CMS ENERGY CORP
Form 8-K
March 07, 2002

FORM 8-K

CURRENT REPORT

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 4, 2002

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employ Identifica
1-9513	CMS ENERGY CORPORATION (A Michigan Corporation) Fairlane Plaza South, Suite 1100 330 Town Center Drive Dearborn, Michigan 48126 (313) 436-9261	38-2726431
1-5611	CONSUMERS ENERGY COMPANY (A Michigan Corporation) 212 West Michigan Avenue Jackson, Michigan (517) 788-1030	38-0442310
1-2921	PANHANDLE EASTERN PIPE LINE COMPANY (A Delaware Corporation) 5444 Westheimer Road, P.O. Box 4967 Houston, Texas 77210-4967 (713) 989-7000	44-0382470

ITEM 5. OTHER EVENTS

On February 4, 2002, CMS Energy Corporation issued a press release announcing its fourth quar earnings and webcast a conference call on those 2001 earnings and the Corporation's financial o the following disclosures were provided in that press release and/or webcast conference call:

CMS Energy's Consolidated Earnings

For the year 2001, CMS Energy's net operating earnings were $1.41 per share or $185 million, operating earnings of $2.21 per share or $246 million. Consolidated reported net income for 2 million, or $4.17 loss per share, compared to reported net income of $36 million, or $0.3 Reconciling items excluded from net operating earnings reduced earnings by $730 million, $613 previously recorded in the third quarter of 2001. These items included the effects of loss cont reduced asset valuations ($249 million), asset sales ($37 million), discontinued operations ($18

retirement ($18 million), Argentina-related charge ($18 million) and the cumulative effect of
for purchased power options ($11 million). Items that were excluded from 2000 net operating ear
by $210 million.

CMS Energy's 2001 net operating earnings were negatively affected primarily by increased power p
six month unplanned outage at the Palisades nuclear plant, near-record warm weather in the
impact of the economic slowdown on electric and gas sales. The Palisades nuclear plant, which w
in January 2002, is owned by Consumers Energy Company, which is CMS Energy's Michigan utility sub

CMS Energy's net operating earnings for the fourth quarter 2001 totaled a loss of $0.13 per sh
$17 million, compared to fourth quarter 2000 net operating earnings of $0.79 per share, or
earnings for the fourth quarter of 2001 were a loss of $1.03 per share, or a loss of $138
reported loss of $1.44 per share, or a loss of $171 million, in the fourth quarter of 2000. T
net operating loss was due in part to increased power supply costs because of the Palisades
share), and near-record warm fourth quarter weather and continued weak economic conditions
Consumers Energy (22 cents per share).

Consumers Energy's Consolidated Earnings

For the year 2001, Consumers Energy's net income available to the common stockholder totaled $
of $211 million from the previous year. The decrease in earnings reflects an $82 million after-
September 2001, related to Consumer Energy's Power Purchase Agreement with the Midland Cogene
The earnings decrease also reflects significantly increased operating expense in 2001, primaril
tax costs for replacement power supply costs due to a six month unscheduled outage at the Pal
Net income for 2001 was also adversely impacted by $11 million net of tax due to the implemen
accounting principle for certain electric call option contracts. In addition, 2001 earnings
impact of reduced gas deliveries resulting from milder temperatures during both the first quart
Electric and gas revenues were also adversely impacted by a decrease in electricity and gas d
customers, reflecting the yearlong impact of an economic slowdown throughout Michigan. Elect
totaled 40 billion kilowatt-hours, down 3.5 percent from the previous year. Natural gas delive
cubic feet, down 10 percent from 2000. Consumers Energy hooked up 20,500 new electric customers
gas customers to its system.

Financial Improvement

In October 2001, CMS Energy announced significant changes in its business strategy in order to
sheet, provide more transparent and predictable future earnings, and lower its business risk
business growth primarily in North America. Several significant steps have been taken subsequ
support of this strategy. In November 2001, a special purpose consolidated subsidiary of Consum
million of securitization bonds, which are asset-backed bonds with a higher credit rating th
conventional corporate bonds. In December 2001, CMS Energy completed a previously announced $32
of its CMS Trunkline LNG business and the value created by a long-term contract for capacity a
Lake Charles, Louisiana terminal. This monetization was structured as a new joint venture, inc
newly issued debt, which will not be consolidated with CMS Energy and Panhandle reflecting th
the joint venture. In January 2002, CMS Energy completed the sale of its assets in Equatorial Gui
million. The majority of the net proceeds from these three transactions were used to reti
Consumers Energy and Panhandle Eastern Pipe Line Company. In addition to the Equatorial Guinea a
Energy assets have been identified and are currently being marketed for sale. The proceeds rea
these remaining assets may be materially different than the book value of these assets. CM
however, that the sales will result in additional cash proceeds that it will use to retire a
Energy, Consumers Energy and/or Panhandle. Even though these assets have been identified for sa
predict when, nor make any assurances that, these asset sales will occur.

