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INFORMATION



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

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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 reconciliation 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- Outdated equipment and no budget to purchase newer equipment

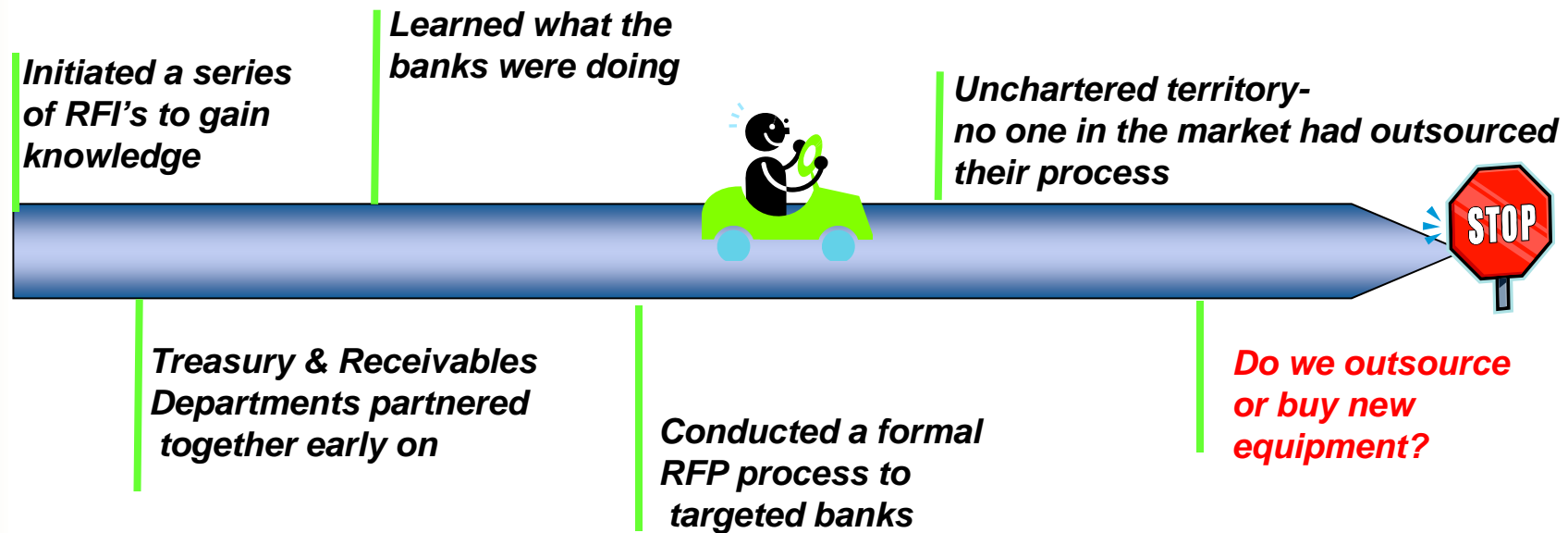
Undefined business continuity 

- Lacked an in-house disaster recovery plan

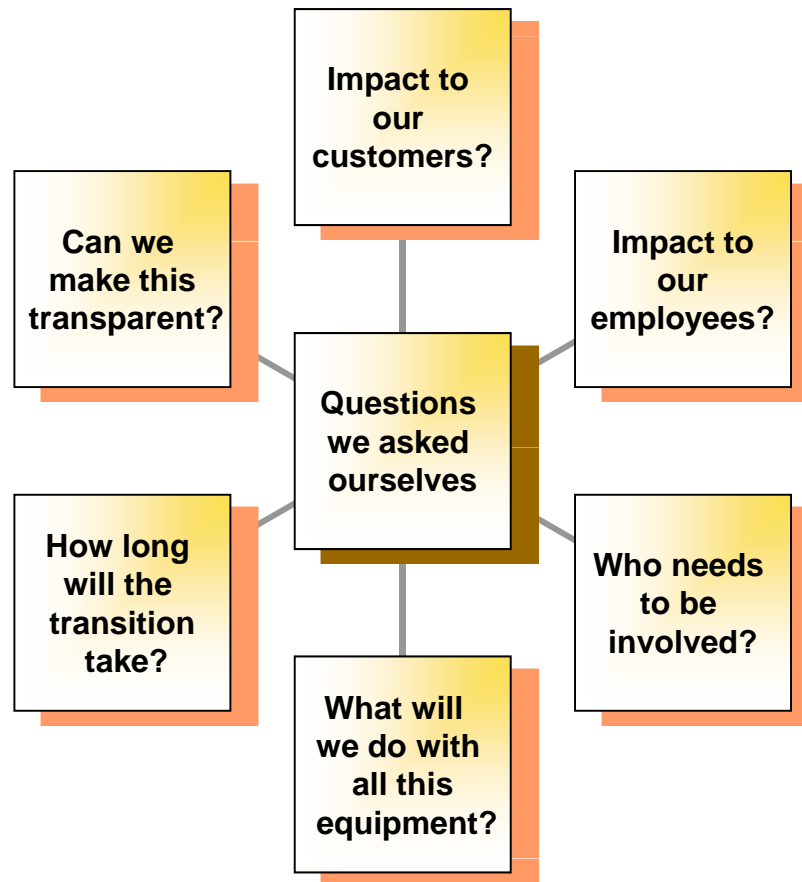
*Retaining control over our customers' payments
was critically important*

The Road to Outsourcing

Process of educating ourselves began 5 years ago



Challenges Which Needed to be Addressed



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

DTE
<ul style="list-style-type: none">• Treasury• Receivables• IT• Human Resources

Fifth Third Bank
