Powering Up Receivables:
How DTE Energy Took Advantage of 21st Century Lockbox Technology to Improve Treasury Processes

Phyllis Bartell
Supervisor – Treasury Operations
DTE Energy Company

Debi Segars, CTP
Vice President- Large Corporate Treasury Management
Fifth Third Bank
Today’s Agenda

- Overview of DTE Energy
- Defining the Challenges of an In-house Process
- The Road to Outsourcing
  - Challenges that Needed to be Addressed
  - Roadmap for Success
  - Benefits Gained
- Where We Are Today
- Lessons Learned & Tips to Share
DTE Energy - Who We Are

- Integrated energy company
  - Provide gas & electric services to over 3.3 million Michigan homes & businesses via regulated companies
  - Provide energy related services through non-utility subsidiaries to businesses and industries nationwide

- 100 + years in business

- High volume receivables environment
  - Daily billing cycle
  - Approximately 1.2 million items/month
# The Challenges of an In-house Lockbox Process

| Limited processing times | - Process only Monday- Friday  
|                          |   - Shifts running from 8 p.m.- 7 a.m. |
| Staffing challenges & constraints | - Non Union shop  
|                                  |   - High turnover rates  
|                                  |   - The need for on-going training  
|                                  |   - Managing vacations, back-up schedules |
| Delays in processing | - Delays in Detroit mail  
|                      |   - Completion rate was 99%  
|                      |   - Deposits constrained by local bank operating hours |
| High percentage of research & adjustments | - No online correction or research tools  
|                                           |   - Significant reconcilement delays |
The Challenges of an In-house Lockbox Process

Inefficient levels of automation
- Falling behind latest software and technology
  - Knowing what it is AND implementing it in our shop
- Outdated equipment and no budget to purchase newer equipment

Undefined business continuity
- Lacked an in-house disaster recovery plan

Retaining control over our customers’ payments was critically important
The Road to Outsourcing

Process of educating ourselves began 5 years ago

- Initiated a series of RFI’s to gain knowledge
- Learned what the banks were doing
- Unchartered territory—no one in the market had outsourced their process
- Treasury & Receivables Departments partnered together early on
- Conducted a formal RFP process to targeted banks
- Do we outsource or buy new equipment?
Challenges Which Needed to be Addressed

- Impact to our customers?
- Can we make this transparent?
- Questions we asked ourselves
  - How long will the transition take?
  - What will we do with all this equipment?
- Impact to our employees?
- Who needs to be involved?

Can we make this transparent?

Questions we asked ourselves
  - How long will the transition take?
  - What will we do with all this equipment?
Challenges Which Needed to be Addressed

• Non Union Shop Employees
  – Involved Human Resources early in process
  – Combination of retention and packages

• Fast migration period
  – 90 days vs. typical 6 months
  – Driven by employee retention and retiring old equipment
Our Roadmap for Success

- Identify the right team

<table>
<thead>
<tr>
<th>DTE</th>
<th>Fifth Third Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>Treasury Management</td>
</tr>
<tr>
<td>Receivables</td>
<td>Relationship Management</td>
</tr>
<tr>
<td>IT</td>
<td>Product Management</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Operations Specialists</td>
</tr>
<tr>
<td></td>
<td>IT</td>
</tr>
</tbody>
</table>

- Ensure involvement of IT - file formats are key!
- Need a “Champion” within company and at the bank to lead team to create a cohesive approach
Our Roadmap for Success

• Work with the right partner
  – They will be entrusted with your customers’ payments!
  – Benefited from deep operational experience and guidance from our banking partner
  – Dedicated the resources to migrate within our timeframes and meet all of our requirements

• Frequent communication throughout process
  – Weekly project calls
Our Roadmap for Success

• Tour the facility
  – See the environment; talk to the staff

• Ensured change would be seamless and transparent to our customers

• Shorter transition period had positive impact
  – Less time to manage change
  – Shorter retention period for employees
The Outsourced Solution-Benefits Gained

- Delivered faster, more efficient processing
  - Ongoing ability to leverage the latest technology and software
  - Highest levels of automation
  - Provided online research tools
  - Delivered uninterrupted service-24/7 process
- Eliminated need for capital expenditures
- Provided immediate contingency plan
The Outsourced Solution-Benefits Gained

- Reduced/eliminated vast majority of exceptions and research items
  - Better control over customer behavior with automated return files and stop files
  - Online functionality for corrections & research items

- More accurate reconcilement & accounting processes
  - Updated EDI files received throughout the day
  - Expedited A/R postings

- Bank purchased some of our in-house equipment
Where We Are Today

• Fully operational for 2 Years

• Migration was completely transparent to our customers

• Significantly reduced research & adjustments

• Minimum impact on mail times moving from local Detroit address to Cincinnati, Ohio
Lessons Learned & Tips to Share

- Frequent & direct communication with employees made the transition easier to manage
  - No degradation in quality
  - Kept morale positive

- Don’t forget to involve the Post Office
  - Responsible for forwarding the items during transition
  - Final review of new coupons and envelopes

- Fully understand the re-design implications of the coupons & envelopes
  - Testing, weight, window size, etc

- Implications of file formats and cut-off times throughout the day
Lessons Learned & Tips to Share

- Develop and implement a process to communicate ongoing changes after transition
  - Identify who needs to know information
- Consider identifying an outsourced partner as a back-up alternative to fully migrating from an in-house process
- Very few customers called about non-local address
- Migration’s success gave treasury leverage to consider other outsourced projects
DTE became a recognized leader having been the first to outsource our payments processing in the utilities industry within our local market.
Questions and Comments Welcomed

Thank you for your participation today!
Contact

Phyllis Bartell  
DTE Energy Company  
bartellp@dteenergy.com  
313.235.7171

Debi Segars, CTP  
Fifth Third Bank  
debi.segars@53.com  
248.603.0677