CONSUMERS ENERGY CO
Form 424B2
April 11, 2005

Filed Pursuant to Rule 424(b)2
Registration Statement No. 333-120611

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED DECEMBER 1, 2004

$150,000,000

(CONSUMERS ENERGY COMPANY LOGO)

CONSUMERS ENERGY COMPANY

5.65% INSURED QUARTERLY NOTES DUE 2035
(IQ NOTES(SM))

The Notes will consist of a series of our first mortgage bonds to be issued under the Indenture described below. The Notes will bear interest at the rate of 5.65% per year. Interest on the Notes is payable quarterly on January 15, April 15, July 15, and October 15 of each year beginning on July 15, 2005. The Notes will mature on April 15, 2035. The Notes will be issued only in denominations of $1,000 and integral multiples of $1,000. We may redeem some or all of the Notes at our option at any time on or after April 15, 2010 at a price equal to 100% of the principal amount being redeemed plus any unpaid accrued interest to the redemption date. See "Description of the Notes -- Optional Redemption."

We will be required to redeem the Notes, subject to individual and aggregate annual principal amount limitations, at the option of the representative of any deceased beneficial owner of the Notes at a price equal to 100% of the principal amount being redeemed plus any unpaid accrued interest to the redemption date. See "Description of the Notes -- Redemption Upon Death of a Beneficial Owner."

The Notes will rank equally in right of payment with our other existing or future first mortgage bonds issued either independently or as collateral for outstanding or future indebtedness.

Payment of the principal of and interest on the Notes when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Notes.

[AMBAC LOGO]

THIS INVESTMENT INVOLVES RISK. SEE "RISK FACTORS" BEGINNING ON PAGE S-11.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The underwriters have agreed to purchase the Notes from us at 96.85% of their principal amount ($145,275,000 aggregate proceeds to us before deducting expenses payable by us estimated at $200,000), plus accrued interest, if any, from April 13, 2005 if settlement occurs after that date, subject to the terms and conditions set forth in the underwriting agreement referred to herein under "Underwriting."

The underwriters propose to offer the Notes from time to time for sale in one or more negotiated transactions or otherwise, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. For further information with respect to the plan of distribution and any discounts, commissions or profits on resale that may be deemed underwriting discounts or commissions, see "Underwriting" herein.

The underwriters expect to deliver the Notes through the book-entry facilities of The Depository Trust Company in New York City on or about April 13, 2005 against payment therefor.

EDWARD JONES
COMERICA SECURITIES
GOLDMAN, SACHS & CO.
WACHOVIA SECURITIES
FIFTH THIRD SECURITIES, INC.

The date of this prospectus supplement is April 7, 2005.

TABLE OF CONTENTS

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS DOCUMENT OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. 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.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of Notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which contains a description of the securities registered by us. To the extent there is a conflict between the information contained or incorporated by reference in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, the information in this prospectus supplement shall control.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission ("SEC") using a "shelf" registration process. Under the registration statement, we may sell securities, including Notes, up to a dollar amount of $1,500,000,000, of which this offering is a part.

WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the SEC under File No. 1-5611. 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 for the year ended December 31, 2004, on the web site of our parent company at http://www.cmsenergy.com. The information on this web site is not a part of this prospectus supplement and the accompanying prospectus.

We are "incorporating by reference" information into this prospectus supplement and the accompanying 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 supplement and accompanying prospectus, except for any information superseded by information in this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus incorporate 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 for the year ended December 31, 2004 filed on March 10, 2005

- Current Reports on Form 8-K filed on January 12, 2005, January 14, 2005, January 20, 2005, January 27, 2005, March 30, 2005, April 4,

2005 and April 5, 2005 and Current Reports on Form 8-K/A filed on February 28, 2005 and April 5, 2005

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, as amended (the "EXCHANGE ACT") after the date of this prospectus supplement, until the offering of the Notes is terminated, are also incorporated by reference into this prospectus supplement and accompanying prospectus. Any statement contained in such document will be deemed to be modified or superseded for purposes of this prospectus supplement and accompanying prospectus to the extent that a statement contained in this prospectus supplement and accompanying prospectus or any other subsequently filed document modifies or supersedes such statement.

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 supplement and the accompanying prospectus but not delivered with this prospectus supplement and the accompanying prospectus. You may request a copy of these filings at no cost by writing or telephoning us at the following address:

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

FORWARD-LOOKING STATEMENTS AND INFORMATION

This prospectus supplement includes or incorporates by reference forward-looking statements. From time to time, we may make statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements are intended as "forward looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Forward-looking statements have been and will be made in this prospectus supplement and in our other written documents (such as press releases, visual presentations and securities disclosure documents) and oral presentations (such as analyst conference calls). Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used in our documents or oral presentations, we intend the words "anticipate", "believe", "estimate", "expect", "forecast", "intend", "objective", "plan", "possible", "potential", "project", "projection" and variations of such words and similar expressions to target forward-looking statements that involve risk and uncertainty.

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

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

- capital and financial market conditions, including the price of

common stock of CMS Energy Corporation, our parent company ("CMS ENERGY"), and the effect of such market conditions on our pension plan, interest rates and access to the capital markets as well as availability of financing to us, CMS Energy or any of our or its affiliates and the energy industry;

- market perception of the energy industry, us, CMS Energy or any of our or its affiliates;

- credit ratings of us, CMS Energy or any of our or its affiliates;

- factors affecting utility and diversified energy operations such as unusual weather conditions, catastrophic weather-related damage, unscheduled generation outages, maintenance or repairs, environmental incidents 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 those related to environmental laws and regulations, and potential environmental remediation costs associated with such decisions;

- potentially adverse regulatory treatment and/or regulatory lag concerning a number of significant questions presently before the Michigan Public Service Commission ("MPSC") relating to the Michigan Customer Choice and Electricity Reliability Act of 2000 (the "CUSTOMER CHOICE ACT") including:

    - recovery of future stranded costs incurred due to customers choosing alternative energy suppliers;

    - recovery of Clean Air Act costs and other environmental and safety-related expenditures;

    - power supply and natural gas supply costs when oil prices and other fuel prices are rapidly increasing;

    - timely recognition in rates of additional equity investments in Consumers; and

    - adequate and timely recovery of additional electric and gas rate-based expenditures;

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

- federal regulation of electric sales and transmission of electricity including periodic re-examination by federal regulators of our market-based sales authorizations in wholesale power markets without price restrictions;

- energy markets, including the timing and extent of changes in commodity prices for oil, coal, natural gas, natural gas liquids, electricity and certain related products due to lower or higher demand, shortages, transportation problems or other developments,

- potential for the Midwest energy market, an energy market developed by the Midwest Independent System Operator to provide day-ahead and real-time market information and centralized dispatch for market participants, scheduled to begin April 1, 2005, to develop into an active energy market in the state of Michigan, which may lead us to account for electric capacity and energy contracts with the MCV Partnership and other independent power producers as derivatives;

- the generally accepted accounting principles requirement that we utilize mark-to-market accounting on certain of our energy commodity contracts and interest rate swaps, which may have, in any given period, a significant positive or negative effect on earnings, which could change dramatically or be eliminated in subsequent periods and could add to earnings volatility;

- potential disruption or interruption of facilities or operations due to accidents or terrorism, 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;

- limitations on our ability to influence the development, operation or financing of the MCV Partnership;

- 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 CMS Energy's SEC filings, or in other publicly issued written documents;

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

- the factors identified under "Risk Factors" beginning on page S-11.

Except to the extent required by the federal securities laws, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exhaustive or as any admission regarding the adequacy of our disclosures. Certain risk factors are detailed from time to time in our various public filings. You are advised, however, to consult any further disclosures we make on related subjects in our reports to the SEC. In particular, you should read the discussion in the section entitled "Forward-Looking Statements and Risk Factors" in our most recent reports to the SEC on Form 10-K or Form 8-K filed subsequent to such Form 10-K.

SUMMARY

This summary may not contain all the information that may be important to you. You should read this prospectus supplement and the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus in their entirety before making an investment decision. The terms "Consumers", "Company", "Our", "us", and "we" as used in this document refer to consumers energy company and its subsidiaries and predecessors as a combined entity, except where it is made clear that such term means only consumers energy company. In this document, "MW" means megawatts.

