

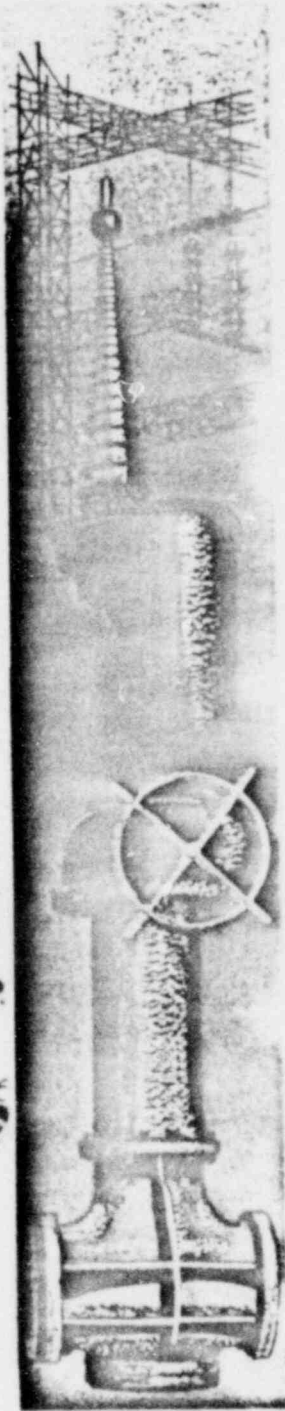
H. L. BREWER

DIRECTOR
OF
AREA DEVELOPMENT
CONSUMERS POWER COMPANY

JACKSON, MICHIGAN

1950

Annual Report



CONSUMERS POWER COMPANY

Electric and natural gas service in diversified Outstate Michigan.

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POOR ORIGINAL



Western Michigan University at Kalamazoo is one of 21 universities and degree-granting colleges in the Company's service area. It is a state university with close to 10,000 students. A \$5,000,000 expansion program now under way will provide four residence halls, with a total capacity of 1,100 students, and a dining hall.

1961 Annual Report

CONSUMERS POWER COMPANY
212 West Michigan Avenue
Jackson, Michigan

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ABOUT THIS ANNUAL REPORT

Under the rules of the New York Stock Exchange, the Company must send to each stockholder, within three months of the end of the year, a balance sheet and income statement with appropriate notes and the certificate of an independent auditor. This material constitutes an annual report in basic form.

Consumers Power Company, like most companies whose securities are listed on a national securities exchange, adds information, photographs and charts to help stockholders gain a more thorough understanding of their Company's operations. The Annual Report is also useful to Company employees, security analysts, invest-

ment counselors and financial writers.

Company employees design and prepare the Annual Report, even to the point of making each page ready for the lithographer's camera. No outside counsel is used in connection with the report. The cost of producing and mailing it is about 30¢ a copy, less than one third of a cent per share of common and preferred stock.

If you receive more than one copy it is probably because you have stock registered under more than one variation of your name. Even though John Doe and John J. Doe have the same address, the Company is not permitted to assume that they are the same person.

TWO-YEAR COMPARISON

	1961	1960	PER CENT INCREASE OR (DECREASE)
Electric revenue	\$186,399,000	\$179,563,000	3.8
Gas revenue	116,123,000	100,769,000	15.2
Total operating revenue	303,524,000	281,396,000	7.8
Fuel consumed in electric and steam heating operations	30,614,000	30,372,000	.8
Cost of natural gas sold	53,772,000	49,330,000	9.0
Total payroll including construction	67,500,000	65,000,000	3.8
Taxes	57,136,000	49,793,000	14.7
Earnings available to common stock	35,654,000	32,903,000	8.3
Earnings per share of common stock—average	3.73	3.45	8.1
Earnings per share of common stock—end of year	3.68	3.45	6.7
Dividends paid per share on common stock	2.60	2.60	—
Plant expenditures	92,159,000	104,593,000	(11.9)
Acquisition of gas fields	410,000	1,940,000	(78.9)
All other construction	91,749,000	102,653,000	(10.6)
Funds generated internally (depreciation, amortization, deferred Federal income tax and retained earnings).	47,410,000	42,593,000	11.3
Kilowatt-hour sales	9,810,763,000	9,553,502,000	2.7
Gas sales (thousands of cubic feet).	130,954,000	118,296,000	10.7
Electric generating capacity, December 31 (kilowatts)	2,535,000	2,271,000	11.6

ONE DOLLAR

WHERE IT CAME FROM	Amount (000)	Cents per Dollar
Electricity for Homes and Farms . . . \$ 79,727		26.2
Electric Power for Industry. 54,719		18.0
Commercial and Other Electric Revenue 51,953		17.0
Gas for Home Space Heating 64,455		21.2
Residential Gas 10,449		3.4
Industrial, Commercial and Other Gas Revenue 41,219		13.5
Other Sources 2,044		.7
Total \$304,566		100.0

HOW IT WAS USED	Amount (000)	Cents per Dollar
Wages including Pensions \$ 52,303		17.2
Taxes 57,136		18.8
Cost of Natural Gas Sold 53,772		17.6
Fuel Consumed, Electric 30,180		9.9
Electricity Purchased 4,178		1.4
Materials, Supplies, etc. 19,980		6.6
Depreciation and Amortization 29,928		9.8
Use of Borrowed Money 17,752		5.8
Dividends to Preferred Stockholders 3,683		1.2
Dividends to Common Stockholders 25,422		8.3
Common Stockholder Earnings Invested in the Business 10,232		3.4
Total \$304,566		100.0





JAMES H. CAMPBELL, *President*



A. H. AYMOND, JR., *Chairman of the Board*

To the Share Owners:

February 16, 1962

In 1961 the Company's operating revenue exceeded \$300,000,000 for the first time.

Growth of business was accompanied by an improvement in earnings. Earnings on 9,678,164 shares of common stock outstanding at the year-end were \$3.68 per share as compared with \$3.45 per share on 9,527,502 common shares outstanding at the end of 1960.

Revised gas rates designed to produce additional operating revenue of \$7,925,000 a year went into effect May 11 under authorization of the Michigan Public Service Commission.

At its December meeting the Board of Directors declared a dividend of 70 cents on the common stock, payable February 20, 1962. Quarterly dividends paid in 1961 were at the rate of 65 cents, making a total of \$2.60 for the year.

The Board has proposed a two-for-one split of the common stock, effective at the close of business on April 20, 1962, provided the necessary approvals are obtained. A companion proposal is that the number of authorized common shares be increased from 14,000,000 to 25,000,000. These proposals will be submitted to the Company's stockholders for approval at the Annual Meeting to be held in Jackson, Michigan, April 10.

Suits have been filed by the Company against 39 manufacturers of electrical equipment, most of whom entered pleas of guilty or no contest in the recent anti-trust suits in Philadelphia. Triple damages are asked for overcharges for 16 types of electrical equip-

ment. Purchases of these items by the Company have totaled many millions of dollars during the period involved in the cases. The exact amount of the overcharges is to be established through testimony in the trials. It is too early to predict the outcome of these suits or to judge how any recovery will affect the financial statements. This litigation probably will not be concluded for some time.

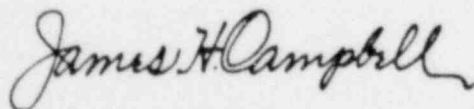
In 1961 the Company invested more than \$92,000,000 in further expansion of electric, gas and general service facilities needed to meet current and anticipated growth of customer requirements. This brought the total of such expenditures during the last 10 years to \$843,000,000. For 1962 the Company has budgeted \$83,000,000, which includes substantial amounts for the completion of the Big Rock Point Nuclear Plant and the first unit of the James H. Campbell Plant. Both of these plants are scheduled to be in operation in 1962.

We believe that the Company will sell more electricity and natural gas in 1962 than in any previous year and that operating revenues will attain a new height. Business conditions are continuing to improve. The automobile industry, which is the dominant industry in the Consumers service area, expects a sharp rise in production and sales. The number of customers in all classifications is increasing. Also, 1962 will be the first year in which the full annual effect of the increased gas rates will be realized.

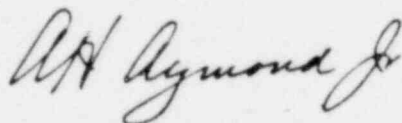
On the national scene, the electric utility industry is faced with the most vigorous threat of further Federal encroachment in its history. Almost 25% of the electricity produced in the United States today is government power. Only 30 years ago the figure was about 5%. Under the present Federal administration, the concept of partnership between government and the investor-owned electric utility industry in the development of the great river valleys of our nation and the power that they can generate in meeting the power needs of the nation has been abandoned. New proposals have been advanced for the construction by the government of huge transmission lines and large steam-electric generating plants at the taxpayer's expense.

The investor-owned electric industry has provided the nation with an ample supply of electric power. The industry intends to continue to meet anticipated growth of electric requirements. There is no need and no excuse for the spending of additional tax money to put the Federal government further into the electric business.

It is pleasant to be able to express sincere appreciation to all those faithful employees whose devotion to duty contributed so importantly to the fulfillment of the Company's purpose during 1961.



JAMES H. CAMPBELL
President



A. H. AYMOND, JR.
Chairman of the Board

1961 SALES OF ENERGY CONTINUED UPWARD

REVIEW OF THE YEAR

The Company's business continued to grow in 1961. Sales of electricity, representing about three fifths of the total business, were about 3% above the 1960 total. Sales of natural gas increased sharply, reflecting sales to about 45,000 additional space heating customers of all classifications and full annual sales to the 60,000 new space heating customers added in 1960.

General business conditions exert a strong influence on the sales of electric and natural gas utility companies. As to Consumers Power Company, this influence is moderated by the size and diversity of our Outstate Michigan service area. Though mainly an industrial region it includes about 90,000 farms and many summer and winter tourist and vacation areas. There is a favorable distribution of Company business among industrial, home and farm, commercial and other groups of customers.

Industry in Michigan is well diversified. Automobile manufacturing, largest and most important of the nation's durable goods industries,

ranks first in the state. Of all 1961 cars produced in the United States, 32.4% were produced in Michigan as compared with 30.9% of 1960 cars. A substantial share of Michigan production of automobiles and automotive parts and equipment is in Flint, Grand Rapids, Lansing, Pontiac, Wixom and other cities of the Company's Outstate Michigan service area.

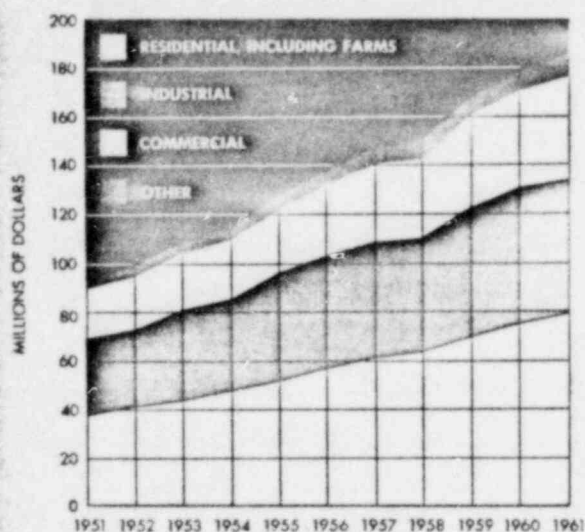
Industrial customers served by the Company also include major producers of chemicals, pharmaceuticals, packaged foods, machinery, paper, furniture, metal products and stone, clay and glass products. Petroleum, salt, limestone and gravel production also are important in the Outstate Michigan economy.

Largely because of the business recession in the early months of the year, kilowatt-hour electric sales to industrial customers were slightly below 1960 sales but were making strong gains toward the end of the year.

Commercial customers used considerably more electricity than in 1960 and there also was

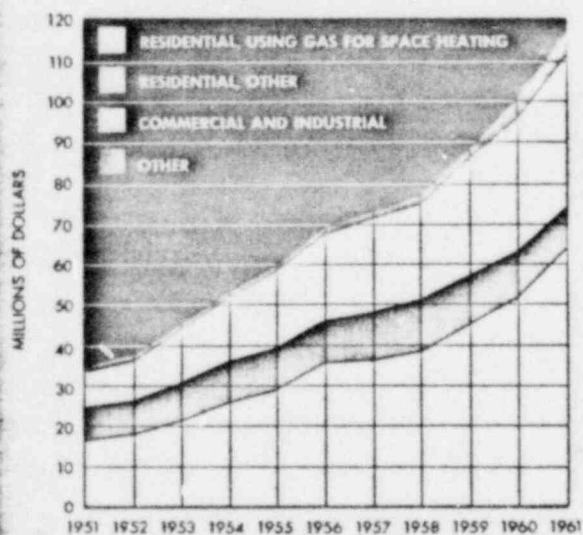
Statistics and Comparisons of many kinds will be found on Page 2 and in the Balance Sheet on Pages 20-21, the Statement of Income on Page 22, the Statement of Retained Earnings on Page 23, and the 1961-51 comparisons on Pages 26-29. To avoid duplication and improve readability, statistics and comparisons are used sparingly in this review of 1961.

ELECTRIC OPERATING REVENUE 1951-1961



Electric operating revenue increased from \$93,565,000 in 1951 to \$186,399,000 in 1961, or 99%. Residential electric revenue showed a 108% increase. Industrial electric revenue increased 77% and commercial electric revenue increased 108%.

GAS OPERATING REVENUE 1951-1961



Gas operating revenue increased from \$34,004,000 in 1951 to \$115,123,000 in 1961, or 242%. This increase resulted from a 287% increase in residential space heating revenue and a 315% increase in commercial and industrial revenue.

an increase in residential use. Average residential use of 4,315 kilowatt-hours was 7% above the national average use of 4,014 kilowatt-hours.

About 12,000 new electric customers were added during the year. Of these, about 1,200 had been customers of the Grayling municipal electric system. This system was purchased by the Company December 1.

New records for one-hour electric demand and for 24-hour send-out of electricity were established in December 1961 and exceeded in January 1962.

Commercial and industrial customers used substantially more gas in 1961 than in 1960. There was, of course, a notable growth in total sales to the increased number of customers who heat their homes with gas. About 70% of all residential gas customers are now gas space heating customers.

The total number of gas customers was up about 23,000 at the year-end.

Natural gas service was extended during 1961 to the communities of Bath, Chesaning, DeWitt, Grass Lake, Hemlock, Lake City, St. Charles and Stockbridge.

A new record for gas send-out in a 24-hour period was established January 24-25, 1961. It was exceeded early in 1962.

Competition Is Lively

Only about one fifth of all the Company's electric and gas customers are "combination" customers who receive both electric and natural gas service from Consumers. In most areas Consumers is either "the electric company" or "the gas company" and competes aggressively for energy sales with a natural gas utility or a supplier of electric service. The Company also competes with distributors of oil, coal and bottled gas for cooking, water heating, space heating and other markets.

In Michigan, natural gas has established itself as the most popular form of house heating. Its growth potential has narrowed because of

the high degree of saturation of the market already achieved but the Company expects continued growth in the demands for natural gas for house heating. The sales potential for electric space heating is largely unrealized. Its practicality in homes designed for this type of heating has been demonstrated. There are 1,850 electrically heated homes in the Consumers service area and the Company has had considerable success in the promotion of electric heat for cottages and cabins in summer and winter resort areas. Electric space heating presents a challenging opportunity for the Company.

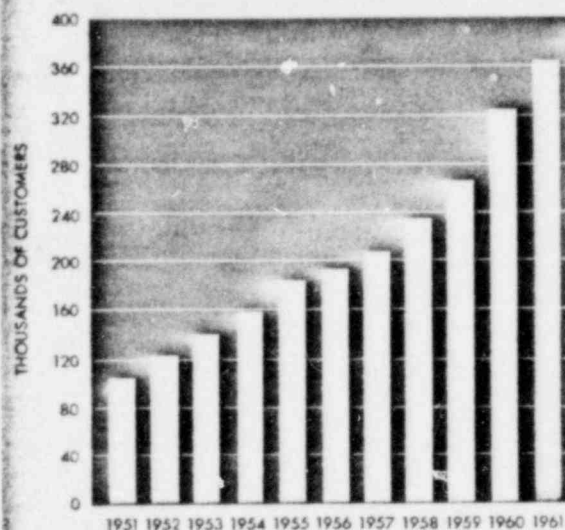
An important part of the energy used in a home is for water heating. Early in 1961 the Company introduced the fast-recovery electric water heater to its customers in electric service areas. In an 11-week campaign, almost 5,000 electric water heaters were sold by the Company and 612 cooperating dealers.

Consumers Promotes Outstate Michigan

A basic type of sales activity for a company such as Consumers is, of course, area development. This term covers much more than the attraction of new industries. It involves working closely with industries already present and encouraging them to expand within the area. It means the promotion of sound business of every kind, the development of cultural and economic resources, and the promotion of profitable farming. It means support of all the many activities which will make the area a better place for working, for living, for operating a business, and for raising a family. The Company in 1961 as in previous years met its full responsibilities in the field of area development, working in cooperation with both state and local agencies.

