

## [Slide 1 - Title Slide]

- Good morning, thank you. And thank you, Hal, for that kind introduction.
- I truly appreciate Dennis Dabney's invitation to speak today on a subject that is near-and-dear to my heart. And when I heard this morning that in Michigan, they are predicting a 30-degree drop in temperature along with sleet and snow, I have just one question: Can I stay and talk to you next week as well?
- Now, before I get rolling, and especially since I'm talking to a large union and management audience, I can't resist the opportunity to try out one of my favorite work-related jokes on all of you.

## [Slide 2 - Light Bulb]

- OK, ready? Here it is:
- How many Labor Relations representatives does it take to change a light bulb?
- - - - Well, the answer is just one...but the light bulb has to **reeeeally** want to change!

- I like that joke because it points out something that is very common and that we encounter all too often in our work ... and that is a general dislike of **change**.
- We've all heard folks grumble about change – whether the change is in their personal or professional life.
- For me, one of the most awful reminders I get each 90 days is that I have to change my password on my computer. Every time I get this tiny, little electronic warning, a small pang of dread twists up in my stomach, and all I think to myself is, “As soon as I make this change, I’m I going to lock myself out of my computer, and I’m going to have to call the help desk and look like an idiot. **Why** can’t I just keep my current password?!?”
- And, mind you, this is my usual reaction to this **one, tiny, small scale** change.
- By contrast, think about the large-scale nature of changes we in the union/management relationship have to handle and lead people through:
  - technology changes
  - staffing changes
  - Leadership changes
  - shift changes

- work duty changes
- pay and benefit changes

...and that's just naming only a few. These are things that, many times, are absolutely ***central to a person's*** very identity.

- Then, layer in that the changes we are seeking to make need to occur in a union / management environment, which can, sometimes, make addressing these changes even harder -- given issues of alignment and the political, social and economic pressures we face from our constituencies.
- This is hard stuff. So, the question becomes: When change is needed, how ***do*** we help the light bulb to actually ***want*** to change and not resist the process??
- Well, I have a theory about this, and here it is:  
**People aren't truly resistant to change, we know that change happens and that it's a fundamental reality of life. But what people truly struggle with is uncertainty.**
- My talk today is about how Union and Management leadership at DTE Energy is working together in profound new ways to plan for the transformational changes ahead impacting our business and our industry—and how we are doing it in a way that is

focused on reducing uncertainty and truly engages our workforce.

- I will be sharing with you information about the massive level of investment that we are going to be making over the next 10 years in our business and how that investment will dramatically alter the nature of the work – the jobs – that our employees perform at our company.
- I'll talk about the sweeping level of attrition through retirements that we expect to have over that same period of time – where, in the next five years, about 25-percent of DTE employees will be eligible to retire.
- And finally, I will talk about the workforce planning process that we have put in place to address these changes, and the joint principles, between union and management, that we've established to guide our work as we move forward.
- **Hopefully, with all this, you will get a sense of how our company is planning for success – jointly -- as we look ahead to a period of unprecedented change affecting our business and our employees.**

[Slide 3 – DTE Logo, pics of operations/headquarters]

- But before I get into all of this, I want to first give you a sense of who we are as a company and our role in the Michigan economy. We are a gas and electric utility company with approximately 10,000 employees, and we serve nearly 3.5 million customers in Michigan. We also operate a variety of power and industrial businesses in 17 states around the country, including a bio-mass facility here in California.
- We are also **the** largest investor of capital in the state of Michigan and, thus, a top contributor to Michigan's economy. We have spent over \$4B in the state of Michigan over the last 5 years, and we've committed to spending an additional \$5 B over the next five years. By using local suppliers, we support good jobs for our state and economic strength for our communities.
- So that's a little about the DTE Energy, but I have to be honest, when Dennis Dabney first reached out to me to suggest that I share some of our story with this audience, I thought to myself: **Why** does a massive, west-coast health care company want to hear from a comparatively smaller, Midwest utility company about our workforce and how we are planning for the future?
- Initially, I thought our businesses couldn't be more different. Then, I thought again:

- We are both in extremely capital-intensive businesses in which advanced technology plays a critical role
- We both are heavily regulated industries
- We are both very concerned about customer affordability
- Our jobs are highly technical, frequently requiring advanced degrees, licenses and certifications
- Quality is central to both our businesses; your focus is on quality of care , our focus is on system reliability
- We both have a significant portion of our workforce represented by labor unions --- at DTE, approximately 50% of our workforce is represented, and I understand your percentage is just a bit higher at around 60%.
- But here is another similarity that I'd like to share with you, and to understand this one, we have to go a bit deeper under the surface. To do that, let me describe our Purpose at DTE Energy. Here it is:

[Slide 4 – DTE Purpose Slide]

*We serve with our energy, the lifeblood of communities, the engine of progress.*

- As you can see from this Purpose statement, at DTE Energy, like the health care industry, we view our work as life sustaining. Without the electricity and natural gas that we provide—hospitals and schools can't operate, businesses shut down, and we can't even power these critical little devices (hold up cell phone). Without the energy we produce, life as we know it comes to a standstill--and we view our work as analogous to what happens when a patient's heart no longer beats and blood isn't pumping through the body. So, I would say that another important similarity between our industries is that we know that people depend on us every day and that our work comes with the responsibility and privilege of serving others.
- And, as you've already read, the phrase “we serve with our energy” – has double meaning. Clearly "our energy" is what we produce and provide for our customers – but it is also the personal energy and commitment that our employees have that makes everything that we do inside our company and in our communities possible.

- At DTE, we are truly an employee-centric company, and in a moment, I'll tell you the story of how that came to be. And, when I say this, I'm not just saying that this is a slogan like many companies have – you know, something along the lines of “employees are our greatest resource”.
- No -- we know that engaged and empowered employees are the **key** to living our purpose and achieving our goals. Our entire system of priorities in our company starts with a focus on our people – and every other one of our priorities – customer satisfaction, financial results, regulatory -- everything flows from a focus on our people.
- We seek to create an environment where each employee in our company has a sense of **purpose** and **pride** and **belonging**.
- Believe it or not, we focus on employee engagement with the same level of intensity as we do our financial results and operational metrics – we understand what great engagement looks like, we measure it, we develop plans, and we hold ourselves accountable for results.
- So this may begin to explain to you why strategic workforce planning -- making sure we have the right skills and talents in the right place, at the right time,



and at the right cost -- is so critical to our business. It's because we are so focused on the engagement of our employees.

- But, it wasn't always like this. I would like to share with you the story of how we got here.
- Back eight years ago -- November 3, 2008 to be exact-- I could not tell you what the future would hold for DTE. It was my first day working for DTE Energy, I had just accepted a position with the company after having worked for 20 years in the auto industry.

#### [Slide 5 – Headlines from Great Recession]

- You may remember that was the week, the Labor Department announced half-a-million jobs were lost in the fall since the collapse on Wall Street had begun and consumer confidence in this country had been shaken to its core.
- Detroit was the epicenter of the recession, and in my family, we felt it painfully, because both my brothers and my brother-in-law who all worked in the auto industry, had just been laid off.
- People were losing their jobs left and right and it was an incredibly scary time in our region of Michigan.
- When the recession started in 2008 and moved into 2009, we watched as neighbors and customers, some

multi-million-dollar corporations, filed for bankruptcy and even shuttered their doors. Home foreclosures were everywhere, and at DTE, our residential and commercial electricity load, or sales, was falling precipitously.

- Now, I have to let you in on a moment in the middle of this crisis that was absolutely transformative for our company. At this time, our chief operating officer and soon-to-be-successor to the CEO, Gerry Anderson, was, like other CEOs in the Detroit area, frantically trying to figure out how to keep our company afloat.
- Here he was, a Notre Dame graduate with a civil engineering degree and not just one, **but two**, master degrees from the University of Michigan. Yes, you could say that *in all but the rarest of circumstances he had always been* the smartest guy in the room.
- He was very much an analytical, strategic leader. For him, the answers were always in the numbers and in sound business strategy. But this situation was different. There was nothing predictable about it, and there was no way of knowing where the bottom was or when it would hit.
- For maybe the first time in his life, Gerry didn't have the answers, and in that moment of vulnerability, he did something that many said was out of character.

He called a meeting with each of the presidents of our five unions and explained what we were up against, and with deep emotion, he asked for their help.

