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Consumers Power Company Annual Report

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Consumers Power Company Annual Report 1969

212 WEST MICHIGAN AVENUE, JACKSON, MICHIGAN 49201

Highlights

	1969	Increase or (decrease) over 1968	1959	AVERAGE ANNUAL GROWTH RATE SINCE 1959
ELECTRIC REVENUE \$	308,000,000	\$ 21,754,000	\$ 168,485,000	8.3%
GAS REVENUE	240,536,000	22,854,000	87,937,000	17.4%
TOTAL OPERATING REVENUE	549,775,000	44,656,000	257,525,000	11.3%
COST OF FUEL USED IN ELECTRIC GENERATION	59,091,000	2,962,000	29,356,000	10.1%
COST OF NATURAL GAS SOLD	106,888,000	12,959,000	34,412,000	21.1%
TOTAL PAYROLL INCLUDING CONSTRUCTION	108,750,000	7,968,000	63,143,000	7.2%
TAXES	96,530,000	(2,655,000)	50,296,000	9.2%
EARNINGS AVAILABLE TO COMMON STOCK	63,426,000	4,417,000	34,709,000	8.3%
EARNINGS PER SHARE OF COMMON STOCK—AVERAGE (adjusted)	2.79	.19	1.78	5.7%
CASH DIVIDENDS PAID PER SHARE ON COMMON STOCK (adjusted)	1.90	—0—	1.11	7.1%
KILOWATTHOUR SALES	18,479,363,000	868,753,000	9,032,260,000	10.5%
PEAK LOAD—KILOWATTS	3,377,000	197,000	1,795,000	8.8%
ELECTRIC GENERATING CAPACITY—KILOWATTS	3,411,000	39,000	2,271,000	5.0%
GAS SALES (1,000 CUBIC FEET)	281,762,000	27,291,000	98,535,000	18.6%
MAXIMUM 24-HOUR NATURAL GAS SENDOUT (1,000 CUBIC FEET)	1,735,000	44,000	602,000	18.8%
ELECTRIC CUSTOMERS	1,057,700	25,800	858,500	2.3%
GAS CUSTOMERS	830,000	31,700	509,500	6.3%
COMMON SHAREHOLDERS	87,400	(600)	65,000	3.4%
UTILITY PLANT—COST \$	2,111,000,000	\$186,918,000	\$1,032,575,000	10.4%



A. H. AYMOND



JAMES H. CAMPBELL

Dear Fellow Shareholders:

Whatever else may be said about 1969, it was a year of kaleidoscopic events.

■ In the 12 months ended December 31, 1969, Consumers Power Company sold more electricity and more natural gas than in any other year in its history.

■ Electric and gas revenues and Consumers Power Company's total plant investment reached new heights.

■ Expenditures for new plant and other facilities totaled \$205,100,000 in 1969, and the Company's plant investment, stated at original cost, reached \$2,111,000,000 at the end of the year.

■ Gross operating revenues in 1969 were \$549,775,000, an increase of 8.8 percent over 1968 when gross revenues were \$505,119,000. These revenues included \$308,000,000 from electric customers, \$240,536,000 from natural gas customers and \$1,239,000 from customers purchasing steam.

■ Net income in 1969 was \$66,960,000, an increase of seven percent over 1968. Earnings per share of common stock outstanding were \$2.79 in 1969, compared to \$2.60 per share in 1968.

■ On the other hand, a record also was established in 1969 in the cost of borrowed money. The Company sold \$55 million in first mortgage bonds in November at a cost to the Com-

pany of 8.4 percent. An earlier issue of \$50 million was sold in June, at a cost to the Company of 7.7 percent.

■ A regrettable and unhappy event of 1969 was an 83-day strike by the Company's operating, maintenance and construction employees—about half the work force—who are represented by the Utility Workers Union of America (AFL-CIO). Despite the work stoppage, the Company was able to continue serving its 1.5 million customers with electricity and natural gas through the services of its executive, administrative and professional personnel, and its office and technical employees.

■ On September 29, 1969, after extensive hearings, the Michigan Public Service Commission issued an order authorizing the Company to increase its rates by approximately six percent for electric service, and by approximately 10 percent for natural gas. In all, the Commission granted the Company authority to increase its gross operating revenues by \$37.8 million annually. The new rates became effective October 22. Both the Company and the Attorney General of Michigan have appealed the rate order to the courts, for differing reasons which are detailed in the body of this Annual Report. The Company's appeal expresses the conviction that the Commission should have granted

the full amount of its requested increase of \$57.8 million. However, the increase granted is helpful in offsetting in part inflationary increases in costs.

■ In July, the Federal Power Commission granted Consumers Power Company and The Detroit Edison Company a license to construct a large pumped storage hydroelectric plant near Ludington, Michigan. Consumers Power will own 51 percent of the plant, and Detroit Edison 49 percent, and each will share proportionately in its generating capacity.

■ The Company's capital expenditure program for 1970 is approximately \$232,000,000. Financing a program of this magnitude under current conditions is a major undertaking. As part of the Company's continuing program of keeping the financial community advised of its activities, officers of Consumers Power appeared before the New York Society of Security Analysts in December. The results of 1969 were reviewed, and plans and prospects for the future were discussed.

■ Attention of shareholders is invited to a special section of this Annual Report dealing with the environment. This is not a new problem, and it is one that concerned the Company for many years. Because of its overriding importance in today's world, it is worthwhile making

note of the Company's accomplishments and its plans for the future in this very important area.

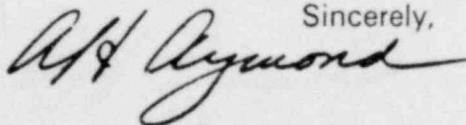
■ A year ago, the 1968 Annual Report included a special section explaining the seriousness of continued inflation, and its impact on Consumers Power Company. It set forth clearly the need for taking inflationary pressures into account in pricing the Company's products and services. The rate increases granted by the Public Service Commission in 1969 reflect in part an adjustment to this impact. Nevertheless, inflation continues to be a serious problem.

■ There are differences of opinion as to the cause of the sharp rise in inflation in the last few years; but it can be stated categorically that corporate profits are *not* a factor. Indeed, in spite of increased investment, corporate profits in the nation as a whole are no higher than they were four years ago.

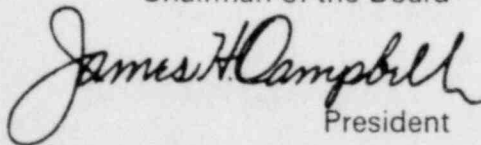
■ From the customer's point-of-view, it is worth noting that, despite higher rates, electricity and natural gas remain extremely low-cost sources of essential energy. Indeed, in commenting on the soaring costs of services, U.S. News & World Report puts the average electric bill and the average gas bill at the bottom of the list of price increases over the last five years.

■ In short, even with inflation, electricity and natural gas remain among the best bargains in the family budget.

Sincerely,



Chairman of the Board



President

February 16, 1970

Electric Revenue Increased

During the period 1959-1969, annual electric revenues rose \$139,514,000, or 82.8%. In 1969, electric revenue amounted to \$308,000,000, a 7.6% increase over 1968.

Gas Revenue Increased

Annual gas revenues rose \$152,599,000, or 173.5%, during the period 1959-1969. Gas revenue of \$240,536,000 in 1969 represented a 10.5% increase over 1968.

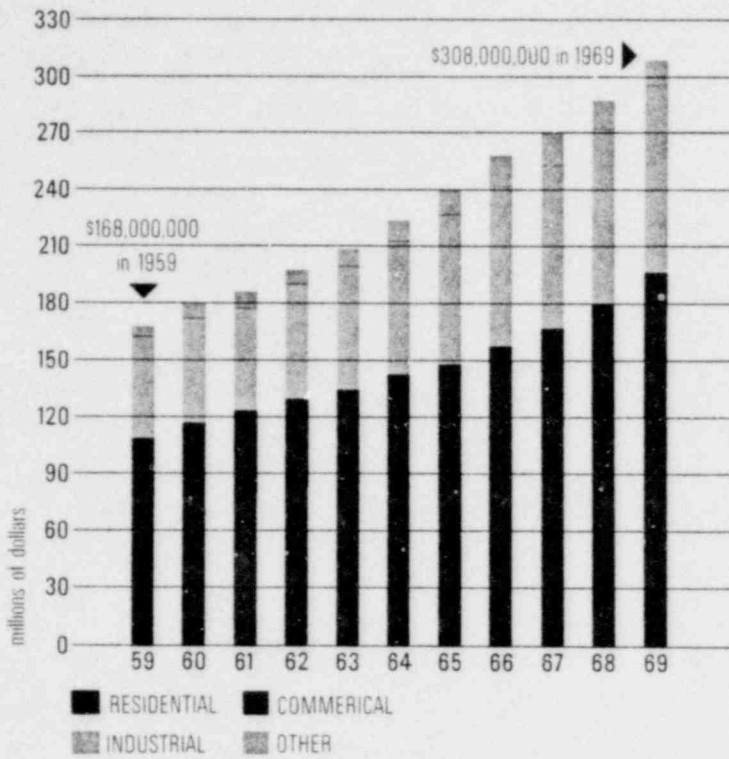
Electric, Gas Systems Expanded

For the years 1959 to 1969, the Company invested \$1,354,861,000 in construction projects required to keep pace with growing demands for electricity and natural gas throughout the service area. The 1969 expenditure for enlargement and improvement of facilities was \$205,100,000. The planned expansion program during the first half of the 1970's includes construction of three major electric generating plants which will add 2,829,000 kilowatts in capacity to the Company's system, and substantial extension and enlargement of gas system facilities.

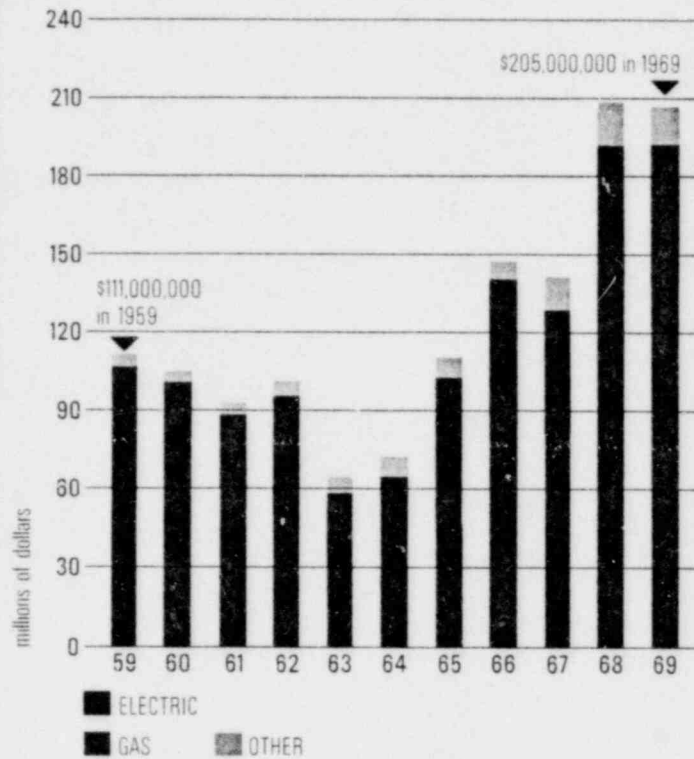
Number of Customers Rose

The number of electric customers served increased 200,000 and the number of gas customers served increased 321,000 in the period 1959-1969. The Company was serving 1,058,000 customers with electricity and 830,000 customers with natural gas at year-end 1969. During the year, the Company added 25,800 new electric customers and 31,700 gas customers. Of all gas customers, 676,000, or 81.4%, use gas to heat their homes.

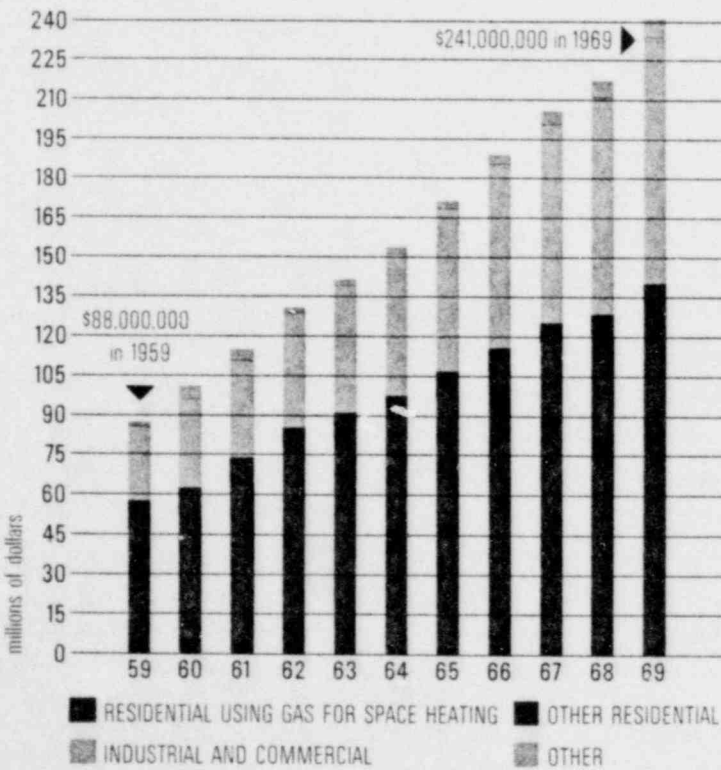
ELECTRIC REVENUE 1959-1969



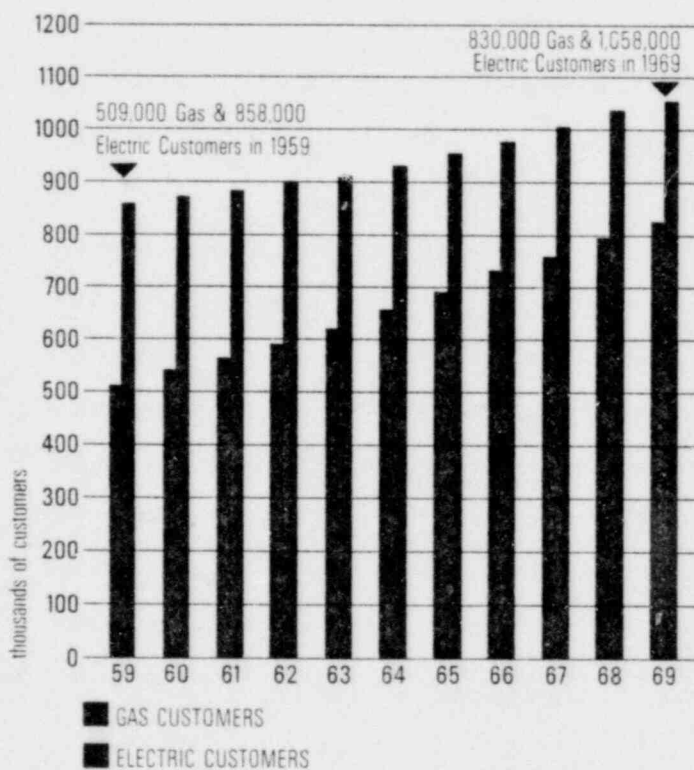
PLANT ADDITIONS AND IMPROVEMENTS 1959-1969



GAS REVENUE 1959-1969



NUMBER OF GAS AND ELECTRIC CUSTOMERS 1959-1969



The Company and the Environment

For more than 50 years, Consumers Power Company has been concerned with protecting Michigan's environment. This long and proud record includes careful management of more than 700 miles of riverlands. It also includes application of the most efficient technologies available to protect and improve the quality of air and water. What the Company has done in the past, and what it is planning for the future, is detailed below.

As the 1960's drew to a close, millions of Americans began to be personally concerned with the protection and preservation of their environment.

People living in Michigan were no exceptions. They felt anxiety—and expressed it—about air pollution, water pollution, pesticides, and other hazards to their well-being. Frequently, they reacted angrily with demands for instant solutions . . . only to learn that there are none. Solutions could be had, to be sure. But they would take time, money, and the involvement of business, industry, and government. Most importantly, the solutions would require involvement of people, themselves.

The basic components of the environment are land, air, and water. These components have the capacity to assimilate a certain amount of the products and by-products of human activity without significant adverse effects. But when an overload is placed on them by an expanding population enjoying a high standard of living, the balance of the environment can be upset.