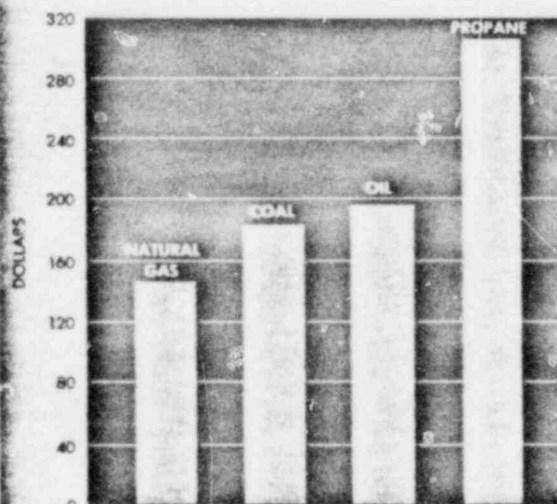
In some respects the results of area development efforts are difficult to measure. It is notable, however, that in 1961 there were expansions of industry in the Company's service area involving among others such well-known names

GAS RESIDENTIAL SPACE HEATING CUSTOMERS December 31, 1951-1961



The number of gas residential space heating customers increased from 104,945 in 1951 to 361,335 in 1961, an increase of 244%.

COMPARABLE ANNUAL COSTS OF FUEL FOR HOME HEATING



The average residential space heating customer of the Company pays about \$148 for the natural gas used to heat his home. For hand-fired coal he would pay about \$185, for oil about \$198 and for propane about \$305.

as General Motors, Kellogg, Dow and DuPont. New industrial enterprises were established in many communities. This was of special significance in the northern part of the Lower Peninsula of Michigan where the end of summer tourist activity historically has brought a seasonal decline of employment.

The Company continued in 1961 its long established program of national advertising setting forth the industrial advantages of Outstate Michigan. It also cooperated in the national advertising programs of both the electric industry and the gas industry.

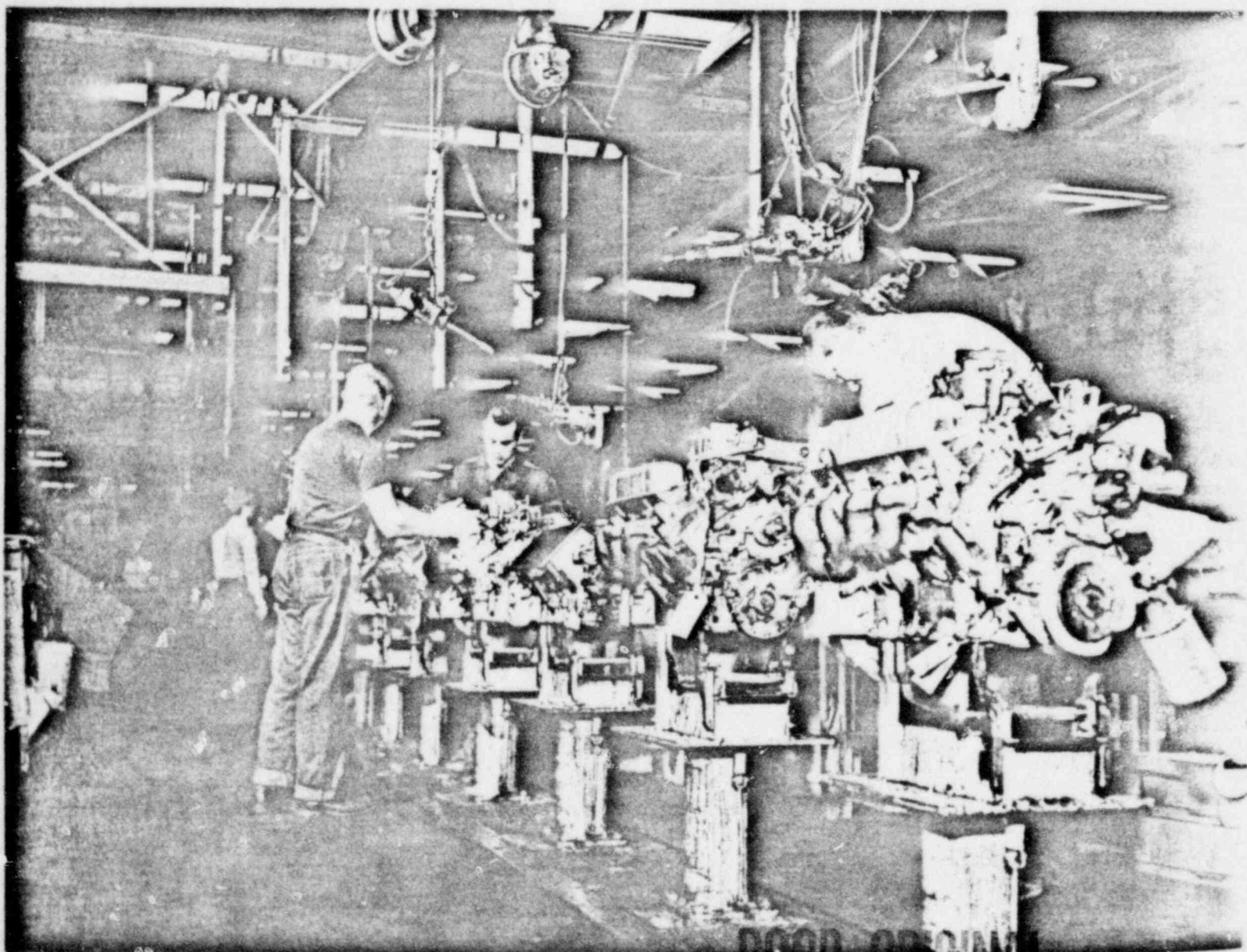
Expenses Were Higher

Operating and other expenses, considered as a whole, rose in approximate proportion to the growth in volume of business.

Federal, state and local taxes totaled more than \$57,000,000. This represented about 19 cents out of every dollar collected from our customers, not counting the 4% sales tax which the Company collects from its customers and remits to the State of Michigan.

The number of employees decreased from 10,042 at the end of 1960 to 9,905 at the end of 1961. Operating salaries and wages, however,

Buick Division of General Motors Corporation in Flint is one of the large Outstate Michigan automobile manufacturers served by Consumers. The photograph shows production work on the new V-6 engine developed by Buick for the 1962 Buick Special.



POOR ORIGINAL

amounted to \$48,500,000, an increase of \$1,600,000 over 1960. Second-year wage increases under the 1960 contract with the Utility Workers Union of America (AFL-CIO) became effective March 1, 1961.

In addition to operating salaries and wages, the Company's total payroll included about \$19,000,000 chargeable to construction, merchandising and other activities.

More natural gas sold meant more gas purchased from suppliers. In addition, unit costs were somewhat higher.

Total delivered cost of coal burned in electric and steam heating operations was about the same as in 1960 despite the rise in electric sales. The Company used 3,639,480 tons of coal in 1961, about 68,000 tons less than in 1960.

The fact that less coal was used to produce more electric power emphasizes the improvement in the Company's steam-electric generating system, which ranks among the five most efficient systems in the nation. Further improvement in the system heat rate (the average number of heat units used to generate a kilowatt-hour) was achieved when the second 265,000-kilowatt unit in the new Dan E. Karn Plant near Bay City went into service early in 1961. Latest comparisons rate the Karn Plant as one of the nation's most efficient plants in use of fuel.

Partly because of freight rate reductions, the average delivered cost of coal in terms of heating value was slightly below 1960.

To assure an adequate supply of coal for future needs, contracts ranging from five years to twenty years in duration have been negotiated with nine coal suppliers. Long-range contracts now provide for about half of the Company's coal needs.

Gas Rate Case

The Company applied to the Michigan Public Service Commission in June 1960 for authority to increase gas rates \$13,500,000 a year. In May 1961 the Commission authorized an annual

increase of \$7,925,000, based on 1960 sales, which went into effect May 11. The Company has appealed to the Ingham County Circuit Court on the grounds that the rate base used by the Commission was too low and that the rate of return authorized is inadequate. This appeal is pending. The Commission has denied a petition for rehearing filed by one individual and a group calling itself the Michigan Utility Rate Payers Association who said the increase allowed by the Commission was excessive.

Expansion Went Forward

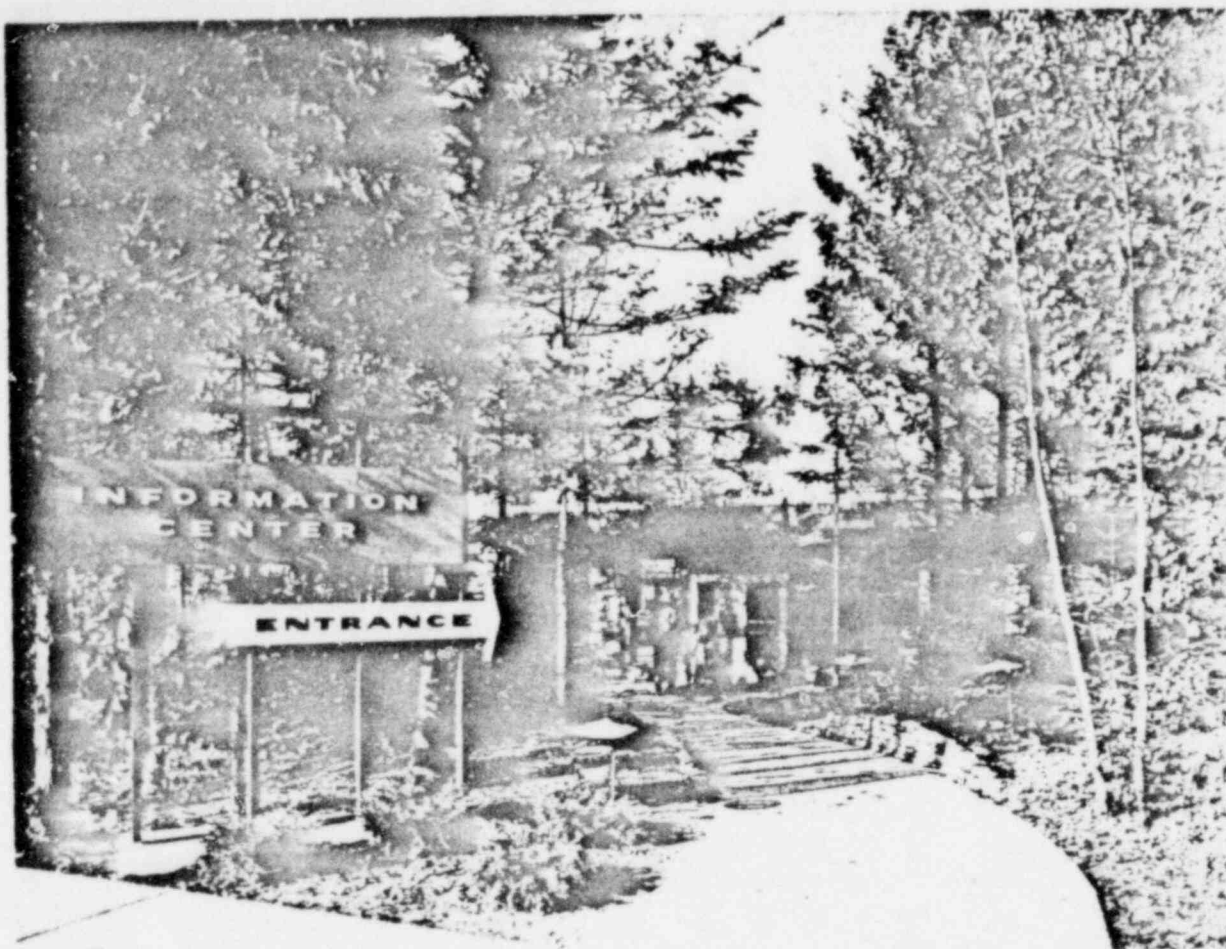
Expansion and improvement of facilities to meet the increasing needs of customers and to develop new business went forward in 1961.

Electric system generating capacity rose about 12% to 2,535,000 kilowatts when the second unit at the Karn Plant went on the line in March. The 1961 record one-hour peak demand of 1,948,380 kilowatts set on December 11, 1961, was exceeded on January 22, 1962, by a new record of approximately 1,965,000 kilowatts.

Installation of generating equipment at the new James H. Campbell Plant on Lake Michigan 30 miles west of Grand Rapids was in progress at the year-end. The first unit of this plant is scheduled for operation in August 1962. It will have a capacity of 265,000 kilowatts. Transmission lines will connect it with the Company system at Grand Rapids and Battle Creek, adding strength and flexibility to power supply in the southwestern part of the service area.

Nuclear Power Plants

The Company's Big Rock Point Nuclear Plant on Lake Michigan near Charlevoix moved steadily toward completion. It incorporates a high power density boiling water reactor. This plant is scheduled for operation in September 1962 with an initial capacity of 50,000 kilowatts. For four and a half years thereafter it will be a center of research and development work to be conducted for the United States Atomic Energy



Opened in late June 1961, an Information Center at the site of the Company's Big Rock Point Nuclear Plant attracted more than 55,000 visitors before the end of the year. Lecturers, motion pictures and exhibits tell visitors how electric power is produced through use of nuclear fuel.

Commission by Consumers and General Electric Company. The research objectives will be to increase power density, extend the life of nuclear fuel and reduce fuel fabrication costs, thus achieving greater economy in the use of nuclear fuel. More and more heat will be developed in the core without increasing its size. Ultimately it is planned to increase the generating capacity of the plant to 75,000 kilowatts, the maximum capacity for which it was designed.

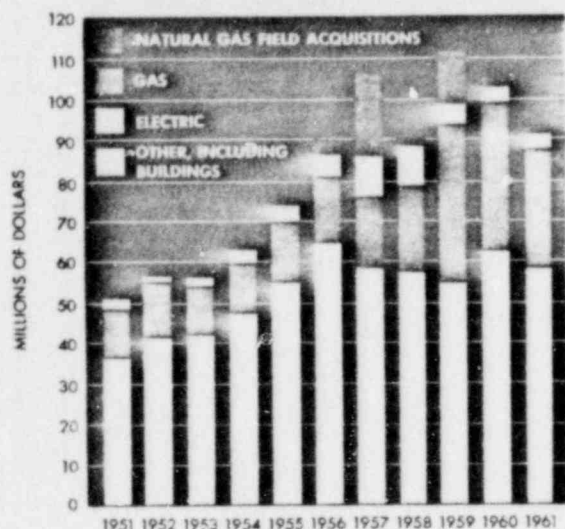
Electric power produced in the course of the research and development program will be used in meeting the needs of customers. At the end of the research and development period the plant

will be used as an integral part of the Consumers generating system. Its location was chosen with a view to meeting expected growth of electric use in the cities and resort areas in the northern part of the service area.

The Company is associated with a number of electric utility and industrial companies in the construction and pending operation of a fast neutron breeder reactor at the Enrico Fermi Atomic Power Plant near Monroe, Michigan.

Legal obstacles to the completion of the Fermi Plant were removed by a 1961 decision of the United States Supreme Court. Current plans call for initial operation in 1962.

EXPENDITURES FOR ADDITIONS AND IMPROVEMENTS 1951-1961



Expenditures for the improvement and expansion of the Company's electric and natural gas service facilities amounted to \$92 million in 1961. Over the past ten-year period, these expenditures have averaged \$84 million per year.

panied by the widespread construction of electric substations, electric and gas transmission and distribution lines, and many thousands of service extensions to take electricity or gas to individual customers.

Construction of a service center to serve as operating headquarters for the Muskegon Division was started in Muskegon. It will be completed in 1962. A smaller service center for the rapidly growing resort regions around Houghton Lake and Higgins Lake was built at Prudenville. The Company's office and service center at Albion was remodeled and expanded.

Better Ways Were Found

The never-ending search for better ways of doing things continued.

The Company expanded its use of electronic computers for data processing. Customer billing and accounting is the largest single data processing job. To take full advantage of high speed, large capacity equipment it was necessary to centralize customer billing and accounting for all divisions of the Company. A punch card computer center was established in Jackson to which billing operations were transferred, division by division, during 1958, 1959 and 1960. In the summer of 1961, after the full work load had been centralized, the Company installed a large-scale IBM 7070 computer using magnetic tapes and accessory electronic equipment. As of December 31, 1961, customer billing and accounting of four of the Company's divisions had been converted to the new tape system. The remaining divisions are scheduled to be completely cut over by May 1962.

The availability of large-scale computing equipment has permitted increased use of computer methods in the Company's engineering and operations. Programs are under development which should further increase efficiency and reduce operating costs.

Use of aerial basket trucks as an aid to efficiency in construction, operation and maintenance of the Company's overhead electrical system was broadened. These trucks mechanically lift linemen and other workers to the height of the work.