CONSUMERS ENERGY COMPANY

Consumers, a wholly-owned subsidiary of CMS Energy, is a public utility that provides natural gas and/or electricity to almost 6.5 million of Michigan's 10 million residents in Michigan's lower peninsula. Consumers' electric utility operations include the generation, purchase, distribution and sale of electricity. As of December 31, 2004, Consumers' electric utility was authorized to provide electric service in 60 of the 68 counties in Michigan's lower peninsula. In 2004, Consumers' electric utility owned and operated 30 electric generating plants with an aggregate of 6,437 MW of capacity and served 1.77 million customers in Michigan's lower peninsula. Consumers' gas utility operations purchase, transport, store, distribute and sell natural gas. As of December 31, 2004, Consumers' gas utility was authorized to provide gas service in 47 of the 68 counties in Michigan's lower peninsula. In 2004, Consumers' gas utility owned and operated over 25,756 miles of distribution mains and 1,642 miles of transmission lines throughout the lower peninsula of Michigan, providing natural gas to 1.69 million customers. Our principal executive offices are located at One Energy Plaza, Jackson, Michigan 49201 and our telephone number is (517) 788-0531.

RECENT DEVELOPMENTS

2004 RESULTS OF OPERATIONS

NET INCOME AVAILABLE TO COMMON STOCKHOLDER

YEARS ENDED DECEMBER 31	2004	2003	CHANGE	2003
Net income available to common stockholder			(IN MILLIONS)	
Electric	$222	$167	$55	$167
Gas	71	38	33	38
Other (Includes MCV Partnership interest)	(16)	(11)	(5)	(11)
Total net income available to common stockholder	$277	$194	$83	$194

For the year 2004, our net income available to the common stockholder was $277 million, compared to net income available to the common stockholder of $194 million for the year 2003. The $83 million increase in net income available to the common stockholder reflects:

- an $82 million decrease in operating expense, reflecting the MPSC's approval for recovery of stranded costs for 2002 and 2003, the deferral of electric depreciation expense on our excess capital expenditures as permitted by the Customer Choice Act, reduced gas

depreciation rates as authorized by the MPSC, decreased pension costs and the 2004 reduction to benefit expense due to the subsidy provided under Part D of the Medicare Prescription Drug, Improvement and Modernization Act;

- a $73 million increase in other income, reflecting the return on certain costs recoverable under the Customer Choice Act beginning in 2004;

- an $18 million increase in gas utility revenues due to the MPSC's December 2003 interim and October 2004 final gas rate orders;

- the absence of a $12 million charge taken in 2003 to reflect a decline in the market value of CMS Energy common stock held by us; and

- a $5 million increase in gas wholesale and retail services and other gas revenues, primarily due to the absence of a 2003 revenue reduction due to the 2002-2003 gas cost recovery disallowance.

These increases to net income available to the common stockholder were offset partially by reductions to net income available to the common stockholder from:

- a $33 million increase in fixed charges because we expensed capitalized interest on the Clean Air Act costs incurred during the period of June 2000 through December 2003 and increased our average borrowings;

- a $22 million decrease in electric delivery revenue primarily due to tariff revenue reductions, customers choosing alternative electric suppliers and milder summer temperatures' negative impact on air conditioning usage;

- a $19 million decrease in earnings from our ownership interest in the MCV Partnership primarily due to increases in non-recoverable fuel costs incurred at the natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership (the "MCV FACILITY");

- a $20 million underrecovery of power supply revenue due to non-recoverable power supply costs related to capped customers;

- an $8 million increase in general taxes primarily due to the absence of a 2003 reduction to Michigan single business tax expense from a tax credit received for construction of our corporate headquarters on a brownfield site; and

- a $5 million reduction in gas delivery revenue due to milder weather.

For the year 2003, our net income available to the common stockholder was $194 million, compared to net income available to the common stockholder of $335 million for the year 2002. The $141 million decrease in net income available to the common stockholder primarily reflects:

- an $80 million increase in operating expense due to higher pension and other benefit costs, and increased depreciation and amortization

expense;

- a $27 million decrease in electric delivery revenue due to milder summer weather and the migration of commercial and industrial customers to alternative electric suppliers;

- a $27 million decline in earnings from our ownership interest in the MCV Partnership primarily due to the decrease in fair value of certain gas contracts held by the MCV Partnership;

- a $23 million increase in fixed charges due to higher average debt levels and higher average interest rates;

- a $7 million charge at CMS Midland Holdings Company, a subsidiary of Consumers, to reflect the loss of certain tax credits; and

- the absence of a $31 million gain primarily associated with the sale of our electric transmission system in 2002.

These decreases to net income were offset partially by increases to net income from:

- a $25 million increase in gas tariff rates authorized by the MPSC in late 2002;

- an $8 million decrease of general tax expense primarily due to reduced Michigan single business tax expense from a tax credit received for building our corporate headquarters on a brownfield site; and

- a $17 million benefit from power supply overrecoveries due to lower average fuel costs and higher market prices for excess capacity sold.

ISSUANCE AND SALE OF FIRST MORTGAGE BONDS

On March 24, 2005, Consumers issued and sold $300 million principal amount of its 5.65% First Mortgage Bonds due 2020 pursuant to an effective shelf registration statement and a Prospectus Supplement dated March 21, 2005 to a Prospectus dated December 1, 2004. Consumers will use the proceeds to redeem a portion of the aggregate outstanding balance of $332,250,000 of its 6.25% Senior Notes due September 15, 2006.

CMS ENERGY ISSUANCE AND SALE OF COMMON STOCK

On April 5, 2005, CMS Energy issued to the public 23 million shares of its common stock at $12.25 per share. Net proceeds of $271,887,600 will be used for equity infusions into Consumers and for general corporate purposes.

THE OFFERING

Issuer.....	Consumers Energy Company.
Securities Offered.....	$150,000,000 aggregate principal amount of 5.65% Insured Quarterly Notes due 2035 (the "NOTES") to be issued under the indenture dated as of

	September 1, 1945 between us and JPMorgan Chase Bank, N.A. (ultimate successor to City Bank Farmers Trust Company), as trustee (the "TRUSTEE"), and as amended and supplemented from time to time (the "INDENTURE").
Maturity.....	The Notes mature on April 15, 2035.
Interest Rate.....	The Notes will bear interest at 5.65% per annum.
Interest Payment Dates.....	Quarterly on January 15, April 15, July 15 and October 15 of each year, beginning July 15, 2005, and at maturity.
Record Date for Interest Payments.....	The first calendar day of the month in which an interest payment date occurs.
Use of Proceeds.....	We expect to use the net proceeds from the sale of the Notes of $145,275,000, after deducting offering discounts but before deducting offering expenses, to (i) redeem the aggregate outstanding balance of $140,700,000 of our 6.50% Senior Secured Insured Quarterly Notes due October 1, 2028 and (ii) redeem a portion of the aggregate outstanding balance of $332,250,000 of our 6.25% Senior Notes due September 15, 2006.
Ratings.....	AAA by Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. ("S&P") and Aaa by Moody's Investors Service, Inc. ("MOODY'S").
Ranking.....	The Notes will rank equally in right of payment with our other existing or future first mortgage bonds issued either independently or as collateral for outstanding or future securities or loans.
Optional Redemption.....	We will have the option to redeem the Notes, in whole or in part, from time to time, on or after April 15, 2010. The optional redemption price for the Notes will be 100% of the principal amount being redeemed plus any unpaid accrued interest to the redemption date. See "Description of the Notes -- Optional Redemption."
Redemption Option of a Deceased Beneficial Owner's Representative...	We will be required to redeem the Notes at the option of the representative of any deceased beneficial owner of the Notes at a price equal to 100% of the principal amount being redeemed plus any unpaid accrued interest to the payment date; provided, however, that the maximum principal amount we will be required to redeem during the initial period from the date of original issuance of the Notes through and including April 15, 2006, and during each twelve-month period thereafter, is $35,000 principal amount of Notes per deceased beneficial owner and an aggregate of $3,000,000 for all deceased beneficial owners. See "Description of the Notes -- Redemption Upon Death of a Beneficial Owner."

Form of Notes.....	One or more global securities held in the name of The Depository Trust Company ("DTC") in a minimum denomination of $1,000 and any integral multiple thereof.
Settlement and Payment.....	Same-day immediately available funds.
Insurance.....	The payment of the principal and interest on the Notes will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation that will be issued at the same time the Notes are delivered. See "The Policy and the Insurer- The Policy."
Trustee and Paying Agent.....	JPMorgan Chase Bank, N.A.
Risk Factors.....	You should carefully consider each of the factors described in the section of this prospectus supplement entitled "Risk Factors" starting on page S-11 before purchasing the Notes.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for the fiscal years ended December 31, 2000 through December 31, 2004 have been derived from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, except for the amounts included from the consolidated financial statements of the MCV Partnership. The MCV Partnership is a 49% owned variable interest entity which has been consolidated in 2004 pursuant to Revised FASB Interpretation No. 46 and accounted for under the equity method of accounting for all periods 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, 2004, 2003, 2002, 2001 and 2000. Please refer to our Form 10-K for the fiscal year ended December 31, 2004, which is 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 also incorporated by reference in this prospectus supplement. See "Where You Can Find More Information." For selected balance sheet information, see "Capitalization."

