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DTE Energy



October 30, 2002

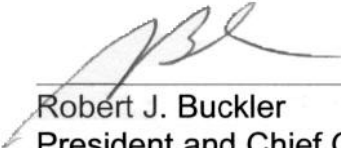
Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, Michigan 48909-7721

Re: **MPSC Case No. U-13474; Customer Service Quality Report**

Dear Ms. Wideman:

In accordance with the Commission's September 16, 2002 Order in the referenced case, The Detroit Edison Company and Michigan Consolidated Gas Company are filing their report entitled Service Quality Improvement Plan. This report addresses the concerns raised by the Commission in its September 16 Order and describes in detail the commitments that Detroit Edison and MichCon have made to correct these service quality concerns.

Very truly yours,



Robert J. Buckler
President and Chief Operating
Officer - DTE Energy Distribution

RJB/BRM

DTE Energy's 2002 Service Quality Improvement Plan

Case No. U-13474

October 30, 2002

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I. OVERVIEW

Overview

On September 13, 2002, the Michigan Public Service Commission Staff (MPSC Staff) issued a Staff Report on complaint volumes, noting that the number of complaints and inquiries (collectively referred to as complaints) received by the MPSC has increased significantly over the last few years. The MPSC Staff report concludes that the increase in complaints is a result of declines in the service quality provided by utilities in Michigan.

In response, on September 16, 2002, the Michigan Public Service Commission (MPSC) issued an order in Case No. U-13474 requiring The Detroit Edison Company and Michigan Consolidated Gas Company, as well as numerous other utilities, to file customer service improvement plans with measures designed to improve service quality and significantly reduce the number of complaints made to the MPSC regarding service quality.

DTE Energy is committed to providing its electric and gas customers with a level of customer service that meets their expectations. This report outlines DTE Energy's plan to address customer service issues that have resulted in increased customer complaints.


Drivers of Customer Satisfaction

DTE Energy acknowledges that the quality of customer service is a concern and can result in an increasing volume of customer complaints. Two key drivers of customer satisfaction for DTE Energy include:

- Safe and reliable delivery of electricity and natural gas and customers' perception of that delivery
- Customer service performance and customers' perception of that service

Customers' perceptions regarding the reliability of electric delivery are the result of their experiences with electrical system performance. The most important aspects of customer service performance are accessibility by the customer to Company resources and the customer's billing experience. When DTE Energy's performance falls short of customers' expectations in these areas, the Company experiences an increase in the number of complaints.

In the past, DTE Energy has worked with the MPSC Staff to address reliability concerns and customer service issues. On March 6, 2002, DTE Energy filed a Customer Service Improvement Plan (attached as Appendix A to this report) to address service issues that arose as a result of the initial integration of customer



service functions due to the DTE Energy and MCN Energy merger. On May 6, 2002, DTE Energy responded to the MPSC Staff's recommendations contained in their April 2002 response regarding DTE Energy's Customer Service Improvement Plan and outlined the Company's top seven improvement priorities (attached as Appendix B to this report).

This report will provide an update to key commitments made in DTE Energy's Customer Service Improvement Plan. Additionally, this report will detail activities that address reliability issues as well as additional customer service issues.

II. Electric System Reliability

Reliability History

In 1991, DTE Energy developed and implemented a highly effective Reliability Plan to ensure electric distribution customers receive safe and reliable delivery of electricity. This plan includes:

- Maintaining a line clearance program averaging 780,000 trees trimmed annually
- Performing pole-top-maintenance on approximately 20% of the distribution and subtransmission circuits annually, based on visual and thermovision inspections
- Installing lightning arresters and shield wires
- Installing substation animal protection at substations with high levels of interruptions
- Testing and replacing end-of-life sections of underground residential distribution cable and system cable
- Optimizing across circuits based on outage history and adding distribution circuits annually
- Reducing intentional interruptions arising from maintenance requirements
- Continuing the installation of substation automation
- Maintaining a pocket program to address customers with greater than two outages annually
- Speeding restoration by expanding substation alarm utilization, improving data and mapping accuracy, and the installation of both manual and automated switches to aid restoration

Due to the success of this Reliability Plan, in 2001, DTE Energy ranked in the upper quartile for lowest frequency of outages when compared with 43 other companies using external benchmarking metrics. DTE Energy recognizes, however, that there are localized pockets with reliability performance worse than the Company's overall electrical system performance. The Company is continuing to work hard with the MPSC Staff to correct these situations.

Pocket Outages

Satisfaction tends to decline for those customers experiencing more than two sustained outages annually. Repetitive outages, especially those that occur during non-storm conditions, increase customer complaints. DTE Energy

focuses not only on widespread outages, but also on small pockets¹ of customers that experience repetitive outages.

Overview of the Pocket Program: On an on-going basis, DTE Energy monitors the electrical system for multiple customer outages to identify customers with reliability issues. DTE Energy identifies customers by circuit location with outage experiences that do not meet the service standard threshold of less than two outages in a year. The Company develops an appropriate action plan to restore electric service to these customers to a level equal to or better than the service standard. Corrective actions can include inspection, thermovision, pole-top maintenance, additional fusing and sectionalizing and selective circuit tree trimming, as necessary.

DTE Energy reports to the MPSC Staff the number and percentage of total customers experiencing more than two sustained outages in any calendar year. The status of plans and corrective actions for customer pockets are reported to the Staff annually in the subsequent calendar year.

Specific Problem Areas

The DTE Energy electrical system and electric customers experienced the effects of a hotter than average summer in 2002. The hot temperatures increased demands on the electrical system resulting in equipment capacity problems. Substation problems developed in several areas, particularly impacting Commerce Lake, Ypsilanti Township, and an area along the M-59 corridor in Macomb Township. DTE Energy took immediate steps to restore service to these impacted customers. These actions included emergency repairs and load transfers from overloaded circuits and transformers to those with excess capacity. Additionally, circuit balancing, requiring customer interruptions lasting several hours, was performed to achieve maximum capacity. Beyond the short-term fixes, DTE Energy has developed long-term solutions for the three specific problem areas.

Commerce Township: Due to accelerating growth in the Commerce Township area, DTE Energy began planning a \$2.7 million expansion to the Commerce Lake substation in 1999. This project was subject to long delays as DTE Energy attempted to address the often conflicting requirements of the Department of Environmental Quality, the Oakland County Road Commission and Commerce Township regarding the location of the conduit and cable along South Commerce Road. Project approval was not obtained until June 2001, delaying the completion of the project until June 26, 2002.

Beyond the Commerce Lake substation expansion project, DTE Energy has performed other reliability activities to address system performance concerns in

¹ Customer pockets are defined, in MPSC Case No. U-10908, as more than 10 customers impacted by an outage.

Commerce Township. These activities include line clearance and advanced pole top maintenance on the distribution circuits out of the expanded Commerce Lake substation. The Company has verified that no tree hazards remain. Any construction related to pole top maintenance will be scheduled before the end of 2002. DTE Energy anticipates that reliability concerns in Commerce Township have been addressed, however, close attention will be paid to the Commerce Lake substation for the foreseeable future.

Ypsilanti Township: Portions of Ypsilanti Township have been growing at an annual rate of 5-6% over the past several years, with some areas growing as much as 9%. As a result of this rapid load growth, in the Fall of 1999, DTE Energy developed a \$6.8 million plan to construct a new 120kv fed 13.2kv Class A substation for Ypsilanti Township. DTE Energy worked with the township to identify appropriate sites for the substation. Siting issues, however, delayed DTE Energy's acquisition and possession of the land until November 2001. When the Collins substation plan was presented to the Ypsilanti Township Planning Commission in April 2002, it met with significant public resistance. After further discussions with the Planning Commission to address public opposition to the plan, approval of the Collins substation was granted at a meeting of the Ypsilanti Planning Commission on July 23, 2002.

The delays experienced in the siting and approval process for the Collins substation contributed to overloads on several circuits during the heat storm in late June 2002. Circuits and load were transferred to another substation and a temporary 10 MVA portable substation was installed on an emergency basis to relieve overloads. These actions solved the initial overload problems. In addition, DTE Energy installed 2 MW of distributed generation at the Collins substation site. The distributed generation was used to provide additional load relief and voltage support to the area. The new Collins substation will be completed before the summer of 2003, relieving any further reliability concerns.

Macomb Township M-59 Corridor: The completion of the M-59 link to I-94 five years ago resulted in rapid growth along the M-59 corridor in Macomb and Shelby townships. In this area, DTE Energy has experienced some pockets of load growing 10-15% annually.

To address the anticipated load growth, in January 1997, DTE Energy proposed a \$9.7 million project, Augusta substation, to serve the area centered around 23 Mile and Card roads. The project entailed building a new 13.2kv Class A substation fed from a nearby 120kv tower-line. The Macomb Township Planning Commission rejected the proposal due to alleged conflicts with the Township's master plan. DTE Energy continued to explore the acquisition of several other sites.

In early 1999, DTE Energy received approval to expand the nearby Grayling substation due to the on-going siting problems with the Augusta substation. In

May 2000, DTE Energy identified and acquired a site for the Augusta substation that was acceptable to the Township.

DTE Energy did not expect to complete the Grayling expansion until late 2001. To address the expected 2001 summer electricity demand, a plan was approved to install an emergency temporary substation, Grace, in March 2001. Grace was energized in June and provided 10 MVA of load relief. In May 2001, the Macomb Township Planning Board finally approved the Augusta project.

DTE Energy had not completed work on the first Augusta transformer when the June heat storm began. Service was interrupted to customers when the load exceeded emergency ratings. Emergency crews completed construction and energized Augusta by the following day. Additional emergency work was performed on a nearby substation to provide relief to the Grace substation. Due to these actions, the electrical system in this community performed very well during a second heat storm from July 1 – 5. The second transformer and the two remaining circuits planned for Augusta are expected to be in service by May 2003.


Outage Programs

Beyond addressing pocket and specific localized outage areas, DTE Energy has several other programs in place to ensure its customers receive reliable and safe electric service. These programs are designed to prevent outages and improve restoration time when an outage does occur.

Line Clearance: DTE Energy has a high tree density in much of the heavily populated areas in its service territory. Trees are the major cause of outages. In order to reduce outages caused by trees, especially during storm conditions, DTE Energy performs line clearance activities throughout the service territory. In 1995, DTE Energy reached an agreement with the MPSC Staff to establish a line clearance schedule averaging 780,000 trees per year. For the years 1996-2001, line clearance has averaged 823,058 trees annually. The 2002 line clearance program is on track to maintain the 780,000 annual average target.

Pole Top Maintenance: DTE Energy's pole top maintenance (PTM) plan is a preventive maintenance plan designed to identify and locate problems that could ultimately result in outages. The PTM plan includes a complete visual and thermographic inspection of the overhead circuits followed by the repair of damaged or worn equipment on a non-emergency basis. DTE Energy completes pole top maintenance activities on 20% of distribution and sub-transmission circuits annually.

New Circuits: DTE Energy adds new distribution circuits to the electrical system every year. These circuits are added not only to serve the increasing



load, but also to provide redundant paths that improve reliability. In addition to the benefit of redundancy, additional circuits result in fewer customers per circuit, which minimizes the number of customers impacted if an outage should occur.

Customer Ombudsman: In order to aid customers experiencing repetitive outages, DTE Energy maintains a position of “Customer Ombudsman” in each region of its service territory. The Customer Ombudsman provides an immediate point of contact for those customers with a reliability concern. The Customer Ombudsman is empowered to make commitments to customers and provide feedback on the status of reliability problems. The goal of this customer outreach program is to provide assistance to customers with reliability problems and to assure customers that their problems are being satisfactorily addressed.

III. Customer Service Performance

Customer Service Improvement Plan Update

As discussed earlier, during the course of 2002, DTE Energy worked with the MPSC Staff to address customer service problems impacting both electric and gas customers. DTE Energy is aggressively working to fulfill the commitments made in the Customer Service Improvement Plan and the subsequent Response to the MPSC Staff Report. DTE Energy is providing regular updates to the MPSC Staff on progress made toward achieving those commitments. In this report, improvements impacting key commitments will be reviewed.

Key Improvements Made in 2002

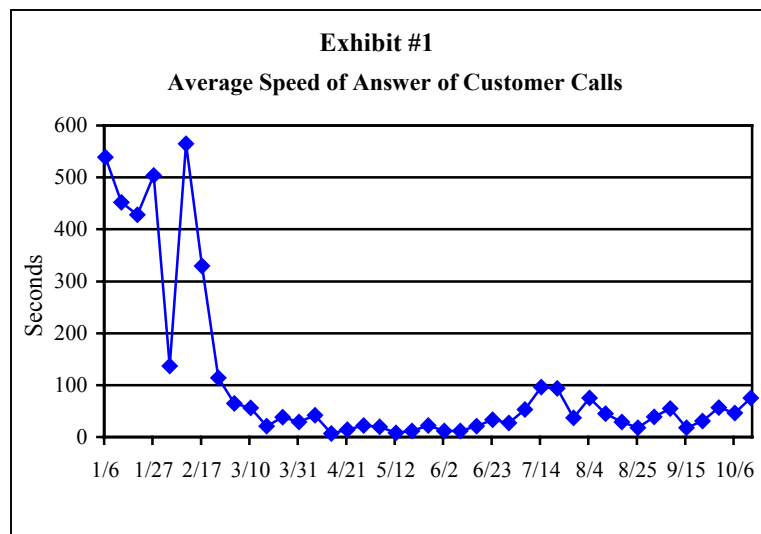
Accessibility

Improving accessibility to the telephone and credit centers was identified as one of the key commitments made in the Company's Customer Service Improvement Plan. DTE Energy has demonstrated an overall improvement in accessibility as a result of immediate service recovery actions. DTE Energy has also developed and is implementing several long-term initiatives to ensure acceptable accessibility levels are sustained.

Telephone Center Accessibility: DTE Energy committed to reaching a sustained average speed of answer of less than 90 seconds by June 2002 and to reach a sustained average speed of answer of 60 seconds by the end of the year. DTE Energy is currently meeting this accessibility commitment.

Accessibility to the telephone center immediately improved with increased staffing and a better alignment of the type and volume of work with available employees. Improved accessibility has been maintained with actions taken to

empower customer representatives with the authority and accountability to resolve customer concerns. Several long-term initiatives are expected to ensure



that the Company maintains the average speed of answer commitment. These initiatives include improved training, standardized call monitoring and the development and implementation of a new Voice Response System.

DTE Energy's accessibility initiatives have resulted in sustained success as reflected in the significant improvement in average speed of answer since March 2002 (Exhibit #1, page 10) and in customer survey results, which reflect an increase of approximately 30% in the measure "Customers Satisfied with Call" from January to September.

Credit Center Accessibility: DTE Energy established a performance commitment of an average wait time of 15 minutes or less each month across all credit centers from April through June 2002, dropping to 10 minutes or less for the rest of 2002 and thereafter. Since June 2002, the average wait time at credit centers has been below 10 minutes, with an average wait time of 8 minutes for the month of September.

The improvement in wait time can be attributed to actions designed to increase and improve alternative payment venues. These actions include on-going efforts to expand DTE Energy's authorized pay agent network and efforts to encourage customers' use of automated payment stations. To further expand payment options, beginning in November 2002, DTE Energy will implement the first phase of a web-based service for bill payment. This initiative will allow customers to execute on-line bill payment through the DTE Energy website.

Billing

Another key commitment made in the Customer Service Improvement Plan involves improving overall billing quality. DTE Energy has focused efforts on reducing the backlog of billing work and on making longer-term process and system improvements. Key successes in billing during the last six months include:

- Developed rigorous change review policies and procedures to ensure the impact of all future billing process and system modifications are understood
- Increased interaction with landlords to establish a better understanding of the associated billing issues and changes needed
- Conducted a review of the January 2002 re-billings using the more rigorous change control guidelines; implemented new procedures to include regulatory affairs staff assistance in test reviews of rate changes
- Engaged in more effective communications with the MPSC Staff to ensure full knowledge of proposed or planned changes

DTE Energy plans to continue building on the successes achieved over the last six months in the billing area. Specifically, DTE Energy expects current

initiatives, as outlined in the Customer Service Improvement Plan, to continue to make significant impact on billing for our customers.

Communication

DTE Energy established a performance commitment to execute a communication campaign to educate customers on the changes they might experience as the Company works to combine their gas and electric account charges into a single bill statement. DTE Energy has developed and implemented a communication plan with three key objectives:

- Providing customers with clarifying information about the newly combined bill
- Reducing the number of complaints and misunderstandings about the customer's bill
- Ensuring employees with customer contact have information to quickly resolve any customer inquiries

DTE Energy has developed targeted communication tactics to ensure customers have been clearly informed about changes to their gas and electric bills. These tactics include pre-consolidation messages such as bill messages, letters, brochures, internet information, print advertising, press releases, flyers, presentation poster materials, and frequently asked questions. An article in the September customer newsletter, Customer Connections, supplemented information about the combined bill.

To ensure directly affected customers are appropriately educated, two weeks before the new combined bill is issued, DTE Energy sends the customer a letter, with an explanatory brochure. This brochure provides eight foreign language notes on the back panel to ensure the changes are effectively communicated. When the customer receives a new combined bill, a cover letter is enclosed to explain the new bill, and bill messages clearly identify the bill as "Your First Combined Bill."

After the first group of customers received their combined bills in July, the Company sponsored a representative telephone survey with approximately 360 customers to determine their understanding of the new bills and to determine the effectiveness of the communication plan. The letter format was valued as the most effective form of communication. Seventy-six percent of customers were satisfied with bill clarity and 77% were satisfied with bill handling. Overall, 77% of the customers were satisfied with communication regarding bill consolidation.

DTE Energy will continue to assess communications with customers using the most effective methods to ensure customers are educated on the impact of

consolidating bills and other changes impacting their relationship with DTE Energy.

MPSC Complaint Resolution Process

Throughout 2002, DTE Energy has continued to work with the MPSC Staff to clarify and amend the performance expectations with regard to the complaint resolution process and timing, as established in DTE Energy's Response to the Michigan Public Service Commission Staff Report and Recommendations, filed May 6, 2002.

New Targets for Complaint Resolution: The DTE Energy Executive Customer Assistance Center (ECAC) is committed to continuing to work with the MPSC Staff to support the reorganization in the MPSC Energy Division. Additionally, DTE Energy will manage the complaint handling process so that once in receipt of a complaint from the MPSC, ECAC will:

- Contact the customer within two business days
- Respond to the MPSC within three business days with information regarding to whom the complaint has been assigned and the course of action to resolve the complaint
- Report back to the MPSC staff with a complete resolution or a substantive interim report within 10 days

DTE Energy has developed several initiatives to ensure the timely resolution of complaints and to increase the efficiency of the complaint handling process. DTE Energy increased the staffing of both consultants and staff supporting the complaint resolution process in the ECAC. Beyond increasing staffing levels, the ECAC has identified a "key contact" in various DTE Energy operating units to assist in resolving complaints.

DTE Energy has employed the use of technology to improve the efficiency of the complaint resolution process. ECAC has made enhancements to its system to enable the MPSC Staff to send complaints to DTE Energy electronically. DTE Energy can also provide the MPSC Staff with electronic copies of closed cases. Other technology improvements include the implementation of a centralized call intake system, which allows both electric and gas calls to be received by consultants trained in both the systems.