During 1961 the Company replaced many standard size passenger cars and light trucks with compact vehicles. At the year-end the Company fleet of 3,500 vehicles included 200 compact units. Studies indicate that the use of compacts reduces expenses of operation and maintenance as well as original unit cost. The ratio of compacts to larger cars is expected to increase as older units are retired.

The Company was authorized by the Michigan Public Service Commission to proceed with a program of selective maintenance of single-phase electric meters. This program reduces the

The Fermi Plant will supply heat to produce steam to operate a generating unit owned by The Detroit Edison Company. The electric power produced will go into the Detroit Edison system, which is interconnected with that of Consumers at three major points. The goal is 100,000 kilowatts of initial capacity.

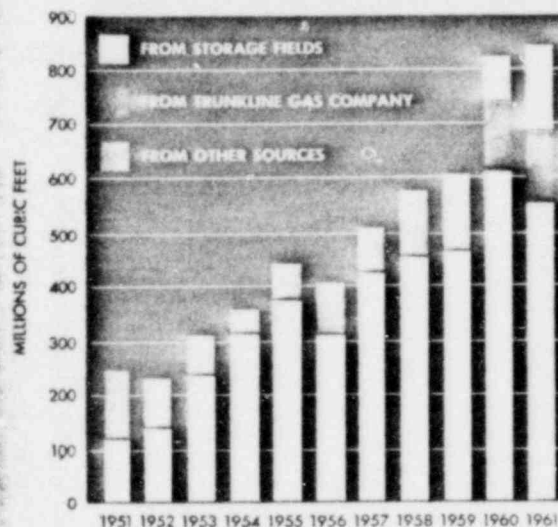
Interchanges With Detroit Edison

Interchanges of power with The Detroit Edison Company are helpful to both companies. They permit coordination of generating plant construction programs and, of course, provide each company with a strong additional source of power in emergencies. Studies to assure fuller realization of the benefits to be derived through cooperation between the two companies are constantly under way and include consideration of a proposed pumped storage hydroelectric plant for which Consumers is acquiring land on Lake Michigan south of Ludington. Pumped storage is a relatively inexpensive method of meeting peak electric loads by means of stored water which has been pumped to a pool above hydroelectric generators during periods of low demand and then released to produce power during peak demand periods.

Gas Supply Strengthened

The Gas Department prepared itself in 1961 for a peak demand this winter well above the record of 843 million cubic feet established in a single 24-hour period of January 24-25, 1961. A new record send-out of 954 million cubic feet was established January 9-10, 1962. Preparations included the drilling of 50 additional storage wells in the Overisel gas storage field in southwestern Michigan to make more rapid delivery of gas possible. An increased supply of natural gas from the Gulf Coast areas was provided by the terms of the contract with Trunkline Gas Company. An additional contract was made with Panhandle Eastern Pipe Line Company under which Consumers is receiving gas pro-

SOURCES OF NATURAL GAS ON YEARLY PEAK DAYS 1951-1961



In a 24-hour period beginning at 9 a.m. January 24, 1961, gas send-out was 844 million cubic feet, a new send-out record for the Company.

duced from fields in Macomb County and St. Clair County, Michigan. Deliveries under this new Panhandle contract during the winter of 1961-62 are at the rate of 15 million cubic feet a day. Next winter and thereafter the daily rate will be 25 million cubic feet. The gas is carried to the Consumers system by a new 12-inch line, 20 miles long, from a Panhandle processing plant near New Baltimore, Michigan, to a point in the suburban area near Detroit. This line was built by Consumers. All these improvements provide welcome additions to the basic supply received from Panhandle through our subsidiary, Michigan Gas Storage Company.

Construction Was Widespread

Projects involving greater electric generating capacity and increased gas supply were accom-

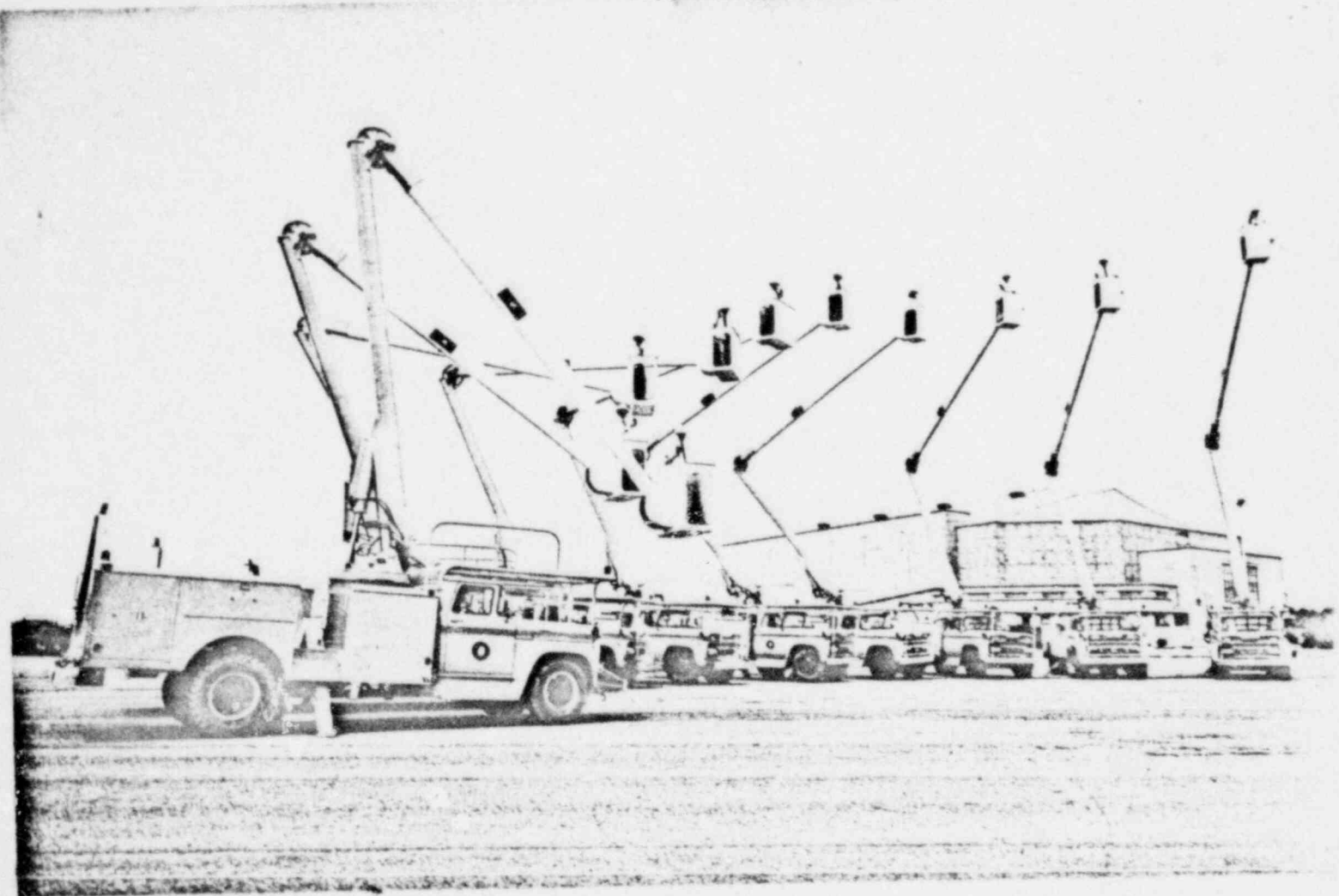
number of electric meters to be removed from service and tested by about 70%. Under the new procedure, a random sample of meters in service is removed and tested. The test results have been determined to be a reliable measure of metering accuracy. If the sample representing a certain group of meters does not meet prescribed test limits, all meters in that group (about 8,000) will be removed from service and tested. This selective maintenance program is expected to reduce metering costs without impairing accuracy.

Employee Training Was Expanded

To train employees to do their work well is one of the Company's responsibilities. This is particularly true of supervisory employees. Courses in Supervisory Ability Improvement were expanded in 1961.

Nearly all Company employees took part in a series of discussion meetings on the American economic system. The employees were divided among more than 400 discussion groups. Each group held four two-hour meetings under the guidance of a trained discussion leader. The first

Aerial basket trucks have proved their worth in electric line work and tree trimming. Here are ten of them ready to leave the manufacturer's plant for service in six Consumers divisions.



three sessions were devoted to basic economics and the principles of government in the United States. The fourth dealt with the public utility business, especially the operations of Consumers Power Company.

Supervisory, engineering, operating and technical personnel who will operate the Big Rock Point Nuclear Plant have participated in training programs. The services of The University of Michigan, Jackson Junior College, General Electric Company, Power Reactor Development Company (Enrico Fermi Atomic Power Plant), the Argonne National Laboratories and the United States Department of Health, among others, have been utilized. In addition, the men have received valuable work experience at operating nuclear reactors through the generous cooperation of Commonwealth Edison Company, Duquesne Light Company and Yankee Atomic Electric Company. Personnel will start assignments at the plant site early in 1962 and will continue their training there.

During the year about 300 employees availed themselves of the educational assistance program under which the Company pays part of the cost of outside study related to Company work.

Consumers scholarships and fellowships in 21 colleges and universities were continued. The basic purpose is to encourage the study and teaching of engineering subjects.

The Company sent six outstanding high school students and seven teachers from the service area to the three-day National Youth Conference on the Atom in Chicago in October.

Accident prevention programs constantly alert Consumers employees to the importance of safe, efficient operation. In the last five years, various employee work units have received 31 national awards for outstanding safety achievements. Southern Region Bulk Power and the Battle Creek Division qualified in 1961 for the EEI Safety Achievement Award. Each had worked one million manhours without accident.

The Electric Distribution Department of Northwest Division received the same award. South Macomb District of the Southeast Division and General Meter Operations received the AGA Safety Merit Award for one million manhours without accident.

Financial Developments

A new issue of \$40,000,000 first mortgage bonds, 4 $\frac{3}{8}$ % series, due 1991, was sold to an investment banking group headed by The First Boston Corporation and Harriman Ripley & Co. on a competitive bid of 99.69. The Company's interest cost on the bonds is 4.6443%. Proceeds of the issue were used to finance a portion of the Company's expansion and improvement program.

Since November 15, 1960, holders of Consumers 4 $\frac{3}{8}$ % convertible debentures, due 1975, have had the right to convert the debentures to common stock at a conversion price of \$60 a share, payable through surrender of \$100 principal amount of debentures and payment of \$20 in cash in exchange for each two shares. Between that date and December 31, 1961, the Company issued 152,758 shares of common stock. These shares were issued upon the conversion of \$7,637,900 of debentures together with the payment to the Company of \$1,527,580 in cash.

Retirement of 4,000 shares of the \$4.52 preferred stock under the retirement fund provisions of the by-laws was authorized by the stockholders at the Annual Meeting in April. These shares were purchased in 1960 for \$377,643. First mortgage bonds in the amount of \$4,411,000 were retired to fulfill sinking fund requirements.

Organization Changes

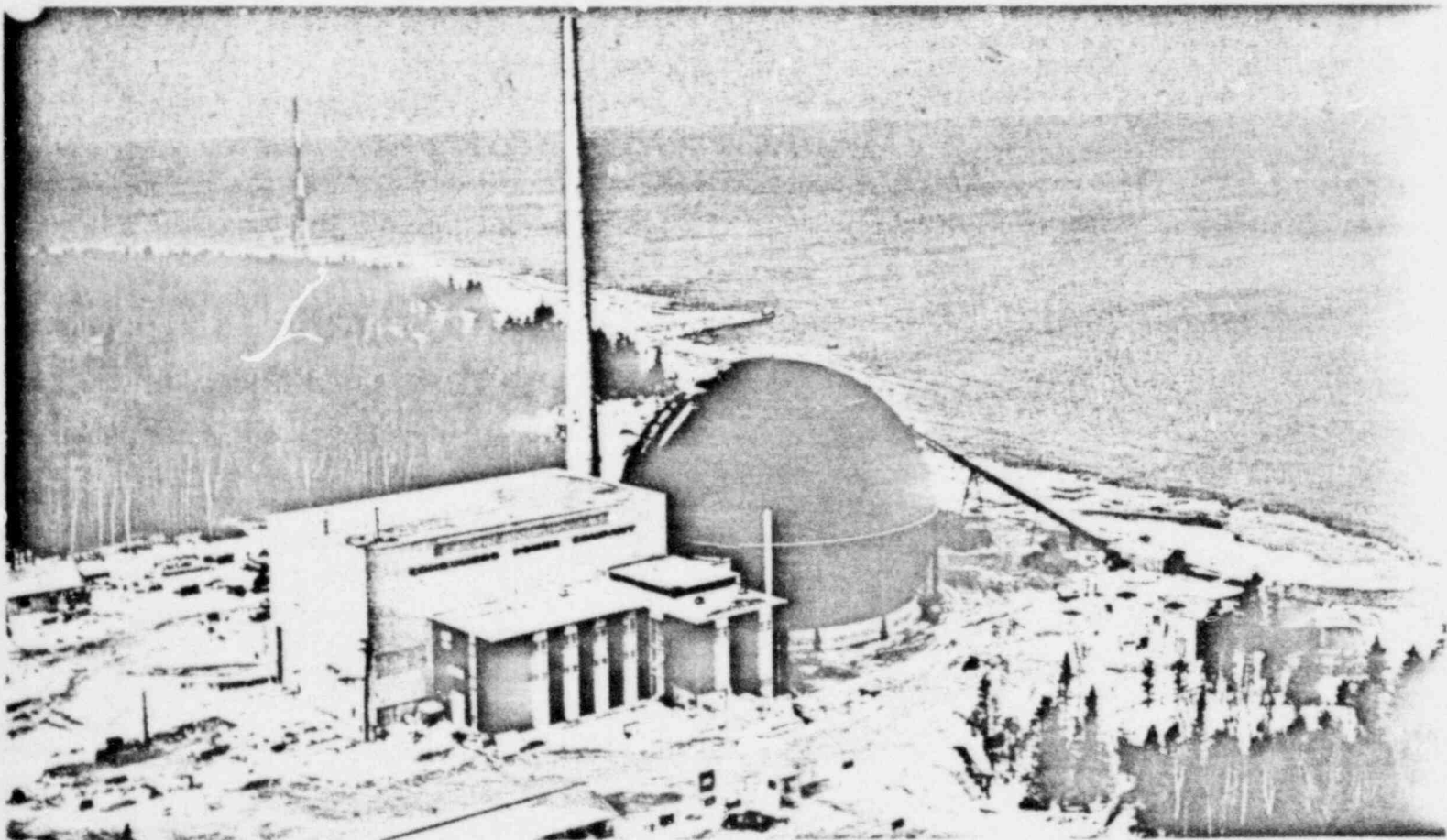
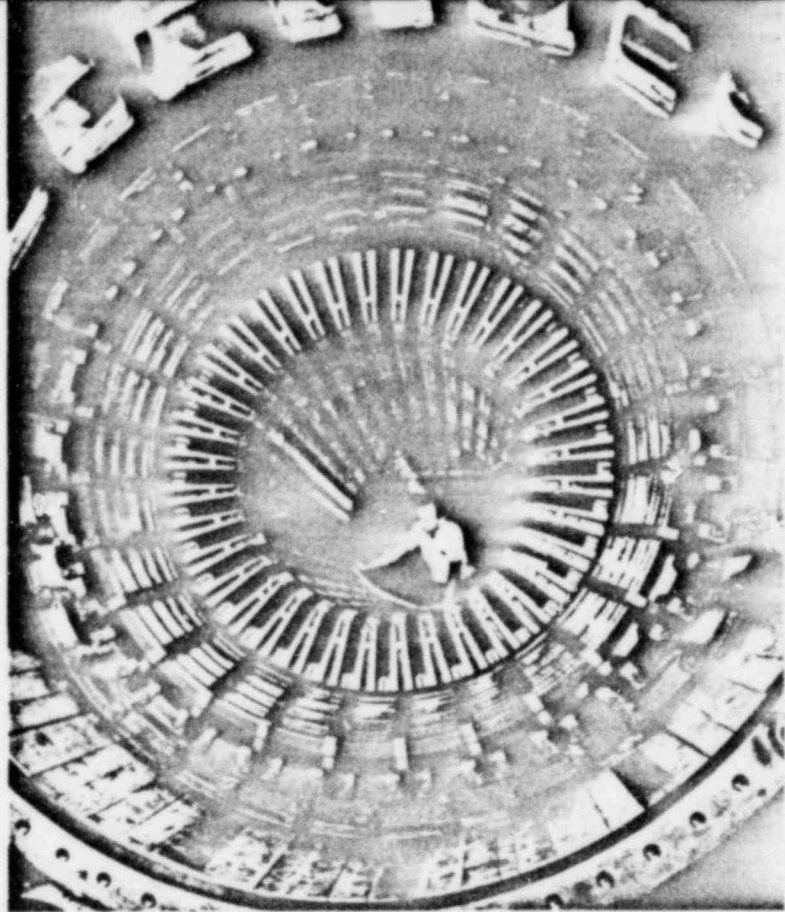
Rapid and continuing growth of gas business in the Company's Southeast Division near Detroit made it advisable to divide the area into four new divisions, effective January 1, 1962. They are designated as the Macomb, Pontiac,

