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CONSUMERS ENERGY CO  
Form S-4  
January 31, 2005

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 31, 2005  
REGISTRATION NO. 333-

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-4  
REGISTRATION STATEMENT  
UNDER THE SECURITIES ACT OF 1933

-----  
CONSUMERS ENERGY COMPANY  
(Exact name of registrant as specified in its charter)

MICHIGAN	4939	38-0442310
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

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

-----  
THOMAS J. WEBB  
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
CONSUMERS ENERGY COMPANY  
One Energy Plaza  
Jackson, Michigan 49201  
517-788-0351  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

With copies to:

ROBERT C. SHROSBREE, ESQ.  
ASSISTANT GENERAL COUNSEL  
CMS ENERGY CORPORATION  
One Energy Plaza  
Jackson, Michigan 49201  
517-768-7323

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

-----  
If the only securities being registered on this Form are being offered in  
connection with the formation of a holding company and there is compliance with  
General Instruction G, check the following box: [ ]

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

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

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CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)	PROPOSED M AGGREG OFFERI PRICE (
4.40% First Mortgage Bonds due 2009, Series N.....	\$150,000,000	100%	\$ 150,000,
5.00% First Mortgage Bonds due 2012, Series O.....	300,000,000	100%	300,000,
5.50% First Mortgage Bonds due 2016, Series P.....	350,000,000	100%	350,000,
Total.....	\$800,000,000	100%	\$ 800,000,

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

WE HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL WE FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT CONSUMMATE THE EXCHANGE OFFER UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED JANUARY 31, 2005

Preliminary Prospectus

\$800,000,000

[CONSUMERS ENERGY LOGO]

CONSUMERS ENERGY COMPANY

Exchange Offer for all Outstanding

4.40% First Mortgage Bonds due 2009, Series K  
5.00% First Mortgage Bonds due 2012, Series L  
5.50% First Mortgage Bonds due 2016, Series M

The Exchange Offer will expire at 5:00 p.m., New York City time, on

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\_\_\_\_\_, 2005 unless we extend it.

Terms of the Exchange Offer

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We are offering to exchange new registered 4.40% First Mortgage Bonds due 2009, Series N for all of our old unregistered 4.40% First Mortgage Bonds due 2009, Series K; new registered 5.00% First Mortgage Bonds due 2012, Series O, for all of our old unregistered 5.00% First Mortgage Bonds due 2012, Series L; and new registered 5.50% First Mortgage Bonds due 2016, Series P for all old unregistered 5.50% First Mortgage Bonds due 2016, Series M.

The terms of the new bonds will be identical in all material respects to the terms of the old bonds, except that the registration rights and related liquidated damages provisions and the transfer restrictions applicable to the old bonds will not be applicable to the new bonds. The new bonds will have the same financial terms and covenants as the old bonds, and will be subject to the same business and financial risks. Any outstanding old bonds not validly tendered will remain subject to existing transfer restrictions.

Subject to the satisfaction or waiver of specified conditions, we will exchange the new bonds for all old bonds that are validly tendered and not withdrawn by you at any time prior to the expiration of the Exchange Offer as described in this prospectus.

The new bonds will not be listed on any securities exchange or included in any automatic quotation system.

We will not receive any proceeds for the exchange.

We are not asking you for a proxy and you are requested not to send us a proxy.

THIS INVESTMENT INVOLVES RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 16.

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

The date of this prospectus is January 31, 2005

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### IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS

You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different or to make any representations about us or about the transactions we discuss in this prospectus. If you receive information about these matters that is not included in this prospectus, you must not rely on that information. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

### WHERE YOU CAN FIND MORE INFORMATION

We file reports, proxy statements and other information with the Securities and Exchange Commission ("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/A for the year ended December 31, 2003 and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 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.

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

- Annual Report on Form 10-K/A for the year ended December 31, 2003 filed on July 21, 2004
- Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on May 7, 2004, Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed on August 6, 2004 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 filed on November 4, 2004
- Current Reports on Form 8-K filed on January 22, 2004, March 18, 2004, June 3, 2004, August 20, 2004, September 1, 2004, October 6, 2004, October 12, 2004, October 13, 2004, October 19, 2004, December 6, 2004, December 8, 2004, December 13, 2004, January 12, 2005, January 14, 2005, January 20, 2005 and January 27, 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, until the Exchange Offer is terminated,

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are also incorporated by reference into this prospectus. Any statement contained in such document will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this 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 but not delivered with this prospectus. You may request a copy of these filings at no cost by writing or telephoning us at the following address:

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

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### FORWARD-LOOKING STATEMENTS AND INFORMATION

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

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- credit ratings of us, CMS Energy or any of 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;
- the extent of favorable regulatory treatment and 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:

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- recovery of 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 energy supply and oil prices are increasing rapidly;
- 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 re-examination by federal regulators of the market-based sales authorizations by which our affiliates participate 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;
- the generally accepted accounting principles requirement that we utilize mark-to-market accounting on certain of our energy commodity contracts, and possibly other types of contracts in the future, 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 or could add to earnings volatility;

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- 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 control the development or operation of projects in which our subsidiaries have a minority interest;
- disruptions in the normal commercial insurance and surety bond markets that may increase costs or reduce traditional insurance coverage, particularly terrorism and sabotage insurance and performance bonds;
- other business or investment considerations that may be disclosed from time to time in CMS Energy's or our SEC filings or in other publicly issued written documents;

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- 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 16.

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/A and Form 10-Q or Form 8-K filed subsequent to such Form 10-K/A and Form 10-Q.

