CMS ENERGY CORP
Form S-3
September 24, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 24, 2004

REGISTRATION NO. __________

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CMS ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

MICHIGAN
(State or other jurisdiction of incorporation or organization)

38-2726431
(I.R.S. Employer Identification No.)

ONE ENERGY PLAZA
JACKSON, MICHIGAN 49201
(517) 788-0550
(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

THOMAS J. WEBB
EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER
CMS ENERGY CORPORATION
ONE ENERGY PLAZA
JACKSON, MICHIGAN 49201
(517) 788-1030
(Name, address, including zip code, and telephone number, including area code, of agent for service)

It is respectfully requested that the Commission send copies of all notices, orders and communications to:

ROBERT C. SHROSBREE
ASSISTANT GENERAL COUNSEL
CMS ENERGY CORPORATION
ONE ENERGY PLAZA
JACKSON, MICHIGAN 49201
(517) 768-7323

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. [ ]

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMU OFFERING PR
4.50% Cumulative Convertible Preferred Stock	$250,000,000	100%	$ 250,

(1) Estimated pursuant to Rule 457(f) of the Securities Act solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

PROSPECTUS

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE

SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion dated September 24, 2004

[CMS ENERGY LOGO]

5,000,000 SHARES
CMS ENERGY CORPORATION
4.50% CUMULATIVE CONVERTIBLE PREFERRED STOCK
(liquidation preference $50.00 per share)

We issued 5,000,000 shares of our 4.50% Cumulative Convertible Preferred Stock (the "PREFERRED STOCK") in a private placement during the fourth quarter of 2003. Under this prospectus, the selling securityholders named herein or in any prospectus supplements hereto may offer and sell their shares of Preferred Stock and the shares of our common stock issuable upon conversion thereof.

Each share of the Preferred Stock has a liquidation preference of $50.00 and is convertible into 5.0541 shares of our common stock based on a conversion price of $9.893 per share, subject to specified adjustments. Each Holder of Preferred Stock has the option to convert the Preferred Stock into our common stock in the following circumstances: (1) the price of our common stock issuable upon conversion reaches specified thresholds described in this prospectus; (2) upon the occurrence of specified corporate transactions as described in this prospectus; or (3) subject to certain exceptions, during the five Business Day period after any ten consecutive trading-day period in which the trading price per share of Preferred Stock for each day of the ten trading-day period was less than 95% of the product of the closing sale price per share of our common stock and the applicable conversion rate of such share of Preferred Stock. On or after December 5, 2008, if the closing price of our common stock exceeds 130% of the applicable conversion price for 20 trading days during any consecutive 30 trading-day period (including the last trading day of such period), we may at our option cause the Preferred Stock to be automatically converted into shares of our common stock at the then applicable conversion price.

The Preferred Stock is not redeemable by us at any time.

The annual dividend on each share of Preferred Stock is $2.25 and is payable quarterly in cash, in arrears, on each March 1, June 1, September 1 and December 1, commencing on December 1, 2004, when, as and if declared by the Board of Directors.

Our common stock is listed on the New York Stock Exchange under the symbol "CMS." The last reported price of the common stock on September 22, 2004 was $9.39 per share.

The Preferred Stock is eligible for trading in the Private Offerings, Resales and Trading through Automatic Linkages Market commonly referred to as the Portal Market.

INVESTING IN THE PREFERRED STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 13.

We will not receive any of the proceeds from the sale by any of the selling securityholders of the Preferred Stock or the shares of our common stock. The Preferred Stock and the shares of our common stock may be offered in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. The timing and amount of any sale are within the sole discretion of the selling securityholders. In addition, our common stock may be offered from time to time through ordinary brokerage transactions on the

New York Stock Exchange. See "Plan of Distribution." The selling securityholders may be deemed to be "underwriters" as defined in the Securities Act of 1933, as amended (the "SECURITIES ACT"). Any profits realized by the selling securityholders may be deemed to be underwriting commissions. If the selling securityholders use any broker-dealers, any commission paid to broker-dealers and, if broker-dealers purchase any Preferred Stock or shares of common stock as principals, any profits received by such broker-dealers on the resale of the Preferred Stock or shares of common stock may be deemed to be underwriting discounts or commissions under the Securities Act.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is September 24, 2004

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT OR TO MAKE ANY REPRESENTATIONS ABOUT US OR THE TRANSACTIONS WE DISCUSS IN THIS PROSPECTUS. IF YOU RECEIVE INFORMATION ABOUT THESE MATTERS THAT IS NOT INCLUDED IN THIS PROSPECTUS, YOU MUST NOT RELY ON THAT INFORMATION. THIS DOCUMENT MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT.

TABLE OF CONTENTS

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the SEC under File No. 1-9513. Our SEC filings are available over the Internet at the SEC's web site at http://www.sec.gov. You may also read and copy any document we file at the SEC's public reference room at 450 Fifth Street N.W., Room 1024, Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20

Broad Street, New York, New York 10005. You can find additional information about us, including our Annual Report on Form 10-K/A for the year ended December 31, 2003 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004 and June 30, 2004, on our Web site at http://www.cmsenergy.com. The information on this Web site is not a part of this prospectus.

We are "incorporating by reference" information into this prospectus. This means that we are disclosing important information by referring to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information in this prospectus. This prospectus incorporates by reference the documents set forth below that we have previously filed with the SEC. These documents contain important information about us and our finances.

- Annual Report on Form 10-K/A for the year ended December 31, 2003 filed on July 21, 2004

- Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on May 7, 2004 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed on August 6, 2004

- Current Reports on Form 8-K filed on January 22, 2004, March 18, 2004, April 14, 2004, June 3, 2004, August 20, 2004, August 31, 2004 and September 1, 2004

The documents filed by us with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "EXCHANGE ACT") after the date of this prospectus and prior to the termination of this offering are also incorporated by reference into this prospectus.

We will provide, upon your oral or written request, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus. You may request a copy of these filings at no cost by writing or telephoning us at the following address:

CMS Energy Corporation
One Energy Plaza
Jackson, Michigan 49201
Tel: (517) 788-0550
Attention: Office of the Secretary

FORWARD-LOOKING STATEMENTS AND INFORMATION

This prospectus contains forward-looking statements as defined in Rule 3b-6 of the Exchange Act, as amended, Rule 175 of the Securities Act, as amended, and relevant legal decisions. Our intention with the use of such words as "may," "could," "anticipates," "believes," "estimates," "expects," "intends," "plans," and other similar words is to identify forward-looking statements that involve risk and uncertainty. We designed this discussion of potential risks and uncertainties to highlight important factors that may impact our business and financial outlook. We have 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 the statements. These forward-looking statements are subject to various factors that could cause our actual results to differ materially from the results anticipated in these statements. Such factors include our inability to predict and/or control:

- the efficient sale of non-strategic and under-performing domestic and international assets and discontinuation of certain operations;

- capital and financial market conditions, including the current price of our common stock and the effect on our pension plan, interest rates and availability of financing to us, to Consumers Energy Company ("CONSUMERS"), a wholly owned subsidiary, or any of their affiliates and to the energy industry;

- ability to access the capital markets successfully;

- market perception of the energy industry, us and Consumers or any of their affiliates;

- our and Consumers' or any of their affiliates' securities ratings;

- currency fluctuations, transfer restrictions and exchange controls;

- factors affecting utility and diversified energy operations such as unusual weather conditions, catastrophic weather-related damage, unscheduled generation outages, maintenance or repairs or electric transmission or gas pipeline system constraints;

- international, national, regional and local economic, competitive and regulatory policies, conditions and developments;

- adverse regulatory or legal decisions, including environmental laws and regulations;

- the impact of adverse natural gas prices on the Midland Cogeneration Venture Limited Partnership (the "MCV PARTNERSHIP") investment, regulatory decisions concerning the MCV Partnership resource conservation plan ("RCP"), and regulatory decisions that limit our recovery of capacity and fixed energy payments;

- federal regulation of electric sales and transmission of electricity, including re-examination by federal regulators of the market-based sales authorizations by which our subsidiaries participate in wholesale power markets without price restrictions and proposals by the Federal Energy Regulatory Commission ("FERC") to change the way it currently lets our subsidiaries and other public utilities and natural gas companies interact with each other;

- energy markets, including the timing and extent of unanticipated 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;

- potential disruption, expropriation or interruption of facilities or operations due to accidents, war, terrorism, or changing political conditions and the ability to obtain 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;

- achievement of capital expenditure and operating expense goals;

- changes in financial or regulatory accounting principles or policies;

- outcome, cost, and other effects of legal and administrative proceedings, settlements, investigations and claims, including particularly claims, damages and fines resulting from round-trip trading and inaccurate commodity price reporting, including an investigation by the U.S. Department of Justice regarding round-trip trading and price reporting;

- limitations on our ability to control the development or operation of projects in which our subsidiaries have a minority interest;

- disruptions in the normal commercial insurance and surety bond markets that may increase costs or reduce traditional insurance coverage, particularly terrorism and sabotage insurance and performance bonds;

- other business or investment considerations that may be disclosed from time to time in our or Consumers' SEC filings or in other publicly disseminated written documents; and

- other uncertainties, which are difficult to predict and many of which are beyond our control.

The factors identified under "Risk Factors" on page 13 are also important factors, but not necessarily all of the important factors, that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, us or our subsidiaries.

SUMMARY

This summary may not contain all the information that may be important to you. You should read this prospectus to which we refer you to in their entirety before making an investment decision. The terms "CMS," "CMS ENERGY," "OUR," "US" and "WE" as used in this prospectus refer to CMS Energy Corporation and its subsidiaries as a combined entity, except where it is made clear that such term means only CMS Energy Corporation.

In this document, "bcf" means billion cubic feet, "gWh" means gigawatt-hour, "kWh" means kilowatt-hour, "mmbbls" means million barrels, "mmcf" means million cubic feet and "MW" means megawatts.

