Bonds and the $100,000,000 principal amount of the 2002 Note Bonds proposed to be issued initially and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto The Chase Manhattan Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 13 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof.

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition.

TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof.

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There are hereby created two series of bonds (the "2001 Note Bonds" and the "2002 Note Bonds") designated as hereinabove provided, both of which shall also bear the descriptive title "First Mortgage Bond", and the forms thereof shall be substantially as hereinbefore set forth. The 2001 Note Bonds and the 2002 Note Bonds are collectively called herein the "Note Bonds". The 2001 Note Bonds shall be issued in the aggregate principal amount of $125,000,000, shall mature on November 15, 2001 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The 2002 Note Bonds shall be issued in the aggregate principal amount of $100,000,000, shall mature on November 15, 2002 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of bonds of the Note Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2001 Note Bonds shall bear interest at the initial rate as set forth in the 2001 Notes until but excluding February 15, 2001 whereupon the interest rate will be determined in accordance with the 2001 Notes. The 2002 Note Bonds shall bear interest at the initial rate as set forth in the 2002 Notes until but excluding February 15, 2001 whereupon the interest rate will be determined in accordance with the 2002 Notes. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, at the office or agency of the Company in the City of Jackson, Michigan designated for that purpose.

The 2001 Notes and the 2002 Notes are collectively called herein the "Notes". Upon any payment by the Company of the principal of and interest on, all or any portion of the Notes whether at maturity or prior to maturity by redemption or otherwise or upon provision for the payment thereof having been made in accordance with Section 5.01(a) of the Senior Note Indenture, the Note Bonds in a principal amount equal to the principal amount of such Notes and having both a corresponding maturity date and interest rate shall, to the extent of such payment of principal and interest, be deemed paid and the obligation of the Company thereunder to make such payment shall be discharged to such extent and, in the case of the payment of principal (and premium, if any) such bonds of said series shall be surrendered to the Company for cancellation as provided in Section 4.08 of the Senior Note Indenture. The Trustee may at anytime and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and premium, if any, and interest on the 2001 Note Bonds and/or the 2002 Note Bonds, as the case may be, so far as such payments at the time have become due, has been fully satisfied and discharged pursuant to the foregoing sentence unless and until the Trustee shall have received a written notice from the Senior Note Trustee signed by one of its officers stating (i) that timely payment of or premium or interest on, the 2001 Notes and/or the 2002 Notes has not been so made, (ii) that the Company is in arrears as to the payments required to be made by it to the Senior Note Trustee pursuant to the Senior Note Indenture, and (iii) the amount of the arrearage.

The Note Bonds are to be issued to and registered in the name of The Chase Manhattan Bank, as trustee, or a successor trustee (said trustee or any successor trustee being hereinafter referred to as the "Senior Note Trustee") under the Indenture, dated as of February 1, 1998 (hereinafter sometimes referred to as the "Senior Note Indenture") between Consumers Energy Company and the Senior Note Trustee, to secure any and all obligations of the Company under the Notes and any other series of senior notes from time to time outstanding under the Senior Note Indenture.

The Note Bonds shall not be assignable or transferable except as permitted or required by Section 4.04 of the Senior Note Indenture. Any such transfer shall be effected at the Investor Services Department of the Company, as transfer agent (hereinafter referred to as "corporate trust office"). The Note Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at said corporate trust office of the transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The Note Bonds shall not be redeemable except as set forth in Section 3 hereof.