Continued to page 19

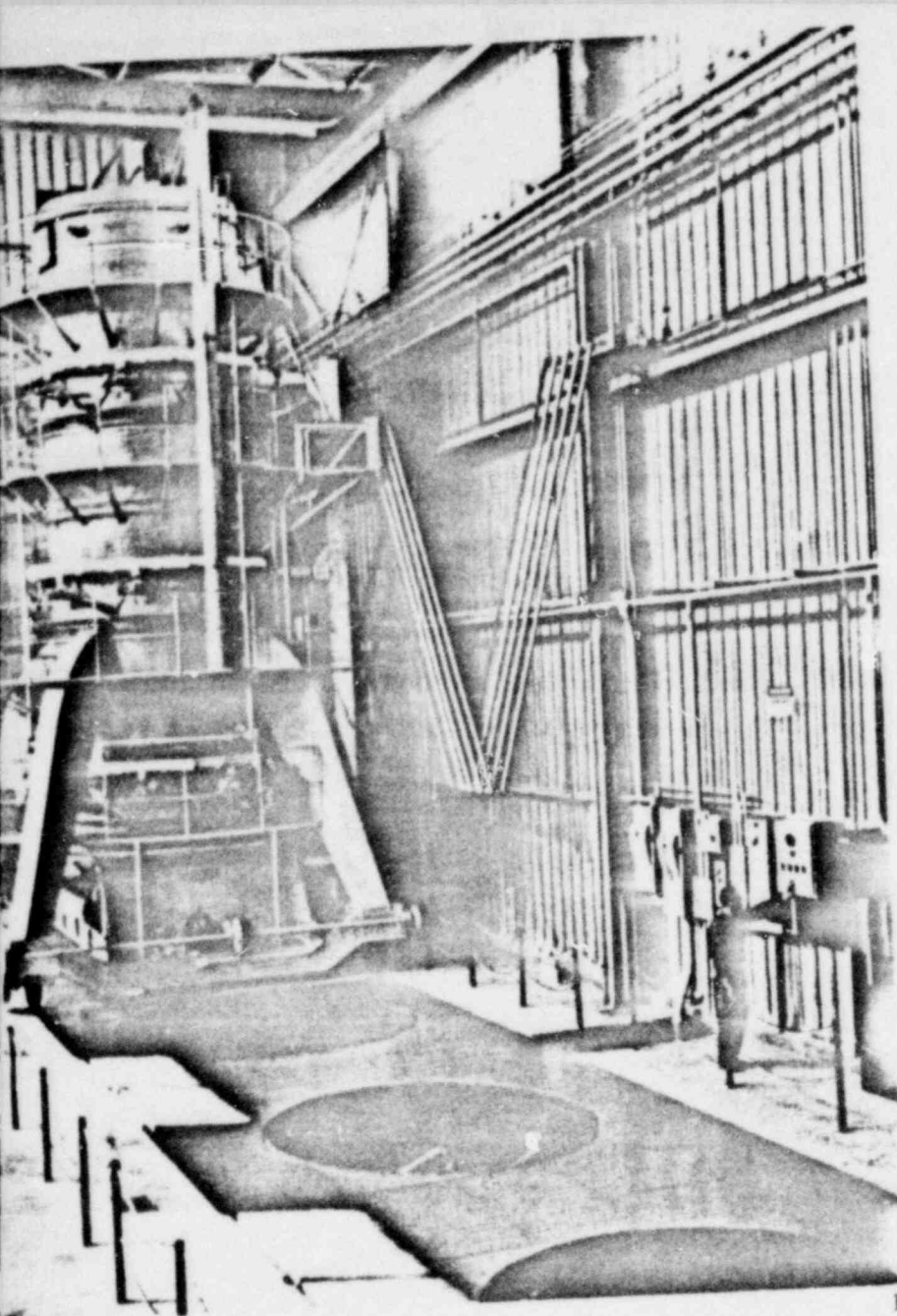
More Power on the way in Outstate Michigan

In 1962 the first generating unit at the new James H. Campbell Plant is scheduled to go into operation. This is the stator, the stationary part of the generator, in which the rotor will revolve. The picture was taken in the Allis-Chalmers plant at Milwaukee where the generator was manufactured.

Also scheduled for first operation in 1962 is the Company's Big Rock Point Nuclear Plant. This winter photograph shows the exterior in final form. The reactor sphere will be painted a light green. The ventilating stack will have alternate bands of red and white for greater visibility.



POOR ORIGINAL



In Consumers Power Company's Diversified Service Area

1. This huge gas-fired gantry-type furnace makes it possible to heat-treat the gigantic parts demanded by today's industrial and space programs. It was developed primarily to treat the nose cones of space rockets. It is in a plant of Commercial Steel Treating Corporation in Madison Heights, Mich.

2. Aerial view at Bay City shows Aetna Portland Cement Company plant in left foreground, oil storage tanks, and the Saginaw River, with slips for the accommodation of Great Lakes and ocean ships. Aetna Portland is one of several large cement manufacturers in Outstate Michigan.

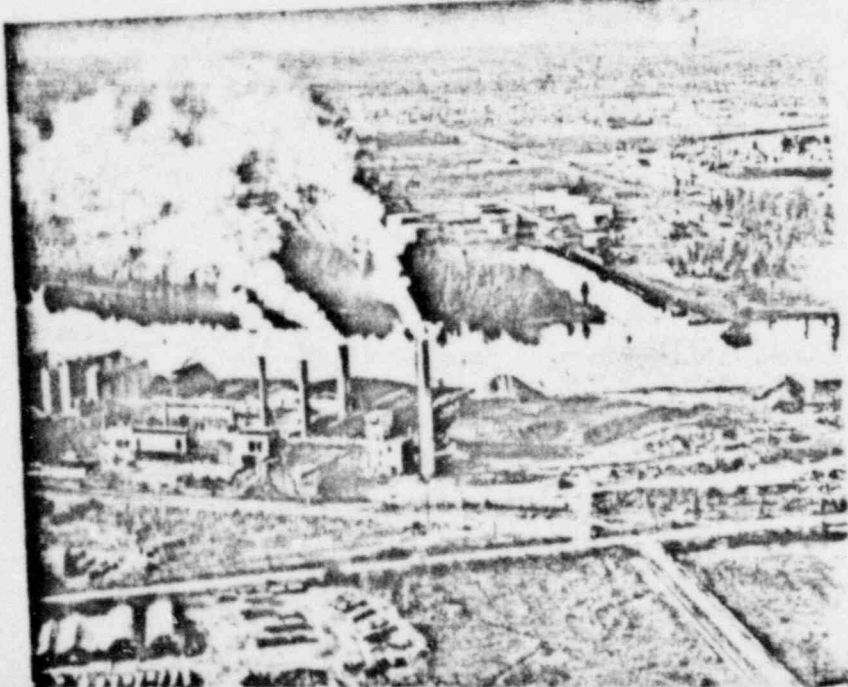
3. Paper making is an important part of the Outstate Michigan economy. Shown is a paper cutting machine of Allied Paper Company, Bryant Division, in Kalamazoo.

4. The De Waters Art Center and the Longway Planetarium are on the campus of Flint Junior College and the Flint Branch of the University of Michigan in the \$25 million Flint College and Cultural Development.

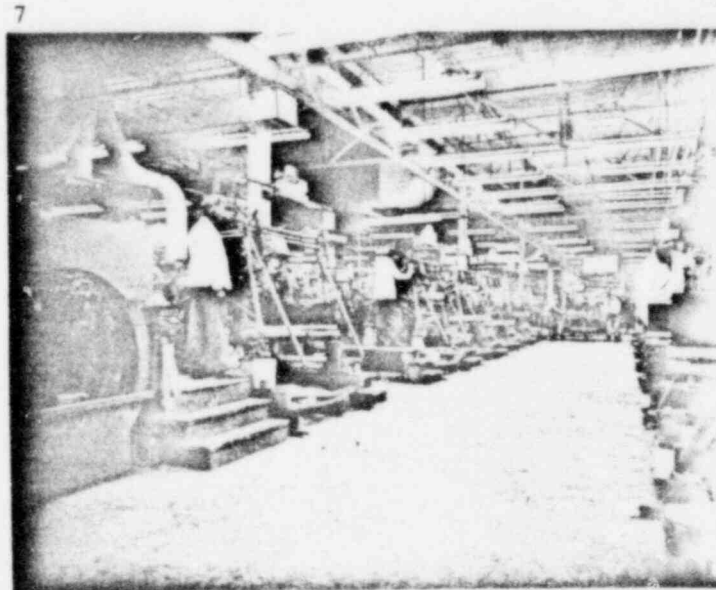
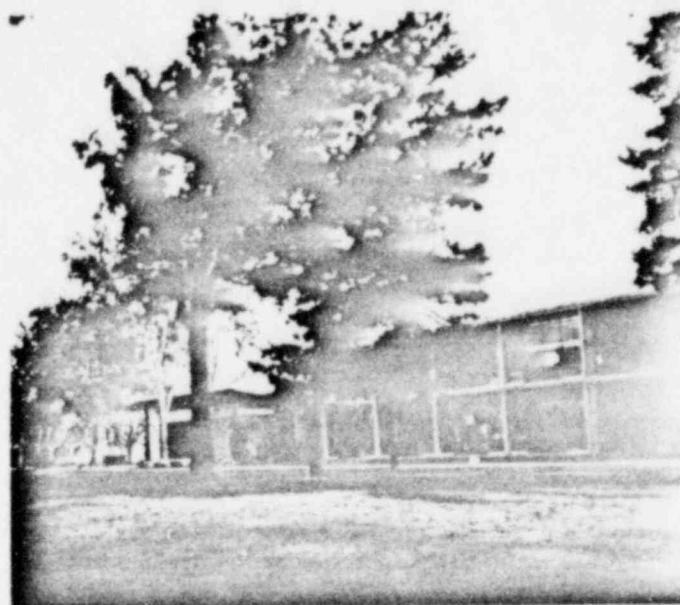
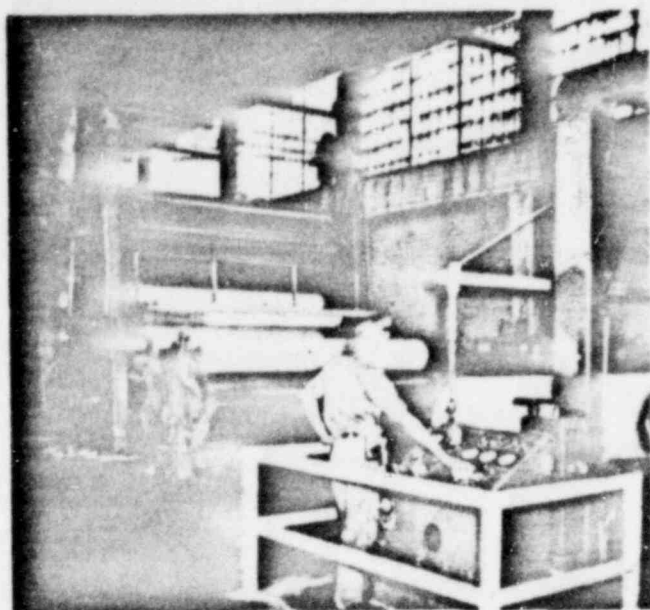
5. In the larger cities of Outstate Michigan the Company serves many shopping centers. They use electricity extensively for lighting, air conditioning, refrigeration and other purposes. This is Rogers Plaza in Wyoming, Mich.

6. At the McKone Farms near Jackson, an electric fruit sizer makes the grading of apples easy and accurate. Michigan had a 1961 apple crop of 16 million bushels, third largest in the nation, valued at \$24 million.

7. Automatic pinsetters have given great impetus to bowling in recent years. This is the assembly line in the Brunswick Corporation Pinsetter Plant in Muskegon. Many large bowling centers also are served by Consumers.



POOR ORIGINAL



POOR ORIGINAL

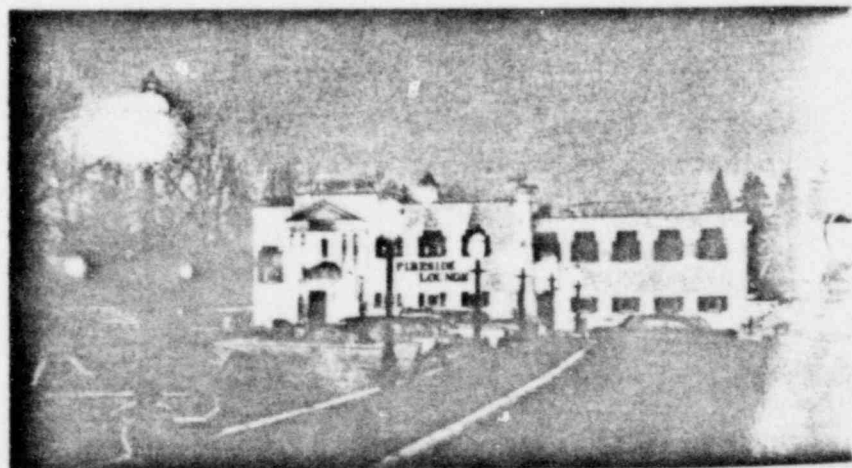
Among the most modern pharmaceutical and chemical production facilities anywhere are those of The Upjohn Company, Kalamazoo. They have been expanded frequently in recent years. The company's new general office building is at upper left of the photograph, manufacturing plant at right center.



Modern freeways stimulate tourist traffic in the Outstate Michigan area. Shown below is a section of Interstate 75 with the Mackinac Bridge in the background. Michigan built 765 miles of freeways in 1961, more than any other state.



Gas street lighting fixtures in the parking area enhance the charm of Hillside Inn with its Fireside Lounge, a popular dining spot in Plymouth, Mich., in the Company's new West Wayne Division near Detroit.



POOR ORIGINAL

Continued from page 14

South Oakland and West Wayne Divisions. Headquarters are in East Detroit, Pontiac, Royal Oak and Livonia. The former district managers of the four areas became division managers. About half of all the Company's gas customers are in the four new divisions.

David H. Gerhard, division manager of the Southeast Division for nine years, was elected assistant vice president by the Board of Directors late in the year. He assists Claude A. Mulligan, vice president in charge of division operations, rates and customers' services.

W. Anson Hedgecock succeeded Donald B. MacDonald as division manager of the Saginaw Division in November.

Stockholders

At the year-end the common stock of the Company was registered in 66,000 names, the preferred stock in 16,000. Of these 82,000 stockholders, a majority live in Michigan, chiefly in the area where Consumers supplies service. Consumers stockholders live in every state and in several foreign countries. In addition to individual stockholders, they include insurance

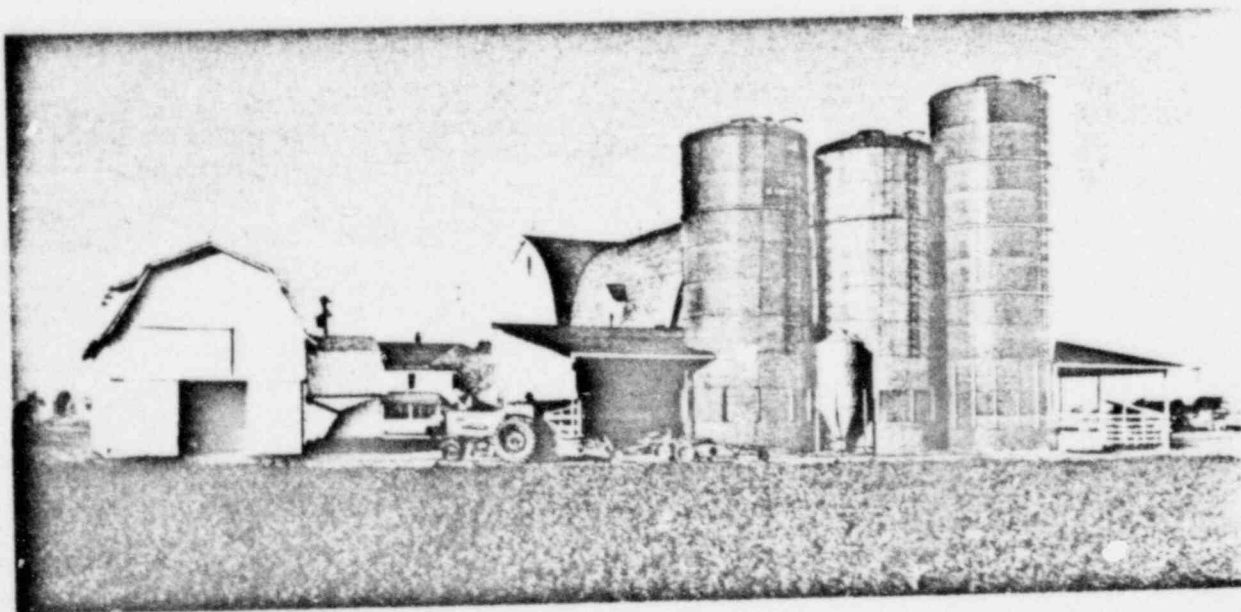
companies, banks, trust companies, educational institutions, investment trusts, pension funds, estates and trustees.

