

DTE ENERGY CO  
Form 10-Q  
April 26, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

---

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2016

Commission File Number	Registrants; State of Incorporation; Address; and Telephone Number	I.R.S. Employer Identification No.
1-11607	DTE Energy Company (a Michigan corporation) One Energy Plaza Detroit, Michigan 48226-1279 313-235-4000	38-3217752
1-2198	DTE Electric Company (a Michigan corporation) One Energy Plaza Detroit, Michigan 48226-1279 313-235-4000	38-0478650

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

DTE Energy Company (DTE Energy) Yes  No  DTE Electric Company (DTE Electric) Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

DTE Energy Yes  No  DTE Electric Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

DTE Energy Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

DTE Electric Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

DTE Energy Yes  No  DTE Electric Yes  No

Number of shares of Common Stock outstanding at March 31, 2016:

Registrant	Description	Shares
DTE Energy	Common Stock, without par value	179,435,404
DTE Electric	Common Stock, \$10 par value, directly owned by DTE Energy	138,632,324

Edgar Filing: DTE ENERGY CO - Form 10-Q

This combined Form 10-Q is filed separately by two registrants: DTE Energy and DTE Electric. Information contained herein relating to an individual registrant is filed by such registrant solely on its behalf. DTE Electric makes no representation as to information relating exclusively to DTE Energy.

DTE Electric, a wholly-owned subsidiary of DTE Energy, meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

---

THIS PAGE INTENTIONALLY LEFT BLANK

---

## TABLE OF CONTENTS

	Page
<u>Definitions</u>	<u>1</u>
<u>Filing Format</u>	<u>3</u>
<u>Forward-Looking Statements</u>	<u>3</u>
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements</u></b>	
<u>DTE Energy Consolidated Financial Statements (Unaudited)</u>	<u>5</u>
<u>DTE Electric Consolidated Financial Statements (Unaudited)</u>	<u>11</u>
<u>Combined Notes to Consolidated Financial Statements (Unaudited)</u>	<u>17</u>
<u>Note 1 — Organization and Basis of Presentation</u>	<u>17</u>
<u>Note 2 — Significant Accounting Policies</u>	<u>19</u>
<u>Note 3 — New Accounting Pronouncements</u>	<u>20</u>
<u>Note 4 — Regulatory Matters</u>	<u>22</u>
<u>Note 5 — Earnings Per Share</u>	<u>23</u>
<u>Note 6 — Fair Value</u>	<u>23</u>
<u>Note 7 — Financial and Other Derivative Instruments</u>	<u>30</u>
<u>Note 8 — Long-Term Debt</u>	<u>35</u>
<u>Note 9 — Short-Term Credit Arrangements and Borrowings</u>	<u>35</u>
<u>Note 10 — Commitments and Contingencies</u>	<u>36</u>
<u>Note 11 — Retirement Benefits and Trusteed Assets</u>	<u>39</u>
<u>Note 12 — Segment and Related Information</u>	<u>39</u>
<b><u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b><u>42</u></b>
<b><u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	<b><u>55</u></b>
<b><u>Item 4. Controls and Procedures</u></b>	<b><u>58</u></b>
<b><u>PART II - OTHER INFORMATION</u></b>	
<b><u>Item 1. Legal Proceedings</u></b>	<b><u>59</u></b>
<b><u>Item 1A. Risk Factors</u></b>	<b><u>59</u></b>
<b><u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b><u>59</u></b>
<b><u>Item 6. Exhibits</u></b>	<b><u>60</u></b>
<u>Signatures</u>	<u>61</u>

---

DEFINITIONS

ARO	Asset Retirement Obligation
ASU	Accounting Standards Update issued by the FASB
CFTC	U.S. Commodity Futures Trading Commission
DTE Electric	DTE Electric Company (a direct wholly-owned subsidiary of DTE Energy) and subsidiary companies
DTE Energy	DTE Energy Company, directly or indirectly the parent of DTE Electric, DTE Gas, and numerous non-utility subsidiaries
DTE Gas	DTE Gas Company (an indirect wholly-owned subsidiary of DTE Energy) and subsidiary companies
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FOV	Finding of Violation
FTRs	Financial Transmission Rights are financial instruments that entitle the holder to receive payments related to costs incurred for congestion on the transmission grid.
GCR	A Gas Cost Recovery mechanism authorized by the MPSC that allows DTE Gas to recover through rates its natural gas costs.
GHGs	Greenhouse gases
IRM	Infrastructure Recovery Mechanism
MDEQ	Michigan Department of Environmental Quality
MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value
NEXUS	NEXUS Gas Transmission, LLC
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services, and other operating related matters are not directly regulated by the MPSC.
NOV	Notice of Violation
NRC	U.S. Nuclear Regulatory Commission