The Note Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Senior Note Indenture and the acceleration of the 2001 Notes and/or the 2002 Notes, the 2001 Note Bonds and/or the 2002 Note Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand (hereinafter called a "Redemption Demand") from the Senior Note Trustee stating that there has occurred under the Senior Note Indenture both an Event of Default and a declaration of acceleration of payment of principal, accrued interest and premium, if any, on the 2001 Notes and/or the 2002 Notes, specifying the last date to which interest on such notes has been paid (such date being hereinafter referred to as the "Initial Interest Accrual Date") and demanding redemption of the Note Bonds. The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the 2001 Note Bonds and/or the 2002 Note Bonds by the Senior Note Trustee to the Trustee, the 2001 Note Bonds and/or the 2002 Note Bonds, as the case may be, shall be redeemed at a redemption price equal to the principal amount thereof plus accrued interest thereon from the Initial Interest Accrual Date to the date of the Redemption Demand; provided, however, that in the event of a recision of acceleration of senior notes pursuant to the last paragraph of Section 8.01(a) of the Senior Note Indenture, then any Redemption Demand shall thereby be deemed to be rescinded by the Senior Note Trustee; but no such recision or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 4. For purposes of Section 4.09 of the Senior Note Indenture, the 2001 Note Bonds and the 2002 Note Bonds shall be deemed to be the "related series of Senior Note First Mortgage Bonds" in respect of the 2001 Notes and the 2002 Notes, respectively.

SECTION 5. As provided in Section 4.11 of the Senior Note Indenture, from and after the Release Date (as defined in the Senior Note Indenture), the obligations of the Company with respect to the Note Bonds shall be deemed to be satisfied and discharged, the Note Bonds shall cease to secure in any manner any senior notes outstanding under the Senior Note Indenture, and, pursuant to Section 4.08 of the Senior Note Indenture, the Senior Note Trustee shall forthwith deliver the Note Bonds to the Company for cancellation.

SECTION 6. The Company reserves the right, without any consent, vote or other action by the holder of the Note Bonds or the holders of any Notes, or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

> SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.
>
> Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.
>
> It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 7. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 8. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Senior Note Trustee, for the benefit of the holder or holders of the Notes, any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 9. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth and seventh recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 10. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 11. In the event the date of any notice required or permitted hereunder or the date of maturity of interest on or principal of the Note Bonds or the date fixed for redemption or repayment of the Note Bonds shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice or such payment of such interest or principal need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice or as if made on the date of maturity or the date fixed for redemption or repayment, and no interest shall accrue for the period from and after such date. "Business Day" means, with respect to this Section 11, a day of the year on which banks are not required or authorized to close in New York City or Detroit, Michigan.

SECTION 12. This Supplemental Indenture and the Note Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 13. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards, towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS,
SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS,
DESULPHURIZATION STATIONS, METERING STATIONS,
ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS,
SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the line of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the line of the Indenture.

SECTION 14. The Company is a transmitting utility under Section 9401(5) of the Michigan Uniform Commercial Code (M.C.L. 440.9401(5)) as defined in M.C.L. 440.9105(n).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said The Chase Manhattan Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL) By: /s/Alan M. Wright

Alan M. Wright
Senior Vice President and
Chief Financial Officer

Attest:

/s/Joyce H. Norkey

Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

/s/Kimberly C. Wilson

Kimberly C. Wilson

/s/Sammie B. Dalton

Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 20th day of November, 2000, by Alan M. Wright, Senior Vice President and Chief Financial Officer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

/s/Margaret Hillman

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

THE CHASE MANHATTAN BANK, AS TRUSTEE

(SEAL) By: /s/ L. O'Brien

Vice President

Attest:

/s/ Diane Darconte
- ------------------------
Diane Darconte
Trust Officer

Signed, sealed and delivered by
THE CHASE MANHATTAN BANK in the
presence of:

/s/Glenn G. McKeever
- ------------------------
Glenn G. McKeever
Vic President

/s/ P. Morabito
- ------------------------
P. Morabito
Vice President

STATE OF NEW YORK)
) ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 20th day of November, 2000, by L. O'Brien, a Vice President of THE CHASE MANHATTAN BANK, a New York corporation, on behalf of the corporation.

/s/ Robert S. Peschler

Notary Public
New York County, New York
My Commission Expires:

[Seal]

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
General Services Real Estate Department
Attn: Nancy P. Fisher, P-21-410B
1945 W. Parnall Road
Jackson, MI 49201

EXHIBIT (12)

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

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

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

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

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

EXHIBIT 21(A)

SUBSIDIARIES OF CMS ENERGY CORPORATION
At December 31, 2000

[Numbers on left are Dun & Bradstreet hierarchy (tier level) indicators.]

