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DTE Energy®



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December 12, 2016

Ms. Kavita Kale
Executive Secretary
Michigan Public Service Commission
7109 West Saginaw Highway
Lansing, MI 48917

RE: In the matter of the application of DTE ELECTRIC COMPANY for authority to increase its rates, amend its rate schedules and rules governing the distribution and supply of electric energy, and for accounting authority MPSC Case No. U-17767

Dear Ms. Kale:

Attached for electronic filing is DTE Electric Company's Second Semi-Annual Report on Customer 360 Program required by the Michigan Public Service Commission's December 11, 2015 Order in the above-referenced case. If you have any questions about this submittal, please contact me.

Very truly yours,

Michael J. Solo, Jr.

MJS/lah
Encl.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of)
DTE ELECTRIC COMPANY)
for authority to increase its rates, amend) Case No. U-17767
its rate schedules and rules governing the)
distribution and supply of electric energy, and)
for miscellaneous accounting authority.)

Second Semi-Annual Report on Customer 360 Program

The Commission’s December 11, 2015 order in Case No. U-17767 stated that “within six months of the date of this order, DTE Electric Company shall file its first report on the project costs and the progress of implementation of the Customer 360 program in this docket, and shall update that report every six months thereafter in this docket until the Customer 360 project is complete.”

PROJECT BACKGROUND

Customer 360 is DTE Energy’s (DTE or Company) name for the implementation of SAP’s Customer Relationship and Billing System (CR&B). The CR&B includes new hardware and software designed to replace the existing Customer Service Systems. Processes in scope include:

1. Customer Service
2. Meter Reading
3. Billing and Invoicing
4. Finance
5. Credit and Collections
6. Marketing and Account Management
7. Device Management
8. Customer Choice

DTE’s critical customer information systems have reached the end of their useful lives. The current systems are inefficient and expensive to maintain and cannot effectively support our corporate priority of sustainable top decile customer satisfaction. Customer 360 will provide a platform DTE can leverage to achieve its customer based goals.

To help make this project successful, DTE is utilizing Accenture as the system integrator. Accenture was selected from the result of an extensive Request for Proposal Process. Accenture has implemented Customer Information Systems on 77 different occasions. The Company is

also leveraging the consulting arm of Price Waterhouse Coopers (PWC) to provide overall quality assurance and an independent opinion for critical decisions.

ON TIME DELIVERY

The project started in June of 2014 and is expected to be fully implemented (i.e. “go-live”) on April 3, 2017 and be stabilized no later than December 31, 2017. Stabilization will be defined through key customer operating metrics, and targets will be determined before go-live. When the targets are achieved post go-live, the project will be considered stabilized.

The project has moved from the Product Test Phase to the Deployment Phase since the last update in June of 2016. The Planning, Analyze, Design, Build, Assembly Test and Product Test Phases have all been completed on time. See Attachment 1 for the Customer 360 Timeline.

QUALITY MANAGEMENT

Scope Management

Scope continues to be effectively managed. Immaterial changes have occurred as a result of the testing. At this time, these changes are not putting project quality or the go-live date at risk.

Data Cleansing and Conversion

All six mock conversions of legacy data have been completed with more than satisfactory results. During the Deployment Phase, we will perform four more conversions as “rehearsals” prior to the real conversion in April 2017. We are working through the issues that have been identified in the first two rehearsals.

Leadership Engagement

Our governance model continues to drive Company-wide engagement around the Customer 360 Project. Now that DTE has entered the Deployment Phase, the role of the leaders in the affected business units is broadening and deepening. Leaders of the business units have formally signed off on all aspects of the design, build and testing of the product. Each business units has a defined “Business Process Owner” responsible to insure that their organizations needs are being properly captured by the C360 project team.

Project Management

The Company continues to leverage strong project management fundamentals to deliver a quality project on time while ensuring all costs are reasonable and prudent. Extensive project plans are developed for each phase. Issues and risks are tracked and resolved or mitigated. All costs are

tracked and managed at a detailed level. A weekly cadence to report status to senior leadership is in place.