PLD	City of Detroit's Public Lighting Department
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.
PSCR	A Power Supply Cost Recovery mechanism authorized by the MPSC that allows DTE Electric to recover through rates its fuel, fuel-related, and purchased power costs.
REF	Reduced Emissions Fuel
Registrants	DTE Energy and DTE Electric
Retail access	Michigan legislation provided customers the option of access to alternative suppliers for electricity and natural gas.
Securitization	DTE Electric financed specific stranded costs at lower interest rates through the sale of rate reduction bonds by a wholly-owned special purpose entity, The Detroit Edison Securitization Funding LLC.
Shenango	Shenango Incorporated is a coke battery plant located in Pittsburgh, PA, that was closed in January 2016 and is included in the Power and Industrial Projects segment.

DEFINITIONS

A Transitional Reconciliation Mechanism authorized by the MPSC that allows DTE Electric to recover through TRM rates the deferred net incremental revenue requirement associated with the transition of PLD customers to DTE Electric's distribution system.

VIE Variable Interest Entity

Units of Measurement

Bcf Billion cubic feet of natural gas

BTU Heat value (energy content) of fuel

MMBtu One million BTU

MWh Megawatthour of electricity

## FILING FORMAT

This combined Form 10-Q is separately filed by DTE Energy and DTE Electric. Information in this combined Form 10-Q relating to each individual Registrant is filed by such Registrant on its own behalf. DTE Electric makes no representation regarding information relating to any other companies affiliated with DTE Energy other than its own subsidiaries. Neither DTE Energy, nor any of DTE Energy's other subsidiaries (other than DTE Electric), has any obligation in respect of DTE Electric's debt securities and holders of such debt securities should not consider the financial resources or results of operations of DTE Energy nor any of DTE Energy's other subsidiaries (other than DTE Electric and its own subsidiaries (in relevant circumstances)) in making a decision with respect to DTE Electric's debt securities. Similarly, none of DTE Electric nor any other subsidiary of DTE Energy has any obligation in respect of debt securities of DTE Energy. This combined Form 10-Q should be read in its entirety. No one section of this combined Form 10-Q deals with all aspects of the subject matter of this combined Form 10-Q. This combined Form 10-Q report should be read in conjunction with the Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements and with Management's Discussion and Analysis included in the combined DTE Energy and DTE Electric 2015 Annual Report on Form 10-K.

## FORWARD-LOOKING STATEMENTS

Certain information presented herein includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, and businesses of the Registrants. Words such as "anticipate," "believe," "expect," "projected," "aspiration," and "goals" signify forward-looking statements. Forward-looking statements are not guarantees of future results and conditions, but rather are subject to numerous assumptions, risks, and uncertainties that may cause actual future results to be materially different from those contemplated, projected, estimated, or budgeted. Many factors may impact forward-looking statements of the Registrants including, but not limited to, the following:

- impact of regulation by the EPA, FERC, MPSC, NRC, and CFTC, as well as other applicable governmental proceedings and regulations, including any associated impact on rate structures;
- the amount and timing of cost recovery allowed as a result of regulatory proceedings, related appeals, or new legislation, including legislative amendments and retail access programs;
- economic conditions and population changes in the Registrants' geographic area resulting in changes in demand, customer conservation, and thefts of electricity and, for DTE Energy, natural gas;
- environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements;
- health, safety, financial, environmental, and regulatory risks associated with ownership and operation of nuclear facilities;
- changes in the cost and availability of coal and other raw materials, purchased power, and natural gas;
- volatility in the short-term natural gas storage markets impacting third-party storage revenues related to DTE Energy;
- impact of volatility of prices in the oil and gas markets on DTE Energy's gas storage and pipelines operations;
- impact of volatility in prices in the international steel markets on DTE Energy's power and industrial projects operations;
- volatility in commodity markets, deviations in weather, and related risks impacting the results of DTE Energy's energy trading operations;
- changes in the financial condition of DTE Energy's significant customers and strategic partners;
- the potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions;
- access to capital markets and the results of other financing efforts which can be affected by credit agency ratings;



