CONSUMERS ENERGY CO
Form 424B2
March 03, 2009

Table of Contents

Filed Pursuant to Rule 424(b)(2)
Registration Statement No. 333-153353-03

The registrant is updating the Calculation of Registration Fee table set forth in the Registration Statement on Form S-3 (Registration No. 333-153353-03) to indicate the $500,000,000 aggregate offering price of securities offered hereby and the filing fee of $19,650, calculated in accordance with Rule 457(r). This filing fee is offset by amounts previously paid with respect to unsold securities ($5,250) that were registered under the Registration Statement on Form S-3 (Registration No. 333-120611) initially filed with the Securities and Exchange Commission on November 18, 2004. In addition, this filing fee is offset by amounts previously paid with respect to the registrant s parent, CMS Energy Corporation s, unsold securities ($114,757.50) that were registered under the Registration Statement on Form S-3 (Registration No. 333-125553) filed on June 6, 2005. Accordingly, no filing fee is paid herewith, and the unused portion of the previously paid filing fee by CMS Energy Corporation is reduced to $100,357.50.

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED SEPTEMBER 5, 2008

$500,000,000

Consumers Energy Company

6.70% First Mortgage Bonds due 2019

We are offering $500,000,000 of our 6.70% First Mortgage Bonds due 2019, referred to as the Bonds.

The Bonds will bear interest at the rate of 6.70% per year. Interest on the Bonds is payable semi-annually in arrears on March 15 and September 15, commencing on September 15, 2009, and on the date of maturity. The Bonds will mature on September 15, 2019. We may redeem some or all of the Bonds at our option at any time at 100% of their principal amount, plus any applicable premium thereon at the time of redemption, plus accrued and unpaid interest to the redemption date. See Description of the Bonds Optional Redemption.

The Bonds will be issued only in denominations of $1,000 and integral multiples of $1,000. The Bonds will rank equally in right of payment with our other existing or future first mortgage bonds issued either independently or as collateral for outstanding or future indebtedness.

This investment involves risk. See Risk Factors beginning on page S-7.

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

	Per Bond	Total
Public Offering Price	99.952%	$499,760,000
Underwriting Discount	0.650%	$ 3,250,000
Proceeds to Consumers (before expenses)	99.302%	$496,510,000

Interest on the Bonds will accrue from March 6, 2009 to date of delivery.

The underwriters expect to deliver the Bonds through the book-entry facilities of The Depository Trust Company in New York City on or about March 6, 2009 against payment therefor.

Joint Book-Running Managers

Barclays Capital **J.P. Morgan**

BNP PARIBAS **Scotia Capital** **SunTrust Robinson Humphrey**

Comerica Securities	**RBS Greenwich Capital**	**KeyBanc Capital Markets**

Wedbush Morgan Securities Inc.

Blaylock Robert Van, LLC	**Fifth Third Securities**	**The Williams Capital Group, L.P.**

The date of this prospectus supplement is March 2, 2009.

TABLE OF CONTENTS

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus or to documents to which we have referred you. We have not authorized anyone to provide you with different information. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. This document may only be used where it is legal to sell these securities. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date on the front of each such document.

ABOUT THIS PROSPECTUS SUPPLEMENT

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

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed jointly with our parent, CMS Energy Corporation (**CMS Energy**), with the Securities and Exchange Commission (**SEC**) using a shelf registration process as a well-known seasoned issuer. Under the registration statement, we may sell securities, including Bonds, of which this offering is a part.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the **Exchange Act**), and, therefore, we are required to file reports, proxy statements and other information with the SEC under File No. 1-5611. Our SEC filings are available over the Internet at the SEC s web site at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room at 100 F Street, NE, Room 1580, Washington, DC, 20549. Please call the SEC at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. You may also inspect our SEC reports and other information at the New York Stock Exchange, 20 Broad Street, New York, New York, 10005. You can find additional information about us, including our Annual Report on Form 10-K for the year ended December 31, 2008, on the web site of our parent company at http://www.cmsenergy.com. The information on this web site is not a part of this prospectus supplement and the accompanying prospectus.

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

Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 25, 2009

Current Report on Form 8-K filed on January 27, 2009

The documents filed by us with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement, until the offering of the Bonds pursuant to this prospectus supplement is terminated, are also incorporated by reference into this prospectus supplement and the accompanying prospectus. Any statement contained in such document will be deemed to be modified or superseded for purposes of this prospectus supplement and the accompanying prospectus to the extent that a statement contained in this prospectus supplement and the accompanying prospectus or any other subsequently filed document modifies or supersedes such statement.