More than 5,000 persons attended regional stockholder meetings held in the service area immediately following the Annual Meeting in April 1961. It was the thirteenth consecutive year in which such regional meetings were held.

The 1962 Annual Meeting will be held Tuesday, April 10 at 2 p.m. in the Company's Parnell Office Building, 1945 West Parnell Road, Jackson, Michigan. Regional meetings will be held as follows:

Jackson	—April 10
Battle Creek	—April 11
Lansing	—April 12
Royal Oak	—April 16
Flint	—April 17
Saginaw	—April 18
Bay City	—April 19
Muskegon	—April 23
Kalamazoo	—April 24
Grand Rapids	—April 25
Alma	—April 26

Consumers serves almost 90,000 farms including the Fred Knoblauch farm near Blissfield, Mich.



BALANCE SHEET
AT DECEMBER 31, 1961 AND 1960

ASSETS	December 31	
	1961	1960
UTILITY PLANT:		
At original cost—		
Electric	\$ 872,798,102	\$ 819,139,863
Gas	303,264,587	274,209,652
Steam heating	3,701,008	3,726,767
Common to all departments	26,977,512	26,145,180
	<u>\$1,206,741,209</u>	<u>\$1,123,221,462</u>
Less—Provision for accrued depreciation	218,979,574	193,025,185
	<u>\$ 987,761,635</u>	<u>\$ 930,196,277</u>
Cost in addition to original cost, in process of amortization	178,020	238,860
	<u>\$ 987,939,655</u>	<u>\$ 930,435,137</u>
INVESTMENTS:		
Investment in common stock of Michigan Gas Storage Company, at cost (75% stock interest)	\$ 11,250,000	\$ 11,250,000
Other physical property, at cost or less	532,320	573,347
Other, at cost or less	494,255	502,121
	<u>\$ 12,276,575</u>	<u>\$ 12,325,468</u>
CURRENT ASSETS:		
Cash	\$ 6,722,066	\$ 6,773,183
Accounts receivable—		
Customers, less reserves	24,940,496	21,362,170
Other	1,711,984	1,397,346
Materials and supplies, at average cost	20,855,640	22,538,918
Gas in underground storage, at average cost	8,302,022	5,652,456
Other	7,151,122	6,271,847
	<u>\$ 69,683,330</u>	<u>\$ 63,995,920</u>
DEFERRED DEBITS:		
Capital stock expense	\$ 2,648,683	\$ 2,584,657
Debt premium and expense (net), applicable to a refunded issue, in process of amortization	170,785	239,099
Other	632,946	725,322
	<u>\$ 3,452,414</u>	<u>\$ 3,549,078</u>
	<u>\$1,073,351,974</u>	<u>\$1,010,305,603</u>

The accompanying notes are an integral part of this statement.

LIABILITIES

CAPITALIZATION:

Capital stock (without par value) and retained earnings—

Common stock—authorized 14,000,000 shares—outstanding 9,678,164 and 9,527,502 shares, respectively—609,274 shares reserved for conversion of debentures (see Note 1)

Retained earnings, of which \$6,175,035 (equal to \$7.50 per share of preferred stock) is not available for payment of cash dividends on common stock

Preferred stock, cumulative—authorized 1,500,000 shares, entitled in involuntary liquidation to \$100 per share (see Note 6)

TOTAL CAPITAL STOCK AND RETAINED EARNINGS . .

Long-term debt (see Note 7)

TOTAL CAPITALIZATION

CURRENT LIABILITIES:

Current sinking fund requirement on first mortgage bonds . .

Notes payable to banks

Accounts payable

Dividends declared on capital stock

Accrued taxes

Accrued interest

Other

DEFERRED CREDITS:

Premium less expenses on outstanding long-term debt, in process of amortization

Customers' advances for construction and other

RESERVES:

Deferred Federal income taxes

Other

CONTRIBUTIONS IN AID OF CONSTRUCTION

December 31	
1961	1960
\$ 280,654,668	\$ 271,549,365
82,720,109	72,487,621
\$ 363,374,777	\$ 344,036,986
82,367,138	82,767,898
\$ 445,741,915	\$ 426,804,884
489,337,064	461,924,254
\$ 93 ^c 78,979	\$ 888,729,138
\$ 4,838,000	\$ 4,438,000
4,400,000	3,300,000
22,857,581	25,532,942
7,693,374	6,193,426
32,235,686	24,916,612
5,861,265	5,311,891
6,955,747	6,437,814
\$ 84,841,653	\$ 76,130,685
\$ 80,700	\$ 410,078
1,001,138	1,544,513
\$ 1,081,838	\$ 1,954,591
\$ 43,189,862	\$ 35,940,870
1,843,576	968,595
\$ 45,033,438	\$ 36,909,465
\$ 7,316,066	\$ 6,581,724
\$1,073,351,974	\$1,010,305,603

The accompanying notes are an integral part of this statement.

STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

	Year Ended December 31	
	1961	1960
OPERATING REVENUE:		
Electric	\$186,399,427	\$179,568,429
Gas	116,122,787	100,769,449
Steam heating	1,001,675	1,058,055
TOTAL OPERATING REVENUE	<u>\$303,523,889</u>	<u>\$281,395,933</u>
OPERATING EXPENSES AND TAXES:		
Operation—		
Purchased and interchanged power	\$ 4,177,546	\$ 4,390,548
Fuel consumed in electric and steam heating operations	30,613,966	30,371,702
Cost of gas sold	53,771,586	49,329,737
Other	58,149,212	57,331,832
TOTAL OPERATION	<u>\$146,712,310</u>	<u>\$141,423,819</u>
Maintenance	15,362,967	13,695,933
Depreciation and amortization	29,928,132	27,398,531
General taxes	16,922,249	15,433,274
Federal income taxes	32,965,048	27,300,541
Provision for deferred Federal income taxes	7,248,992	7,059,399
TOTAL OPERATING EXPENSES AND TAXES	<u>\$249,139,698</u>	<u>\$232,311,497</u>
NET OPERATING INCOME	<u>\$ 54,384,191</u>	<u>\$ 49,084,436</u>
OTHER INCOME:		
Dividends from Michigan Gas Storage Company	961,875	956,250
Other	79,999	156,501
GROSS INCOME	<u>\$ 55,426,065</u>	<u>\$ 50,197,187</u>
INCOME DEDUCTIONS:		
Interest on long-term debt	\$ 17,622,922	\$ 14,644,285
Interest on notes payable	128,674	823,826
Interest charged to construction—credit*	1,879,517*	2,376,994*
Other	216,389	504,841
TOTAL INCOME DEDUCTIONS	<u>\$ 16,088,468</u>	<u>\$ 13,595,958</u>
NET INCOME	<u>\$ 39,337,597</u>	<u>\$ 36,601,229</u>
DIVIDENDS ON PREFERRED STOCK		
	3,683,453	3,698,259
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	<u>\$ 35,654,144</u>	<u>\$ 32,902,970</u>
EARNINGS PER SHARE OF COMMON STOCK BASED ON SHARES OUTSTANDING:		
Average during year	<u>\$3.73</u>	<u>\$3.45</u>
At end of year	<u>\$3.68</u>	<u>\$3.45</u>

The accompanying notes are an integral part of this statement.

STATEMENT OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1961 AND 1960

	Year Ended December 31	
	1961	1960
RETAINED EARNINGS—Beginning of year	\$ 72,487,621	\$63,983,158
ADD—		
Net income after dividends on preferred stock	35,654,144	32,902,970
Refund of excess profits taxes applicable to 1945 and prior years . .	—	369,460
	<u>\$108,141,765</u>	<u>\$97,255,588</u>
DEDUCT—Cash dividends on common stock declared at quarterly rate of \$.65 per share in 1960 and the first three quarters in 1961, and at quarterly rate of \$.70 per share in the fourth quarter of 1961 (paid \$2.60 per share in 1961 and 1960).	25,421,656	24,767,967
RETAINED EARNINGS—End of year (see balance sheet)	<u>\$ 82,720,109</u>	<u>\$72,487,621</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

- (1) On December 28, 1961, the Board of Directors recommended a 2 for 1 split in the common stock of the Company and an increase in the number of shares of authorized common stock from 14,000,000 shares to 25,000,000 shares. These changes will be effective in April 1962, subject to obtaining the required stockholder and governmental approvals.
- (2) The Company contemplates making capital expenditures for property additions during 1962 in a presently estimated amount of \$83,000,000. In connection with the 1962 construction program, the Company has made substantial commitments for the purchase of construction materials.
- (3) On May 4, 1961, the Michigan Public Service Commission ruled upon the Company's request for an annual increase of \$13,500,000 in its gas revenues and issued an order granting the Company an increase of \$7,925,000, based upon 1960 estimated sales. The new gas rates became effective on May 11, 1961. On June 2, 1961, the Company appealed the Commission order to the Circuit Court of Ingham County, Michigan, claiming that the rates approved by the Michigan Public Service Commission are inadequate.
- (4) Since January 1, 1955, the general service and storage service rates of Panhandle Eastern Pipe Line Company, under which the Company's subsidiary, Michigan Gas Storage Company, purchases gas for resale to the Company under a cost-of-service tariff have been increased from 23.7¢ to 33.9¢ per 1,000 cubic feet. Trunkline Gas Company, another gas supplier of the Company, also increased its rates, effective July 1, 1960, from 40.0¢ to 43.4¢ per 1,000 cubic feet. In addition, in connection with an earlier proceeding involving Panhandle, the Federal Power Commission reserved certain issues for the period from February 20, 1952, to January 1, 1955. The Company did not increase its rates until May 11, 1961, to reflect the January 1, 1955, and subsequent increases in cost of gas sold. The effect of the increased rates since January 1, 1955, which are subject to refund to the extent, if any, they are finally found to be unlawful, has been to increase the cost of gas sold by the Company through December 31, 1961, approximately \$29,000,000 over the cost of the same volumes of gas based on rates in effect immediately prior to January 1, 1955, for Panhandle and July 1, 1960, for Trunkline. Of this total, \$7,400,000 relates to 1960, \$4,600,000 to the period January 1 to May 11, 1961, and \$4,300,000 to the remainder of 1961.

The Federal Power Commission by action taken on April 27, 1961, ordered Panhandle to file revised tariff sheets providing for reduced rates during the period February 20, 1952, to September 1, 1958, and to file a computation of the refunds due to its customers. Panhandle's applications seeking rehearing and stay of the orders of April 27, 1961, were denied by the Commission. Panhandle filed the revised tariff sheets and computation of the refunds under protest and is seeking judicial review of said orders.

Pending final determination of rates under which the Company has purchased gas since February 20, 1952, and the portion of any refunds which will be retained by the Company, the effect thereof on the accompanying financial statements cannot be determined.

- (5) Reference is made to the letter on page 3 for information regarding damage claims filed against various electrical equipment manufacturers.

- (6) Preferred stock is represented by:

	December 31	
	1961	1960
\$4.50—547,788 shares outstanding	\$ 54,778,800	\$ 54,778,800
\$4.52—179,550 shares outstanding, less 4,000 shares purchased in 1961 for retirement	17,555,000	17,955,000
\$4.16—100,000 shares outstanding	10,000,000	10,000,000
Premium on preferred stock	33,338	34,098
TOTAL PREFERRED STOCK	<u>\$ 82,367,138</u>	<u>\$ 82,767,898</u>

- (7) Long-term debt is represented by:

	December 31	
	1961	1960
First Mortgage Bonds—		
2 $\frac{7}{8}$ % Series due 1975	\$109,024,000	\$109,024,000
2 $\frac{7}{8}$ % Series due 1977	24,775,000	24,775,000
3 $\frac{1}{8}$ % Series due 1981	39,700,000	39,700,000
3% Series due 1984	24,750,000	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	19,490,000	23,901,000
4 $\frac{1}{2}$ % Series due 1988	40,000,000	40,000,000
4 $\frac{3}{8}$ % Series due 1989	35,000,000	35,000,000
3 $\frac{1}{4}$ % Series due 1990	30,000,000	30,000,000
4 $\frac{3}{8}$ % Series due 1990	35,000,000	35,000,000
4 $\frac{3}{8}$ % Series due 1991	40,000,000	—
	<u>\$462,739,000</u>	<u>\$427,150,000</u>
Deduct— Current sinking fund requirement included in current liabilities	4,838,000	4,438,000
TOTAL FIRST MORTGAGE BONDS	<u>\$457,901,000</u>	<u>\$422,712,000</u>
4 $\frac{3}{8}$ % Convertible Debentures due 1975—convertible until maturity at the conversion price of \$60 per share, payable by surrender of \$100 of Debentures and \$20 in cash in exchange for each two shares of common stock (not adjusted for proposed stock split), subject to adjustments in certain events	30,463,700	37,996,800
4% Notes due 1963-1966	972,364	1,215,454
TOTAL LONG-TERM DEBT	<u>\$489,337,064</u>	<u>\$461,924,254</u>

ARTHUR ANDERSEN & Co.

PENOBSCOT BUILDING
DETROIT 26

To the Board of Directors,
Consumers Power Company:

We have examined the balance sheet of CONSUMERS POWER COMPANY (a Maine corporation) as of December 31, 1961, and the related statements of income and retained earnings 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.

In our opinion, subject to possible increases in income and retained earnings which might result from final settlement of the cost of gas purchases as discussed in Note 4 of the notes to the financial statements, the accompanying balance sheet and statements of income and retained earnings present fairly the financial position of Consumers Power Company as of December 31, 1961, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Andersen & Co.

Detroit, Michigan,
February 2, 1962.

FINANCIAL SUMMARY • 1961-1951

STATEMENT OF INCOME DATA

	1961	1960	1959	1958
Operating Revenue	\$303,523,889	\$281,395,933	\$257,525,425	\$227,631,181
Operating Revenue Deductions, Except Taxes	192,003,409	182,518,283	160,384,664	144,362,488
Taxes				
Federal Income Tax	32,965,048	27,300,541	29,541,943	23,795,448
Deferred Federal Income Tax	7,248,992	7,059,399	6,599,259	6,236,371
Other	16,922,249	15,433,274	12,944,638	11,893,683
Net Operating Income	54,384,191	49,084,436	48,054,901	41,343,191
Other Income	1,041,874	1,112,751	1,508,025	1,388,171
Income Deductions	17,967,985	15,972,952	14,756,150	13,102,150
Interest Charged to Construction—Credit	1,879,517	2,376,994	2,448,132	1,894,850
Net Income	39,337,597	36,601,229	37,254,908	31,524,062
Dividends				
On Preferred Stock	3,683,453	3,698,259	3,717,765	3,742,243
On Common Stock	25,421,656	24,767,967	22,618,626	21,132,828
Earnings Retained	10,232,488	8,135,003	10,918,517	6,648,991
Average Shares of Common Stock Outstanding (A)	9,568,115	9,525,665	8,885,147	8,800,455
Earnings per Share of Common Stock—				
Average (A)	\$ 3.73	\$ 3.45	\$ 3.77	\$ 3.16
Dividends Paid per Share of Common Stock (A)	\$ 2.60	\$ 2.60	\$ 2.45	\$ 2.40
Average Shares of Common Stock Outstanding (B)	9,568,115	9,525,665	8,885,147	8,800,455
Per Share of Common Stock—Average (B)				
Earnings	\$ 3.73	\$ 3.45	\$ 3.77	\$ 3.16
Interest Charged to Construction20	.25	.28	.22

BALANCE SHEET DATA

Utility Plant	\$1,206,919,229	\$1,123,460,322	\$1,032,604,543	\$931,717,903
Accrued Depreciation	218,979,574	193,025,185	172,870,164	149,821,234
Plant Investment per Employee (C)	121,849	111,876	102,900	91,461
Capitalization				
Common Stock and Retained Earnings	\$365,374,777	\$344,036,986	\$311,882,927	\$291,069,164
Preferred Stock	82,367,138	82,767,898	83,168,658	83,569,418
Long-Term Debt	489,337,064	461,924,254	415,935,000	394,862,700
Total Capitalization	\$935,078,979	\$888,729,138	\$810,986,585	\$769,501,282
Capitalization Ratios—%				
Common Stock and Retained Earnings	38.9	38.7	38.5	37.8
Preferred Stock	8.8	9.3	10.2	10.9
Long-Term Debt	52.3	52.0	51.3	51.3

(A)—Unadjusted in years prior to 1956 for 5% stock dividend issued December 28, 1955.