CMS ENERGY CORPORATION

CMS Energy, formed in Michigan in 1987, is an integrated energy holding company operating through subsidiaries in the United States and in selected markets around the world. Its two principal wholly owned subsidiaries are Consumers and CMS Enterprises Company ("ENTERPRISES"). Consumers is a public utility that provides natural gas and/or electricity to almost 6.5 million of Michigan's 10 million residents and serves customers in 61 of the 68 counties in Michigan's Lower Peninsula. Enterprises, through subsidiaries and equity investments, is engaged in several energy businesses in the United States and in selected international markets.

Our assets and services include: electric and natural gas utility operations; independent power production; natural gas transmission, storage and processing; and international energy distribution. Our principal businesses are:

- Consumers' electric utility, which owns and operates 30 electric generating plants with an aggregate of 6,431 MW of capacity and serves 1.77 million customers in Michigan's Lower Peninsula;

- Consumers' gas utility, which owns and operates over 27,463 miles of transmission and distribution lines throughout the Lower Peninsula of Michigan, providing natural gas to 1.67 million customers;

- CMS Generation Co. ("CMS GENERATION"), a wholly owned subsidiary of Enterprises, that has ownership interests in independent power plants with 6,766 gross MW (3,157 net MW) throughout the United States and abroad. The plants are located in the U.S., Argentina, Chile, Ghana, India, Jamaica, Morocco and the United Arab Emirates. CMS Generation currently has ownership interests in the Shuweihat power plant, which is under construction in the United Arab Emirates, and the Saudi Petrochemical Company power plant, which is in advanced development and will be located in the Kingdom of Saudi Arabia. These plants total approximately 1,784 gross MW (420 net MW) of electric generation; and

- CMS Gas Transmission Company ("CMS GAS TRANSMISSION"), is a wholly owned subsidiary of Enterprises that owns an interest in and operates natural gas pipelines in various locations in North and South America. The pipelines are located in the U.S., Argentina and Chile. It also owns gathering systems and processing facilities.

In 2003, we had consolidated operating revenue of approximately $5.5 billion.

RECENT DEVELOPMENTS

SECOND QUARTER 2004 RESULTS OF OPERATIONS

	UNAUDITED, IN MILLIONS (EX	
		RE
THREE MONTHS ENDED JUNE 30	2004	
Net Income (Loss) Available to Common Stock.....................	$ 16	$
Basic Earnings (Loss) Per Share Attributable to Common Stock.....	$ 0.10	$
Diluted Earnings (Loss) Per Share Attributable to Common Stock...	$ 0.10	$
Electric utility...	$ 27	$
Gas utility..	1	
Enterprises..	38	
Corporate interest and other.....................................	(50)	
Discontinued operations..	-	
CMS Energy Net Income (Loss) Available to Common Stock	$ 16	$

For the three months ended June 30, 2004, our net income available to common stock was $16 million, compared to a loss of $65 million for the three months ended June 30, 2003. The $81 million increase in net income available to common stock primarily reflects:

- the absence of a $53 million loss from discontinued operations recorded in 2003, comprised mainly of the loss on the sale of Panhandle Eastern Pipe Line Company and its subsidiaries ("PANHANDLE"),
- the absence of a $31 million deferred tax asset valuation reserve established in 2003,
- an $11 million increase in mark-to-market valuation adjustments on interest rate swaps and power contracts, and
- a $6 million reduction in funded benefits expense primarily due to the postretirement benefit plans, other than pensions, for retired employees ("OPEB") plans accounting for the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the positive impact of prior year pension plan contributions on pension plan asset returns.

These increases were partially offset by:

- the absence of a $30 million Michigan Single Business Tax refund received in 2003, and
- a reduction in Consumers' net income resulting primarily from industrial and commercial customers choosing different electricity suppliers and decreased gas deliveries caused primarily by milder weather.

	UNAUDITED, IN MILLIONS (EX	
		RE
SIX MONTHS ENDED JUNE 30	2004	
Net Income Available to Common Stock..........................	$ 9	$
Basic Earnings Per Share Attributable to Common Stock..........	$ 0.06	$
Diluted Earnings Per Share Attributable to Common Stock........	$ 0.06	$
Electric utility...	$ 75	$
Gas utility..	57	
Enterprises..	(23)	
Corporate interest and other...................................	(98)	
Discontinued operations..	(2)	
Accounting changes...	-	
CMS Energy Net Income Available to Common Stock................	$ 9	$

For the six months ended June 30, 2004, CMS Energy's net income available to common stock was $9 million, compared to net income available to common stock of $17 million for the six months ended June 30, 2003. The $8 million change reflects:

- an $81 million charge to earnings related to the sale of our Loy Yang A power plant ("LOY YANG");
- the absence of a $30 million Michigan Single Business Tax refund received in 2003; and
- a reduction in Consumers' net income resulting primarily from industrial and commercial customers choosing different electricity suppliers and decreased gas deliveries caused primarily by milder weather.

These losses were partially offset by:

- the exclusion in 2004 of a $24 million charge for changes in accounting that occurred in the first quarter of 2003;
- the absence of a $31 million deferred tax asset valuation reserve established in 2003;
- the decrease of $20 million in the net loss from discontinued operations resulting from the sale of Panhandle and other businesses in 2003;
- a $31 million increase in mark-to-market valuation adjustments on interest rate swaps and power contracts; and
- a $13 million reduction in funded benefits expense primarily due to the OPEB plans accounting for the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the positive impact of prior year pension plan contributions on pension plan asset returns.

SALE OF AUSTRALIAN PIPELINES

On August 17, 2004, we sold our interests in a business located in Australia comprised of a pipeline, processing facilities, and a gas storage facility ("PARMELIA") and a pipeline business located in Australia in which we held a 39.7% ownership interest ("GOLDFIELDS") to the Australian Pipeline Trust ("APT") for approximately $206 million Australian (approximately $147 million in U.S. dollars).

SALE OF LOY YANG

In April 2004, we and our partners sold the 2,000-megawatt Loy Yang power plant and adjacent coal mine located in Victoria, Australia for approximately $3.5 billion Australian (approximately $2.6 billion in U.S. dollars), including $145 million Australian for the project equity. We owned 49.6% of Loy Yang. NRG Energy Inc. and Horizon Energy Australia Investments each owned about 25% of Loy Yang. CMS Energy's share of the proceeds was approximately $44 million in U.S. dollars, net of closing adjustments and transaction costs. We recognized an $81 million after-tax impairment charge in the first quarter of 2004, primarily related to prior currency translation adjustments.

CONSOLIDATION OF THE MIDLAND COGENERATION VENTURE LIMITED PARTNERSHIP AND THE FIRST MIDLAND LIMITED PARTNERSHIP

Under revised FASB Interpretation No. 46 "Consolidation of Variable Interest Entities," we determined that we are the primary beneficiary of both the MCV Partnership and the First Midland Limited Partnership ("FMLP"). We have a 49% partnership interest in the MCV Partnership and a 46.4% partnership interest in the FMLP. Consumers is the primary purchaser of power from the MCV Partnership through a long-term power purchase agreement. In addition, the FMLP holds a 75.5% lessor interest in the MCV Partnership's facility (the "MCV FACILITY"), which results in Consumers holding a 35% lessor interest in the MCV Facility. Collectively, these interests make us the primary beneficiary of these entities. As such, we consolidated their assets, liabilities and activities into our financial statements for the first time as of and for the quarter ended March 31, 2004. These partnerships had third-party obligations totaling $728 million at June 30, 2004. Property, plant and equipment serving as collateral for these obligations had a carrying value of $1.453 billion at June 30, 2004. The creditors of these partnerships do not have recourse to the general credit of CMS Energy.

RECENT FINANCINGS AND SECURITIES OFFERINGS

We have initiated several transactions with various financial institutions, lenders, banks and others to provide liquidity:

- As of August 3, 2004, we obtained an amended and restated $300 million secured revolving credit facility to replace both our $190 million facility and $185 million letter of credit facility. The amended facility carries a three-year term and provides for a lower interest rate.

- As of August 3, 2004, Consumers obtained an amended and restated $500 million secured revolving credit facility to replace its $400 million facility. The amended facility carries a three-year term and provides for a lower interest rate.

- On August 17, 2004, Consumers issued $800 million of first mortgage bonds (the "BONDS") in a private placement to institutional investors in three separate series. The $150 million Series K Bonds will mature on August 15, 2009 and will bear interest at the rate of 4.40%. The $300 million Series L Bonds will mature on February 15, 2012 and will bear interest at the rate of 5.00%. The $350 million Series M Bonds will mature on August 15, 2016 and will bear interest at the rate of 5.50%.