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

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

Table of Contents

SUMMARY

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

Consumers Energy Company

Consumers, a wholly-owned subsidiary of CMS Energy, is a combination electric and gas utility company that provides electricity and/or natural gas to customers in Michigan s lower peninsula. Consumers electric utility operations include the generation, purchase, distribution and sale of electricity. As of December 31, 2008, Consumers electric utility was authorized to provide electric utility service in 61 of the 68 counties in Michigan s lower peninsula. At December 31, 2008, Consumers electric utility owned and operated 31 electric generating plants with an aggregate of 6,536 MW of capacity. Consumers gas utility operations purchase, transport, store, distribute and sell natural gas. As of December 31, 2008, Consumers gas utility was authorized to provide gas utility service in 46 of the 68 counties in Michigan s lower peninsula. At December 31, 2008, Consumers gas utility owned and operated 26,451 miles of distribution mains and 1,656 miles of transmission lines throughout Michigan s lower peninsula. Consumers principal executive offices are located at One Energy Plaza, Jackson, Michigan 49201, and Consumers telephone number is (517) 788-0550.

Recent Developments

2008 Results of Operations

NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDER

	In Millions		
Years Ended December 31,	**2008**	**2007**	**Change**
Electric	$271	$196	$ 75
Gas	89	87	2
Other (includes the MCV Partnership interest)	2	27	(25)
Net Income Available to Common Stockholder	$362	$310	$ 52

For 2008, Consumers net income available to its common stockholder was $362 million, compared to $310 million for 2007. The increase reflects higher net income from Consumers electric utility segment primarily due to rate increases authorized in December 2007 and June 2008 and reduced costs associated with Consumers power purchase agreement with the Midland Cogeneration Venture Limited Partnership (the **MCV Partnership**). Partially offsetting these increases was a decrease in electric deliveries and increased depreciation expense.

Specific changes to net income available to Consumers common stockholder for 2008 versus 2007 are:

	In Millions
increase in electric delivery revenue primarily due to the Michigan Public Service Commission s (**MPSC**) December 2007 and June 2008 electric rate orders;	$ 109
decrease in electric operating expense due to the absence, in 2008, of certain costs that are no longer incurred under Consumers power purchase agreement with the MCV Partnership;	29
absence of nuclear operating and maintenance costs;	25
increase in gas delivery revenue primarily due to the MPSC s August 2007 gas rate order;	20
decrease in electric deliveries;	(51)
decrease in other income;	(48)

increase in depreciation expense; and		(31)
other net decreases		(1)
Total change	$	52

Table of Contents

The Offering

Issuer	Consumers Energy Company.
Securities Offered	$500,000,000 aggregate principal amount of 6.70% First Mortgage Bonds due 2019 (the **Bonds**) to be issued under the indenture dated as of September 1, 1945 between us and The Bank of New York Mellon (ultimate successor to City Bank Farmers Trust Company), as trustee (the **Trustee**), and as amended and supplemented from time to time (the **Indenture**).
Maturity	The Bonds mature on September 15, 2019.
Interest Rate	The Bonds will bear interest at 6.70% per annum.
Interest Payment Dates	Interest on the Bonds is payable semi-annually on March 15 and September 15 of each year, beginning September 15, 2009, and at maturity.
Record Date for Interest Payments	The record date for interest payments on the Bonds will be the first calendar day of the month in which an interest payment date occurs.
Use of Proceeds	We estimate that the net proceeds from the sale of the Bonds, after deducting offering discounts but before deducting offering expenses, will be $496,510,000. We will use the net proceeds of the offering of the Bonds for general corporate purposes.
Ratings	BBB by Standard & Poor s Ratings Group, a division of The McGraw-Hill Companies, Inc. (**S&P**), Baa1 by Moody s Investors Service, Inc. (**Moody s**) and BBB+ by Fitch, Inc. (**Fitch**). Note that a securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.
Ranking	The Bonds will rank equally in right of payment with our other existing or future first mortgage bonds issued either independently or as collateral for outstanding or future securities or loans.
Mandatory Redemption	None.
Optional Redemption	The Bonds will be redeemable at our option, in whole or in part, at any time, on not less than 30 days nor more than 60 days notice at a price equal to 100% of the principal amount of the Bonds to be redeemed plus any accrued and unpaid interest, and applicable premium owed, if any, to the redemption date. See Description of the Bonds Optional Redemption.
Form of Bonds	One or more global securities held in the name of The Depository Trust Company (**DTC**) in a minimum denomination of $1,000 and any integral multiple thereof.
Trustee and Paying Agent	The Bank of New York Mellon.