YEAR ENDED DECEMBER 31,				
2004(1)	2003	2002	2001	2000
(IN MILLIONS)				

INCOME STATEMENT DATA:					
Operating revenue.....	$ 4,711	$ 4,435	$ 4,169	$ 3,976	$ 3,878
Net income.....	279	196	381	188	284
Preferred stock dividends.....	2	2	2	2	2
Preferred securities distributions..	--	--	44	41	34
Net income available to common Stockholder.....	277	194	335	145	248
BALANCE SHEET DATA (AT PERIOD END DATE):					
Total assets.....	12,811	10,745	9,598	9,191	8,672
Long-term debt, excluding current Maturities.....	4,000	3,583	2,442	2,472	2,110
Long-term debt -- related parties...	326	506	--	--	--
Non-current portion of capital leases and finance lease obligations.....	315	58	116	72	49
Preferred stock.....	44	44	44	44	44
Company-obligated mandatorily redeemable preferred securities of subsidiaries.....	--	--	490	520	395

---

(1) Under Revised FASB Interpretation No. 46, we are the primary beneficiary of several entities, most notably the MCV Partnership and the First Midland Limited Partnership. As a result, we have consolidated the assets, liabilities and activities of these entities into our financial statements for the year ended December 31, 2004.

RISK FACTORS

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

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

We have in the last several years experienced, and expect 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. As of March 2005, we had lost 900 MW or 12 percent of our electric generation business to these alternative electric suppliers. We expect the loss to be in the range of 1,000 MW to 1,200 MW by year-end 2005. 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 COSTS 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 five percent and then capped through at least December 31, 2005. Ultimately, the rate cap could extend until December 31, 2013 depending upon whether or not we exceed the market power supply test established by the legislation (a requirement that we believe ourselves 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 cap could, however, result in us being unable to collect customer rates sufficient to recover fully our cost of conducting business. Some of these costs may be beyond our ability to control. In particular, if we need 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 us to recover fully the cost of purchased power and associated transmission costs through the rates we charge our customers. As a result, it is not certain that we can maintain our profit margins in our electric utility business during the period of the rate freeze or rate cap. In 2004, we had a $20 million underrecovery of power supply revenue due to non-recoverable power supply costs related to capped customers.

We filed an electric rate case with the MPSC in December 2004 for approximately $320 million in rate increases. A final order from the MPSC in our electric rate case is expected in late 2005. We cannot predict the timing or outcome of the electric rate case.

There are multiple proceedings pending before the Federal Energy Regulatory Commission ("FERC") involving transmission rates, regional transmission organizations and standard market design for electric bulk power markets and transmission. FERC is also reviewing the standards under which electric utilities are allowed to participate in wholesale power markets without price restrictions. 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 the Customer Choice Act. The proposals include:

- requiring that all rate classes of regulated utilities 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 electric suppliers to maintain a 15 percent 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 percent to 20 percent on electric rates; and

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

This legislation was not enacted before the end of the 2003-2004 legislative session. We anticipate that some or all of the bills may be reintroduced in the 2005-2006 legislative session. Although we do not believe the terms of the proposed bills, if enacted, would have a material adverse effect on our business, the final form of any new utility legislation may differ from the bills proposed in 2004. We cannot predict whether these or other measures will be enacted into law or their potential effect on us.

OUR ABILITY TO RECOVER CERTAIN REGULATORY ASSETS UNDER SECTION 10d(4) OF THE CUSTOMER CHOICE ACT MAY AFFECT OUR FINANCIAL RESULTS.

Section 10d(4) of the Customer Choice Act allows deferred recovery of an annual return of and on capital expenditures in excess of depreciation levels and certain other expenses incurred prior to and throughout the current electric rate freeze and rate cap periods. See "Electric industry regulation could adversely affect our business, including our ability to recover our costs from our customers." In October 2004, we filed an application with the MPSC seeking recovery of $628 million in costs from 2000 through 2005 under Section 10d(4). The request includes capital expenditures in excess of depreciation, Clean Air Act costs, other expenses related to changes in law or governmental action incurred during the rate freeze and rate cap periods and associated cost of money through the period of collection. Of the $628 million, $152 million relates to the cost of money. In March 2005, the MPSC staff filed testimony recommending the MPSC approve recovery of approximately $323 million.

As allowed by the Customer Choice Act, in January 2004, we began accruing and deferring for recovery the 2004 portion of our Section 10d(4) regulatory assets. In November 2004, the MPSC issued an order in Detroit Edison Company's general electric rate case which concluded that Detroit Edison Company's return of and on Clean Air Act costs incurred from June 2000 through December 2003 are recoverable under Section 10d(4). Based on the precedent set by this order, we recorded an additional regulatory asset in November 2004 for our return of and on Clean Air Act expenditures incurred from 2000 through 2003. Unless we receive an order from the MPSC to the contrary, we will continue to record additional accruals. However, certain aspects of Detroit Edison Company's electric rate case are different from our Section 10d(4) regulatory asset filing. At December 31, 2004, Section 10d(4) regulatory assets totaled $141 million. We cannot predict the amount, if any, the MPSC will approve as recoverable to Consumers and failure to recover these regulatory assets could adversely affect our financial condition, results of operations and cash flows.

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

We are subject to costly and increasingly stringent environmental regulations. We expect that the cost of future environmental compliance, especially compliance with clean air and water 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 $802 million. As of December 31, 2004, we had incurred $525 million in capital expenditures to comply with the EPA regulations and we anticipate that the remaining $277 million of capital expenditures will be incurred between 2005 and 2011. Additionally, we currently expect we will supplement our compliance plan with the purchase of nitrogen oxide emissions credits for the years 2005 through 2009. The cost of these credits based on the current market is estimated to average $8 million per year for 2005-2006 and then decrease after 2006 with our installation of emissions control technology; however, the market for nitrogen oxide emissions credits and their price could change substantially. As new environmental standards become effective, we 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, subject to an MPSC prudency hearing shall be accrued and deferred for recovery. After notice and hearing, the MPSC shall determine the amount of reasonable and prudent costs, if any, to be recovered and the recovery period.

The EPA has recently adopted a Clean Air Interstate Rule that requires additional coal-fired electric plant emission controls for nitrogen oxides and sulfur dioxide. The rule involves a two-phase program to reduce emissions of sulfur dioxide by 71 percent and nitrogen oxides by 63 percent by 2015. The final rule advanced the proposed year round nitrogen oxide compliance requirement by one year to 2009. This change will require that we run our selective catalytic reduction units year round beginning in 2009 and will require that we purchase additional nitrogen oxide credits beginning in 2009. The EPA issued a final Clean Air Mercury Rule on March 15, 2005. The final rule did not include a provision to control nickel emissions from oil-fired power plants. These new rules could potentially require substantial additional expenditures.

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. Additionally, the viability of certain plants remaining in operation could be called into question.

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

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

We are 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 us to commodity price risk. A substantial portion of our operating expenses for our plants consists of the costs of obtaining these

commodities. We manage these risks using established policies and procedures, and we 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 our pricing risk, or that they will not result in net liabilities to us 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 positions. 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, we may not be able to execute our 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, we currently have a power supply cost recovery mechanism to recover the increased cost of fuel used to generate electricity from our industrial and large commercial customers, but not from our residential or small commercial customers. Therefore, to the extent that we have not hedged our fuel costs, we are exposed to changes in fuel prices to the extent fuel for our electric generating facilities must be purchased on the open market in order for us to serve our residential and small commercial customers while their rates remain capped.

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.

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

We rely on access to bank financing and the capital markets as a source of liquidity for capital requirements not satisfied by the cash flow from our operations. In addition, the amount we pay for natural gas stored as inventory normally requires additional financing due to timing of cost recoveries. We plan to seek new financing as required for our ongoing operations and construction program, including substantial construction expenditures for federal Clean Air Act, Clean Air Interstate Rule and EPA mercury and nickel rule compliance. Future legislation could also require us to make additional cash contributions to our employee pension and benefit plans. We currently plan to seek funds through the capital markets and commercial lenders. Entering into new financings is subject in part to capital market receptivity to utility industry securities in general and to Consumers' securities issuances in particular. We believe that our current level of cash and borrowing capacity, along with anticipated cash flows from operating and investing activities, will be sufficient to meet our liquidity needs through 2006. Consumers cannot guarantee the capital market's acceptance of its securities or predict the impact of factors beyond its control, such as actions of rating agencies. We cannot assure you that any of our current ratings or those of our affiliates, including CMS Energy, 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. Further, any adverse developments relating to CMS Energy that resulted in a lowering of CMS Energy's credit ratings could have an adverse effect on our credit ratings. 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.