CMS Energy currently estimates the capital expenditures, including new lease commitments an
business developments through partnership and unconsolidated subsidiaries, will total $2.9 bi

2002 through 2004. This estimate includes a 2002 capital expenditure estimate of $975 million from the previous 2002 estimate. These estimates are prepared for planning purposes and are subje

Argentina

In January 2002, the Republic of Argentina enacted the Law of Public Emergency and Foreign Excha among other things, repeals the fixed exchange rate of one US Dollar to one Argentina Peso prev Argentine law and converts all Dollar-denominated utility tariffs and energy contract obligati same one-to-one exchange rate and empowers the President of Argentina to renegotiate exchangeability between the two currencies was temporarily suspended at December 31, 2001, CMS subsequently available, free-floating exchange rate of 1.65 Pesos per Dollar on January 11, Statement of Financial Accounting Standard No. 52 on Foreign Currency Translation, to reco resulting from the translation of Peso-denominated monetary assets and liabilities.

In February 2002, the Republic of Argentina issued additional decrees that required all monetary payable in foreign currencies and all debts in foreign currencies to be converted into Pesos. also allow the Argentine judiciary essentially to rewrite private contacts denominated in Dolla currencies if the parties cannot agree on how to share equitably the impact of the conversion of Pesos.

The exchange rate on March 6, 2002 was 2.11 Pesos to the Dollar. While CMS Energy management c likely average or end-of-period Peso/Dollar exchange rates for 2002, the following table contain estimates of the impacts at various exchange rates that the changes in Argentine laws, the contract and tariff changes, the currency devaluation and other recent events in Argentina coul results of operation and financial condition. Amounts are calculated assuming that the exchange throughout the year. The initial adjustments include reductions to net income that could resul of a change in functional currency from the Dollar to the Peso and corresponding losses liabilities, as well as reduced asset valuations resulting from the unilateral actions of the Operating income reductions could result from the potential impacts on net project revenues of t of utility tariffs and energy contract obligations that were previously tied to the Dollar. T reductions are divided between Argentine investments that CMS Energy intends to retain and intends to sell. Investments in the latter category eventually may be classified as discontin Energy's financial statements. Balance sheet exposures reflect the reduction to shareholde effects of lower net income on retained earnings. The amounts shown below are only estimates; ma to assess the impacts that the events in Argentina could have on CMS Energy's results of oper condition.

Income Statement			
Exchange rate of Pesos to one Dollar	1.65	2.00	3.00
Initial net income adjustments			
(in millions)	$ (84)	$(110)	$(150)
Operating income reductions			
(in cents per share):			
Retained investments	$(0.14)	$(0.18)	$(0.25)
Investments for sale	$(0.10)	$(0.11)	$(0.12)
Balance Sheet			
Exchange rate of Pesos to one Dollar	1.65	2.00	3.00
Reductions to shareholders' equity			
(in millions)	$(116)	$(148)	$(199)

FORWARD LOOKING STATEMENTS

This Form 8-K contains "forward-looking statements" that are subject to risks and uncertainties
in conjunction with the "Forward-Looking Statement Cautionary Factors" in CMS Energy's, C
Panhandle's Form 10-K, Item 1 (incorporated by reference herein) that discusses important factor
Energy's, Consumers Energy's and Panhandle's results to differ materially from those anticipated

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly c
be signed on their behalf by the undersigned hereunto duly authorized.

CMS ENERGY CORPORATION

Dated: March 7, 2002

By: /s/ Alan M. Wright
Alan M. Wright
Executive Vice President, Chief Financial
Officer and Chief Administrative Officer

CONSUMERS ENERGY COMPANY

Dated: March 7, 2002

By: /s/ Alan M. Wright
Alan M. Wright
Executive Vice President, Chief Financial
Officer and Chief Administrative Officer

PANHANDLE EASTERN PIPE LINE COMPANY

Dated: March 7, 2002

By: /s/ Gary W. Lefelar
Gary W. Lefelar
Vice President and Controller