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### SUMMARY

This summary may not contain all the information that may be important to you. You should read this prospectus and the documents incorporated by reference in this 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

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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 operations include the generation, purchase, distribution and sale of electricity. It provides electric services in 61 of the 68 counties of Michigan's lower peninsula. In 2003, Consumers' electric utility owned and operated 30 electric generating plants with an aggregate of 6,435 MW of capacity and served 1.77 million customers in Michigan's lower peninsula. Consumers' gas utility operation purchases, transports, stores, distributes and sells natural gas. It renders gas sales and delivery service in 44 of the 68 counties in Michigan's lower peninsula. In 2003, Consumers' gas utility owned and operated over 25,055 miles of distribution mains and 2,408 miles of transmission lines throughout the lower peninsula of Michigan, providing natural gas to 1.67 million customers. Our principal executive offices are located at One Energy Plaza, Jackson, Michigan 49201 and our telephone number is (517) 788-0550.

### RECENT DEVELOPMENTS

#### THIRD QUARTER 2004 RESULTS OF OPERATIONS

#### NET INCOME AVAILABLE TO COMMON STOCKHOLDER

SEPTEMBER 30,	2004	2003	CHANGE
	----	----	-----
		(UNAUDITED)	
		(IN MILLIONS)	
Three months ended	\$ 34	\$ 33	\$ 1
Nine months ended	162	172	(10)

For the three months ended September 30, 2004, our net income increased \$1 million versus the same period in 2003 primarily due to increases in gas revenues, electric fuel recovery revenues, earnings from the MCV Partnership, reductions in general tax expense and increased interest income. The annual unbilled gas volume analysis led to an increase in accrued gas revenues of \$7 million versus the 2003 results. In addition, gas revenues increased net income \$1 million due to the interim MPSC gas rate order issued in December 2003. The Customer Choice Act authorized us to recognize interest income on the excess of capital expenditures over our depreciation base. The increase in interest income offset higher operating expenses, benefiting net income \$4 million. Net income also increased \$1 million versus the same period in 2003 due to the absence of a prior year underrecovery of power supply cost recovery revenue versus cost. Further, net income increased \$3 million due to a decrease in general taxes from decreased property tax expense. Finally, net income increased \$2 million due to higher earnings from the MCV Partnership reflecting increases in the fair value of certain long-term gas contracts.

Decreased electric delivery revenues and increased interest charges substantially offset these increases to net income. Decreased electric delivery revenues reduced net income by \$13 million, primarily due to milder summer temperatures, tariff revenue reductions, and the continued loss of



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commercial and industrial customers switching to alternative electric suppliers, as allowed by the Customer Choice Act. An increase in interest expense decreased net income \$4 million due to greater average borrowings, partially offset by a reduction in the average rate of interest.

For the nine months ended September 30, 2004, our net income decreased \$10 million versus the same period in 2003. Electric delivery revenues decreased net income \$28 million due to milder summer weather, tariff revenue reductions, and the continued loss of customers to alternative electric suppliers, as allowed by the Customer Choice Act. The milder weather lowered gas delivery revenues, decreasing net income by \$7 million. Earnings from the MCV Partnership declined \$6 million 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"). In addition, net income was decreased \$12 million due to higher interest expense from greater average borrowings, partially offset by a reduction in our average interest rate. Higher general taxes decreased net income \$7 million due to a 2003 reduction in Michigan small business tax expense to reflect the benefit of CMS Energy's receipt of approval to file consolidated tax returns for the years 2000 and 2001. Further, in 2003, under provisions of the Customer Choice Act, the excess or recovery of power supply cost recovery revenues over power supply cost recovery costs benefited net income. In contrast, in 2004, power supply cost recovery overrecoveries must be reserved for possible future refund and, consequently, do not benefit net income. This change in the treatment of power supply cost recovery overrecoveries reduced net income \$2 million.

Partially offsetting these reductions to net income were \$31 million in benefits relating primarily to reduced depreciation expense and increases in interest income. The Customer Choice Act authorized us to defer electric depreciation on the excess of capital expenditures over our depreciation base and recognize interest income on the excess capital expenditures. Gas depreciation expense also declined in the nine months ended September 30, 2004 versus the same period in 2003 due to the interim MPSC gas rate order issued in December 2003. This interim order also authorized a gas rate increase that benefited net income by \$8 million. Finally, net income benefited from the absence of a \$12 million charge taken in 2003. The 2003 charge reflected a decline in the market value of CMS Energy stock held by us.

### STRANDED COST ORDER

On November 23, 2004, the MPSC issued an order authorizing Consumers to collect its combined 2002 and 2003 "net" stranded costs under the Customer Choice Act, of approximately \$63.2 million. The amount, including interest at an annual rate of 7 percent, will be collected through use of a stranded cost recovery charge of 1.2 mills per kilowatt-hour starting in December 2004 until fully collected. The order also approved a methodology for the calculation of stranded costs.

### 2003 GAS RATE CASE AND 2001 GAS DEPRECIATION CASE

On December 2, 2004, the MPSC issued orders in Consumers' rehearing requests stemming from MPSC orders issued October 14, 2004 regarding Consumers' 2003 gas rate case and the 2001 gas depreciation case.

Regarding the 2003 gas rate case, the MPSC issued an order clarifying the method of computing Consumers' rate of return on common equity, for purposes of whether the rate of return on common equity exceeds the authorized 11.4% rate, consistent with Consumers' rehearing request. The MPSC held that (i) the actual current level of equity invested in

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Consumers should be used and (ii) actual (not weather-normalized) results should be used for the rate of return calculation required by the October 14, 2004 order.

Regarding the 2001 gas depreciation case, the MPSC issued an order approving Consumers' rehearing request that the book depreciation rates be restored to the levels set forth in the MPSC's December 18, 2003 interim gas rate relief order, effective and retroactive to October 14, 2004.

### ISSUANCE AND SALE OF FIRST MORTGAGE BONDS

On December 13, 2004, Consumers issued and sold \$225 million principal amount of its 5.00% First Mortgage Bonds due 2015 pursuant to an effective shelf registration statement and a Prospectus Supplement dated December 8, 2004 to a Prospectus dated December 1, 2004. Consumers used the proceeds (i) to redeem the aggregate outstanding balance of \$207.7 million of its 7.375% First Mortgage Bonds due 2023, (ii) to pay the attendant call premium of \$6,893,563, (iii) to pay accrued interest to the redemption date and (iv) for general corporate purposes.