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

We are a defendant, along with CMS Energy, CMS Marketing, Services and Trading Company (now known as CMS Energy Resource Management Company) ("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 CMS Energy common stock held in the plan. The plaintiffs also seek other equitable relief and legal fees. The judge issued an opinion and order dated December 27, 2004 conditionally granting plaintiffs' motion for class certification. 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.

THE FINANCIAL DIFFICULTIES OF OUR PARENT COMPANY, CMS ENERGY, COULD ADVERSELY AFFECT OUR ABILITY TO OBTAIN COMMON EQUITY CAPITAL, OUR CREDIT RATINGS AND OUR ABILITY TO ACCESS THE CAPITAL MARKETS.

CMS Energy is actively engaged in improving its own liquidity and financial position, including through efforts to attract new external financing. CMS Energy is subject to uncertainties in accessing the capital markets that are similar to, if not more pronounced than, those discussed above in respect of Consumers. As the sole holder of our common stock, CMS Energy is currently our only source of common equity capital. CMS Energy has pledged the common stock of its principal subsidiaries, including Consumers, as security for bank credit facilities. We engage in transactions with other subsidiaries and affiliates of CMS Energy in the ordinary course of business, including the MCV Partnership. Any inability of CMS Energy to successfully execute its strategy for liquidity

improvement and stabilization could have an adverse effect on our credit ratings or our ability to access the capital markets. Dividends from Consumers are a major contribution to CMS Energy's cash resources and significantly affect the ability of CMS Energy to service its debt.

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

We are a direct subsidiary of CMS Energy. As a result of round trip trading transactions at CMS MST, CMS Energy is under investigation by the United States Department of Justice. CMS Energy has also received subpoenas from U.S. Attorneys' Offices regarding investigations of those trades. CMS Energy and Consumers have been named in numerous securities class action lawsuits by individuals. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan, by shareholders who allege that they purchased CMS Energy's securities during a purported class period. These cases were later consolidated by the court. The plaintiffs 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 CMS Energy's business and financial condition, particularly with respect to revenues and expenses recorded in connection with round trip trading by CMS MST. CMS Energy, Consumers and the individual defendants filed motions to dismiss on June 21, 2004. The judge issued an opinion and order dated January 7, 2005, granting the motion to dismiss for Consumers and three of the individual defendants, but denying the motions to dismiss for CMS Energy and the 13 remaining individual defendants.

In March 2004, the SEC approved a cease-and-desist order settling an administrative action against CMS Energy relating to round trip trading. The order did not assess a fine and CMS Energy neither admitted nor denied the order's findings.

The Board of Directors of CMS Energy 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 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 the CMS Energy 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, CMS Energy was served with a derivative complaint filed by the shareholder in the Circuit Court of Jackson County, Michigan in furtherance of his demands.

CMS Energy has notified appropriate regulatory and governmental agencies that some employees at CMS MST and CMS Field Services, Inc. (now Cantera Gas Company), a former indirect subsidiary of CMS Energy, 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 ongoing investigation by the United States Department of Justice regarding this matter. On November 25, 2003, the Commodity Futures Trading

Commission ("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. CMS Energy neither admitted nor denied the findings of the CFTC in the settlement order. The CFTC filed a civil injunctive action against two former CMS Field Services, Inc. employees in Oklahoma federal district court on February 1, 2005. The action alleges the two engaged in reporting false natural gas trade information, and the action seeks to enjoin such acts, compel compliance with the Commodities Exchange Act and impose monetary penalties.

CMS Energy has also been named as a defendant in various gas industry civil lawsuits regarding inaccurate gas trade reporting that include claims alleging manipulation of natural gas prices and violations of the Commodities Exchange Act and federal and state antitrust laws.

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

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

We own the Palisades nuclear power plant and we are, therefore, subject to the risks of nuclear generation, including the risks associated with the operation of plant facilities 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 our 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 UNDERRECOVER IN OUR RATES OUR PAYMENTS TO THE MCV PARTNERSHIP FOR CAPACITY AND ENERGY, AND ARE ALSO EXPOSED TO FUTURE CHANGES IN THE MCV PARTNERSHIP'S FINANCIAL CONDITION THROUGH OUR EQUITY AND LESSOR INVESTMENTS AS WELL AS EARNINGS VOLATILITY RESULTING FROM MCV PARTNERSHIP GAS FUEL CONTRACTS.

Our power purchase agreement with the MCV Partnership ("PPA") expires in 2025. We estimate that we will incur estimated cash underrecoveries of payments under the PPA aggregating $150 million through 2007. For availability payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, we would expect to claim a "regulatory out" under the PPA which we believe we have the right to do after satisfying our obligation to "support and defend" full recovery of PPA charges from customers. The MCV Partnership has indicated that it may take issue with our exercise of the regulatory out clause after September 2007. The effect of exercise of the regulatory out clause would be to reduce cash flow to the MCV Partnership, which could in turn have an adverse effect on our 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 our coal plants and costs associated with fuel inventory, operations and maintenance, and administrative and general expenses associated with our 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 January 2005, the MPSC issued an order approving the Resource Conservation Plan ("RCP"), with modifications. The RCP allows us to recover the same amount of capacity and fixed energy charges from customers as approved in prior MPSC orders. However, we are able to dispatch the MCV Facility on the basis of natural gas market prices, which will reduce the MCV Facility's annual production of electricity and, as a result, reduce the MCV Facility's consumption of natural gas by an estimated 30 to 40 billion cubic feet annually. This decrease in the quantity of high-priced natural gas consumed by the MCV Facility will benefit our ownership interest in the MCV Partnership.

The substantial MCV Facility fuel cost savings will be used first to offset fully the cost of replacement power. Second, $5 million annually will be used to fund a renewable energy program. Remaining savings will be split between the MCV Partnership and Consumers. Consumers' direct savings will be shared 50 percent with its customers in 2005 and 70 percent in 2006 and beyond. Consumers' direct savings from the RCP, after a portion is allocated to customers, will be used to offset our capacity and fixed energy underrecoveries expense. Since the MPSC has excluded these underrecoveries from the rate making process, we anticipate that our savings from the RCP will not affect our return on equity used in our base rate filings.

In January 2005, Consumers and the MCV Partnership's general partners accepted the terms of the order and implemented the RCP. The underlying agreement for the RCP between Consumers and the MCV Partnership extends through the term of the PPA. However, either party may terminate that agreement under certain conditions. In February 2005, a group of intervenors in the RCP case filed an application for rehearing of the MPSC order. The Attorney General also filed a claim of appeal with the Michigan Court of Appeals. We cannot predict the outcome of these appeals.

Due to the implementation of the RCP, the MCV Partnership has determined that a significant portion of its gas fuel contracts no longer qualify as normal purchases because the contracted gas will not be consumed for electric production. Accordingly, these contracts will be treated as derivatives and will be marked-to-market through earnings each quarter, which could increase earnings volatility. Based on market prices for natural gas as of January 31, 2005, the accounting for the MCV Partnership's long-term gas contracts, including those affected by the implementation of the RCP, could result in an estimated $100 million (pretax and before allocation of our 49% minority ownership interest) gain recorded to earnings in the first quarter of 2005. This estimated gain will reverse in subsequent quarters as the contracts settle.

We cannot estimate, at this time, the impact of these issues on our future earnings or cash flow from our 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 our 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 the RCP, if gas prices continue at present levels or increase, the economics of operating the MCV Facility may be adverse enough to require us to recognize an impairment of our investment in the MCV Partnership. For these reasons, at this time we cannot

predict the impact of these issues on its future earnings or cash flows or on the value of our equity interest in the MCV Partnership.

USE OF PROCEEDS

We expect to use the net proceeds from the sale of the Notes of $145,275,000, after deducting offering discounts but before deducting offering expenses, to (i) redeem the aggregate outstanding balance of $140,700,000 of our 6.50% Senior Secured Insured Quarterly Notes due October 1, 2028 and (ii) redeem a portion of the aggregate outstanding balance of $332,250,000 of our 6.25% Senior Notes due September 15, 2006.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for each of the years ended December 31, 2000 through 2004 are as follows:

	YEAR ENDED DECEMBER 31,				
	2004	2003	2002	2001	2000
Ratio of earnings to fixed charges(a)..	2.34	2.25	3.59	2.28	2.90

(a) For purposes of computing the ratio, earnings represent the sum of pretax income, net interest charges and the estimated interest portions of lease rentals, plus distributed income of equity investees less earnings from equity investees.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2004 on an actual basis and as adjusted to reflect the sale of $150 million of Notes in this offering and the application of the net proceeds as described under "Use of Proceeds." This table should be read in conjunction with our consolidated financial statements and related notes included in the incorporated documents as described under "Where You Can Find More Information."