	Subsidiary Name	Jurisdiction of Formation
01	CMS Enterprises Company	Michigan
02	CMS Capital Corp.	Michigan
03	CMS Capital Financial Services, Inc.	Michigan
04	First Utility Finance, Inc.	Michigan
02	CMS Comercializadora de Energia S.A.(98.52%)	Argentina
02	CMS Distributed Power, L.L.C.	Michigan
02	CMS Electric and Gas Company	Michigan
03	CMS Netherlands Funding Company	Michigan
04	Notera Holding B.V.	Netherlands
03	CMS Venezuela, S.A.	Venezuela
03	Compania de Inversiones en Energia Electrica S.A. (CIEESA) (51%)	Argentina
04	Inversora en Distribucion de Entre Rios S.A.(53.5%)	Argentina
05	Empresa Distribuidora de Electricidad de Entre Rios S.A.	Argentina
04	Sociedad Inversora en Distribucion de Electricidad S.A. (60%)	Argentina
04	Sociedad Inversora y Distribucion de Electricidad de Mendoza S.A. (57%)	Argentina
03	ENELMAR, S.A. (60%)	Venezuela
04	Sistema Electrico Nueva Esparta C.A. ("Seneca") (70%)	Venezuela
03	Financial Joint Venture, L.L.C. (99%)	Michigan
04	CMS Distribuidora, Ltda.	Brazil
05	CMS Participacoes Ltda (99.99%)	Brazil
06	Companhia Paulista de Energia Eletrica (CPEE)	Brazil
07	Companhia Sul Paulista de Energia Eletrica (CSPE)	Brazil
08	Companhia Jaguari de Energia (CJE)	Brazil
08	Companhia Luz e Forca de Mococo (CLFM)	Brazil
07	Agropecuaria Turvinho Ltda.	Brazil
07	CPEE Equipamentos Eletricos e Servicos Ltda. (99.99%)	Brazil
08	Agropecuaria Turvinho Ltda.(99.99%)	Brazil
06	Paulista Lajeado Energia S.A.	Brazil
05	Companhia Nova Paulista Energia	Brazil
04	CPEE Equipamentos Eletricos e Servicos Ltda (CPEEE)	Brazil
03	Genlease, S.R.L.	Venezuela
02	CMS Energy Asia Private Limited	Singapore
03	CMS Energy India Pte. Ltd. (India)	India
02	CMS Energy South America Company (CESA)	Cayman Islands
03	CMS Empreendimentos Ltda	Brazil
03	CMS Enterprises Development Company S.A. (CEDC)	Argentina
02	CMS Energy Technology Company	Michigan
02	CMS Energy UK Limited	United Kingdom
02	CMS Enterprises Development, L.L.C.	Michigan
02	CMS Enterprises Holding Company S.A. (99.99%)	Argentina
02	CMS Gas Transmission and Storage Company	Michigan
03	AMPCO Marketing, LLC (50%)	Michigan