THE PREFERRED STOCK

Issuer...	CMS Energy Corporation
Securities Offered.................................	5,000,000 shares of 4.50% Cumulative Con
Dividends..	Cumulative annual dividends of $2.25 per in arrears, on each March 1, June 1, Sep commencing December 1, 2004, when, as an directors. Dividends will be paid in arr year consisting of twelve 30-day months. will accumulate and be cumulative from t Accumulated unpaid dividends accrue and rate of 4.50%.
Liquidation Preference.............................	$50.00 per share, plus accumulated and u

Ranking..	The Preferred Stock ranks with respect t our liquidation, winding-up or dissoluti - senior to all of our common stock and capital stock or series of preferred the original issue date of the Prefer future unless the terms of that stock it ranks on a parity with the Preferr - on a parity with any of our capital s preferred stock established after the the Preferred Stock issued in the fut expressly provide that it will rank o Preferred Stock; - junior to all our existing and future whether or not for borrowed money; an - effectively junior to all of our subs liabilities and capital stock held by
Redemption..	Shares of the Preferred Stock are not re
Conversion Rights..................................	A person who is a holder of record of Pr convert its shares of Preferred Stock at common stock under any of the following - during any calendar quarter (and only if the last reported sale price of ou trading days during the period of 30 on the last trading day of the previo than or equal to 120% of the applicab Preferred Stock on such last trading - upon the occurrence of specified corp under "Description of the Preferred S Conversion Upon Specified Corporate T - subject to certain exceptions, during defined herein) period immediately fo trading-day period in which the tradi Stock for each day of that period was of the closing sale price of

	our common stock and the applicable c Preferred Stock; provided, however, a shares of Preferred Stock if the aver common stock for such ten consecutive the then applicable conversion price of the then applicable conversion pri For each share of Preferred Stock surren will receive 5.0541 shares of our common conversion rate. This represents an init per share of common stock. As described

	conversion rate may be adjusted for cert payment by us of dividends on our common adjusted for accumulated and unpaid divi Except as otherwise described in this pr receive any payment representing accumul conversion of their Preferred Stock; how additional dividends, if any, on the Pre stock issuable upon conversion thereof t the registration rights agreement.
Mandatory Conversion................................	On or after December 5, 2008, we may, at Stock to be automatically converted into common stock for each share of Preferred liquidation preference) divided by the a exercise our conversion right only if, f period of 30 consecutive trading days (i such 30-day period), the closing price o the then applicable conversion price of
Fundamental Change..................................	If we undergo a Fundamental Change (as d Preferred Stock -- Fundamental Change Re by Us at the Option of the Holder"), Hol option, subject to the terms of the cert us to purchase any or all of their Prefe price we are required to pay is equal to preference of the Preferred Stock to be unpaid dividends, and additional dividen Fundamental Change purchase date. See "D -- Fundamental Change Requires Purchase Option of the Holder."
Voting Rights.......................................	Except as required by Michigan law and o Incorporation ("ARTICLES OF INCORPORATIO of designation for the Preferred Stock, have no voting rights unless dividends p in arrears for six or more quarterly per In that event, the Holders of the Prefer class with the shares of any other prefe securities having similar voting rights entitled at the next regular or special elect two additional directors (or one d directors comprise our board prior to ap directors that comprise our board will b directors so elected. These voting right so elected will continue until such time Preferred Stock has been paid in full.
Form of Preferred Stock.............................	One or more global securities held in th

9

Use of Proceeds.....................................	We will not receive any of the proceeds securities covered by this prospectus by
Common Stock..	Our common stock is listed on the New Yo "CMS."

Absence of a Public Market..........................	The Preferred Stock is not listed on any in any automated quotation system. The P trading in the Portal Market; however, n liquidity of or trading market for the P
Tax Consequences....................................	The U.S. federal income tax consequences disposing of the Preferred Stock and any its conversion are described in "Certain Considerations." Prospective investors a advisors regarding the tax consequences disposing of the Preferred Stock and any conversion thereof in light of their per including consequences resulting from th constructive distributions on the Prefer and accumulated earnings and profits, as income tax purposes, in which case they for U.S. federal income tax purposes.
Risk Factors..	An investment in the Preferred Stock inv potential investor should carefully eval in the Preferred Stock. See "Risk Factor

10

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data have been derived from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, for the fiscal years ended December 31, 2003, 2002, 2001 and 2000, except for amounts included from the financial statements of the MCV Partnership and Jorf Lasfar Energy Company S.C.A. ("JORF LASFAR") and by Arthur Andersen LLP, independent accountants (who have ceased operations), for the fiscal year ended December 31, 1999. The MCV Partnership represents an investment accounted for under the equity method of accounting through December 31, 2003, which was audited by another independent registered public accounting firm (the other auditors for 2001 and 2000 have ceased operations), for the fiscal years ended December 31, 2003, 2002, 2001, 2000 and 1999. Jorf Lasfar represents an investment accounted for under the equity method of accounting, which was audited by another independent registered public accounting firm for the fiscal years ended December 31, 2003, 2002, 2001, 2000 and 1999. The following selected consolidated financial data for the six months ended June 30, 2004 and 2003 have been derived from our unaudited consolidated financial statements. Please refer to our financial statements for the fiscal year ended December 31, 2003 and for the quarter ended June 30, 2004, which are each incorporated by reference herein. The financial information set forth below should be read in conjunction with our consolidated financial statements, related notes and other financial information that is incorporated by reference herein. Operating results for the six months ended June 30, 2004 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2004. See "Where You Can Find More Information."

	SIX MONTHS ENDED JUNE 30,		YEAR END	
	2004(a)	2003	2003	2002
	(UNAUDITED, DOLLARS IN MILLIONS EXCEPT PER SHARE			(DOLLAR

	AMOUNTS)			EXCEPT PER
INCOME STATEMENT DATA:				
Operating revenue....................	$ 2,847	$ 3,094	$ 5,513	$ 8,673
Earnings from equity method investees............................	60	97	164	92
Operating expenses...................	2,614	2,779	5,082	8,690
Operating income.....................	293	412	595	75
Income (loss) from continuing operations.........................	17	63	(43)	(394)
Net income (loss) available to common shareholder...................	$ 9	$ 17	$ (44)	$ (650)
	========	========	=======	=======
Earnings per average common share:				
Income (loss) from continuing operations Basic..............................	$ 0.07	$ 0.43	$ (0.30)	$ (2.84)
Income (loss) from continuing operations Diluted............................	0.07	0.43	(0.30)	(2.84)
CMS Energy Basic Net Income (Loss) attributable to Common Stock..........	0.06	0.12	(0.30)	(4.68)
CMS Energy Diluted Net Income (Loss) attributable to Common Stock...	0.06	0.14	(0.30)	(4.68)
Dividends declared per average common share:				
CMS Energy...........................	$ --	$ --	$ --	$ 1.09
BALANCE SHEET DATA:				
Cash and cash equivalents............	$ 696	$ 917	$ 532	$ 351
Restricted cash......................	213	205	201	38
Net plant and property(a)............	8,528	6,674	6,944	6,103
Total assets.........................	15,307	13,939	13,838	14,781
Long-term debt, including current Maturities(a)........................	6,676	6,594	6,529	5,990
Long-term debt - related parties......	684	--	684	--
Non-current portion of capital leases...............................	338	119	58	116
Notes payable........................	--	--	--	458
Other liabilities....................	4,862	5,120	4,604	6,174
Minority interest....................	740	43	73	38
Company-obligated mandatorily redeemable trust preferred securities of subsidiaries (b)......	--	393	--	393
Company obligated trust preferred securities of Consumers' subsidiaries (b)..................	--	490	--	490

11

	SIX MONTHS ENDED JUNE 30,			YEAR ENDED DE
	2004	2003	2003	2002
	(UNAUDITED, DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)			(DOLLAR EXCEPT PE

Preferred stock..................	261	--	261	--	
Preferred stock of subsidiary....	$ 44	$ 44	$ 44	$ 44	$
Common stockholders' equity......	1,702	1,136	1,585	1,078	
OTHER DATA:					
Cash Flow:					
Provided by (Used in) operating activities	$ 481	$ 147	$ (251)	$ 614	$
Provided by (Used in) investing activities	(214)	292	203	829	
Provided by (Used in) financing activities	(276)	125	230	(1,223)	
Ratio of earnings to combined fixed charges and preference dividends (c)..................	--(d)	1.13	--(e)	--(f)	

(a) Under revised FASB Interpretation No. 46 "Consolidation of Variable Interest Entities," we are the primary beneficiary of the MCV Partnership and the FMLP. As a result, we have consolidated their assets, liabilities, and activities into our financial statements for the first time as of and for the quarter ended March 31, 2004. These partnerships have third-party obligations totaling $728 million at June 30, 2004. Property, plant, and equipment serving as collateral for these obligations has a carrying value of $1.453 billion at June 30, 2004.

(b) CMS Energy and Consumers each formed various statutory wholly owned business trusts for the sole purpose of issuing preferred securities and lending the gross proceeds to the parent companies. The sole assets of the trusts are debentures of the parent company with terms similar to those of the preferred securities. As a result of the adoption of FASB Interpretation No. 46 on December 31, 2003, we deconsolidated the trusts that hold the mandatorily redeemable trust preferred securities. Therefore, $490 million, previously reported by us as Company-obligated mandatorily redeemable trust preferred securities of subsidiaries, plus $16 million owed to the trusts and previously eliminated in consolidation, is now included in the balance sheet as Long-term debt - related parties. Additionally, $173 million, previously reported by us as Company-obligated convertible trust preferred securities of subsidiaries, plus $5 million owed to the trusts and previously eliminated in consolidation, is now included in the balance sheet as Long-term debt - related parties.

(c) For the purpose of computing the ratio, earnings represents the sum of income from continuing operations before income taxes and income from equity method investees, net interest charges and preferred dividends of subsidiary, the estimated interest portion of lease rentals and distributed income of equity method investees.

(d) For the six months ended June 30, 2004, combined fixed charges and preference dividends exceeded earnings by $47 million. Earnings as defined include $125 million of asset impairment charges.

(e) For the year ended December 31, 2003, combined fixed charges and preference dividends exceeded earnings by $59 million. Earnings as defined include $95 million of asset impairment charges.

(f) For the year ended December 31, 2002, combined fixed charges and preference dividends exceeded earnings by $472 million. Earnings as defined include $602 million of asset impairment charges.

(g) For the year ended December 31, 2001, combined fixed charges and preference dividends exceeded earnings by $392 million. Earnings as defined include

$323 million of asset impairment charges.

(h) For the year ended December 31, 2000, combined fixed charges and preference dividends exceeded earnings by $224 million. Earnings as defined include a $329 million pretax impairment loss on the Loy Yang investment.

(i) 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 $0.26 and $0.25, respectively, and Class G Common Stock's basic and diluted earnings per share were increased $3.31.

RISK FACTORS

Before purchasing any of our securities offered by this prospectus, you should carefully consider the following risk factors, as well as the other information contained or incorporated by reference in this prospectus.