- Then, in a message to all 10,000 employees, he asked them to find every opportunity to cut costs and eliminate waste to help stabilize the company.
- **And**, to every employee, he said, "If you do this, I promise I will help to protect your families by doing everything in my power to avoid layoffs and keep everyone at DTE working."
- That moment, that compact, was a turning point for all of us. No one could have predicted how that **one** move would transform our company then, and how it continues to impact the way we run our company eight years later.
- A compelling reason for change had been delivered, and the fear and uncertainty that our employees felt had been addressed. We were ready to change.
- For the next two years, our employees showed amazing ingenuity and energy focused on keeping our company healthy. The combined power of management, union leaders and employees working for a common cause was nothing short of remarkable.

- And incredibly, in the midst of the biggest financial crisis to hit our region and country since the Great Depression, we had our best years of financial performance in our 140 year history!
- After a period of time, it became clear that we were going to get through the crisis, and our employees urged us to pay-it-forward. DTE's neighbors, communities and the entire state were still struggling in 2010 and our employees were asking what we could do to help?
- There was no question we should help our community.
- And, I mentioned earlier, we invest more capital in the state each year than any other company, and we understood that using our investments strategically in Michigan would also assist in our communities' recovery.
- And, we wanted play our part to help change the world's perception of Michigan as a state of dysfunction, with broken union/management relations and non-competitive costs.
- It started by making the name, DTE Energy, stand for excellence. We knew that if we had a strong and vibrant company and if our costs were competitive,

we would play an important role in attracting business and residents back to Michigan.

- Out of all of this came many discussions at the senior levels of the company and with union leadership to define our Aspiration as a company, and ultimately, we defined it as follows:

#### [Slide 6 – Aspiration]

*To be the best-operated energy company in North America and force for growth and prosperity in the communities where we live and serve.*

- So what happens when you prioritize people, engage them, and align them to a higher purpose? Let me just share with you some of our progress:

#### [Slide 7 – Engagement]

- Our employee engagement scores went from 35th percentile to top decile when compared to thousands of companies in Gallup's employee engagement database.

#### [Slide 8 – Safety]

- And we have each other's back, too; our OSHA recordable injuries have been driven way down. We just experienced our first month ever in our companies' history without a recordable injury, and our safety performance is now best in our entire industry.

#### [Slide 9 – Customer Satisfaction]

- Our customer satisfaction ratings for both gas and electric and residential and commercial businesses have risen year over year, and we are consistently ranked by JD Power in the number one or number two spot for customer satisfaction as a result improving every one of these customer service elements year over year

#### [Slide 10 – Operating Costs]

- And remember what I said about keeping our costs in line so that we could make Michigan a more attractive place for business?
- As compared to 42 utility companies across the country, DTE has reduced its operating costs by 5% over the period 2008-2015, while most utility companies experienced operating cost increases in the double digits. And we've done this while still

paying sizable wage increases to our employees each year.

- Was it some marvelous major wand that created all this positive change?
- Nope. It was just a focus and commitment to our people and demonstrating that their creativity, experience and efforts are valued. And, helping to draw that connection our employees are part of something bigger and vital to our community.

#### [Slide 11 – Photographs of accomplishments]

So, just before leaving this, here are a few more pictures to drive home the positive change that we've experienced over the past 6-8 years.

At the top...we are a four-time winner of the Gallup Great Workplace award, and the only utility company in the world to have one this award.

Over to the right, in 2015 alone, DTE donated over \$15 million dollars to local charities, which was up 25% from our giving in 2014.

And, maybe just one more-- I mentioned our fantastically improved safety record: just a week ago, we were approved for admission into the Campbell Institute for Safety.

For those of you not familiar, this organization is quite prestigious and supports the sharing of practices amongst the best companies in the country for safety, and includes companies like Dow, DuPont, Boeing, and NASA, just to name a few.

- Now, how does this story of our journey at DTE relate to my topic of change, and workforce planning for the future???
- We are a different company then we were eight years ago. We have come to understand that enlisting and involving our people is critically important to addressing the next major wave of change facing our business.

[Slide 12 – DTE Forward, coal to gas, wind, solar, etc.)

- Due to changing environmental regulations and aging plants that must be modernized, over the next 10 -15 years, we will retire approximately 60% of our coal-fired generation and significantly increase our reliance on renewable energy sources such as wind and solar.
- We are currently building the largest utility-owned solar project east of the Mississippi and we currently have 26 wind installations across the state.