Risk Factors	You should carefully consider each of the factors referred to or as described in the section of this prospectus supplement entitled Risk Factors starting on page S-7, including the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, before purchasing the Bonds.

Table of Contents

Selected Historical Consolidated Financial Data

The following selected historical consolidated financial data for the fiscal years ended December 31, 2008 and 2007 have been derived from our audited consolidated financial statements, which have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm. The following selected historical consolidated financial data for the fiscal years ended December 31, 2004 through December 31, 2006 have been derived from our audited consolidated financial statements, which have been audited by Ernst & Young LLP, independent registered public accounting firm, except for the amounts included from the consolidated financial statements of the MCV Partnership. The MCV Partnership, a 49% owned variable interest entity which we sold in November 2006, was consolidated in our financial statements beginning in 2004 through the date of sale and was audited by PricewaterhouseCoopers LLP for all periods through the date of sale. The financial information set forth below is qualified by and should be read in conjunction with our consolidated financial statements, related notes and other financial information also incorporated by reference in this prospectus supplement. See Where You Can Find More Information. For selected balance sheet information, see Capitalization.

	Year Ended December 31,				
	2008	2007	2006	2005	2004
			(In millions)		
Income Statement Data:					
Operating revenue	$ 6,421	$ 6,064	$ 5,721	$ 5,232	$ 4,711
Earnings from equity method investees			1	1	1
Income (loss) before cumulative effect of change in accounting principle	364	312	186	(96)	280
Cumulative effect of change in accounting					(1)
Net income (loss)	364	312	186	(96)	279
Net income (loss) available to common stockholder	362	310	184	(98)	277
Balance Sheet Data (At Period End Date):					
Total assets (a)	14,246	13,401	12,845	13,178	12,811
Long-term debt, excluding current portion (a)	3,908	3,692	4,127	4,303	4,000
Long-term debt related parties, excluding current portion					326
Non-current portion of capital and finance lease obligations	206	225	42	308	315
Total preferred stock	44	44	44	44	44
Cash Flow or Other Data:					
Cash provided by operations	873	440	474	639	595
Capital expenditures, excluding capital lease additions	789	1,258	646	572	508

(a) Until their sale in November 2006, we were the primary beneficiary of both the MCV Partnership and the First Midland Limited Partnership. As a result, we consolidated their assets, liabilities and activities into our consolidated financial statements as of and for the years ended December 31, 2005 and 2004. These partnerships had third party obligations totaling $482 million at December 31, 2005 and $582 million at December 31, 2004. Property, plant and equipment serving as collateral for these obligations had a carrying value of $224 million at December 31, 2005 and $1.426 billion at December 31, 2004.

Table of Contents

RISK FACTORS

An investment in the Bonds involves a significant degree of risk. You should carefully consider the following risk factors, together with all of the other information included or incorporated by reference in this prospectus supplement. In particular, you should carefully consider the factors listed in Management s Discussion and Analysis Forward-Looking Statements and Information as well as the Risk Factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which is incorporated by reference into this prospectus supplement, before you decide to purchase the Bonds. This prospectus supplement, the accompanying prospectus and the documents that we incorporate or that are deemed to be incorporated in this prospectus supplement or the accompanying prospectus, and other written and oral statements that we make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995 and relevant legal decisions. Our intention with the use of such words as may , could , anticipates , believes , estimates , expects , intends , plans and other similar words is to identify forward-looking statements that involve risk and uncertainty. We have no obligation to update or revise any forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in the statements. The risks and uncertainties described below and those incorporated from the referenced Annual Report on Form 10-K are not the only ones we may confront. Additional risks and uncertainties not currently known to us or that we currently deem not material also may impair our business operations. If any of those risks actually occur, our financial condition, operating results and prospects could be materially adversely affected. This section contains forward-looking statements.

We cannot assure you that an active trading market will develop for the Bonds.