<ul style="list-style-type: none">• Treasury Management• Relationship Management• Product Management• Operations Specialists• IT

- 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

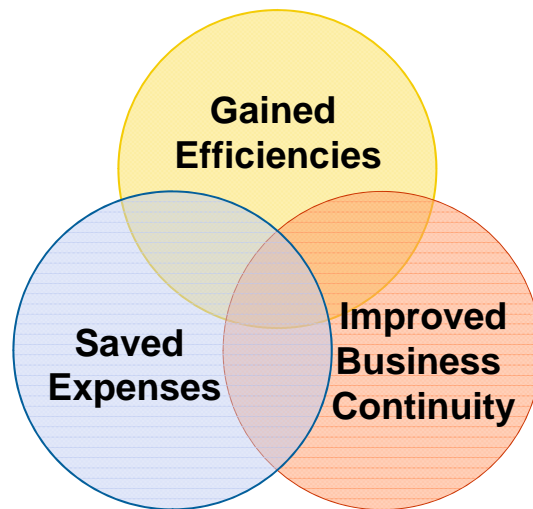
Our Roadmap for Success

- 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

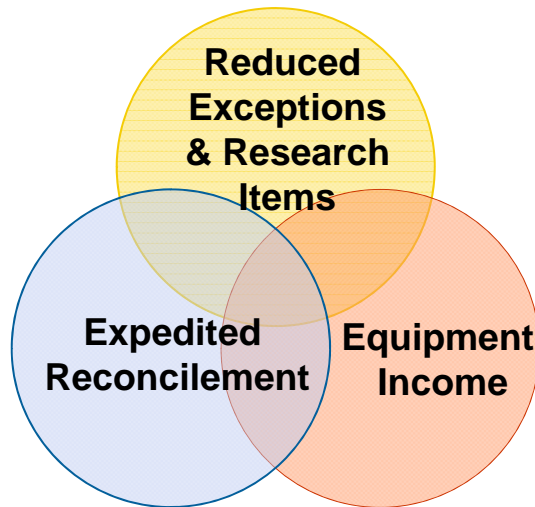
- Tour the facility
 - See the environment; talk to the staff
- Ensured change would be seamless and transparent to our customers
- Shorter transition period had positive impact
 - Less time to manage change
 - Shorter retention period for employees

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 reconciliation & 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 through-out 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

Outsourcing's Powerful Impact

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

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