RISKS RELATING TO CMS ENERGY

WE DEPEND ON DIVIDENDS FROM OUR SUBSIDIARIES TO MEET OUR DEBT SERVICE OBLIGATIONS. IF WE DO NOT RECEIVE ADEQUATE DIVIDENDS OR DISTRIBUTIONS FROM OUR SUBSIDIARIES, WE MAY NOT BE ABLE TO PAY DIVIDENDS ON THE PREFERRED STOCK.

Due to our holding company structure, we depend on dividends from our subsidiaries to meet our debt obligations, including the payment of any dividends on the Preferred Stock. None of these entities are or will be obligated to pay any dividends on the Preferred Stock. Therefore, payment of dividends on the Preferred Stock is effectively subordinated to the payment of interest, principal and preferred distributions on the debt, preferred securities and other liabilities of Consumers and Enterprises and each of their subsidiaries.

On June 2, 2003, the Michigan Public Service Commission ("MPSC") issued a financing order authorizing the issuance of $554 million of securitization bonds. The order would prohibit Consumers from paying any extraordinary dividends to us until further order of the MPSC. Pursuant to the order, extraordinary dividends are considered any amount over and above Consumers' earnings. On July 1, 2003, Consumers filed a petition for rehearing and clarification of certain portions of the order with the MPSC, including the portion dealing with dividend restrictions. In December 2003, the MPSC issued its order on rehearing, which rejected our requests for rehearing and clarification and remanded the proceeding to the administrative law judge ("ALJ") for additional proceedings. In March 2004, the ALJ conducted the remanded hearings and the matter is presently before the MPSC awaiting a decision.

In December 2003, the MPSC issued an order granting interim gas rate relief in the amount of $19.34 million annually. In connection with this rate relief, Consumers agreed to limit its dividends to CMS Energy to a maximum of $190 million annually during the period in which Consumers receives the interim relief. The MPSC stated in its order that it was not determining at that time whether dividend restrictions should continue after the issuance of a final order.

Restrictions contained in Consumers' preferred stock provisions and other legal restrictions limit Consumers' ability to pay dividends or acquire its own stock from us. As of June 30, 2004, the most restrictive provisions in its financing documents allowed Consumers to pay an aggregate of $300 million in dividends to us during any year.

For additional information concerning restrictions on Consumers' ability to pay dividends to us, see "Description of Our Capital Stock -- Primary Source of Funds of CMS Energy; Restrictions on Sources of Dividends."

WE HAVE SUBSTANTIAL INDEBTEDNESS THAT COULD LIMIT OUR FINANCIAL FLEXIBILITY AND HENCE OUR ABILITY TO PAY DIVIDENDS ON THE PREFERRED STOCK.

As of June 30, 2004, we had outstanding approximately $3.2 billion aggregate principal amount of indebtedness, including approximately $178 million of subordinated indebtedness relating to our convertible preferred securities and $506 million of subordinated indebtedness relating to Consumers' mandatorily redeemable trust preferred securities but excluding approximately $4.5 billion of indebtedness of our subsidiaries. All of such indebtedness would be senior to the Preferred Stock. In August 2004, we entered into the Fifth Amended and Restated Credit Agreement in the amount of approximately $300 million. This facility is secured and the Preferred Stock would be effectively junior to such indebtedness to the extent of the security pledged therefore. As of August 17, 2004, there were approximately $164 million of letters of credit outstanding under the Fifth Amended and Restated Credit Agreement. We and our subsidiaries may incur additional indebtedness in the future.

The level of our present and future indebtedness could have several important effects on our future operations, including, among others:

- a significant portion of our cash flow from operations will be dedicated to the payment of principal and interest on our indebtedness and will not be available for other purposes;

- covenants contained in our existing debt arrangements require us to meet certain financial tests, which may affect our flexibility in planning for, and reacting to, changes in our business;

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, and general corporate and other purposes may be limited;

- we may be at a competitive disadvantage to our competitors that are less leveraged; and

- our vulnerability to adverse economic and industry conditions may increase.

Our ability to pay dividends on the Preferred Stock, meet our debt service obligations and to reduce our total indebtedness will be dependent upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. We cannot assure you that our business will continue to generate sufficient cash flow from operations to service our indebtedness. If we are unable to generate sufficient cash flow from operations, we may be required to sell additional assets or obtain additional financings. We also plan to refinance a substantial amount of our indebtedness prior to its maturity. We cannot assure you that any such refinancing will be possible or that additional financing will be available on commercially acceptable terms or at all.

There can be no assurance that the requirements of our existing debt arrangements or other indebtedness will be met in the future. Failure to comply with such covenants may result in a default with respect to the related debt and could lead to acceleration of such debt or any instruments evidencing indebtedness that contain cross-acceleration or cross-default provisions.

In such a case, there can be no assurance that we would be able to refinance or otherwise repay such indebtedness.

WE HAVE FINANCING NEEDS AND WE MAY BE UNABLE TO SUCCESSFULLY ACCESS BANK FINANCING OR THE CAPITAL MARKETS.

As of June 30, 2004, we had approximately $395 million of debt maturities in 2004 and 2005 excluding subsidiaries. These maturities include: approximately $176 million of senior notes due in November 2004; $180 million of senior notes due in January 2005; and approximately $39 million of general term notes that mature at various times in 2004 and 2005. In addition, we expect to incur significant costs for future environmental regulation compliance, especially compliance with clean air laws. See "We could incur significant capital expenditures to comply with environmental standards and face difficulty in recovering these costs on a current basis" below. As of June 30, 2004 we had incurred $489 million in capital expenditures to comply with these regulations and future capital expenditures may total approximately $282 million between 2004 and 2009. We could also become subject to liquidity demands pursuant to commercial commitments under guarantees, indemnities and letters of credit. After giving effect to recent issuances of securities, along with asset sales, capital markets or bank financing and cash flow from operations, we believe, but can make no assurance, that we will have sufficient liquidity to meet our debt maturities through 2005. Management is actively pursuing plans to refinance debt and to sell assets. There can be no assurances that this business plan will be successful and failure to achieve its goals could have a material adverse effect on our liquidity and operations.

We continue to explore financing opportunities to supplement our financial plan. These potential opportunities include: refinancing our bank credit facilities; entering into leasing arrangements and/or vendor financing; refinancing and issuing new capital markets debt, preferred and/or common equity; and negotiating private placement debt. We cannot guarantee the capital market's acceptance of our securities or predict the impact of factors beyond our control, such as actions of rating agencies. If we are unable to access bank financing or the capital markets to incur or refinance indebtedness, there could be a material adverse effect upon our liquidity and operations.

Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. ("S&P"), has assigned the Preferred Stock a rating of B, Moody's Investors Service, Inc. has assigned the Preferred Stock a rating of Ca and Fitch, Inc. has assigned the Preferred Stock a rating of B--. We cannot assure you that these credit ratings will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms. We cannot assure you that any of our current ratings or those of our affiliates, including Consumers, will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency.

Consumers accesses debt and other capital from various sources and carries its own credit ratings. Any downgrade or other event negatively affecting the credit ratings of Consumers could make its cost of borrowing higher or access to funding sources more limited, which in turn could increase the need of CMS Energy to provide liquidity in the form of capital contributions or loans, thus reducing the liquidity and borrowing availability of the consolidated group. Further, any adverse developments relating to Consumers,

which provides dividends to us, that result in a lowering of Consumers' credit ratings could have an adverse effect on our credit ratings. Any lowering of the ratings on the Preferred Stock would likely reduce the market value of the Preferred Stock.

WE MAY BE ADVERSELY AFFECTED BY A REGULATORY INVESTIGATION AND LAWSUITS REGARDING "ROUND TRIP" TRADING BY ONE OF OUR SUBSIDIARIES AS WELL AS CIVIL LAWSUITS REGARDING PRICING INFORMATION THAT TWO OF OUR AFFILIATES PROVIDED TO MARKET PUBLICATIONS.

As a result of round trip trading transactions at CMS Marketing Services and Trading Company ("CMS MST"), we are under investigation by the United States Department of Justice. We have received subpoenas from U.S. Attorneys Offices regarding investigations of those trades. CMS Energy and Consumers have also been named in numerous class action lawsuits by individuals who allege that they purchased CMS Energy securities during a purported class period. These complaints generally seek unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about the company's business and financial condition. The cases have been consolidated into a single lawsuit and an amended and consolidated complaint was filed on May 1, 2003. The judge issued an opinion and order dated March 31, 2004 in connection with various pending motions, including the plaintiffs' motion to amend the complaint and the motions to dismiss the complaint filed by us, Consumers and other defendants. The judge directed the plaintiffs to file an amended complaint under seal and ordered an expedited hearing on the motion to amend, which was held on May 12, 2004. At the hearing, the judge ordered the plaintiffs to file an amended complaint deleting certain counts related to purchasers of CMS Energy-related securities, which the judge ordered dismissed with prejudice. The plaintiffs filed this complaint on May 26, 2004. We, Consumers and the individual defendants filed new motions to dismiss on June 21, 2004. A hearing on those motions occurred on August 2, 2004 and the judge has taken the matter under advisement.

Our Board of Directors has received a demand on behalf of a shareholder of CMS Energy to commence civil actions (i) to remedy alleged breaches of fiduciary duties by CMS Energy officers and directors in connection with round trip trading at CMS MST and (ii) to recover damages sustained by CMS Energy as a result of alleged insider trades alleged to have been made by certain current and former officers of CMS Energy and its subsidiaries. In December 2002, two new directors were appointed to our Board of Directors. A special litigation committee was formed by the Board of Directors in January 2003 to determine whether it is in the best interest of CMS Energy to bring the action demanded by the shareholder. The disinterested members of the Board of Directors appointed the two new directors to serve on the special litigation committee.