The Bonds will constitute a new series of securities with no established trading market. As we do not intend to apply to list the Bonds for trading on any national securities exchange or to include the Bonds in any automated quotation system, we cannot assure you that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Bonds to sell their Bonds or the price at which holders of the Bonds will be able to sell their Bonds. Future trading prices of the Bonds will also depend on many other factors, including, among other things, prevailing interest rates, the market for similar securities, the ratings of the Bonds from time to time, our performance and other factors.

If the ratings of the Bonds are lowered or withdrawn, the market value of the Bonds could decrease.

A rating is not a recommendation to purchase, hold or sell the Bonds, inasmuch as the rating does not comment as to market price or suitability for a particular investor. The ratings of the Bonds address the likelihood of the timely payment of interest and the ultimate repayment of principal of the Bonds pursuant to their respective terms. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances in the future so warrant. In the event that any of the ratings initially assigned to the Bonds is subsequently lowered or withdrawn for any reason, you may not be able to resell your Bonds without a substantial discount.

We may choose to redeem the Bonds prior to maturity.

We may redeem all or a portion of the Bonds at any time. See Description of the Bonds Optional Redemption. If prevailing interest rates are lower at the time of redemption, you may not be able to reinvest the redemption proceeds in a comparable security at an interest rate as high as the interest rate of the Bonds being redeemed.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the Bonds, after deducting offering discounts but before deducting offering expenses, will be $496,510,000. We will use the net proceeds of the offering of the Bonds for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges for each of the years ended December 31, 2004 through 2008 are as follows:

	Year Ended December 31,				
	2008	2007	2006	2005	2004
Ratio of earnings to fixed charges: (a)	3.04	2.49	1.54	(b)	2.27

(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) For the year ended December 31, 2005, fixed charges exceeded earnings by $591 million. Earnings as defined include asset impairment charges of $1.184 billion.

See Exhibit 12(b) to Consumers Annual Report on Form 10-K for the fiscal year ended December 31, 2008 for the items constituting earnings and fixed charges, including the estimated interest portion of lease rental in respect of fixed charges.

Table of Contents

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2008 on an actual basis and as adjusted to reflect the sale of $500,000,000 of Bonds in this offering and the application of the net proceeds as described under Use of Proceeds. This table should be read in conjunction with Selected Historical Consolidated Financial Data contained in this prospectus supplement and our consolidated financial statements and related notes and other financial information also incorporated by reference in this prospectus supplement. See Where You Can Find More Information.

	At December 31, 2008	
	Actual	As Adjusted (Unaudited)
	(In millions)	
Common stockholder s equity	$ 3,705	$ 3,705
Preferred stock	44	44
Long-term debt:		
6.70% First Mortgage Bonds due 2019		500
Other long-term debt (excluding current maturities)	3,908	3,908
Non-current portion of capital and finance lease obligations	206	206
Total capitalization	$ 7,863	$ 8,363
Current portion of long-term debt, capital and finance lease obligations	408	408
Total capitalization and current portion of long-term debt, capital and finance lease obligations	$ 8,271	$ 8,771

S-9

Table of Contents

DESCRIPTION OF THE BONDS

General

The Bonds are to be issued under an Indenture dated as of September 1, 1945, between Consumers and The Bank of New York Mellon (ultimate successor to City Bank Farmers Trust Company), as trustee, as amended and supplemented by various supplemental indentures and as supplemented by the 111th Supplemental Indenture dated as of March 6, 2009. In connection with the change of the state of incorporation from Maine to Michigan in 1968, Consumers succeeded to, and was substituted for, the Maine corporation under the Indenture. At January 31, 2009, 14 series of first mortgage bonds in an aggregate principal amount of approximately $3.517 billion were outstanding under the Indenture, excluding four series of first mortgage bonds in an approximate aggregate principal amount of $1.03 billion to secure outstanding senior notes and credit facilities and two series of first mortgage bonds in an approximate aggregate principal amount of $57.9 million to secure outstanding pollution control and solid waste revenue bonds.

The statements herein concerning the 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 111th Supplemental Indenture, copies of which will be made available upon request to the Trustee.