Areas of Additional Attention

Although improvements have been demonstrated in most key areas, including areas such as call center accessibility and the timeliness of complaint resolution, DTE Energy is focusing additional attention in its service quality improvement process on two customer service areas beyond what was outlined in the two previous responses to the MPSC – the customer billing and telephone call center operations.

Additional Attention and Improvement in Billing

Consecutive Estimates: One of the top seven priorities identified in the Customer Service Improvement Plan involves reducing consecutive meter read estimates. This year, DTE Energy has reduced the number of accounts with consecutive meter read estimates from 5.2% of all gas and electric meters to 2.8% of all meters, but further improvement is warranted. DTE Energy’s target is to reduce consecutive estimates to less than 2.0% of all meters by year-end.

Consecutive estimates are driven by issues associated with DTE Energy systems and processes, but also by customer-related issues. Customer-related issues typically involve conditions at the customer premise that prevent a meter from being read, such as locked gates, the presence of dogs or an inside meter. DTE Energy’s efforts to reduce consecutive estimates are targeting both root causes.

DTE Energy has been effectively reading 94% of all meters, however, not all meter reads are accepted by the billing system. Changes in the billing system and billing processes have been made and continue to be developed and implemented to use more of the meter reads obtained for customer billing.

To improve efforts to reduce consecutive estimates, the Company is providing meter readers with more information regarding the status of accounts on meter reading routes. Meter reading handheld devices allow the meter reader to view the number of consecutive estimates for each meter. Reports have been developed detailing consecutive estimates listed by address. Meter readers complete reports on a daily basis detailing the explanations for meters that have not been read. Supervisors monitor the meter reader routes to ensure readers are accurately reporting the reasons for “no reads.”

For customers with meters that cannot be accessed, meter readers have door hangers directing the customer to call DTE Energy. Further communication efforts are underway using the “no read” information gathered by the meter readers to provide customers with information regarding consecutive estimates, including bill messages and customer letters.

To address customer concerns regarding payment of large bills, DTE Energy has implemented a Time Payment Plan (TPP). TPP applies when a billing situation

occurs that results in a large “catch up” bill – as could occur with bills with consecutive estimates. Under TPP, the customer has the option to elect to pay the catch up amount over the period of time equal to the time that the Company took to process the catch up bill.

DTE Energy is confident that the current plans in place, emphasizing more effective communications with meter readers and customers, combined with system and process changes, will lead to sustained improvements in consecutive estimates.

Billing Events: Another key priority identified in the Customer Service Improvement Plan involves resolving and preventing billing errors. The Company continues to address billing system issues which delay or prevent effective billing.

As noted in the Customer Service Improvement Plan, DTE Energy initiated a comprehensive billing process improvement initiative in the Fall of 2001. This continuous improvement initiative involves a review of DTE Energy billing processes using the DTE Energy Operating System principles, concepts and tools. The goals of the billing project include a reduction in the number of billing exceptions and increased efficiency and effectiveness of billing processes. The review has already resulted in recommended changes to the Company’s billing systems, which are currently under development. The improvements will be implemented in a phased approach, with phase one expected to be completed early in 2003. In addition to the billing process improvement initiative, an Events Manager position was established to focus on the billing process and billing events beyond those events of immediate concern.

DTE Energy will continue to focus on continuous improvement initiatives to identify and address the root causes of billing events.

Other Areas of Improvement: In addition to the efforts focused on addressing consecutive estimates and billing events, several other long-term initiatives are expected to increase customer satisfaction and reduce complaints. These initiatives include:

- Introduction of a new bill format
- Customer education on the benefits of BudgetWise Billing

Bill Format: A new bill format will be introduced to customers in April 2003. This initiative is currently in the planning stage. DTE Energy is reviewing and updating the proposed bill format and will use customer focus groups to evaluate the final format later in the year. The bill format changes are designed to improve communications with the customer.

BudgetWise Billing: DTE Energy modified the BudgetWise Billing programs for both electric and gas customers last April. This program bills customers in equal increments over a 12-month period to reduce the impact of large gas heating season bills and electric cooling season bills. On an annual basis, the account is reconciled and an adjustment is made. The program allows customers to enroll at any time of the year. DTE Energy plans to promote the advantages of this optional program to customers, which provides more certainty regarding the monthly energy bill.

Additional Attention and Improvement in Customer Representative Quality

The quality of the Company's customer representatives has a significant impact on customer satisfaction. DTE Energy has implemented several initiatives to improve the quality of service delivered by the Company's customer representatives and the overall quality of service provided by the Company. These initiatives include:

- Revising customer representative job qualifications
- Redesigning customer representative training
- Implementing quality monitoring of customer representative performance as well as more rigorous independent evaluation and coaching
- Evaluating customer representative scripting
- Simplifying customer representative responsibilities

CR Job Qualification Changes: In order to create a more engaged, experienced and qualified workforce, DTE Energy has reviewed and updated the educational and experience requirements for customer representatives. DTE Energy believes establishing a more qualified workforce will provide the foundation for the successful implementation of all other service improvements and should dramatically improve call center and credit center customer service.

A key aspect of providing a high level of customer service is to ensure DTE Energy's customer representative workforce performs as customers expect and deserve. The first step in developing an effective, customer-focused workforce is to require applicants to have the experience and education essential for delivering high quality customer service. In October 2002, DTE Energy increased the requirements for customer representative positions to include two years of customer contact experience with a high school diploma or an associate's degree with one year of customer contact experience.

CR Training Improvements: Beginning in August of 2002, DTE Energy implemented a phased-training program to improve the overall effectiveness of customer representative training. This training is administered in three two-week phases, building on the skills and capabilities developed during the previous phases. In addition to technical training, the training program

incorporates task-oriented activities such as role-playing, working along-side more experienced customer representatives and handling live calls with the assistance of trainers. After the first phase of training, customer representatives are placed in transitional groups for a minimum of ninety days during which time their performance is closely monitored and evaluated. Customer representatives do not advance to the next level of training until clear mastery of the required skills has been demonstrated. After successfully demonstrating the expected phase one skills, customer representatives proceed to the next phase of training. After completing the second phase of training, customer representatives are again placed in transitional groups for performance monitoring and evaluation for a minimum period of forty-five days. Customer representatives then proceed to the third phase of training. After completing the three phases of training, a representative has the complete universal customer representative skill set.

In addition to the training described above, all new customer representatives receive two days of customer relations training. All customer representatives receive a refresher course in customer relations training on an annual basis.

DTE Energy believes that these significant changes in the method and approach to developing universal customer representatives will result in a significant improvement in the quality of customer service. In particular, this more effective approach to training is expected to result in improved performance in first contact resolution, as customer representatives will have received and have demonstrated the skills necessary to quickly resolve customer problems.

CR Quality Monitoring Implementation: DTE Energy is continuing to implement new state-of-the-art quality monitoring for all customer representatives. Quality monitoring staff can simultaneously review telephone conversations and the corresponding activity on a customer representative's computer. All customer representatives are monitored on a monthly basis to identify skill and performance gaps. Results of the monitoring are reviewed with customer representatives in a timely manner to ensure skill and performance gaps are addressed. Action plans are developed to improve performance through coaching, communication and training. DTE Energy expects quality monitoring will be an extremely effective tool in increasing the performance of customer representatives.

CR Scripting Initiatives: DTE Energy is currently developing two applications for the use of "scripts" to improve the effectiveness and productivity of customer representatives. One application involves designing system controls to ensure the customer representatives are providing the data necessary for an accurate service order. The second application involves providing customer service representatives with "Hints and Tips" based on the nature of the customer call. Before year-end, these applications will be evaluated through a 30-day pilot

period using 30 customer representatives. If the pilots prove successful, the applications will be rolled out to all customer representatives.

Supervisor Role Simplification: In an effort to reduce the demands on customer representative supervisors, DTE Energy has re-established the “Floor Analyst” position. This position provides support to customer representative supervisors by answering policy and procedure questions. Additionally, the floor analyst can also take customer calls that have been escalated to a supervisor. By establishing this position, supervisors can spend more time evaluating and coaching customer representatives to improve customer service.

The initiatives described above are expected to result in significant improvements to overall customer service over the next four to six months. Improvements are expected in first call resolution, call handling and speed of answer. The changes to training, coaching and performance monitoring should result in a workforce of well-trained and motivated customer representatives able to provide DTE Energy’s customers with high quality customer service.

IV. Improving and Sustaining Service Quality

DTE Energy remains committed to providing customers with a level of service that meets their expectations. The commitments and long-term initiatives described in this report are designed to improve and sustain service quality and reduce customer complaints.

Electrical System Reliability

DTE Energy remains committed to providing our customers with safe and reliable electric service. DTE Energy's primary means of ensuring reliable delivery of electricity is through implementation of the Company's Reliability Plan. This plan has resulted in the delivery of electric service that has historically ranked in the upper quartile of performance. Additionally, DTE Energy's Pocket Program addresses localized pocket outage areas to restore service to a level equal to or better than the service standard of less than two outages in a year. Finally, DTE Energy supports additional programs that prevent outages and improve restoration time when outages occur. As in the past, DTE Energy will continue to provide the MPSC Staff with information regarding reliability performance on a regular basis.

Customer Service Performance

DTE Energy will continue to work aggressively to implement and monitor the commitments outlined in the Customer Service Improvement Plan. DTE Energy will also evaluate the contributions of the new initiatives described in this document to ensure operational improvements are realized. Additional initiatives will be designed and implemented on an on-going basis. DTE Energy will continue to provide regular reports to the MPSC Staff on the status of key Customer Service Improvement Plan commitments and initiatives.

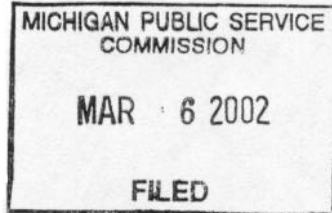
V. Appendices

■ *Appendix A: DTE Energy's 2002 Customer Service Improvement Plan (filed March 6, 2002 MPSC Case No. U-13287)*

■ *Appendix B: DTE Energy's Response to the Michigan Public Service Commission Staff Report and Recommendations (filed May 6, 2002 MPSC Case No. U-13287)*

Appendix A

DTE Energy



March 6, 2002

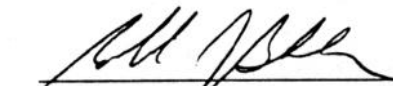
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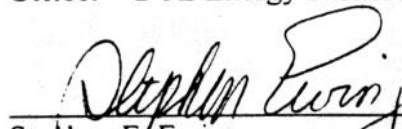
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Very truly yours,



Robert J. Baekler
President and Chief Operating
Officer - DTE Energy Distribution



Stephen E. Ewing
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Officer - DTE Energy Gas

DTE Energy's 2002 Customer Service Improvement Plan

**Response to
Michigan Public Service Commission
Case No. U-13287**

March 6, 2002

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I. Executive Summary

I. EXECUTIVE SUMMARY

DTE Energy Apologizes for Post-Merger Customer Service Performance

When DTE Energy and MCN Energy officially merged on May 31, 2001, it was with the intent of creating value for shareholders, customers, and employees by creating a stronger, more-competitive Michigan-based energy company. Customer benefits anticipated from merging the two companies' customer service operations include:

- Added convenience through a single point of contact and a single bill for both gas and electric service
- Improved telephone center accessibility and a larger total network of available payment locations, including credit centers (formerly called customer offices), pay agents, and automated pay stations across the state.
- More convenient, accurate, and timely customer service processes through reengineering and the application of best practices

Unfortunately, DTE Energy's performance in customer service accessibility and billing has fallen short of the company's aspirations and customers' expectations. Customers have experienced billing errors, long wait times – on the telephones and in the credit centers – and, in some cases, customer service interactions that were less than friendly, courteous and satisfying.

DTE Energy regrets and apologizes for this deterioration in service performance and is committed to achieving performance at the level that customers expect and deserve. In response, the company is implementing a comprehensive Customer Service Improvement Plan.

DTE Energy's Customer Service Improvement Plan

This report details both immediate and long-term actions already underway and to be taken to improve the company's performance involving:

- telephone centers and credit centers,
- billing processes and systems,
- ongoing communication with customers and with the Michigan Public Service Commission, as well as
- complaint resolution activities.

To improve accessibility to DTE Energy and timeliness in its operations, the company has hired additional employees, reassigned employees, realigned work schedules, and modified work processes to address the most pressing performance deficiencies.

To improve quality and reduce errors, the company has increased training, improved process and systems controls, implemented tools to promote consistency and accuracy in what employees say and do, and implemented new performance standards.

To prepare for the expansion of Gas Choice in April 2002 and for Electric Choice increases this year, several initiatives have been implemented and others are planned:

- Established a dedicated Electric Choice Implementation Team that is managing all aspects of the company's electric choice processes, from supplier education and qualification to customer enrollments and billing.
- Established alternate telephone centers to handle both calls from customers seeking information about the Electric Choice program, as well as calls concerning account transactions.
- Developed plans to add capacity within the company's choice processes and systems as gas and electric choice participation increases.
- Developed comprehensive plans to manage upcoming choice billing system and process changes, including quality controls, readiness assessments, and communication and training plans.

DTE Energy's Customer Service Commitments

Improvement goals, and the tactics being taken to achieve them, are described in detail within each of the specific improvement plans contained in this report. Specific performance commitments are summarized below:

Improving Accessibility at DTE Energy:

- *Achieve a monthly average speed of answer (ASA) of less than 90 seconds by mid-March 2002, and a level of 60 seconds by the end of 2002.*

DTE Energy intends to achieve ASA levels of less than 90 seconds by mid-March . However, several factors may contribute to ASA occasionally increasing beyond desired levels. It is possible that temporary transition issues will occur as some "immediate fix" initiatives are phased out and "long term solution" initiatives ramp up.

-
- *Achieve an average wait time of 15 minutes or less each month across all credit centers between April and June, 2002, dropping to 10 minutes or less for the rest of 2002 and thereafter*

State-wide, DTE Energy expects the average credit center wait time to be less than 15 minutes by April 2002 and less than 10 minutes after June 2002. More than half of DTE Energy's 13 credit centers are already achieving average wait times of 10 minutes or less each week, and this trend is expected to continue.

Preventing & Resolving Billing Problems:

- *Regularly meet with the MPSC Staff to review upcoming billing policy or practice changes and the company's current performance in complying with billing rules.*

To prepare for the first such review, DTE Energy plans to conduct a compliance audit of its customer information system and associated controls by the end of the second quarter. The company intends to provide its first regular status report by the end of this summer; provide another update before the end of the year; and then provide updates annually thereafter.

- *Develop (by the end of June 2002) and then track an objective measure of monthly billing accuracy that is meaningful from a customer's perspective.*

While DTE Energy has tracked various "billing accuracy" metrics in the past, the company does not feel those measures adequately measure accuracy from the perspective of today's customers. DTE Energy intends to utilize the results of a compliance audit of its customer billing system and associated controls, plus the results of the large-scale root cause analysis that is currently underway, to guide the design and definition of a monthly billing accuracy metric.

- *Eliminate the backlog of landlord contract requests by March 15th and address all new requests within 30 days, on an ongoing basis.*

This program was specifically cited as a concern by the MPSC in Order No. U-12387. The backlog of landlord contract requests has already been virtually eliminated, with the last few back-logged requests expected to be processed this week.

Enhancing Communications:

- *Execute proactive communication strategies to support the company's upcoming bill consolidation efforts.*

A communication campaign will be implemented to educate customers on the changes they might experience as the company works to combine their gas and electric account charges into a single bill.

- *Design and implement communications as needed to address issues that are identified through the company's ongoing quality monitoring and performance management efforts.*

DTE Energy intends to rigorously monitor customer issues raised in calls, correspondence, complaints, the media, community forums, and market research studies. Specific communication strategies will be designed and executed to prevent or reduce customer confusion and concerns about service issues.

- *Improve communications with the MPSC and the MPSC Staff*

Senior company leaders will provide monthly face-to-face progress reports on this Customer Service Improvement Plan until service has improved and is being sustained at the high level that customers deserve. These meetings will be supplemented by quarterly written status reports.

Expediting Complaint Resolution:

- *Respond to 95% or more of all complaints within two days.*

DTE Energy intends to achieve response rates for both gas and electric complaints equal to a standard of 95% within two days.

- *Resolve 80% of all complaints within 10 days.*

DTE Energy will resolve 80% of all electric and gas complaints within the proposed performance of 10 days. Extenuating circumstances may occasionally cause the resolution of a complaint to take longer than the targeted 10 days. DTE Energy will provide a written explanation of any complaint that remains unresolved after 30 days.

-
- *Reduce complaints to an average rate of 215 per month for the last six months of 2002, which would match the company's 4 year historical low for average rate of monthly complaints and to maintain that level thereafter.*

DTE Energy expects to improve its customer service performance and processes to such a degree that the company will commit to reducing complaints by July 2002 to the lowest level achieved in the last four years. This translates into an average rate of 215 complaints per month, which the company intends to achieve during the last six months of 2002 and maintain throughout 2003.

- *Enhance processes for keeping the MPSC Staff up-to-date on complaints and emerging issues.*

DTE Energy is developing capabilities to electronically transfer complaint case information to and from the MPSC Staff. Technology decisions and implementation plan for developing this capability will be complete by the end of June, 2002. In addition, DTE Energy has increased staffing in its Consumer Affairs organization to enable the company to be more proactive in notifying the MPSC Staff about emerging issues and the plans being developed to address those issues.



II. CUSTOMER SERVICE GOALS & CONTEXT

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Customer Expectations

Drivers of Customer Satisfaction

One of DTE Energy's core values is customer service¹. The company's goal is to satisfy customers by meeting their expectations.

Customers' most fundamental expectation is for DTE Energy to deliver gas and electricity safely and reliably. Beyond safe and reliable delivery of gas and electricity, customer service is the primary driver of overall satisfaction with the company. The most important aspect of customer service performance is accessibility, closely followed by billing.

Customers who call the company want resolution for their issues before they hang up the telephone. They do not want to have to make repeat calls. Thus, for these customers, "number of contacts" is the primary driver of satisfaction with the company. As a driver of satisfaction, this has increased in importance for customers since Thanksgiving weekend of 2001, when DTE Energy combined its gas and electric customer information systems and customer telephone centers. Billing related issues are the most frequently cited reasons for those who called multiple times.

Additional key drivers of satisfaction with the company, for customers who call the company are, "satisfaction with the call" and "satisfaction with problem resolution." These factors are both driven by the customers' assessment about the customer representative's performance and the convenience of the call.

Customers Want Convenience

Great customer service requires going beyond the basics of delivering gas and electricity safely and reliably and sending out timely and accurate bills. DTE Energy's customers also want convenience.

¹ DTE Energy's other four core values are: respect, integrity, learning, and business success.

Convenience means that customers can contact DTE Energy quickly and easily whenever they have a service request or concern. Convenience means that customers only have to contact the company once to have their needs met in a timely manner. And convenience means being served by caring, courteous, and competent company representatives.

These thoughts were in the forefront of the DTE Energy and MCN Energy decision to merge the respective companies. It was determined that that the merger would provide significant customer benefits and would enable DTE Energy to provide the level of convenience that its customers desired, as described below.