On December 2, 2003, during the continuing review by the special litigation committee, we were served with a derivative complaint filed by the shareholder in the Circuit Court of Jackson County, Michigan in furtherance of his demands. The date for CMS Energy and other defendants to answer or otherwise respond to the complaint was extended to December 1, 2004, subject to such further extensions as may be mutually agreed upon by the parties and authorized by the court.

We have notified appropriate regulatory and governmental agencies that some employees at CMS MST and CMS Field Services, Inc. (now Cantera Gas Company) appeared to have provided inaccurate information regarding natural gas trades to various energy industry publications which compile and report index prices. CMS Energy is cooperating with an investigation by the United States Department of Justice regarding this matter. On November 25, 2003, the CFTC issued a settlement order regarding this matter. CMS MST and CMS Field Services, Inc. agreed to pay a fine to the CFTC totaling $16 million. In the settlement, CMS Energy neither admits nor denies the findings of the CFTC in the settlement order.

We have also been named as a defendant in several gas industry civil lawsuits regarding inaccurate gas trade reporting that include a lawsuit alleging violation of the Commodities Exchange Act and certain antitrust laws.

We cannot predict the outcome of the United States Department of Justice investigation and the lawsuits. It is possible that the outcome in one or more of the investigation or the lawsuits could adversely affect our financial condition, liquidity or results of operations.

WE MAY BE NEGATIVELY IMPACTED BY THE RESULTS OF AN EMPLOYEE BENEFIT PLAN LAWSUIT.

We are a defendant, along with Consumers, CMS MST and certain named and unnamed officers and directors, in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of our 401(k) plan. The two cases, filed in July 2002 in the United States District Court for the Eastern District of Michigan, were consolidated by the trial judge and an amended and consolidated complaint has been filed. Plaintiffs allege breaches of fiduciary duties under the Employee Retirement Income Security Act of 1974 ("ERISA") and seek restitution on behalf of the plan with respect to a decline in value of the shares of our common stock held in the plan. The plaintiffs also seek other equitable relief and legal fees. The judge issued an opinion and order dated March 31, 2004 in connection with the motions to dismiss filed by us, Consumers and the individuals. The judge dismissed certain of the

amended counts in the plaintiffs' complaint and denied our motion to dismiss the other claims in the complaint. We, Consumers and the individual defendants filed answers to the amended complaint on May 14, 2004. A trial date has not been set, but is expected to be no earlier than late in 2005.

We cannot predict the outcome of the ERISA litigation and it is possible that an adverse outcome in this lawsuit could adversely affect our financial condition, liquidity or results of operations.

REGULATORY CHANGES AND OTHER DEVELOPMENTS HAVE RESULTED AND WILL CONTINUE TO RESULT IN INCREASED COMPETITION IN OUR DOMESTIC ENERGY BUSINESS. GENERALLY, INCREASED COMPETITION THREATENS OUR MARKET SHARE IN CERTAIN SEGMENTS OF OUR BUSINESS AND CAN REDUCE OUR PROFITABILITY.

Consumers has in the last several years experienced, and expects to continue to experience, a significant increase in competition for generation services with the introduction of retail open access in the State of Michigan. Pursuant to the Customer Choice Act, as of January 1, 2002, all electric customers have the choice of buying electric generation service from an alternative electric supplier. We continue to lose industrial and commercial customers to other electric suppliers without receiving compensation for stranded costs caused by the lost sales. As of July 2004, we had lost 858 MW or 11% of our electric generation business to these alternative electric suppliers. We expect the loss to be in the range of 900 MW to 1,100 MW by year-end 2004. We cannot predict the total amount of electric supply load that we may lose to competitor suppliers in the future.

ELECTRIC INDUSTRY REGULATION COULD ADVERSELY AFFECT OUR BUSINESS, INCLUDING OUR ABILITY TO RECOVER OUR EXPENSES FROM OUR CUSTOMERS.

Federal and state regulation of electric utilities has changed dramatically in the last two decades and could continue to change over the next several years. These changes could adversely affect our business, financial condition and profitability.

In June 2000, the Michigan Legislature enacted the Customer Choice Act that became effective June 5, 2000. Pursuant to the Customer Choice Act:

- residential rates were reduced by 5% and then capped through at least December 31, 2005; and

- small commercial and industrial customer rates were capped through at least December 31, 2004.

Ultimately, the rate caps could extend until December 31, 2013 depending upon whether or not Consumers exceeds the market power supply test established by the legislation (a requirement that Consumers believes itself to be in compliance with at this time). Under circumstances specified in the Customer Choice Act, certain costs can be deferred for future recovery after the expiration of the rate cap period. The rate caps could, however, result in Consumers being unable to collect customer rates sufficient to fully recover its cost of conducting business. Some of these costs may be beyond Consumers' ability to control. In particular, if Consumers needs to purchase power supply from wholesale suppliers during the period when retail rates are frozen or capped, the rate restrictions imposed by the Customer Choice Act may make it impossible for Consumers to fully recover the cost of purchased power and associated transmission costs through the rates it charges its customers. As a result, it is not certain that Consumers can maintain its profit margins in its electric utility business during the period of the rate freeze or rate caps.

There are multiple proceedings pending before FERC involving transmission rates, regional transmission organizations and standard market design for electric bulk power markets and transmission. We cannot predict the impact of these electric industry-restructuring proceedings on our financial position, liquidity or results of operations.

PENDING UTILITY LEGISLATION IN MICHIGAN MAY AFFECT US IN WAYS WE CANNOT PREDICT.

In July 2004, as a result of legislative hearings, several bills were introduced into the Michigan Senate that could change Michigan's Customer Choice Act. The proposals include:

- requiring that rates be based on cost of service;

- establishing a defined Stranded Cost calculation method;

- allowing customers who stay with or switch to alternative electric suppliers after December 31, 2005 to return to utility services, and requiring them to pay current market rates upon return;

- establishing reliability standards that all electric suppliers must follow;

- requiring utilities and alternative suppliers to maintain a 15%

power reserve margin;

- creating a service charge to fund the Low Income and Energy Efficiency Fund;

- giving kindergarten through twelfth-grade schools a discount of 10% to 20% on electric rates; and

- authorizing a service charge payable by all customers for meeting Clean Air Act requirements.

Although we do not believe the terms of the pending bills would have a material adverse effect on our business, the final form of any new utility legislation may differ from the pending bills. We cannot predict whether these or other measures will be enacted into law or their potential effect on us.

OUR ABILITY TO RECOVER OUR "NET" STRANDED COSTS IS UNCERTAIN AND MAY AFFECT OUR FINANCIAL RESULTS.

The Customer Choice Act allows for the recovery, by an electric utility, of the cost of implementing that Act's requirements and "net" Stranded Costs, without defining the term. According to the MPSC, "net" Stranded Costs are to be recovered from retail open access customers through a Stranded Cost transition charge.

In 2002 and 2001, the MPSC issued orders finding that Consumers experienced zero "net" Stranded Costs from 2000 to 2001. The MPSC also declined to resolve numerous issues regarding the "net" Stranded Cost methodology in a way that would allow a reliable prediction of the level of Stranded Costs for future years. Consumers is currently in the process of appealing these orders with the Michigan Court of Appeals and the Michigan Supreme Court.

In March 2003, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2002 and for approval of a "net" Stranded Cost recovery charge. In the application, Consumers' "net" Stranded Costs incurred in 2002, including the cost of money, are estimated to be approximately $47 million with the issuance of securitization bonds that include Clean Air Act investments, or approximately $104 million without the issuance of securitization bonds that include Clean Air Act investments. In July 2004, the ALJ issued a proposal for decision in Consumers' 2002 "net" Stranded Cost case, which recommended that the MPSC find that Consumers incurred "net" Stranded Costs of $12 million. This recommendation includes the cost of money through July 2004 and excludes Clean Air Act investments.

In April 2004, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2003. Consumers also requested interim relief for 2003 "net" Stranded Costs. In July 2004, Consumers revised its request for approval of 2003 Stranded Costs incurred, including the cost of money, to $69 million with the issuance of Securitization bonds that include Clean Air Act investments, or $128 million without the issuance of Securitization bonds that include Clean Air Act investments. The MPSC has scheduled hearings for Consumers' 2003 Stranded Cost application for August 2004. In July 2004, the MPSC staff issued a position on Consumers' 2003 "net" Stranded Cost application, which resulted in a Stranded Cost calculation of $52 million. The amount includes the cost of money, but excludes Clean Air Act investments. We cannot predict how the MPSC will rule on Consumers' requests for recoverability of 2002 and 2003 Stranded Costs or whether the MPSC will adopt a Stranded Cost recovery method that will offset fully any associated margin loss from retail open access.

We cannot predict the ability of Consumers to recover its "net" Stranded Costs, including costs related to electric utility restructuring, and failure to recover those "net" Stranded Costs could adversely affect our financial condition.

WE COULD INCUR SIGNIFICANT CAPITAL EXPENDITURES TO COMPLY WITH ENVIRONMENTAL STANDARDS AND FACE DIFFICULTY IN RECOVERING THESE COSTS ON A CURRENT BASIS.

We and our subsidiaries are subject to costly and increasingly stringent environmental regulations. We expect that the cost of future environmental compliance, especially compliance with clean air laws, will be significant.

In 1998, the Environmental Protection Agency ("EPA") issued regulations requiring the State of Michigan to further limit nitrogen oxide emissions at our coal-fired electric plants. The EPA and the State of Michigan regulations require us to make significant capital expenditures estimated to be $771 million. As of June 30, 2004, Consumers has incurred $489 million in capital

expenditures to comply with the EPA regulations and anticipates that the remaining $282 million of capital expenditures will be incurred between 2004 and 2009. Additionally, Consumers currently expects it will supplement its compliance plan with the purchase of nitrogen oxide emissions credits for the years 2004 through 2008. The cost of these credits based on the current market is estimated to average $8 million per year; however, the market for nitrogen oxide emissions credits and their price could change substantially. As new environmental standards become effective, Consumers will need additional capital expenditures to comply with the standards.

