

DTE asks workers for help

Energy giant seeks ways to cut spending

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DTE Energy Corp. is asking its 11,000 employees to help find ways to cut spending at a time its finances are getting heavy scrutiny from regulators and consumer advocates concerned about soaring natural gas prices.

Under the company's performance excellence process, initiated nearly two months ago, workers throughout the company brainstorm on money-saving ideas.

Among the many tools being considering as part of the brainstorming are possible job cuts. But the company was quick to say there are no plans for any layoffs, adding that any rumors to the contrary are false.

"We are not announcing any layoffs, and there is no timetable of any kind for layoffs," said Lorie Kessler, a spokeswoman for DTE, the owner of **Detroit Edison** and **MichCon**. Job cuts "represent one tool in reducing costs, but they are not the driving force. With that said, reductions, where they are found to be appropriate, wouldn't be discounted."

The performance process has been introduced to groups of workers in phases. The process, which involves groups of employees meeting together along with outside consultants and company managers, rolled out in DTE's Power Generation and Energy Distribution units six weeks ago. Kessler insists that a number of ideas are being considered as ways to improve the company's performance.

She added that an unfavorable business climate in Michigan and continued concerns about the direction the state's customer-choice legislation is headed are reasons the process was undertaken.

"We are aggressively encouraging employees to be a part of the solution to eliminate waste within our operating areas," she said. "Right now, we're in the idea-generation phase of the process. It may be spring before we start seeing analysis of the ideas we come up with."

Several DTE employees contacted about the brainstorming meetings declined to comment.

Detroit Edison serves 2.1 million electric customers in southeastern Michigan, while MichCon has about 1.2 million natural gas customers.

DTE, led by longtime chairman and CEO Anthony Earley Jr., has come under fire in recent years for what some critics have called an inefficient approach to running the company's electric and natural gas businesses.

In October, the Michigan Public Service Commission opened an investigation into Detroit Edison's accounting for administrative and general expenditures in the amount of \$2.33 billion during a five-year period ending Dec. 31. During the same time frame, rival **Consumers Energy** tallied \$642.5 million in administrative and general expenditures, according to the regulatory agency.

The deadline for Detroit Edison's response was extended from Dec. 1 to Feb. 1, 2006.

MPSC officials wouldn't comment, citing the ongoing investigation.

Earley has been an outspoken opponent of Michigan Public Act 141, which was passed in 2000 and opened up the Michigan utility market to competition. Earley and other DTE officials have said that the law created an uneven playing field in the arena of electric choice and led to significant losses for the energy giant.

MichCon's residential customers are expected to pay substantially more to heat their homes this winter than Consumers Energy's, according to the MPSC.

A typical residential MichCon customer will pay an average of \$207 this month for natural gas, which is a 59% increase from last December. Typical Consumers Energy customers are expected to pay \$180 a month to heat their home, which is 47% more than they paid last year.

Jackson-based **CMS Energy Corp.**, owner of Consumers Energy, employs about 8,100 utility workers. That is down sharply from the 11,500 employees it had in 2001. Consumers Energy provides natural gas to about 1.7 million customers in metro Detroit.

To be sure, a significant portion of the rate increases stems from gas cost recovery charges.

Under Michigan law, utilities are allowed to recoup their costs for natural gas on the wholesale market every year. Unlike a rate increase, they do not profit from the higher charges. Nevertheless, concerns have been raised about DTE's energy rates.

"We've known for some time that DTE has had substantially higher costs than Consumers Energy, and their rates are substantially higher," said David Waymire, a spokesman for the **Customer Choice Coalition**, a lobbying group of more than two dozen companies and associations opposed to reregulation in Lansing. "We're encouraged to hear that the company is seeking efficiencies that we hope will lead to lower rates."

DTE, one of the largest power companies in the Midwest, plans to examine so-called value drivers and look for ways to help make operations run more efficiently.

"We recognize that DTE Energy's future success will be tied to improving our utility operations," Kessler said. "Ensuring that Detroit Edison and MichCon remain financially healthy is key. Our employees know best how to get the job done."

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