	AT DECEMBER 31, 2004	
	ACTUAL	AS ADJUSTED
	(UNAUDITED) (IN MILLIONS)	
Common stockholder's equity (a).....	$ 2,412	$ 2,412
Preferred stock.....	44	44
Long-term debt:		
5.65% Insured Quarterly Notes due 2035 (b).....	--	150
Other long-term debt (excluding current maturities) (b)(c)(d).....	4,000	3,855

Long-term debt -- related parties (c)	326	326
Non-current portion of capital leases and finance lease Obligations	315	315
Total capitalization	$ 7,097	$ 7,102
Current portion of long-term debt, capital leases and finance leases	147	147
Current portion of long-term debt -- related parties(a)	180	180
Total capitalization and current portion of long-term debt, capital leases, finance leases and long term-debt -- related parties	$ 7,424	$ 7,429

(a) In January 2005, we received a $200 million capital infusion from our parent company, CMS Energy. Also in January 2005, we redeemed the aggregate outstanding balance of $180 million of our 9.25% Trust Originated Preferred Securities due 2029. On April 5, 2005 CMS Energy issued to the public 23 million shares of its common stock at $12.25 per share. Net proceeds of $271,887,600 will be used for equity infusions into Consumers and for general corporate purposes. These transactions are not reflected in the capitalization table.

(b) We expect to use the net proceeds from the sale of the Notes of $145,275,000, after deducting offering discounts but before deducting offering expenses, to (i) redeem the aggregate outstanding balance of $140,700,000 of our 6.50% Senior Secured Insured Quarterly Notes due October 1, 2028 and (ii) redeem a portion of the aggregate outstanding balance of $332,250,000 of our 6.25% Senior Notes due September 15, 2006. See "Use of Proceeds."

(c) In January 2005, we sold $250 million of our 5.15% First Mortgage Bonds due 2017 and used the net proceeds and available cash, (i) to redeem the aggregate outstanding balance of $70 million of our 8.36% Trust Originated Preferred Securities due 2015, (ii) to redeem the aggregate outstanding balance of $120 million of our 8.20% Trust Originated Preferred Securities due 2027 and (iii) to pay off our $60 million term loan due November 2006 with a then-current floating interest rate of 3.79%. These transactions are not reflected in the capitalization table.

(d) In March 2005, we sold $300 million of our 5.65% First Mortgage Bonds due 2020 and we will use the net proceeds to redeem a portion of the aggregate outstanding balance of $332,250,000 of our 6.25% Senior Notes due September 15, 2006. These transactions are not reflected in the capitalization table.

DESCRIPTION OF THE NOTES

GENERAL

The Notes are to be issued under an Indenture dated as of September 1, 1945, between Consumers and JPMorgan Chase Bank, N.A. (ultimate successor to City Bank Farmers Trust Company), as trustee, as amended and supplemented by various supplemental indentures and as supplemented by the 102nd Supplemental Indenture dated as of April 13, 2005 providing for the Notes. In connection with the change of the state of incorporation from Maine to Michigan in 1968,

Consumers succeeded to, and was substituted for, the Maine corporation under the Indenture. At April 1, 2005, eleven series of first mortgage bonds in an aggregate principal amount of approximately $2.85 billion were outstanding under the Indenture, excluding five series of first mortgage bonds in an approximate aggregate principal amount of $1.3 billion to secure outstanding senior notes and credit facilities and three series of first mortgage bonds in an approximate aggregate principal amount of $125.6 million to secure outstanding pollution control revenue bonds.

The statements herein concerning the Notes and the Indenture are a summary and do not purport to be complete and are subject to, and qualified in their entirety by, all of the provisions of the Indenture, which is incorporated herein by this reference. They make use of defined terms and are qualified in their entirety by express reference to the Indenture, including the 102nd Supplemental Indenture, a copy of which will be made available upon request to the Trustee.

PRINCIPAL, MATURITY AND INTEREST

The Notes are initially being offered in the aggregate principal amount of $150,000,000. The Notes will mature on April 15, 2035 unless earlier redeemed or otherwise repaid. The Notes will bear interest at a rate of 5.65% per year, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year and at the date of maturity. Interest will be paid to the person in whose name the Notes are registered at the close of business on the first calendar day of the month in which the interest payment date occurs. The initial interest payment date for the Notes will be July 15, 2005. Interest payable on any interest payment date or on the date of maturity will be the amount of interest accrued from and including the date of original issuance or from and including the most recent interest payment date on which interest has been paid or duly made available for payment to but excluding such interest payment date or the date of maturity, as the case may be. So long as the Notes are in book-entry form, principal of and interest on the Notes will be payable, and the Notes may be transferred, only through the facilities of DTC. If any interest payment date falls on a day that is not a business day, the interest payment date will be the next succeeding business day (and without any interest or other payment in respect of any such delay). Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

REGISTRATION, TRANSFER AND EXCHANGE

The Notes will be initially issued in the form of one or more notes, in registered form, without coupons ("GLOBAL NOTES"), in denominations of $1,000 and any integral multiple thereof as described under "Book-Entry Only Issuance -- The Depository Trust Company." The Global Notes will be registered in the name of the nominee of DTC. Except as described under "Book-Entry Only Issuance -- The Depository Trust Company," owners of beneficial interests in a Global Note will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of any such Note and will not be considered the registered holder thereof under the Indenture.

OPTIONAL REDEMPTION

We will have the option to redeem the Notes, in whole or in part, without premium, from time to time, on or after April 15, 2010, upon not less than 30 nor more than 60 days' prior written notice, at a redemption price equal to 100% of the principal amount being redeemed plus any unpaid accrued interest to the redemption date.

From the redemption date, the Notes to be redeemed will cease to bear interest, unless we default in the payment of the redemption price. In the event of such default, the principal of the Notes to be redeemed will, until paid,

continue to bear interest at the rate indicated on the cover of this prospectus supplement.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), we may, at any time and from time to time, purchase outstanding Notes by tender, in the open market or by private agreement. However, we may not use any purchased Notes as a credit against any redemption obligation.

REDEMPTION UPON DEATH OF A BENEFICIAL OWNER

Unless the Notes have been declared due and payable prior to their maturity by reason of an event of default under the Indenture, the Representative (as defined below) of a deceased Beneficial Owner (as defined below) has the right to request redemption prior to stated maturity of all or part of such deceased Beneficial Owner's interest in integral multiples of $1,000 principal amount in the Notes, and we will redeem the same subject to the limitations that we will not be obligated to redeem, during the period from the date of this offering through and including April 15, 2006 (the "INITIAL PERIOD"), and during any twelve-month period which ends on and includes each April 15 thereafter (each such twelve-month period being hereinafter referred to as a "SUBSEQUENT PERIOD"), (i) on behalf of an individual deceased Beneficial Owner any interest in the Notes which exceeds $35,000 principal amount (the "INDIVIDUAL LIMITATION") or (ii) interests in the Notes exceeding $3,000,000 in aggregate principal amount (the "ANNUAL LIMITATION"). A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount.

We may, at our option, redeem interests of any deceased Beneficial Owner in the Notes in the Initial Period or any Subsequent Period in excess of the Individual Limitation. Any such redemption, to the extent that it exceeds the Individual Limitation for any deceased Beneficial Owner, shall not be included in the computation of the Annual Limitation for such Initial Period or such Subsequent Period, as the case may be, or for any succeeding Subsequent Period. We may, at our option, redeem interests of deceased Beneficial Owners in the Notes, in the Initial Period or any Subsequent Period in an aggregate principal amount exceeding the Annual Limitation. Any such redemption, to the extent it exceeds the Annual Limitation, shall not reduce the Annual Limitation for any Subsequent Period. On any determination by us to redeem Notes in excess of the Individual Limitation or the Annual Limitation, Notes so redeemed shall be redeemed in the order of the receipt of Redemption Requests (as defined below) by the Trustee.