Man's Impact Not New

Man's impact on the environment is not new. It existed in medieval times, when people

living in walled cities fouled the air with smoking hearth fires, and tossed garbage and sewage into the streets. It continued, in even larger proportions, as a result of the industrial revolution. Smoke plumes from factory chimneys were regarded as banners of prosperity . . . even while every nearby home was blackened by soot.

Forests, too, were chopped down or burned off, and rivers ravaged. The horizon seemed unlimited. There were always new lands, further west. Or so it seemed. And, as one area became unfit for use, the men responsible moved on.

Frontiers are Gone

But now, in a practical sense, these frontiers are gone. Man no longer can ruin his environment, then pick up and move to greener pastures. We are an expanding people aboard a non-expandable planet, with finite resources.

Rep. Craig Hosmer (R. Calif.), of the Joint Committee on Atomic Energy of the U. S. Senate and House of Representatives, put it this way:

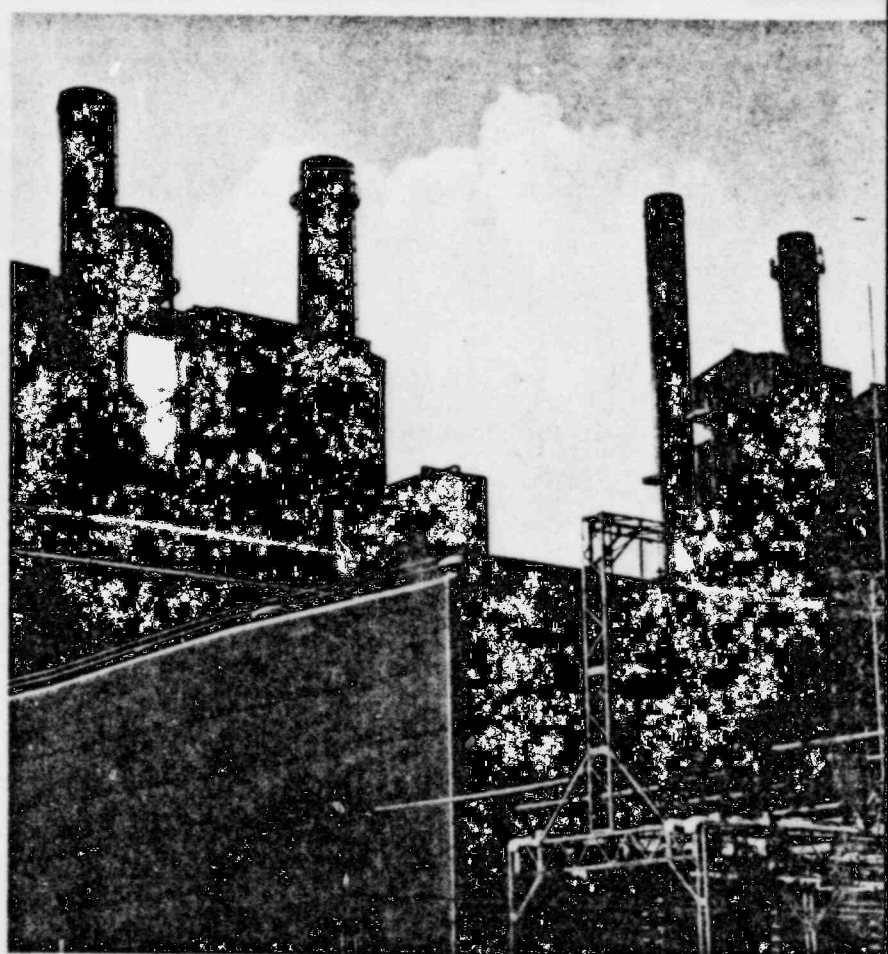
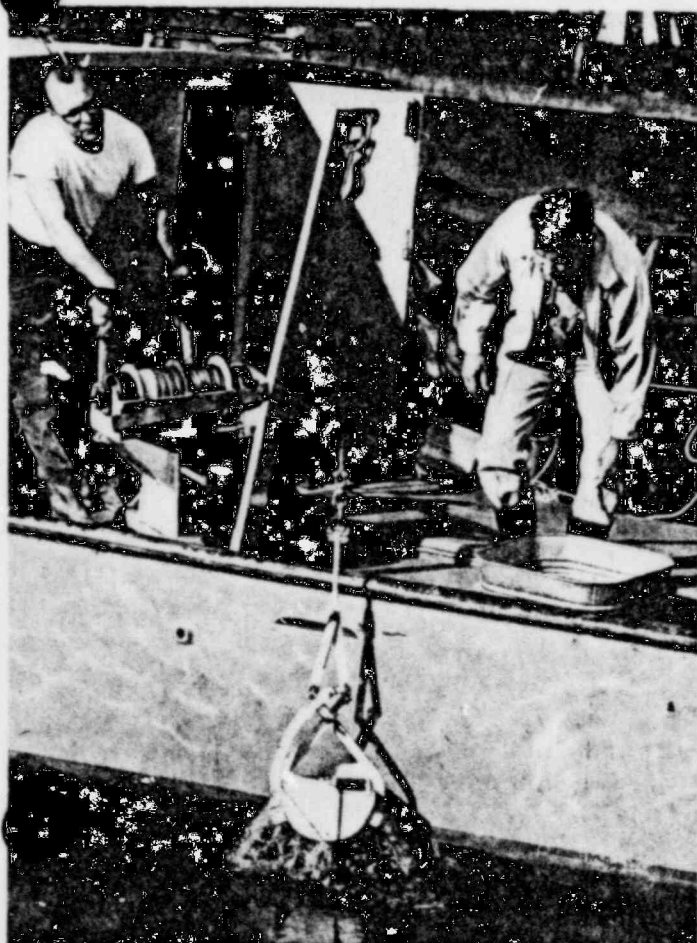
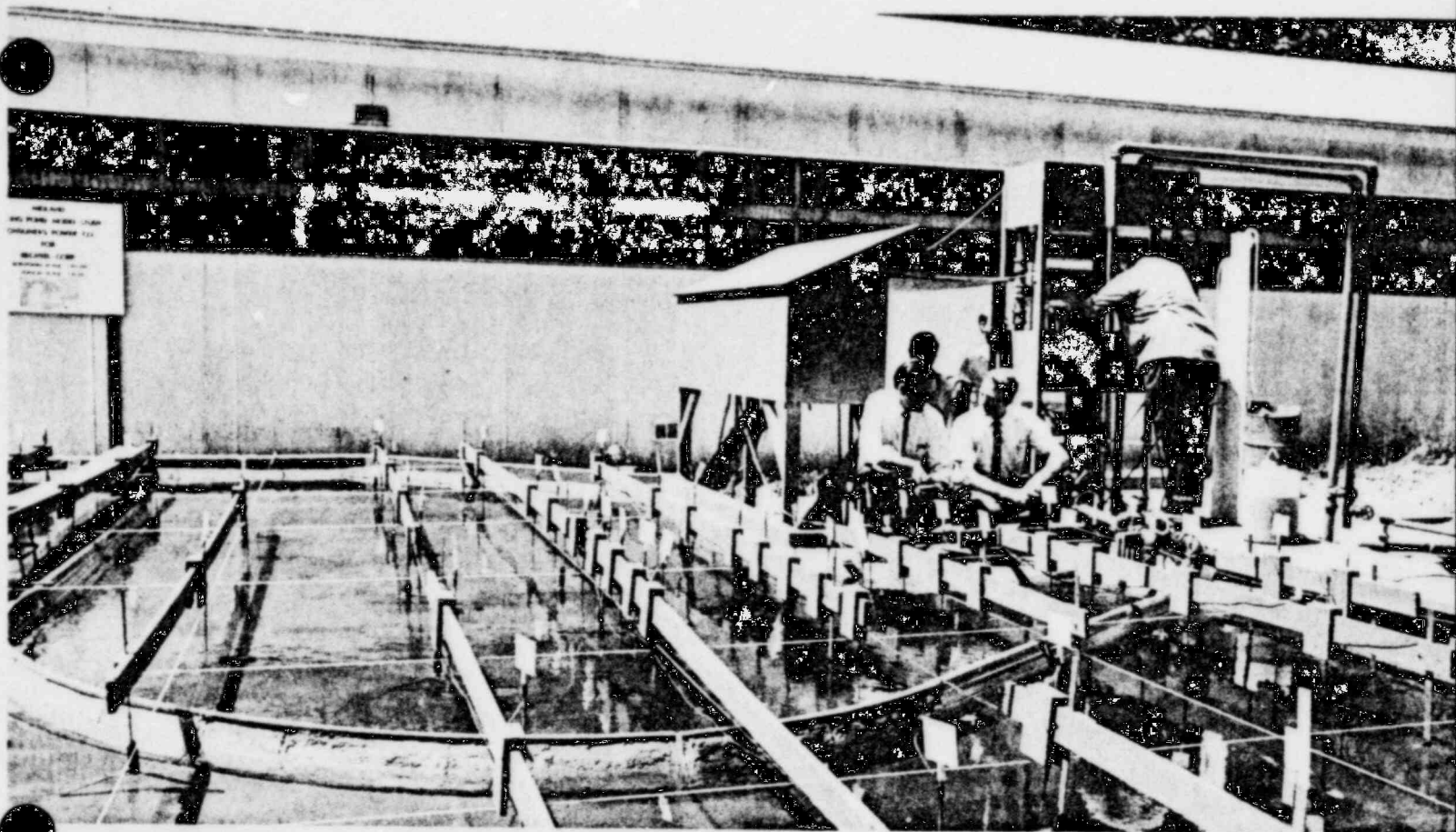
"Environmental protection does not necessarily mean sending the world back to whence it came to be refurbished in its original pristine condition, nor

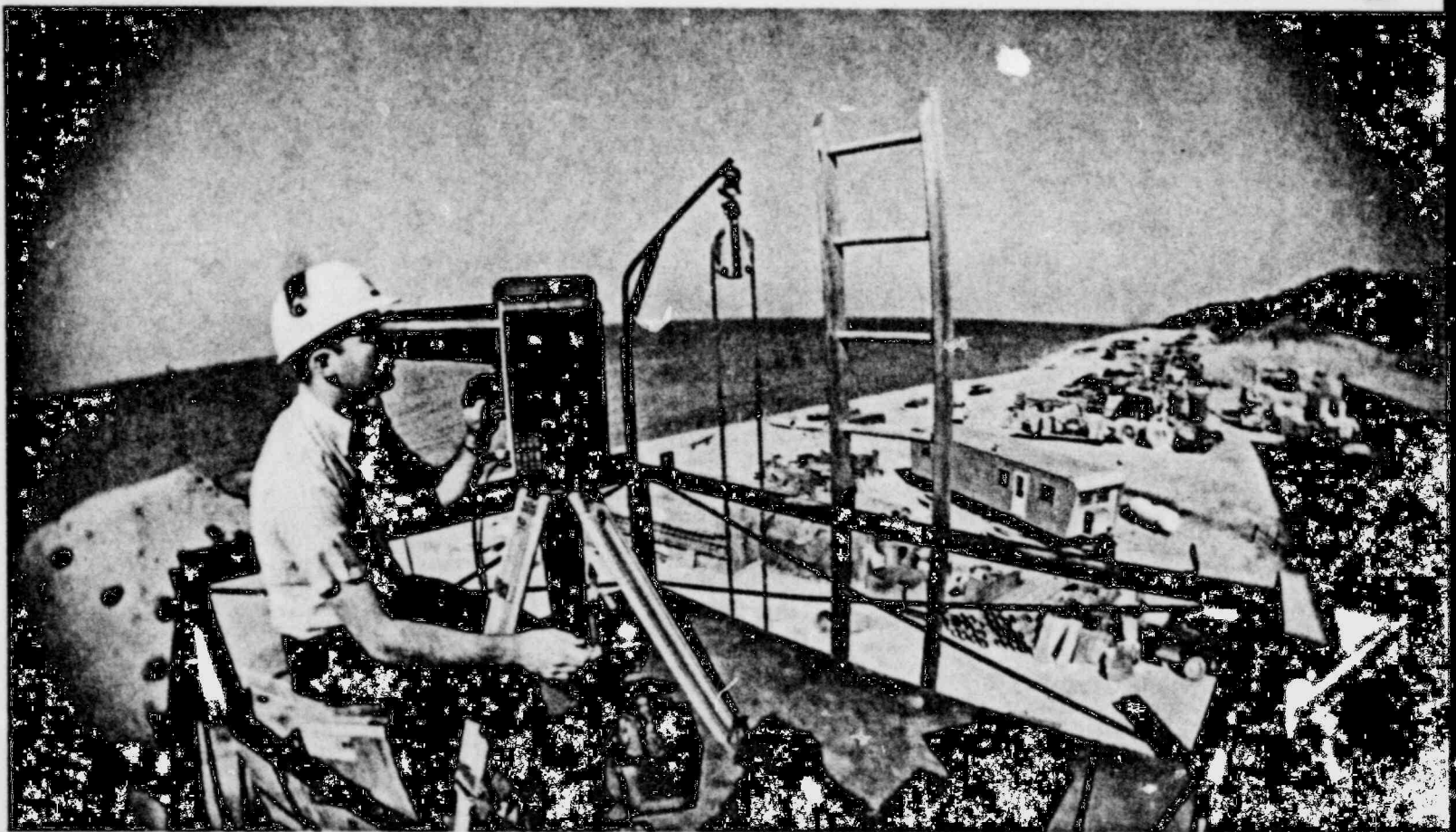
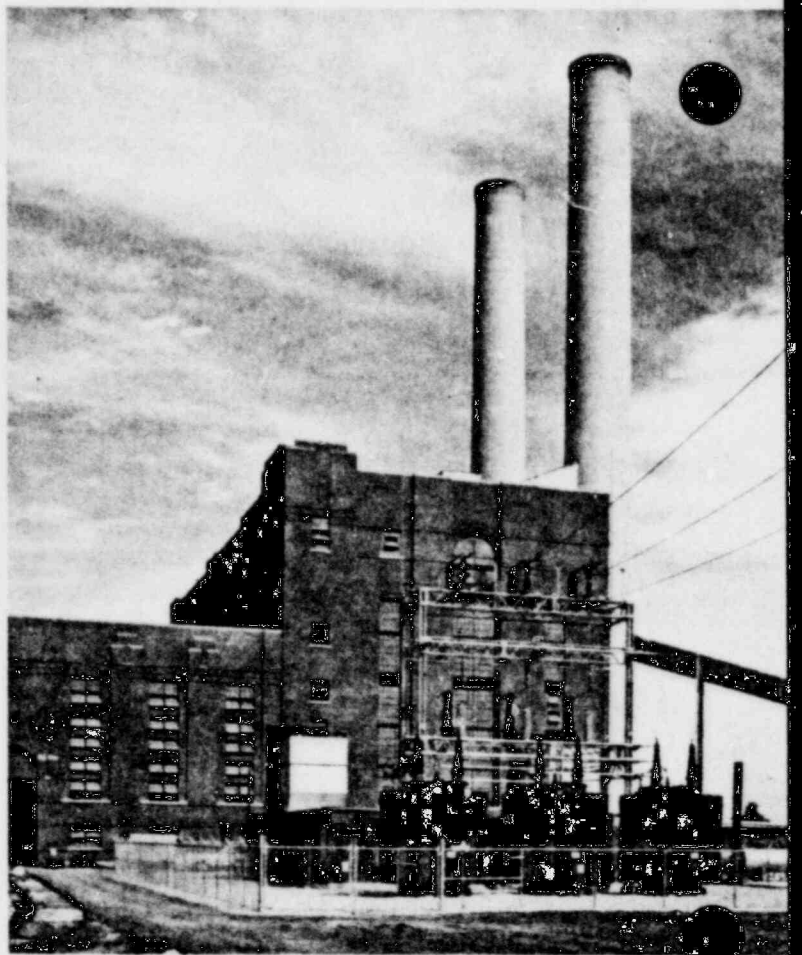
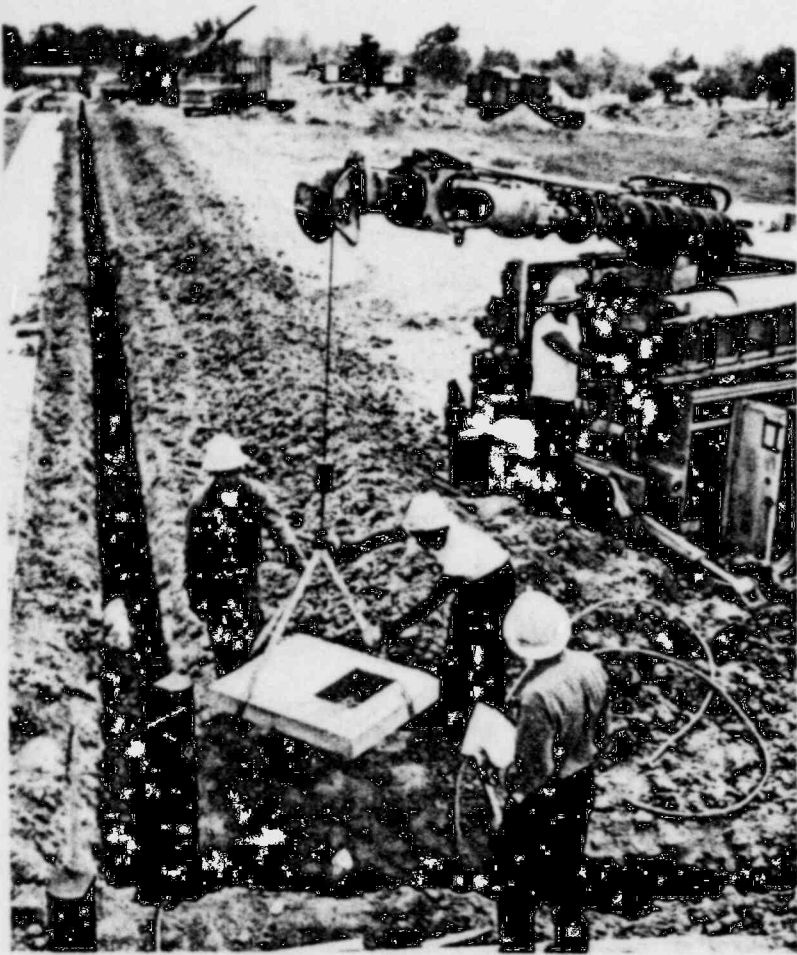
does it involve turning off air conditioners, abolishing the automobile, and uninventing the wheel. Rather, the solution lies

A scale model of the 880-acre cooling pond planned for the Midland nuclear power plant is used by engineers to study heat dissipation and water flow. The pond's purpose is to receive water that has become heated while circulating through the steam condensers, then circulate the water until it cools sufficiently for reuse in the cooling cycle. Thus plant operations will have no thermal impact on local bodies of water.

