

Utility president explains dividend

By TIM RICHARD

In a year of double-digit inflation, shareholders of Consumers Power Co. got a single-digit earnings report. Earnings per common share for 1978 were \$3.21 compared to \$3.18 in the prior year — an increase of three cents, or a shade under one percent.

John D. Selby, president of the gas and electric utility that serves most of Michigan's lower peninsula, gave a regional shareholders meeting in Royal Oak a list of reasons for what happened.

The bottom-line culprit: inflation. It's shooting up the cost of supplies, the cost of purchased gas and the cost of turning the \$678 million in capital the company will invest this year, the chief executive officer said.

GAS REVENUES rose more than 11 percent to \$806 million (most tri-county suburbs buy gas from Consumers Power), and electricity revenues rose some 16 percent to \$1.06 billion, the annual report showed.

Selby added: "But operating costs for 1978 went up, too. The prolonged coal strike certainly didn't help any. We had to increase our use of higher cost oil-fired generation, and our purchased power requirement went up 4.5 percent, not to mention an increase of 11.3 percent in the unit cost per kilowatt hour purchased."

"Coupled with the coal strike was a scheduled outage of our Palisades (South Haven) nuclear plant during the first quarter of 1978. Taken together, these factors caused a 30 percent increase — from 1.41 cents to 1.83 cents — in the average cost per kw generated and purchased during 1978," he said.

He cited maintenance costs and increased wage and benefit costs as other factors. Earnings after interest charges and preferred dividends were \$140 million on 43.7 million average shares in 1978 compared to \$120 million on 37.9 million the prior year.

INFLATION HAS made it more expensive to sell bonds and float loans, said Selby. It occurred at a time when

Consumers Power needed to raise \$600 million in 1978 and \$684 million this year.

Biggest projects: A coal-fired unit at Grand Haven that is 40 percent complete and the Midland nuclear plant which is 58 percent complete.

Selby took over last April as Consumers' chief executive, replacing A.H.



JOHN D. SELBY Investigate and learn

Aymond. Aymond, who continues as board chairman, is scheduled to retire in October.

The president's report prompted these stockholder questions and Selby's answers:

Q. Why not buy coal fields, as the oil companies are doing, so CP can have its own fuel supply?

A. "Basically, it's the hundreds of millions of investment it would take. We have places to put all the (investment) cash we can raise. We can make reasonable long-term contracts at prices comparable to what we could do it for."

Q. The company is issuing common stock, preferred stock and bonds. Is that why the price of the stock is down — because of dilution?

A. No. Lately, the total stock market has done badly. "The whole utility industry has suffered in the last three weeks (because of Three Mile Island), but that effect will disappear. Dilution might be part of it." But the company

is attempting to improve its capital structure, so that common stock is 35 percent of equity; it's currently 33.5 percent. And rating agencies have just raised the ratings on CP's bonds.

Q. What is the operating life of a nuclear power plant? Is it governed by radioactivity?

A. "The operating life has been estimated at 35 years, based not on experience but on coal plants. Radiation levels are not the problem. It's purely based on when materials begin to fatigue based on stress." Once a nuclear plant is shut down, it takes 100 years for it to decay down to "the point where you wouldn't worry about people roaming around."

The poll was taken over the last three weeks by U.S. Rep. Carl Pursell, R-Plymouth. Overall, the 750 persons — 69 percent — who responded to his mailed questionnaire said yes to nuclear power.

The western Wayne County portion of his 2d Congressional District was most strongly in favor, 76-24. Voters in Monroe County, site of a Detroit Edison Co. nuclear plant, were 66-34 in favor. In eastern Washtenaw County, the survey showed a 64-36 margin in favor.

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