A request for redemption of an interest in the Notes may be initiated by the personal representative or other person authorized to represent the estate of the deceased Beneficial Owner or by a surviving joint tenant(s) or tenant(s) by the entirety or the trustee of a trust (each, a "REPRESENTATIVE"). The Representative shall deliver a request to the Participant (as defined below) through whom the deceased Beneficial Owner owned such interest, in form satisfactory to the Participant, together with evidence of the death of the Beneficial Owner, evidence of the authority of the Representative satisfactory to the Participant, such waivers, notices or certificates as may be required under applicable state or federal law and such other evidence of the right to such redemption as the Participant shall require. The request shall specify the principal amount of the interest in the Notes to be redeemed. The Participant shall thereupon deliver to the depositary, who in this case initially will be DTC, a request for redemption substantially in the form attached as Appendix A hereto (a "REDEMPTION REQUEST"). The depositary will, on receipt thereof,

forward the same to the Trustee. The Trustee shall maintain records with respect to Redemption Requests received by it including date of receipt, the name of the Participant filing the Redemption Request and the status of each such Redemption Request with respect to the Individual Limitation and Annual Limitation. The Trustee will immediately file each Redemption Request it receives, together with the information regarding the eligibility thereof with respect to the Individual Limitation and Annual Limitation, with us. The depositary, the Trustee and we may conclusively assume, without independent investigation, that the statements contained in each Redemption Request are true and correct and shall have no responsibility for reviewing any documents submitted to the Participant by the Representative or for determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Notes to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner.

Subject to the Individual Limitation and the Annual Limitation, we will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the Notes on the next interest payment date occurring not less than 30 days following our receipt of a Redemption Request from the Trustee. If Redemption Requests exceed the aggregate principal amount of interests in Notes required to be redeemed during the Initial Period or during any Subsequent Period, then such excess Redemption Requests will be applied in the order received by the Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests. We may at any time notify the Trustee that we will redeem, on the next interest payment date occurring not less than 30 days thereafter, all or any such lesser amount of Notes for which Redemption Requests have been received but which are not then eligible for redemption by reason of the Individual Limitation and the Annual Limitation. Any Notes so redeemed shall be redeemed in the order of receipt of Redemption Requests by the Trustee.

The price we will pay for the Notes to be redeemed pursuant to a Redemption Request is 100% of the principal amount thereof plus accrued but unpaid interest to the redemption date. Subject to arrangements with the depositary, payment for interests in the Notes which are to be redeemed shall be made to the depositary upon presentation of Notes to the Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Trustee by the depositary which are to be fulfilled in connection with such payment. The principal amount of any Notes acquired or redeemed by us other than by redemption at the option of any Representative of a deceased Beneficial Owner pursuant to this section shall not be included in the computation of either the Individual Limitation or the Annual Limitation for the Initial Period or for any Subsequent Period.

For purposes of this section, a "BENEFICIAL OWNER" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Note and the right to receive the proceeds therefrom, as well as the interest and principal payable to the holder thereof. In general, a determination of beneficial ownership in the Notes will be subject to the rules, regulations and procedures governing the depositary and institutions that have accounts with the depositary or a nominee thereof ("PARTICIPANTS").

For purposes of this section, an interest in a Note held in tenancy by the entirety, joint tenancy or by tenants in common will be deemed to be held by a single Beneficial Owner and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a Beneficial Owner. The death of a person who, during his or her lifetime, was entitled to substantially all of the rights of a Beneficial Owner of an interest in the Notes will be deemed the

death of the Beneficial Owner, regardless of the recordation of such interest on the records of the Participant, if such rights can be established to the satisfaction of the Participant. Such interests shall be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh [H.R. 10] plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where the decedent has the right to receive all or a portion of the income and such person has substantially all of the rights of a Beneficial Owner during such person's lifetime.

In the case of a Redemption Request which is presented on behalf of a deceased Beneficial Owner and which has not been fulfilled at the time we give notice of our election to redeem the Notes, the Notes which are the subject of such pending Redemption Request shall be redeemed prior to any other Notes.

Any Redemption Request may be withdrawn by the person(s) presenting the same upon delivery of a written request for such withdrawal given by the Participant on behalf of such person to the depositary and by the depositary to the Trustee not less than 60 days prior to the interest payment date on which such Notes are eligible for redemption.

We may, at our option, purchase any Notes for which Redemption Requests have been received in lieu of redeeming such Notes. Any Notes so purchased by us shall either be reoffered for sale and sold within 180 days after the date of purchase or presented to the Trustee for redemption and cancellation.

During such time or times as the Notes are not represented by a Global Note and are issued in definitive form, all references in this section to Participants and the depositary, including the depositary's governing rules, regulations and procedures, shall be deemed deleted, all determinations which under this section the Participants are required to make shall be made by us (including, without limitation, determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Notes to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner), all Redemption Requests, to be effective, shall be delivered by the Representative to the Trustee, with a copy to us, and shall be in the form of a Redemption Request (with appropriate changes to reflect the fact that such Redemption Request is being executed by a Representative) and, in addition to all documents that are otherwise required to accompany a Redemption Request, shall be accompanied by the Note that is the subject of such request.

SINKING FUND REQUIREMENT

The Notes will not have the benefit of any sinking fund.

ISSUANCE OF ADDITIONAL FIRST MORTGAGE BONDS

Additional first mortgage bonds may be issued under the Indenture up to 60% of unfunded net property additions or against the deposit of an equal amount of cash, if, for any period of twelve consecutive months within the fifteen preceding calendar months, the net earnings of Consumers (before income or excess profit taxes) shall have been at least twice the interest requirement for one year on all first mortgage bonds outstanding and to be issued and on indebtedness of prior or equal rank. Additional first mortgage bonds may also be issued to refund first mortgage bonds outstanding under the Indenture. Deposited cash may be applied to the retirement of first mortgage bonds or be withdrawn in an amount equal to the principal amount of first mortgage bonds which may be issued on the basis of unfunded net property additions. As of March 8, 2005, unfunded net property additions were $1.956 billion. Consumers could issue

$1.174 billion of additional first mortgage bonds on the basis of such property additions. In addition, as of March 25, 2005, Consumers could issue $234.5 million of additional first mortgage bonds on the basis of first mortgage bonds previously retired.

The Notes are to be issued upon the basis of retired bonds.

LIMITATIONS ON DIVIDENDS

The 102nd Supplemental Indenture does not restrict Consumers' ability to pay dividends on its common stock.

CONCERNING THE TRUSTEE

JPMorgan Chase Bank, N.A. is the Trustee and paying agent under the Indenture. Consumers and its affiliates maintain lending, depository and other normal banking relationships with JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, N.A. is also a lender to Consumers and its affiliates.

The Indenture provides that Consumers' obligations to compensate the Trustee and reimburse the Trustee for expenses, disbursements and advances will constitute indebtedness which will be secured by a lien generally prior to that of the first mortgage bonds upon all property and funds held or collected by the Trustee as such.

The Trustee or the holders of 20% in total principal amount of the first mortgage bonds may declare the principal due on default, but the holders of a majority in total principal amount may rescind such declaration and waive the default if the default has been cured. Subject to certain limitations, the holders of a majority in total principal amount of the first mortgage bonds may generally direct the time, method and place of conducting any proceeding for the enforcement of the Indenture. No first mortgage bondholder has the right to institute any proceedings for the enforcement of the Indenture unless that holder has given the Trustee written notice of a default, the holders of 20% of total principal amount of outstanding first mortgage bonds shall have tendered to the Trustee reasonable security or indemnity against costs, expenses and liabilities and requested the Trustee to take action, the Trustee shall have declined to take action or failed to do so within 60 days and no inconsistent directions shall have been given by the holders of a majority in total principal amount of the first mortgage bonds.

PRIORITY AND SECURITY

The Notes are ranked equally with all other series of first mortgage bonds now outstanding or issued later under the Indenture. The Indenture is a direct first lien on substantially all of Consumers' property and franchises (other than certain property expressly excluded from the lien (such as cash, bonds, stock and certain other securities, contracts, accounts and bills receivables, judgments and other evidences of indebtedness, stock in trade, materials or supplies manufactured or acquired for the purpose of sale and/or resale in the usual course of business or consumable in the operation of any of the properties of Consumers, natural gas, oil and minerals, motor vehicles and certain real property listed in Schedule A to the Indenture)). This lien is subject to excepted encumbrances (and certain other limitations) as defined and described in the Indenture. The Notes are also subject to certain provisions of Michigan law which provide that, under certain circumstances, the State of Michigan's lien against property on which it has incurred costs related to any environmental response activity that is subordinate to prior recorded liens can

become superior to such prior liens pursuant to court order. The Indenture permits, with certain limitations, the acquisition of property subject to prior liens and, under certain conditions, permits the issuance of additional indebtedness under such prior liens to the extent of 60% of net property additions made by Consumers to the property subject to such prior liens.

RELEASE AND SUBSTITUTION OF PROPERTY

The Indenture provides that, subject to various limitations, property may be released from the lien thereof when sold or exchanged, or contracted to be sold or exchanged, upon the basis of:

- cash deposited with the Trustee;
- bonds or purchase money obligations delivered to the Trustee;
- prior lien bonds delivered to the Trustee or reduced or assumed by the purchaser;
- property additions acquired in exchange for the property released; or
- upon a showing that unfunded net property additions exist.