Extensive studies which were begun several years before scheduled completion of the Palisades nuclear plant are aimed in part at assuring that plant operations will have no harmful effects on water quality in Lake Michigan, on which the plant is located. Offshore from the plant site, samples are dredged from the lake bottom to be analyzed to determine chemical and biological makeup for future reference.

At the B. C. Cobb electric generating plant, near Muskegon, installation was completed in 1969 of a series of five electrostatic precipitators added for improved air quality control. The new equipment removes virtually all particulate matter from stack emissions, and represents one phase in an \$18 million, three-year air quality control program involving four major electric plants.





in achieving a satisfactory accommodation between the demands of the environment and the social benefits of technology."

Insofar as the electric utility business is concerned, this is another way of saying that the nation has two goals, each of which is desirable, but in which some accommodation must be made. The first is the assurance of adequate supplies of reliable, reasonably-priced electric energy. The second, the need for clean, healthy and aesthetic surroundings.

John Nassikas, Chairman of the Federal Power Commission, said:

"We cannot settle for the Hobson's choice of either electric power in a degraded environment, or a pristine environment with no electric power."

The Company encourages underground electric service, and its aesthetic benefits continued to gain popularity as more than half the new residential subdivision housing added in 1969 was built with underground electric distribution lines. At the year-end, 26,000 of the Company's electric customers were receiving underground service.

During the year, the B. E. Morrow generating plant, near Kalamazoo, was converted to natural gas fuel one full year ahead of the original schedule under the Company's air quality control program. Other major electric plants that will continue to use coal for fuel either have, or are getting, the latest in air quality control equipment.

Engineers at the Palisades plant use microwave and shortwave radio equipment to guide a patrol boat to more than 20 Lake Michigan subsurface testing points. The environmental research, which includes studies of fish life as well as air tests to measure levels of natural radioactivity in the area, will continue after the plant begins operating in 1970.

In strict fact, no electric generating station can produce power without SOME effect on the environment. This is the necessary price which must be paid for adequate and reliable energy. Yet the use of electricity can, in itself, make possible a cleaner environment than any other alternative.

Rep. Chet Holifield (D. Calif.), Chairman of the Joint Committee on Atomic Energy pointed out, recently, that the substitution of electric energy for other energy sources in many industrial operations could eliminate certain forms of pollution.

"By electrification," he said, "we can eliminate much inefficient combustion of fuels and rely more on large scale, highly efficient and clean combustion of fuels which is attainable in modern central station power plants. By proper considerations of siting, clustering of plants, and transmission of clean electrical energy, a significant improvement can be made in the quality of our environment."

Nuclear Plants Help

And he added: "Nuclear power plants can make a meaningful contribution towards the reduction of pollution now attributed to the electric power industry."

By thoughtful planning and careful engineering, Consumers Power Company is endeavoring to maintain the necessary balance between nature and technology. Plant siting takes the environment into consideration. Transmission lines are designed to reduce excessive visibility to nearby communities. And more than half of all new residential subdivisions now are being built with their electric distribution lines underground.

Air quality control is an important element of this program for environmental protection. Coal remains the major source

of fuel for generating electricity, and millions of tons are burned every year in the Company's plants.

Year-by-year, as the Company has constructed plants, it has installed the best kind of equipment available for air quality control. Yet today, mechanical dust collectors are relatively inefficient when compared to modern, electrostatic precipitators which remove more than 99 percent of the ash resulting from coal combustion.

Electrostatic precipitators were installed when the Karn and Campbell plants were built. And the Company has committed \$18 million to a three-year program of installing such precipitators and other environmental quality equipment at its other major coal-burning plants which were constructed earlier.

Electrostatic precipitators recently were installed at the B. C. Cobb plant, near Muskegon. Work will begin in 1970 on installation of such precipitators at the J. C. Weadock plant, near Essexville. And preliminary engineering is going forward on air quality control equipment to be installed at the Justin R. Whiting plant, near Erie.

Morrow Plant Converted

At some plants, conversion to natural gas is possible. This has been done at the Company's Bryce E. Morrow plant, near Kalamazoo. There the boilers have been converted to gas a full year ahead of the schedule approved by the Michigan Air Pollution Control Commission.

The Company meanwhile has scheduled retirement of several older, coal-fired plants. These will be phased out progressively, starting in 1970. Thus, by 1973, the Company will have completed its program to reduce to a minimum the release of smoke and ash from its

coal-burning generating plants.

A difficulty yet to be overcome is the emission of sulfur dioxide from coal-fired plants. High stacks carry off the emissions and disperse it. However, this is not a complete solution, and research continues throughout the world in an effort to find a system of control that is technically and economically feasible. (Low-sulfur coal or oil could be helpful . . . but the world supply of low-sulfur fuel is insufficient to make it a practical solution.)

A major advance in environmental protection is the construction of large nuclear plants. These clean, quiet, economical generating stations can be located near load centers, without necessarily being placed in unspoiled rural areas. They produce no combustion products, and adherence to rigid safety standards ensures safety from radiation.

Condensers Require Cooling Water

All steam electric plants, whether fired by fossil fuels or by nuclear fission, require cooling water for their condensers. For all Consumers Power Company generating stations built in the last 20 years, this cooling water has been provided by the Great Lakes.

There is no impurity in the discharge of the water from the power plant back into the lake after it has gone through the condenser. However, the water is warmer than when it was taken from the lake; generally on the order of 20 degrees. While the quantities of water required for cooling are substantial, they nevertheless are minute in relation to the lake, itself. The heat dissipates quickly, with no evidence of damage to the lake. Indeed, prior approval for all plants must be obtained from the

Water Resources Commission of Michigan, which must be satisfied that water quality will be maintained before it will issue a use permit.

Large nuclear power plants—such as the one at Palisades—will discharge more heated water than existing power plants. Yet the amounts will continue to be minute in relation to Lake Michigan. Even so, the Company is taking precautions to guard against damage to the ecology.

To obtain adequate information about the environmental effects of plant operations, the Company is participating in comprehensive ecological studies, particularly in Lake Michigan.

One of these research projects is measuring temperatures of the lake waters at approximately 20 locations near the Palisades plant, to establish a year-round record before the plant goes into operation. This project will be continued after the plant is operational, to provide comparison readings.

Also, a study is being made of aquatic life on the lake bottom at the same locations near Palisades. Another project, being undertaken with several other utilities, consists of taking radiological data at 80 locations in Lake Michigan to determine conditions existing in advance of nuclear plant operations. Aquatic life is being inventoried at these locations, as well.

With detailed records developed in this research, it will be possible to know to what degree, if at all, Palisades and other power plants may affect the ecology and, if so, exactly how and to what extent it is manifest.

Consumers Power Company has on numerous occasions made clear its concern for the environment. It has stated that, if a power plant is found to be

harmful to the environment, the Company will act promptly to correct the situation. At the same time, the Company also believes that unnecessary equipment should not be required or built simply because of unsubstantiated anxiety that adverse conditions MIGHT exist. To install such equipment without first establishing the need for it would mean penalizing the Company's customers with higher rates without achieving a meaningful contribution to environmental quality.

Company Obligation Clear

The American people have made it known, loudly and repeatedly, that they will not do without electric power. Investor-owned utilities like Consumers Power Company are dedicated to the obligation of supplying that power—adequately, reliably, and as economically as possible. At the same time, they have an obligation to preserve the environment and, whenever possible, to make life better for the people of Michigan. Consumers Power Company has a long and proud record of doing so, not only with well-designed and efficient generating stations, but with maintenance of more than 700 miles of riverlands which were acquired in the early part of the 20th Century to insure reliable water for hydroelectric power plants.

Over the years, the Company has planted more than 22 million trees, in a wide-ranging reforestation program; and has kept all of its riverlands open to the public for hunting, fishing, hiking, and other recreational activities.

Perhaps the simplest way of saying it is that Consumers Power Company endeavors to be a good citizen, wherever it serves.

Financial and Corporate Review--1969

The year of 1969 was one of contrasts and contradictions, of achievement and frustration. Yet it ended on an upbeat, with encouraging prospects for the future.

The year produced great demand for the Company's services, which is to say the supplying of large quantities of electricity and natural gas. In the 12-month period, customers used 18.5 billion kilowatthours of electricity, and 282 billion cubic feet of gas, in both cases new records. This was five percent more electricity and 11 percent more natural gas than were sold in 1968.

Gross operating revenues of the Company for the year 1969 were \$549,775,000, or 8.8 percent greater than the \$505,119,000 reported for 1968. Net income was \$66,960,000, compared to \$62,557,000 in 1968. Earnings per average share of common stock in 1969 were \$2.79 as compared to \$2.60 in 1968.

During much of the year the Company's earnings lagged, principally by reason of inflationary increases in costs. While the cost of doing business went up and up, the Company's rates remained fixed, pending the outcome of applications for rate relief which had been made in April and July of 1968 to the Michigan Public Service Commission.

Finally, after many months of testimony and review, the Commission authorized the Company to raise its electric rates an average of six percent, and its natural gas rates an average of 10 percent. The new rates became effective October 22, 1969, reversing the downward trend of Company earnings, and improving prospects for 1970.

The Company and Michigan's Attorney General each subsequently challenged the rate orders in court, and these appeals were pending at the end of the year. A discussion of these appeals will be found further on in this report.

Company Revenues Improved with New Rates

Aided to some extent by higher rates in the last two months of the year, total electric revenue climbed to \$308,000,000 in 1969, an increase of eight percent over 1968. Gas revenue totaled \$240,536,000, an increase of 11 percent over the previous 12 months. The rate increases that went into effect October 22 were responsible for approximately \$2,600,000 in electric revenue and \$4,100,000 in gas revenue. Sales of steam in 1969 produced \$1,239,000, an increase of four percent.

Cash dividends of \$1.90 per common share were paid in 1969 at the rate of 47½ cents per share on February 20, May 20, August 20, and November 20. Total cash dividends paid on common stock in 1969 aggregated \$43,262,000. The dividend payable February 20, 1970, was increased to 50 cents per share.

Preferred stock dividends paid on January 2, April 1, July 1, and October 1 amounted to \$3,535,000 in 1969.

A Decade of Significant Growth

As the Company looks toward the challenges of the 1970's, it is appropriate to look back over the 10 years just passed to see how far the Company has come since December 31, 1959.

Ten years ago, the Company had 858,000 electric customers, compared with 1,058,000 at the end of 1969. At that time,

there were 509,000 gas customers, compared to 830,000 at the end of 1969.

In terms of plant investment, the Company's total plant at the end of 1959 represented investment of \$1,032,575,000. A decade later, at the end of 1969, plant investment had risen to \$2,111,000,000.

The Company rendered service in 64 of the 68 counties of Michigan's lower peninsula then, compared with 67 today, and its service area was 28,700 square miles, compared with 30,800 square miles being served today. The total number of communities being served then was 1,630, as against 1,886 at the end of 1969.

In 1959, the Company reported sales of nine billion kilowatthours of electricity, and gas sales of 98.5 billion cubic feet. In 1969, kilowatthour sales of electricity reached 18.5 billion, and volume sales of natural gas totaled 282 billion cubic feet. Thus, electric sales have increased 105 percent and gas sales 186 percent in just 10 years.

Total generating capacity was 2.3 million kilowatts in 1959 compared to 3.4 million at the end of 1969; and storage capacity for natural gas was estimated at 46 billion cubic feet, compared with 140 billion now.

Gross operating revenue in 1959 was \$257,525,000, with net income \$38,427,000, and earnings per average share of common stock outstanding (adjusted to reflect a stock split in 1962, and a 10 percent stock dividend in 1967) \$1.78. A decade later, annual gross operating revenues were \$549,775,000; net income was \$66,960,000; and earnings per average share of common stock were \$2.79.

A Look at the 1970's

What of the future?

