DTE profits soar in first quarter

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On Tuesday, energy giant DTE announced a 29 percent increase in first quarter profits compared to last year. The company's earnings through the period ending March 31 were $229 million, an increase of $51 million over 2009. DTE attributes its improved performance primarily to increased profits made by its subsidiaries, Detroit Edison and MichCon, which provide electricity and gas service to southeastern Michigan.

In the first quarter of this year, Detroit Edison's earnings shot up by almost 30 percent, from $71 million in 2009 to $91 million in 2010. Compared to the same period last year, MichCon's profits rose by just shy of 27 percent, to $79 million from $61 million. When combined, DTE's increased earnings from its utility subsidiaries account for nearly 75 percent of its overall improvement in the first quarter of 2010.

DTE's total revenues during the first quarter stood at $2.45 billion, up from $2.26 billion. The gains made at the start of the year have led the company to revise upwards its predicted 2010 year-end earnings.

Michigan's other major utility provider, CMS Energy, also reported significantly higher earnings in the first quarter of 2010 compared to 2009. Even though the company's overall revenues fell from $2.1 billion to $1.97 billion, its profits rose 21 percent to $85 million.

During the same months that DTE's profits were growing, at least 11 people, including three children and two wheelchair-bound men, died in house fires in Detroit at homes where the energy giant had shut off utilities. The blazes were sparked by residents' efforts to keep from freezing to death by using space heaters.

At the same time, countless others suffered through the city's long winter without heat and electricity because DTE cut power to their homes for non-payment. The exact number of people living without these services in the Detroit area is unknown because DTE has not released any information about the cumulative total number of homes where service has been terminated and never restored. However, in 2008 and 2009 alone, the company shut off utilities to nearly 400,000 households in southeastern Michigan.

The energy giant's earnings have been growing in the face of these mass shutoffs because of a recent rate hike. The company press release reporting its first quarter profits attributes Detroit Edison's and MichCon's improved performance to a January 2010 rate order by the Michigan Public Service Commission (MPSC), which allowed DTE to keep in place a rate hike that it had implemented in July 2009. The MPSC sanctioned the increase in order to ensure that DTE's earnings would grow by $217 million in 2010.

Speaking about its gas delivery operations, DTE notes, "The January 2010 implementation of new rates and savings from continuous improvement initiatives drove the [earnings] increase, which was partially offset by decreased sales resulting from warmer weather and customer conservation, lower midstream revenues, higher taxes and increase interest expense."

In other words, in spite of an unusually mild winter and lower gas consumption by desperate consumers, DTE still managed to significantly increase its profits.

DTE has also been able to make financial gains by slashing costs. It announced last week it had cut 2009 costs by $130 million and is aiming for another $60 million in reductions this year. A large portion of last year's cuts occurred in "utility operations and maintenance costs," reports a recent article in *Crain's Detroit Business*.

Such cutbacks may have played a role in the recent death of an AT&T worker on Detroit's west side. Kevin James, a 41-year-old father of two, was electrocuted April 15 by a DTE power line when performing service on a utility pole. Last November, a DTE worker was electrocuted at a substation on the

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city's north westside.

In recent years, DTE has also reduced its outlays by laying off thousands of workers. Employee wages and benefits are a current target for the company, which has identified worker pay as a negative drain on profits.

The utility provider's first quarter earnings data is being used to assuage any lingering fears that investors might have over DTE's base of operations in southeast Michigan— one of the areas worst hit by the economic crisis. Michigan's official unemployment rate is 14.1 percent and Detroit's real level of joblessness is close to 50 percent.

"This quarter's results confirm that we are able to deliver solid performance at our utilities and deliver 5 percent to 6 percent average annual operating EPS [earnings per share] growth while paying an attractive dividend," Executive Vice President and Chief Financial Officer David E. Meador stated in a press release accompanying the earnings statement.

News of DTE's glowing financial position comes at a time when growing numbers of people are in danger of having their heat and electricity shut off with the end of Michigan's "Winter Protection Plan" (WPP) on April 1. This program allows certain households to pay only a portion of their total utility bill during the winter and avoid disconnection, but the backlog in payments must be made up over the spring and summer months.

Beginning at the start of this month, the 60,000 Detroit-area homes enrolled in the WPP were hit with bills from DTE for payment owed on utility service stretching back to December 1. They must pay off these bills, which in many cases reach into the thousands of dollars, by November, or risk losing service (See "Thousands in Detroit face utility shut-offs with end of 'winter protection plan'")

The "spring surge" in utility shutoffs currently occurring in Michigan is being repeated in states across the country, such as Maine, Wisconsin and Connecticut, which have programs similar to the WPP. Media reports tell of state agencies and utility companies being swamped with calls by people who cannot pay their bills.

In Wisconsin, WE Energies and Wisconsin Public Service report having a combined 51,000 customers in delinquency and in jeopardy of being disconnected. Matt Roberts of Integrated Community Service, a non-profit social assistance agency, on April 16 told the local ABC News affiliate in Green Bay, Wisconsin, that he expected their funding "would run out within a couple weeks" due to high demand.

In Connecticut, a child was severely burned recently as the result of having lost hot water at her home. According to an April 25 comment in the *Hartford Courant*, "[The girl's] grandmother had boiled water for a bath, but before she could cool it off, the little girl stepped into the scalding water."

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