(B)—Adjusted in years prior to 1956 for 5% stock dividend issued December 28, 1955.

(C)—At end of year.

1955 100 722 1 10000

1957	1956	1955	1954	1953	1952	1951
\$221,461,837	\$208,393,754	\$189,431,360	\$168,728,450	\$155,034,360	\$137,318,012	\$128,594,938
138,773,917	131,042,253	118,602,276	107,570,185	97,179,035	88,896,159	81,259,581
26,581,533	27,086,965	24,995,000	20,506,090	21,061,968	17,924,279	17,460,259
5,572,383	4,208,808	3,216,335	1,746,751	1,037,747	263,817	—
10,593,205	9,223,420	7,947,163	7,207,235	6,250,466	5,846,217	6,817,467
39,940,799	36,832,308	34,670,586	31,698,189	29,505,144	24,387,540	23,057,631
1,365,125	1,055,782	1,462,791	1,324,062	1,581,479	1,465,422	1,335,590
10,137,856	8,432,298	8,275,175	7,536,180	7,145,145	6,440,231	5,744,034
1,594,947	1,731,490	1,341,384	1,185,710	948,527	1,267,642	865,876
32,763,015	31,187,282	29,199,586	26,671,781	24,890,005	20,680,373	19,515,063
3,756,570	3,778,551	3,543,937	3,367,141	3,367,687	3,368,231	3,369,120
21,094,044	18,539,687	17,069,219	16,442,355	15,321,286	15,750,567	11,511,111
7,912,401	8,869,044	8,586,430	6,862,285	6,201,032	1,561,575	4,634,832
8,697,631	8,239,861	7,662,200	7,473,798	6,742,890	6,176,693	5,708,762
\$ 3.33	\$ 3.33	\$ 3.35	\$ 3.12	\$ 3.19	\$ 2.80	\$ 2.83
\$ 2.40	\$ 2.20	\$ 2.20	\$ 2.20	\$ 2.15	\$ 2.00	\$ 2.00
8,697,631	8,239,861	8,010,977	7,847,488	7,080,035	6,485,528	5,994,200
\$ 3.33	\$ 3.33	\$ 3.20	\$ 2.97	\$ 3.04	\$ 2.67	\$ 2.69
.18	.21	.17	.15	.13	.20	.14
\$853,414,043	\$758,360,576	\$679,228,020	\$613,581,239	\$559,476,346	\$510,035,765	\$460,917,496
132,972,735	120,390,331	109,328,075	99,079,559	92,601,080	84,590,843	79,450,934
81,355	72,363	66,919	62,388	59,639	56,898	54,079
\$282,955,324	\$251,559,323	\$242,690,279	\$217,194,422	\$185,361,797	\$157,529,889	\$155,968,314
83,970,177	84,371,148	84,771,696	74,771,696	74,771,696	74,795,742	74,795,742
360,067,700	293,249,000	256,237,000	228,825,000	230,175,000	206,650,000	183,125,000
\$726,993,201	\$629,179,471	\$583,698,975	\$520,791,118	\$490,308,493	\$438,975,631	\$413,889,056
38.9	40.0	41.6	41.7	37.8	35.9	37.7
11.6	13.4	14.5	14.4	15.3	17.0	18.1
49.5	46.6	43.9	43.9	46.9	47.1	44.2

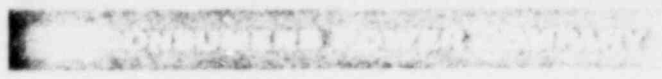
Notes (1) In December 1955, the Company issued to its common stockholders a dividend of 5% in common stock. In recording this transaction on its books, the Company assigned a value of \$45.25 per share to the 392,374 total shares issued as a dividend, a total of \$17,754,924. The amount of this dividend is not reflected in the above figures.

(2) Figures have been restated where applicable to reflect the refund in 1956 of purchased gas cost for the years 1952-1955 and related interest.

ELECTRIC AND GAS OPERATING COMPARISON • 1961-1951

	1961	PER CENT INCREASE OR (DECREASE) 1961 COMPARED WITH		1960	1959
		1960	1951		
ELECTRIC					
Electric Revenue					
Residential	\$ 79,727,171	4.6	108.3	\$ 76,207,206	\$ 70,957,616
Commercial	43,291,862	7.3	107.5	40,338,087	37,904,248
Industrial	54,718,983	(.6)	77.2	55,054,612	52,423,154
Interdepartmental and Other	6,444,469	9.5	160.7	5,886,913	5,254,757
Total Electric Sales Revenue	\$184,182,485	3.8	99.1	\$177,486,818	\$166,539,777
Miscellaneous Electric Revenue	2,216,942	6.5	106.6	2,081,611	1,945,647
Total Electric Revenue	<u>\$186,399,427</u>	3.8	99.2	<u>\$179,568,429</u>	<u>\$168,485,422</u>
Electric Sales (1,000 Kilowatt-Hours)					
Residential	3,376,511	5.3	124.9	3,205,406	3,094,393
Commercial	1,838,741	8.8	148.2	1,690,661	1,599,315
Industrial	4,180,726	(2.3)	70.3	4,279,984	4,012,905
Interdepartmental and Other	414,785	9.9	198.7	377,452	325,647
Total Electric Sales	<u>9,810,763</u>	2.7	102.9	<u>9,553,502</u>	<u>9,032,260</u>
Total Electric Energy Generated, Purchased and Interchanged, Net (1,000 Kilowatt-Hours)					
	10,869,930	2.4	95.5	10,617,239	10,040,779
Heat Rate—Btu of Fuel per Net Kilowatt-Hour Generated					
	9,675	(1.8)	(17.1)	9,857	9,912
Generating Capacity—Kilowatts					
	2,534,992	11.6	132.9	2,270,962	2,270,962
Peak Load—Kilowatts					
	1,948,350	3.8	91.5	1,876,390	1,794,650
Residential Use of Electricity, Annual Average (Kilowatt-Hours)					
	4,315	3.7	73.2	4,162	4,096
Electric Customers—End of Period					
	885,832	1.4	27.2	873,834	858,487
GAS					
Gas Revenue					
Residential	\$ 10,448,817	(5.5)	30.8	\$ 11,054,279	\$ 12,020,807
Residential Space Heating	64,454,859	23.5	287.1	52,200,274	45,805,934
Industrial and Commercial	37,148,937	12.7	315.0	32,962,377	28,509,026
Interdepartmental and Other (A)	2,314,246	(23.1)	4180.4	3,011,254	234,627
Total Gas Sales Revenue	\$114,366,859	15.3	240.0	\$ 99,228,184	\$ 86,570,394
Miscellaneous Gas Revenue	1,755,928	13.9	385.3	1,541,265	1,366,601
Total Gas Revenue	<u>\$116,122,787</u>	15.2	241.5	<u>\$100,769,449</u>	<u>\$ 87,936,995</u>
Gas Sales (1,000 Cubic Feet)					
Residential	7,241,954	(11.6)	18.4	8,187,652	8,713,106
Residential Space Heating	64,303,774	19.6	243.7	53,760,032	47,827,215
Industrial and Commercial	52,797,012	8.1	300.3	48,853,317	41,690,243
Interdepartmental and Other (A)	6,611,019	(11.8)	9506.0	7,494,854	304,449
Total Gas Sales	<u>130,953,759</u>	10.7	243.9	<u>118,295,855</u>	<u>98,535,013</u>
Gas Purchased and Produced (1,000 Cubic Feet)					
Sales	130,953,759	10.7	243.9	118,295,855	98,535,013
Net to Storage	5,872,391	(42.9)	—	10,283,514	—
Unbilled, Lost and Company Use	2,338,405	(65.9)	34.5	6,855,227	815,262
Total Gas Purchased and Produced	<u>139,164,555</u>	2.8	249.5	<u>135,434,596</u>	<u>99,350,275</u>
Maximum 24-Hour Gas Send-Out (1,000 Cubic Feet)					
	843,543	2.7	240.8	821,362	602,123
Gas Customers—End of Period					
	562,897	4.3	69.3	539,474	509,462
Gas Residential Space-Heating Customers—End of Period					
	361,335	12.2	244.3	321,909	265,077

(A) Includes intracompany sales of gas to the electric department for use in generating electricity in years 1961 and 1960, and substantial sales to another public utility, in 1960.



1958	1957	1956	1955	1954	1953	1952	1951
\$ 64,314,868	\$ 61,540,221	\$ 57,264,960	\$ 52,427,172	\$ 48,313,852	\$ 44,291,959	\$ 41,091,553	\$ 38,278,357
33,722,643	32,017,441	29,796,312	27,629,690	25,103,644	23,647,139	22,007,859	20,866,972
45,785,860	48,343,983	46,352,068	44,213,748	37,281,138	37,354,130	32,205,227	30,874,482
4,582,742	4,150,513	3,309,399	2,940,547	2,768,043	2,792,292	2,700,938	2,472,324
\$148,406,113	\$146,052,158	\$136,722,739	\$127,211,157	\$113,466,677	\$108,085,520	\$ 98,005,577	\$ 92,492,135
1,756,798	1,735,556	1,707,543	1,457,848	1,475,291	1,202,994	1,078,558	1,073,150
\$150,162,911	\$147,787,714	\$138,430,282	\$128,669,005	\$114,941,968	\$109,288,514	\$ 99,084,135	\$ 93,565,285
2,890,249	2,729,873	2,501,144	2,244,271	2,033,078	1,816,104	1,647,921	1,501,660
1,409,658	1,238,406	1,139,903	1,047,657	929,997	861,775	791,717	740,719
3,373,978	3,803,532	3,749,452	3,783,935	2,976,137	2,992,279	2,522,270	2,454,344
274,189	246,730	192,381	169,283	155,766	160,416	154,557	138,859
7,948,074	8,018,541	7,582,880	7,245,146	6,094,978	5,830,574	5,116,465	4,835,582
8,908,944	9,002,522	8,532,471	8,178,423	6,964,674	6,612,227	5,854,025	5,560,637
9,896	10,423	10,799	10,908	10,882	11,185	11,665	11,676
2,004,938	1,848,688	1,712,888	1,558,118	1,402,168	1,404,618	1,282,048	1,088,379
1,738,785	1,632,005	1,570,820	1,458,070	1,288,370	1,170,415	1,124,465	1,017,427
3,905	3,761	3,536	3,282	3,079	2,846	2,659	2,492
843,276	827,888	810,875	787,662	761,530	736,936	714,225	696,232
\$ 12,516,966	\$ 12,074,857	\$ 11,232,443	\$ 10,782,624	\$ 10,419,563	\$ 9,527,285	\$ 8,174,056	\$ 7,985,443
38,830,746	36,262,193	35,596,876	29,167,905	25,993,234	21,189,121	18,076,869	16,652,071
23,650,121	23,030,884	20,990,057	19,009,009	15,722,624	13,512,832	10,550,659	8,950,573
190,852	151,543	144,672	129,418	110,290	116,452	75,478	54,066
\$ 75,188,685	\$ 71,519,477	\$ 67,964,048	\$ 59,088,956	\$ 52,245,711	\$ 44,345,690	\$ 36,877,072	\$ 33,642,153
1,200,380	1,074,923	950,250	715,587	553,421	417,743	340,110	361,815
\$ 76,389,065	\$ 72,594,400	\$ 68,914,298	\$ 59,804,543	\$ 52,799,132	\$ 44,763,433	\$ 37,217,182	\$ 34,003,968
8,990,599	8,548,906	7,993,181	7,593,440	7,169,030	6,486,509	6,323,388	6,114,610
40,131,587	37,638,842	36,869,414	29,980,627	26,513,803	21,730,535	20,240,028	18,707,422
34,446,406	34,324,931	31,123,993	28,948,655	22,971,537	20,175,900	15,699,402	13,190,185
244,638	193,380	184,081	164,424	130,072	144,208	100,690	68,822
83,813,230	80,706,059	76,170,669	66,687,146	56,784,442	48,537,152	42,363,508	38,081,039
83,813,230	80,706,059	76,170,669	66,687,146	56,784,442	48,537,152	42,363,508	38,081,039
3,728,363	1,800,161	766,055	2,757,293	2,072,651	2,405,702	1,525,198	1,738,334
87,541,593	82,506,220	76,936,724	69,444,439	58,857,093	50,942,854	43,888,706	39,819,373
574,989	505,462	400,942	440,054	356,110	310,036	232,547	247,498
483,682	462,922	443,730	426,714	395,509	373,458	351,315	332,411
234,184	205,884	192,754	183,491	158,104	140,590	122,223	104,945

NOTE: Gas revenues for the years 1952 through 1954 have been restated to reflect the refund to the Company's customers ordered by the Michigan Public Service Commission as a result of a refund of purchased gas cost for those years.

THE BOARD OF DIRECTORS

A. H. AYMOND, JR., Jackson, Michigan
Chairman of the Board of the Company

ROBERT P. BRIGGS, Jackson, Michigan
Executive Vice President of the Company

JAMES H. CAMPBELL, Jackson, Michigan
President of the Company

LEE D. FERDEN, Chesaning, Michigan
Farmer

FRANK HAMILTON, New York, N. Y.
First Vice President of Bankers Trust Company

DAN E. KARN, Jackson, Michigan
Consultant to the Company

DON T. MCKONE, Jackson, Michigan
*Partner of the law firm of
McKone, Badgley, Domke & Kline*

RALPH C. MORLEY, JR., Saginaw, Michigan
*President of Morley Brothers,
Wholesale Hardware Distributors*

DONALD J. PORTER, Grand Rapids, Michigan
*President of Porter-Hadley Company
Wholesale Building Materials*

ARTHUR H. SARVIS, Flint, Michigan
*Vice President and Chairman of Executive
Committee of Citizens Commercial &
Savings Bank*

EDWIN THORNE, New York, N. Y.
*Senior Vice President of
First National City Bank*

JUSTIN R. WHITING, Jackson, Michigan
*Chairman of Executive Committee of the
Company*

COMPANY OFFICERS

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

JAMES H. CAMPBELL, *President*
Chief Operating Officer

ROBERT P. BRIGGS, *Executive Vice President*
Corporate, Finance and Buildings

H. STANLEY RICHMOND, *Vice President*
Personnel

CLAUDE A. MULLIGAN, *Vice President*
Divisions, Rates and Customers' Services

HARRY R. WALL, *Vice President*
Electric Operations

JOHN B. SIMPSON, *Vice President*
Gas Operations

BIRUM G. CAMPBELL, *Vice President*
Marketing

WALTER C. SCHMIDT, *Vice President*
Electric and General Engineering,
Construction, Land and Right-of-way,
Purchasing

JOHN W. KLUBERG, *Controller*

WALTER K. BORIS, *Secretary*

GEORGE E. OLMSTED, *Treasurer*

HAROLD P. GRAVES, *General Counsel*

DAVID H. GERHARD, *Assistant Vice President*

ROBERT D. ALLEN, *Assistant to the President*

DIVISIONS AND MANAGERS

(Headquarters cities in parenthesis)

BATTLE CREEK DIVISION (Battle Creek)	GORDON W. HOWARD
BAY CITY DIVISION (Bay City)	LOUIS A. VAUPRE
CENTRAL DIVISION (Alma)	HERBERT L. ZIEGENBEIN
FLINT DIVISION (Flint)	ARTHUR L. CRAWLEY
GRAND RAPIDS DIVISION (Grand Rapids)	GORDON L. CARSON
JACKSON DIVISION (Jackson)	FRANK B. ADAMS
KALAMAZOO DIVISION (Kalamazoo)	ARTHUR H. LEE
LANSING DIVISION (Lansing)	WILLIAM R. CARLYON
MACOMB DIVISION (East Detroit)	GEORGE L. MAYHEW
MUSKEGON DIVISION (Muskegon)	LIONEL L. BOOTH
NORTHWEST DIVISION (Traverse City)	BOB D. HILTY
PONTIAC DIVISION (Pontiac)	CHARLES F. BROWN
SAGINAW DIVISION (Saginaw)	ANSON W. HEDGECOCK
SOUTH OAKLAND DIVISION (Royal Oak)	WILFRED L. WHITFIELD
WEST WAYNE DIVISION (Livonia)	JAMES P. THOMAS, JR.

TRANSFER AGENTS

Common and Preferred Stock

Consumers Power Company, Jackson, Michigan
 Agents of the Company 300 Park Avenue
 New York 22, New York

Consumers Power Company common stock is listed for trading on the New York, Midwest and Detroit Stock exchanges; preferred stock on the New York and Detroit exchanges; certain series of mortgage bonds and the convertible debentures on the New York Stock Exchange.