No one can forecast it with

Chairman Aymond Elected President of Edison Electric Institute

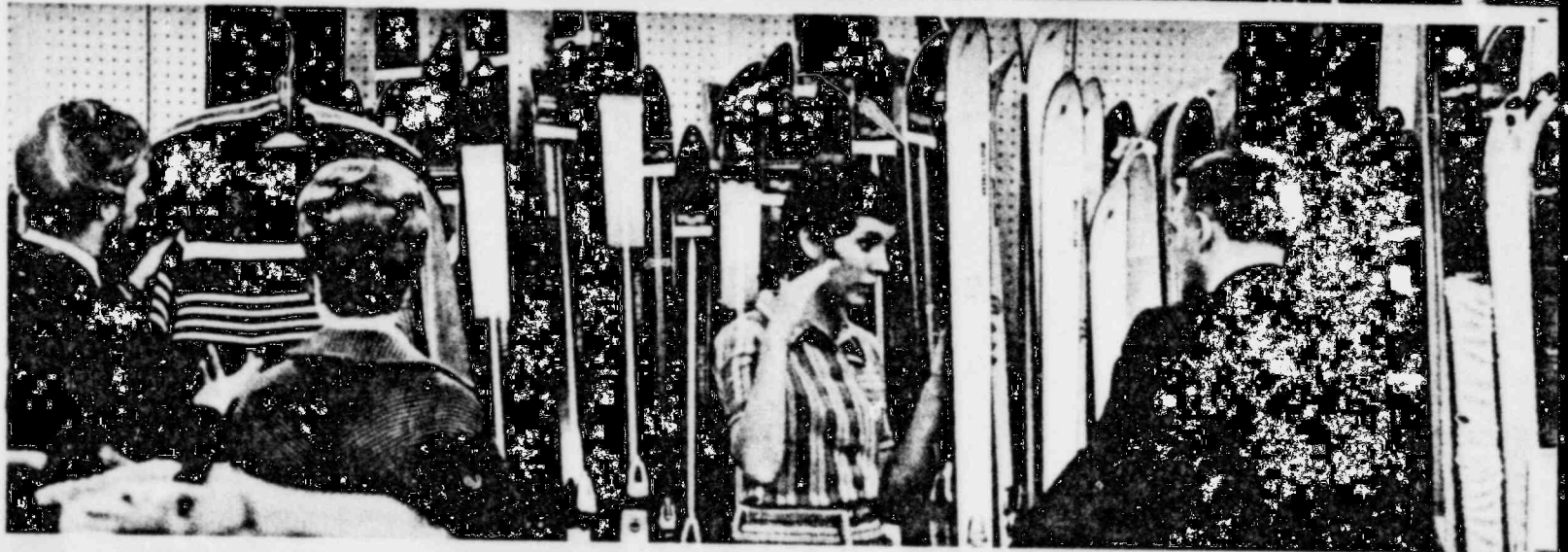
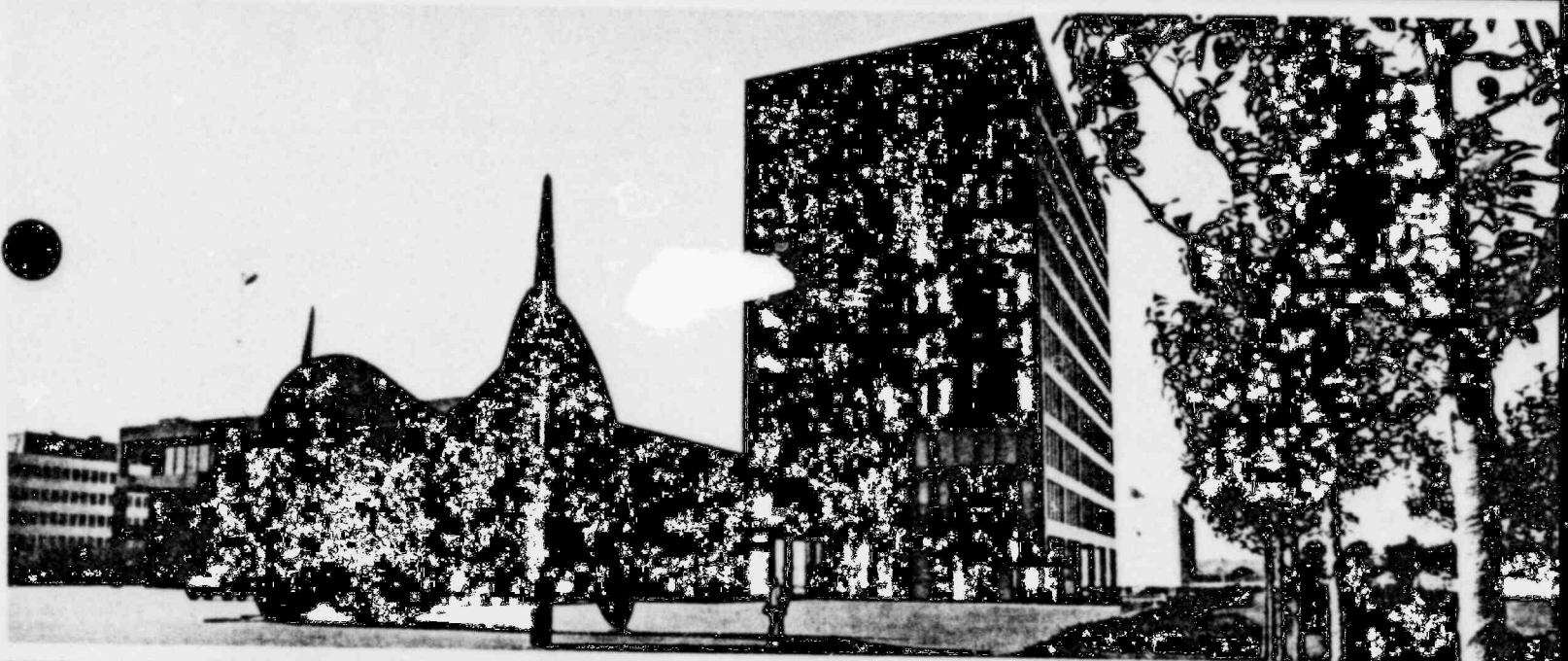
Consumers Power Company's leadership role in the investor-owned electric utility industry was reemphasized in 1969 when A. H. Aymond, chairman of the board and chief executive officer, was elected president of the Edison Electric Institute. EEI is the national trade association of investor-owned electric power companies. Its 181 electric operating company members serve more than 97% of all customers served by investor-owned companies and more than 76% of all electric customers in the United States.

Prior to his election as president, Mr. Aymond served EEI in many capacities, as chairman of various committees, as a member of the board of directors and, during 1968-69, as vice president.

Michigan's outstanding freeway system has created five major industrial-metropolitan corridors that span the width and breadth of the Lower Peninsula. The Company supplies the power for all lights installed by the State Highway Department on limited access freeways throughout the Company's electric service area.

Modern sculpture in a plaza symbolizes progress in urban redevelopment, and suggests substantial growth projected for many Michigan cities in the 1970's. This is downtown Grand Rapids, one of 14 cities in the Company's service area with populations in excess of 50,000.

Recreation is a 1.5 billion-dollar-a-year business in Michigan, and sporting goods stores are well represented among the 107,700 commercial establishments served by the Company with electricity, as well as the 55,400 served with natural gas.



certainty. But it is reasonable to expect that the next 10 years will bring significant expansion to Michigan and, in particular, to the fast-growing area of the lower peninsula served by Consumers Power Company, with consequent rising demands for energy.

For example, business forecasts suggest that sales to all categories of electric customers in the Company's service area—exclusive of power pool sales—will rise to 19.8 billion kilowatt-hours in 1970, and to nearly 44.3 billion kilowatt-hours by 1980.

The Company expects to sell approximately 310 billion cubic feet of gas in 1970. Additional supplies of gas expected in the following two years should permit the sale of 352 billion cubic feet in 1971, and about 373 billion cubic feet in 1972.

In the immediate future, the Company expects to add 25,800 new electric customers, and 31,700 new gas customers during 1970.

As demand for energy rises, so does the need for additional facilities. Thus, Consumers Power Company expects to spend \$1.1 billion in the next five years to expand and improve its electric system, another \$250 million to expand its gas system, and an additional \$100 million for other facilities.

The Company expects to obtain increasing supplies of natural gas over the next two or three years to meet the growing requirements of its customers. However, the dilemma facing the entire natural gas industry is that for several years regulatory limitations on selling prices imposed at the national level have discouraged the search for, and development of, new gas reserves. Meanwhile, overall demands have increased—and continue to increase—faster than the additional sup-

plies are discovered and produced.

Because of a contract with Trunkline Gas Company, Consumers Power Company expects to receive increasing deliveries of natural gas, at least through 1972.

After 1972, much depends on the drilling and development activities of the major producers in the Southwest and Gulf Coast areas. It is reasonable to expect, however, that the Company will get its proportional share of additional gas that is available.

The Company Must Expand Its Facilities

Construction of new facilities and modification of existing facilities is a way of life for every utility. Consumers Power Company is engaged in a tremendous building program, both in its electric business and in its gas business.

At Palisades, on Lake Michigan some 35 miles west of Kalamazoo, construction is nearing completion on the Company's newest generating station—a nuclear plant with the largest single generating unit thus far installed in Michigan. Scheduled for addition to the system in June or July of 1970, it will be licensed initially to produce 710,000 kilowatts of electricity. Later, authorization is expected to be increased to allow generation of more than 800,000 kilowatts. The cost of the plant is approximately \$122 million.

Meanwhile, also on Lake Michigan and about four miles south of Ludington, the Company has begun construction of a large pumped storage hydroelectric plant. This facility, scheduled for completion in 1973, will have a maximum capacity exceeding 1.8 million kilowatts. It will be used to supply needed power at times

New High For Natural Gas Sendout

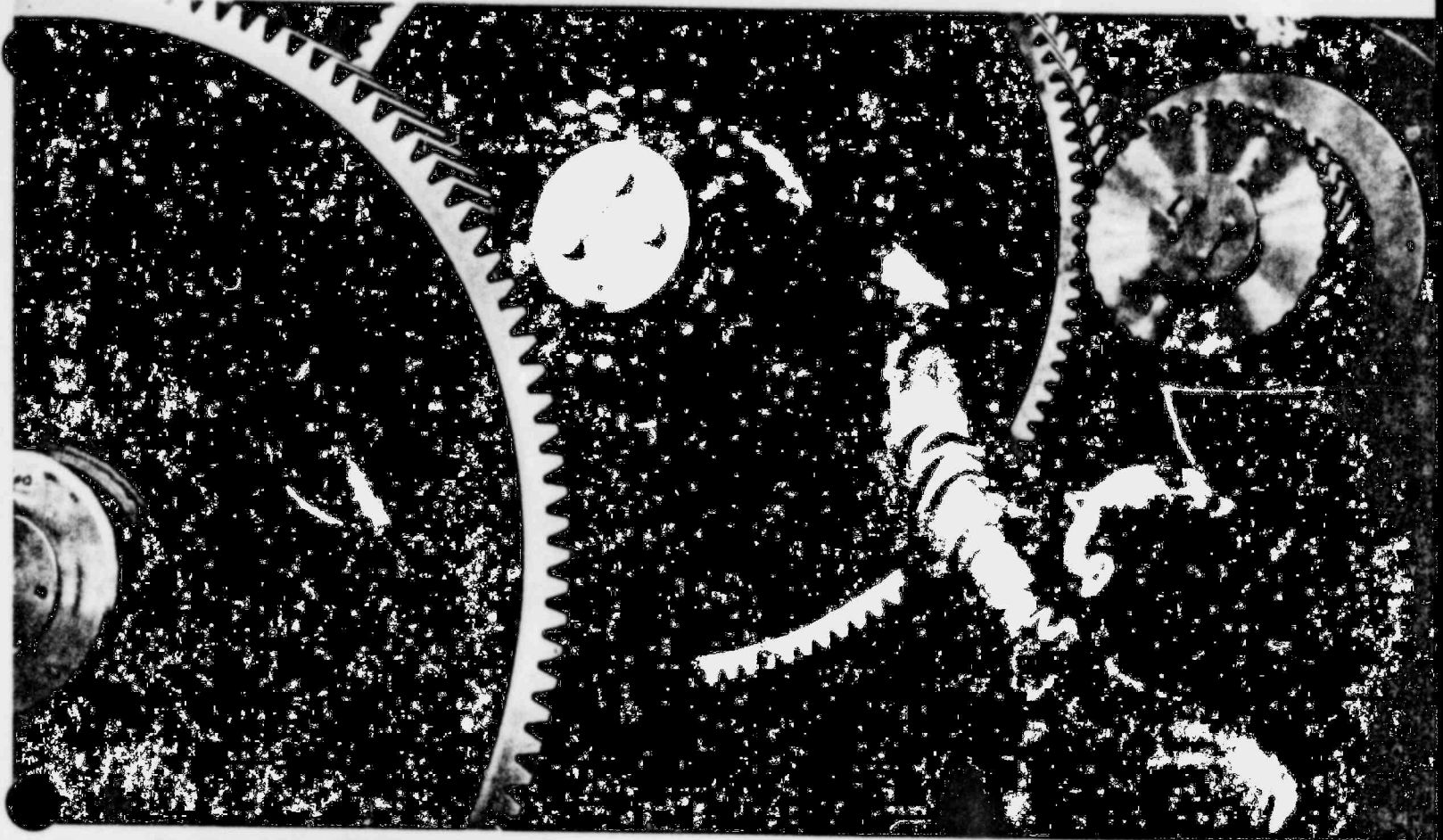
The 1969 high for 24-hour natural gas sendout, a system record, was established January 25 when 1.735 billion cubic feet were distributed to customers. This was in turn exceeded on January 7 and 8, 1970, when 1.933 billion cubic feet and 2.074 billion cubic feet respectively were required by customers, the latter thus establishing a new all-time record for 24-hour gas sendout.

In 1969, the Company added a total of 46 miles of major natural gas transmission pipeline, bringing the gas system total to 632 miles. The Company also added 400 miles of distribution pipeline, extending the system total to 15,314 miles. Consumers Power Company and its wholly-owned subsidiary Michigan Gas Storage Company operate nine natural gas storage fields with a total working storage capability of 139.5 billion cubic feet.

The Company's service area is highly industrialized. Michigan industry is diversified, with four-fifths of all categories of U.S. manufacturing represented. Consumers Power supplies electricity to 7,300 industrial customers, and natural gas to 5,600.

Planting millions of Coho and Chinook salmon in Michigan waterways has provided a strong boost to the state's already extensive tourist and recreation industry. These are Chinooks taken in the Manistee River, on which the Company owns many miles of riverlands that are open for public recreational use.

Sugar beets are an important crop in Michigan agriculture, which produces total revenues of one billion dollars annually. The Company serves more than 78,000 farms, which is more than any other utility in the nation. Electric use by farm customers in 1969 averaged 1,000 kilowatt-hours more than the national average.





Electric Utility Taxation Still Unfair

Three years ago, in the 1966 Annual Report, the Management called shareholders' attention to a serious inequity in taxation of electric utility systems. In that report, the Company pointed out that investor-owned electric utilities, such as Consumers Power, pay their fair share of Federal income taxes. These are reflected in the rates of each company. However, the report continued, government-sponsored electric power systems, which provide about 20% of the electricity in the United States, pay no Federal taxes at all.

Three years later, despite passage of tax reform legislation in the interim, no change has been made in the unfair taxation of electric utilities. Investor-owned companies still pay their full share of Federal taxes; government-sponsored electric systems are still completely exempt from Federal taxation.

The Management of Consumers Power Company believes it is essential that government-sponsored electric projects collect and pay their fair share of Federal taxes and thus contribute in fair proportion to the rising cost of government.

Almost half of the Company's revenue comes from supplying electricity and natural gas to homes. The Company added 20,900 residential electric customers and 28,800 residential gas customers in 1969.

Increasing construction of new apartment complexes continued to be a strong trend in the residential market. Many utilize electric space heating. The Company ended 1969 with 17,300 electric space heating customers in all, up 2,800 from the previous year.

Michigan's population is expected to increase 15% by 1980, which will add new schools to the more than 2,500 elementary, junior high and high schools served by the Company in 1969. Also by 1980, the number of households is projected to increase by 19%.

of peak demand.

The Ludington plant is being built jointly by Consumers Power Company and The Detroit Edison Company, with ownership to be 51 percent and 49 percent, respectively, and proportionate sharing of electric power. Consumers Power Company's share of the investment will be approximately \$130 million. In the early years, it is proposed that about one-third of its output will be sold to the Commonwealth Edison Company of Chicago.

Finally, in terms of major new generating capacity, the Company is engaged in site work and engineering for a large, dual-purpose nuclear plant near Midland. This will consist of two reactors, each the size of the one at Palisades. The plant will supply 1.3 million kilowatts to the Michigan power pool and, in addition, will deliver up to four million pounds of industrial steam, per hour, to The Dow Chemical Company in Midland.

The Midland facility is scheduled for completion in two stages; the first reactor and generating unit in 1974, and the second in 1975. Total cost of the project is estimated at approximately \$350 million.

In addition to these large generating stations, the Company expects to invest approximately \$500 million in additional transmission and distribution lines, substations, and other supporting electric facilities over the next five years.

Expansion of the Company's natural gas service also is a continuing process. Pipelines, compressor stations and underground storage facilities will require considerable investment. Indeed, it is estimated that construction will average about \$50 million annually over the next five years, based on minimum anticipated gas supplies.

Other construction—such as service buildings, office facilities and transportation and equipment, and heating plant—is expected to require investment of about \$100 million over the next five years.

Five-Year Construction Estimated at \$1.45 Billion

Construction plans like these are an impressive commitment to the future. Yet they are not excessive. On the contrary, they are based on very careful analysis of economic and population trends, and what the Company management believes to be sound judgment as to the facilities needed to meet needs of the customers in the years ahead.

In the last five years, Consumers Power Company has invested \$811 million in new facilities, including \$205 million in the year 1969.

In 1970, projected construction will be on the order of \$232 million, and over the five-year period ending December 31, 1974, expenditures for plant additions are expected to total \$1.45 billion. This could rise to \$1.5 billion if the Company is able to get all the gas its customers demand, and builds additional gas lines and other facilities thus required.

To meet this cost over the next five years, it is estimated that the Company will have to sell about \$875 million in new securities. It is anticipated that approximately \$140 million will be raised in 1970 by issuing new securities.

Increasing Rates is a Difficult Process

The need for raising rates for electric and gas service became apparent in 1968. With each passing month, the costs of doing business increased in-

exorably. And it no longer was possible to more than partially offset these increased costs by more efficient operations or technical advancements.