03	AMPCO Services, LLC (50%)	Michigan
03	Atlantic Methanol Capital Company (50%)	Cayman Islands
04	CMS Methanol Company	Cayman Islands
05	Atlantic Methanol Associates LLC	Cayman Islands
06	Atlantic Methanol Production Company, LLC	Cayman Islands
03	CMS Antrim Gas LLC	Michigan
03	CMS Field Services, Inc.	Michigan
04	Bighorn Gas Gathering, LLC (50%)	Delaware
04	Bradshaw Energy LLC (97.5%)	Oklahoma
04	Choctaw Thrust Gas Gathering System	Oklahoma
04	CMS Cherokee Gas Processing, L.L.C.	Oklahoma
04	CMS Field Services Holding Company	Oklahoma
04	CMS Gas Processing, L.L.C.	Oklahoma
04	CMS Gulf Coast Field Services, L.L.C.	Michigan
04	CMS Hydrocarbon, L.L.C. (99%)	Oklahoma
04	CMS Laverne Gas Processing, L.L.C. (99%)	Oklahoma
04	CMS Natural Gas Gathering, L.L.C. (99%)	Oklahoma
04	CMS Oklahoma Natural Gas Gathering, L.L.C.	Oklahoma
05	Foss Gathering System (30%)	Oklahoma
04	CMS Pipeline Company, L.L.C. (99%)	Oklahoma
04	CMS Taurus Holding Company, L.L.C.	Oklahoma
04	Fort Union Gas Gathering System, L.L.C. (33.1/3%)	Delaware
04	Hillsboro Gas Gathering System (23.71%)	Texas
04	Laubhan Friesen Gas Gathering System (41%)	Texas
04	Moody Gas Gathering System (57.16%)	Texas
04	Warrel Gathering System (43.65%)	Texas
03	CMS Gas Argentina Company	Cayman Islands
04	Transportadora de Gas del Norte S.A.(TGN) (29.4%)	Argentina
03	CMS Grands Lacs Holding Company	Michigan
03	CMS Jackson Pipeline Company	Michigan
03	CMS Marysville Gas Liquids Company	Michigan
03	CMS Saginaw Bay Company	Michigan
03	CMS Saginaw Bay Lateral Company	Michigan
03	CMS TriState Canada General Company	Michigan
03	Guardian Pipeline, LLC (33.33%)	Michigan
03	Michigan Intrastate Lateral System Partnership (50%)	Michigan
03	Nitrotec Corporation (50%)	Delaware
03	Otsego EOR LLC (25%)	Michigan
03	Panhandle Eastern Pipe Line Company	Delaware
04	CMS Panhandle Eastern Resources, Inc.	Delaware
04	CMS Panhandle Storage Company	Delaware
04	Pan Gas Storage Company	Delaware
05	Lee 8 Storage Partnership (40%)	
04	Trunkline Field Services Company	Delaware
05	PanEnergy Lake Charles Generation, Inc.	Delaware
04	Trunkline Gas Company	Delaware
05	CMS Trunkline Deepwater Pipeline Company, L.L.C.	Delaware
05	CMS Trunkline Offshore Pipeline Company, L.L.C.	Delaware
05	CMS Trunkline Gas Resources, Inc.	Delaware
05	CMS Trunkline Pipeline Holdings, Inc.	Delaware
04	Trunkline LNG Company	Delaware
03	TriState Pipeline, LLC (66-2/3%)	Michigan
03	Western Australia Gas Transmission Company I	Cayman Islands