Planned Customer Benefits from the Merger

Convenience and “One Stop Shopping”

“Customer convenience” was the guiding principle behind the merging of the customer service operations of Detroit Edison and MichCon. Customer benefits that are anticipated from merging the two customer service operations include:

- A single bill for gas and electric services, which the customer pays by writing a single check
- A single telephone number to call for gas or electric service requests or concerns
- Improved telephone center accessibility by aligning a single, large pool of customer representatives to cover the peak periods for both gas and electric operations.
- A larger total network of available payment locations, including credit centers, pay agents, and automated pay stations across the state.
- More convenient, accurate, and timely customer service processes through reengineering and applying best practices, regardless of whether the ideas came from Detroit Edison, MichCon, or benchmarked industry leaders.

Strong Michigan-Based Company Serving Michigan Customers

Another way in which customers will benefit from the merger of DTE Energy and MCN is that the new DTE Energy will be a much stronger and more competitive company. Despite all of the chaos currently surrounding the energy industry, most industry experts still predict significant utility industry consolidation over the next few years. With its larger size and more comprehensive portfolio of energy businesses, the new DTE Energy is in a much better position during this transition period than if the merger had not occurred.

Michigan customers will benefit by being served by a strong Michigan-based utility company that has a long history of being a good corporate citizen. DTE Energy truly cares about providing quality service to its customers, and is committed to improving performance to provide the level of service that customers expect and deserve.

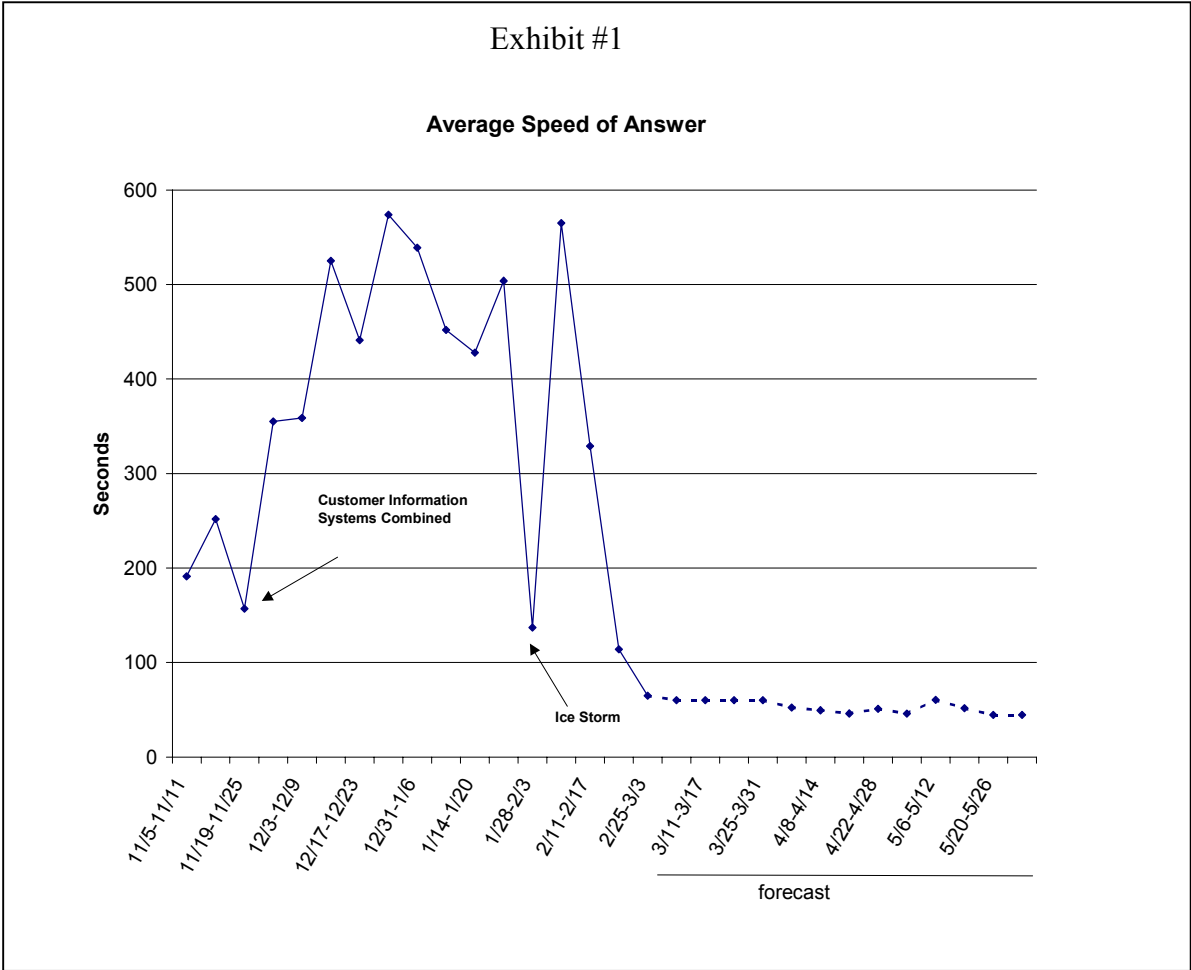
Actual Service Performance During Transition

DTE Energy acknowledges and regrets that its customer service performance has not met customer expectations – or internal company expectations – during the initial integration period of the merger. The company is still confident that the merger-related customer benefits listed above are significant and will be achieved. In the short run, however, problems and concerns emerged in the following areas: accessibility, billing errors, and customer confusion. Each area of concern is discussed below.

Accessibility Problems

Recently, DTE Energy customers have been left waiting on the telephone for unacceptably long periods of time. This has resulted in frustrated customers and a higher-than-normal rate of abandoned calls.

Except for weather related spikes, trends had been improving for average speed of answer up to the time that DTE Energy combined its gas and electric customer information systems and telephone centers over the Thanksgiving weekend of 2001. After that point and continuing until early February 2002, call volumes increased significantly along with wait times and abandoned calls. In December, the average time that a customer waited before reaching either a customer service representative or the voice response system option



Initiatives have already been implemented which have reduced the average wait time across all centers by more than 50% since the beginning of February to 15 minutes for the week ending March 1. More than half of DTE Energy’s 13 credit centers are already achieving average wait times of 10 minutes or less each week, and this trend is expected to continue.

Improvement Goals for Accessibility. DTE Energy’s goal is to significantly improve accessibility for customers through telephone operations as well as at the credit centers. Details on the efforts to accomplish this are discussed in the third section of this report, under “Improving Accessibility at DTE Energy.”

Billing Errors and Concerns

Since the Fall of 2001, when DTE Energy began preparing to combine its gas and electric customer information systems, several significant billing errors impacted DTE Energy's customers. (See Appendix A for additional details.)

- Computer system conversion problems led to untimely reconciliation of actual versus estimated usage for MichCon customers who were enrolled in the company's budget billing program. The monthly charges for some customers rose significantly to recover the amounts owing due to previous consumption that was higher than had been estimated.
- Internal communication errors resulted in gas cost recovery (GCR) charge increases not being fully reflected in some customers' January bills. Corrections were made to the February bills for these customers.
- Operational error led to approximately 3,000 customer attachment program (CAP) accounts not being invoiced for the month of January. Corrections were made to the February bills for these customers.
- Information system conversion errors caused actual meter reads in the Alpena area to be ignored during the months of December 2001 and January 2002. Instead, the system generated approximately 10,000 identical estimated bills, which were based on system-wide usage averages instead of individual customer account history.
- Finally, the need to reconcile the billing policies and practices of MichCon and Detroit Edison has resulted in some policy changes that have caused customer concerns. An example is the company's decision to transfer all MichCon landlord contracts to the existing DTE Energy landlord contract program. In doing so, DTE Energy made the decision to discontinue MichCon's practice in the Grand Rapids area of notifying landlords when service is disconnected at the request of a tenant or for non-payment by the tenant. Although not governed by the written contract between DTE Energy and the landlords, this practice has been a point of controversy. To address this concern and to seek other improvements, a process improvement workshop was conducted in early February, which resulted in several recommendations for process changes which are discussed later in this document.

Improvement Goals for Billing. The root causes of the specific billing problems mentioned above (and discussed in detail in Appendix B) were quickly identified and addressed by the company. DTE Energy intends to go

beyond quick problem resolution to preventing problems from occurring in the first place.

DTE Energy's goal is to consistently provide customers with bills that are accurate, timely, and easy-to-understand. Details on the company's efforts to achieve this goal are discussed in the fourth section of this report, under "Resolving & Preventing Billing Problems."

Customer Confusion

Although DTE Energy made an effort to educate its customers about the changes they would experience when the company combined its gas and electric customer information systems and telephone centers, customer confusion continued. Confusion was especially noticed with customers outside southeastern Michigan where familiarity of DTE Energy is lower.

Customer confusion was evidenced by the immediate increase in call volumes after the information systems and telephone centers were combined, and confirmed by analyses on the reasons for those customer calls. Many customers were confused by the new appearance of their bills and/or by receiving separate gas and electric payment coupons in the same envelope.

Communication efforts did not have the desired impact. The level of customer confusion was not anticipated because of the company's communication efforts over the past year and a half. DTE Energy provided mass and targeted customer communication messages to help facilitate customers' understanding about changes impacting customer service offerings; including the combination of gas and electric services and telephone center operations.

In addition, all gas and electric customers were proactively informed about changes being made to the bill form, as described below and in Appendix B.

- Electric customers were notified in the October-November bill cycle that a new DTE Energy bill was coming, one month prior to changes.
- Gas customers were notified about changes in the bill format and the new DTE Energy name in the October-November bill cycle with bill and envelope messages and a bill insert. The gas customers also received a bill insert and message with the newly converted bill in the November-December bill cycle.
- Media coverage provided messages statewide about changes resulting from the merger of DTE Energy and MCN Energy.

-
- Both MichCon and Detroit Edison websites included “Frequently Asked Questions” about the new bill format and provided graphic examples of changes customers could expect to see.

Even with this level of communication, numerous customers expressed confusion.

Improvement Goals for Communication. Recognizing that past communication efforts did not have the desired effect in raising customer awareness, DTE Energy developed an integrated communications plan for 2002 to educate customers about service issues, upcoming changes and process improvements. This plan encompasses corporate-wide resources from direct customer communications, advertising and media placement efforts to the company’s corporate and governmental affairs and its public speaker program. Details about the company’s integrated customer communication efforts are discussed in the fifth section of this report, under “Communications.”

Increased Complaints

The issues described above – accessibility problems, billing errors / concerns, and customer confusion – have all contributed to an increase in customer complaints regarding DTE Energy’s customer service performance. The increase in complaint volume, combined with some temporary staffing vacancies, resulted in response times and resolution times that are not acceptable.

The company’s efforts to improve accessibility, billing quality, and communications should reduce customer complaints regarding the company’s customer service performance. In addition, DTE Energy has already begun implementing process improvements to make its complaint handling processes more effective and timely and to improve communications with the MPSC Staff regarding complaints. Details on these efforts are discussed in the sixth section of this report, under “Expediting Complaint Resolution”.

Commitment for Rapid & Sustained Service Improvement

As a local company that is dedicated to its customers, communities, and state, DTE Energy is committed to immediately, dramatically, and permanently improving its customer service performance. The company has already begun implementing:

- Immediate fixes to improve service to meet customer expectations
- Long term initiatives to sustain the level of service that customers deserve

DTE Energy is approaching this effort in a fundamentally new way to ensure that the solutions implemented are effective and sustainable. The company is implementing this improvement plan within the context of a new corporate-wide operating system, which incorporates the continuous improvement concepts that have been employed by companies such as Toyota with great success.


Root Cause Analyses to Support Further Improvements. Furthermore, this improvement plan will be augmented over time. In addition to the specific plans noted, DTE Energy has undertaken a very aggressive and comprehensive root-cause analysis effort. The entire customer marketing organization at DTE Energy is engaged in gathering and analyzing data and helping to incorporate their analyses into the company's evolving improvement plans. Through this effort, trained research analysts are searching for:

- Common themes in customer conversations, correspondence, and complaints
- Patterns and reasons behind repeat calls or visits
- Usage patterns for the various call options on the company's automated telephone system, and
- Best practices of the most effective customer representatives and common mistakes made by the least effective or least experienced customer representatives.

The insights gained by these root cause analyses will drive the company's process improvements, staffing development plans, performance management activities, and resource allocation decisions.

Structure of DTE Energy's Customer Service Improvement Plan. DTE Energy's specific customer service improvement plans include:

- Improving Accessibility at DTE Energy
- Resolving and Preventing Billing Problems
- Enhancing Communications
- Expediting Complaint Resolution
- Continuing Improvements & Sustaining Quality Service



The remainder of this report discusses each specific improvement plan in detail. Each section starts out with a discussion of the company’s approach to improving that performance area, followed by specific performance commitments. Then, “immediate fixes” are outlined. These are initiatives that DTE Energy has already begun implementing and, in many cases, have already begun to have a positive impact. Some “immediate fixes” are temporary and will be eliminated as performance improves and stabilizes. Other “immediate fixes” are solutions that were implemented quickly but will continue to add value over the long run.

Each section ends with a discussion of long-term solutions for improving customer service at DTE Energy. Finally, the report concludes with a discussion on how DTE Energy intends to ensure the sustainability of its performance improvements.



***III. IMPROVING ACCESSIBILITY
AT DTE ENERGY***

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Telephone Centers

Improvement Approach & Performance Commitments

DTE Energy's approach toward improving telephone center accessibility at DTE Energy has three dimensions:

- Reducing the volume of incoming calls.
- Improving the average speed of answering telephone calls.
- Improving employees performance quality, to ensure courteous, caring, accurate and effective call interactions.

These three goals are very inter-related. Many initiatives that primarily address one of these goals also have secondary impacts on the other two, creating a continuing reinforcing cycle of improvement.

The average speed of answer (ASA) at DTE Energy's telephone centers was 565 seconds during the week of February 4th. The following week, when several of the "immediate fixes" described below were implemented, ASA had already dropped to 329 seconds, a drop of 42%.

The rapid pace of improvement continued the next week, with ASA dropping to 114 seconds during the week of February 18th – a weekly ASA level not achieved since before the company implemented its new customer information system last Fall.² Improvements have continued, with ASA reaching 65 seconds for the final week of February.

There is a convergence of customer satisfaction and benchmarking around a performance level of 60 to 90 seconds for ASA. Customer satisfaction with accessibility reaches a level of 85% when ASA is 90 seconds, and goes to 90% at a 60 second ASA. The average ASA for the utility industry is approximately 60 seconds.

² Excluding the week of January 28th when a severe ice storm hit, forcing the company to suspend regular telephone center business to focus on restoration efforts.

Performance Commitments. DTE Energy is confident that the improvement initiatives described below (and summarized in Exhibit #4 at the end of this section), will allow the company to achieve an average ASA of less than 90 seconds by mid-March, and be able to sustain that level by the end of June 2002. Several factors may contribute to ASA occasionally increasing beyond desired levels. It is possible that temporary transition issues will occur as some “immediate fix” initiatives are phased out and “long-term solution” initiatives ramp up.

As DTE Energy continues to make improvements to customer service processes, as well as to telephone center and credit center operations, the company expects to reach an ASA of 60 seconds by the end of the year and to sustain this level through 2003 and beyond.

Immediate Fixes

The company’s “immediate fixes” for improving telephone center accessibility are mainly focused on additional staffing and better aligning the type and volume of work to the available employees.

Adding / Redeploying Staff on a Temporary Basis. Some of these “immediate fixes” are temporary and will be eliminated as performance improves and stabilizes. Temporary solutions include such things as employees working extra and/or longer shifts and deploying temporary teams to handle specific calls and tasks to relieve the pressures on the telephone center during peak periods.

One example of a temporary team is a group of 165 employees from across the company who have volunteered to work 4 to 16 hours during the days of Monday and Tuesday, taking customer calls for turn-on and disconnect requests. This allows customer representatives to handle more calls on other, more complex, issues during the week’s busiest days.

Another new team is handling all electric trouble calls, new installation requests, and customer service calls for the company’s Home Protection Plan and Appliance Repair Plan programs. This team was established as a temporary team, but may indeed stay on as a permanent process improvement.

Implementing Permanent Scheduling Changes. One “fix” that had an immediate positive impact, and will continue to add value over the long run, was realigning the work schedules for customer representatives and their

leaders. This new work schedule better matches company resources to customer call volumes on an hourly and daily basis.

Preparing for Expanded Customer Choice Participation. Originally, the company had intended to transition the Electric Choice customer service functions from the independent project group, where these functions currently reside, into normal company operations by July 1, 2002.

DTE Energy has decided to delay this transition. A July transition would put pressure on customer service operations just when the organization is trying to stabilize and solidify the customer service performance improvements that are being implemented right now.

DTE Energy plans to maintain separate Electric Choice telephone operations until the company is confident that such a transition will not degrade the level of service provided to either choice customers or customers receiving regulated, bundled electric service. This means the project team will continue to handle Electric Choice customer calls through its telephone center (transaction calls) and an outside service company (simple inquiries), until a transition can be made without adverse customer impacts.

Telephone calls regarding Gas Choice will continue to be received on the company's main customer service line and will be directed to a specially trained group of customer representatives, who are able to handle these calls accurately and efficiently.

Long Term Solutions

DTE Energy is also implementing long term initiatives to attack the root causes of customers' concerns and/or their need to call through a series of quality initiatives.

Improving Quality & Productivity through Call Monitoring. One example of these quality initiatives is the expansion of call monitoring. DTE Energy had already begun to implement a new call monitoring technology that allows quality monitoring staff to simultaneously review telephone conversations and the corresponding activity on a customer representative's computer. When implementation of the Customer Service Improvement Plan was accelerated, DTE Energy expedited the roll-out of this new call monitoring technology.

This new call monitoring capability has strengthened leaders' ability to identify both performance problems and training / development gaps.

Identified skill gaps are quickly being addressed through a combination of communications, coaching, and formal refresher training.

Results from the call monitoring are also being factored into long-term process improvement efforts, such as a review of policies and practices. The goal is to simplify the processes which customer representatives must use in order to improve quality and productivity. One simplifying technique that the company plans to apply is the use of “scripts” for customer representatives. Scripting customer representative responses and actions for various situations will prevent misinterpretations of billing rules and other company policies, and also ensure that all customers receive consistent and accurate information. The scripts will be developed by cross-functional teams and reviewed with the MPSC Staff prior to implementation.

Assessing Technology & Outsourcing Solutions. Technology and outsourcing solutions are being assessed to determine the extent to which they can significantly decrease call volumes and associated resource needs in the long run

Enhancements are being developed for the voice response unit (VRU) within the company’s automated telephone system that will allow customers to obtain desired information, or even complete certain transactions, without needing to wait to speak to a customer representative. For example, a new function within the VRU will automatically handle minor credit extensions for customers who meet defined criteria.

DTE Energy is also analyzing how to expedite implementation of a new VRU that will have an increased capacity to handle calls and the capability to support additional automated transactions, such as turn-on and disconnect requests which currently represent about a third of the telephone centers call volume. Currently, about 9% of all customer call transactions are handled through the company’s VRU. With the implementation of a new VRU, automated transactions will increase to about 20% of total call transactions.