On January 20, 2005, Consumers issued and sold \$250 million principal amount of its 5.15% First Mortgage Bonds due 2017 pursuant to an effective shelf registration statement and a Prospectus Supplement dated January 13, 2005 to a Prospectus dated December 1, 2004. Consumers used the proceeds (i) to redeem the aggregate outstanding balance of \$70 million of its 8.36% Trust Originated Preferred Securities due 2015, (ii) to redeem the aggregate outstanding balance of \$120 million of its 8.20% Trust Originated Preferred Securities due 2027 and (iii) to pay off its \$60 million term loan due November 2006 with a current floating interest rate of 3.79%.

### APPROVAL OF RESOURCE CONSERVATION PLAN

Consumers purchases power under a long term contract from the MCV Facility operated by the MCV Partnership, in which Consumers has a 49 percent interest. In February 2004, Consumers filed with the MPSC a request for approval of a resource conservation plan (the "RCP"). On January 25, 2005, the MPSC issued an order approving the RCP, with modifications. The terms of the order are consistent with Consumers' expectations in the RCP proceeding. The purpose of the RCP is to help conserve natural gas and thereby improve Consumers' investment in the MCV Partnership as discussed below, without raising the costs paid by Consumers' electric customers. The RCP allows for a change in the operation of the MCV Facility to dispatch it on the basis of natural gas market prices. This change will reduce the MCV Facility's production of electricity and consumption of natural gas by an estimated 30 to 40 billion cubic feet annually. The substantial MCV Facility fuel cost savings will be used first to offset fully the cost of replacement power to Consumers' electric customers. 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. In addition, the RCP subjects a larger portion of the MCV Facility's gas contracts to mark-to-market accounting. Based upon current market gas prices, this is expected to result in a gain in Consumers' 2005 earnings. Consumers and the MCV Partnership's general partners have accepted the terms of the order and are implementing the RCP.

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The Old Bonds..... On August 17, 2004 we sold: \$150 million principal amount of our 4.40% First Mortgage Bonds due 2009, Series K; \$300 million principal amount of our 5.00% First Mortgage Bonds due 2012, Series L; and \$350 million principal amount of our 5.50% First Mortgage Bonds due 2016, Series M (each series collectively referred to as the "OLD BONDS"). The old bonds were offered to qualified institutional buyers ("QIBS" under Rule 144A.

Registration Rights Agreement..... We executed a registration rights agreement that provides that we would grant certain registration exchange rights to old bond holders (the "REGISTRATION RIGHTS AGREEMENT"). As a result, we have filed a registration statement with the SEC, which will permit you to exchange the old bonds for new bonds that are registered under the Securities Act of 1933, as amended (the "SECURITIES ACT"). The transfer restrictions and liquidated damages provisions will be removed from the new bonds. We are conducting the Exchange Offer to satisfy our obligations with respect to certain exchange and registration rights. Except for a few limited circumstances, these rights will terminate when the Exchange Offer ends.

THE EXCHANGE OFFER

Securities Offered.....

- \$150 million principal amount of our 4.40% First Mortgage Bonds due 2009, Series N;
- \$300 million principal amount of our 5.00% First Mortgage Bonds due 2012, Series O; and
- \$350 million principal amount of our 5.50% First Mortgage Bonds due 2016, Series P; (each series collectively referred to as the "NEW BONDS")

Exchange Offer..... We are offering to exchange (the "EXCHANGE OFFER") to:

- \$150 million principal amount of our 4.40% First Mortgage Bonds due 2009, Series N that have not been registered under the Securities Act for a total principal amount of our 4.40% First Mortgage Bonds due 2009, Series K;
- \$300 million principal amount of our 5.00% First Mortgage Bonds due 2012, Series O that have not been registered under the Securities Act for a total principal amount of our \$300 million principal amount of our 5.00% First Mortgage Bonds due 2012, Series L;

- \$350 million principal amount of our 5.50% Mortgage Bonds due 2016, Series P that have been registered under the Securities Act for a principal amount of our 5.50% First Mortgage Bonds due 2016, Series M;

The new bonds will be offered for all of the outstanding old bonds. The terms of the new bonds will be identical to the terms of the old bonds, except that the registration rights and related liquidated damages provisions and the transfer restrictions are not applicable to the new bonds. The old bonds may be tendered only in integral amounts of \$1,000.

Resale of New Bonds.....

Based on SEC no action letters, we believe that under the Exchange Offer you may offer and sell the new bonds without registration under the Securities Act so long as:

- You acquire the new bonds in the ordinary course of business.
- When the Exchange Offer begins you do not have an arrangement with another person to participate in a distribution of the new bonds.

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- You are not distributing and do not intend to distribute the new bonds.

When you tender the old bonds we will ask you to represent to us that:

- You are not our affiliate.
- You will acquire the new bonds in the ordinary course of business.
- When the Exchange Offer begins you are not distributing and you do not plan to distribute with anyone else the new bonds.

If you are unable to make these representations, you will be required to comply with the registration and prospectus delivery requirements under the Securities Act in connection with any secondary resale transactions.

If you are a broker-dealer and receive new bonds in your own account, you must acknowledge that you will deliver a prospectus if you resell the new bonds. By acknowledging your intent and delivering a prospectus you will not be deemed to admit that you are an "underwriter" under the Securities Act. You may use the prospectus as it is amended from time to time when you resell new bonds that were acquired from market-makers.

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or trading activities. For a year after the Expiration Date we will make this prospectus available to any broker-dealer in connection with such a resale. See "Plan of Distribution."

If necessary, we will cooperate with you to register and qualify the new bonds for offer or sale without any restrictions or limitations under state "blue sky" laws.

Consequences of Failure to Exchange Old Bonds.....