On April 19, 1968, the Company applied for rate relief in its natural gas business. This was followed, on July 15, 1968, with application for rate relief in the electric business. In all, the Company asked authority to raise its rates sufficiently to produce \$57.8 million in additional revenue.

There followed many months of testimony before the Michigan Public Service Commission. The Company presented evidence in support of its case. The Commission staff presented its own arguments and conclusions. And the Attorney General of Michigan intervened with still other arguments. He insisted that no rate increase was needed; arguing that, on the contrary, the Commission should order the Company's rates reduced.

Eventually, on September 29, 1969, the Commission issued an order granting the Company authority to raise its electric rates approximately six percent, and its gas rates approximately 10 percent to produce \$37.8 million in additional revenue.

In accordance with this order, the Company filed amended rates schedules October 3, 1969. These were designed to yield the additional revenues approved by the Commission.

However, the Attorney General demanded—and was granted—further hearings on the form of the rate structure. After four days of further testimony and cross-examination, the Commission approved the new gas rate schedules. The electric rate schedules were made subject to additional hearings.

To avoid irreparable loss while awaiting these further hearings, the Company petitioned the

Ingham County Circuit Court for permission to put the new electric rates into effect under bond, against possible refunds. The court granted this petition, and the electric rates—along with the new gas rates—became effective October 22, 1969.

The Company subsequently filed suit, on October 28, in Ingham County Circuit Court asking that the full amount of its original rate increase petition—\$57.8 million—be allowed.











The Company, in its appeal, has taken the position that the Commission did not authorize a reasonable rate of return; that it failed to determine an adequate rate base; and that it did not give sufficient recognition to rising operating costs.

One element of the Commission's rate order requires further explanation. The order provides for a reduction in rates on reduction or termination of the surcharge on Federal income taxes. As part of its suit, the Company has taken the position that this provision is illegal and has obtained a temporary injunction against the enforcement of this provision pending further hearings. The Company argues that if a rate reduction is to be considered the Commission should review all other costs of doing business at the time the surcharge is changed. There have been many increases in costs offsetting the reduction in the surcharge.










The Attorney General, on his part, has appealed the Commission's authorization of greater electric and gas revenues, arguing that no rate increases are required. He also has challenged the Commission's order approving the Company's increased gas rates. All of these court actions are expected to be heard in 1970.

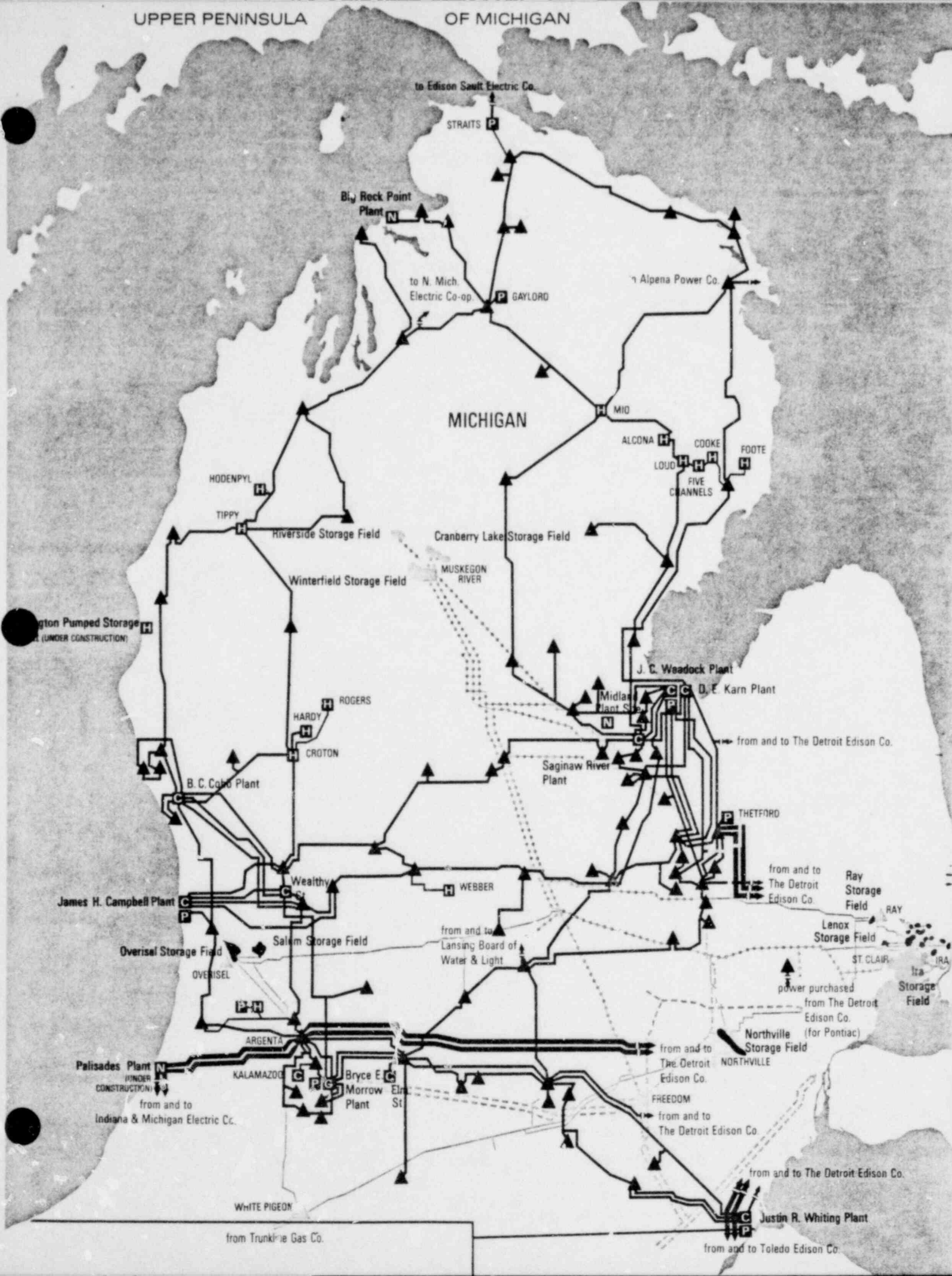
Additional hearings by the Commission on the Company's electric rate schedules were held February 3 and 4, 1970.

CONSUMERS POWER COMPANY ELECTRIC SYSTEM

-  Nuclear Plant
-  Coal-Fired Plant
-  Gas-Fired Plant
-  Peaking Plant
-  Hydro Plant
-  Primary Substation
-  Transmission Line
46,000 Volts
-  Transmission Line
138,000 Volts
-  Transmission Line
345,000 Volts
-  Interchange of Power

CONSUMERS POWER COMPANY NATURAL GAS SYSTEM

-  Gas Lines
Consumers Power Co.
-  Gas Lines
Michigan Gas Storage Co.
-  Gas Lines
Panhandle Eastern Pipe Line Co.
-  Compressor Stations
Consumers Power Co.
-  Compressor Stations
Michigan Gas Storage Co.
-  Storage Fields
Consumers Power Co.
-  Storage Fields
Michigan Gas Storage Co.
-  Gas Fields
Consumers Power Co.
-  Interconnection with other Gas Co.



MICHIGAN

to Edison Sault Electric Co.

STRAITS P

Bi, Rock Point Plant N

to N. Mich. Electric Co-op. P GAYLORD

Alpena Power Co.

ALCONA H

COOKE H

FOOTTE H

LOUD H

FIVE CHANNELS H

HODENPYL H

TIPPY H

Riverside Storage Field

Winterfield Storage Field

Cranberry Lake Storage Field

MUSKEGON RIVER

MIO H

ALCONA H

COOKE H

FOOTTE H

LOUD H

FIVE CHANNELS H

J. C. Woodcock Plant

D. E. Karn Plant

Midland Plant Sta. N

from and to The Detroit Edison Co.

Saginaw River Plant

THETFORD P

from and to The Detroit Edison Co.

Ray Storage Field RAY

Lenox Storage Field ST CLAIR

Ira Storage Field IRA

power purchased from The Detroit Edison Co. (for Pontiac)

Northville Storage Field NORTHVILLE

from and to The Detroit Edison Co.

from and to The Detroit Edison Co.

from and to The Detroit Edison Co.

Justin R. Whiting Plant

from and to Toledo Edison Co.

WHITE PIGEON

from Trunkline Gas Co.

Palisades Plant UNDER CONSTRUCTION N from and to Indiana & Michigan Electric Co.

Overisel Storage Field OVERISEL

James H. Campbell Plant C P

Wealthy C

Salem Storage Field

from and to Lansing Board of Water & Light

WEBBER H

CROTON H

B. C. Cold Plant

HARDY H

ROGERS H

Whiting Pumped Storage Plant UNDER CONSTRUCTION

Company Endured 83-Day Strike in 1969

Prolonged negotiations took place in the winter and early spring of 1969 between the Company and the Utility Workers Union of America (AFL-CIO), which represents approximately one-half the work force. These negotiations failed to produce a new working agreement, and a strike was begun April 8. Before a settlement was reached and subsequent return to work June 30, the Company and its operating employees endured an 83-day strike.

Throughout the protracted strike, service to the Company's 1.5 million customers was maintained by executive, administrative and professional employees, and by office and technical employees.

The agreement, as ratified, provided for a contract expiring March 31, 1971. This included wage increases averaging nearly 43 cents per hour in 1969, and approximately an additional 25 cents per hour in 1970. Provision also was made for a cost-of-living increment, payable beginning August 1, 1970.

Other Costs of Operation Continued to Rise

Wages and salaries, of course, are only one of many items of cost which are affected by inflation.

The price of coal for generation of electricity rose to \$7.97 per ton from \$7.80.

There was an increase in cost, also, for gas purchased from major pipelines. The system average cost of gas rose to 37.91 cents per thousand cubic feet, from 35.56 cents in 1968.

All types of equipment and materials also rose in cost, as inflation caused suppliers to increase prices. The greatest rise,

however, was reflected in construction, where labor costs went up approximately 15 percent in 1969.

The cost of borrowed money also continued to rise. In November, the Company sold \$55 million in first mortgage bonds, 8¼% series, due 1999, at an interest cost to the Company of 8.4%. An earlier issue of \$50 million, 7% series, due 1999, was sold in June at an interest cost of 7.7%. In both cases, these represented higher interest rates than for any previous Company financing.

In 1968, the Company sold two \$55 million bond issues at a cost to the Company of 6.8% and 6.6%, respectively, and in 1967 an \$80 million issue at a cost of 5.9%.

Taxes represented another major item of cost. In total, Federal, State and local taxes amounted to \$96,530,000 in 1969. The Company estimates that, of every revenue dollar received from its customers, taxes absorbed almost 18 cents.

One example of rising taxes is represented by the Company's property taxes, which rose significantly in 1969, due largely to higher tax rates and increasing assessments on Company facilities. Total property taxes in 1969 amounted to \$30,670,000, a 13 percent increase over the previous year. Further increases will become effective in 1970.

In addition, along with paying its own substantial taxes, the Company collected from its customers \$14,420,000 in Michigan sales tax, which was remitted to the State.

Company Won Tax Decision in Federal Court

The Company's earnings for 1969 were enhanced by a non-recurring item recorded in the last quarter of the year in the

New Electric Records Are Set

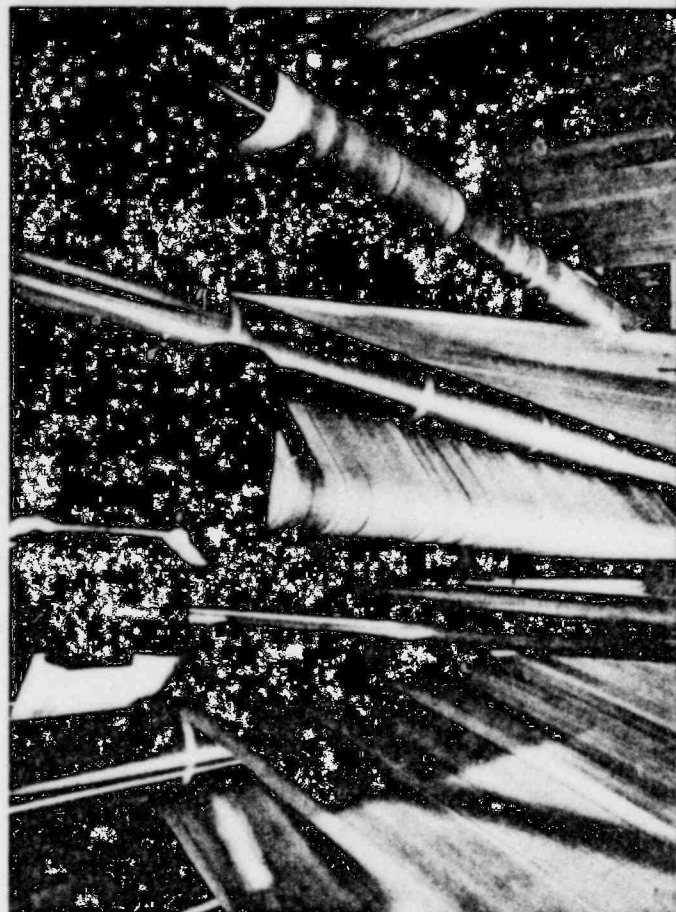
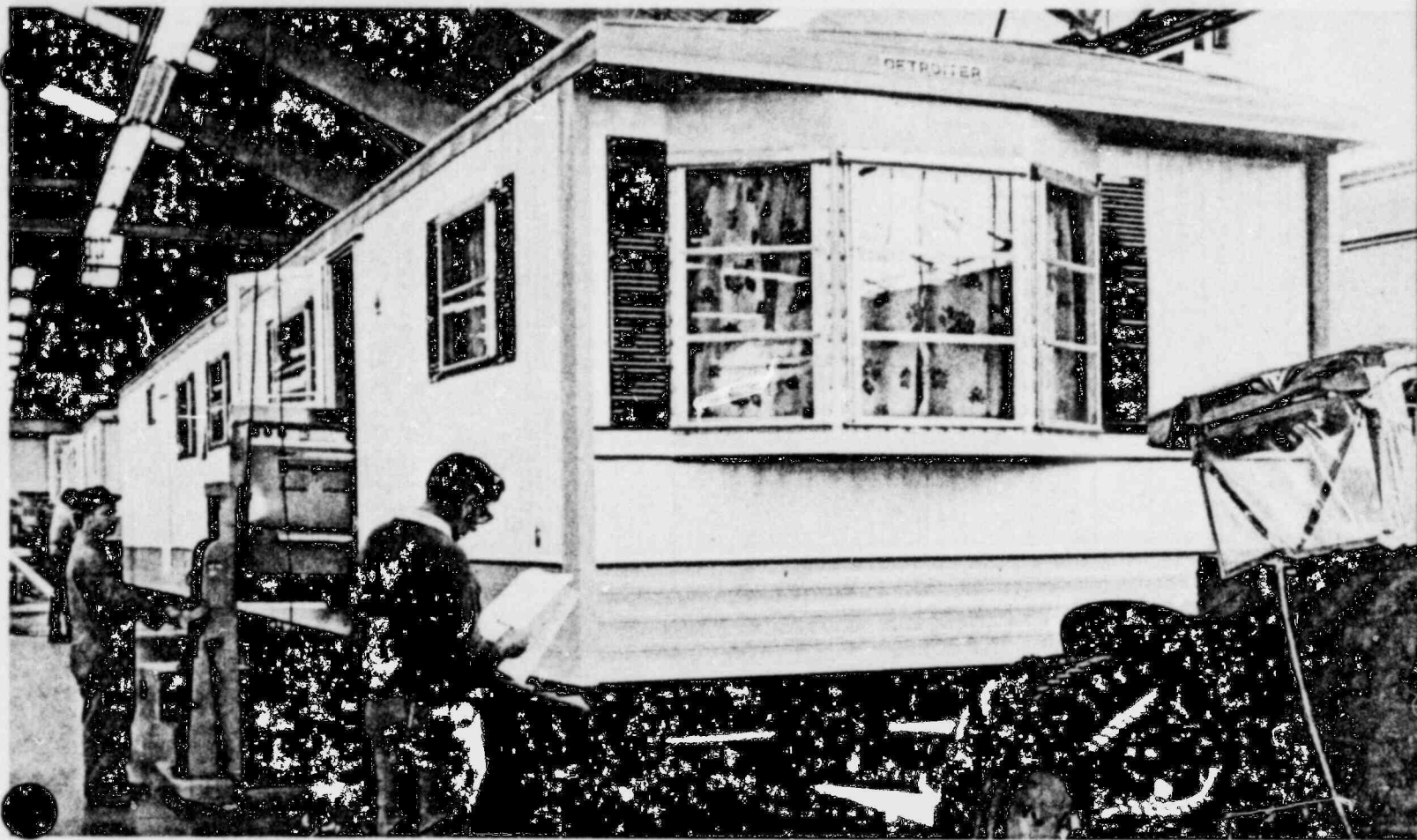
A new all-time record sendout of electricity was established December 18, 1969 when the Company's customers required 65,004,000 kilowatthours. A record one-hour electric peak was set December 15, 1969, when customers demanded 3,377,000 kilowatts between 6:00 p.m. and 7:00 p.m. On January 20, 1970, another new daily sendout record was established as 66,123,000 kilowatthours of electricity were distributed in a 24-hour period.

