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Detroit Edison will have to justify costs

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FREE PRESS BUSINESS WRITER

Detroit Edison, Michigan's largest electric utility, will have to explain why its administrative costs are nearly three times as much as Consumers Energy's, according to a Michigan Public Service Commission order.

The regulatory agency issued an order to investigate Tuesday, based on a long pattern of striking disparities between what the state's two largest utilities claim as administrative and general expenditures.

DTE Energy Corp.'s Detroit Edison totaled \$2.33 billion in administrative and general expenditures for a 5-year period ending Dec. 31, 2004. During the same period, **CMS Energy Corp.**, a unit of Consumers Energy, tallied \$642.5 million.

Administrative and general expenses include officer salaries, property insurance, pensions, benefits, outside services and other miscellaneous expenses.

The commission said the comparison of the expenditure levels for the two similar electric companies is remarkable.

Detroit Edison has until Dec. 1 to respond to the commission's request.

"We will comply with the request," said Lorie Kessler, a spokeswoman for Detroit Edison. "While we need to evaluate the case, we still need to understand how Consumers accounts for specific expenses. The cost differentials could encompass a variety of reasons from accounting procedures to operational and geographical positions. But we look forward to working with the commission to provide details on the administrative and general expenditures."

Detroit Edison serves 2.1 million electric customers in southeastern Michigan. Consumers Energy provides electric service to 1.75 million customers in several cities in Michigan's Lower Peninsula, including Jackson, Battle Creek, Grand Rapids, Kalamazoo, Muskegon and Saginaw.

Last November, the MPSC approved annual electric rate increases of \$335.8 million for Detroit Edison. The price hike results in a 7% increase in residential customer bills starting Jan. 1.

"ABATE has long had questions about why Detroit Edison's costs seem to be so high," said David Waymire, a spokesman for the Association of Businesses Advocating Tariff Equity (ABATE), a Birmingham-based nonprofit representing industrial and other large energy customers. "Competition has helped ABATE members learn to hold costs down. Absent competition, it is vital that regulators look closely at utility cost structures."

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