04	CMS Gas Transmission del Sur Company (60%)	Cayman Islands
05	Atacama Finance Co.(40%)	Cayman Islands
05	CMS Atacama Company (40%)	Cayman Islands
05	Compania de Inversiones CMS Energy Chile Limitada (60%)	Chile
06	Administradora Proyecto Atacama S.A. (50%)	Chile
06	Gasoducto Atacama Compania Ltda LLP	Chile
07	Gasoducto Taltal Limitada (99%)	Chile
07	Progas S.A. (99.9)	Chile
06	Noroeste Pacifico Generacion de Energia Limitada (50%)	Chile
07	Empresa de Transmision Electrica Transemel SA (40%)	Chile
07	Progas S.A. (.1%)	Chile
05	Energex Co. (30%)	Cayman Islands
05	Gasoducto Cuenca Noroeste Limitada (30%)	Chile
06	Gasoducto Cuenca Noroeste Limitado Argentine Branch	Argentina
06	Gasoducto Taltal Limitasa (1%)	Chile
04	CMS Gas Transmission of Australia Holding Company	Cayman Islands
05	CMS Gas Transmission of Australia	Cayman Islands
04	CMS International Financial Services Company	Cayman Islands
04	CMS Luxembourg SARL	Luxembourg
05	Valandrid B.V.	Netherlands
05	CMS Goldfields Gas Transmission Australia Pty. Ltd.	Australia
06	SCP Investments (No. 1) Pty. Ltd.(45%)	Australia
06	SCP Investments (No. 2) Pty. Ltd.	Australia
07	Southern Cross Pipelines Australia Pty. Ltd.	Australia
08	Goldfields Gas Transmission Joint Venture (66.664%)	Australia
08	Goldfields Gas Transmission Pty. Ltd.	Australia
05	CMS TriState Canada Unlimited Company	Canada
06	TriState Canada Limited Partnership (66%)	Canada
02	CMS Generation Co.	Michigan
03	CMS Centrales Termicas S.A. (99%)	Argentina
03	CMS Generation Altoona Company (Inactive)	Michigan
03	CMS Generation Chateauguay Company	Michigan
03	CMS Generation Filer City, Inc.	Michigan
03	CMS Generation Filer City Operating Company	Michigan
03	CMS Generation Genesee Company	Michigan
03	CMS Generation Grayling Company	Michigan
03	CMS Generation Grayling Holdings Company	Michigan
04	Grayling Partners Land Development LLC	Michigan
03	CMS Generation Holdings Company	Michigan
04	CMS Centrales Termicas SA (1%)	Argentina
03	CMS Generation Honey Lake Company	Michigan
03	CMS Generation Investment Company I	Cayman Islands
04	CMS Generation Cebu Limited Duration Company (99%)	Cayman Islands
05	Toledo Power Company (47.5%),	Cayman Islands
05	Toledo Holdings Corp. (40%)	Philippines
04	CMS Generation Cebu Operating Limited Duration Company (99%)	Cayman Islands
04	CMS Generation Investment Company III	Cayman Islands
05	CMS Energy Mauritius Limited	Mauritius
06	GMR Vasavi Power Corporation Pvt. Ltd. (49%)	India
06	TN LNG & Power Co. Pvt. Ltd. (26.67%)	India
05	CMS Generation Jegurupadu I Limited Duration Company (99%)	Cayman Islands
06	Jegurupadu O&M Company Mauritius (50%)	Mauritius
07	Jegurupadu Operating and Maintenance Company (60%)	India

05	CMS Generation Jegurupadu II Limited Duration Company (99%)	Cayman Islands
05	CMS Generation Neyveli Ltd.	Mauritius
06	ST CMS Electric Company Private Limited (50%)	India
05	Jegurupadu CMS Generation Company Ltd.	Mauritius
06	GVK Industries Ltd. (18.75%)	India
04	CMS Generation Investment Company IV	Cayman Islands
05	CMS Generation Investment Company II	Cayman Islands
06	CMS Generation Cebu Limited Duration Company (1%)	Cayman Islands
06	CMS Generation Cebu Operating Limited Duration Company (1%)	Cayman Island
06	CMS Generation Jegurupadu I Limited Duration Company (1%)	Cayman Islands
06	CMS Generation Jegurupadu II Limited Duration Company (1%)	Cayman Island
06	CMS Generation Jorf Lasfar I Limited Duration Company (65%)	Cayman Islands
06	CMS Generation Jorf Lasfar II Limited Duration Company (65%)	Cayman Islands
06	CMS Generation Pinamucan Limited Duration Company (1%)	Cayman Islands
06	CMS Generation Pinamucan Operating Limited Duration Company (1%)	Cayman Islands
05	CMS Generation Jorf Lasfar I Limited Duration Company (35%)	Cayman Islands
06	CMS Generation Netherlands B.V.	Netherlands
07	Jorf Lasfar Energiaktiebolag	Sweden
07	Jorf Lasfar Power Energy Aktiebolag	Sweden
08	Jorf Lasfar Energy Company SCA (23%)	Sweden
05	CMS Generation Jorf Lasfar II Limited Duration Company (35%)	Cayman Islands
05	CMS Generation Jorf Lasfar III Limited Duration Company (50%)	Cayman Islands
05	CMS Generation Luxembourg S.a.r.l.	Luxembourg
04	CMS Generation Investment Company V	Cayman Islands
05	Compania de Inversiones CMS Energy-Chile Ltda.	Chile
05	Gasoducto Cuenca Noroeste Ltda.	Chile
04	CMS Generation Investment Company VI	Cayman Islands
05	CMS Takoradi Investment Company	Cayman Islands
06	CMS Takoradi Investment Company	Cayman Islands
07	Takoradi International Company (90%)	Cayman Islands
04	CMS Generation Investment Company VII	Cayman Islands
05	CMS Generation Taweelah Limited	Cayman Islands
06	Emirates CMS Power Company (40%)	Cayman Islands
04	CMS Generation Loy Yang Holdings 1 Ltd.	Cayman Islands
05	Horizon Energy Holdings Ltd.	Cayman Islands
06	Loy Yang Power Projects Pty. Ltd. (49.63%)	Australia
06	Loy Yang Power Management Pty. Ltd. (49.63%)	Australia
04	CMS Generation Loy Yang Holdings 2 Ltd.	Cayman Islands
05	CMS Generation Horizon Energy Holdings Ltd.	Cayman Islands
06	Lang Power Projects Pty Ltd (49.6%)	Australia
06	Loy Yang Power Management Pty. Ltd. (49.6%)	Austrailia
04	CMS Generation Pinamucan Limited Duration Company	Cayman Islands
04	CMS Generation Pinamucan Operating Limited Duration Company	Cayman Islands
04	CMS Generation Taweelah Limited I	Cayman Islands
04	Energex Co. (16%)	Cayman Islands
04	Jorf Lasfar Energiaktiebolas	Sweden
05	Jorf Lasfar Energy Company SCA (25%)	Morocco
04	National Power Supply (66.24%)	Thailand
04	Servicios de Aguas de Chile CMS y Compania Limitada (99.99%)	Chile
03	CMS Generation Lyonsdale Company	Michigan
03	CMS Generation Michigan Power LLC	Michigan