An industry survey compiled during 1969 ranked the Company's electric generating system sixth in the nation for 1968 in system heat rate, which is the industry measure of system efficiency. The Dan E. Karn plant, in Essexville, was rated the eighth most efficient among all individual plants covered by the survey.

Michigan is a national leader in the production of mobile homes, and they are popular within the service area. Approximately half of all new electric and gas services that will be installed in 1970 are expected to be for mobile homes, prefabricated homes, or apartments. The Company added 5,500 mobile home customers in 1969.

The Company's service area includes 50 colleges and universities which strengthen and stabilize the economies of their local communities and contribute to a better quality of life. Higher education in Michigan also offers steadily growing capabilities for industrial and other research and development activities.

Communications are extensively developed in the Company's service area, which includes 29 daily newspapers, 13 television stations, more than 80 radio stations, and more than 200 weekly newspapers.



amount of \$2.5 million.

This was largely the result of a favorable tax ruling on deductibility for Federal income tax purposes of depreciation on clearing and easement costs. Although the Internal Revenue Service has appealed some issues, with respect to these two items, the IRS decided not to appeal a decision of the U.S. District Court in a case affecting the Company's tax returns as far back as 1957. The successful outcome of this tax case left the Company with an over-accrual for Federal taxes, and this was eliminated as the year drew to a close.

Oil and Gas Exploration Continues

Northern Michigan Exploration Company, a wholly-owned subsidiary, was formed in 1968 to prospect for possible oil and gas in the northern part of Michigan's lower peninsula. The Company has more than 300,000 acres of land under lease for this purpose. While no commercial quantities of oil or gas were found in 1969, geophysical evidence was encouraging enough to merit continued drilling, and several additional test wells are planned in 1970.

Changes in Management Personnel

On January 7, 1970, the Company accepted with regret the resignation of Durward B. Varner, Chancellor of Oakland University, as a member of its Board of Directors. Chancellor Varner's resignation was prompted by his acceptance of an appointment as Chancellor of the University of Nebraska. The Company's management will miss his wise counsel and keen interest in the Company's affairs, and expresses deep appreciation for his service on the

Board since his election in April 1967.

In July, W. Jack Mosley was elected vice president of the Company, with responsibility for bulk power resources and planning and power pooling. Mr. Mosley formerly had served as executive manager, electric operations. He joined Consumers Power as power pooling director in 1962.

In July, the Company was saddened by the sudden death of L. L. Booth, for 22 years manager of the Muskegon Division. Mr. Booth had served the Company with skill and devotion for 39 years.

C. Thomas Baylis, previously assistant manager, succeeded Mr. Booth as division manager in Muskegon. Mr. Baylis joined the Company in 1946, and served as general appliance service supervisor-electric before becoming assistant division manager in Muskegon.

The Company's Owners

The Company ended the year with 101,692 shareholders of record. Common stock was held in 87,443 names. Preferred stock registrations totaled 14,249. Consumers Power shareholders live in all 50 states, the District of Columbia and 35 foreign countries, but more than half are residents of Michigan. Individuals and joint accounts, often husband and wife, represent 89 percent of all common shareholders.

Shareholder Meetings

On April 8, 1969, the Annual Meeting of Shareholders was held in Jackson. Of all shares entitled to vote, 84.94 percent were represented.

The 1970 Annual Meeting of Shareholders will be held at 2:00 p.m., Tuesday, April 14, in the Company's Parnall Office Building in Jackson.

Operation Outreach

In the 1968 Annual Report, the Company reported the start of a program called "Operation Outreach." It is an accelerated program to hire, train, and provide continuing employment to men and women who, at one time, were regarded as unemployable.

In 1969, "Operation Outreach" continued. When the year began, 84 persons were on the payroll under this program. During 1969, another 62 persons were added from the ranks of so-called "disadvantaged." At year-end, 101 persons continued in the work force under the program; 70 percent have completed their probationary employment period and become regular employees of the Company.

Of those hired in "Operation Outreach," 45 left the Company. Of these, 19 were terminated because they were unable to adjust satisfactorily to the requirements of normal employment. The other 26 left for personal reasons not related to their status in "Operation Outreach."

The Company is dedicated to continuation of the program. It is anticipated that as many as 125 previously disadvantaged persons will be on the payroll as permanent, productive employees by mid-1970.



In Memoriam

DAN E. KARN

A guiding light in the utility world was extinguished when Dan E. Karn died June 20, 1966.

Civic leader, corporation president and director, youth leader, community inspiration, political active, church elder—Dan Karn wore many hats well. But first and last, he was a utility man, long to be remembered as a leader who helped the electric and natural gas industries achieve dramatic growth through five decades of this century.

He became president of Consumers Power Company in 1951. He served until 1960 when he retired as president, but remained a member of the Board of Directors. When he retired from the Board in 1967, he had served 34 years as a director.

The growth and progress of Consumers Power during those many years paralleled and reflected the career of Dan Karn. So did the growth and progress of the electric and gas industries. He was a member of the Board of Directors of the Edison Electric Institute, and a member of the Advisory Council of the American Gas Association. Utility men throughout the United States knew, respected and learned from Dan Karn.

Although Dan Karn was a utility man, first and last he also was a community leader, devoted to his family and his church.

He was a director of the City Bank and Trust Company of Jackson, and a trustee of Alma College. He served the Boy Scouts and Junior Achievement, and was a member of the Michigan Crime and Delinquency Council and the Governor's Blue-Ribbon Committee on Education.

He was a delegate to the 1963 Michigan Constitutional Convention which forged a new state constitution.

He was a elder of the First Presbyterian Church of Jackson.

He was a longtime Roman and served as Jackson club treasurer and district governor.

And there was only a few of his many civic organizations.

Whatever the task, he moved with the best people, a man who is remembered. Whatever the request, he responded with the sincerity of a friend who cares. To every program he brought insight, wisdom, skill, imagination and zeal.

Consumers Power Company, Michigan's utility business and, most of all, his countless friends will continue to miss Dan Karn.



A. H. AYMOND



ROBERT P. BRIGGS



JAMES H. CAMPBELL



E. NEWTON CUTLER, JR.



LEE D. FERDEN



JOHN F. GORDON



FRANK HAMILTON



C. S. HARDING MOTT



DONALD J. PORTER



LYLE C. ROLL

Company Directors

A. H. AYMOND

*Chairman of the Board of the Company
Jackson, Michigan*

ROBERT P. BRIGGS

*Commissioner of Financial Institutions, State of Michigan
Lansing, Michigan*

JAMES H. CAMPBELL

*President of the Company
Jackson, Michigan*

E. NEWTON CUTLER, JR.

*Senior Vice President of First National City Bank
New York, New York*

LEE D. FERDEN

*Farmer
Chesaning, Michigan*

DANIEL M. FITZ-GERALD

*Chairman of the Board and Chief Executive Officer of
The Wickes Corporation
Saginaw, Michigan*

RICHARD M. GILLET

*President and Chief Executive Officer of Old Kent Bank and Trust Company
Grand Rapids, Michigan*

JOHN F. GORDON

*Director, General Motors Corporation
Birmingham, Michigan*

FRANK HAMILTON

*Retired First Vice President of Bankers Trust Company
New York, New York*

C. S. HARDING MOTT

*President and Trustee of the Charles Stewart Mott Foundation
Flint, Michigan*

DONALD J. PORTER

*President of Porter-Radley Company
Grand Rapids, Michigan*

LYLE C. ROLL

*Chairman of the Board of Kellogg Company
Battle Creek, Michigan*

DR. E. GIFFORD UPJOHN

*Director, The Upjohn Company
Kalamazoo, Michigan*

DURWARD B. VARNER*

*Chancellor of Oakland University
Rochester, Michigan*

**Chancellor Varner resigned from the Board January 7, 1970*



DANIEL M. FITZ-GERALD



RICHARD M. GILLETT



E. GIFFORD UPJOHN



DURWARD B. VARNER*

Company Officers

A. H. AYMOND
Chairman of the Board, Chief Executive Officer

JAMES H. CAMPBELL
President, Chief Operating Officer

HARRY R. WALL
Senior Vice President, Electric Operations

JOHN B. SIMPSON
Senior Vice President, Gas Operations

ROBERT D. ALLEN
Senior Vice President, Generating Plant Engineering and Construction,
General Services and Personnel

BIRUM G. CAMPBELL
Vice President, Marketing

W. ANSON HEDGECOCK
Vice President, Divisions and Customer Service

RALPH C. BRETTEING
Vice President, Personnel

FLOYD C. FISHER
Vice President, General Services

RUSSELL C. YOUNGDAHL
Vice President, Electric Engineering, Construction, Transmission and Distribution,
Land and Right-of-Way and Purchasing and Stores

WALTER R. BORIS
Vice President, Finance

JOHN W. KLUBERG
Vice President and Controller, Accounting and Rates

W. JACK MOSLEY
Vice President, Bulk Power Resources

PAUL A. PERRY, Secretary

HERBERT J. PALMER, Treasurer

HAROLD P. GRAVES, General Counsel

Divisions and Managers

(Headquarters cities in parentheses)

Battle Creek Division *(Battle Creek)* GORDON W. HOWARD

Bay City Division *(Bay City)* LOWELL L. SHEPARD

Central Division *(Alma)* RALPH HAHN

Flint Division *(Flint)* J. LAURENCE GILLIE

Grand Rapids Division *(Grand Rapids)* GORDON L. CARSON

Jackson Division *(Jackson)* A. FRANK BREWER

Kalamazoo Division *(Kalamazoo)* ARTHUR H. LEE

Lansing Division *(Lansing)* ROBERT H. LAWLOR, JR.

Macomb Division *(East Detroit)* GEORGE L. MAYHEW

Muskegon Division *(Muskegon)* LIONEL L. BOOTH (Deceased July 29, 1969)
C. THOMAS BAYLIS (From August 1, 1969)

Northwest Division *(Traverse City)* BOB D. HILTY

Pontiac Division *(Pontiac)* CHARLES F. BROWN

Saginaw Division *(Saginaw)* STANLEY M. JURRENS

South Oakland Division *(Royal Oak)* WILFRED L. WHITFIELD

West Wayne Division *(Livonia)* JAMES P. THOMAS

ARTHUR ANDERSEN & Co.

DETROIT, MICHIGAN

To the Board of Directors,
Consumers Power Company:

We have examined the balance sheet of CONSUMERS POWER COMPANY (a Michigan corporation) as of December 31, 1969, and the related statements of income, retained earnings and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the financial statements referred to above present fairly the financial position of Consumers Power Company as of December 31, 1969, and the results of its operations and source of funds for gross property additions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Detroit, Michigan,
February 6, 1970.

Arthur Andersen & Co.

Consumers Power Company

Statement of Source of Funds For Gross Property Additions

FOR THE YEARS ENDED DECEMBER 31, 1969 AND 1968

YEAR ENDED DECEMBER 31

SOURCE OF FUNDS FOR GROSS PROPERTY ADDITIONS:

		1969	1968
Earnings retained in the business:	Net income after dividends on preferred stock	\$ 63,426,000	\$ 59,009,000
	Less—Dividends declared on common stock (quarterly declaration formerly in December made in January, 1970)	32,446,000	43,137,000
		<u>\$ 30,980,000</u>	<u>\$ 15,872,000</u>
Principal noncash charges:	Depreciation and amortization—		
	Per Statement of Income	\$ 51,881,000	\$ 48,825,000
	Charged to other accounts	5,200,000	4,460,000
	Deferred income taxes—net	10,962,000	9,901,000
	Investment tax credit—net	3,416,000	3,396,000
		<u>\$ 71,459,000</u>	<u>\$ 66,582,000</u>
Financing:	Sale of first mortgage bonds	\$105,000,000	\$110,000,000
	Increase in notes payable	6,900,000	12,000,000
	Retirement of bonds and preferred stock, in accordance with terms of issuance	(7,788,000)	(6,688,000)
		<u>\$104,112,000</u>	<u>\$115,312,000</u>
Other:	Change in net current assets and current liabilities	\$ (2,171,000)	\$ 5,862,000
	Other	723,000	4,643,000
		<u>\$ (1,448,000)</u>	<u>\$ 10,505,000</u>
GROSS PROPERTY ADDITIONS		<u>\$205,103,000</u>	<u>\$208,271,000</u>

() Denotes deduction.

The accompanying notes are an integral part of this statement.

Statement of Income

FOR THE YEARS ENDED DECEMBER 31, 1969 AND 1968

Consumers Power Company

YEAR ENDED DECEMBER 31

	1969	1968
OPERATING REVENUE:		
Electric	\$307,999,678	\$286,245,624
Gas	240,535,782	217,681,852
Steam	1,239,386	1,191,514
Total operating revenue	<u>\$549,774,846</u>	<u>\$505,118,990</u>
OPERATING EXPENSES AND TAXES:		
Operation—		
Purchased and interchanged power	\$ 13,530,397	\$ 6,793,357
Fuel consumed in electric generation	59,091,019	56,128,706
Cost of gas sold	106,888,113	93,929,018
Other	100,874,343	89,834,470
Total operation	<u>\$280,383,872</u>	<u>\$246,685,551</u>
Maintenance	26,121,267	24,685,560
Depreciation and amortization (Note 4)	51,880,650	48,824,702
General taxes	37,058,195	31,767,807
Federal income taxes (Note 5)	41,022,326	49,260,385
State income taxes	4,071,324	4,859,454
Provision for deferred income taxes—net	10,962,051	9,901,486
Charge equivalent to investment tax credit—net	3,416,145	3,395,805
Total operating expenses and taxes	<u>\$454,915,830</u>	<u>\$419,380,750</u>
Net operating income	<u>\$ 94,859,016</u>	<u>\$ 85,738,240</u>
OTHER INCOME:		
Dividends from Michigan Gas Storage Company	1,350,000	1,029,375
Other	1,540,087	1,318,981
Gross income	<u>\$ 97,749,103</u>	<u>\$ 88,086,596</u>
INCOME DEDUCTIONS:		
Interest on long-term debt	\$ 35,956,150	\$ 29,043,620
Interest on notes payable	2,685,912	998,123
Interest charged to construction (credit)	(8,421,485)	(4,891,483)
Other	568,183	379,677
Total income deductions	<u>\$ 30,788,760</u>	<u>\$ 25,529,937</u>
Net income	<u>\$ 66,960,343</u>	<u>\$ 62,556,659</u>
DIVIDENDS ON PREFERRED STOCK		
Net income after dividends on preferred stock	<u>\$ 3,534,500</u>	<u>3,548,060</u>
	<u>\$ 63,425,843</u>	<u>\$ 59,008,599</u>
EARNINGS PER SHARE OF COMMON STOCK		
BASED ON AVERAGE SHARES OUTSTANDING		
(22,768,900 shares in 1969 and 22,670,777 shares in 1968)	<u>\$2.79</u>	<u>\$2.60</u>

The accompanying notes are an integral part of this statement.