Based on the Customer Choice Act, beginning January 2004 an annual return of and on these types of capital expenditures, to the extent they are above depreciation levels, is expected to be recoverable from customers, subject to an MPSC prudency hearing.

The EPA has alleged that some utilities have incorrectly classified plant modifications as "routine maintenance" rather than seek modification permits from the EPA. We have received and responded to information requests from the EPA on this subject. We believe that we have properly interpreted the requirements of "routine maintenance." If our interpretation is found to be incorrect, we may be required to install additional pollution controls at some or all of our coal-fired electric plants and potentially pay fines.

These and other required environmental expenditures, if not recovered from customers in Consumers' rates, may require us to seek significant additional financing to fund such expenditures and could strain our cash resources.

OUR PLANNED ASSET SALES MAY NOT BE ACHIEVED OR MAY RESULT IN ADDITIONAL ACCOUNTING CHARGES.

We are executing an ongoing asset sales program encompassing the sale of non-strategic and under-performing assets, the proceeds of which are being and will be used primarily to reduce debt. While we have successfully sold several of our major properties, including most recently Goldfields, Parmelia, Loy Yang, Panhandle and CMS Field Services, Inc., there are a number of additional assets we are targeting for disposal through 2005. We cannot assure you that we will be successful in selling these assets, most of which are located outside the United States.

We are required by U.S. generally accepted accounting principles to periodically review the carrying value of our assets, including those we are targeting for sale. Market conditions, the operational characteristics of the assets that may be sold and other factors could result in our recording additional impairment charges for our assets, which could have an adverse effect on our stockholders' equity and our access to additional financing. In addition, we may be required to record impairment charges at the time we sell assets depending on the sale prices we are able to secure.

WE RETAIN CONTINGENT LIABILITIES IN CONNECTION WITH OUR ASSET SALES.

The agreements we enter into for the sale of assets customarily include provisions whereby we are required to:

- retain specified preexisting liabilities such as for taxes and pensions;

- indemnify the buyers against specified risks, including the inaccuracy of representations and warranties we make; and

- require payments to the buyers depending on the outcome of post-closing adjustments, audits or other reviews.

Many of these contingent liabilities can remain open for extended periods of time after the sales are closed. Depending on the extent to which the buyers may ultimately seek to enforce their rights under these contractual provisions, and the resolution of any disputes we may have concerning them, these liabilities could have a material adverse effect on our financial condition, liquidity and results of operations.

OUR REVENUES AND RESULTS OF OPERATIONS ARE SUBJECT TO RISKS THAT ARE BEYOND OUR CONTROL, INCLUDING BUT NOT LIMITED TO FUTURE TERRORIST ATTACKS OR RELATED ACTS OF WAR.

The cost of repairing damage to our facilities due to storms, natural disasters, wars, terrorist acts and other catastrophic events, in excess of reserves established for such repairs, may adversely impact our results of operations, financial condition and cash flows. The occurrence or risk of occurrence of future terrorist activity and the high cost or potential unavailability of insurance to cover such terrorist activity may impact our results of operations and financial condition in unpredictable ways. These actions could also result in disruptions of power and fuel markets. In addition, our natural gas distribution system and pipelines could be directly or indirectly harmed by future terrorist activity.

18

WE HAVE MADE SUBSTANTIAL INTERNATIONAL INVESTMENTS THAT ARE SUBJECT TO POSSIBLE NATIONALIZATION, EXPROPRIATION OR INABILITY TO CONVERT CURRENCY.

Our investments in selected international markets in electric generating facilities, natural gas pipelines and electric distribution systems face a number of risks inherent in acquiring, developing and owning these types of international facilities. Although we maintain insurance for various risk exposures, including political risk from possible nationalization, expropriation or inability to convert currency, we are exposed to some risks that include local political and economic factors over which we have 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 some cases an 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 our financial position and results of operations.

International investments of the type we have made 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. These kinds of changes could result in a partial or total loss of our investment.

The local foreign currency may be devalued, 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.

OUR OWNERSHIP OF A NUCLEAR GENERATING FACILITY CREATES RISK RELATING TO NUCLEAR ENERGY.

Consumers owns the Palisades nuclear power plant and we are, therefore, subject to the risks of nuclear generation and the storage and disposal of spent fuel and other radioactive waste. The Nuclear Regulatory Commission ("NRC") has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. In addition, although we have no reason to anticipate a serious nuclear incident at Consumers' plant, if an incident did occur, it could harm our results of operations and financial condition. A major incident at a nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit.

WE CURRENTLY DO NOT PAY DIVIDENDS ON OUR COMMON STOCK.

We suspended the payments of dividends on our common stock in January 2003 and have no current plans to resume payment of a dividend. Our ability to declare dividends in the future will depend on a variety of factors, including improvement in our financial condition and liquidity and the terms of our financing agreements. We cannot predict when resumption of dividends on our common stock would occur, and if so the amount of any such dividends that might be declared.

CONSUMERS CURRENTLY UNDERRECOVERS IN ITS RATES ITS PAYMENTS TO THE MCV PARTNERSHIP FOR CAPACITY AND ENERGY, AND IS ALSO EXPOSED TO FUTURE CHANGES IN THE MCV PARTNERSHIP'S FINANCIAL CONDITION THROUGH ITS EQUITY AND LESSOR INVESTMENTS.

Consumers' power purchase agreement with the MCV Partnership ("PPA") expires in 2025. We estimate that Consumers will incur estimated cash underrecoveries of payments under the PPA aggregating $206 million through 2007. For availability payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, Consumers would expect to claim a "regulatory out" under the PPA. The effect of any such action would be to reduce cash flow to the MCV Partnership, which could in turn have an adverse effect on Consumers' equity and lessor interests in the MCV Facility.

Further, under the PPA, energy payments to the MCV Partnership are based on the cost of coal burned at Consumers' coal plants and costs associated with fuel inventory, operations and maintenance, and administrative and general expenses associated with Consumers' coal plants. However, the MCV Partnership's costs of producing electricity are tied, in large part, to the cost of natural gas. Because natural gas prices have increased substantially in recent years, while energy charge payments to the MCV Partnership have not, the MCV Partnership's financial performance has been impacted negatively.

In February 2004, Consumers filed a RCP with the MPSC that is intended to help conserve natural gas and thereby improve its investment in the MCV

Partnership. This plan seeks approval to:

- dispatch the MCV Facility based on natural gas market prices without increased costs to electric customers;

- give Consumers a priority right to buy excess natural gas as a result of the reduced dispatch of the MCV Facility; and

- fund $5 million annually for renewable energy sources such as wind power projects.

The RCP would reduce the MCV Facility's annual natural gas consumption by an estimated 30 to 40 bcf. This decrease in the quantity of high-priced natural gas consumed by the MCV Facility would benefit Consumers' ownership interest in the MCV Partnership. The amount of PPA capacity and fixed energy payments recovered from retail electric customers would remain capped at 88.7%. Therefore, customers would not be charged for any increased power supply costs, if they occur. Consumers and the MCV Partnership have reached an agreement that the MCV Partnership will reimburse Consumers for any incremental power costs incurred to replace the reduction in power dispatched from the MCV Facility. Presently, Consumers is in settlement discussions with the parties to the RCP filing. However, in July 2004, several qualifying facilities filed for a stay on the RCP proceeding in the Ingham County Circuit Court after their previous attempt to intervene on the proceeding was denied by the MPSC. On August 11, 2004, the Judge granted the motion to stay the proceedings. We cannot predict if or when the MPSC will approve the RCP or the outcome of the Ingham County Circuit Court hearings.

We cannot estimate, at this time, the impact of these issues on Consumers' future earnings or cash flow from its interest in the MCV Partnership. The forward price of natural gas for the next 20 years and the MPSC decision in 2007 or later related to Consumers' recovery of capacity payments are the two most significant variables in the analysis of the MCV Partnership's future financial performance. Natural gas prices have historically been volatile and presently there is no consensus in the marketplace on the price or range of prices of natural gas beyond the next five years. Further, it is not presently possible for us to predict the actions of the MPSC in 2007 or later. Even with an approved RCP, if gas prices continue at present levels or increase, the economics of operating the MCV Facility may be adverse enough to require Consumers to recognize an impairment of its investment in the MCV Partnership. For these reasons, at this time we cannot predict the impact of these issues on Consumers' future earnings or cash flows or on the value of its equity interest in the MCV Partnership.

CONSUMERS' ENERGY RISK MANAGEMENT STRATEGIES MAY NOT BE EFFECTIVE IN MANAGING FUEL AND ELECTRICITY PRICING RISKS, WHICH COULD RESULT IN UNANTICIPATED LIABILITIES TO CONSUMERS OR INCREASED VOLATILITY OF ITS EARNINGS.

Consumers is exposed to changes in market prices for natural gas, coal, electricity and emission credits. Prices for natural gas, coal, electricity and emission credits may fluctuate substantially over relatively short periods of time and expose Consumers to commodity price risk. A substantial portion of Consumers' operating expenses for its plants consists of the costs of obtaining these commodities. Consumers manages these risks using established policies and procedures, and it may use various contracts to manage these risks, including swaps, options, futures and forward contracts. We cannot assure you that these strategies will be successful in managing Consumers' pricing risk, or that they will not result in net liabilities to Consumers as a result of future volatility in these markets.