03	CMS Generation Mon Valley Company	Michigan
03	CMS Generation Montreal Company	Michigan
03	CMS Generation Operating Company	Michigan
03	CMS Generation Recycling Company	Michigan
03	CMS Generation SA (99.99%)	Argentina
04	Hidroelectrica El Chocon, S.A. (2.48%)	Argentina
04	Hidroinvest SA (25%)	Argentina
03	CMS Generation San Nicolas Company	Michigan
04	Inversora de San Nicolas, SA (1%)	
05	Centrales Termica San Nicolas S.A. (88%)	
03	CMS International Operating Company	Cayman Islands
04	Jorf Lasfar Operations Handelsbolag (99%)	Sweden
05	CMS Operating Co., SCA	Morocco
03	CMS Rio Grande do Sul Ltda	Brazil
03	Dearborn Generation Operating LLC	Michigan
03	Dearborn Industrial Energy, LLC	Michigan
04	Dearborn Industrial Generation, L.L.C.	Michigan
03	Exeter Management Company (50%)	Connecticut
03	HYDRA-CO Enterprises, Inc.	New York
04	CMS Generation Operating Company II, Inc.	New York
05	HCO-Jamaica, Inc.	New York
06	Private Power Operators Limited (50%)	Jamaica
04	CMS Generation Stratton Company	Michigan
04	HCE-Appomattox, Inc.	New York
04	HCE-Biopower, Inc.	New York
04	HCE-Hudson, Inc.	New York
04	HCE-Imperial Valley, Inc.	New York
04	HCE-Jamaica Development, Inc.	New York
04	HCE-Rockfort Diesel, Inc.	New York
05	Jamaica Private Power Company Limited (43.93%)	Jamaica
04	HYDRA-CO Generation, Inc. (Inactive)	New York
04	Jamaica Energy Team Limited (59.7%)	Maryland
04	New Bern Energy Recovery, Inc.	Delaware
03	McCook Cogeneration Station, LLC (50%)(Inactive)	Michigan
03	McCook Waste Wood Recovery Facility, LLC (50% Member)	Michigan
03	Metro East, LLC (50%)(Inactive)	Michigan
03	Oxford Tire Recycling, Inc. (Inactive)	Delaware
03	Oxford Tire Recycling of Massachusetts, Inc.	Delaware
03	Oxford Tire Supply, Inc.	Delaware
03	Taweelah A2 Operating Company	Michigan
03	ENELMAR, S.A.	Venezuela
02	CMS Land Company	Michigan
03	Bay Harbor Company, LLC (50% Member)	Michigan
03	Bay Harbor Village Company, LLC (25%)	Michigan
02	CMS Marketing, Services and Trading Company	Michigan
03	CMS Merchant Services, L.L.C.	Michigan
03	CMS MST Engineering Company	Michigan
03	CMS MS&T Michigan L.L.C.	Michigan
03	CMS Texon Company	Michigan
03	CMS Viron Corporation	Missouri
03	PremStar Energy Canada Ltd. (50%)	Canada
04	Energistics Group, Inc.	Ontario
04	ECNG Inc.	

