

# The Michigan power outages and the case for the nationalization of the utility industries

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Hundreds of thousands of Michigan residents have endured a week of disastrous power outages, after high winds and falling trees on March 7 and 8 downed powerlines and broke utility poles and equipment. At its peak last week, more than a million homes, schools and businesses in the metropolitan Detroit area and outstate areas had no electricity.

With no power or heat for days on end, working-class families, the elderly and infirm braved chilling temperatures in their homes or scrambled to stay with relatives, friends or at hotels, some of which raised prices to exploit the situation. Traffic lights in Detroit were darkened at busy intersections for days.

At least two deaths were attributed to the outages, with authorities suspecting an emergency power generator caused the fatal carbon monoxide poisoning of 75-year-old Lonnie Sibbett and 70-year-old Leona Sibbett at their home near Jackson.

Seeking to assuage public anger, officials from DTE Energy repeatedly set new deadlines for the restoration of power, only to revise them again and again. Despite 16-hour shifts by thousands of linemen and tree cutters, including those who traveled from Kentucky, Ohio, Illinois, Wisconsin, Iowa and Indiana, as of this writing at least 4,000 customers still have no power, according to DTE.

Utility executives and Michigan Governor Rick Snyder blamed 60-70 mile-per-hour winds for the largest power outage in state history. The scope of the blackout and human suffering, however, cannot be attributed to nature, let alone an “act of God.” This was a manmade and entirely avoidable disaster, which once again exposes the irrational character of capitalism and the subordination of human need to the relentless pursuit of private profit.

Michigan’s severe weather patterns are well known. Both DTE Energy—which saw 670,000 of its customers lose power—and Consumers Energy—which saw

300,000—are notorious for cost cutting and failing to maintain and upgrade their largely decaying electrical infrastructure.

It is well known, for example, that burying power lines results in fewer power outages and improved reliability because circuits are protected from storm damage, auto accidents and animal interference. Although some cities in the US and around the world have begun undergrounding, DTE has repeatedly rejected proposals, claiming the costs of installing and monitoring buried power lines are prohibitive.

DTE executives and investors, along with city and state officials, both Democratic and Republican, have concluded that it is a waste of money to improve the infrastructure in large parts of the Detroit metro area and other economically devastated former auto manufacturing hubs like Flint, Pontiac and Saginaw, where there has been reduced industrial demand and the growth of impoverished customers who cannot afford their exorbitant bills.

Detroit residents regularly complain about frayed and decaying power lines, which spark and cause fire damage to homes or entire blocks. What investment DTE has made largely involves measures to stop alleged “energy theft” by impoverished residents and to make it easier to shut off delinquent customers. After popular outrage erupted in the aftermath of a series of fatal house fires caused by utility shutoffs, DTE installed millions of “smart meters,” which allow the company to remotely shut off customers without sending someone to their homes.

The politically connected energy giant is deeply involved in downsizing Detroit and stripping whatever assets it considers potentially profitable. In 2013, Detroit’s Democratic mayor, David Bing, who had spent two decades on DTE’s corporate board before taking office, handed the city over to an emergency manager

who promptly threw it into bankruptcy. The one proviso the mayor set was that the emergency manager would complete Bing's plan to hand the city's street lighting system to DTE.

Earlier this year, the Michigan Public Service Commission approved a four percent rate hike for DTE, which went into effect on February 7. At the time, Trevor F. Lauer, DTE president and chief operating officer, said that the rate hikes were needed among other things "to modernize the electric infrastructure in our Southeast Michigan service territory." The electricity rate hike followed the state regulators' approval of a 9.9 percent rate increase for DTE Energy Co.'s natural gas service.

The utility had a gross income of \$1.93 billion in 2016, up from \$1.74 billion in 2015. In the last five years, DTE Energy pulled in \$8.61 billion in gross income. Its share value has doubled over the last five years, and in the last year alone its stock price has risen from \$88.06 to \$100.46, almost three times the share price of General Motors.

Rather than investing in serious infrastructure upgrades, DTE is increasingly investing in unregulated energy trading, i.e., Enron-style speculation, as well as construction and far more profitable natural gas projects.

In 2015, DTE Energy CEO Gerald Anderson made \$9,674,769 in total compensation, according to his proxy statement. Of this total, his salary was \$1,268,269, he was paid a bonus of \$1,973,000, he received stock awards of \$6,299,250 and \$134,250 came from other types of compensation. In addition, the company pays out lucrative quarterly dividends to its major shareholders, including hedge funds Vanguard, State Street and BlackRock, which cater to "high net worth individuals."

While its top executives and investors wallow in money, DTE has announced that customers can apply for a credit for \$25 because of the outages, which cost individuals hundreds if not thousands of dollars in lost wages, spoiled food, hotel bills, frozen pipes and other losses. To add insult to injury, customers will only receive this princely sum if DTE investigators determine their outage lasted more than 120 hours, or five days.

The looting of society's resources at the expense of vital infrastructure is hardly limited to Michigan. Last week, the American Society of Civil Engineers released its report card, issued every four years, on America's infrastructure. It gave both the US generally and energy infrastructure specifically a D+.

"Much of the U.S. energy system predates the turn of the 20th century," the report states. "Most electric

transmission and distribution lines were constructed in the 1950s and 1960s with a fifty year life expectancy, and more than 640,000 miles of high-voltage transmission lines in the lower 48 states' power grids are at full capacity."

The report notes that due to "aging infrastructure, severe weather events, and attacks and vandalism, in 2015 Americans experienced a reported 3,571 total [electric] outages, with an average duration of 49 minutes." It then warns, "Without greater attention to aging equipment, capacity bottlenecks, and increased demand, as well as increasing storm and climate impacts, Americans will likely experience longer and more frequent power interruptions."

The report estimates that the "investment gap" between what is needed and what will be spent on electric infrastructure between 2016 and 2025 is \$177 billion. The report notes that "funding is generally not an issue" for the utility giants when it comes to building new transmission and distribution (T&D) lines; nevertheless electric utilities and market researchers "predict a modest reduction in T&D spending in years 2017 to 2020."

In other words, without seeing sufficient profit opportunities, the utilities are rolling the dice on near-failing infrastructure, regardless of the devastating human impact. This is the most forceful argument for nationalizing the utility industry and running it as a genuinely public enterprise, free from the relentless demands by Wall Street for ever-higher investor returns.

This will require a mass political movement by the working class against both big-business parties, which have squandered trillions on war, bank bailouts and corporate tax cuts. Instead of Trump's bogus infrastructure proposals, which will funnel even more money to private corporate interests, the Socialist Equality Party calls for a multitrillion-dollar public works program to rebuild the country's infrastructure.

All basic utilities, including electricity, gas, phone and Internet connections, must be made available to everyone as a basic social right. This and all other social rights must be paid for by seizing the ill-gotten gains of the financial aristocracy and nationalizing the banks as part of a planned, socialist economy.



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