If you do not exchange your old bonds during the Exchange Offer you will no longer be entitled to registration rights. You will not be able to offer or sell the old bonds unless they are later registered and sold pursuant to an exemption from registration or in a transaction not subject to the Securities Act or state securities laws. See "The Exchange Offer--Consequences of Failure to Exchange."

Expiration Date.....

5:00 p.m., EST on \_\_\_\_\_, 2005 (the "EXPIRATION DATE"). We may extend the Exchange Offer.

Conditions to the Exchange Offer.....

No minimum principal amount of old bonds must be tendered to complete the Exchange Offer. However, the Exchange Offer is subject to certain customary conditions, which we may waive. See "The Exchange Offer--Conditions." Other than United States federal and state securities laws we do not need to satisfy any regulatory requirements or obtain any regulatory approval to conduct the Exchange Offer.

Procedures for Tendering Old Bonds .....

If you wish to participate in the Exchange Offer you must complete, sign and date the letter of Transmittal (the "LETTER OF TRANSMITTAL") or a facsimile copy and mail it or deliver it to the Exchange Agent along with any necessary documentation. Instructions and the address of the Exchange Agent will be on the Letter of Transmittal and can be found in this prospectus. See "The Exchange Offer--Procedures for Tendering" and "The Exchange Agent." You must also effect a tender of old bonds pursuant to the procedures for book-entry transfer as described in this prospectus. See "The Exchange Offer--Procedures for Tendering."

Guaranteed Delivery Procedures.....

If you cannot tender the old bonds, complete the Letter of Transmittal or provide the necessary documentation prior to the termination of the Exchange Offer, you may tender your old bonds according to the guaranteed delivery procedures set forth in "The Exchange Offer--Guaranteed Delivery Procedures."

Withdrawal Rights.....

You may withdraw tendered old bonds at any time prior to 5:00 p.m. EST on the Expiration Date. You must see

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written or facsimile withdrawal notice to the Exchange Agent prior to 5:00 p.m. EST on the Expiration Date.

Acceptance of Old Bonds and  
Delivery of New Bonds.....

All old bonds properly tendered to the Exchange Agent prior to 5:00 p.m. EST on the Expiration Date will be accepted for exchange. The new bonds will be delivered prior to the Expiration Date. See "The Exchange Offer: Acceptance of Old Bonds for Exchange; Delivery of New Bonds."

Certain United States Tax  
Consequences.....

Exchanging old bonds for the new bonds will not be a taxable exchange for United States federal income tax purposes. See "Certain United States Federal Income Tax Consequences."

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Exchange Agent.....

JPMorgan Chase Bank, N.A. is the exchange agent ("EXCHANGE AGENT") for the Exchange Offer.

Fees and Expenses.....

We will pay all fees and expenses associated with the Exchange Offer and compliance with the Registration Rights Agreement.

Use of Proceeds.....

We will receive no cash proceeds in connection with the issuance of the new bonds pursuant to the Exchange Offer. See "Use of Proceeds."

THE NEW BONDS

Issuer.....

Consumers Energy Company.

Securities Offered.....

- \$150 million aggregate principal amount of First Mortgage Bonds due 2009, Series N (the "SERIES N BONDS");
- \$300 million aggregate principal amount of First Mortgage Bonds due 2012, Series O (the "SERIES O BONDS"); and
- \$350 million aggregate principal amount of First Mortgage Bonds due 2016, Series P (the "SERIES P BONDS");

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, and as amended and supplemented from time to time (the "INDENTURE").

Maturity.....

The Series N Bonds will mature on August 15, 2009. The Series O Bonds will mature on February 15, 2012. The Series P Bonds will mature on August 15, 2016.

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Interest Rate..... The Series N Bonds will bear interest at 4.40% per annum. The Series O Bonds will bear interest at 5 per annum. The Series P Bonds will bear interest 5.50% per annum.

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Interest Payment Dates..... We will pay interest on each series of the new bonds on February 15 and August 15 of each year, beginning February 15, 2005, and on the date of maturity.

Record Date for Interest Payments..... The first calendar day of the month in which an Interest Payment Date occurs.

Ratings..... BBB- by Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. ("S&P"), Baa3 by Moody's Investors Service, Inc. ("MOODY'S") and BBB- by Fitch IBCA, Inc. ("FITCH"). See "Ratings."

Ranking..... The new bonds will rank equally in right of payment with our other existing or future first mortgage bonds, whether issued either independently or as collateral for outstanding securities or loans.

Mandatory Redemption..... None.

Optional Redemption..... Each series of new bonds will be redeemable at the option of the issuer, in whole or in part, at any time, on not less than 30 days' notice at the applicable redemption price described herein, plus any accrued interest to the date of redemption. See "Description of the New Bonds - Optional Redemption."

Form of New Bonds..... One or more global securities held in the name of the Issuer or a Depository Trust Company ("DTC") in a minimum denomination of \$1,000 and any integral multiple thereof for each series of new bonds.

Settlement and Payment..... Same-day immediately available funds.

Trustee and Paying Agent..... JPMorgan Chase Bank, N.A.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data for the fiscal years ended December 31, 1999 through December 31, 2003 have been derived from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, for the fiscal years ended December 31, 2003, 2002, 2001 and 2000, except for the amounts included from the consolidated financial statements of the MCV Partnership. The MCV Partnership represents an investment accounted for under the equity method of accounting through December 31, 2003, which was audited by another independent registered public accounting firm (the other auditors for 2001 and 2000 have ceased

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operations), for the fiscal years ended December 31, 2003, 2002, 2001 and 2000. The selected financial data for the fiscal year ended December 31, 1999 have been derived from our audited consolidated financial statements, which have been audited by Arthur Andersen LLP, independent accountants (who have ceased operations). The following selected consolidated financial data for the nine months ended September 30, 2004 and 2003 have been derived from our unaudited consolidated financial statements. Please refer to our Form 10-K/A for the fiscal year ended December 31, 2003 and our Form 10-Q for the three-month period ended September 30, 2004, each of which is incorporated by reference herein. Operating results for the nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the entire year ended December 31, 2004. 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. See "Where You Can Find More Information."

