

DTE Energy 2010 profits soar as utility shutoffs increase

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Last week the Detroit-based utility giant, DTE Energy, reported a staggering level of profit for 2010. The \$630 million figure beat Wall Street expectations, and meant a year over year profit increase of nearly \$100 million.

Remarkably, the company cited the “improved economy” and “affordable energy rates” in explaining its performance. It explained, “DTE Energy is in a region that is gaining momentum towards an economic recovery,” stated DTE President and CEO Gerard Anderson. “We will contribute to this momentum by doing everything we can to keep energy affordable for our customers.”

Such breathtaking lies are exceeded only by the corporate mantra that help with utility bills is only a phone call away!

The company, with 2.1 million customers in Southeast Michigan, is the epicenter of the poverty and job loss in the United States. Michigan has an official unemployment rate of 11.7 percent, with 50 percent the jobless out of work for longer than six months. The state has an estimated 40,000 residents who have abandoned an apparently-futile job search. The city of Detroit, entirely served by DTE Energy, has a poverty rate of 50 percent.

The truth is that the whopping yearly profit increase of 18 percent was extracted through a deliberate policy of shutoffs, double-digit rate increases (allowed by the compliant Michigan Public Regulatory Commission) and surcharges (largely hidden in obtuse billing language).

Recent figures ~~provided~~ ^{obtained} by the *Socialist Worker Site* from the regulatory body, the Michigan Public Services Commission (MPSC), confirm the relentless policy of utility shutoffs throughout Michigan, despite the well-publicized series of deaths in Detroit the winter of 2010.

The February 18, 2011 10K filing of DTE Energy with the Securities and Exchange Commission includes a section titled “Management Discussion.” Here the executives speak directly to wealthy Wall Street investors, and one gets a more honest account. The statement acknowledges the devastating poverty which pervades their service area, but points to increasing shutoffs as well as the rebate the company receives from paying customers who are forced, through surcharges, to shoulder the financial cost of their late or nonpaying neighbors.

They write, “Our service territories continue to experience high levels of unemployment, underemployment and low income households, home foreclosures and a lack of adequate levels of assistance for low-income customers. We have taken actions to manage the level of past due receivables, including customer assistance forums [see the accompanying article], contracting with collection agencies, working with Michigan officials and others to increase the share of low-income funding allocated to our customers, and **increasing customer disconnections**. As a result of actions taken to manage the level of past due receivables, **arrears were reduced in 2010 in our electric and gas utilities**. Detroit Edison has an uncollectible expense tracking mechanism that enables it to recover or **refund 80 percent of the difference** between the actual uncollectible expense for each year

and the \$66 million level reflected in base rates. In the June 2010 MPSC rate order, the base amount of MichCon's uncollectible expense tracking mechanism was increased prospectively from \$37 million to \$70 million and MichCon's portion of recovery or refund of the expenses above or below the base amount was modified to 80 percent from 90 percent." [Emphasis added]

While unspeakable misery and even deaths resulting from utility shutoffs plagued the working class, DTE investors raked in higher stock dividends and tens of millions in increased profits.

While DTE Energy profits soared to record levels in 2010, 125,070 households and businesses had their electricity turned off, and another 73,216 had their gas service disconnected, according to MPSC figures provided to the *World Socialist Web Site*.

The myth that utility companies are not allowed to shut off utilities in the winter is disproved by the MPSC statistics. In December DTE cut off gas service to nearly 3,000 customers; over 8,000 lost electric services.

The 198,286 shutoffs reported by the commission in 2010 were almost as high as those of 2009, when 221,000 DTE customers lost utility services. In 2008 DTE disconnected 142,000 customers. The effect of these statistics is often cumulative; it is not uncommon in poorer areas for households to have gone years without service.

The MPSC also reported that Michigan's second largest provider, Consumers Energy, disconnected 47,121 households from electricity and another 36,616 from as of July 2010. The combined statistics for the State of Michigan, confirm that with an average of 2.5 people per household, a staggering one million state residents lived without gas or electricity at some point in 2010.

In January 2010 the MPSC authorized rates increases for Detroit Edison customers of \$217 million, however a small portion, \$26.8 million, was refunded in January 2011 (approximately \$6 per household). Nonetheless,

according to an October 2011 DTE Energy statement, the rates increase will rise in April 2011 to \$253 million and be "self-implemented," that is, without the permission of the MPSC, including an increase in return on equity (ROE) from 11 percent to 11.125 percent. They also state that the Uncollectible Expense Trigger Mechanism (UETM), a surcharge to customers, in fact enables Detroit Edison "to recover the majority of its actual uncollectible expenses."

In other words, the banks, hedge funds and large investors who hold the vast bulk of DTE stock will continue to be guaranteed a rising percentage rate at the direct expense of DTE "customers." Additionally, under legislation signed in 2008 by Democratic Governor Jennifer Granholm, electricity rates for businesses across Michigan will go down, while residential rates will continue to go up over the next five years.

The outgoing Democrat also put into place draconian legislation making "tampering with or bypassing a gas or electric meter", e.g., unauthorized hookups, a felony offense punishable by up to five years in jail and a \$5,000 fine—setting the stage for further witch-hunts against the victims of DTE's drive for profits.



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