Principal, Maturity and Interest

The Bonds are initially being offered in the aggregate principal amount of $500,000,000. The Indenture permits Consumers to re-open this issuance of Bonds without the consent of the holders of the Bonds. Accordingly, the principal amount of the Bonds may be increased in the future on the same terms and conditions and with the same CUSIP numbers as the Bonds being offered by this prospectus supplement. The Bonds will mature on September 15, 2019 unless earlier redeemed or otherwise repaid. The Bonds will bear interest at a rate of 6.70% per year, payable semi-annually in arrears on March 15 and September 15 of each year and at the date of maturity. Interest is payable to the person in whose name the Bonds are registered at the close of business on the first calendar day of the month in which the interest payment date occurs. The initial interest payment date for the Bonds will be September 15, 2009. Interest payable on the Bonds on any interest payment date or on the date of maturity will be the amount of interest accrued from and including the date of original issuance or from and including the most recent interest payment date on which interest has been paid or duly made available for payment to but excluding such interest payment date or the date of maturity, as the case may be. So long as the Bonds are in book-entry form, principal of and interest on the Bonds will be payable, and the Bonds may be transferred, only through the facilities of DTC. If any interest payment date for the Bonds 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 on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration, Transfer and Exchange

The Bonds will be initially issued in the form of one or more bonds, in registered form, without coupons (**Global Bonds**), in denominations of $1,000 and any integral multiple thereof as described under Book-Entry Only Issuance The Depository Trust Company. The Global 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 a Global Bond will not be entitled to have Bonds registered in their names, will not receive or be entitled to receive physical delivery of any such Bond and will not be considered the registered holder thereof under the Indenture.

Optional Redemption

The Bonds will be redeemable at Consumers option, in whole or in part, at any time or from time to time, at a redemption price equal to 100% of the principal amount of such Bonds being redeemed plus the Applicable Premium (as defined below), if any, thereon at the time of redemption, together with accrued interest, if any, thereon to the redemption date. In no event will the redemption price be less than 100% of the principal amount of the Bonds plus accrued interest, if any, thereon to the redemption date.

The following definitions are used to determine the Applicable Premium:

Applicable Premium means, with respect to a Bond (or portion thereof) being redeemed at any time, the excess of (A) the present value at such time of the principal amount of such Bond (or portion thereof) being redeemed plus all scheduled interest payments on such Bond (or portion thereof excluding interest accrued to the redemption date) after the redemption date, which present

Table of Contents

value shall be computed using a discount rate equal to the Treasury Rate (as defined below) plus 50 basis points, over (B) the principal amount of such Bond (or portion thereof) being redeemed at such time. For purposes of this definition, the present values of interest and principal payments will be determined in accordance with generally accepted principles of financial analysis.

Treasury Rate means the yield to maturity at the time of computation of United States Treasury securities adjusted to constant maturity under the caption Treasury constant maturities, Nominal (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) (the **Statistical Release**)) which has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the then remaining average life to stated maturity of the Bonds; provided, however, that if the average life (rounded to the first decimal point) to stated maturity of the Bonds is not equal to the constant maturity of a United States Treasury security for which a weekly average yield (in the Statistical Release columns labeled Week Ending) is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given.

The Treasury Rate will be calculated on the third business day preceding the date fixed for redemption.

If the original redemption date is on or after a record date and on or before the relevant interest payment date, the accrued and unpaid interest, if any, will be paid to the person or entity in whose name the Bond is registered at the close of business on the record date, and no additional interest will be payable to the holders whose Bonds shall be subject to redemption.

If less than all of the Bonds are to be redeemed, the Trustee shall select, in such manner as it shall deem appropriate and fair, the particular Bonds or portions thereof to be redeemed. Notice of redemption shall be given by mail not less than 30 nor more than 60 days prior to the date fixed for redemption to the holders of the Bonds to be redeemed (which, as long as the Bonds are held in the book-entry system, will be DTC (or its nominee) or a successor depositary); provided, however, that the failure to duly give such notice by mail, or any defect therein, shall not affect the validity of any proceedings for the redemption of the Bonds as to which there shall have been no such failure or defect. On and after the date fixed for redemption (unless Consumers shall default in the payment of the Bonds or portions thereof to be redeemed at the applicable redemption price, together with accrued interest, if any, thereon to such date), interest on the Bonds or the portions thereof so called for redemption shall cease to accrue.

Sinking Fund Requirement

The 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 in principal amount of 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. Such future issuances are also subject to certain other requirements set forth in the Indenture. As of December 31, 2008, unfunded net property additions were $3.565 billion, and Consumers could issue $2.139 billion of additional first mortgage bonds on the basis of such property additions. In addition, as of February 28, 2009, Consumers could issue $235 million of additional first mortgage bonds on the basis of first mortgage bonds previously retired.

The Bonds are to be issued upon the basis of unfunded net property additions and retired bonds.