	NINE MONTHS ENDED SEPTEMBER 30,		YEAR ENDED DECEMBER 31,				
	2004(1)	2003	2003	2002	2001	2000	1999
	(DOLLARS IN MILLIONS)						
Operating revenue.....	\$ 3,355	\$ 3,223	\$ 4,435	\$ 4,169	\$ 3,976	\$ 3,878	\$ 3,824
Net income.....	163	206	196	381	188	284	340
Net income available to common stockholder.....	162	172	194	335	145	248	313
Total assets.....	12,501	10,231	10,745	9,598	9,191	8,672	8,044
Long-term debt, excluding current maturities.....	3,986	3,531	3,583	2,442	2,472	2,110	2,006
Long-term debt -- related parties.....	506	--	506	--	--	--	--
Non-current portion of capital and finance lease obligations...	318	116	58	116	72	49	85
Preferred stock.....	44	44	44	44	44	44	44
Company-obligated mandatorily redeemable preferred securities of subsidiaries.....	--	490	--	490	520	395	395

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- (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 three and nine months ended September 30, 2004. These entities were consolidated for the first time as of and for the three months ended March 31, 2004 and were previously reported as equity investments. Therefore, the consolidation of these entities had no impact on our consolidated net income for the three and nine months ended September 30, 2004.

### RISK FACTORS

In considering whether to exchange the old bonds for new bonds, you should carefully consider all the information we have included in this prospectus. In



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particular, you should carefully consider the risk factors described below. In addition, please read the information in "Forward-Looking Statements and Information" beginning on page 3 of this prospectus.

IF YOU FAIL TO EXCHANGE YOUR OLD BONDS, YOU MAY BE UNABLE TO SELL THEM.

Because we did not register the old bonds under the Securities Act or any state securities laws, and we do not intend to do so after the Exchange Offer, the old bonds may only be transferred in limited circumstances under applicable securities laws. If the holders of the old bonds do not exchange their old bonds in the Exchange Offer, they may lose their right to have their old bonds registered under the Securities Act, subject to some limitations. As a holder of old bonds after the Exchange Offer, you may be unable to sell your old bonds.

THERE IS NO PUBLIC MARKET FOR THE NEW BONDS, SO YOU MAY BE UNABLE TO SELL THEM.

The new bonds are new securities for which there is currently no market. Consequently, the new bonds will be relatively illiquid, and you may be unable to sell them. We do not intend to apply for listing of the new bonds on any securities exchange or for the inclusion of the new bonds in any automated quotation system. Accordingly, we cannot assure you that a liquid market for the new bonds will develop.

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 December 2004, we had lost 926 MW or 11 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 EXPENSES FROM OUR CUSTOMERS.

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

In June 2000, the Michigan Legislature enacted the Customer Choice Act that became effective June 5, 2000. Pursuant to the Customer Choice Act, residential rates were reduced by 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

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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.

We filed an electric rate case with the MPSC in December 2004 for approximately \$320 million in rate increases. We cannot predict the 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. FERC is currently reviewing information submitted by us to support our ability to continue to sell power at market-based rates. 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 rates be based on cost of service;
- establishing a defined stranded cost calculation method;
- allowing customers who stay with or switch to alternative electric suppliers after December 31, 2005 to return to utility services, and requiring them to pay current market rates upon return;
- establishing reliability standards that all electric suppliers must follow;
- requiring electric utilities and electric alternative 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.

In September 2004, the Chair of the Senate Technology and Energy Committee formed a workgroup, which analyzed the merits of the proposed legislation. Workgroup activities have since concluded that the impact of the proposed legislation is still uncertain. In October 2004, a substitute to one of the bills was introduced, but has not yet been adopted by the Michigan Senate.

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 10(d)(4) OF THE CUSTOMER CHOICE ACT MAY AFFECT OUR FINANCIAL RESULTS.

Section 10(d)(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 expenses 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 10(d)(4). The request includes capital expenditures in excess of depreciation, Clean Air Act costs and other expenses related to changes in law or governmental action incurred during the rate freeze-cap period. Of the \$628 million, \$152 million relates to the cost of money.

As allowed by the Customer Choice Act, in January 2004, we began accruing and deferring for recovery the 2004 portion of our Section 10(d)(4) regulatory assets. In November 2004, the MPSC issued an order in the Detroit Edison Company's general electric rate case, which concluded that the Detroit Edison Company's return of and on Clean Air Act costs incurred from June 2000 through December 2003 are recoverable under Section 10(d)(4). Based on the precedent set by this order, we accrued and recorded an additional regulatory asset of \$55 million (pre-tax), \$36 million net of tax, in November 2004 for our return of and on Clean Air Act expenditures incurred from 2000 through 2003. Additional accruals will continue to be recorded until a decision on our request is issued by the MPSC. Certain aspects of the Detroit Edison Company's electric rate case are different than our Section 10(d)(4) regulatory asset filing. We cannot predict the amount, if any, the MPSC will approve as recoverable and failure to recover these regulatory assets could adversely affect our financial condition.

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

We 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 United States Environmental Protection Agency (the "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 September 30, 2004, we had incurred \$500 million in capital expenditures to comply with the EPA regulations and we anticipate that the remaining \$302 million of capital expenditures will be incurred between 2004 and 2011. Additionally, we currently expect we will supplement our compliance plan with the purchase of nitrogen oxide emissions credits for the years 2004 through 2009. The cost of these credits based on the current market is estimated to average \$7 million per year for 2004-2006 and then decrease with our installation of 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 prudence hearing shall be accrued and

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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

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recovery period.