03	Enline Energy Solutions (50%)	Texas
02	CMS Oil and Gas Company (formerly known as CMS NOMECO Oil & Gas Co.)	Michigan
03	CMS Oil and Gas (International) Company	Texas
04	CMS NOMECO International Congo Holdings, Inc.	Texas
05	CMS NOMECO Congo, Inc.	Delaware
04	CMS Oil and Gas (Cameroon) Ltd., formerly known as CMS NOMECO Cameroon Ltd.	Texas Cayman Islands
04	CMS Oil and Gas (Cote d'Ivoire) Ltd., formerly known as CMS NOMECO Cote d'Ivoire Ltd.	Cayman Islands
04	CMS Oil and Gas (Eritrea) Ltd.	Cayman Islands
04	CMS Oil and Gas (Services) Company, formerly known as CMS Oil and Gas International (Transportation) Company	Texas
04	CMS Oil and Gas International (Tunisia) Company, formerly known as CMS NOMECO International Tunisia, Inc.	Texas
03	CMS Oil and Gas (International) Ltd.	
04	CMS Oil and Gas (Venezuela) LDC, formerly known as CMS NOMECO Venezuela LDC	Cayman Islands
04	CMS Oil and Gas (Alba) LDC, formerly known as CMS NOMECO Alba LDC	Cayman Islands
04	NOMECO Argentina LDC, formerly known as CMS Oil and Gas (Argentina) LDC	Cayman Islands
04	CMS Oil and Gas (Congo) Ltd., formerly known as CMS NOMECO Congo Ltd.	Cayman Islands
04	CMS Oil and Gas (E.G.) LDC, formerly known as CMS NOMECO E.G. LDC	
05	Punta Europa LLC	Cayman Islands
04	CMS Oil and Gas (E.G.) Ltd., formerly known as CMS NOMECO E.G. Ltd.	Cayman Islands
04	Alba Associates LLC (54% jointly owned by CMS Oil and Gas (Alba) LDC, CMS Oil and Gas (E.G.) LDC and CMS Oil and Gas (E.G.) Ltd.)	Cayman Islands
05	Alba Plant LLC (80% owned by Alba Associates LLC)	Cayman Islands
03	CMS Oil and Gas (Pipeline) Company	Michigan
03	Explotaciones CMS Oil and Gas Company	Delaware
03	NOMECO Ecuador Oil Company	Michigan
02	CMS Operating S.A.	Argentina
03	CMS Ensenada S.A.	Argentina
03	Cuyana S.A. de Inversiones	Argentina
04	Centrales Termicas Mendoza, S.A.	Argentina
03	Transportadora de Gas del Mercosur	Argentina
02	CMS Resource Development Company	Michigan
02	Monarch Management Company	Michigan
01	Consumers Energy Company	Michigan
02	CMS Engineering Co.	Michigan
02	CMS Midland Holdings Company	Michigan
02	CMS Midland, Inc.	Michigan
02	Consumers EnergyGuard Services, Inc.	Michigan
02	Consumers Funding LLC	Delaware
02	ES Services Company	Michigan
02	MEC Development Corp.	Michigan
02	Michigan Electric Transmission Company	Michigan
02	Michigan Gas Storage Company	Michigan

Additional subsidiaries, unnamed above, when considered in the aggregate as a single subsidiary would not be considered a significant subsidiary.

EXHIBIT 21(b)

SUBSIDIARIES OF CONSUMERS ENERGY COMPANY
At December 31, 2000

[Numbers on left are Dun & Bradstreet hierarchy (tier level) indicators.]