Natural gas prices in particular have historically been volatile. To manage market risks associated with the volatility of natural gas prices, the MCV Partnership maintains a gas hedging program. The MCV Partnership enters into natural gas futures contracts, option contracts and over-the-counter swap transactions in order to hedge against unfavorable changes in the market price of natural gas in future months when gas is expected to be needed. These financial instruments are being used principally to secure anticipated natural gas requirements necessary for projected electric and steam sales, and to lock in sales prices of natural gas previously obtained in order to optimize the MCV Partnership's existing gas supply, storage, and transportation arrangements. Consumers also routinely enters into contracts to offset its positions, such as hedging exposure to the risks of demand, market effects of weather and changes in commodity prices associated with its gas distribution business. Such positions are taken in conjunction with the gas cost recovery mechanism, which allows Consumers to recover prudently incurred costs associated with such position. However, neither Consumers nor the MCV Partnership always hedges the entire exposure of its operations from commodity price volatility. Furthermore, the ability to hedge exposure to commodity price volatility depends on liquid commodity markets. As a result, to the extent the commodity markets are illiquid, Consumers may not be able to execute its risk management strategies, which could result in greater open positions than we would prefer at a given time. To the extent that open positions exist, fluctuating commodity prices can improve or diminish our financial results and financial position.

In addition, Consumers currently has a power supply cost recovery mechanism to recover the increased cost of fuel used to generate electricity from its industrial and large commercial customers, but not from its residential or small commercial customers. Therefore, to the extent that Consumers has not hedged its fuel costs, it is exposed to changes in fuel prices to the extent fuel for its electric generating facilities must be purchased on the open market in order for Consumers to serve its residential and small commercial customers.

20

RISKS RELATED TO THE PREFERRED STOCK

WE MAY ISSUE ADDITIONAL SERIES OF PREFERRED STOCK THAT RANK EQUALLY TO THE PREFERRED STOCK AS TO DIVIDEND PAYMENTS AND LIQUIDATION PREFERENCE.

Our Articles of Incorporation and the certificate of designation do not limit our ability to issue additional series of preferred stock that would rank equally to the Preferred Stock as to dividend payments and liquidation preference. This could have the effect of reducing the amounts available to the Preferred Stock in the event of our liquidation. It may also reduce dividend payments on the Preferred Stock if we do not have sufficient funds to pay dividends on all Preferred Stock outstanding and outstanding parity preferred stock.

WE WILL ONLY PAY DIVIDENDS ON THE PREFERRED STOCK WHEN, AS AND IF DECLARED BY OUR BOARD OF DIRECTORS OUT OF LEGALLY AVAILABLE FUNDS.

Dividends on the Preferred Stock will only be paid when, as and if declared by the Board of Directors out of funds legally available therefor. The Board of Directors may elect not to declare dividends on the Preferred Stock, and CMS Energy may not have enough funds to legally declare dividends on the Preferred Stock. Dividends on the capital stock of CMS Energy, including the Preferred Stock, are limited by Michigan law to legally available assets of CMS Energy.

CMS ENERGY MAY NOT HAVE SUFFICIENT EARNINGS AND PROFITS IN ORDER FOR

DISTRIBUTIONS ON THE PREFERRED STOCK TO BE TREATED AS DIVIDENDS.

The dividends paid by CMS Energy may exceed its current and accumulated earnings and profits, as calculated for U.S. federal income tax purposes. This will result in the amount of the dividends that exceeds such earnings and profits being treated first as a return of capital to the extent of the holder's adjusted tax basis in the Preferred Stock, and the excess as capital gain. Such treatment will generally be unfavorable for corporate holders and may also be unfavorable to certain other holders. See "Certain United States Federal Income Tax Considerations -- Consequences to U.S. Holders of Preferred Stock or Common Stock."

RESTRICTIVE COVENANTS IN FUTURE DEBT ISSUANCES COULD RESTRICT OUR ABILITY TO PAY DIVIDENDS ON THE PREFERRED STOCK.

From time to time, we may enter into financing arrangements that contain restrictive covenants that may limit our ability to declare and pay dividends on the Preferred Stock.

THE MARKET PRICE OF THE PREFERRED STOCK COULD BE SIGNIFICANTLY AFFECTED BY THE MARKET PRICE OF OUR COMMON STOCK.

We expect that the market price of the Preferred Stock will be significantly affected by the market price of our common stock. This may result in greater volatility in the market price of the Preferred Stock than would be expected for nonconvertible Preferred Stock. The market price of our common stock will likely continue to fluctuate in response to factors such as the following, many of which are beyond our control:

- fluctuations in our operating and financial results;
- changes in financial estimates and recommendations by financial analysts;
- changes in the ratings of the Preferred Stock or other securities of ours or Consumers;
- developments related to litigation or regulatory proceedings involving us;
- our asset sales and financings; and
- market perception of the energy industry and of us.

In addition, the stock markets in general, including the New York Stock Exchange, recently have experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may affect adversely the market prices of the Preferred Stock and our common stock.

WE MAY ISSUE ADDITIONAL SHARES OF OUR COMMON STOCK OR SECURITIES CONVERTIBLE OR EXCHANGEABLE FOR OUR COMMON STOCK AND THEREBY MATERIALLY AND ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK.

We are not restricted from issuing additional shares of our common stock or securities convertible into or exchangeable for our common stock during the life of the Preferred Stock and have no obligation to consider the interests of Holders for any reason. If we issue additional shares of our common stock or securities convertible into or exchangeable for our common stock, it may materially and adversely affect the market price of our common stock and, in turn, the market price of the Preferred Stock.

A HOLDER OF PREFERRED STOCK WILL NOT BE ENTITLED TO ANY RIGHTS WITH RESPECT TO OUR COMMON STOCK, BUT WILL BE SUBJECT TO ALL CHANGES MADE WITH RESPECT TO OUR COMMON STOCK.

A Holder of Preferred Stock will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but will be subject to all changes affecting our common stock. Holders will only be entitled to rights on our common stock if and when we deliver shares of common stock to Holders upon conversion of Preferred Stock and in limited cases under the conversion rate adjustments of the Preferred Stock. For example, in the event that an amendment is proposed to our Articles of Incorporation or Bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to such delivery of our common stock, Holders will not be entitled to vote on the amendment, although Holders will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

WE MAY NOT HAVE THE ABILITY TO PURCHASE THE PREFERRED STOCK UPON A FUNDAMENTAL CHANGE.

Holders of the Preferred Stock may require us to purchase their shares of Preferred Stock upon a Fundamental Change as described under "Description of the Preferred Stock -- Fundamental Change Requires Purchase of Preferred Stock by Us at the Option of the Holder." We cannot assure you that we would have sufficient financial resources, or would be able to arrange financing, to pay the purchase price for the Preferred Stock tendered by Holders upon a Fundamental Change. Further, the terms of any debt agreements of CMS in effect at the time could prohibit or limit repurchase of the Preferred Stock. Michigan law restricting distributions could also limit our ability to repurchase the Preferred Stock.

THE PREFERRED STOCK RANKS JUNIOR TO ALL OF OUR AND OUR SUBSIDIARIES' LIABILITIES.

In the event of our bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on our Preferred Stock only after all our indebtedness and other liabilities have been paid. In addition, the Preferred Stock will effectively rank junior to all existing and future liabilities of our subsidiaries. The rights of Holders of the Preferred Stock to participate in the distribution of assets of our subsidiaries will rank junior to the prior claims of that subsidiary's creditors and any senior equity holders. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets remaining to pay amounts due on any of the Preferred Stock then outstanding. We and our subsidiaries may incur substantial amounts of additional debt and other obligations that will rank senior to the Preferred Stock.

WE CANNOT ASSURE YOU THAT AN ACTIVE TRADING MARKET WILL DEVELOP FOR THE PREFERRED STOCK.

The Preferred Stock is not listed on any national securities exchange or the Nasdaq National Market, but is eligible for trading in the Portal Market of the National Association of Securities Dealers, Inc. Each of the initial purchasers informed us that it intends to make a market in the Preferred Stock. However, the initial purchasers are not obligated to do so and may cease their market-making at any time. Accordingly, there may not be development of or liquidity in any market for the Preferred Stock. If a market for the Preferred Stock were to develop, the Preferred Stock could trade at prices that depend upon many factors, including prevailing interest rates, our operating results and the markets for similar securities. In addition, such market-making activity will be subject to limits imposed by the Securities Act and the Exchange Act and may be limited during the pendency of the effectiveness of the shelf registration statement. If an active trading market does not develop, the market price and liquidity of the Preferred Stock may be adversely affected.

USE OF PROCEEDS

We will not receive any of the proceeds from sales of any of the securities covered by this prospectus by the selling securityholders.

22

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS

The ratio of earnings to combined fixed charges and preference dividends for the six months ended June 30, 2004 and each of the years ended December 31, 1999 through 2003 is as follows:

	SIX MONTHS ENDED JUNE 30, 2004	YEAR ENDED DECEMBER 31, 2003	2002	2001	2000	1999
Ratio of earnings to combined fixed charges and preference dividends...	--(1)	--(2)	--(3)	--(4)	--(5)	1.28

(1) For the six months ended June 30, 2004, combined fixed charges and preference dividends exceeded earnings by $47 million. Earnings as defined include $125 million of asset impairment charges.

(2) For the year ended December 31, 2003, combined fixed charges and preference dividends exceeded earnings by $59 million. Earnings as defined include $95 million of asset impairment charges.

(3) For the year ended December 31, 2002, combined fixed charges and preference dividends exceeded earnings by $472 million. Earnings as defined include $602 million of asset revaluations and other charges.

(4) For the year ended December 31, 2001, combined fixed charges and preference dividends exceeded earnings by $392 million. Earnings as defined include $323 million of asset revaluations and other charges.

(5) For the year ended December 31, 2000, combined fixed charges and preference dividends exceeded earnings by $224 million. Earnings as defined include a $329 million pretax impairment loss on the Loy Yang investment.

For the purpose of computing the ratio, earnings represents the sum of income from continuing operations before income taxes and income from equity method investees, net interest charges and preferred dividends of subsidiary, the estimated interest portion of lease rentals and distributed income of equity method investees.

PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND POLICY

Our common stock is listed on the New York Stock Exchange. The following table sets forth for the periods indicated the range of high and low sales prices per share of our common stock as reported on the New York Stock Exchange and the cash dividends declared on the common stock for the periods indicated.