REGISTRARS OF STOCK

Preferred Stock

City Bank and Trust Company
 Jackson, Michigan
 The First National City Bank of New York
 New York 15, New York




Common Stock

The National Bank of Jackson
 Jackson, Michigan
 The First National City Bank,
 New York 15, New York






ANNUAL MEETING


The annual meeting of stockholders of the Company will take place Tuesday, April 10, 1962, at 2 p.m. in the Company's Parnell Office Building, 1945 West Parnell Road, Jackson, Michigan. A notice of meeting, proxy statement and proxy will be mailed to stockholders on or about March 7, 1962. Prompt signing and return of your proxy or proxies will be appreciated by the Company management.



KEY TO MAP OF LOWER PENINSULA OF MICHIGAN

-  Electric Service Area
-  Natural Gas Service Area
-  Electric and Natural Gas Service Area

SCALE OF MILES 

-  Division Headquarters
-  Steam-Electric Generating Plant
-  Nuclear Plant
-  Hydro-Electric Generating Plant
-  Boundaries of Company's 15 Operating Divisions

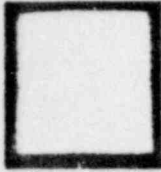
-  Submarine cable across Straits of Mackinac to Edison Sault Electric Company

-  Gas Compressor Station
-  Gas Field Purchase Point

OPERATING DIVISIONS

(AS OF JANUARY 1, 1962)

DIVISION (with P.O. Address if different)	ELECTRIC CUSTOMERS	GAS CUSTOMERS	POPULATION (1960 Census)	AREA SERVED (Square Miles)
Battle Creek	55,038	2,206	180,000	1,493
Bay City	72,615	30,525	210,000	3,658
Central (Alma)	61,845	8,124	180,000	3,913
Flint	143,692	86,145	500,000	2,147
Grand Rapids	133,950	—	430,000	1,520
Jackson	93,278	26,235	300,000	2,632
Kalamazoo	71,968	35,228	250,000	1,653
Lansing	53,526	67,088	380,000	2,717
Macomb (East Detroit)	—	91,554	380,000	233
Muskegon	69,311	—	210,000	1,855
Northwest (Traverse City)	61,595	463	160,000	5,732
Pontiac	14,735	41,101	250,000	350
Saginaw	54,279	38,242	180,000	677
South Oakland (Royal Oak)	—	88,268	360,000	112
West Wayne (Livonia)	—	47,718	230,000	260
TOTAL	885,832	562,897	4,200,000	28,952



CONSUMERS POWER COMPANY

Electric and Natural Gas Systems

The Consumers service area consists of about 29,000 square miles, roughly 70% of Michigan's Lower Peninsula and 50% of the whole state.

About 4,200,000 people live in the area served by the Company.

Electric and natural gas service (in many cases both) is supplied in 331 cities and villages, 800 townships and 515 unincorporated communities.

The Company sells electric power to three electric utility companies (one in the Upper Peninsula), nine municipal electric systems and four rural cooperatives.

Power is interchanged with The Detroit Edison Company at three major interconnections.

Electric generating capacity of Consumers-owned plants, 2,535,000 kilowatts, 94% in steam-electric plants, 6% in hydro-electric plants.

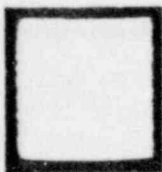
The Company Operates:

6,000 miles of electric transmission lines

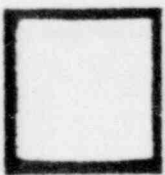
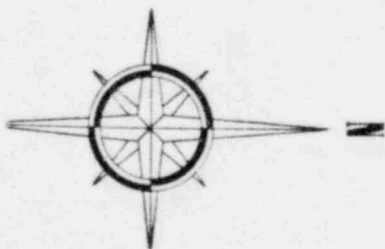
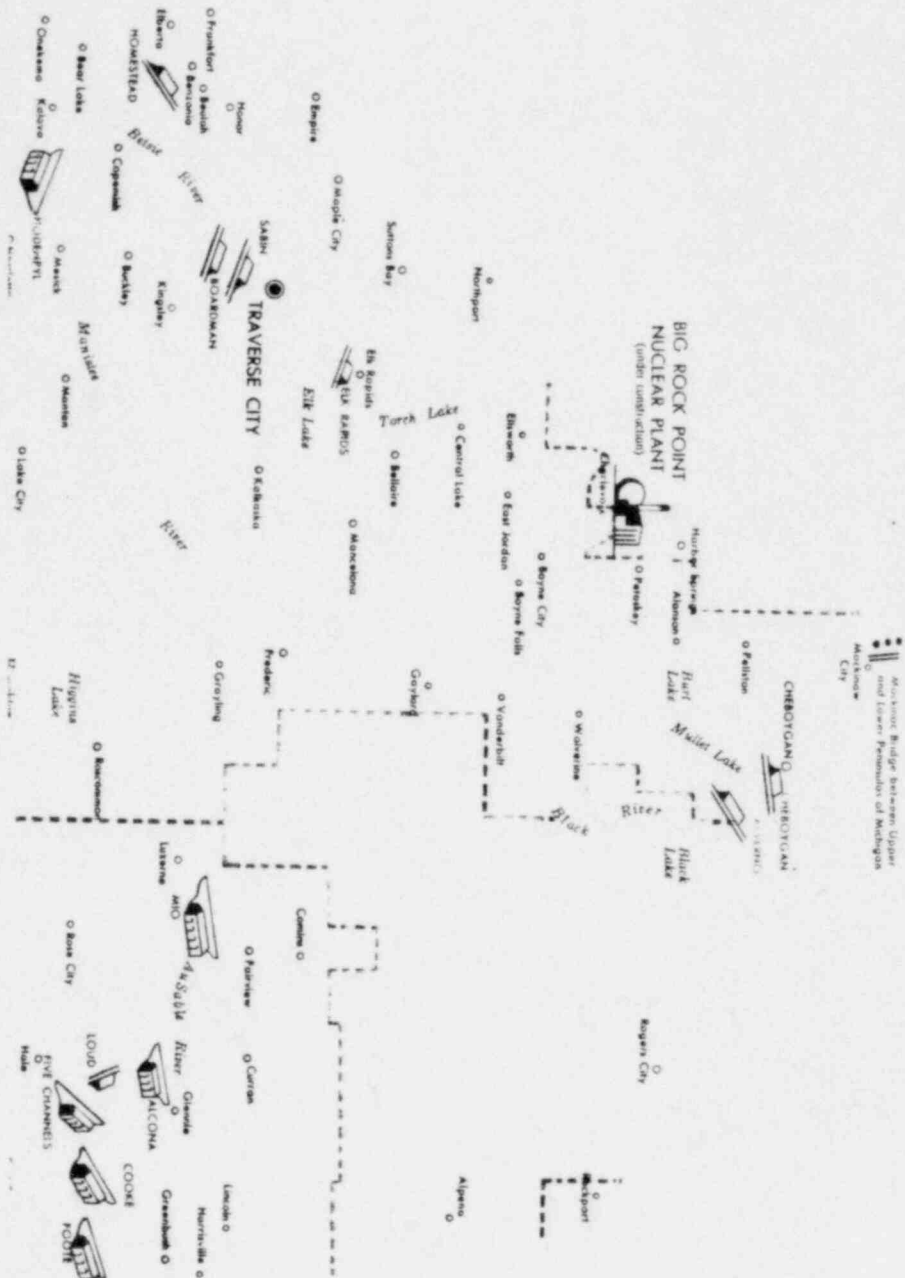
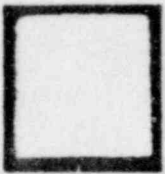
37,600 miles of electric distribution lines

**300 miles of gas transmission lines (Subsidiary,
Michigan Gas Storage Company, 240 miles)**

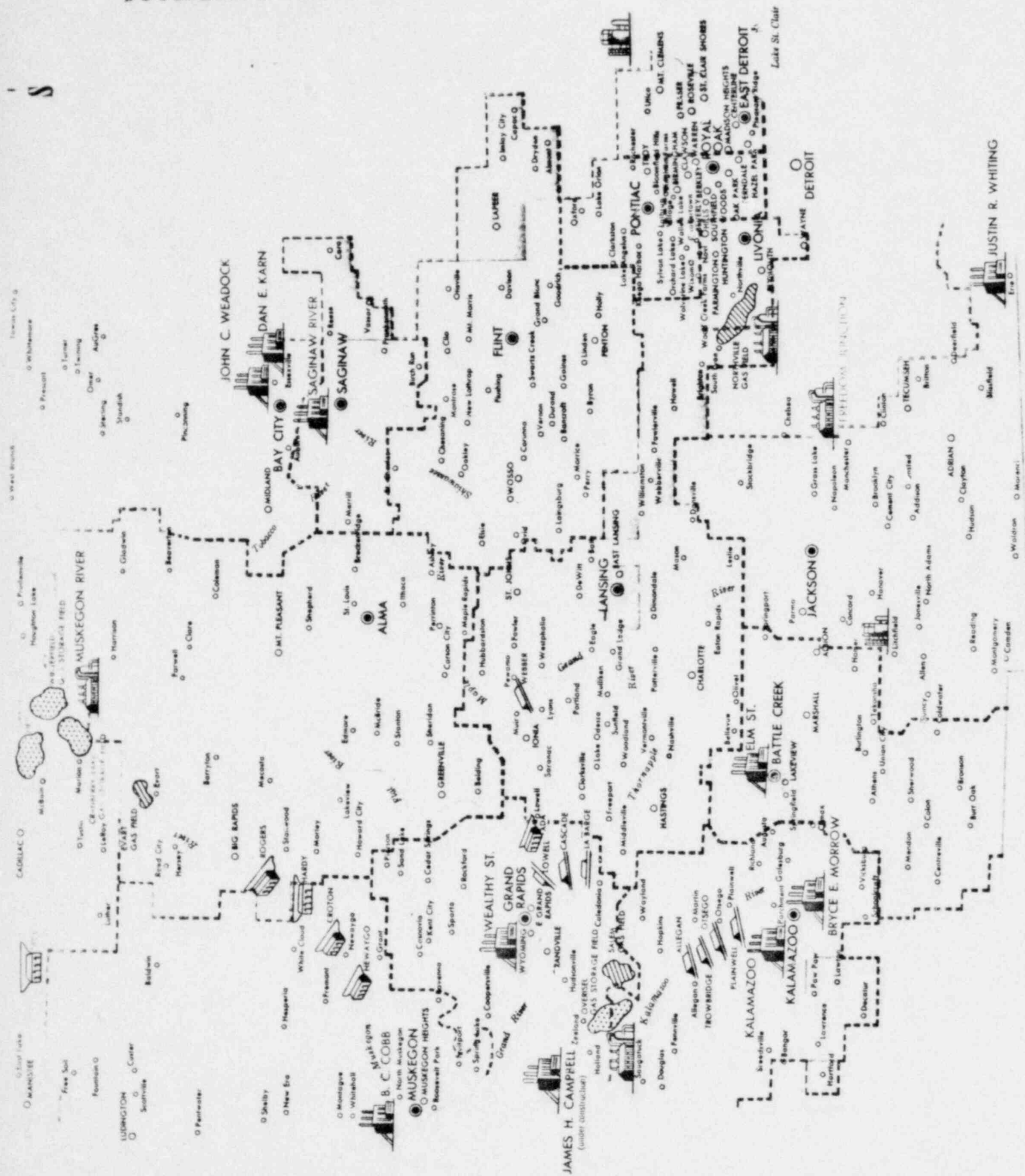
8,700 miles of gas distribution lines



POOR ORIGINAL

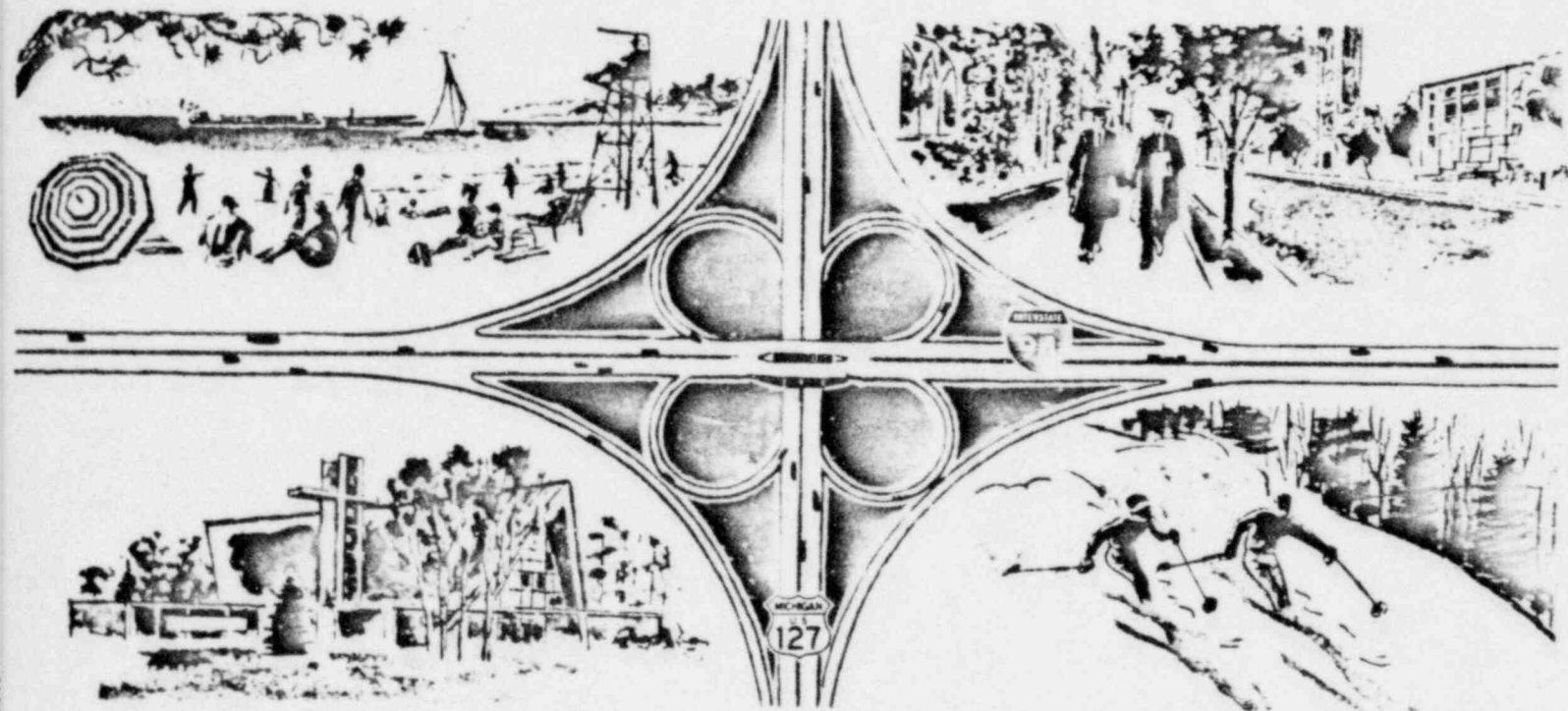


POOR ORIGINAL



THIS IS OUTSTATE MICHIGAN

The Consumers Power Company service area is a spacious land with extensive farm and resort areas. Cities range from small to moderately big. Industry is diversified. Schools, colleges and universities rank with the best. Modern freeways and year-around outdoor recreation help make this a good place to live and work.



**1961 Annual Report
CONSUMERS POWER COMPANY**

POOR ORIGINAL

CONSUMERS POWER COMPANY

Big Rock Plant

Summary Budget

Estimated Construction Costs

Nuclear Power Plant		
Land and Land Rights		\$ 183,000
Bechtel Corp. Contract		
Engineering Design & Inspection	\$5,676,000	
Structures & Improvements	3,173,000	
Reactor Plant Equipment	8,855,000	
Turbine Plant	4,214,000	
Accessory Electric Equipment	541,000	
Miscellaneous Equipment	278,000	
Total Bechtel Corp.		22,737,000
Exclusions From Bechtel Contract and Other Costs		
Access Road & Railroad Spur	\$ 344,300	
Contingencies	928,000	
Supervisions, Admin & Misc	1,093,700	
Interest During Construction	974,000	
Total Miscellaneous		3,340,000
Plant Substation		375,000
Transmission Line Connection to System		365,000
Total Estimated Construction Costs		\$27,000,000

Estimated Operating Expenses During 4-1/2 Year
Research and Development Program

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>Total</u>
Operating and Maintenance	\$238,040	\$ 648,000	\$ 650,000	\$ 686,000	\$ 785,000	\$3,007,040
Insurance	83,100	255,600	255,600	255,600	255,600	1,105,500
Fuel	199,000	891,400	1,092,000	1,587,000	1,456,000	5,225,400
Total	\$520,140	\$1,795,000	\$1,997,600	\$2,528,600	\$2,496,600	\$9,337,940

Note: Operating and Maintenance costs include estimated escalation for each year.