Balance Sheet

AT DECEMBER 31, 1969 AND 1968

		DECEMBER 31	
		1969	1968
Assets			
UTILITY PLANT:	At original cost—		
	Electric	\$1,382,978,143	\$1,253,093,250
	Gas	671,063,973	620,067,956
	Steam	4,793,492	4,287,566
	Common to all departments	52,164,195	46,633,978
		<u>\$2,110,999,803</u>	<u>\$1,924,082,750</u>
	Less—Provision for accrued depreciation	468,021,841	427,774,321
		<u>\$1,642,977,962</u>	<u>\$1,496,308,429</u>
OTHER PHYSICAL PROPERTY:	At cost or less—less provision for accrued depreciation of \$100,586 in 1969 and \$30,266 in 1968	\$ 2,774,295	\$ 2,920,831
INVESTMENTS:	Common stock of wholly owned subsidiaries, at cost—		
	Michigan Gas Storage Company	\$ 16,205,186	\$ 16,205,186
	Northern Michigan Exploration Company	2,000,000	1,500,000
	Other, at cost or less	754,711	876,795
		<u>\$ 18,959,897</u>	<u>\$ 18,581,981</u>
CURRENT ASSETS:	Cash	\$ 10,260,297	\$ 10,338,144
	Accounts receivable, less reserves of \$363,453 in 1969 and \$365,600 in 1968	47,327,592	42,524,383
	Materials and supplies, at average cost	43,185,091	34,580,535
	Gas in underground storage, at average cost	20,219,372	15,853,414
	Other	19,190,426	15,412,063
		<u>\$ 140,182,778</u>	<u>\$ 118,708,539</u>
DEFERRED DEBITS:	Portion of cost of Big Rock Point Nuclear Plant, in process of amortization	\$ 2,464,044	\$ 3,776,044
	Other	1,165,803	415,663
		<u>\$ 3,629,847</u>	<u>\$ 4,191,707</u>
		<u>\$1,808,524,779</u>	<u>\$1,640,711,497</u>

The accompanying notes are an integral part of this statement.

Consumers Power Company

DECEMBER 31

Liabilities

		1969	1968
CAPITALIZATION:			
Common stockholders' equity—			
	Common stock, \$10 par value, authorized 25,000,000 shares, outstanding 22,768,900 shares	\$ 227,689,000	\$ 227,689,000
	Capital in excess of par value (Note 6)	187,756,338	187,654,365
	Retained earnings, of which \$5,935,035 (equal to \$7.50 per share of preferred stock) is not available for payment of cash dividends on common stock	156,482,642	125,503,192
		<u>\$ 571,927,980</u>	<u>\$ 540,846,557</u>
	Less—Capital stock expense	3,201,380	3,203,150
	Total common stockholders' equity	<u>\$ 568,726,600</u>	<u>\$ 537,643,407</u>
	Preferred stock, cumulative, \$100 par value, authorized 1,500,000 shares (Note 6)	79,133,800	79,533,800
		<u>\$ 647,860,400</u>	<u>\$ 617,177,207</u>
	Long-term debt (Note 7)	810,585,400	714,627,900
	Total capitalization	<u>\$1,458,445,800</u>	<u>\$1,331,805,107</u>
NOTES PAYABLE:			
	Notes payable due within one year	\$ 42,900,000	\$ 36,000,000
CURRENT LIABILITIES			
(excluding notes payable due within one year):	Current sinking fund requirement on long-term debt	\$ 9,038,000	\$ 7,388,000
	Accounts payable	64,462,226	52,651,947
	Accrued taxes	58,897,524	45,460,701
	Accrued interest	12,574,704	11,290,952
	Other	11,814,942	20,692,433
		<u>\$ 156,787,396</u>	<u>\$ 137,484,033</u>
DEFERRED CREDITS:			
	Investment tax credit, being amortized over life of the related property	\$ 21,721,067	\$ 18,304,922
	Other	2,494,756	4,297,183
		<u>\$ 24,215,823</u>	<u>\$ 22,602,105</u>
RESERVES:			
	Deferred income taxes	\$ 105,049,692	\$ 94,087,641
	Other	1,800,620	1,937,352
		<u>\$ 106,850,312</u>	<u>\$ 96,024,993</u>
OTHER:			
	Contributions in aid of construction	\$ 19,325,448	\$ 16,795,249
		<u>\$1,808,524,779</u>	<u>\$1,640,711,487</u>

The accompanying notes are an integral part of this statement.

Statement of Retained Earnings

Consumers Power Company

FOR THE YEARS ENDED DECEMBER 31, 1969 AND 1968

YEAR ENDED DECEMBER 31

	1969	1968
RETAINED EARNINGS—Beginning of year	\$125,503,192	\$109,631,936
ADD—Net income after dividends on preferred stock	63,425,843	59,008,599
	<u>\$188,929,035</u>	<u>\$168,640,535</u>
DEDUCT—Cash dividends on common stock declared in the amount of \$1.425 per share in 1969 and \$1.90 per share in 1968 (quarterly declaration formerly in December made in January, 1970); paid \$1.90 per share in 1969 and 1968	<u>32,446,393</u>	<u>43,137,343</u>
RETAINED EARNINGS—End of year (see balance sheet)	<u>\$156,482,642</u>	<u>\$125,503,192</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

Consumers Power Company

1 Because of increased costs of doing business, rate increases were granted by the Michigan Public Service Commission (MPSC) by order of September 29, 1969 (which order has been appealed to the Ingham County Circuit Court by the Company and also by the Attorney General of the State of Michigan) to increase annual gas and electric revenues by \$21,308,000 and \$16,514,000, respectively, based on 1968 sales volumes. Following hearings thereon, revised gas rates designed to produce the authorized additional gas revenues were approved by an order of the MPSC on October 21, 1969 (which order has been appealed to the Ingham County Circuit Court by the Attorney General) and became effective on October 22, 1969. Revised electric rates designed to produce the authorized additional electric revenues became effective on October 22, 1969, by court order, pending hearings thereon and determination thereof by the MPSC. Such hearings were held on February 3 and 4, 1970, but no order has been issued to date. The revised electric rates are subject to refund to the extent the MPSC may modify or alter the rates or to the extent they exceed the prior rates (\$2,600,000 through December 31, 1969) if the court order is reversed by an appellate court.

The Ingham County Circuit Court has also issued a temporary injunction staying a portion of the MPSC's order of September 29, 1969 which required the Company to reduce its revised gas and electric rates within 30 days of a reduction in or expiration of the 10% Federal income tax surcharge by the amount of the tax reduction. As a result of the reduction in the surcharge, on and after January 30, 1970 the revised gas and electric rates are subject to refund, pending hearing on the Company's appeal of the MPSC's order, for the amount that the Company's rates would have been reduced under the portion of the order which was stayed.

2 The Company has a trustee noncontributory pension plan under which full-time regular employees within specified age limits and periods of service are qualified to participate. The contributions to the plan of \$7,386,000 in 1969 and \$6,749,000 in 1968 were charged to various operating, construction and other accounts. The contributions include current service costs, interest on unfunded prior service costs and amortization of prior service costs. The unfunded prior service cost at July 1, 1969 amounted to \$3,772,000.

3 Capital expenditures for property additions during 1970 are presently estimated to total \$232,000,000 and substantial commitments for the purchase of construction materials have been made in connection therewith.

4 The Company follows the practice of providing depreciation on the basis of straight-line rates approved by the Michigan Public Service Commission. Composite depreciation rates were approximately 2.85% for electric property and 3.20% for gas property for 1969 and 1968.

5 Federal income tax expense for 1969 has been reduced by \$2,500,000 (\$.11 per share) representing an adjustment of income taxes provided in prior periods.

DECEMBER 31

	REDEMPTION PRICE PER SHARE	DECEMBER 31	
		1969	1968
6 Preferred stock is represented by:			
\$4.50—547,788 shares outstanding	\$110.00	\$54,778,800	\$54,778,800
\$4.52—147,550 shares outstanding, less 4,000 shares purchased in 1969 for retirement	\$104.725	14,355,000	14,755,000
\$4.16—100,000 shares outstanding	\$103.25	10,000,000	10,000,000
Total preferred stock		<u>\$79,133,800</u>	<u>\$79,533,800</u>

The Company is required to endeavor to purchase and retire annually 4,000 shares of the \$4.52 preferred stock at a price per share not to exceed \$102.725 plus accrued dividends. Such purchases of preferred stock in 1969 resulted in a net gain of \$101,973 which was credited to capital in excess of par value.

DECEMBER 31

	DECEMBER 31	
	1969	1968
7 Long-term debt is represented by:		
First Mortgage Bonds—		
2 $\frac{7}{8}$ % Series due 1975	\$ 92,437,000	\$ 98,450,000
2 $\frac{7}{8}$ % Series due 1977	24,775,000	24,775,000
3 $\frac{1}{8}$ % Series due 1981	39,000,000	39,700,000
3% Series due 1984	24,075,000	24,750,000
4% Series due 1986	40,000,000	40,000,000
3 $\frac{1}{4}$ % Series due 1987	25,000,000	25,000,000
4 $\frac{3}{4}$ % Series due 1987	246,000	246,000
4 $\frac{1}{2}$ % Series due 1988	40,000,000	40,000,000
4 $\frac{5}{8}$ % Series due 1989	35,000,000	35,000,000
3 $\frac{1}{4}$ % Series due 1990	30,000,000	30,000,000
4 $\frac{5}{8}$ % Series due 1990	35,000,000	35,000,000
4 $\frac{5}{8}$ % Series due 1991	40,000,000	40,000,000
5 $\frac{7}{8}$ % Series due 1996	59,560,000	59,560,000
6% Series due 1997	79,400,000	79,400,000
6 $\frac{7}{8}$ % Series due 1998	55,000,000	55,000,000
6 $\frac{5}{8}$ % Series due 1998	55,000,000	55,000,000
7 $\frac{5}{8}$ % Series due 1999	50,000,000	—
8 $\frac{1}{4}$ % Series due 1999	55,000,000	—
Total First Mortgage Bonds	<u>\$779,493,000</u>	<u>\$681,881,000</u>
Sinking Fund Debentures, 4 $\frac{5}{8}$ %, due 1994	40,000,000	40,000,000
5% Mortgage Bonds due 1988, assumed upon acquisition of Rogers City Power Company	130,400	134,900
	<u>\$819,623,400</u>	<u>\$722,015,900</u>
Deduct—Current sinking fund requirement included in current liabilities:		
First Mortgage Bonds	\$ 8,438,000	\$ 7,388,000
Sinking Fund Debentures	600,000	—
	<u>\$ 9,038,000</u>	<u>\$ 7,388,000</u>
Total long-term debt	<u>\$810,585,400</u>	<u>\$714,627,900</u>

Financial Summary 1969-1959

	1969	1968	1967	
STATEMENT OF INCOME DATA	Operating Revenue			
	Electric	\$ 307,999,678	\$ 286,245,624	\$ 270,086,001
	Gas	240,535,782	217,681,852	205,882,426
	Steam Heating	1,239,386	1,191,514	1,213,020
	<i>Operating Revenue Deductions, Except Taxes</i>	<i>358,385,789</i>	<i>320,195,813</i>	<i>300,603,516</i>
	<i>Taxes</i>			
	<i>Federal Income Tax</i>	<i>41,022,326</i>	<i>49,260,385</i>	<i>45,486,466</i>
	<i>State Income Tax</i>	<i>4,071,324</i>	<i>4,859,454</i>	<i>—</i>
	<i>Deferred Income Tax</i>	<i>10,962,051</i>	<i>9,901,486</i>	<i>7,692,510</i>
	<i>Investment Tax Credit (Net)</i>	<i>3,416,145</i>	<i>3,395,805</i>	<i>4,055,825</i>
	<i>Other</i>	<i>37,058,195</i>	<i>31,767,807</i>	<i>29,468,285</i>
	Net Operating Income			
	Electric	62,598,806	57,034,666	58,851,897
	Gas	32,651,237	28,870,985	31,093,939
	Steam Heating	(391,027)	(167,411)	(70,991)
	Other Income	2,890,087	2,348,356	1,428,370
	<i>Income Deductions</i>	<i>39,210,245</i>	<i>30,421,420</i>	<i>25,335,084</i>
	Interest Charged to Construction—Credit	8,421,485	4,891,483	2,555,367
	Net Income	66,960,343	62,556,659	68,523,498
	<i>Cash Dividends Declared</i>			
	<i>On Preferred Stock</i>	<i>3,534,500</i>	<i>3,548,060</i>	<i>3,567,016</i>
	<i>On Common Stock</i>	<i>32,446,393⁽³⁾</i>	<i>43,137,343</i>	<i>42,888,843</i>
	Earnings Retained	30,979,450	15,871,256	21,058,639
	Common Stock, Unadjusted, See Footnote (1)			
	Average Shares Outstanding	22,768,900	22,670,777	22,628,901
Earnings per Share	\$ 2.79	\$ 2.60	\$ 2.87	
Cash Dividends Paid per Share	\$ 1.90	\$ 1.90	\$ 1.90	
Common Stock, Adjusted, See Footnote (1)				
Average Shares Outstanding	22,768,900	22,670,777	22,628,901	
Earnings per Share	\$ 2.79	\$ 2.60	\$ 2.87	
Cash Dividends Paid per Share	\$ 1.90	\$ 1.90	\$ 1.86	
Interest Charged to Construction per Share	\$.37	\$.22	\$.11	
BALANCE SHEET DATA	Utility Plant	\$ 2,110,999,803	\$1,924,082,750	\$1,742,150,612
	Accrued Depreciation	468,021,841	427,774,321	392,061,576
	Plant Investment per Employee	181,342	171,487	130,759
	Capitalization, See Footnote (2)			
	Common Stock and Retained Earnings	\$ 568,726,600	\$ 537,643,407	\$ 516,851,795
	Preferred Stock	79,133,800	79,533,800	79,962,581
	Long-Term Debt	810,585,400	714,627,900	612,015,900
	Total Capitalization	<u>\$1,458,445,800</u>	<u>\$1,331,805,107</u>	<u>\$1,208,840,276</u>
	Capitalization Ratios—%, See Footnote (2)			
	Common Stock and Retained Earnings	39.0	40.4	42.8
	Preferred Stock	5.4	6.0	6.6
	Long-Term Debt	55.6	53.6	50.6

(1) Common Stock, Unadjusted, figures do not reflect any adjustment to previously reported figures for the 2 for 1 stock split in April 1962 or for the 10% Common Stock Dividend issued April 1967. The Common Stock, Adjusted, figures reflect these adjustments.

(2) Total Capitalization and Common Stock and Retained Earnings data shown above for 1964 and prior years have been restated to reflect the deduction of expense pertaining to stock issues previously reported as a deferred debit.

(3) Fourth quarterly dividend formerly declared in December declared in January, 1970.

1966	1965	1964	1963	1962	1961	1960	1959
\$ 257,833,579	\$ 239,991,443	\$ 221,738,649	\$ 209,202,898	\$ 198,857,361	\$ 186,399,427	\$ 179,568,429	\$ 168,485,422
188,927,810	172,321,289	153,779,511	142,115,564	131,395,598	114,655,299	100,769,449	87,936,995
1,138,878	937,113	882,058	944,005	976,696	1,001,675	1,058,055	1,103,008
280,364,645	256,581,178	232,954,932	220,071,186	206,499,817	189,100,637	179,967,924	158,097,255
48,883,101	47,406,213	43,299,441	39,016,596	37,953,679	33,732,041	28,647,373	30,752,042
6,813,332	6,179,110	6,920,315	7,105,571	6,999,982	7,248,992	7,059,399	6,599,259
2,158,151	2,585,234	1,939,263	2,174,310	1,966,029	—	—	—
26,038,103	23,055,001	21,199,959	19,868,033	17,343,455	16,922,249	15,433,274	12,944,658
55,851,252	52,346,746	47,767,645	44,715,036	41,906,814	39,573,111	38,147,033	35,423,243
27,807,461	25,168,901	22,387,564	19,366,352	18,635,125	15,558,320	12,269,197	13,717,283
(15,778)	(83,538)	(68,901)	(54,617)	(75,246)	(78,949)	(128,267)	(8,315)
2,040,272	2,612,514	1,753,543	1,894,011	1,488,877	1,590,088	1,704,170	1,747,760
20,837,021	18,797,939	18,192,629	18,569,918	18,681,151	18,113,572	16,118,539	14,901,737
2,332,530	635,545	365,927	332,660	1,990,245	1,879,517	2,376,994	2,448,132
67,178,716	61,882,229	54,013,149	47,683,524	45,264,664	40,408,515	38,250,588	38,426,366
3,584,565	3,614,036	3,629,259	3,655,648	3,665,595	3,683,453	3,698,259	3,717,765
3,078,528	37,540,283	33,609,204	30,260,152	27,542,109	25,421,656	24,767,968	22,618,626
24,515,623	20,727,910	16,774,686	13,767,724	14,056,960	11,303,406	9,784,361	12,089,975
20,567,560	20,555,589	20,330,016	20,094,050	19,608,383	9,568,115	9,525,665	8,885,147
3.09	2.83	2.48	2.19	2.12	3.84	3.63	3.91
1.90	1.775	1.60	1.475	1.40	2.60	2.60	2.45
22,624,316	22,611,148	22,363,018	22,103,455	21,569,221	21,049,853	20,956,463	19,547,323
2.81	2.58	2.25	1.99	1.93	1.74	1.65	1.78
1.73	1.61	1.45	1.34	1.27	1.18	1.18	1.11
.10	.03	.02	.02	.09	.09	.11	.13
\$1,619,668,027	\$1,482,250,832	\$1,384,203,322	\$1,329,744,266	\$1,284,320,741	\$1,206,518,804	\$1,123,245,187	\$1,032,574,699
364,653,544	330,308,291	302,318,407	273,316,827	245,831,001	219,227,665	193,273,276	173,118,255
154,283	148,477	141,940	136,608	131,833	131,809	111,855	102,897
\$ 494,483,584	\$ 468,976,284	\$ 445,022,760	\$ 421,589,507	\$ 394,398,888	\$ 368,248,909	\$ 347,904,226	\$ 314,297,038
80,363,340	80,764,100	81,164,860	81,565,619	81,966,379	82,367,138	82,767,898	83,168,658
538,169,000	478,657,000	486,591,691	457,187,082	493,062,773	489,337,064	461,924,254	415,935,000
\$1,113,015,924	\$1,028,397,384	\$1,012,779,311	\$ 960,342,208	\$ 969,428,040	\$ 939,953,111	\$ 892,596,378	\$ 813,400,696
44.4	45.6	43.9	43.9	40.7	39.2	39.0	38.7
7.2	7.9	8.0	8.5	8.5	8.8	9.3	10.2
48.4	46.5	48.1	47.6	50.8	52.0	51.7	51.1

(4) Figures for years prior to 1963 have been restated where applicable to reflect refunds received in 1963 and 1962 of the cost of purchased gas and interest income related to such refunds and other miscellaneous adjustments, including the effect of applicable income taxes.