- However, particularly in Michigan, the sun does not always shine, and winds that are not particularly strong or constant, so we will also build some new, cleaner burning natural gas facilities for base load generating capacity.
- As you know, wind and solar installations do not require much manpower to operate.
- Similarly, today, at one of our coal-powered plants, it takes 300 employees to generate one-thousand megawatts of energy, but in the future, similar output from natural gas facility will only require 30 employees.
- So the obvious question is; what will happen to the other 270 employees? As I mentioned, we expect that nearly a quarter of our workforce will retire over the next 5 years, and close to 50% will retire in the next 10 years.
- Meanwhile, at the bottom of the slide, we will be investing heavily in modernizing our electric and gas distribution systems, which will require new skills and fewer resources.
- In total, we will invest nearly \$20B dollars over the next 15 years, radically transforming the way we do our work.

- So how do we make this whole complicated picture of matching workforce supply and demand actually come together?
- Well, we've launched a major workforce planning initiative within the company called **DTE Forward**. And its goals are to establish our platform for success for the next 20 years through thoughtful planning today.
- Through this work, we seek will minimize uncertainty about what lies ahead and build excitement and enthusiasm about our company's future.
- Now, if you had talked to us fifteen or even ten years ago about planning for this type of change, most people at our company would tell you that the way it would have been handled is that we would have looked out at a 2-5 year time period, and a small team of leaders that would make the decisions and roll them out to the workforce.
- Our approach today is entirely different, and it emanates from what I shared with you about our culture, our focus on employee engagement and the strong working relationship and trust that we have built with our unions.

- At the onset of **Project DTE Forward**, we felt it important to layout a set of guiding principles about how we would approach it.

### [Slide 13 – Ten Commandments]

- We drafted these, discussed them with our union and management teams and rolled them out to the workforce. (Now I added the rock tablets for some visual interest to this slide, but you could certainly say that these principles operate as commandments within our company)
- Here they are: [CLICKS]

First,

1. We will ensure a smooth transition through every phase of the change and "do right" by our employees by planning effectively to guard against unintended consequences and avoid layoffs
2. We will work closely with our unions in the assessment of the situation and the creation of transition plans
3. We will enroll our employees in the process in a way that leads to engagement and excitement.

4. We will ensure that people are fully deployed in their roles, recognizing that their roles may change.

5. We will maintain a strong emphasis on transparent and proactive communications, and,

6. Our approach will be analytically rigorous, benchmark driven and we will seek opportunities to fundamentally redesign our work processes to improve our business through the application of our continuous improvement skills.

- So, here is what establishing these principles has allowed us to jointly explore and develop as workforce planning strategies to address the changes that lie ahead:

#### [Slide 14 - Knowledge Transfer / Other]

- These are just the many tools and approaches that are being worked by our committees of union and management representatives the company to help ensure that we manage through this change thoughtfully.
- So, for example, we have undertaken work to identify every one of our positions as "critical and non-critical" and the amount of training time needed for those positions.

- We have planned and budgeted for "pull-ahead hires" -- positions that we will need to fill in advance of actual attrition, so that we can ensure that there is time for knowledge transfer and job shadowing.
- We are in the process of developing some more flexible classifications that will allow future employees to operate and maintain equipment, rather than these functions being handled by separate employees
- We are rebidding job locations as in anticipation of plant retirements, encouraging employees who are close to the end of their career to relocate to facilities that will close in the near term
- And, we are in discussions to develop temporary workforce provisions (thereby minimizing the use of non-union contract employees), so that we have flexibility as our workforce transitions.
- From my perspective, **none** of these workforce planning strategies would be possible if not for the creativity and positive energy being demonstrated by the union and management teams working on them --
- AND, **all** of that was made possible by our journey to excellence as a company and the value and importance that our leadership has placed on having a highly engaged workforce.

- Now, I'd like to share a short video with you that we produced a couple years ago towards the beginning of our DTE Forward project to help describe the journey that we are on to our employees and our community.

[Slide 15– Mountain climber]

- *Click the link - “Are We There Yet?” Video - Video is 2:42 minutes long.*

[http://questflix.dteco.com/viewerportal/video/home.vp#programId=esc\\_program%3A6608](http://questflix.dteco.com/viewerportal/video/home.vp#programId=esc_program%3A6608)

[Slide 16 – Mountain climber]

- Doesn't that video sum it up nicely? I think it does.
- Thank you and I hope you come see us in Detroit!

I think we have a few minutes now, if there are any questi