	Subsidiary Name	Jurisdiction Formation
01	CMS Engineering Co.	Michigan
01	CMS Midland Holdings Company	Michigan
01	CMS Midland, Inc.	Michigan
01	Consumers EnergyGuard Services, Inc.	Michigan
01	Consumers Funding LLC	Delaware
01	ES Services Company	Michigan
01	MEC Development Corp.	Michigan
01	Michigan Electric Transmission Company	Michigan
01	Michigan Gas Storage Company	Michigan

Additional subsidiaries, unnamed above, when considered in the aggregate as a single subsidiary would not be considered a significant subsidiary.

EXHIBIT 23(a)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into CMS Energy Corporation's previously filed Registration Statements No. 33-55805, No. 33-60007, No. 33-61595, No. 333-27849, No. 333-32229, No. 333-37241, No. 333-45556, No. 333-51932, No. 333-52560, and No. 333-76347.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
March 23, 2001.

EXHIBIT 23(b)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into Consumers Energy Company's previously filed Registration Statement No. 333-89363.

/s/ ARTHUR ANDERSEN LLP

Detroit, Michigan,
March 23, 2001.

EXHIBIT 24(a)

February 23, 2001

Mr. Alan M. Wright and
Mr. Thomas A. McNish
CMS Energy Corporation
Fairlane Plaza South, Suite 1100
330 Town Center Drive
Dearborn, MI 48126

CMS Energy Corporation is required to file an Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission within 90 days after the end of the year.

We hereby make, constitute and appoint each of you our true and lawful attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission said Annual Report with any necessary exhibits, and any amendments thereto that may be required.

Very truly yours,

/s/ William T. McCormick, Jr.	/s/ William U. Parfet
William T. McCormick, Jr.	William U. Parfet
/s/ John M. Deutch	/s/ Percy A. Pierre
John M. Deutch	Percy A. Pierre
/s/ James J. Duderstadt	/s/ Kenneth L. Way
James J. Duderstadt	Kenneth L. Way
/s/ Kathleen R. Flaherty	
Kathleen R. Flaherty	Kenneth Whipple
/s/ Earl D. Holton	/s/ John B. Yasinsky
Earl D. Holton	John B. Yasinsky

EXHIBIT 24(b)

February 23, 2001

Mr. Alan M. Wright and
Mr. Thomas A. McNish
Consumers Energy Company
212 West Michigan Avenue
Jackson, MI 49201

Consumers Energy Company is required to file an Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission within 90 days after the end of the year.

We hereby make, constitute and appoint each of you our true and lawful attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission said Annual Report with any necessary exhibits, and any amendments thereto that may be required.

Very truly yours,

/s/ William T.McCormick, Jr.	/s/ William U. Parfet
William T. McCormick, Jr.	William U. Parfet
/s/ John M. Deutch	/s/ Percy A. Pierre
John M. Deutch	Percy A. Pierre
/s/ James J. Duderstadt	/s/ Kenneth L. Way
James J. Duderstadt	Kenneth L. Way
/s/ Kathleen R. Flaherty	
Kathleen R. Flaherty	Kenneth Whipple
/s/ Earl D. Holton	/s/ John B. Yasinsky
Earl D. Holton	John B. Yasinsky

EXHIBIT 24(c)

January 15, 2001

Mr. Alan M. Wright and
Mr. Thomas A. McNish
Panhandle Eastern Pipe Line Company
5444 Westheimer Court
Houston, TX 77056-5310

Panhandle Eastern Pipe Line Company is required to file an Annual Report on Form 10-K for the year ended December 31, 2000 with the Securities and Exchange Commission within 90 days after the end of the year.

We hereby make, constitute and appoint each of you our true and lawful attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission said Annual Report with any necessary exhibits, and any amendments thereto that may be required.

Very truly yours,

/s/William T. McCormick, Jr.
- -----------------------------------
William T. McCormick, Jr.

/s/William J. Haener
- -----------------------------------
William J. Haener

/s/Alan M. Wright
- -----------------------------------
Alan M. Wright