In the future, customers will also be able to complete transactions, such as as turn-on and disconnect requests, through DTE Energy’s internet site. Technology decisions and the implementation plan for enhancing internet capabilities will be complete by the end of June, 2002.

Finally, DTE Energy is assessing potential benefits and costs (both financial and qualitative) of outsourcing customer service functions associated with programs such as the Appliance Repair Plan.

Exhibit #2

TELEPHONE CENTER ACCESSIBILITY– Immediate Fixes

DESCRIPTION	IMPACT
<p>Train and utilize non-CR employees to temporarily take customer calls regarding turn-ons and disconnects. These employee volunteers will work on Mondays and Tuesdays for three to four months, until longer term solutions yield results.</p>	<p>Allows CRs to handle a higher volume of the more complex calls, which will reduce wait times and abandoned calls. As other initiatives are implemented, this initiative will be eliminated.</p>
<p>Divert specific calls/tasks normally handled by non-specialized CRs to temporary teams who have appropriate skills.</p> <ul style="list-style-type: none"> • Assign “after-call” billing work, which does not require customer contact skills, to other employees • Route general company information requests routed to operators • Route trouble calls plus Home Heating Credit, Home Protection Plan, and Appliance Repair Plan calls to specially trained teams 	<p>Allows non-specialized CRs to handle a higher volume of “universal” calls, which will reduce wait times and abandoned calls.</p> <p>If these temporary actions lead to sustainable quality or productivity improvements that can be gained by routing certain work to specialized teams, then permanent process changes will be implemented.</p>
<p>Increase staffing and realign assignments and schedules to ensure coverage during peak periods.</p> <ul style="list-style-type: none"> • Increase CR staffing. • Reschedule work teams to align resources with expected call volumes. • Extend business hours to 8:00 pm • Institute voluntary sixth work days and end of shift overtime. • Reassign CRs who handle “check by phone” function to collection telephone center. • Move outbound call collection CRs to inbound calls. 	<p>Allows telephone centers to handle a higher volume of calls, which will reduce wait times and abandoned calls.</p>
<p>Focus trained CRs on call-handling work, through temporary and permanent reassignments and process changes. Assign other employees to non-call-handling tasks that are normally handled by these CRs (e.g., after-call billing transaction processing, correspondence, etc.)</p>	<p>Allows telephone center to handle a higher volume of calls, which will reduce wait times and abandoned calls.</p> <p>If any of the temporary reassignments and process changes lead to sustainable quality or productivity improvements, then permanent process changes will be implemented.</p>
<p>Outsource the function that allows customers to pay bills over the telephone, and use customer service telephone message to direct callers to the chosen vendor.</p>	<p>Reduces the number of calls that require CR handling, which will reduce wait times and abandoned calls. Allows some CRs to be reassigned back to the telephone center.</p>

Exhibit #2 (continued)

TELEPHONE ACCESSIBILITY– Long Term Solutions

DESCRIPTION	IMPACT
<p>Improve employee performance quality, productivity, and accountability. Focus on training, career development, and clarifying expectations for leaders and CRs.</p> <ul style="list-style-type: none"> • Expand monitoring of calls to better discover root causes of calls, increase accountability for quality, and identify training needs. • Assess CR training needs by using various assessment tools and develop personalized development plans. • Conduct refresher training, for both CRs and leaders, to address issues identified in call monitoring, assessments, or policy reviews. • Review current policies and processes for opportunities to simplify and “error-proof” CR tasks through tactics such as CR scripts, driving quality and productivity improvements. • Provide expanded leadership training on supervisory skills • Utilize daily CR performance reports and new performance measures to improve accountability 	<p>Improves CRs ability to serve customer. Builds on current skills while targeting specific problem areas for improvement.</p> <p>Allows CRs to accurately handle a higher volume of calls, which will reduce wait times and abandoned calls.</p> <p>Increases capacity of leaders to manage performance and hold CRs accountable.</p> <p>Allows more time for leaders to focus on developmental coaching, as less time is required to coach on basic issues and tasks.</p>
<p>Utilize technology enhancements to make telephone center processes more efficient.</p> <ul style="list-style-type: none"> • Conduct an IT infrastructure assessment • Enhance current Voice Response System to handle minor credit extensions. • Expedite implementation of new Voice Response System. • Expand internet site to provide “self-service” transaction capabilities to customers, such as turn-ons and disconnects • Assess and then implement most effective use of automated outbound calling program 	<p>Increases efficiency of call routing, thereby decreasing the number of callers who need to be transferred and put on hold.</p> <p>Allows some customers to bypass customer representatives completely. Empowers customers to handle account issues and reduces call volumes that must be handled by a CR, resulting in decreased wait times and abandoned calls.</p>
<p>Investigate costs / benefits of outsourcing certain customer service functions</p> <ul style="list-style-type: none"> • Appliance Repair Plan (ARP) and Home Protection Plan (HPP) • Payment arrangement calls 	<p>Decreases the number of calls handled by CRs, by routing calls directly to the chosen vendors. Allows CRs to handle a higher volume of other calls, which will reduce wait times and abandoned calls.</p>

Credit Centers & Payment Options

Improvement Approach & Performance Commitments

As with improving telephone accessibility, DTE Energy's approach toward improving credit center accessibility at DTE Energy has three goals:

- Increasing the quality, availability and usage of alternative payment options
- Reducing the average length of credit center visits.
- Improving the quality of credit center operations.

DTE Energy used the merger as an opportunity to review historical approaches employed by Detroit Edison and MichCon to serve customers and then design new approaches that would better meet customers' current and future needs. Customer convenience was one of the cornerstones of the process redesign work associated with the merger, and the driving factor behind the company's decision to restructure its credit center operations. (See Appendix C for details on credit center locations before and after the merger.)

The overall plan is to transform the facilities historically referred to as "customer offices" into credit centers that specialize in the credit and collection activities that truly require face-to-face interactions. For those transactions that do not require face-to-face interactions, an expanded network of alternative payment locations and methods is being implemented which will provide added convenience for all customers.

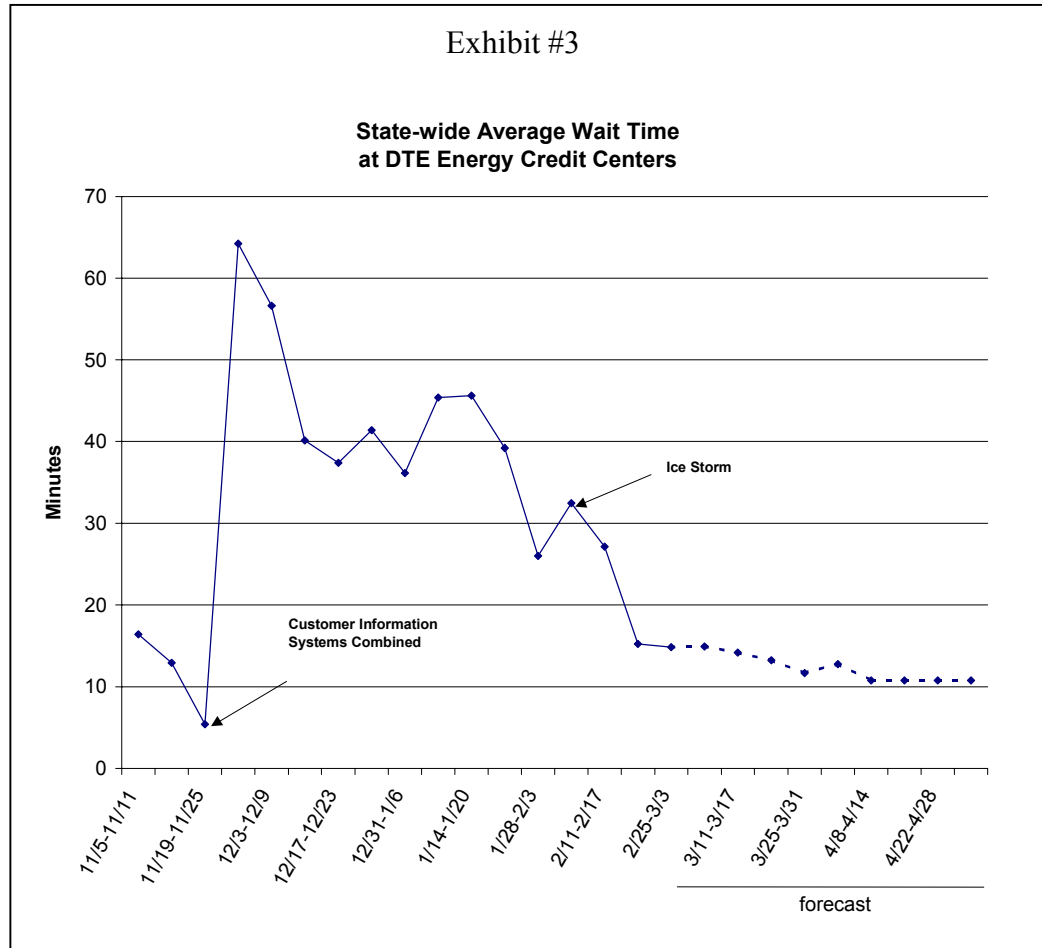
Encouraging non-collection activities to take place away from credit centers will decrease general traffic volume and wait times at these locations. This desired shift in credit center traffic will allow the company to focus its people resources and optimize its credit and collections operations to provide better overall customer service.

Performance Commitment. DTE Energy's goal is to achieve an average wait time of 15 minutes or less each month across all credit centers between the months of April and June, 2002; dropping to 10 minutes or less for the rest of 2002 and thereafter.

Immediate Fixes

Increasing Temporary & Permanent Staff. The “immediate fix” improvement efforts at the credit centers are primarily focused on reducing wait times by increasing staffing to handle credit center traffic. DTE Energy expects to complete permanent staffing increases at the credit centers by mid-March through new hires and some permanent staffing reassignments. In the meantime, some temporary staffing solutions have also been put in place, such as voluntary overtime and shifting some field collectors to credit center office work.

The average wait time across all credit centers has already dropped by more than 50% since the “immediate fix” initiatives listed in Exhibit #4 were implemented. Wait times across all credit centers averaged 15 minutes during of the last week in February.



Improving Quality & Productivity. Quality and productivity improvements represent the another major area of focus for the “immediate fix” initiatives within the credit centers. These efforts are similar to the quality efforts within the telephone centers, and include such things as:

- Visit monitoring and other performance management techniques
- Regular meetings with credit and collection leaders to assess performance and address findings
- New reporting mechanisms to assess processes and make continuous improvements
- Training, career development, and increased expectations/accountability for leaders and customer representatives.

All of these quality initiatives will provide feedback on performance to allow for continuous improvement and better customer service.

Improving Communication with Agencies & Stakeholders. DTE Energy has also taken immediate action to improve communications regarding credit and collection actions and policies. The confusion mentioned earlier due to the merging of gas and electric customer service functions was not limited to customers. Upon discovering that some staff members of various assistance agencies that work with DTE Energy were confused about how to contact the company after the merger, follow-up communications were issued.

DTE Energy committed to timely completion of requests and provided a specific fax number and key contact names and telephone numbers to ensure convenient and timely access to DTE Energy. Based on feedback and current performance, DTE Energy believes that communication processes between the various agencies and the company are now running smoothly and efficiently.

In addition to agency-specific communications, a broader communications effort has been initiated to explain DTE Energy’s billing, credit, and collection practices to various stakeholder groups across the state. Other external and internal communication strategies are detailed in the “Enhancing Communications” section of this report.

Long Term Solutions

Improving Employee Performance. Long-term initiatives have been implemented to improve credit center employee performance quality, and to promote accountability and productivity. These initiatives include such things as: training and development for employees and supervisors, reviewing policies and procedures for opportunities to simplify and “error-proof” daily tasks, and developing new tracking measures and reports to improve accountability.

Improving & Expanding Pay Agent Network. DTE Energy is continuing its efforts to expand its network of pay agents throughout the state. See Appendix C for more details on DTE Energy’s current network of alternative payment options and locations. Concurrent with these efforts, DTE Energy is working to reduce the time to post automated payments and improve the consistency and quality of pay agent practices.

Encouraging Usage of Automated Payment Stations. DTE Energy is also expediting plans to install automated payment stations, first at credit center locations and later in public locations. Employees will be assigned to actively encourage the use of these machines through hands-on training and assistance. The company believes that customers’ initial reluctance to use these new stations can be overcome once DTE Energy employees physically demonstrate that these stations are as easy to use as automated teller machines owned by banks.

The hands-on efforts at actual automated payment station locations will be augmented by external communications to make all customers aware of this new and convenient way to make payments and the company’s expanding network of pay agents located throughout the state.

Through these efforts described above, DTE Energy hopes to cut non-collection activity in credit centers from its current level of about half of all credit center activity to less than 30%.

Exhibit #4

**CREDIT CENTER & PAYMENT OPTION ACCESSIBILITY –
Immediate Fixes**

DESCRIPTION	IMPACT
<p>Increase staffing and realign assignments and schedules to ensure coverage during peak periods.</p> <ul style="list-style-type: none"> • Hire additional full-time and part-time credit center employees to cover peak periods. • Redeploy some field collectors to highest volume credit centers (some permanently and some temporarily). • Reprioritize collection activity to align with staffing changes. 	<p>Provides additional staffing at most critical locations, which will reduce wait times.</p> <p>Ensures appropriate balance between field and credit center collection activities until longer term process improvements begin to have positive impacts.</p>
<p>Improve credit center employee performance quality and productivity:</p> <ul style="list-style-type: none"> • Monitor visits and utilize other performance management techniques. • Hold regular meetings with credit and collection leadership to assess performance and address findings. • Conduct refresher training to address issues identified in visit monitoring, assessments, or policy reviews. 	<p>Improves quality and productivity of credit center employee work, which will reduce wait times and improve problem resolution for customers.</p> <p>Provides feedback on performance to allow for continuous improvement.</p>
<p>Continue building relationships and educating agencies and other key stakeholders.</p>	<p>Reduces stakeholder concerns and confusion, which then reduces customer concerns, confusion, and complaints.</p>

Exhibit #4 (continued)

**CREDIT CENTER & PAYMENT OPTION ACCESSIBILITY –
Long Term Solutions**

DESCRIPTION	IMPACT
<p>Develop and implement initiatives that encourage quality, productivity, and accountability:</p> <ul style="list-style-type: none"> • Provide general leadership development training and coaching. • Review current policies and processes for opportunities to simplify and “error-proof” daily tasks. • Develop new reporting mechanisms to assess processes and make continuous improvements. 	<p>Improves quality and productivity of credit center employee work, which will reduce wait times and improve problem resolution for customers.</p> <p>Provides feedback on performance to allow for continuous improvement.</p>
<p>Improve accessibility and quality of operations for alternative payment options</p> <ul style="list-style-type: none"> • Continue efforts to expand pay agent network. • Address inconsistencies in regional pay agent procedures. • Expedite implementation of automated pay stations (similar to automated teller machines). • Educate customers on the availability, convenience, and effectiveness of alternative payment options. 	<p>Improves accessibility and convenience for all customers, especially those who were affected by closing of credit centers.</p> <p>Improves consistency and quality of pay agent services.</p> <p>Reduces non-collection traffic at credit centers and inbound call volume, which will reduce wait times.</p>
<p>Implement process improvement efforts:</p> <ul style="list-style-type: none"> • Reduce time to post automated payments. • Reduce the amount of returned mail. 	<p>Reduces potential for shutoffs in between the time payments are received and the time payments are posted.</p> <p>Eliminates errors in customer accounts resulting from information that was not received.</p>

***IV. RESOLVING & PREVENTING
BILLING PROBLEMS***

IV. RESOLVING & PREVENTING BILLING PROBLEMS

Improvement Approach & Performance Commitments

Recently, a number of errors have occurred and backlogs of work have accumulated within DTE Energy's billing processes. Given this situation, it is not surprising that customer concerns over billing have steadily increased. DTE Energy is committed to addressing these concerns and reversing the recent declines in billing performance. DTE Energy is pursuing these goals in two primary ways:

- Reducing work backlogs
- Implementing comprehensive billing process improvement efforts.

The company's most immediate priority has been to process the backlog of work that affects customer billing. One area of work backlog, new landlord contract requests, was an area of concern specifically cited by the MPSC in their order establishing Case No. U-12387. Clearing all of the billing work backlogs will reduce rework, repeat customer calls, and complaints – and provide a “clean slate” environment for implementing new processes and controls designed to improve billing quality.

Performance Commitments. One of the first steps in this process will be commissioning a compliance audit of the company's billing systems and associated controls, to be completed by the end of the second quarter 2002. DTE Energy intends to use the results of this audit to guide the design and definition of a measure (or measures) to assess billing accuracy on a monthly basis. While DTE Energy has tracked various “billing accuracy” metrics in the past, the company feels that these metrics need to be updated, given today's changing business environment and to better reflect the perspective of today's customers. In the short run, DTE Energy is committed to eliminating the backlog of landlord contract requests by mid-March and achieving a target of responding to all new requests within 30 days.

DTE Energy will meet regularly with the MPSC Staff to review upcoming billing policy or practice changes. In addition, the company intends to provide regular status reports on the company's performance in complying with billing rules, beginning by the end of this summer.

Immediate Fixes

“Immediate fixes” in the billing area are primarily focused on eliminating backlogs of billing related work and on preventing new work from accumulating.

Utilizing Temporary Staffing Solutions to Reduce Backlogs. Temporary teams have been established to work full time on eliminating work backlogs in four areas:

- landlord contract requests
- developer requests concerning multiple meters
- meter field work
- billing address errors

In addition to working overtime on these efforts, the company has implemented weekend “blitz” efforts to drive down backlogs quickly, which will ultimately drive down repeat calls associated with billing.

Once these backlogs are eliminated, the company is confident that its actions to improve the billing process and appropriately align staffing will prevent new backlogs from accumulating.

Improving the Billing Process. DTE Energy has also quickly implemented a number of billing process improvements. System changes were made to eliminate hand-offs between functional groups as billing problems are resolved. Certain types of work have been shifted to better align the work with available skilled resources. In addition, cross-functional teams have been established to review proposed bill format changes, and those changes will also be reviewed with the MPSC Staff prior to implementation.

Planning for Bill Consolidation. One of the most significant “immediate fixes” in the billing area has been the establishment of a team that will aggressively manage all aspects of the company’s upcoming effort to consolidate billing accounts. This team is already developing action plans to accomplish the bill consolidations and contingency plans to address any issues or concerns that may emerge along the way. A critical part of these plans is a comprehensive customer communication and education strategy that will be implemented to prevent customer confusion and concerns.

Effective implementation of this bill consolidation effort is necessary to deliver on promised customer convenience benefits associated with the merger – and to prevent customer concerns or problems regarding bill consolidation. DTE Energy will not begin its bill consolidation efforts until the company is convinced that effective action plans and contingency plans are fully developed and ready to be executed.

Preparing for Expanded Customer Choice Participation. DTE Energy already has systems in place which are handling current volumes of electric and gas choice billing. However, new gas choice billing functions are scheduled to be implemented in April 2002, to accommodate expanded Gas Choice program across the state. Also, the company intends to transition its Electric Choice customer service operations from the independent project group, where these functions currently reside, into normal company operations. However, this will not occur until DTE Energy is confident that such a transition will not degrade the level of service provided to either choice customers or customers receiving regulated, bundled electric service.