The EPA has proposed a Clean Air Interstate Rule that would require additional coal-fired electric plant emission controls for nitrogen oxides and sulfur dioxide. If implemented, this rule could potentially require substantial additional expenditures. The rule proposes a two-phase program to reduce emissions of sulfur dioxide by 70 percent and nitrogen oxides by 65 percent by 2015. Additionally, the EPA also proposed two alternative sets of rules to reduce emissions of mercury and nickel from coal-fired and oil-fired electric plants. Until the proposed environmental rules are finalized, an accurate cost of compliance cannot be determined.

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 IN 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

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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

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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.

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 compliance. 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 2005. 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. 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.

Our current credit ratings are discussed in "Ratings." We cannot assure you that these credit ratings will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are not recommendations to

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buy, sell or hold our securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms. We cannot assure you that any of our current ratings or those of our affiliates, including 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. Any lowering of the ratings of our first mortgage bonds would likely reduce the market value of the new bonds.

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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 our common stock held in the plan. The plaintiffs also seek other equitable relief and legal fees. The judge issued an opinion and order dated March 31, 2004 in connection with the motions to dismiss filed by CMS Energy, us and the individuals. The judge dismissed certain of the amended counts in the plaintiffs' complaint and denied CMS Energy's motion to dismiss the other claims in the complaint. CMS Energy, we and the individual defendants filed answers to the amended complaint on May 14, 2004. The judge issued an opinion and order dated December 27, 2004 conditionally granting plaintiff's 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.

In addition to working to resolve the investigation discussed herein, 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, and paid overhead costs to CMS Energy that totaled \$8 million in 2003. 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 A REGULATORY INVESTIGATION 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 (the "DOJ"). CMS Energy has also received subpoenas from U.S. Attorneys Offices regarding investigations of those trades. CMS Energy and Consumers have also been named in numerous class action lawsuits by individuals who allege that they purchased CMS Energy securities during a purported class period. These complaints generally seek unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about our business and financial condition. The cases have been consolidated into a single lawsuit and an amended and consolidated complaint was filed on May 1, 2003. The judge issued an opinion and order dated March 31, 2004 in connection with various pending motions, including the plaintiffs' motion to amend the complaint and the motions to dismiss the complaint filed by CMS Energy, us and other defendants. The judge directed the plaintiffs to file an amended complaint under seal and ordered an expedited hearing on the motion to amend, which was held on May 12, 2004. At the hearing, the judge ordered the plaintiffs to file an amended complaint deleting certain counts related to purchasers of CMS Energy-related securities, which the judge ordered dismissed with prejudice. The plaintiffs filed this complaint on May 26, 2004. CMS Energy, we and the individual defendants filed new motions to dismiss on June 21, 2004. A hearing on those motions occurred on August 2, 2004 and on January 7, 2005, the judge ruled on the motions to dismiss. The judge agreed to dismiss Consumers as well as three individual defendants. The judge denied the motion to dismiss with respect to CMS Energy and the other 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 to commence civil actions (i) to remedy alleged breaches of fiduciary duties by CMS Energy officers and directors in connection with round-trip trading at CMS MST and (ii) to recover damages sustained by CMS Energy as a result of alleged insider trades alleged to have been made by certain current and former officers of CMS Energy and its subsidiaries. In December 2002, two new directors were appointed to 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. The date for CMS Energy and other defendants to answer or otherwise respond to the complaint was stayed by the court to February 21, 2005, subject to such further stays as may be mutually agreed upon by the parties and authorized by the court.

CMS Energy has notified appropriate regulatory and governmental agencies that some employees at CMS MST and CMS Field Services, Inc. (now Cantera Gas

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Company), a former indirect subsidiary of CMS Energy, appeared to have provided inaccurate information regarding

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natural gas trades to various energy industry publications which compile and report index prices. CMS Energy is cooperating with an investigation by the DOJ regarding this matter. On November 25, 2003, the Commodity Futures Trading Commission (the "CFTC") issued a settlement order regarding this matter. CMS MST and CMS Field Services, Inc. agreed to pay a fine to the CFTC totaling \$16 million. CMS Energy neither admitted nor denied the findings of the CFTC in the settlement order.

CMS Energy has also been named as a defendant in several 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 DOJ investigation and the lawsuits. It is possible that the outcome in one or more of the investigation 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 (the "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.

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 \$206 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 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.



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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.

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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 implementation of 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.

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### USE OF PROCEEDS

The Exchange Offer is intended to satisfy our obligations under the Registration Rights Agreement. We will not receive any cash proceeds from the issuance of the new bonds. The old bonds that are surrendered in exchange for the new bonds will be retired and canceled and cannot be reissued. As a result, the issuance of the new bonds will not result in any increase or decrease in our indebtedness. We have agreed to bear the expenses of the Exchange Offer to the extent indicated in the Registration Rights Agreement. No underwriter is being used in connection with the Exchange Offer. We used the net proceeds from the sale of the old bonds of approximately \$792.9 million, after deducting offering discounts but before deducting offering expenses, (i) to redeem the aggregate outstanding balance of \$300 million of our 6% Senior Notes due March 15, 2005, (ii) to redeem the aggregate outstanding balance of \$141 million of our Senior Remarketed Secured Notes due 2018 with an initial interest rate of 6.5% until June 15, 2005, (iii) to redeem the aggregate outstanding balance of \$140 million of our Term Loan Agreement with Beal Bank, S.S.B. with an interest rate of 6.23% and a maturity date of March 26, 2009, (iv) to pay any attendant call premiums associated with those redemptions, (v) to pay accrued interest to the redemption dates and (vi) for general corporate purposes.

### RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for the nine months ended September 30, 2004 and for each of the years ended December 31, 1999 through 2003 are as follows:

	NINE MONTHS ENDED SEPTEMBER 30, 2004	2003	2002	YEAR ENDED DECEMBER 31, 2001
Ratio of earnings to fixed charges (a)	1.98	2.25	3.59 (b)	2.28 (c)

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- (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.
- (b) Excludes a cumulative effect of change in accounting after-tax gain of \$18 million: if included, ratio would be unchanged, since the change in accounting resulted from the equity-based subsidiary, MCV Partnership. The total net income of equity-based subsidiaries is excluded from determining earnings as defined.
- (c) Excludes a cumulative effect of change in accounting after-tax loss of \$11 million; if included, ratio would be 1.81.

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### DESCRIPTION OF THE NEW BONDS

#### GENERAL

The new bonds 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 (the "TRUSTEE"), as amended and supplemented by various supplemental indentures. In connection with the change of the state of incorporation from Maine to Michigan in 1968, Consumers succeeded, and was substituted for, the Maine corporation under the Indenture. At January 21, 2005, ten series of first mortgage bonds in an aggregate principal amount of approximately \$2.550 billion were outstanding under the Indenture, excluding six series of first mortgage bonds in an approximate aggregate principal amount of \$1.373 billion to secure outstanding senior notes and credit facilities and three series of first mortgage bonds in an approximate aggregate principal amount of \$126 million to secure outstanding pollution control revenue bonds.

The statements herein concerning the new bonds 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 supplements thereto, copy of which will be available upon request to the Trustee.

#### PRINCIPAL, MATURITY AND INTEREST

The Indenture permits us to "re-open" this offering of each series of new bonds without the consent of the holders of the new bonds of such series. Accordingly, the principal amount of each series of new bonds may be increased in the future on the same terms and conditions and with the same CUSIP numbers as the new bonds of such series being offered by this prospectus. The Series N Bonds will mature on August 15, 2009, the Series O Bonds will mature on February 15, 2012 and the Series P Bonds will mature on August 15, 2016, unless earlier redeemed or otherwise repaid. The Series N Bonds will bear interest at 4.40% per year, the Series O Bonds will bear interest at a rate of 5.00% per year, and the Series P Bonds will bear interest at a rate of 5.50% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 2005 and at the date of maturity. Interest will be paid to the person in whose name the new bonds are registered at the close of business on the first calendar day of the month in which the interest payment date occurs. 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

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payment date or the date of maturity, as the case may be. So long as the new bonds are in book-entry form, principal of and interest on the new bonds will be payable, and the new bonds 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

Each series of new bonds will be initially issued in the form of one or more global new bonds, in registered form, without coupons, in denominations of \$1,000 and any integral multiple thereof as described under "Book-Entry Only Issuance -- The Depository Trust Company." The global new bonds 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

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a global new bond will not be entitled to have new bonds registered in their names, will not receive or be entitled to receive physical delivery of any such new bond and will not be considered the registered holder thereof under the Indenture.

### OPTIONAL REDEMPTION

Each series of new bonds will be redeemable as a whole or in part, at our option, at any time upon at least 30 days' notice, at a redemption price equal to the greater of (1) 100% of the principal amount of such new bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on such new bonds discounted to the redemption date semi-annually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 20 basis point for the Series N Bonds and the Series O Bonds and plus 25 basis points for the Series P Bonds, plus in any case accrued interest on the new bonds to the date of redemption.

"TREASURY RATE" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"COMPARABLE TREASURY ISSUE" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the applicable new bonds to be redeemed that would be used, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such new bonds.

"INDEPENDENT INVESTMENT BANKER" means Barclays Capital Inc., Citigroup Global Markets Inc. or Merrill Lynch, Pierce, Fenner & Smith Incorporated or, if such firms are unwilling or unable to select the Comparable Treasury Issue, an independent banking institution of national standing selected by us.

"COMPARABLE TREASURY PRICE" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor release) is not

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published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"REFERENCE TREASURY DEALER QUOTATIONS" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"REFERENCE TREASURY DEALER" means (1) each of Barclays Capital Inc., Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "PRIMARY TREASURY DEALER"), we shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary

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Treasury Dealers selected by us.

"REMAINING SCHEDULED PAYMENTS" means, with respect to each new bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such new bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

We will mail notice of any redemption between 30 days and 60 days before the redemption date to each holder of the debt securities to be redeemed.

### SINKING FUND REQUIREMENT

The new bonds 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 for 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 November 30, 2004, unfunded net property additions were \$1.864 billion. Consumers could issue \$1.118 billion of additional first mortgage bonds on the basis of such property additions. In addition, as of January 21, 2005, Consumers could issue \$474 million of additional first mortgage bonds on the basis of first mortgage bonds previously retired.

### LIMITATIONS ON DIVIDENDS

The Indenture does not restrict Consumers' ability to pay dividends on its

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common stock.

### CONCERNING THE TRUSTEE

JPMorgan Chase Bank, N.A. is the Trustee and Paying Agent. 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

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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 new bonds 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 new bonds 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

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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
- 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'

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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

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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.

### BOOK-ENTRY ONLY ISSUANCE -- THE DEPOSITORY TRUST COMPANY

The new bonds that are exchanged for old bonds that were sold to QIBs will be in the form of one or more bonds in registered, global form without interest coupons (the "GLOBAL NEW BONDS"). Upon issuance, the global new bonds 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).

Beneficial interests in all global new bonds and all new bonds in certificated form ("CERTIFICATED NEW BONDS"), if any, 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 new bonds 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 new bonds may be exchanged for certificated new bonds in certain limited circumstances. See " -- Exchange of Interests in Global New Bonds for Certificated New Bonds."

### DEPOSITORY 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

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Participants include securities brokers and dealers (including the Initial Purchasers), 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 new bonds, DTC will credit the accounts of the Direct Participants designated by the Initial Purchasers with portions of the principal amount of the global new bonds allocated by the Initial Purchasers to such Direct Participants and (2) DTC will maintain records of the ownership interests of such Direct Participants in the global new bonds 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 new bonds. 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 new bonds. Investors in the global new bonds 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 new bonds will be

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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 new bond 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 new bond 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 new bonds, see " -- Exchange of Interests in Global New Bonds for Certificated New Bonds."