Limitations on Dividends

The 111th Supplemental Indenture does not restrict Consumers ability to pay dividends on its common stock.

Table of Contents

Concerning the Trustee

The Bank of New York Mellon is the Trustee and paying agent under the Indenture. Consumers and its affiliates maintain depository and other normal banking relationships with The Bank of New York Mellon.

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

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

Priority and Security

The 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 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 sold or exchanged, upon the basis of:

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

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

Modification of Indenture

The Indenture, the rights and obligations of Consumers and the rights of the holders of first mortgage bonds may be modified by Consumers with the consent of the holders of 75% in principal amount of the first mortgage bonds and of not less than 60% of the

principal amount of each series affected. In general, however, no modification of the terms of payment of principal or interest and no modification affecting the lien or reducing the percentage required for modification is effective against any first mortgage bonds without the first mortgage bondholders consent. Consumers has reserved the right without any consent or other action by the holders of first mortgage bonds of any series created after September 15, 1993 or by the holder of any senior note or exchange note that is secured by first mortgage bonds to amend the Indenture in order to substitute a majority in principal amount of first mortgage bonds outstanding under the Indenture for the 75% requirement set forth above (and then only in respect of such series of outstanding bonds as shall be affected by the proposed action) and to eliminate the requirement for a series-by-series consent requirement.

Defaults

The Indenture defines the following as defaults :

- failure to pay principal when due;
- failure to pay interest for 60 days;
- failure to pay any installment of any sinking or other purchase fund for 90 days;
- certain events in bankruptcy, insolvency or reorganization; and
- failure to perform any other covenant for 90 days following written demand by the Trustee for Consumers to cure such failure.

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

Book-Entry Only Issuance The Depository Trust Company

The Bonds initially will be in the form of one or more Global Bonds. Upon issuance, the Global 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).

Transfer of beneficial interests in any Global Bonds 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 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 Bonds may be exchanged for bonds in certificated form (**Certificated Bonds**) in certain limited circumstances. See Exchange of Interests in Global Bonds for Certificated Bonds.

Depositary Procedures

DTC has advised Consumers that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the **Direct Participants**) and to facilitate the clearance and settlement of transactions in those securities between Direct Participants through electronic book-entry changes in accounts of Direct Participants. The Direct Participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations. Access to DTC s system is also available to other entities that clear through or maintain a direct or indirect, custodial relationship with a Direct Participant (collectively, the **Indirect Participants**). DTC may hold securities beneficially owned by other persons only through the Direct Participants or Indirect Participants, and such other persons ownership interest and transfer of ownership interest will be recorded only on the records of the appropriate Direct Participant and/or Indirect Participant, and not on the records maintained by DTC.

DTC has also advised Consumers that, pursuant to DTC s procedures, (1) upon deposit of the Global Bonds, DTC will credit the accounts of the Direct Participants designated by the underwriters with portions of the principal amount of the Global Bonds allocated

by the underwriters to such Direct Participants and (2) DTC will maintain records of the ownership interests of such Direct Participants in the Global 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 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 Bonds. Investors in the Global 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 Bonds will be subject to the procedures and requirements of DTC.

The laws of some states require that certain persons take physical delivery in definitive, certificated form of securities that they own. This may limit or curtail the ability to transfer beneficial interests in a Global 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 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 Bonds, see Exchange of Interests in Global Bonds for Certificated Bonds.

Except as described in Exchange of Interests in Global Bonds for Certificated Bonds, owners of beneficial interests in the Global Bonds will not have Bonds registered in their names, will not receive physical delivery of Certificated 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 Bonds are registered (including Bonds represented by Global 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 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 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 Bond or (2) any other matter relating to the actions and practices of DTC or any of its Direct Participants or Indirect Participants.

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

The Global 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.

DTC has advised Consumers that it will take any action permitted to be taken by a holder of Bonds of a series only at the direction of one or more Direct Participants to whose account interests in the related Global Bonds are credited and only in respect of such portion of the aggregate principal amount of such 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 Bonds, DTC reserves the right to exchange the related Global Bonds (without the direction of one or more of its

Direct Participants) for legended Certificated Bonds, and to distribute such Certificated Bonds to its Direct Participants. See Exchange of Interests in Global Bonds for Certificated Bonds.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the Global 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 underwriters or the Trustee will have any responsibility for the performance by DTC, or its respective Direct Participants and Indirect Participants, of their respective obligations under the rules and procedures governing any of their operations.