	HIGH	LOW	DIVIDENDS
Year Ended December 31, 2002			
First Quarter................................	$ 24.62	$21.27	$0.365
Second Quarter...............................	22.24	10.46	0.365
Third Quarter................................	11.28	7.49	0.18
Fourth Quarter...............................	10.48	5.79	0.18
Year Ended December 31, 2003			
First Quarter................................	10.59	3.49	--
Second Quarter...............................	8.50	4.58	--
Third Quarter................................	7.99	6.11	--
Fourth Quarter...............................	8.63	7.44	--
Year Ending December 31, 2004			
First Quarter................................	9.51	8.36	--
Second Quarter...............................	9.32	7.90	--

On September 22, 2004, the last sale price of our common stock as reported on the New York Stock Exchange was $9.39 per share. On September 22, 2004 there were approximately 59,226 holders of record of our common stock.

In January 2003, we suspended the payment of dividends on our common stock.

CMS ENERGY

OVERVIEW

CMS Energy, formed in Michigan in 1987, is an integrated energy holding company operating through subsidiaries in the United States and in selected 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 6.5 million of Michigan's 10 million residents and serves customers in 61 of the 68 counties in Michigan's Lower Peninsula. Enterprises, through subsidiaries and equity investments, is engaged in several energy businesses in the United States and in selected international markets.

CONSUMERS

Consumers primarily consists of our electric and gas utility operations. Consumers was formed in Michigan in 1968 and is the successor to a corporation organized in Maine in 1910 and which did business in Michigan from 1915 to 1968. Consumers' consolidated operations account for a majority of our total assets and income, as well as a substantial portion of our operating revenue. Industries in Consumers' service areas include automotive, metal, chemical, food and wood products and a diversified group of other industries.

ELECTRIC UTILITY OPERATIONS

Consumers' electric utility operating revenue was $2.590 billion in 2003, $2.648 billion in 2002, and $2.633 billion in 2001. Based on the average number of customers, Consumers' electric utility operations, if independent, would be the thirteenth largest electric utility company in the United States. The electric operations of Consumers include the generation, purchase, distribution and sale of electricity. In 2003, total electric sales were 36 billion kWh and retail open access deliveries were 3 billion kWh. At year-end 2003, 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.

At December 31, 2003, Consumers owned and operated 30 electric generating plants with an aggregate of 6,431 MW of capacity. Also, in 2003, Consumers purchased up to 2,353 MW of net capacity from other power producers, which amounted to 30.5% of Consumers' total system requirements, the largest of which was the MCV Partnership in which Consumers has a 49% interest through CMS Midland, Inc. Consumers also owns:

- 347 miles of high voltage distribution radial lines operating at 120 kilovolts and above;
- 4,164 miles of high voltage distribution overhead lines operating at 23 kilovolts and 46 kilovolts;
- 16 subsurface miles of high voltage distribution underground lines operating at 23 kilovolts and 46 kilovolts;
- 54,922 miles of electric distribution overhead lines;
- 8,526 subsurface miles of underground distribution lines; and
- substations having an aggregate transformer capacity of 20,605,680 kilovoltamperes.

Consumers generates electricity principally from coal and nuclear fuel. Consumers has four generating plant sites that use coal as a fuel source and constituted 76% of its baseload capacity in 2003. In 2003, these plants produced a combined total of 20,091 million KWhs of electricity and burned 10.1 million tons of coal. Consumers owns Palisades, an operating nuclear power plant located near South Haven, Michigan. In May 2001, with the approval of the NRC, Consumers transferred its authority to operate Palisades to the Nuclear Management Company ("NMC"). The Palisades nuclear fuel supply responsibilities are under the control of NMC acting as agent for Consumers. During 2003, Palisades' net generation was 6,151 million KWhs, constituting 23.3% of Consumers' baseload supply.

GAS UTILITY OPERATIONS

Consumers' gas utility operating revenue was $1.845 billion in 2003, $1.519 billion in 2002, and $1.338 billion in 2001. Based on the average number of customers, Consumers' gas utility operations, if independent, would be the tenth largest gas utility company in the United States. Consumers' gas utility operations purchase, transport, store, distribute and sell natural gas. In 2003, total deliveries of natural gas sold by Consumers and by other sellers who deliver natural gas through Consumers' pipeline and distribution network to ultimate customers, including the MCV Partnership, totaled 388 bcf. As of December 31, 2003, Consumers was authorized to provide

24

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 distribution and transmission system consists of:

- 25,055 miles of distribution mains throughout Michigan's Lower Peninsula;

- 2,405 miles of transmission lines throughout Michigan's Lower Peninsula;

- 7 compressor stations with a total of 162,000 installed horsepower; and

- 14 gas storage fields located across Michigan with an aggregate storage capacity of 331 bcf and a working storage capacity of 130 bcf.

Total 2003 purchases of gas supply included 66% from United States producers outside Michigan, 22% from Canadian producers and 3% from Michigan producers. Authorized suppliers in the gas customer choice program supplied the remaining 9% of gas delivered by Consumers. Consumers also has firm transportation agreements with independent pipeline companies for the delivery of gas. Consumers uses these agreements to deliver gas to Michigan for ultimate deliveries to market. In total, Consumers' firm transportation and city gate arrangements are capable of delivering over 95% of Consumers' total gas supply requirements.

ENTERPRISES

Enterprises, through subsidiaries and equity investments, is engaged in domestic and international diversified energy businesses including natural gas transmission, storage and processing, independent power production and energy services. Enterprises' operating revenue was $1.085 billion in 2003, $4.508 billion in 2002 and $4.034 billion in 2001.

BUSINESSES OF ENTERPRISES' SUBSIDIARIES

NATURAL GAS TRANSMISSION

CMS Gas Transmission, formed in 1988, owns, develops and manages domestic and international natural gas facilities. In 2003, CMS Gas Transmission's operating revenue was $22 million.

In 1999, CMS Gas Transmission acquired Panhandle, which was primarily engaged in the interstate transmission and storage of natural gas and also provided LNG terminalling and regasification services. Panhandle operated a large natural gas pipeline network, which provided customers in the Midwest and Southwest with a comprehensive array of transportation services. Panhandle's major customers included 25 utilities located primarily in the United States Midwest market area, which encompassed large portions of Illinois, Indiana, Michigan, Missouri, Ohio and Tennessee.

In February 2003, Panhandle sold its one-third equity interest in Centennial Pipeline, LLC ("CENTENNIAL") for $40 million to Centennial's two other partners, Marathon Ashland Petroleum, LLC and TE Products Pipeline Company, Limited Partnership, through its general partner, Texas Eastern Products Pipeline Company, LLC.

In March 2003, Panhandle transferred $63 million previously committed to collateralize a letter of credit and its one-third ownership interest in Guardian Pipeline, LLC ("GUARDIAN") to CMS Gas Transmission. CMS Gas Transmission sold its interest in Guardian to a subsidiary of WPS Resources Corporation in June 2003. Proceeds from the sale were $26 million and the $63 million of cash collateral was released.

In June 2003, CMS Gas Transmission sold Panhandle to Southern Union Panhandle Corp., a newly formed entity owned by Southern Union Company. Southern Union Panhandle Corp. purchased all of Panhandle's outstanding capital stock for approximately $582 million in cash and 3 million shares of Southern Union Company common stock. Southern Union Panhandle Corp. also assumed approximately $1.166 billion in debt. In July 2003, Southern Union Company declared a 5% common stock dividend resulting in an additional 150,000 shares of common stock for CMS Gas Transmission. In October 2003, CMS Gas Transmission sold its 3.15 million shares to a private investor for $17.77 per share.

In July 2003, CMS Gas Transmission completed the sale of CMS Field Services to Cantera Natural Gas, Inc. for gross cash proceeds of approximately $113 million, subject to post closing adjustments, and a $50 million face value note of Cantera Natural

25

Gas, Inc. The note is payable to CMS Energy for up to $50 million subject to the financial performance of the Fort Union and Bighorn natural gas gathering systems from 2004 through 2008.

In August 2004, we sold our interests in Parmelia and Goldfields to APT for approximately $206 million Australian (approximately $147 million in U.S. dollars).

At December 31, 2003, CMS Gas Transmission had nominal processing capabilities of approximately 0.33 bcf per day of natural gas in Michigan. At December 31, 2003, CMS Gas Transmission had a total of 288 miles of gas gathering and transmission pipelines located in the state of Michigan, with a total capacity of approximately 0.95 bcf per day.

Internationally, at December 31, 2003, CMS Gas Transmission had ownership interests in 5,517 miles of pipelines in Argentina, Chile and Australia.

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. In 2003, the independent power production business segment's operating revenue, which includes revenues from CMS Generation and CMS Operating, S.A., as well as from Consumers' interests in the MCV facility and the MCV Partnership, was $204 million.

INDEPENDENT POWER PRODUCTION PROPERTIES

As of December 31, 2003, we had ownership interests in operating power plants totaling 8,766 gross MW (including 2,000 MW from Loy Yang that was sold in April 2004) (4,149 net MW). At December 31, 2003 additional plants totaling approximately 1,784 gross MW (420 net MW) were under construction or in advanced stages of development. These plants include the Shuweihat power plant, which is under construction in the United Arab Emirates and the Saudi Petrochemical Company power plant, which is under advanced development and will be located in the Kingdom of Saudi Arabia. In 2004, CMS Generation plans to complete the restructuring of its operations by narrowing the scope of its existing operations and commitments from four to two regions: the U.S. and the Middle East/North Africa. In addition, its plans include selling designated assets and investments that are under-performing, non-region focused and non-synergistic with other CMS Energy business units. We believe that the independent power production business unit will continue to optimize the operations and management of its remaining portfolio of assets in order to contribute to CMS Energy's earnings and to maintain its reputation for solid performance in the construction and operation of power plants.

The