EXCEPT AS DESCRIBED IN " -- EXCHANGE OF INTERESTS IN GLOBAL NEW BONDS FOR CERTIFICATED NEW BONDS", OWNERS OF BENEFICIAL INTERESTS IN THE GLOBAL NEW BONDS WILL NOT HAVE NEW BONDS REGISTERED IN THEIR NAMES, WILL NOT RECEIVE PHYSICAL DELIVERY OF CERTIFICATED NEW BONDS 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 new bonds are registered (including new bonds represented by global new bonds) 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 new bonds 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 new bonds 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 new bond or (2) any other matter relating to the actions and practices of DTC or any of its Direct Participants or Indirect Participants.

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DTC has advised Consumers that its current payment practice (for payments of principal, interest and the like) with respect to securities such as the new bonds 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 new bonds as shown on DTC's records. Payments by Direct Participants and Indirect Participants to the beneficial owners of the new bonds 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 new bonds, 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 new bonds for all purposes.

The global new bonds 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.



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DTC has advised Consumers that it will take any action permitted to be taken by a holder of new bonds of a series only at the direction of one or more Direct Participants to whose account interests in the related global new bonds are credited and only in respect of such portion of the aggregate principal amount of such new bonds 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 new bonds, DTC reserves the right to exchange the related global new bonds (without the direction of one or more of its Direct Participants) for legended certificated new bonds, and to distribute such certificated new bonds to its Direct Participants. See " -- Exchange of Interests in Global New Bonds for Certificated New Bonds."

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the global new bonds 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 Initial Purchasers 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 NEW BONDS FOR CERTIFICATED NEW BONDS

Global new bonds may be exchanged for certificated new bonds if (1) (a) DTC notifies Consumers that it is unwilling or unable to continue as depository for the global new bonds or Consumers determines that DTC is unable to act as such depository and Consumers thereupon fails to appoint a successor depository 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 new bonds or (3) there shall have occurred and be continuing a default or an event of default with respect to the new bonds. 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 new bond, certificated new bonds will be issued to each person that such Direct Participants and Indirect Participants and DTC identify as being the beneficial owner of the related new bonds.

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Beneficial interests in global new bonds held by any Direct Participant or Indirect Participant may be exchanged for certificated new bonds 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 new bonds delivered in exchange for any beneficial interest in any global new bond 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 new bonds or DTC in identifying the beneficial owners of the related new bonds, and Consumers and the Trustee may conclusively rely on, and will be protected in relying on, instructions from the holder of the global new bond or DTC for all purposes.

### CERTIFICATED NEW BONDS

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Certificated new bonds may be exchangeable for other certificated new bonds of any authorized denominations and of a like aggregate principal amount and tenor. Certificated new bonds 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 new bonds; 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 new bonds.

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

If a certificated new bond 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 new bonds must be surrendered before substitute new bonds will be issued.

### SAME DAY SETTLEMENT

Payments in respect of the new bonds represented by the global new bonds (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 new bonds. Principal, premium, if any, and interest and liquidated damages, if any, on all certificated new bonds 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.

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### RATINGS

S&P has assigned each series of old bonds a rating of BBB - , Moody's has assigned each series of old bonds a rating of Baa3 and Fitch has assigned each series of old bonds a rating of BBB-. The terms of the new bonds will be identical in all material respects to the terms of the old bonds, except that the registration rights and related liquidated damages provisions and the transfer restrictions applicable to the old bonds will not be applicable to the new bonds. The new bonds will have the same financial terms and covenants as the old bonds, and will be subject to the same business and financial risks. The ratings mentioned above 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; Moody's Investors Service, Inc.,

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99 Church Street, New York, New York 10007; and Fitch, Inc., 1 State Street Plaza, New York, New York 10004. 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 Initial Purchasers have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the old bonds. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the new bonds.

### THE EXCHANGE OFFER

#### PURPOSE OF THE EXCHANGE OFFER

We initially sold the old bonds in private offerings to Barclays Capital Inc., Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., ABN AMRO Incorporated, BNP Paribas Securities Corp., Comerica Securities, Inc., Fifth Third Securities, Inc., Huntington Capital Corp., J.P. Morgan Securities Inc., and Wedbush Morgan Securities Inc. (the "INITIAL PURCHASERS") pursuant to a purchase agreement dated August 11, 2004 between us and them. The Initial Purchasers resold the old bonds to QIBs in reliance on, and subject to the restrictions imposed under, Rule 144A under the Securities Act. As of the date of this prospectus, \$800 million of the old bonds are outstanding.

#### EXCHANGE OFFER REGISTRATION

In connection with the private offering of the old bonds, we entered into a Registration Rights Agreement with the Initial Purchasers pursuant to which we agreed, for the benefit of the holders of the old bonds, at our cost to:

- within 180 days following the original issue date of the old bonds, prepare and file with the SEC an exchange offer registration statement with respect to a proposed exchange offer and the issuance and delivery to the holders, in exchange for the old bonds of each series, of new bonds, which will have terms identical in all material respects to the old bonds of such series, except that the new bonds will not contain terms with respect to transfer restrictions and will not provide for the payment of additional interest under the circumstances described below;
- use our reasonable best efforts to cause the exchange offer registration statement to be declared effective under the Securities Act within either 270 days of the original issue date

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of the old bonds;

- use our reasonable best efforts to keep the exchange offer registration statement effective until the closing of the exchange offer; and
- use our reasonable best efforts to cause the exchange offer to be consummated not later than 30 days following the effectiveness of the exchange offer registration statement.

The new bonds will be issued under the Indenture. Upon the effectiveness of the exchange offer registration statement, we will offer the new bonds in exchange for surrender of the old bonds of the related series. We will keep the

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Exchange Offer open for not less than 20 business days after the date notice of the Exchange Offer is mailed to the holders of the old bonds of the rela