

DTE cites costs over Consumers

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February 2, 2006

In October, the Michigan Public Service Commission issued an order calling for **Detroit Edison** to explain why its 5-year costs were more than three times higher than those of its closest competitor, **Consumers Energy** in Jackson.

Wednesday, Detroit Edison issued its long-awaited response in a 37-page document.

In short, Edison said the difference in expenditures between it and Consumers Energy was modest, though costs of pensions and other post employment benefits were higher than its competition. It also cited the disparity exists because:

It has a 22% larger customer base than its chief rival.

It produces much more power in-house than Consumers.

It provides service to the more-expensive Detroit metro area.

Detroit Edison, **DTE Energy Corp.**'s electricity unit, totaled \$2.33 billion in administrative and general (A&G) expenditures for a 5-year-period ending Dec. 31, 2004. During the same period, **CMS Energy Corp.**, owner of Consumers Energy, reported \$642.5 million in similar charges.

A utility company's A&G functions make up a host of corporate activities including executive salaries, legal expenses, payments for work-related injuries, pension costs, franchise requirement costs and regulatory costs.

Michigan's largest electric utility pointed out that it produces more than 90% of the power it sells, compared with Consumers' 60%. Edison added that producing more power than its main competitor requires a greater expenditure in terms of employee compensation for a larger workforce. DTE has about 11,000 employees. CMS Energy has about 8,100 utility workers.

"The bottom line is that, when you start taking a look at the accounting differences, it comes down to

we're about \$117 million higher than Consumers and about two-thirds of that can be attributable to health care and pension benefits," said Lorie Kessler, DTE spokeswoman.

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

In MPSC's original order, the commission noted that a comparison of Detroit Edison's and Consumers Energy's A&G expense level was "remarkable" for two similarly situated utilities.

The original deadline for Detroit Edison to respond to the MPSC's request was Dec. 1, 2005. But the utility asked for and was granted an extension to Feb. 1.

When asked if Detroit Edison's higher A&G costs factor into higher rates for electric customers, officials at the MPSC said yes. "Administrative and general expenditures would be part of a rate case, which means they are considered when a rate is arrived at," Judy Palnau, a spokeswoman for the MPSC, said.

Officials at the MPSC said they will study the filing and could come up with further recommendations in the next several weeks. The MPSC next is to meet Feb. 9 in Lansing.

Separately, the MPSC said 2005 was the first year that the number of Michigan's so-called Customer Choice customers declined. According to the agency, almost 15,000 commercial and industrial customers, the equivalent of a 20% decrease, participated in the state's program to allow competition in purchasing electric power since the legislation was passed in 2000.

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