Fuel costs are 1962 estimates but do not include AEC Use Charge.

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

60 John Street, New York 38, New York

COPY

Nuclear Energy Liability Policy No. **NF-117**
(Facility Form)

DECLARATIONS

Item 1. Named Insured Consumers Power Company

Address Charlevoix, Michigan
(No. Street Town or City State)

Item 2. Policy Period: Beginning at 12:01 A.M. on the 15th day of January, 19 62, and continuing through the effective date of the cancelation or termination of this policy, standard time at the address of the named insured as stated herein.

Item 3. Description of the Facility:

Location Big Rock Point (See Endorsement No. 1.)

Type Power Reactor

The Operator of the facility is Consumers Power Company

Item 4. The limit of the companies' liability is \$ 1,000,000 subject to all the terms of this policy having reference thereto.

Item 5. Advance Premium \$ 100.00

Item 6. These declarations and the schedules forming a part hereof give a complete description of the facility, insofar as it relates to the nuclear energy hazard, except as noted No Exceptions

Date of Issue January 18, 19 62 Countersigned by [Signature] Authorized Representative

This is to certify that this is a true copy of the Declarations Page and Endorsements numbered 1 through 3 made a part of Nuclear Energy Liability Policy (Facility Form) No. **NF-117**. No insurance is afforded under this true copy.

Nuclear Energy Liability Insurance

NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

DESCRIPTION OF THE LOCATION ENDORSEMENT

COPY

It is agreed that in Item 3 of the declarations the "Location" is completed to read:
All buildings and premises owned or occupied by or rented to the named insured and all those certain pieces or parcels of land situate and being in the Township of Hayes, County of Charlevoix and State of Michigan, and described as follows:

Government Lots one (1) and two (2) and the East one-half ($E\frac{1}{2}$) of the Southeast one-quarter ($SE\frac{1}{4}$) of Section seven (7); also that part of Government Lot three (3) of said Section seven (7) lying Northerly of the East and West quarter line of said section; also the entire West one-half ($W\frac{1}{2}$) of section eight (8); also all that part of the West one-half ($W\frac{1}{2}$) of the East one-half ($E\frac{1}{2}$) of Section eight (8) lying Northwesterly of the center line of Highway US-31; also all that part of the North one-half ($N\frac{1}{2}$) of the North one-half ($N\frac{1}{2}$) of the Southeast one-quarter ($SE\frac{1}{4}$) of Section eight (8) lying Easterly of the center line of Highway US-31; also the East one-half ($E\frac{1}{2}$) of the Northwest one-quarter ($NW\frac{1}{4}$) of Section seventeen (17), except the right of way of The Chesapeake and Ohio Railway; being all in Township thirty-four (34) North, Range seven (7) West;

And also, all of the unpatented overflowed lands and lake bottom lands belonging to or held in trust by the State of Michigan lying Northerly of the West one-half ($W\frac{1}{2}$) of Section eight (8), Township thirty-four (34) North, Range seven (7) West, Hayes Township, Charlevoix County, Michigan; and lying within the areas shown on Consumers Power Company Drawing No. E-16406 which is attached hereto and made a part hereof, which areas are described as follows:

- I. A strip of land one hundred (100) feet in width being fifty (50) feet on each side of a center line described as follows: to find the place of beginning of said center line, commence at the Southwest corner of Section eight (8), Township thirty-four (34) North, Range seven (7) West, run thence due North along the West line of said section three thousand nine hundred forty-eight (3948) feet to Meander Post No. 7 on the West line of said section, thence South eighty degrees East ($S 80^{\circ} E$) along the meander line one thousand two hundred ninety-seven and ninety-two hundredths (1297.92) feet to the place of beginning of the center line of said one hundred (100) foot strip, running thence North four degrees West ($N 4^{\circ} W$) one thousand four hundred twenty (1420) feet to the place of ending.
- II. A strip of land one hundred (100) feet in width being fifty (50) feet on each side of center line described as follows: to find the place of beginning of said center line commence at Meander Post No. 7 on the West line of said Section eight (8) as above described, thence South eighty degrees East ($S 80^{\circ} E$) along the meander line one thousand three hundred twenty (1320) feet, thence due East along the meander line one hundred fifteen and seventy-six hundredths (115.76) feet to the place of beginning of the center line of said one hundred (100) foot strip, running thence North thirty degrees six minutes East ($N 30^{\circ} 06' E$) two hundred ten (210) feet to the place of ending.

Effective Date of this Endorsement January 15, 1962 To form a part of Policy No. NF-117
12:01 A.M. Standard Time
Issued to Consumers Power Company
Date of Issue January 18, 1962

For the Subscribing Companies

By [Signature] General Manager

Endorsement No. 1

NE-100

Countersigned by _____

POOR ORIGINAL

NUCLEAR ENERGY LIABILITY POLICY (FACILITY FORM)

AMENDMENT OF TRANSPORTATION COVERAGE (Indemnified Nuclear Facility)

C O P W

It is agreed that the definition of "insured shipment" in Insuring Agreement III is amended to read:

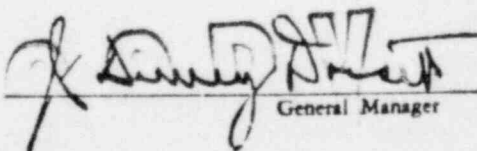
"insured shipment" means a shipment of source material, special nuclear material, spent fuel or waste, herein called "material," (1) to the facility from any location except an indemnified nuclear facility, but only if the transportation of the material is not by predetermination to be interrupted by removal of the material from a transporting conveyance for any purpose other than the continuation of its transportation, or (2) from the facility to any other location, but only until the material is removed from a transporting conveyance for any purpose other than the continuation of its transportation."

Effective Date of this Endorsement January 15, 1962 To form a part of Policy No. NF-117

Issued to Consumers Power Company

Date of Issue January 18, 1962

For the Subscribing Companies

By 
General Manager

Endorsement No. 2

Countersigned by _____

COPY

Nuclear Energy Liability Insurance
NUCLEAR ENERGY LIABILITY INSURANCE ASSOCIATION

AMENDATORY ENDORSEMENT
(Facility Form)

It is agreed that:

- I. The first sentence of the definition of nuclear facility is amended to read:**

"nuclear facility" means "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters.

- II. The definition of "indemnified nuclear facility" is replaced by the following:**

"indemnified nuclear facility" means

- (1) "the facility" as defined in any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association or by Mutual Atomic Energy Liability Underwriters,
or

- (2) any other nuclear facility,

if financial protection is required pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, with respect to any activities or operations conducted thereat;

- III. Condition 4 is replaced by the following:**

LIMITATION OF LIABILITY; COMMON OCCURRENCE Any occurrence or series of occurrences resulting in bodily injury or property damage arising out of the radioactive, toxic, explosive or other hazardous properties of

- (a) nuclear material discharged or dispersed from the facility over a period of days, weeks, months or longer and also arising out of such properties of other nuclear material so discharged or dispersed from one or more other nuclear facilities insured under any Nuclear Energy Liability Policy (Facility Form) issued by Nuclear Energy Liability Insurance Association, or
- (b) source material, special nuclear material, spent fuel or waste in the course of transportation for which insurance is afforded under this policy and also arising out of such properties of other source material, special nuclear material, spent fuel or waste in the course of transportation for which insurance is afforded under one or more other Nuclear Energy Liability Policies (Facility Form) issued by Nuclear Energy Liability Insurance Association,
- shall be deemed to be a common occurrence resulting in bodily injury or property damage caused by the nuclear energy hazard.

With respect to such bodily injury and property damage (1) the total aggregate liability of the members of Nuclear Energy Liability Insurance Association under all Nuclear Energy Liability Policies (Facility Form), including this policy, applicable to such common

occurrence shall be the sum of the limits of liability of all such policies, the limit of liability of each such policy being as determined by Condition 3 thereof, but in no event shall such total aggregate liability of such members exceed \$46,500,000; (2) the total liability of the companies under this policy shall not exceed that proportion of the total aggregate liability of the members of Nuclear Energy Liability Insurance Association, as stated in clause (1) above, which (a) the limit of liability of this policy, as determined by Condition 3, bears to (b) the sum of the limits of liability of all such policies issued by such members, the limit of liability of each such policy being as determined by Condition 3 thereof.

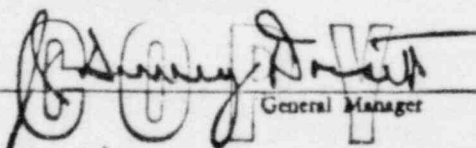
The provisions of this condition shall not operate to increase the limit of the companies' liability under this policy.

IV. The second paragraph of Condition 12 "Other Insurance" is amended to read:

"If the insured has other valid and collectible insurance (other than such concurrent insurance or any other nuclear energy liability insurance issued by Nuclear Energy Liability Insurance Association or Mutual Atomic Energy Liability Underwriters to any person or organization) applicable to loss or expense covered by this policy, the insurance afforded by this policy shall be excess insurance over such other insurance; provided, with respect to any person who is not employed at and in connection with the facility, such insurance as is afforded by this policy for bodily injury to an employee of the insured arising out of and in the course of his employment shall be primary insurance under such other insurance."

Effective Date of this Endorsement January 15, 1962 To form a part of Policy No. NF-117
12:01 A.M. Standard Time
Issued to Consumers Power Company
Date of Issue January 18, 1962

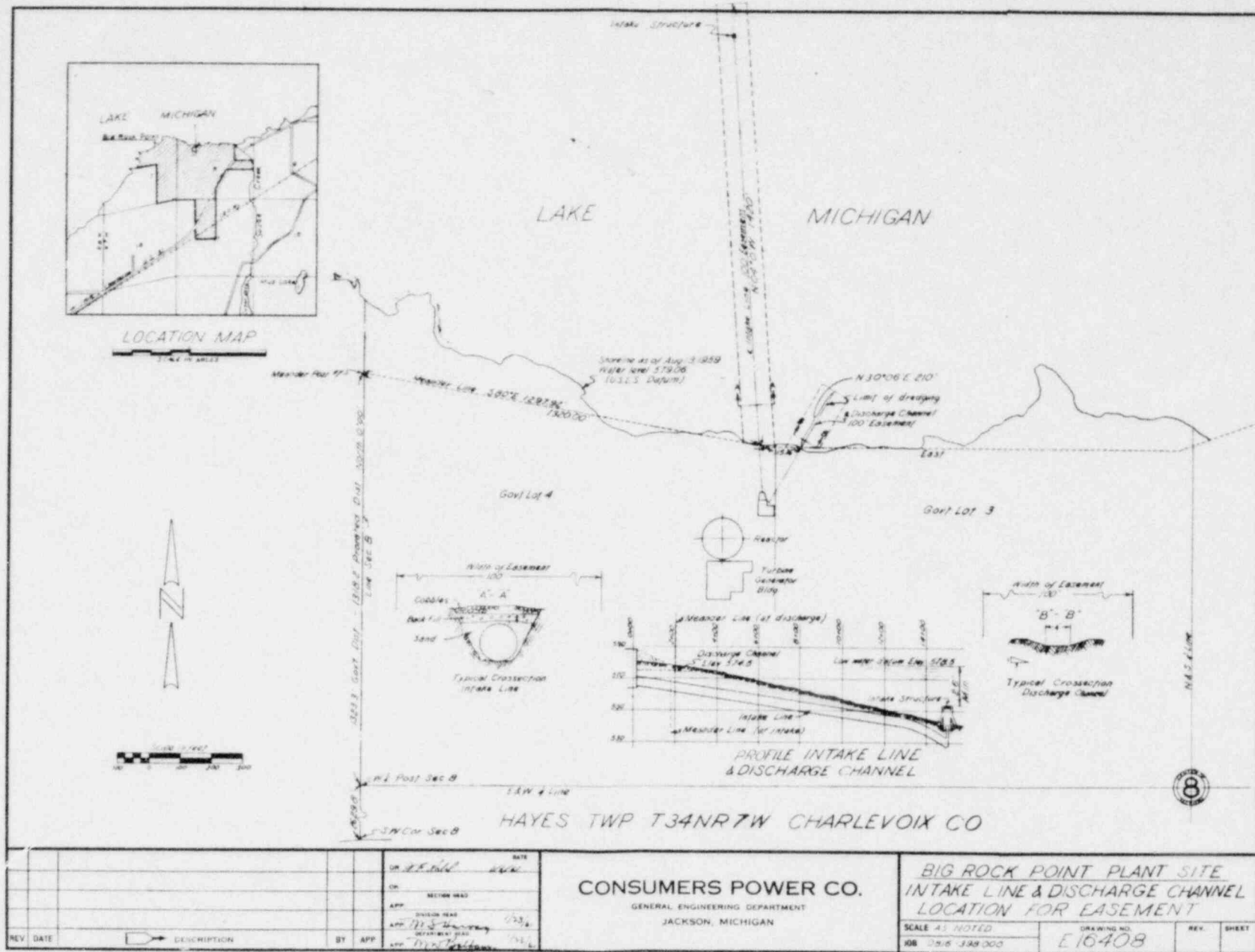
For the subscribing companies

By 
General Manager

Endorsement No. 3

Countersigned by _____

POOR ORIGINAL



AMOUNT OF FINANCIAL PROTECTION REQUIRED (10 CFR § 140.12)

1. Population Factor (P)

The following table includes those minor civil divisions wholly or partly within a circle having the Big Rock Point Nuclear Plant as its center and having a radius in miles of 12.53, being the approximate square root of 157, which is the maximum power level in thermal megawatts to be authorized under the proposed provisional operating license.

The 1960 population of each minor civil division is divided by the square of the estimated distance to the nearest mile from the reactor to the geographic center of the minor civil division, and the resulting quotients are added in order to determine the Population Factor.

<u>Within 12.53 Miles</u>	<u>1960 Population</u>	<u>Distance</u>	<u>Distance Squared</u>	<u>Population Divided by Distance Squared</u>
Banks Township	1216	14	196	6.20
Bay Township	348	8	64	5.44
Boyne City	2797	14	196	14.27
Charlevoix City	2751	4	16	171.94
Charlevoix Township	290	4	16	18.13
Evangeline Township	420	12	144	2.92
Eveline Township	602	8	64	9.41
Hayes Township	499	3	9	55.44
Marion Township	516	8	64	8.06
Melrose Township	672	16	256	2.63
Norwood Township	243	10	100	2.43
South Arm Township	726	14	196	3.70
Wilson Township	464	16	256	1.81
Bear Creek Township	1859	14	196	9.48
Friendship Township	318	13	169	1.88
Harbor Springs City	1433	11	121	11.84
Little Traverse Township	602	15	225	2.68
Resort Township	748	8	64	11.69
Petoskey City	6138	11	121	50.73
West Traverse Township	326	11	121	2.69
Sum of the Quotients				393.37

Since the sum of the quotients is less than 1001, the
Population Factor is 1.

2. Base Amount of Financial Protection (B)

The base amount of financial protection is equal to \$150 times the maximum power level, expressed in thermal kilowatts, as authorized by the applicable operating license. Consumers has applied by Amendment No. 3 to its Application for Reactor Construction Permit and Operating License (Docket No. 50-155, Amendment No. 3, December 1, 1961) for a provisional operating license authorizing operation of the reactor up to a maximum power level of 157 thermal megawatts. The base amount of financial protection required under the provisional license is therefore \$150 times 157,000 or \$23,550,000.

3. Amount of Financial Protection Required

Where:

x equals Amount of financial protection in dollars;
B equals Base amount of financial protection;
P equals Population factor;

and:

x equals B times P;

then:

x equals \$23,550,000 times 1; or
x equals \$23,550,000.

Nuclear Energy Liability Insurance Association

60 John Street • New York 38, N. Y.

J. Dewey Dorsett
General Manager

Francis X. Boylan
Assistant General Manager

James B. Donovan
General Counsel

Governing Committee:
The Aetna Casualty and Surety Company
Employers' Group of Insurance Companies
The Fidelity and Casualty Company
of New York
Hartford Accident
and Indemnity Company
Insurance Company of North America
Maryland Casualty Company
Royal-Globe Insurance Companies
St. Paul Fire and Marine
Insurance Company
The Travelers Indemnity Company

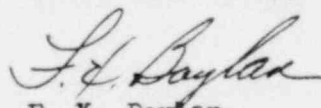
January 18, 1962

Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan

Gentlemen:

This is to certify that there has been in effect as of January 15, 1962 a Nuclear Energy Liability Policy (Facility Form) No. NF-117 issued to Consumers Power Company which will be subject to an aggregate limit of liability of \$1,000,000. As soon as NELIA is advised of the date on which the named insured will need higher limits, NELIA will be prepared to amend the contract to increase the aggregate limit of liability up to \$23,550,000. The Advance Premium will be amended to reflect the higher limit.

Yours very truly,


F. X. Boylan
Assistant General Manager

FXB:MER