Table of Contents

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 Bonds for Certificated Bonds

Global Bonds may be exchanged for Certificated Bonds if (1) (a) DTC notifies Consumers that it is unwilling or unable to continue as depositary for the Global Bonds or Consumers determines that DTC is unable to act as such depositary and Consumers thereupon fails to appoint a successor depositary within 90 days or (b) DTC has ceased to be a clearing agency registered under the Exchange Act, (2) Consumers, at its option, notifies the Trustee in writing that it elects to cause the issuance of Certificated Bonds or (3) there shall have occurred and be continuing a default or an event of default with respect to the 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 Bond, Certificated 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 Bonds.

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

Certificated Bonds

Certificated Bonds may be exchangeable for other Certificated Bonds of any authorized denominations and of a like aggregate principal amount and tenor. Certificated 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 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 Bonds.

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

If a Certificated 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 Bonds must be surrendered before new Bonds will be issued.

Same Day Settlement

Payments in respect of the Bonds represented by the Global 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 Bonds. Principal, premium, if any, and interest and liquidated damages, if any, on all Certificated 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.

Table of Contents

RATINGS

S&P has assigned the Bonds a rating of BBB, Moody s has assigned the Bonds a rating of Baa1 and Fitch has assigned the Bonds a rating of BBB+. Such ratings reflect only the views of such ratings agencies, and do not constitute a recommendation to buy, sell or hold securities. In general, ratings address credit risk. Each rating should be evaluated independently of any other rating. An explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Standard & Poor s, 25 Broadway, New York, New York 10004; Moody s Investors Service, Inc., 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 underwriters have undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Bonds. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement for the Bonds dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amounts of Bonds set forth opposite the underwriter s name.

Underwriters		Principal Amount of Bonds
Barclays Capital Inc.	$	80,000,000
J.P. Morgan Securities Inc.		80,000,000
BNP Paribas Securities Corp.		80,000,000
Scotia Capital (USA) Inc.		80,000,000
SunTrust Robinson Humphrey, Inc.		80,000,000
Comerica Securities, Inc.		18,750,000
Greenwich Capital Markets, Inc.		18,750,000
KeyBanc Capital Markets Inc.		18,750,000
Wedbush Morgan Securities Inc.		18,750,000
Blaylock Robert Van, LLC		8,333,000
Fifth Third Securities, Inc.		8,334,000
The Williams Capital Group, L.P.		8,333,000
Total	$	500,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the Bonds are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase and accept delivery of all Bonds if any are purchased.

The underwriters propose to offer the Bonds directly to the public at the public offering price set forth on the cover page of this prospectus supplement and may offer the Bonds to dealers at the public offering price less a concession not to exceed 0.40% of the principal amount of the Bonds. The underwriters may allow, and dealers may reallow, a concession not to exceed 0.25% of the principal amount of the Bonds on sales to other dealers. After the initial offering of the Bonds to the public, the representatives may change the public offering price and concessions.

We estimate that our out-of-pocket expenses for this offering will be approximately $300,000.

The underwriters have advised us that they currently intend to make a market in the Bonds. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Bonds at any time without notice. In addition, marketing-making activity will be subject to the limits imposed by the Securities Act of 1933, as amended (the **Securities Act**), and the Exchange Act.

In connection with this offering, the underwriters may purchase and sell Bonds in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of Bonds in excess of the principal amount of Bonds to be purchased by the underwriters in this offering, which creates a short position for the underwriters. Covering transactions involve purchases of the Bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Bonds made for the purpose of preventing or retarding a decline in the market price of the Bonds while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Bonds. They may also cause the price of the Bonds to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We expect to deliver the Bonds against payment for the Bonds on or about the date specified in the last paragraph of the cover page of this prospectus supplement, which will be the fourth business day following the date of pricing of the Bonds. Since trades in the secondary market generally settle in three business days, purchasers who wish to trade Bonds on the date of pricing will be required, by virtue of the fact that the Bonds initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement.

The underwriters have performed investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and expenses. Affiliates of some of the underwriters are lenders to us and our affiliates under our credit facilities. Some of the underwriters and their affiliates may engage in other transactions with, and perform other services for, us and our affiliates in the ordinary course of business.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make because of any of those liabilities.

UnionBanc Investment Services LLC, a Financial Industry Regulatory Authority member and subsidiary of Union Bank, N.A., is being paid a referral fee by Wedbush Morgan Securities Inc.

LEGAL OPINIONS