Electric and Gas Operating Comparison 1969-1959

PER CENT INCREASE
OR (DECREASE) 1969
COMPARED WITH

		1969	1968	1959	1968
electric revenue	Residential	\$119,298,937	8.5	68.1	\$100,888,43
	Commercial	76,246,495	9.0	101.2	6,259
	Industrial	98,132,472	7.8	87.2	91,818,17
	Interdepartmental and Other	5,320,222	9.7	95.0	4,849,74
	Total Sales to Ultimate Consumers	\$298,998,126	8.4	82.3	\$275,808,94
	Power Pool	—	(100.0)	—	2,504,45
	Other Resale	5,567,956	13.3	120.4	4,912,9
	Total Electric Sales Revenue	\$304,566,082	7.5	82.9	\$283,226,32
	Miscellaneous Electric Revenue	3,433,596	13.7	76.5	3,019,29
	Total Electric Revenue	\$307,999,678	7.6	82.8	\$286,245,62
	electric sales (1,000 kilowatt-hours)	Residential	5,546,263	9.0	79.2
Commercial		3,673,709	8.4	129.7	3,388,70
Industrial		8,578,389	5.9	113.8	8,104,06
Interdepartmental and Other		191,951	2.8	64.4	186,70
Total Sales to Ultimate Consumers		17,990,312	7.3	103.9	16,770,01
Power Pool		—	(100.0)	—	411,69
Other Resale		489,051	14.0	134.1	428,90
Total Electric Sales	18,479,363	4.9	104.6	17,610,61	
peak load	Kilowatts	3,377,275	6.2	88.2	3,179,71
	generating capacity	Kilowatts	3,411,086	1.2	50.2
heat rate	Btu of Fuel per Net Kilowatthour Generated	9,941	1.4	.3	9,80
electric customers	End of Period	1,057,735	2.5	23.2	1,031,91
electric residential customer averages	Annual Kilowatthours Used	5,954	6.2	45.4	5.60
	Revenue per Kilowatthour Used	2.15¢	(.5)	(6.1)	2.16
	Annual Revenue	\$128.06	5.7	36.4	21.
gas revenue	Residential				
	Using Gas for Home Heating	\$133,776,482	8.6	192.1	\$123,150,73
	Other	6,097,784	(3.7)	(49.3)	6,329,20
	Industrial and Commercial	93,716,797	12.8	228.7	83,103,78
	Interdepartmental (1)	3,079,358	845.9	1,212.4	325,55
	Resale	796,401	(40.5)	—	1,337,47
Total Gas Sales Revenue	\$237,466,822	10.8	174.3	\$214,246,75	
Miscellaneous Gas Revenue	3,068,960	(10.7)	124.6	3,435,10	
Total Gas Revenue	\$240,535,782	10.5	173.5	\$217,681,85	
gas statistics (1,000 cubic feet)	Gas Sales				
	Residential				
	Using Gas for Home Heating	129,060,276	7.3	169.8	120,256,31
	Other	3,997,083	(5.2)	(54.1)	4,215,23
	Industrial and Commercial	139,497,140	10.8	234.6	125,896,46
	Interdepartmental (1)	7,214,920	1,395.3	2,269.8	482,50
	Resale	1,992,394	(45.0)	—	3,620,01
	Total Gas Sales	281,761,813	10.7	186.0	254,470,53
Net to Storage	10,937,194	76.3	—	6,204,57	
Unbilled, Lost and Company Use	9,548,264	(24.5)	1,071.2	12,648,53	
Total Gas Purchased and Produced	302,247,271	10.6	204.2	273,323,65	
maximum 24-hour gas sendout	(1,000 Cubic Feet)	1,735,000	2.6	188.1	1,690,58
	gas customers	End of Period	830,011	4.0	62.9
residential customers using gas for home heating	Number—End of Period	675,851	5.3	155.0	41,68
	Average Annual Mcf Used	196	1.0	—	19
	Average Revenue per Mcf Used	103.65¢	1.2	8.2	102.41
	Average Annual Revenue	\$203.27	2.5	8.2	\$198.2

(1) Includes intracompany sales of gas to the electric department for use in generating electricity in years 1969, 1968, 1965, 1962, 1961, and 19

1967	1966	1965	1964	1963	1962	1961	1960	1959
\$2,138,339	\$ 97,033,110	\$ 92,266,607	\$ 89,427,891	\$ 85,334,132	\$ 82,884,470	\$ 79,727,171	\$ 76,207,206	\$ 70,957,616
1,073,608	60,286,010	55,636,401	52,431,943	48,849,529	46,237,915	43,291,862	40,338,087	37,904,248
85,387,765	84,042,956	77,918,003	70,290,252	65,182,252	60,682,708	54,718,983	55,054,612	52,423,154
4,497,443	4,143,604	3,883,767	3,666,062	3,453,244	3,343,702	3,145,774	2,930,291	2,728,713
<u>\$256,097,155</u>	<u>\$245,505,680</u>	<u>\$229,704,778</u>	<u>\$215,816,148</u>	<u>\$202,819,157</u>	<u>\$193,148,795</u>	<u>\$180,883,790</u>	<u>\$174,530,196</u>	<u>\$164,013,731</u>
5,515,600	4,081,741	2,962,550	—	—	—	—	—	—
4,662,499	4,412,239	4,116,623	3,845,597	4,187,933	3,740,699	3,298,695	2,956,622	2,526,044
<u>\$266,275,254</u>	<u>\$253,999,660</u>	<u>\$236,783,951</u>	<u>\$219,661,745</u>	<u>\$207,007,090</u>	<u>\$196,889,494</u>	<u>\$184,182,485</u>	<u>\$177,486,818</u>	<u>\$166,539,775</u>
3,810,747	3,833,919	3,207,492	2,076,904	2,195,808	1,967,867	2,216,942	2,081,611	1,945,647
<u>\$270,086,001</u>	<u>\$257,833,579</u>	<u>\$239,991,443</u>	<u>\$221,738,649</u>	<u>\$209,202,898</u>	<u>\$198,857,361</u>	<u>\$186,399,427</u>	<u>\$179,568,429</u>	<u>\$168,485,422</u>
4,677,692	4,394,426	4,051,505	3,839,862	3,647,764	3,530,776	3,376,511	3,205,406	3,094,393
3,053,439	2,826,722	2,539,873	2,340,920	2,143,567	2,000,412	1,838,741	1,690,660	1,599,315
7,496,857	7,353,814	6,643,212	5,797,370	5,299,805	4,846,180	4,180,726	4,279,984	4,012,905
181,586	171,802	159,324	149,239	141,795	141,747	136,533	127,815	116,775
<u>15,409,564</u>	<u>14,746,764</u>	<u>13,393,914</u>	<u>12,127,391</u>	<u>11,232,931</u>	<u>10,519,115</u>	<u>9,532,511</u>	<u>9,303,865</u>	<u>8,823,388</u>
932,307	723,239	526,283	—	—	—	—	—	—
406,721	404,006	375,790	334,983	370,657	328,777	278,252	249,637	208,872
<u>16,748,592</u>	<u>15,874,009</u>	<u>14,295,987</u>	<u>12,462,374</u>	<u>11,603,588</u>	<u>10,847,892</u>	<u>9,810,763</u>	<u>9,553,502</u>	<u>9,032,260</u>
2,941,030	2,860,410	2,570,040	2,374,910	2,217,405	2,038,155	1,948,350	1,876,390	1,794,650
3,307,684	2,922,684	2,852,684	2,790,064	2,791,564	2,792,664	2,534,992	2,270,962	2,270,962
9,838	9,805	9,555	9,463	9,433	9,631	9,675	9,857	9,912
1,002,706	379,095	954,477	931,791	911,671	898,862	885,832	873,834	858,457
5,298	5,096	4,824	4,677	4,530	4,443	4,315	4,162	4,096
2.18c	2.21c	2.28c	2.33c	2.34c	2.35c	2.36c	2.38c	2.29c
\$115.69	\$112.53	\$109.87	\$108.92	\$105.96	\$104.31	\$101.89	\$98.94	\$93.92
<u>\$117,697,394</u>	<u>\$108,704,823</u>	<u>\$ 99,775,009</u>	<u>\$ 89,412,353</u>	<u>\$ 81,997,119</u>	<u>\$ 75,065,216</u>	<u>\$ 63,601,515</u>	<u>\$ 52,200,274</u>	<u>\$ 45,805,934</u>
6,854,687	7,157,020	7,680,330	8,209,016	9,450,577	10,171,957	10,387,623	11,054,279	12,020,807
76,436,579	69,079,432	61,603,815	53,157,491	47,851,767	43,225,914	36,595,988	32,962,377	28,509,026
272,109	258,660	394,490	252,837	255,241	547,350	2,314,246	1,379,246	234,627
861,357	443,072	680,446	533,070	462,579	1,157,305	—	1,632,008	—
<u>\$202,122,126</u>	<u>\$185,643,007</u>	<u>\$170,134,090</u>	<u>\$151,564,767</u>	<u>\$140,017,283</u>	<u>\$130,167,742</u>	<u>\$112,899,372</u>	<u>\$ 99,228,184</u>	<u>\$ 86,570,394</u>
3,750,300	3,284,803	2,187,199	2,214,744	2,098,281	1,227,856	1,755,927	1,541,255	1,366,601
<u>\$205,882,426</u>	<u>\$188,927,810</u>	<u>\$172,321,289</u>	<u>\$153,779,511</u>	<u>\$142,115,564</u>	<u>\$131,395,598</u>	<u>\$114,655,299</u>	<u>\$100,769,449</u>	<u>\$ 87,936,995</u>
115,315,155	106,199,355	97,565,207	86,516,602	79,332,269	72,941,562	64,303,774	53,760,032	47,827,215
4,592,474	4,733,021	5,094,559	5,428,669	6,405,305	6,845,467	7,241,954	8,187,652	8,713,106
115,096,882	104,281,134	92,737,550	78,035,901	69,076,501	62,013,406	52,797,012	48,853,317	41,690,243
363,134	345,884	794,297	329,956	320,268	1,290,972	6,611,019	3,709,408	304,449
2,222,554	997,531	1,617,358	1,239,896	1,034,768	2,519,009	—	3,785,446	—
<u>237,590,199</u>	<u>216,556,925</u>	<u>197,808,971</u>	<u>171,551,024</u>	<u>156,169,111</u>	<u>145,610,436</u>	<u>130,953,759</u>	<u>118,295,855</u>	<u>98,535,013</u>
8,525,693	(3,106,249)	327,920	9,748,391	5,322,355	7,305,514	5,872,391	10,283,514	—
11,325,387	9,875,156	7,175,045	3,891,118	6,354,454	3,857,019	2,338,405	6,855,227	815,262
<u>257,441,279</u>	<u>223,325,832</u>	<u>205,311,936</u>	<u>185,190,533</u>	<u>167,845,920</u>	<u>156,772,969</u>	<u>139,164,555</u>	<u>135,434,596</u>	<u>99,350,275</u>
1,488,000	1,477,302	1,275,076	1,077,722	1,140,880	982,434	843,543	821,362	602,123
764,903	734,947	697,011	659,151	621,112	590,633	562,897	539,474	509,462
604,124	569,353	526,788	483,963	438,298	400,668	361,335	321,909	265,073
198	194	194	188	191	193	189	184	196
102.07c	102.36c	102.26c	103.35c	103.36c	102.91c	98.91c	97.10c	95.77c
\$201.69	\$198.68	\$198.02	\$194.22	\$196.95	\$198.73	\$187.01	\$179.45	\$187.78

NOTE: Gas revenues for the year 1961 have been restated to reflect refunds to the Company's customers ordered by the Michigan Public Service Commission as a result of refund of the cost of gas purchased during that year.

**Notice of
Annual Meeting**

The annual meeting of shareholders of Consumers Power Company will take place Tuesday, April 14, 1970, at 2 p.m. in the Company's Parnall Office Building, 1945 West Parnall Road, Jackson, Michigan. A notice of meeting, proxy statement and proxy will be mailed to shareholders on or about March 5, 1970.

Prompt signing and return of proxies will be appreciated by the management.

**Transfer Agents
Common and
Preferred Stock:**

Consumers Power Company
Jackson, Michigan 49201

Agents of the Company
300 Park Avenue
New York, New York 10022

**Registrars
Preferred Stock:**

City Bank and
Trust Company, N.A.
Jackson, Michigan 49201

First National City Bank
New York, New York 10015

Common Stock:

The National Bank of Jackson
Jackson, Michigan 49201

First National City Bank
New York, New York 10015

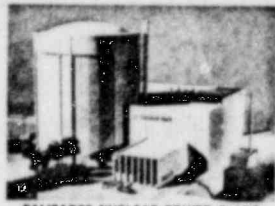
In the world of today, and in the foreseeable future, it is necessary to communicate effectively with many different people.

The Company's communications program includes booklets and publications, such as plant folders, corporate brochures, cartoon booklets for young people, film guides and special materials for teachers, and motion pictures. Some of the publications are shown on the opposite page.

The series of film frames, also shown on the opposite page, are from the Company's film titled, *What's It Doing to Cost You?* The film is intended principally for showing to general contractors and their employees, especially to impress upon them the importance of calling their ability for assistance before risking damage, injury, or even death by careless contact with electric wires or buried gas lines. The film was shown national awards in 1969 and was exhibited at the Berlin Industrial Film Festival, in Germany.



BIG ROCK POINT
NUCLEAR POWER PLANT



PALISADES NUCLEAR POWER PLANT



MIDLAND NUCLEAR POWER PLANT



Gas
Energy
for
Tomorrow



Electric
Energy
for
Tomorrow



Energy
for
Tomorrow



HARDY DAM



more power
to you



BELOW
SURFACE



POWERED BY
CONSOLIDATED
POWER
COMPANY



THE PIPELINE PEOPLE



THE DEPENDABLE FLAME



GROWING UP WITH THE ATOM

PIPELINE
PEOPLE



THE DEPENDABLE
FLAME

Small text block at the bottom right of the page, likely a caption or description.

Visitors to the Michigan Electric Power
Pool Control Center near Ann Arbor are
able to see a display of the Pool's
extensive network. Commonwealth Power
Company's electric system, along with
that of The Detroit Edison Company,
is interconnected for power exchange
and mutual support with utilities in
Ohio, Indiana, Illinois and Canada.