Rigorous readiness assessments of the new billing system functions and related customer service processes will be conducted before final implementation approval is granted, with a special focus on quality controls. These readiness assessments will also evaluate the effectiveness of internal and external communications and employee training, which are be critical to prevent deterioration in service levels and/or customer confusion as these changes are made.

Long Term Solutions

Continuous improvement and problem prevention are the primary goals of DTE Energy's long term billing solutions.

Implementing a Comprehensive Billing Process Improvement Initiative.

The most significant effort in this area was first commissioned in Fall 2001, as a project under the company's new operating system for continuous improvement. The DTE Energy Operating System is a system of principles, concepts, and tools for operating and continuously improving company processes.

It is based on principles that Toyota has employed with much success over the years, such as:

- Only produce and deliver what is valuable to the customer.
- Standardize both operating and continuous improvement practices.
- Engage all employees in monitoring, self regulating, and improving everyday business processes and results.

The goals of this billing improvement effort include reducing the total number of billing exceptions (i.e. situations where intervention is required to resolve a billing issue) by eliminating the root causes. Another goal is to increase the efficiency and effectiveness of the billing processes with DTE Energy such that all customer account issues are resolved within one billing cycle. The full-time team working on this project is applying DTE Energy Operating System principles and tools to not only fix current problems, but also create an infrastructure that will support sustained learning and improvement.

Improving Billing Process & System Controls. Another long term infrastructure issue is the enhancement of billing process and system controls. Based on the results of the billing system compliance audit mentioned earlier and additional assessments, this effort will result in new monitoring reports, new sampling and testing routines to identify errors, and new checks and balances within the billing system. It will address the entire billing process from meter reading and estimating to the rendering of customer bills. All of the new controls will improve quality and prevent the types of billing errors cited by the MPSC in Case No. U-12387.

Improving Employee Performance. Finally, most of the initiatives described in earlier sections of this report that are designed to improve employee performance quality and encourage accountability and productivity will also be implemented within the billing organization at DTE Energy. These initiatives include such things as training and development for employees and supervisors, reviewing policies and procedures for opportunities to simplify and “error-proof” daily tasks, and developing new tracking measures and reports to improve accountability.

Exhibit #5

CUSTOMER BILLING – Immediate Fixes

DESCRIPTION	IMPACT
<p>Utilize company resources and temporary reassignments to resolve current billing backlog issues</p> <ul style="list-style-type: none"> • Assign backlog of landlord contract requests to temporary team of non-CR employees. • Utilize voluntary overtime to reduce backlog of billing issues. • Assign backlog of address corrections to temporary team of non-CR employees. • Improve processes to prevent new backlogs from accumulating (Also see long term solutions on next page.) 	<p>Resolves billing backlog issues while freeing up CRs and allowing more time for call handling.</p> <p>Decreases ASA and reduces wait time and abandoned calls.</p>
<p>Change billing operating processes to better align work with the people most suited to handle such issues.</p> <ul style="list-style-type: none"> • Expand access to certain billing system functions to allow select trained employee work groups to resolve billing issues. • Reassign technical work events to qualified clerks. 	<p>Frees up resources needed to resolve billing issues. Eliminates need to hand off unresolved billing issues to Residential Customer Billing group and expedites resolution process for customer. Allows CRs to handle a higher volume of billing calls.</p>
<p>Plan for and proactively manage all issues associated with bill consolidation efforts</p> <ul style="list-style-type: none"> • Design and implement a comprehensive communications plan. (Also see communications section of this report.) • Create a team that is prepared to address any issues /concerns that emerge due to consolidation. • Dedicate resources to increase bill consolidation. • Prioritize improvements to billing software to address consolidation issues immediately. 	<p>Increases customers' convenience in making payments.</p> <p>Reduces confusion due to billing consolidation, which reduces the number of billing calls.</p> <p>Eliminates future errors through timely process and system improvements.</p>
<p>Utilize cross-functional teams to review all billing or bill format changes before implementation.</p>	<p>Assures changes to bills, such as rates and format, are accurate and customer friendly.</p>

Exhibit #5 (continued)

CUSTOMER BILLING – Long Term Solutions

DESCRIPTION	IMPACT
<p>Conduct a comprehensive review of billing-related processes to determine controls necessary to prevent billing errors and identify cause and resolution for current billing backlog.</p> <ul style="list-style-type: none"> • Implement a comprehensive billing improvement initiative associated with the DTE Energy Operating System. • Conduct a compliance audit of company billing systems and controls. Then, enhance control procedures appropriately. • Analyze new account establishment process and landlord contract program for improvement opportunities. 	<p>Prevents widespread service failures and reduces billing events and rework within Customer Service.</p> <p>Eliminates billing confusion, decreases call volumes, and frees CRs to handle a higher number of non-billing calls.</p>
<p>Develop long term programs that encourage quality, productivity, and accountability:</p> <ul style="list-style-type: none"> • Provide general leadership development training and coaching. • Review current policies and processes for opportunities to simplify and “error-proof” daily tasks. • Develop new reporting mechanisms to assess processes and make continuous improvements. 	<p>Creates knowledgeable leaders who can better manage resources and work with employees. Reduces call handling time and improves employee morale.</p>
<p>Expand company internet site to include bill presentment and payment.</p>	<p>Reduces call volumes, reduces billing and remittance work load.</p>



V. ENHANCING COMMUNICATIONS

V. *ENHANCING COMMUNICATIONS*

Improvement Approach & Performance Commitments

A critical component of DTE Energy's Customer Service Improvement Plan is communications to explain and support the various changes being made to improve customer service at DTE Energy. DTE Energy is developing and implementing an integrated communications plan that will help promote better understanding of the company's commitment to quality service and increase awareness of DTE Energy and its relationships to Detroit Edison and MichCon. The communication plan includes:

- **Direct Customer Communications**, including bill messages, bill inserts, brochures, direct mail, appearances at community forums to listen to customer input and educate customers, and automated telephone messages that align with operational and service improvements;
- **Media Relations**, including press releases, editorial updates and media placement efforts, such as newspaper articles, radio interviews;
- **Advertising**, including print and/or radio messages that highlight service improvements being made;
- **Employee Communications**, to ensure that employees have the most up-to-date and complete knowledge base and that they understand customer concerns

Communications strategies have also been developed to reduce or prevent customer concerns and confusion related to a number of upcoming events. See Exhibit #7 for examples of these events and associated communication strategies.

Performance Commitments. DTE Energy is committed to enhancing customer communications, especially regarding changes or service improvements being made within the company. In the short-run, this commitment will be most evident in the proactive communication strategies employed to support the upcoming bill consolidation efforts. DTE Energy will execute a communication campaign to educate customers on the changes they might experience as the company works to combine their gas and electric account charges into a single bill. This campaign will be appropriately timed and targeted to maximize effectiveness and avoid confusion among customers who will not be impacted by this bill consolidation effort.

DTE Energy is also committed to designing and implementing communications as needed to address issues that are identified through the company's ongoing quality monitoring and performance management efforts.

Finally, DTE Energy is committed to improving communications with the MPSC and its Staff by having senior company leaders provide monthly face-to-face progress reports on this Customer Service Improvement Plan until service has improved and is being sustained at the high level that customers deserve. These meetings will be supplemented by quarterly written status reports.

Immediate Fixes

Preventing Customer Confusion through Communications. An ongoing monitoring process is underway to identify specific points of customer confusion as customers contact the company. The company will execute communication strategies to educate customers about the type of issues that have generated large volumes of calls in the past. In addition, the company will inform customers of improvements that have been made to address concerns that customers have expressed in calls, correspondence, complaints or market research studies. Examples of communication strategies associated with specific events and internal process improvements are listed in Exhibit #7.

Improving Customer Service Quality through Internal Communications. These communication strategies will be supported by extensive internal communications. Communications to customer service representatives are an ongoing, daily endeavor to ensure that they have the most up-to-date and complete knowledge.

All items that impact customers are communicated to customer representatives through the company's NewsFlash process. This process is an immediate electronic communication process delivered to all representatives throughout Customer Service, and archived on-line for future reference. In cases where additional explanation or training is required, supervisors will review the communication with the representatives in daily face-to-face huddles.

In summary, the company believes that effective internal communications will translate into better customer communications and better customer service through timely, accurate, informative, and effective customer interactions.

Long Term Solutions

Educating Customers through Proactive Communications.

Communications will also support the long-term improvement initiatives described throughout this document as part of DTE Energy's Customer Service Improvement Plan. The company is committed to effectively communicating to customers about any changes they may see or experience in dealing with DTE Energy.

For example, customer communications plays a critical role in the company's efforts to transform its traditional customer offices into credit centers that specialize in collection transactions requiring face-to-face interactions. Customers need to be educated about alternative payment options and shown that these options are just as effective – and even more convenient – than making a visit to the local DTE Energy credit center.

Another example is the need to educate customers about Choice options. See Exhibit #7 for some specific communication strategies that are in place to address the issue of Choice.

Monitoring for & Addressing Emerging Issues. To address unforeseen customer concerns or service problems, a service recovery process is being identified to quicken the company's response time to these types of situations. Communication templates are being developed that include customer and community letters and press releases which can be quickly personalized and triggered.

Finally, the company will continue to monitor the business environment and various customer inputs to identify issues that could be addressed through improved communications. The company has monitoring processes in place to identify common themes in customer conversations, correspondence, and complaints and the patterns and reasons behind repeat calls or visits. Insights from these monitoring activities will be integrated into future communication strategies.

Exhibit #6

ENHANCING COMMUNICATIONS – Immediate Fixes

DESCRIPTION	IMPACT
<p>Execute external communications to inform customers about recent or upcoming events. As shown in examples on the next page, specific communication plans include such things as:</p> <ul style="list-style-type: none"> • Bill messages and bill inserts • Media placement efforts • Brochures • Direct mail • Website communications • Telephone messages on the customer service line • Appearances at community forums to listen to, and educate, customers 	<p>Reduce or prevent customer concerns and confusion related to these events, reducing incoming calls and customer complaints.</p>
<p>Execute external communications to educate customers on upcoming changes driven by near-term process improvement efforts. As shown in examples on the next page, specific communication plans include such things as:</p> <ul style="list-style-type: none"> • Bill messages and bill inserts • Media placement efforts • Brochures • Direct mail • Website communications • Telephone messages on the customer service line • Appearances at community forums to educate and gather input 	<p>Reduce or prevent customer concerns and confusion related to changes in company processes or messages, reducing incoming calls and customer complaints.</p>
<p>Design and execute internal communications to support customer service improvements. Information provided through:</p> <ul style="list-style-type: none"> • Electronic updates, on-line help programs & archives • Face-to-face team huddles • Written bulletins • Formal and informal training 	<p>Ensures that representatives have the most up-to-date and complete knowledge base.</p> <p>Better customer communications and better customer service through timely, accurate, informative, and effective customer interactions.</p>

Exhibit #6 (continued)

ENHANCING COMMUNICATIONS – Long Term Solutions

DESCRIPTION	IMPACT
<p>Continue to monitor community and customer feedback for emerging issues that could be addressed through improved communications. Design and execute communications accordingly.</p>	<p>Educates customers on specific service issues or practices to reduce or prevent the need for calls and visits. Setting reasonable customer expectations will also reduce customer complaints.</p>
<p>Execute external communications to educate customers on upcoming changes driven by long term process improvement efforts. Communication planning is integrated into the project plans of these long-term initiatives.</p>	<p>Reduces or prevents customer concerns and confusion related to these changes, reducing incoming calls and customer complaints. Influence customer expectations and behaviors to align with long-term goals and direction of DTE Energy operating processes.</p>
<p>Develop communication templates that can be quickly personalized and triggered. Includes customer and community letters and press releases.</p> <p>These communications will explain the background or reason for the issue being addressed and reference service recovery actions being taken.</p> <p>Use of these templates will be coordinated with the Service Recovery / Quality Control team discussed in Exhibit #8, under “Expediting Complaint Resolution.”</p>	<p>Increases communication process efficiency and timeliness. Reduces customer calls, allowing CRs to handle a higher volume of other calls and reducing wait times and abandoned calls.</p>

Exhibit #7

EXAMPLES OF COMMUNICATIONS STRATEGIES

UPCOMING EVENTS	COMMUNICATIONS STRATEGIES
<p>Customer Choice:</p> <p>Customer inquiries may increase as electric choice alternative suppliers increase marketing efforts throughout the state. Although a separate telephone center exists for Electric Choice calls, some spillover impacts are expected at the company's main telephone centers. Call volumes may also increase with the expansion of Gas Choice in April 2002.</p>	<p>Electric Choice information will be provided through the CHOICE Advisory Council and DTE Energy Choice brochures, website and a toll-free information telephone number. Inbound customer calls will continue to be handled by in-house and contracted telephone centers that are independent of DTE Energy's main customer service line.</p> <p>Gas Choice information will continue to be provided via customer bill messages, media placement efforts, and calls to the company's main telephone center (which are directed to specific CRs).</p>
<p>Annual Budget Billing Payment Recalculations:</p> <p>Gas budget billing customers will experience an annual recalculation of monthly payments in May 2002, which may change customers' monthly payments.</p>	<p>Targeted communications via billing messages and more general media placement efforts.</p>

CUSTOMER SERVICE IMPROVEMENTS	COMMUNICATIONS STRATEGIES
<p>Bill Consolidation</p> <p>Many customers will notice changes to their bills when the company begins consolidating gas and electric accounts into a single bill format. These consolidation efforts will likely begin mid-year and continue through December.</p>	<p>Full page letter covering each newly consolidated bill, intended to educate customers about the changes they will see in that bill. Also included are media placement efforts and community meetings. Direct mail will be used to help facilitate consolidation of bills that cannot be systematically combined. Also, informational messages will be available on the customer service telephone line.</p>
<p>Expanded Payment Options</p> <p>DTE Energy is expanding its network of alternate pay options, which include pay agents, pay stations, telephone payments, credit centers, and (in the future) internet bill payment.</p>	<p>As payment options increase and credit center locations are modified, communications will be developed to help clarify the changes to customers. Communications will include billing messages, media placement efforts, informational community meetings, "Frequently Asked Questions" listed on the website, and credit center signage.</p>
<p>Expanded Telephone Center Business hours</p> <p>Regular business conducted until 8 p.m.</p>	<p>Information provided via bill messages, automated telephone system messages, "Frequently Asked Questions" listed on the website, and press releases. Radio advertising is under consideration.</p>

***VI. EXPEDITING COMPLAINT
RESOLUTION***

VI. EXPEDITING COMPLAINT RESOLUTION

Improvement Approach & Performance Commitments

DTE Energy's primary strategy regarding customer complaints is to prevent them from occurring in the first place – which is the focus of all of the initiatives listed in the previous sections of this report. DTE Energy is confident that the Customer Service Improvement Plan efforts described throughout this document will result in greatly enhanced customer service, more satisfied customers, and a reduction in customer complaints.

The Consumer Affairs group at DTE Energy, which is responsible for the complaint resolution process at the company, is also focused on preventing problems and improving the process for the complaints that do occur. The operational improvements addressed earlier, combined with the “immediate fix” and “long term solutions” initiatives focused on the complaint resolution process itself, will allow DTE Energy to meet its performance commitments for responding to and resolving complaints.

Performance Commitments. Through all of the initiatives described in this Customer Service Improvement Plan, DTE Energy expects to reverse currently escalating complaint trends and reach a level that matches historical lows (based on the past four years). This translates into an average rate of 215 complaints per month, which the company intends to achieve during the last six months of 2002 and maintain throughout 2003.

For the complaints that do still occur, DTE Energy is committed to responding to 95% or more of all complaints within two business days, with a target of 80% of all complaints being resolved within 10 days. Furthermore, DTE Energy is committed to continually improving its processes for keeping the MPSC Staff up-to-date on complaints and emerging issues.

Immediate Fixes

“Immediate fixes” for complaint resolution are focused on two fronts: resolution and prevention.

Adding Temporary & Permanent Staff. To resolve complaints in a more expeditious way, DTE Energy has added additional staffing to the complaint

handling team. Temporary contract employees have been hired to quickly eliminate complaint backlogs. An additional permanent position has been filled to assist in meeting the three day target for responding to customer complaints and to support follow-up communications with the MPSC Staff. Formal reports of closed electric complaints are being sent weekly, and will be sent for both gas and electric by mid-March. Informal updates to the electric and gas Staffs at the MPSC are occurring on a regular basis to keep them up-to-date on current cases.

Improving Efficiency through Technology Enhancements. In addition, programming and testing have been expedited for an information systems project that will create new monitoring reports and the capability for electronic transmission of closed complaint summaries. These automated reports and electronic transfer capabilities will enhance complaint tracking and internal performance management for DTE Energy, and complaint tracking for both DTE Energy and the MPSC Staff.

In addition, the Consumer Affairs department at DTE Energy has launched a new initiative to develop electronic capability to receive complaints from the MPSC Staff, which would reengineer the way complaints are received, resolved, and reported back to the MPSC Staff. This technology project may utilize existing e-mail accounts, websites, or new tools yet to be developed.

Preventing Escalation of Complaints. DTE Energy is also working to prevent the escalation of complaints and requests for hearings. DTE Energy is coordinating its efforts with the MPSC Staff, providing them explanations and supporting information when problems do arise and alerting them in advance when the company suspects that a problem may lead to multiple complaints. Hopefully, through these kinds of efforts, a stronger working partnership will evolve between DTE Energy and the MPSC and its Staff. And, through this partnership, more customer issues could be effectively resolved through informal hearing processes, which would save time and resources for all parties involved.

Long Term Solutions

Preventing Problems & Escalated Complaints. DTE Energy's long-term strategies regarding customer complaints start with preventing the problems that may spur customer complaints in the first place. Within the Consumer Affairs group at DTE Energy, a training and development plan is being designed to encourage quality, productivity, and accountability. Consumers Affairs employees, and other groups across the company, will be educated on

customer service processes in general and specific complaint resolution processes. This training will include a review of the types of customer complaint situations which customer representatives and/or their leaders are expected to –and empowered to –resolve. Combined with general skills training, these efforts will promote consistent, timely, and accurate application of company policies and procedures.

Monitoring for & Addressing Emerging Issues. However, despite all of the problem prevention efforts outlined in this document, some problems may still occur. Given this, the company is establishing a Quality Control/Service Recovery team comprised of representatives from across the company to flag and handle emerging problems before they impact customers or to handle service recovery when the problem cannot be foreseen. The Consumer Affairs group at DTE Energy is also working hand-in-hand with Corporate Communications to quickly respond to ad-hoc media requests on various customer service issues.

Utilizing Technology to Improve the Complaint Resolution Process. Finally, DTE Energy will continue to seek ways to improve its complaint resolution processes through technology enhancements, electronic systems, and web and e-mail tools. These technology enhancements will improve the flexibility and efficiency of the complaint handling process at DTE Energy, resulting in better service for customers and the MPSC Staff.