The Indenture also permits the withdrawal of cash upon a showing that unfunded net property additions exist or against the deposit of bonds or the application thereof to the retirement of bonds.

MODIFICATION OF INDENTURE

The Indenture, the rights and obligations of Consumers and the rights of the holders of first mortgage bonds may be modified by Consumers with the consent of the holders of 75% in principal amount of the first mortgage bonds and of not less than 60% of the principal amount of each series affected. In general, however, no modification of the terms of payment of principal or interest and no modification affecting the lien or reducing the percentage required for modification is effective against any first mortgage bonds without the first mortgage bondholders' consent. Consumers has reserved the right without any consent or other action by the holders of first mortgage bonds of any series created after September 15, 1993 or by the holder of any senior note or exchange note that is secured by first mortgage bonds to amend the Indenture in order to substitute a majority in principal amount of first mortgage bonds outstanding under the Indenture for the 75% requirement set forth above (and then only in respect of such series of outstanding bonds as shall be affected by the proposed action) and to eliminate the requirement for a series-by-series consent requirement.

DEFAULTS

The Indenture defines the following as "defaults":

- failure to pay principal when due;
- failure to pay interest for sixty days;
- failure to pay any installment of any sinking or other purchase fund for ninety days;

- certain events in bankruptcy, insolvency or reorganization; and

- failure to perform any other covenant for ninety days following written demand by the Trustee for Consumers to cure such failure.

Consumers has covenanted to pay interest on any overdue principal and (to the extent permitted by law) on overdue installments of interest, if any, on the first mortgage bonds under the Indenture at the rate of 6% per year. The Indenture does not contain a provision requiring any periodic evidence to be furnished as to the absence of default or as to compliance with the terms thereof. However, Consumers is required by law to furnish annually to the Trustee a certificate as to compliance with all conditions and covenants under the Indenture.

In addition to the "defaults" described above, the occurrence and continuance of an event of default under the insurance agreement (which agreement is discussed in "The Policy and The Insurer - The Policy,") shall also constitute a default with respect to the Notes and a failure to perform a covenant or agreement under the Indenture. An event of default under the insurance agreement includes a default by us on certain payment obligations thereunder, failure by us in observance of certain representations and covenants thereunder and certain bankruptcy events of Consumers.

SPECIAL INSURANCE PROVISIONS OF THE NOTES

Subject to the provisions of the Indenture, so long as the Insurer (as defined below) is not in default under the Policy (as defined below), the Insurer shall be entitled to control and direct the enforcement of all rights and remedies of the holders of the Notes with respect to the Notes upon the occurrence and continuation of a "default" as defined in the Indenture.

BOOK-ENTRY ONLY ISSUANCE -- THE DEPOSITORY TRUST COMPANY

The Notes initially will be in the form of one or more Global Notes. Upon issuance, the Global Notes will be deposited with the Trustee, as custodian for DTC, and registered in the name of DTC or its nominee, in each case for credit to the accounts of DTC's Direct Participants and Indirect Participants (each as defined below).

Transfer of beneficial interests in any Global Notes will be subject to the applicable rules and procedures of DTC and its Direct Participants or Indirect Participants, which may change from time to time.

The Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee in certain limited circumstances. Beneficial interests in the Global Notes may be exchanged for notes in certificated form ("CERTIFICATED NOTES") in certain limited circumstances. See " -- Exchange of Interests in Global Notes for Certificated Notes."

DEPOSITARY PROCEDURES

DTC has advised Consumers that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "DIRECT PARTICIPANTS") and to facilitate the clearance and settlement of transactions in those securities between Direct Participants through electronic book-entry changes in accounts of Direct Participants. The Direct Participants include securities brokers and dealers (including the underwriters), banks,

trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities that clear through or maintain a direct or indirect, custodial relationship with a Direct Participant (collectively, the "INDIRECT PARTICIPANTS"). DTC may hold securities beneficially owned by other persons only through the Direct Participants or Indirect Participants, and such other persons' ownership interest and transfer of ownership interest will be recorded only on the records of the appropriate Direct Participant and/or Indirect Participant, and not on the records maintained by DTC.

DTC has also advised Consumers that, pursuant to DTC's procedures, (1) upon deposit of the Global Notes, DTC will credit the accounts of the Direct Participants designated by the underwriters with portions of the principal amount of the Global Notes allocated by the underwriters to such Direct Participants and (2) DTC will maintain records of the ownership interests of such Direct Participants in the Global Notes and the transfer of ownership interests by and between Direct Participants. DTC will not maintain records of the ownership interests of, or the transfer of ownership interests by and between, Indirect Participants or other owners of beneficial interests in the Global Notes. Direct Participants and Indirect Participants must maintain their own records of the ownership interests of, and the transfer of ownership interests by and between, Indirect Participants and other owners of beneficial interests in the Global Notes. Investors in the Global Notes may hold their interests therein directly through DTC if they are Direct Participants in DTC or indirectly through organizations that are Direct Participants in DTC. All ownership interests in any Global Notes will be subject to the procedures and requirements of DTC.

The laws of some states require that certain persons take physical delivery in definitive, certificated form of securities that they own. This may limit or curtail the ability to transfer beneficial interests in a Global Note to such persons. Because DTC can act only on behalf of Direct Participants, which in turn act on behalf of Indirect Participants and others, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that are not Direct Participants in DTC, or to otherwise take actions in respect of such interests, may be affected by the lack of physical certificates evidencing such interests. For certain other restrictions on the transferability of the Notes, see " -- Exchange of Interests in Global Notes for Certificated Notes."

EXCEPT AS DESCRIBED IN " -- EXCHANGE OF INTERESTS IN GLOBAL NOTES FOR CERTIFICATED NOTES", OWNERS OF BENEFICIAL INTERESTS IN THE GLOBAL NOTES WILL NOT HAVE NOTES REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF CERTIFICATED NOTES IN CERTIFICATED FORM AND WILL NOT BE CONSIDERED THE REGISTERED OWNERS OR HOLDERS THEREOF UNDER THE INDENTURE FOR ANY PURPOSE.

Under the terms of the Indenture, Consumers and the Trustee will treat the persons in whose names the Notes are registered (including Notes represented by Global Notes) as the owners thereof for the purpose of receiving payments and for any and all other purposes whatsoever. Payments in respect of the principal, premium, liquidated damages, if any, and interest on Global Notes registered in the name of DTC or its nominee will be payable by the Trustee to DTC or its nominee as the registered holder under the Indenture. Consequently, neither Consumers, the Trustee nor any agent of Consumers or the Trustee has or will have any responsibility or liability for (1) any aspect of DTC's records or any Direct Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any of DTC's records or any Direct Participant's or Indirect Participant's records relating to the beneficial ownership interests in any Global Note or (2) any other matter relating to the actions and practices of DTC or any of its Direct Participants or Indirect Participants.

DTC has advised Consumers that its current payment practice (for payments of principal, interest and the like) with respect to securities such as the Notes is to credit the accounts of the relevant Direct Participants with such payment on the payment date in amounts proportionate to such Direct Participant's respective ownership interests in the applicable Global Notes as shown on DTC's records. Payments by Direct Participants and Indirect Participants to the beneficial owners of the Notes will be governed by standing instructions and customary practices between them and will not be the responsibility of DTC, the Trustee or Consumers. Neither Consumers nor the Trustee will be liable for any delay by DTC or its Direct Participants or Indirect Participants in identifying the beneficial owners of the Notes, and Consumers and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee as the registered owner of the Notes for all purposes.

The Global Notes will trade in DTC's Same-Day Funds Settlement System and, therefore, transfers between Direct Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in immediately available funds. Transfers between

Indirect Participants who hold an interest through a Direct Participant will be effected in accordance with the procedures of such Direct Participant but generally will settle in immediately available funds.

DTC has advised Consumers that it will take any action permitted to be taken by a holder of Notes of a series only at the direction of one or more Direct Participants to whose account interests in the related Global Notes are credited and only in respect of such portion of the aggregate principal amount of such Notes as to which such Direct Participant or Direct Participants has or have given direction. However, if there is an event of default with respect to the Notes, DTC reserves the right to exchange the related Global Notes (without the direction of one or more of its Direct Participants) for legended Certificated Notes, and to distribute such Certificated Notes to its Direct Participants. See " -- Exchange of Interests in Global Notes for Certificated Notes."