Benefit Realization

We have implemented a benefits realization process that allows us to identify and track benefits to our customers, employees, suppliers and shareholders. At the beginning of each phase of the project, we re-evaluate the current benefits and add any new benefits that have been identified. Currently we have over 60 benefits identified. While many are minor in nature, when viewed from a total portfolio perspective, they are significant.

Some of the more significant benefits include:

- Improves the customer experience by increasing system speed and decreasing planned and unplanned Customer Information System outages;
- Improves the customer experience by providing “next best action” functionality that anticipates customer needs based on historical activity;
- Improves the effectiveness of various marketing campaigns through advanced customer analytics;
- Creates a flexible and robust foundation to build future capability;
- Allows for continuous improvement of DTE’s processes through regular system upgrades;
- Reduces development time for new products and services;
- Consolidates and simplifies back office processes by having one billing system; and
- Shortens defect lifecycle through an enhanced exception management process

See Attachment 2 for a summary of benefit types.

RISKS AND MITIGATION STRATEGIES

As of this writing, the project has less than four months before go-live and 13 months to stabilization. Our key areas of risk include:

- Training
- Bill accuracy
- Post go live support

Training

Risk - 1,600 employees need to be effectively trained

Mitigation strategy - We have completed “train the trainer” for over 60 trainers. Of these trainers, fifty are subject matter experts in the areas of the business in which we will be delivering the training. We will train over 1,600 employees leveraging 80 courses and over 400 simulations. Each employee will be tested after being trained and will need to achieve at least the minimum standard. The Company has dedicated an entire floor at our downtown Detroit headquarters as a training facility to ensure we have the capacity to complete the training and to make it an engaging experience for our employees.

Bill Accuracy

Risk - customer bills are inaccurate

Mitigation strategy – DTE will be using Accenture proven automated bill compare technology to compare legacy bills to the new SAP bills. The software does an extensive compare on most aspects of the bill. Compares are run daily for four complete billing cycles.

For bills that will not be in the automated process for various reasons, a team of 24 employees is in place to manually compare these bills. This will help provide the same assurance that the SAP generated bills are accurate.

Post Go-Live Support

Risk - The proficiency of our customer service representatives will not be at the level required to meet customer needs.

Mitigation strategy - Hire third party customer service representatives that will:

1. Provide coverage for Customer Service Representative that are in training
2. Temporarily increase Customer Service Billing Exceptions staff by 140%
3. Temporarily increase Customer Service Representative staff by 40%

Our intent is to minimize the post go-live impacts on customer service levels and restore them to the targeted levels by year end 2017. The temporary increase in staff levels was established based on benchmarking other utilities and recommendations from our integrator Accenture.