Exhibit #8

COMPLAINT RESOLUTION – Immediate Fixes

DESCRIPTION	IMPACT
<p>Add staffing to reduce backlog of customer billing complaints and keep current in new incoming work</p> <ul style="list-style-type: none"> • Add temporary contract employees who have the appropriate skills and experience. • Ensure timely backfill when vacancies occur in critical staff positions. • Overtime for existing employees. 	<p>Reduces the backlog by increasing increments each week until April 15th, when the backlog will be at zero.</p> <p>Allows for improvements in the company’s initial response rates and resolution cycle times. Ensures timely status reporting to the MPSC on individual cases.</p>
<p>Implement technology and process improvements within the company’s customer complaint resolution processes.</p> <ul style="list-style-type: none"> • Accelerate completion of automated reports to better manage the complaint resolution process and improve communication with the MPSC Staff. • Develop electronic capabilities to receive complaints from the MPSC Staff, (i.e. website and/or email). • Work with the various operating groups to correct the root cause of new complaints. 	<p>Allows for a reduction in the company’s internal cycle time on new complaints, and ensures timely status reporting to the MPSC on individual cases.</p> <p>Provides a new electronic capability for Consumer Affairs and the MPSC Staff to transmit, process and record complaint activity, thereby increasing efficiency.</p>
<p>Develop and utilize a follow-up letter with customers who had an escalated complaint to ensure their satisfaction and to redirect the customer back to Consumer Affairs if an issue remains unresolved.</p>	<p>Reduces the number of requests for formal hearings that may arise from a dispute in the customer’s view that remains unresolved.</p>
<p>Continue to work with the MPSC Staff to develop tools/processes that will better enable that partnership.</p> <ul style="list-style-type: none"> • Seek appropriate ways to increase the use of the informal hearing process. • Obtain early “heads up” information from operating groups on spontaneous problems that may create telephone calls to the MPSC Staff. Notify the MPSC Staff and provide a script of how to respond. • Develop and implement a method to assess satisfaction with DTE Energy’s complaint handling among the MPSC Staff to gauge company process improvements. 	<p>Improves the relationship between the company and the MPSC, and creates a fair method of monitoring process improvements. Also reduces the number of escalated complaint calls from the MPSC and new residential requests for formal hearings.</p>

Exhibit #8 (continued)

COMPLAINT RESOLUTION – Long Term Solutions

DESCRIPTION	IMPACT
<p>Develop and implement training that educates specific groups of employees on MPSC rules, the hearing process, complaint resolution and related policies and procedures.</p> <ul style="list-style-type: none"> • Training on the informal hearing process for use with specific groups (for example, telephone centers and credit centers). • Train new leaders on MPSC rules and related company policies/procedures. • Conduct “professional customer relations” training for new Consumer Affairs team members. • Coordinate any new training on systems and processes associated with the Escalated Complaints Management System. • Incorporate both team and individual targets and performance reviews into relevant employees’ evaluations. 	<p>Improves individual and team performance in the areas that affect customer service via better employee morale and productivity, level of professionalism, and consistency of training.</p> <p>Also reinforces the use of the informal hearing process in lieu of the formal process.</p>
<p>Develop response mechanisms to quickly deal with customer service issues as they appear.</p> <ul style="list-style-type: none"> • Work with Corporate Communications to respond to the media requests for a contact point on issues. • Establish a cross-functional Quality Control/Service Recovery team to quickly react to service failures and mitigate negative impacts. 	<p>Reduces calls to the MPSC regarding emerging problems and provide the Staff with information on how the problem is being corrected.</p> <p>Increases the efficiency of addressing media and customer concerns. Improves customer satisfaction, which reduces customer complaint calls. Allows CRs to handle a higher volume of other calls, which will reduce wait times and abandoned calls.</p>

***VII. CONTINUING IMPROVEMENTS
& SUSTAINING QUALITY***

VII. CONTINUING IMPROVEMENTS & SUSTAINING QUALITY

Performance Management

Effectively managing the implementation of this Customer Service Improvement Plan – and ensuring the sustained delivery of its anticipated customer benefits – requires disciplined program and performance management.

A full-time program management team has already developed an overall program plan, which will be updated weekly. This team is responsible for providing an independent evaluation of progress toward completing planned initiatives. Weekly status update meetings are being held with the Customer Service leadership team and key corporate support staff leaders to identify and focus attention on the most significant issues that could potentially delay desired results. This team, and this entire improvement effort, has had active support and participation from across the entire company and from front-line employees to union leadership and the most senior executives at DTE Energy.

Continuing Improvements

The improvement initiatives described in this document reflect DTE Energy's current knowledge of the drivers behind its recent deterioration in customer service and its current plans to improve performance. In addition to these specific plans, DTE Energy has undertaken a very aggressive and comprehensive root-cause analysis effort.

As new insights and conclusions are reached as a result of these root-cause analyses, the DTE Energy Customer Service Improvement Plan will be modified and enhanced. Furthermore, DTE Energy will be constantly monitoring its performance to assess whether anticipated operational improvements are being realized. Course corrections and additional improvement efforts will be implemented, if necessary, to ensure that DTE Energy meets the performance commitments made in this report and delivers the quality service that customers expect and deserve.

VIII. APPENDICES

Appendix A: Details on Billing Problems & Resolutions

Appendix B: Communication Examples

Appendix C: Credit Center Locations Pre- & Post- Merger

Appendix D: Historical Statistics for Customer Representative Staffing & Abandoned Calls

Appendix A: Details on Billing Problems & Resolutions

Budget Wise Billing Adjustments for Gas Customers

Situation: Approximately 200,000 MichCon customers are currently enrolled in the company's budget billing program. These customers have chosen to levelize their payments throughout the year by paying a fixed monthly amount, subject to an annual settlement and reconciliation process. During the settlement process, usage and balances are reviewed and a new payment is calculated for each customer.

Under MichCon's budget billing program, if a new payment amount was higher than the old budget amount by a certain percentage and dollar amount, the customer should have been notified to begin paying the newly calculated monthly budget payment. Unfortunately, the variance criteria that should have triggered the new payment amounts to be implemented had not been set correctly within the MichCon Customer Information System when it was implemented. Due to this error, all monthly payments stayed level and debit balances had been rolled forward since April of 1999.

This programming error was not discovered until an out-of-cycle recalculation took place in September of 2001 in anticipation of an increase in the gas cost recovery (GCR) charge upon conclusion of Case No. U-13060. The new payment amounts generated during this out-of-cycle recalculation took into account all outstanding debit balances that had been accumulating since April 1999, resulting in significantly higher monthly budget payments for some customers. It is estimated that 200,000 customers were impacted overall.

Company Response: DTE Energy sent a letter to all customers receiving increases of greater than 75% explaining that the new payments reflected their outstanding balances plus an adjustment for the anticipated gas price increase. They were told that the new budget amount would help bring their account into balance by the time budget accounts are again analyzed.

Customer representatives were notified of the situation and were prepared to work with the customers. Customers who requested to pay less than their calculated monthly budget payment, were allowed to do so with the notice that if a debit amount was outstanding on the bill at settlement, the full amount would be due.

Due to the fact that some customers had their debit balances rolled forward from prior years and others chose to have their payment amounts adjusted manually, the company decided against making additional payment recalculations after the actual GCR increase was announced in December 2001. After reviewing the balances of a subset of customers, the company

Appendix A: Details on Billing Problems & Resolutions

determined that no distinctive pattern could be noted such that a payment increase would not cause further issue.

Gas Cost Recovery Charge Pro ration

Situation: The MPSC ordered an increase in MichCon's gas cost recovery (GCR) charge in its December 20, 2001 ruling in Case No. U-13060. This price increase should have been implemented such that all bills issued during the month of January 2002 reflected a higher GCR factor, even for the usage that actually occurred during the month of December. This practice is known as "period effective" pricing.

In error, DTE Energy began implementing the GCR increase using "date effective" pricing practices, where by only the usage that was estimated to have occurred after January 1, 2002 (the "date effective") was billed at the higher GCR rate. This estimated pro ration was based on the number of days billed. Any usage that was estimated to have occurred before January 1 was billed at the lower GCR rate. Bills for eight billing cycles were rendered before the pricing implementation error was discovered on January 11, impacting about 480,000 customers.

On January 14, program changes were made to correct the pro ration problem. However, the billing system continued to pro-rate some customer bills whose meters were read prior to their scheduled meter read date. The pro-ration that was driven by meter read dates was applied to the remaining January billing units as well as applied to re-billed amounts for the first eight billing units in January. The result was that for customer accounts that were read before the scheduled meter read date in December, 2001, volumes were pro-rated between the period from the actual read date and the scheduled read date. Volumes for this pro-rated period were priced at the \$2.95 per mcf rate. Generally, this small pro-ration reflected no more than one or two days of consumption. This pro-ration issue was corrected on February 1, 2002. Moreover, the problem resulted in MichCon billing for less than it should have for the January, 2002 billing cycle. In order to minimize customer confusion, MichCon does not plan to issue corrected bills to address this problem.

Company Response: Programming fixes were quickly implemented and the inaccurate bills were cancelled and re-invoiced utilizing "period pricing." These corrected invoices were included on each affected customer's February bill statement, resulting in increases of about 20% for most of these customers, or in the \$10-or-less range. In addition, a bill message was included on these statements explaining the situation and customer representatives were briefed to aid them during customer inquiries.

Appendix A: Details on Billing Problems & Resolutions

In addition, an audit review was conducted to identify the root causes of this error. As a result of this audit, billing process and system controls are being enhanced. This effort will result in new monitoring reports, new sampling and testing routines to identify errors, and new checks and balances within the billing system. All of these new controls will improve quality and prevent the types of billing errors cited by the MPSC in their order establishing Case No. U-12387.

Customer Attachment Program Issues:

Situation: In January 2002, approximately 3,000 gas Customer Attachment Program (CAP) accounts were not invoiced due to an operational oversight at DTE Energy. This error occurred when some unrelated bill processing work, which shares the same processing schedule as the CAP invoicing program, was rescheduled to relieve the heavy post-holiday batch processing schedule. When the other bill processing work was rescheduled, the program that generates CAP invoices was also automatically rescheduled to run on Saturday, December 29, 2001. Unfortunately, a calendar feature in the CAP invoicing program prevents it from processing on Saturdays, so no invoices were created during that cycle. Also, as currently written, the CAP invoicing program can only be run with the first billing cycle of the month. This prevented the company from running the CAP invoicing program immediately after the error was discovered.

Company Response: CAP customers who were not invoiced in January were double invoiced in February.

To prevent this problem from occurring again in the future, DTE Energy is implementing additional controls that will create an independent processing schedule for the CAP invoicing program. Future rescheduling of unrelated bill processing work will not affect the CAP invoicing program schedule. Also, program enhancements are being designed to give the CAP invoicing program the capability to run out-of-cycle processing if needed.

Appendix A: Details on Billing Problems & Resolutions

Estimating Problems in Alpena

Situation: When DTE Energy implemented its new customer information system in late November, 2001, the system contained two errors that resulted in approximately 10,000 identical estimated bills being issued to customers in the Alpena area during December 2001 and January 2002.

The meters for these accounts were read by DTE Energy meter readers using DTE Energy equipment, but were processed by Alpena Power under a Joint Meter Reading agreement. Alpena Power's meter reading software tagged these meter reads with a read-type of "N", for normal. An error in DTE Energy's customer information system caused these normal reads to be interpreted as "non-reads", triggering an estimate to be calculated for these accounts.

Unfortunately, when DTE Energy's new customer information system was implemented, a programming error prevented the database of historical meter reading data from operating properly. Thus, the system was unable to access account histories to create estimates for the impacted Alpena customers. By default, system-wide averages were used to create identical estimates for all of the impacted Alpena customers.

Company Response: When these problems were fully identified in January, the missing meter reading historical data was input into the system. Permanent programming fixes were also implemented to align meter read-type codes between Alpena Power's meter reading software and DTE Energy's customer information system.

The customers impacted by this situation received letters of apology from the company and late charges, as applicable, were nullified. Their February statements were reconciled back to the last actual read on their accounts.

Landlord Contract Policy Change Concerns

Situation: In order for DTE Energy to combine its gas and electric customer information systems and telephone centers, and thus deliver the customer convenience benefits discussed in this report, all customer service policies and practices of MichCon & Detroit Edison had to first be reconciled. In the case of the company's landlord / tenant policies, the decision was made to transfer MichCon's landlord agreements into the existing Detroit Edison landlord agreement program.

Appendix A: Details on Billing Problems & Resolutions

This optional program is essentially a contract between the landlord and DTE Energy designed to provide for continuous electric / gas service at the properties they own or manage. Under this contract, when a tenant calls for service to be discontinued, the account is automatically transferred back to the landlord.

Approximately 13,000 landlord gas customers were affected by this decision, with the primary changes being that:

- DTE Energy decided not continue the prior MichCon practice in the Grand Rapids area of sending a letter to a landlord when service on an account has transferred from a tenant back to the landlords name.
- Only 12 month contracts are being offered. (MichCon offered 12 month or 7 month contracts.)
- All properties listed on a contract are now consolidated into a single monthly billing statement.
- The contract becomes void if delinquent bills occur in the landlord's name or if the tenant is shut off for non-payment. Shut off action can be taken against a tenant without notice to the landlord. If this situation occurs, it is the landlord's responsibility to contact DTE Energy to have service restored.

Company Response: DTE Energy believes that the policy change described above fully comports with the Commission's billing rules because this is an optional program that is being offered for the convenience and benefit of DTE Energy customers, and because the MichCon landlord contracts were being transferred to an existing DTE Energy program.

However, the company understands that some customers have concerns about DTE Energy's current landlord contract program – primarily regarding notification of tenant moves or shut-offs. To address these concerns and to seek other improvements, a process improvement workshop was conducted in early February. One result of that workshop was the decision to re-institute the policy to notify landlords via letter when an account automatically transfers back to a landlord's name. Several other process changes are still being analyzed. Feedback on the proposed changes will be gathered directly from landlords through focus groups. Discussions about the final program changes will be included the company's regular reviews with the MPSC staff regarding upcoming policy changes.

Details on initiatives to improve the landlord contract request process are discussed in the fourth section of this report, under "Resolving & Preventing Billing Problems".

Appendix B: Communication Examples

Now that MichCon and Detroit Edison are members of the DTE Energy family of companies, changes and improvements are coming your way. Your MichCon bill will soon have a new look and a new name – DTE Energy. See the enclosed brochure for more information.

Bill message included on MichCon bills during October and November of 2001

Your MichCon billing information has changed, including your account number. Bill payments are now made to DTE Energy. Please remember to review all items in your billing envelope carefully each month to avoid missing important information. Thank you.

Bill message included on MichCon bills during December 2001

Your MichCon Bill is Changing.

Soon your MichCon bill statement will have a new look and the name of our new energy family, DTE Energy. Your statement will be easier to read, with more detail on your energy usage and charges.

From a bill insert sent in October and November MichCon bills

Your New DTE Energy bill!

If you are also a Detroit Edison electric customer, you may begin to receive both your electric and gas bill statements in the same envelope, or you may receive separate envelopes.

From a bill insert sent in December MichCon bills

Appendix B: Communication Examples

Your MichCon bill statement is changing.
Please see the enclosed brochure for more
information.

The message placed on the
back of MichCon bill
envelopes in October and
November

Enclosed is your new DTE Energy Bill
Statement

The message placed on
the back of MichCon bill
envelopes in December

MERGED UTILITY TO SERVE 3.3 MILLION HOUSEHOLDS

Grand Rapids Press

May 31, 2001

“Within a year, about 700,000 gas and electric
customers will be receiving a single
bill...MichCon will become a subsidiary of the
combined DTE Energy.”

UTILITY SET TO COMBINE EDISON, MICHCON BILLING

The Oakland Press (Oakland County)

November 14, 2001

“DTE Energy Co. said Tuesday that it will
begin sending combined bills to customers of
both Detroit Edison and Michigan Consolidated
Gas Co. next month. Whether it’s one bill or
two, customers will write their checks to DTE
Energy...”

NEWSCAST

WJR-AM Radio

November 13, 2001

“DTE Energy says it’s preparing to send
combined bills to customers of both Detroit
Edison and Michigan Consolidated Gas.
Customers will write their checks to DTE
Energy, the parent company of Detroit Edison.”

Key points from just a
few of the more than
150 press releases we
issued that were
picked up around the
state

Appendix C: Credit Center Locations Pre- & Post-Merger

Pre Merger Customer Offices	Post Merger Customer Offices	Local Authorized Pay Agents*	Local Unauthorized Pay Agents**
Ann Arbor 425 S. Main, Ann Arbor(DTE) 4641 Washtenaw, Ann Arbor (MCN)	4641 Washtenaw, Ann Arbor	Wolverine Party Shoppe Diag Party Shoppe Orbit-Tech Orbit Wireless	
Beech St. 530 Beech St., Detroit(DTE)	530 Beech St., Detroit		
Cass City 4100 Doerr Rd., Cass City(DTE)		Coach Light Pharmacy Book Mart World PC	
Dearborn 24405 Michigan, Dearborn(MCN)	24405 Michigan, Dearborn		
Eastbrook 3538 Lake Eastbrook Blvd S.E., Grand Rapids(MCN)	3538 Lake Eastbrook Blvd S.E., Grand Rapids		
E. 8 Mile 9600 E. Eight Mile, Detroit(MCN)	9600 E. Eight Mile, Detroit		
Grand River 21600 Grand River, Detroit(DTE)	21600 Grand River, Detroit		

* Within 8 miles of closed customer office; accepts all bills including past dues, deposits, reconnect fees and provides customized receipts that allow DTE Energy to validate the payment- cash or check. Authorized to charge service fees of up to \$1.50

** Within 8 miles of closed customer office; accepts current bills in cash. Authorized to charge service fees of up to \$1.50

Appendix C: Credit Center Locations Pre- & Post-Merger

Pre Merger Customer Offices	Post Merger Customer Offices	Local Authorized Pay Agents*	Local Unauthorized Pay Agents**
Hamtramck 11361 Jos Campau, Hamtramck(DTE) 11400 Jos Campau, Hamtramck(MCN)	11361 Jos Campau, Hamtramck	99 Cents & More Park & Save New Martha Bakery	Keg & Bottle Pagetel #35
Howell 316 E. Grand River Ave, Howell(DTE)		Mugg & Bopps Sunoco	
Lapeer 582 S. Main St, Lapeer(DTE)	582 S. Main St, Lapeer		
Monroe 111 E. First St., Monroe(DTE)	111 E. First St., Monroe		
Mt. Clemens 18 Market St., Mt. Clemens(DTE)	18 Market St., Mt. Clemens		
Muskegon 165 W. Muskegon, Muskegon(MCN)		E & A Grocery Rite Way Comm. Patterson's Drugstore Tom's Drink All Pitkin Drug	
Pontiac 490 Telegraph Rd South, Pontiac(DTE)	490 Telegraph Rd South, Pontiac		

* Within 8 miles of closed customer office; accepts all bills including past dues, deposits, reconnect fees and provides customized receipts that allow DTE Energy to validate the payment- cash or check. Authorized to charge service fees of up to \$1.50

** Within 8 miles of closed customer office; accepts current bills in cash. Authorized to charge service fees of up to \$1.50