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the Global Notes among Direct Participants, it is under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. None of Consumers, the underwriters or the Trustee will have any responsibility for the performance by DTC, or its respective Direct Participants and Indirect Participants, of their respective obligations under the rules and procedures governing any of their operations.

The information in this section concerning DTC and its book-entry system has been obtained from DTC, and Consumers takes no responsibility for the accuracy thereof.

EXCHANGE OF INTERESTS IN GLOBAL NOTES FOR CERTIFICATED NOTES

Global Notes may be exchanged for Certificated Notes if (1) (a) DTC notifies Consumers that it is unwilling or unable to continue as depositary for the Global Notes or Consumers determines that DTC is unable to act as such depositary and Consumers thereupon fails to appoint a successor depositary within 90 days or (b) DTC has ceased to be a clearing agency registered under the Exchange Act, (2) Consumers, at its option, notifies the Trustee in writing

that it elects to cause the issuance of Certificated Notes or (3) there shall have occurred and be continuing a default or an event of default with respect to the Notes. In any such case, Consumers will notify the Trustee in writing that, upon surrender by the Direct Participants and Indirect Participants of their interest in such Global Note, Certificated Notes will be issued to each person that such Direct Participants and Indirect Participants and DTC identify as being the beneficial owner of the related Notes.

Beneficial interests in Global Notes held by any Direct Participant or Indirect Participant may be exchanged for Certificated Notes upon request to DTC, or by such Direct Participant (for itself or on behalf of an Indirect Participant), to the Trustee in accordance with customary DTC procedures. Certificated Notes delivered in exchange for any beneficial interest in any Global Note will be registered in the names, and issued in any approved denominations, requested by DTC on behalf of such Direct Participants or Indirect Participants (in accordance with DTC's customary procedures).

Neither Consumers nor the Trustee will be liable for any delay by the holder of Global Notes or DTC in identifying the beneficial owners of the related Notes, and Consumers and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the Global Note or DTC for all purposes.

CERTIFICATED NOTES

Certificated Notes may be exchangeable for other Certificated Notes of any authorized denominations and of a like aggregate principal amount and tenor. Certificated Notes may be presented for exchange, and may be presented for registration of transfer (duly endorsed, or accompanied by a duly executed written instrument of transfer), at the designated office of the Trustee in Detroit, Michigan (the "SECURITY REGISTRAR"). The Security Registrar will not charge a service charge for any registration of transfer or exchange of Notes; however, Consumers may require payment by a holder of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection therewith, as described in the Indenture. Such transfer or exchange will be effected upon the Security Registrar being satisfied with the documents of title and identity of the person making the request. Consumers may at any time designate additional transfer agents with respect to the Notes.

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

If a Certificated Note is mutilated, destroyed, lost or stolen, it may be replaced at the office of the Security Registrar upon payment by the holder of such expenses as may be incurred by Consumers and the Security Registrar in connection therewith and the furnishing of such evidence and indemnity as Consumers and the Security Registrar may require. Mutilated Notes must be surrendered before new Notes will be issued.

SAME DAY SETTLEMENT

Payments in respect of the Notes represented by the Global Notes (including principal, premium, if any, and interest) will be made by wire transfer of immediately available same day funds to the accounts specified by

DTC as the holder of the Global Notes. Principal, premium, if any, and interest and liquidated damages, if any, on all Certificated Notes in registered form will be payable at the office or agency of the Trustee in The City of New York, except that, at the option of Consumers, payment of any interest and liquidated damages, if any, may be made except for DTC (1) by check mailed to the address of the person entitled thereto as such address shall appear in the security register or (2) by wire transfer to an account maintained by the person entitled thereto as specified in the security register.

THE POLICY AND THE INSURER

The following information has been provided by Ambac Assurance Corporation (the "INSURER") for use in this prospectus supplement. Reference is made to Appendix B for a specimen of the Policy to be issued by the Insurer. No representation is made by us or the underwriters as to the accuracy or completeness of such information.

THE POLICY

We will enter into an insurance agreement with the Insurer pursuant to which the Insurer will issue a financial guaranty insurance policy relating to the Notes, the form of which is attached to this prospectus supplement as Appendix B. The following summary of the terms of the Policy does not purport to be complete and is qualified in its entirety by reference to the Policy.

The Insurer has made a commitment to issue a financial guaranty insurance policy (the "POLICY") relating to the Notes effective as of the date of issuance of the Notes. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "INSURANCE TRUSTEE") for the benefit of holders of the Notes, that portion of the principal of and interest on the Notes which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Notes and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates and in connection with the mandatory redemption of Notes at the option of the Representative of any deceased Beneficial Owner of the Notes in the case of principal, and on interest payment dates, in the case of interest. If the Notes become subject to mandatory redemption (other than in connection with the mandatory redemption of Notes at the option of the Representative of any deceased Beneficial Owner of the Notes) and insufficient funds are available for redemption of all outstanding Notes, the Insurer will remain obligated to pay principal of and interest on outstanding Notes on the originally scheduled interest and principal payment dates. In the event of any acceleration (other than in connection with the mandatory redemption of Notes at the option of the Representative of any deceased Beneficial Owner of the Notes) of the principal of the Notes, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Note which has become Due for Payment and which is made to a holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does NOT insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does NOT cover:

1. payment on acceleration, as a result of a call for redemption (other than in connection with the mandatory redemption of the Notes at the option of the Representative of any deceased Beneficial Owners of the Notes) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any trustee, paying agent or bond registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Notes to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Notes to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Notes, appurtenant coupon, if any, or right to payment of principal or interest on such Notes and will be fully subrogated to the surrendering holder's rights to payment.

THE INSURER

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Territory of Guam and the U.S. Virgin Islands. The Insurer primarily insures newly-issued municipal and structured finance obligations. The Insurer is a wholly-owned subsidiary of Ambac Financial Group, Inc. a 100% publicly-held company. Moody's Investors Service, Inc., Standard & Poor's and Fitch Ratings have each assigned a triple-A financial strength rating to the Insurer.

The consolidated financial statements of the Insurer and subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the years in the three-year period ended December 31, 2004, prepared in accordance with U.S. generally accepted accounting principles, included in the Annual Report on Form 10-K of Ambac Financial Group, Inc. (which was filed with the SEC on March 15, 2005; SEC File No. 1-10777), are hereby incorporated by reference into this prospectus supplement and shall be deemed to be a part hereof. Any statement contained in a document incorporated herein by reference shall be modified or superseded for the purposes of this prospectus supplement to the extent that a statement contained herein by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

All consolidated financial statements of the Insurer and subsidiaries included in documents filed by Ambac Financial Group, Inc. with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the date of this prospectus supplement and prior to the termination of the offering of the Notes shall be deemed to be incorporated by reference into this prospectus supplement and to be a part hereof from the respective dates of filing such

consolidated financial statements.

The following table sets forth the capitalization of the Insurer as of December 31, 2002, December 31, 2003 and December 31, 2004 in conformity with U.S. generally accepted accounting principles.

AMBAC ASSURANCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED CAPITALIZATION TABLE

(DOLLARS IN MILLIONS)

	DECEMBER 31, 2002	DECEMBER 31, 2003
Unearned premiums	$2,137	$2,553
Long-term debt	-	189
Notes payable to affiliates	111	84
Other liabilities	1,865	2,008
Total liabilities	4,113	4,834
Stockholder's equity		
Common stock	82	82
Additional paid-in capital	920	1,144
Accumulated other comprehensive income	231	243
Retained earnings	2,849	3,430
Total stockholder's equity	4,082	4,899
Total liabilities and stockholder's equity	$8,195	$9,733

For additional financial information concerning the Insurer, see the audited consolidated financial statements of the Insurer incorporated by reference herein. Copies of the consolidated financial statements of the Insurer incorporated by reference and copies of the Insurer's annual statement for the year ended December 31, 2004 prepared on the basis of accounting practices prescribed or permitted by the State of Wisconsin Office of the Commissioner of Insurance, are available without charge from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

RATINGS

It is anticipated that S&P and Moody's will assign the Notes the ratings of "AAA" and "Aaa", respectively, conditioned upon the issuance and delivery by the Insurer at the time of delivery of the Notes of the Policy, insuring the timely payment of the principal of and interest on the Notes. Such ratings reflect only the views of such ratings agencies, and do not constitute a recommendation to buy, sell or hold securities. In general, ratings address credit risk. Each rating should be evaluated independently of any other rating. An explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Standard & Poor's, 25 Broadway, New York, New York 10004 and Moody's Investors Service, Inc., 99 Church Street,

New York, New York 10007. The security rating may be subject to revision or withdrawal at any time by the assigning rating organization, and, accordingly, there can be no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances warrant. Neither Consumers nor the underwriters have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Notes. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.