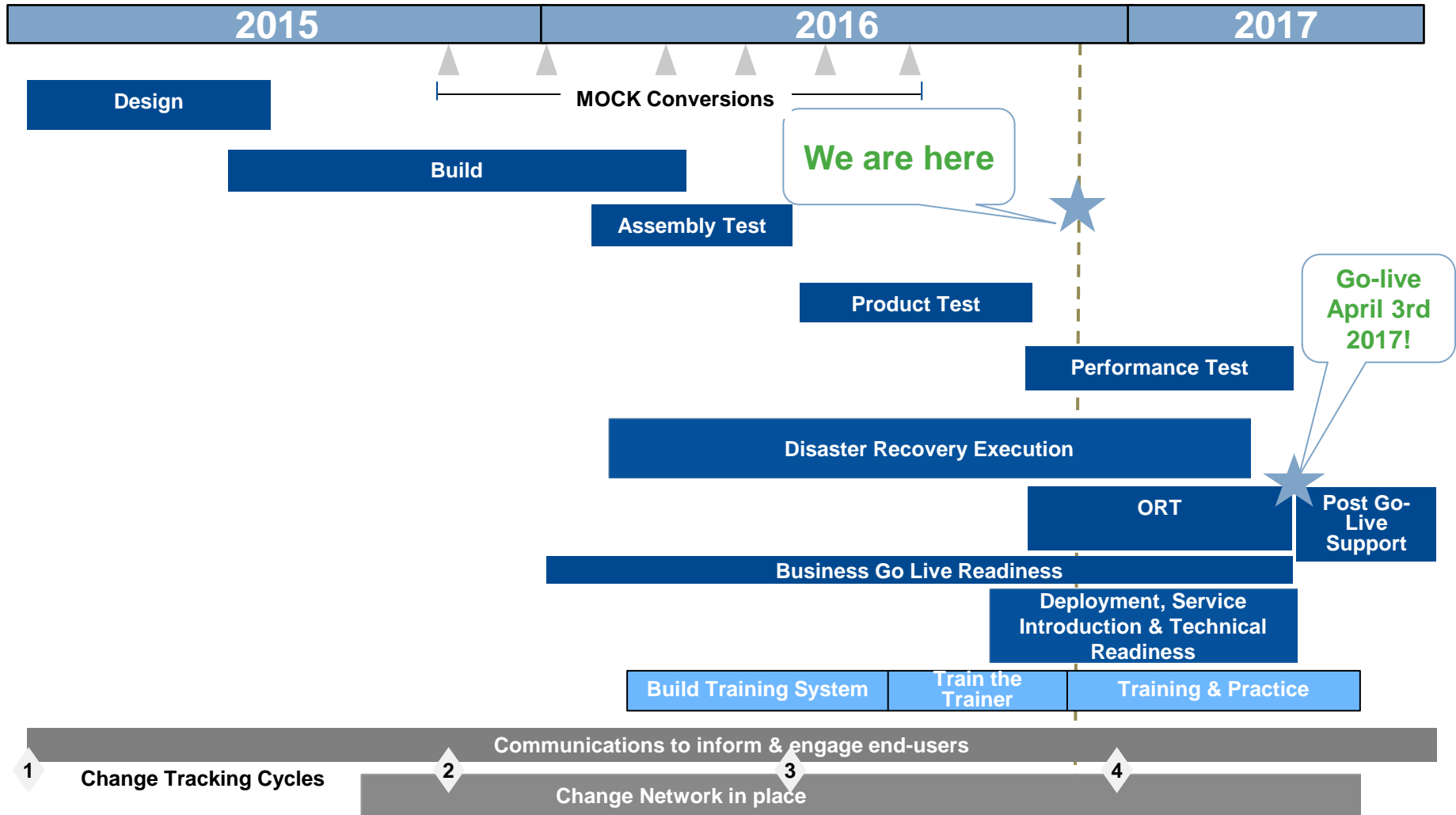
PROJECT COSTS UPDATE

In the Commission's September 26, 2014 order in Case No. U-17666, the Commission approved the accounting for direct capital costs for the project of \$168 million, as well as approved other project costs of \$47 million to be deferred and amortized over 15 years. Through October of 2016 the Company has incurred \$133 million in capital costs, and \$30 million in other project costs.

On June 23, 2016 the Company filed another accounting application (Case No. U-18122) indicating that the total project costs are expected to be \$265 million and after recognizing an additional \$50 million will be required after go-live to effectively implement the Customer 360 Project. In that application we indicated that \$18 million of the incremental \$50 million would be capital costs and the remaining \$32 million would be other project costs. We requested authorization to defer the \$32 million in the same way we did with the \$47 million in the initial application.

The majority of the incremental expenses are for the post go live surge staffing requirements described above. As of this update, the company expects not to exceed the \$265 million target.

Attachment 1-Customer 360 Time Line



Attachment 2-Customer 360 will add value, reduce cost and provide continuous improvement opportunities



Key Functions:

- Finance/Credit & Collections
- Choice
- Customer Care
- Exceptions
- Billing
- Reporting
- Technical

Top Benefit Criteria	Foundational Benefit	Number of Benefits Reported
Productivity/Proficiency	Customer Experience, Operational Efficiencies, Employee Satisfaction	30
Customer Satisfaction	Customer Experience	15
Maintenance Cost	Operational Efficiencies, Technical Capabilities	7
Quality	Customer Experience, Operational Efficiencies	7
Compliance	Operational Experience	5
First Call Resolution	Customer Experience, Operational Efficiencies	5