Appendix C: Credit Center Locations Pre- & Post-Merger

Pre Merger Customer Offices	Post Merger Customer Offices	Local Authorized Pay Agents*	Local Unauthorized Pay Agents**
Port Huron 219 Huron Ave, Port Huron(DTE)		1 Stop Wireless Viking Cellular	
Roseville 27350 Gratiot, Roseville(DTE)		Global Network Comm. Kelly's Beverage Thirteen Mile Petro	Successful Comm. Finesse Food Store #2 Cash Your Check Digi-Cell Wireless Bunzo's Food Store TriCom Inc. Cash Connection Smart Buy Cash Today Cash Connection Parkway Beverage
Royal Oak 303 Williams St., Royal Oak(DTE)	303 Williams St., Royal Oak		
Southgate 12820 Fort St., Southgate(DTE)		Crystal Market Beer Cooler #2 Food Basket Elite Cell A & M Party Store Party Factory Jumbo Supermarket	Fresh Tobacco Digital City Tobacco Express Cellular
VanBuren 8001 Haggerty Rd., Belleville(DTE)		Country Farms Hayward's Liquor Montroy's Market Food Basket Elite Cell Uncle Joe's Market	Unlimited Wireless Digital City Tobacco Pageway Wireless Page Com

* Within 8 miles of closed customer office; accepts all bills including past dues, deposits, reconnect fees and provides customized receipts that allow DTE Energy to validate the payment- cash or check. Authorized to charge service fees of up to \$1.50

** Within 8 miles of closed customer office; accepts current bills in cash. Authorized to charge service fees of up to \$1.50

Appendix C: Credit Center Locations Pre- & Post-Merger

Pre Merger Customer Offices	Post Merger Customer Offices	Local Authorized Pay Agents*	Local Unauthorized Pay Agents**
Wyandotte 134 Maple St, Wyandotte(MCN)		Handee Food Center Food Basket Elite Cell A & M Party Store Party Factory Jumbo Supermarket Bestcom	Digital City Tobacco Express Cellular
W. 7 Mile 17227 W. Seven Mile, Detroit(MCN)	17227 W. Seven Mile, Detroit		
Ypsilanti 64 N. Huron St, Ypsilanti(DTE)		Worldwide Communication Harris Party Store Ypsi Food Market A & W Party Store	Brandy's Liquor

* Within 8 miles of closed customer office; accepts all bills including past dues, deposits, reconnect fees and provides customized receipts that allow DTE Energy to validate the payment- cash or check. Authorized to charge service fees of up to \$1.50

** Within 8 miles of closed customer office; accepts current bills in cash. Authorized to charge service fees of up to \$1.50

Appendix D: Historical Statistics for Customer Representative Staffing & Abandoned Calls

Historical Customer Representative Staffing at Telephone Centers (# of Customer Representative at the end of the Month/Week)

2001									2002								
Pre-Merger			Post-Merger						JAN				FEB			MAR	
APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	1/4	1/11	1/18	1/25	2/1	2/8	2/15	2/22	3/1
496	518	543	555	556	549	554	569	575	571	563	563	561	561	561	598	605	660

This chart displays customer representative staffing at Detroit Edison and MichCon telephone centers before and after the merger, through the week ending March 1, 2002. The current staffing level of 660 customer representatives represents an increase of 20% over the levels that DTE Energy anticipated to need when the merger was implemented.

Historical Rate of Abandoned Calls (% of total calls received during the Month/Week)

2001				2002								
Pre-Conversion				JAN				FEB				MAR
SEP	OCT	NOV	DEC	1/4	1/11	1/18	1/25	2/1	2/8	2/15	2/22	3/1
28%	27%	37%	49%	61%	44%	43%	52%	37%	51%	36%	23%	19%

This chart displays historical statistics on the rate of abandoned calls at DTE Energy telephone centers, before and after its gas and electric customer information systems were combined. This rate represents the percent of total callers who hang up before reaching a customer representative or an option on the voice response system that addresses the reason for the call. Once the average speed of answer at DTE Energy’s telephone centers reaches 60 seconds on a sustainable basis, the abandoned call rate is expected to around 16%.

It is important to remember that customers calling DTE Energy’s automated call system hear messages reminding them of the telephone center’s regular business hours (which are now extended to 8 p.m. Monday through Friday) and suggesting non-peak times when customers might expect shorter wait times. Customers who do not have an immediate need to contact DTE Energy will often hang-up after hearing these messages, and call back later to receive faster service during the non-peak periods. These types of abandoned calls help to levelize call volumes and improve the average speed of answer during peak periods. Other abandoned calls occur when the customer realizes that he or she has called during times when the telephone center is only accepting emergency calls.

Appendix B

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279

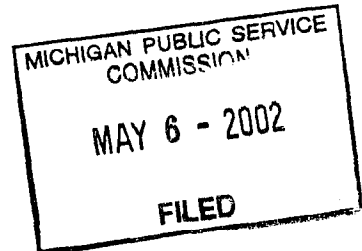
Detroit Edison



A DTE Energy Company

Bruce R. Maters
Assistant General Counsel
(313) 235-7481

May 6, 2002



Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48909-7721

Re: MPSC Case No. U-13287
DTE Energy Customer Service

Dear Ms. Wideman:

Enclosed for filing with the Commission is an original and four copies of DTE Energy's Comments to the MPSC Staff Report on Customer Service issued in the reference docket. This filing is also being made electronically. Included with the filing is an Affidavit of Publication of the Commission's Notice of Opportunity to Comment on the Staff Report.

Please contact me with any questions you may have, or if I can be of additional assistance.

Very truly yours,

Bruce R. Maters

BRM/rs

cc: Commissioners: Hon. Laura Chappelle
Hon. Robert Nelson
Hon. David Svanda

Messrs: William Celio
Michael Kidd
Gary Kitts

DTE Energy's Response to the Michigan Public Service Commission Staff Report and Recommendations

Case No. U-13287

May 6, 2002

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I. OVERVIEW

Overview

On February 6, 2002, the Michigan Public Service Commission (MPSC) issued an order in Case No. U-13287 that initiated an investigation into DTE Energy's customer service quality. In response, DTE Energy filed its Customer Service Improvement Plan with the MPSC on March 6, 2002. The MPSC Staff reviewed DTE Energy's Customer Service Improvement Plan and issued a report and recommendations regarding that plan on April 18, 2002.

DTE Energy's Customer Service Improvement Plan reflects the company's commitment to improving its customer service and achieving performance at the level that customers expect and deserve. This commitment extends to preventing problems as much as possible and quickly resolving any problems that do occur. DTE Energy's Customer Service Improvement Plan also reflects the company's commitment to accurately and effectively comply with MPSC billing rules and/or orders.

DTE Energy is pleased with the Staff Report's acknowledgement that the company has developed a good plan to improve customer service performance. DTE Energy agrees with the Staff that effective implementation of the plan is critical to improving service and customer satisfaction. Implementation of the plan has already begun and customers have already begun to experience significant improvements in several areas of company operations.

While DTE Energy believes that these initial improvements offer encouraging evidence that the company improvement efforts are headed in the right direction, the company continues to actively seek additional ways to improve the service it provides to customers. Thus, DTE Energy welcomes the Staff's comments on the company's improvement plan and intends to implement almost all of the Staff's recommendations, as outlined in this report. Specifically, this report will:

- Clarify some issues and/or concerns cited in the Staff's report
- Outline how DTE Energy intends to incorporate the Staff's recommendations into the company's Customer Service Improvement Plan.

The final section of this report outlines DTE Energy's top seven priorities for improving customer service. Detailed work plans to address these priorities will be developed by June 1, 2002. Beginning in July, a report showing the status of these priority workplans will be submitted to the MPSC Staff each month.

II. CLARIFICATIONS

Before discussing implementation plans associated with the Staff's proposals, DTE Energy would like to provide additional clarification surrounding five specific issues cited by the Staff:

- Root cause analyses
- First contact resolution
- Consecutive estimated bills
- Bill payment locations and options
- Policies Associated with Discontinuance of Service

Root Causes of DTE Energy's Customer Service Problems

The Staff Report urges DTE Energy to address the root causes of the company's customer service problems from before and after the merger.

DTE Energy has been actively working to do exactly that. And, as a point of clarification, DTE Energy defines "customer service" to include meter reading, billing, and any other transaction requested by the customer. Thus, DTE Energy's root cause analyses and its overall improvement plan does address and seek to improve the fundamental business functions of meter reading and billing, as well as other field services requested by customers.

Root Causes of Billing Problems. The first step in effectively addressing the root causes of the company's customer service problems must be to develop a thorough understanding of the nature and extent of these problems. As outlined in Appendix A of the company's March 6 filing, DTE Energy has conducted detailed corrective action reviews to identify and correct the root causes of the specific billing problems cited by the Commission in Case No. U-13287. To identify any systemic root causes of billing problems, DTE Energy is commissioning a compliance audit of its billing and controls processes. The company will actively engage the Staff regarding the scope of this audit and on its findings.

Other Root Causes of Customer Service Problems. In addition to the root cause analyses being done in the billing arena, DTE Energy is rigorously monitoring calls, correspondence, complaints, media reports, and feedback from community forums and market research studies in order to identify additional customer issues and concerns.

The company's call monitoring efforts have been particularly fruitful in yielding data needed for both immediate improvement actions and in-depth root cause analyses. New technology has been implemented under the Customer Service Improvement Plan that allows DTE Energy's quality staff to monitor both the spoken interactions with customers and the accuracy and appropriateness of the computer work being done by the customer representative during the call. With the help of this new technology, problems in handling certain issues were identified and immediately addressed through team meetings and additional communications.

All of the data collected to-date through these expanded call monitoring efforts is currently being analyzed by the company's information research experts. Through structured analytical techniques, this team is primarily focusing on identifying the root causes and potential solutions for three problem areas: unnecessary calls, repeat calls, and excessive wait times. Their findings, expected within the next month, will be utilized to prioritize and focus DTE Energy's customer service improvement efforts.

First Contact Resolution

The Staff's report questions DTE Energy's first call resolution performance.

DTE Energy would like to clarify that the company is absolutely committed to the goal of resolving customers' issues during their initial contact with the company, whenever feasible. The company wholeheartedly agrees that the best and least costly approach to improving customer service is to prevent problems as much as possible, and to quickly resolve any problems that do occur. These are the underlying principles of the company's entire Customer Service Improvement Plan.

Within the Customer Service Improvement Plan are several initiatives that will enable and empower DTE Energy employees to achieve prompt complaint resolution. Examples are discussed below.

Customer Representative Empowerment. DTE Energy customer representatives have been given the authority and accountability for resolving customer concerns in the best interests of both the customer and the company. Customer representatives are empowered— and expected— to resolve most customer concerns during the customer's initial call. Commercial customer representatives can authorize payments of up to \$500 to compensate customers for service problems (\$250 for residential customer representatives), based on the customer representative's own judgement and discretion. These authority limits have been found to be fully sufficient. There is no dollar limit placed on bill revision amounts by customer representatives.

To improve the company's performance on first call resolution, DTE Energy has scheduled refresher training for all customer representatives to review both the company's expectations regarding first contact resolution and guidelines for addressing customer concerns. The company has also recently added analysts to work on the floor of the call center, to assist customer representatives in resolving customer concerns during the customer's initial phone call. This additional staffing will reduce the number of calls that need to be transferred to the Escalated Call Support group for follow-up action.

Finally, the call monitoring efforts described above provide a way for the company to identify situations when customer representatives fail to resolve customer's concerns when feasible and reasonable. Call monitoring will allow the company to target training and communications to address these instances and provide a medium for holding customer representatives accountable for first contact resolution.

Centralized Process for Resolving Bill Disputes: DTE Energy has recently modified its bill dispute resolution processes to address customer and Staff concerns about these processes. The guidelines for handling customer concerns about bill responsibility were clarified and re-communicated to all customer representatives. Each customer representatives was given a list of questions to ask and specific steps to take in order to resolve the majority of billing disputes.

For more complex bill disputes, the customer representatives either transfers the customer to the Escalated Call Support group or refers the case to a specially trained, centralized group that handles balance transfer issues. While referring the case to a separate group does add a step in the resolution process, DTE Energy believes that the benefits of centralizing this process will far outweigh the disadvantages, by improving the consistency, accuracy, and timeliness of the bill dispute resolution process.

Added Authority for the Executive Customer Assistance Center (ECAC). There has been a significant shift in the complaint resolution process in that greater authority has been given to ECAC to resolve complaints and bring them to closure. This has been accomplished through several initiatives:

- ECAC representatives have now been given access to formerly restricted functions within the company's billing system. This access gives them the authority to resolve balance transfer disputes and complete the transactions without transferring the complaint to the billing department.
- Service level agreements have been signed with key contacts within each operating group who will be responsible for both taking corrective action and providing ECAC with information required to close complaints. These agreements explicitly define the actions, turn around time, and reporting requirements expected of the operating groups. The key contacts, who are

generally at the manager level, are individuals with sufficient authority to decide upon and implement corrective actions as necessary.

- Senior management at DTE Energy has clearly communicated throughout the company that all employees are responsible for improving customer service and supporting the process for resolving customer concerns. Progress in implementing the Customer Service Improvement Plan, including a report on MPSC complaint volumes, is reviewed monthly with both DTE Energy's Board of Directors and senior management. In addition, through the key contacts process described above, ECAC representatives have been encouraged and empowered by DTE Energy management to promptly seek higher level assistance if they are running into obstacles in resolving complaints in a timely manner.

New Targets for Complaint Resolution. Given the efforts described above and within the company's Customer Service improvement plan – and the Staff's concerns that the company's complaint resolution targets were insufficient, DTE Energy now commits to resolving 90% of customer complaints within three business days. For the sake of clarity, DTE Energy defines the ECAC complaint closure process as:

- Acknowledging and identifying the problem
- Investigating to determine the cause
- Outlining and initiating the course of action to correct the situation
- Obtaining agreement with the customer on the course of action
- Automatically transmitting the closed case record to the Staff

ECAC is committed to following up on all cases to ensure that the corrective actions have been fully implemented, thus preventing the need for repeat phone calls from customers or the Staff to check on the status of complaints. DTE Energy is confident that the process changes to increase the empowerment and authority of ECAC staff, as well as a significant increase in ECAC staffing levels, will result in complaint resolution times that are consistent for gas and electric and in line with the Staff's and customers' expectations.

Reducing Consecutive Estimated Bills

The MPSC Staff report expresses concerns about repeated estimated monthly bills for customers, which sometimes results in a large "catch-up" bill when the customer's meter is actually read. DTE Energy shares this concern and has made reducing consecutive estimated bills one of its top 7 priorities within its overall Customer Service Improvement Plan. (See *Project Management & Reporting on Priority Issues* in Section III of this report). Some specific actions being taken to address this issue are outlined below.

Immediate Improvement Efforts. DTE Energy agrees with the Staff recommendation to begin tracking consecutive estimated bills and to report on the company's progress in reducing the number of consecutive estimated bills. The tracking reports will be implemented within the next 30 days. In addition, a dedicated team will be established to drive rapid reductions in the backlog of estimated bill investigations, focusing first on the customer accounts that have been estimated the longest.

Even with significant resources focused on reducing the backlog of accounts with consecutive estimated bills, it will take some time to completely eliminate this backlog. This is because the underlying causes of consecutive estimated bills are varied and complex. For instance, in some cases, the company has repeatedly attempted to obtain actual meter reads without success. New processes and solutions will be developed to address such situations.

DTE Energy's goal is to obtain actual meter reads for all accounts with 6 or more consecutive estimates by the end of August, and close out the remainder of the backlog in consecutive estimated bills by the end of the year.

Extended Payment Arrangements for Customers with Consecutive Estimated Bills. DTE Energy agrees with the Staff's recommendation to allow extended payment arrangements for customers who have received repeated estimated bills. Extended payment arrangements will be made available to:

- Customers who have been paying the estimated bills and then a true up bill creates a large unexpected balance owing.
- Customers for whom no bills were issued for a period of time and an initial bill creates a substantial amount owing.
- Customers who face large outstanding balances due to problems within DTE Energy's billing systems or processes.

These customers will be allowed to make payment arrangements for any balance due over the same amount of time that the estimated readings occurred. System programming changes are underway to enable these extended payment arrangements. This initiative will be implemented as soon as the programming changes are complete, but no later than the end of July 2002.

Customers in arrears who have demonstrated themselves to be "bad risk" will only be allowed agreements consistent with the company's normal guidelines. Low income customers owing more than \$300 will be referred to the company's Case Management group to explore the availability of funds (Home Heating Credit, State Emergency Relief, and The Heat And Warmth fund) to assist them in paying the bill.

Long Term Billing Process Improvement Efforts. A full time improvement team was established late last year to analyze and develop recommendations for improving the entire billing process, from meter reading to billing and collection. A key focus of that team is to identify ways to improve the company's use of actual meter reads for billing purposes which will reduce the number of estimated bills. While immediate improvements for various aspects of the billing process have already been identified and are being implemented, this team is slated to present its recommendations for long term improvement efforts in June. Their findings and recommendations will be incorporated into the company's overall Customer Service Improvement Plan for implementation this year.

Follow-up Process for Investigating High Meter Reads. To respond to a specific Staff concern regarding high meter read problems, Appendix A is provided to clarify DTE Energy's overall process for addressing high meter read billing exceptions. Please note that DTE Energy has recently reviewed and revised the billing system parameters to reduce the number of actual high reads that are set aside and not utilized for billing.

Bill Payment Locations and Options

DTE Energy would like to clarify several issues raised by the Staff associated with the company's credit centers.

Customer Offices Transition to Credit Centers Has Not Yet Occurred. The company has a long-term vision to transition its traditional customer offices into credit centers. However, this transition has not yet occurred. DTE Energy continues to accept normal bill payments at these centers. DTE Energy will continue to do so at least until the company's alternative payment location networks have been considerably expanded and extensive customer communication has been implemented. Even then, the transition will be done in phases with plenty of reviews and contingency planning to ensure that the transition is smooth and problem free.

Other Payment Options. Customers impacted by office closings, or the eventual transition of the remaining offices into credit centers, have many other bill payment options. The least expensive and most efficient bill payment method is an electronic transfer from a customer's bank to DTE Energy. Mailing in payments remains relatively inexpensive payment option for customers. Because DTE Energy recognizes that not all customers have bank accounts to facilitate these payment methods, the company offers a number of other payment options. In addition to the free drop-off boxes that are available in all remaining customer offices, DTE Energy offers the alternative payment methods listed below. Any fees charged are collected by third parties to cover their costs for providing the service. DTE Energy does not receive any fees associated with these alternative payment methods.

- Expanding and Standardizing Pay Agent Network.** The company continues to focus on expanding and promoting its network of automated authorized (contracted) agents. These agents accept cash or check payments for all or any portion of a customer’s bill, deposits, and reconnect fees. DTE Energy has a network of about 320 automated authorized (contracted) agents, an increase of almost 70% since the DTE Energy / MCN merger. See Appendix B for descriptions of DTE Energy’s pay agent network. DTE Energy will also work to standardize the maximum fees charged by these agents.
- Automated Payment Station Rollout.** Although DTE Energy’s Customer Service Improvement plan classified automated pay stations as a long term solution, free automated pay stations have already been implemented at six credit centers. These automated pay stations have met with positive response and acceptance by customers. Since the first unit was installed in March, over 3,600 payment transactions have been processed using these automated payment stations. The remaining customer offices either do not have appropriate space for a unit or have insufficient office traffic to justify a unit. DTE Energy will continue to promote usage of these pay stations through communication and education.

<u>DTE Energy Office Location</u>	<u>Usage Beginning on:</u>	<u>Number of Transactions</u>
E. 8 Mile	18-Mar	1,216
Mt. Clemens	19-Mar	63
Grand Rapids	26-Apr	838
W. 7 Mile (two units)	10-Apr	244
Hamtramck (two units)	12-Apr	920
Pontiac	17-Apr	203
DTE Energy HQ (to be moved to Beech St. Office)	4-Apr	156
Total		3,640

Only the second phase of the auto pay station roll-out plan should be considered “long term”. The second phase of the roll out will include placement of additional stations in public locations. The number of units and timing are still being assessed for the second phase.

- Credit Card and Check Payments by Phone and Internet.** In response to customer requests, DTE Energy has recently expanded its capabilities to allow customers to pay bills via telephone using checks or credit cards. Usage of this service has increased considerably since DTE Energy extended this payment option to all customers and established a toll-free number for customers using this service. Currently, DTE Energy’s third party vendor for this service is processing over 13,000 credit card payments and 8,000 check payments a month. Fees for credit card transactions over the phone are based on the amount of payment. Currently, there is a flat \$1.95 transaction fee for paying by check over the telephone.

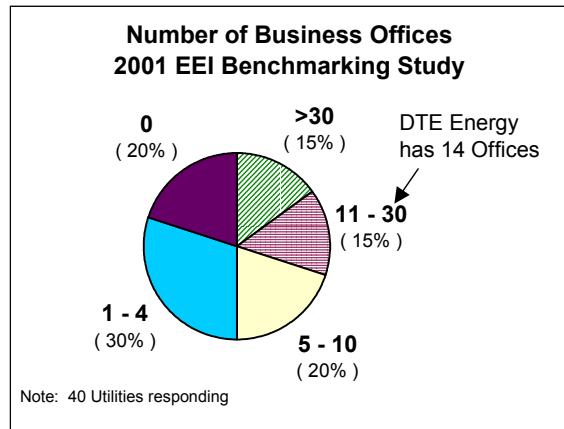
The company has begun implementing a program that provides call center representatives the capability to complete these kinds of transactions via internet-based software during a customer's call. This program will be fully implemented within 60 days. DTE Energy's customer representatives clearly state that they are processing a check or credit card payment on behalf of the company's third party vendor and they inform the customer of applicable fees.

Finally, a link from DTE Energy's website to the company's third party vendor should be operational within the next 60 days, allowing customers to pay by check or credit card via the internet.

- **Number of Customer Offices.** The Staff recommends that DTE Energy reassess its plans and consider expanding the number of customer offices. DTE Energy believes that it has fully assessed the situation and customer impacts of its overall plan regarding customer offices. The company is confident that the right decisions were made regarding the closures to-date, from both an economic / business perspective and a customer relationship management perspective.

In 2001, 70% of utilities responding to an EEI benchmarking study reported that they had less than 10 customer offices. 20% of the responding utilities had zero customer offices. With 14 customer offices remaining, DTE Energy still has a relatively high number of customer offices compared to other utilities.

Based on all of the efforts to expand bill payment locations and payment options, DTE Energy believes it best to maintain its current, higher-than-average, number of customer offices. This is an issue that DTE Energy will discuss with the Staff during progress reviews on the company's Customer Service Improvement Plan.



Policies Associated with Discontinuance of Service

The Staff recommends that DTE Energy reinstate a policy to read a meter in the field when a customer calls to discontinue service.

DTE Energy makes every attempt to read and physically disconnect a meter on the date requested by an outgoing customer, unless there is a corresponding order to turn service on for a new, incoming customer at the address. When DTE Energy can match a “disconnect” order with a “turn-on” order, and certain other criteria are met, then the company’s billing system calculates an end read for final billing.

Last year, about 78% of electric turn-on requests and 90% of gas turn on requests processed by Detroit Edison and MichCon were handled using calculations generated by the companies’ billing systems, for a total of over 500,000 transactions.

Proposed Analysis of the “Estimated Read for Change” Process. DTE Energy understands that there are fewer concerns about estimating final bills on accounts recently billed using an actual meter read. Estimated final bills are of greater concern if accounts have had consecutive estimated bills immediately prior to the final bill.

DTE Energy believes that the efforts to eliminate the backlog of consecutive estimated bills and the efforts to prevent new cases from occurring will effectively address the primary underlying concern about estimating final reads. However, DTE Energy will conduct a thorough review of its current practices regarding the estimation of final meter reads. Upon completion of that investigation, DTE Energy will share the results with the Staff and work with them to develop mutually agreeable solutions to address any concerns.

Landlord Concerns about Account Transfers. To support its recommendation for final reads and shut-offs when service is discontinued, the Staff Report cites landlord concerns that new tenants may begin using utility services without establishing an account. DTE Energy recently held five focus groups with landlords to evaluate the effectiveness of the current landlord contract plan, evaluate proposed new options for the current plan, and explore other issues that would meet the needs of landlords.

Several new communication efforts were presented and received quite positively by the landlords. A process has already been implemented to send

letters to landlords to notify them when their account application was completed for enrollment in the "Automatic Transfer of Service Plan" or when a dis-enrollment request has been processed. By the end of June, another process for sending letters to landlords will be in place that will notify them when accounts are transferred into and out of their names.

Landlord Concerns about Disconnection Notification. In the landlord focus groups, DTE Energy also reviewed The Double Notice Protection Plan. This is an existing plan that allows a third party to receive a copy of a Shut Off Notice. This plan can be signed by the customer upon leasing a property, allowing DTE Energy to mail these notices to the landlord. The landlords were extremely positive about this program. They stated that this would address their desire to be notified prior to a disconnect. Based on their feedback, DTE Energy will design and issue a new brochure about the Double Notice Protection Plan that meets landlord needs. This program will be implemented and made available to landlords by the end of June.

The landlord communications described above should help prevent misunderstandings and bill disputes when tenants discontinue service. DTE Energy intends to continue using feedback from landlords, plus any pertinent findings from the company's root cause analyses or process improvement efforts, to improve the landlord contract program. As discussed in more detail in Section III of this report, landlord contract program improvements are among the top priorities within DTE Energy's Customer Service Improvement Plan.

III. INCORPORATING PROPOSALS INTO DTE ENERGY'S PLAN

DTE Energy Supports the Remaining Staff Proposals

DTE Energy supports, and intends to implement, the proposals made by the MPSC Staff in their report as listed below. **Please note that issues and proposals already discussed in previous sections are not repeated below.**

Staff Proposal	DTE Energy Response
<p>Improve the accuracy and consistency of balance transfer and payment posting practices. Also, communicate with customers regarding balance transfers.</p>	<p>As of 4/29, all balance transfer disputes have been completed and customers have received a letter indicating the result of the investigation.</p> <p>Since the bill dispute process was centralized, 463 disputes have been processed and the work backlog has been eliminated. See Appendix C for a list of short and long term initiatives to address balance transfer disputes.</p>
<p>Review and revise as necessary current practices regarding positive ID requirements, including consideration of concerns regarding identity theft and privacy. Communicate these requirements to customers, especially in the context of the upcoming bill consolidation efforts.</p>	<p>A review of DTE energy's positive ID processes is underway and is expected to be completed by the end of May. This review will include any needed security and/or training enhancements.</p> <p>Customer representatives have been trained to treat social security numbers confidentially. Any misuse of this information will result in termination.</p> <p>As complaints/issuses of fraud or identity theft are surfaced, they are reported to DTE Energy's Security Department for investigation and coordination with the police.</p>

Staff Proposal	DTE Energy Response
<p>Consult with the Staff on the scope of the upcoming billing process and controls compliance audit. Share the audit results afterwards.</p>	<p>DTE Energy will include the audit scope recommendations from the Staff Report into the upcoming audit. Once the auditor has been hired, a meeting will be scheduled for the Staff to formally provide input on the scope of the audit.</p> <p>DTE Energy will provide the audit findings to the MPSC Staff.</p>
<p>Provide regular reviews of the company billing practice / policy changes and performance on compliance with billing rules.</p>	<p>DTE Energy will regularly review its planned billing policy and practices changes with the Staff.</p> <p>Also, reducing billing errors (which improves compliance with billing rules) is among the top priorities within DTE Energy’s Customer Service Improvement Plan. See the next section of this report.</p>
<p>Make the informal hearing process available to non-residential customers..</p>	<p>Effective May 6, 2002, DTE Energy has opened the informal hearing process to non-residential customers.</p> <p>Additional work is being planned to inform and educate customers and DTE Energy employees about the availability and benefits of this process.</p>
<p>Maintain commitment to a 60 second average speed of answer (ASA), provided that the time is measured until the customer is actually able to speak to a customer service representative.</p>	<p>DTE Energy’s ASA is defined as the time elapsed from the moment a customer connects into the company’s automated phone system to when the customer chooses to access an automated transaction (e.g., to report trouble) or a customer service representative answers the phone.</p> <p>ASA performance was 22 seconds for the week of April 22 – 28, well under the target of 60 seconds.</p>

Staff Proposal	DTE Energy Response
<p>Continue to improve working relationships between the ECAC and the Staff.</p>	<p>DTE Energy is committed to improving the working relationships between the ECAC and the Staff. Recent evidence of this commitment is the fulfillment of a Staff request for the capability to automatically transfer closed complaint cases to the Staff. ECAC has also filled a new permanent staff position, whose primary responsibility is to oversee and coordinate communications with the Staff.</p> <p>ECAC will investigate, and implement as rapidly as possible, database links or two way electronic transfer capabilities for case histories and status reports.</p>
<p>Change the menu of VRU options to place gas leak option at the front.</p>	<p>The company’s up-front VRU announcement will always provide the correct phone number for reporting gas leaks.</p> <p>The gas leak reporting VRU option was placed farther back in the option menu after when it became apparent that customers without gas leaks were using this option and impacting ASA for regular business. DTE Energy will conduct a pilot study to assess the impact of the placement of the gas leak option at the front of the VRU. The company will provide the results to the Staff and consult with them regarding solutions.</p> <p>In addition, DTE Energy will increase education and communications about the gas leak phone number to reduce the number of gas leak calls placed to the regular customer service line.</p>
<p>Expand the use of e-mail as a method for customers to communicate with DTE Energy.</p>	<p>A long-term initiative is underway to add new capabilities within the company’s website, including e-mail for customer communications.</p>

Project Management & Reporting on Priority Issues

DTE Energy has made a number of commitments and described numerous short and long-term improvement initiatives within this report and in its Customer Service Improvement Plan. To manage the implementation of all of these improvement initiatives – and ensure the sustained achievement of its customer service performance commitments – the company has implemented disciplined program and performance management process.

One aspect of this performance management process has been to identify the top priorities within the overall improvement plan. Work is now underway to develop detailed project plans for the seven top improvement priorities listed below:

1. First contact resolution
2. Billing errors
3. Consecutive estimated bills
4. Accessibility
5. Landlord tenant procedures
6. Bill format
7. Communication

Working in consultation with the Staff, DTE Energy expects these detailed priority plans to be complete by June 1, 2002. Thereafter, monthly status reports will be issued describing progress against those plans and planned corrective actions for initiatives that are behind schedule. The form and format of these status reports are expected to be very similar to past status reports provided to the Staff by DTE Energy on reliability projects implemented to address poor performing pockets within the DTE Energy system.

IV. APPENDICES

Appendix A: Processes to Address High Meter Reads & Consecutive Estimates

Appendix B: Pre & Post-Merger Pay Agent Statistics

Appendix C: Balance Transfer Issues

Appendix A

Processes to Address High Meter Reads & Consecutive Estimates

ADDRESSING HIGH METER READ PROCESS CONCERNS

- Exceptions are reported when an actual read is outside of established high or low parameters for that customer site. These parameters have been adjusted to allow more actual reads to be billed properly. The company will continue to monitor performance and balance the benefits and disadvantages of further parameter adjustments.
- As part of DTE Energy's Customer Service Improvement Plan, the company's meter reading department has taken ownership of billing exceptions that are derived from the absence, or misinterpretation, of an actual valid meter read that was obtained.
- Since mid February, additional personnel in the meter reading department have been added and an increase in overtime was implemented. These employees are resolving these exceptions and or identifying root cause of the exceptions and referring them to the proper subject matter expert.

CONSECUTIVE ESTIMATED BILL ISSUES

- As noted in the Staff Report, if billing exceptions are not processed in a timely manner, then the read is disallowed and an estimated bill is produced. Multiple failures can lead to consecutively estimated bills. DTE Energy's meter reading is currently processing these exceptions at a turn around time of 1-2 business days.
- In situations where a meter is inaccessible, the company may not obtain an actual read for several months, resulting in consecutively estimated reads and consecutively estimated bills. The meter reading department pursues obtaining these reads in multiple manners:
 - Attempt to obtain the read through direct meter reader actions.
 - Continue to use line messages on customer billing statements.
 - Implement new and innovative ways of utilizing the DTE Correspondence Letter Application, providing another way to contact the customer and resolve the situation.
- There are currently controls in the meter reading environment which display the consecutively estimated reads. This information is presented to the reader in a handheld display as well as on written reports. There are also billing exception events depicting long-term estimated problems, which are then assigned to meter reading personnel. These physical actions are receiving more focused attention at this time.
- The report of consecutively estimated bills is currently under revision. DTE Energy anticipates this report to be completed before June 1st. This report will provide greater details as to the number and exact locations of the consecutively estimated bills. This will allow the company to assign resources to this task in a more direct and effective manner.
- Additionally, a continuous improvement team focused on the billing organization has completed the first aspects of its review. The top two issues in the review are incorrect meter and inaccurate usage information. Both of these areas are of high concern to DTE Energy in its efforts to resolve billing errors. These items are being researched and reviewed for process, technological or human resource gaps. Quick solutions are being implemented now and the overall plan is expected before July 1.

Appendix B

Pre & Post-Merger Pay Agent Statistics (continued)

DTE Energy's objectives associated with its network of pay agents include:

- Increasing the number of automated agents
- Increasing the number of contracted automated agents
- Expanding the capability of contracted agents
- Reducing (through attrition) the number of manual agents

While the number of agents is important to ensure coverage of service territory, it is just as meaningful, if not more, to review the shift of agents from one category to a more useful category; i.e., from unauthorized to authorized, or from manual to automated. Agents operate in their capacity as follows:

Manual agents – These agents accept payments from customers, provide receipts, and send the payments to DTE Energy via U.S. Postal Service. It takes 7-10 days for DTE Energy to receive the payments and post to customer accounts. At MichCon, some of these agents were contracted. At Detroit Edison, none of these agents were contracted. Currently, and for the most part, manual agents are independent and the turnover is high. It is extremely difficult to keep a reliable log of active and closed manual agents.

Automated Unauthorized (uncontracted) agents – These agents accept cash payments for current bills from customers, provide receipts, and send the payments to DTE Energy electronically. It takes 2-3 business days for DTE Energy to process and post these payments. However, the company has initiated a project to implement overnight posting of electronic payments. The implementation date will be set and announced by mid-May.

Automated Authorized (contracted) agents – These agents are contracted with a third-party vendor. They accept cash or check payments for all or any portion of a customer's bill, deposits, and reconnect fees. They provide customized receipts that enable DTE Energy to validate the customer's payment in order for the company to prevent shut-off for non-payment or restore service. Payments are transmitted to DTE Energy electronically and currently take 2-3 business days for posting, though the company is working toward overnight posting. The implementation date will be set and announced by mid-May.

Appendix B
Pre & Post-Merger Pay Agent Statistics (continued)

NOTE: Due to turnover of agents, all numbers are approximates.

Automated Agents:

Automated Authorized (Contracted)		Automated Unauthorized (Uncontracted)	
Pre-Merger	Post-Merger (to date)	Pre-Merger	Post-Merger (to date)
MichCon: 50 Detroit Edison 0		MichCon: unknown Detroit Edison: 140	
Total: 50	Total: 120	Total: 140 (known)	Total: 200

Total Automated Agents Pre-Merger: 190
Total Automated Agents Post-Merger: 320

Manual Agents:

Pre-Merger*		Post-Merger*	
MichCon: 198 (known)		MichCon: 140 (estimate)	
Detroit Edison: 200 (known)		Detroit Edison: 150 (estimate)	
Total: 398 (or less, due to overlap)		Total: 290 (or less, due to overlap)	

* Before the merger, some pay agents in the overlap service territory accepted both MichCon and Detroit Edison payments. Work was done during the merger transition process to reconcile the lists to get a true count of total agents. This work has not been formally updated because of DTE Energy's plans to reduce the size of the manual agent network.

Appendix C

Balance Transfer Issues & Process Improvements (continued)

Issue: Conversion data from Electric legacy and Gas legacy systems contained positive ID errors.

Quick Fix:

- Turned off automatic balance transfer function.
- Reviewing potential transfer reports for data errors prior to turning auto transfer back on.
- Taking a proactive approach by reviewing internal reports to screen matching criteria prior to the transfer of the balances.

Long Term Solution:

- Coordinating with Credit Manager on the Turn on process to ensure appropriate ID is obtained and the proper searches for amounts owing are conducted.

Issue: Representatives are unclear on how and what to look for when customer disputes balance transfers.

Quick Fix:

- Sent out Newsflash on March 28
- Conducted group training and feedback sessions with other business groups
- Established Hot line for questions from Customer Representative and customers (3 people currently assigned) .
- Developed a script for Customer Representative for consistency in questioning customers
- Revised Balance Transfer Dispute Forms
- Managing holds placed on customer accounts to prevent inappropriate shut-off

Long Term Solution:

- Creating a resident expert in each operational area
- Revising training material and on-line help source
- Promoting accountability for dispute resolution on first call by giving the proper tools and support.

Appendix C

Balance Transfer Issues & Process Improvements (continued)

Issue: Decentralized process prevents effective analysis of root cause

Quick Fix:

- Centralized the process so all inquiries are funneled to Account Recoveries.
- Added 5 additional resources to the dispute team for speedy resolutions.
- Establishing a database for tracking dispute resolutions.
- Manually validating electric data when matches occur.

Long Term Solution:

- Creating a business case to prevent accounts from transferring after statute of limitation expires.
- Reviewing and maintaining monthly dispute statistics to identify cause and corrective action.
- Identifying ways to automatically correct electric data conversion problems.

Issue: Inconsistency in customer communication

Quick Fix:

- Centralized dispute resolution process for consistency.
- Sent out Newsflash on March 28, 2002 with scripts and a standard response to the customer.
- Expanded communication to include Leader Notes and review requirements.
- Created 3 standard resolution letters to communicate the results of the investigation to the customer.

Long Term Solution:

- Implementing a system enhancement to prevent an automatic transfer of the balance when the account has a payment agreement.
- Sending out a 15-day transfer letter to notify the customer and allow for a payment agreement or dispute prior to transferring balances.
- Monitoring to ensure that representatives are following the script with balance transfer.