- instability in capital markets which could impact availability of short and long-term financing;
- the timing and extent of changes in interest rates;
- the level of borrowings;
- the potential for increased costs or delays in completion of significant capital projects;
- changes in, and application of, federal, state, and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings, and audits;
- the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;
- unplanned outages;
- the cost of protecting assets against, or damage due to, terrorism or cyber attacks;
- employee relations and the impact of collective bargaining agreements;
- the risk of a major safety incident at an electric distribution or generation facility and, for DTE Energy, a gas storage, transmission, or distribution facility;
- the availability, cost, coverage, and terms of insurance and stability of insurance providers;
- cost reduction efforts and the maximization of plant and distribution system performance;
- the effects of competition;
- changes in and application of accounting standards and financial reporting regulations;
- changes in federal or state laws and their interpretation with respect to regulation, energy policy, and other business issues;
- contract disputes, binding arbitration, litigation, and related appeals; and
- the risks discussed in the Registrants' public filings with the Securities and Exchange Commission.

New factors emerge from time to time. The Registrants cannot predict what factors may arise or how such factors may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements speak only as of the date on which such statements are made. The Registrants undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

## Part I — Financial Information

## Item 1. Financial Statements

## DTE Energy Company

## Consolidated Statements of Operations (Unaudited)

Three Months  
 Ended March 31,  
 2016 2015  
 (In millions,  
 except per share  
 amounts)

Operating Revenues		
Utility operations	\$1,664	\$1,841
Non-utility operations	902	1,143
	2,566	2,984
Operating Expenses		
Fuel, purchased power, and gas — utility	565	693
Fuel, purchased power, and gas — non-utility	776	1,005
Operation and maintenance	516	526
Depreciation and amortization	229	209
Taxes other than income	99	100
Asset (gains) losses and impairments, net	—	(10 )
	2,185	2,523
Operating Income	381	461
Other (Income) and Deductions		
Interest expense	113	110
Interest income	(11 )	(4 )
Other income	(52 )	(51 )
Other expenses	8	10
	58	65
Income Before Income Taxes	323	396
Income Tax Expense	83	122
Net Income	240	274
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(7 )	1
Net Income Attributable to DTE Energy Company	\$247	\$273
Basic Earnings per Common Share		
Net Income Attributable to DTE Energy Company	\$1.38	\$1.53
Diluted Earnings per Common Share		
Net Income Attributable to DTE Energy Company	\$1.37	\$1.53

Weighted Average Common Shares Outstanding		
Basic	179	178
Diluted	180	178
Dividends Declared per Common Share	\$0.73	\$0.69

See Combined Notes to Consolidated Financial Statements (Unaudited)

5

---

DTE Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31, 2016 2015 (In millions)	
Net Income	\$240	\$274
Other comprehensive income (loss), net of tax:		
Benefit obligations, net of taxes of \$2 and \$2, respectively	3	3
Foreign currency translation	2	(3 )
Other comprehensive income	5	—
Comprehensive income	245	274
Less comprehensive income (loss) attributable to noncontrolling interests	(7 )	1
Comprehensive Income Attributable to DTE Energy Company	\$252	\$273

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited)

	March 31, 2016 (In millions)	December 31, 2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 35	\$ 37
Restricted cash	23	23
Accounts receivable (less allowance for doubtful accounts of \$42 and \$49, respectively)		
Customer	1,185	1,276
Other	80	72
Inventories		
Fuel and gas	351	480
Materials and supplies	309	323
Derivative assets	109	129
Regulatory assets	36	32
Other	234	203
	2,362	2,575
Investments		
Nuclear decommissioning trust funds	1,246	1,236
Investments in equity method investees	542	514
Other	191	186
	1,979	1,936
Property		
Property, plant, and equipment	28,273	28,121
Less accumulated depreciation and amortization	(10,146 )	(10,087 )
	18,127	18,034
Other Assets		
Goodwill	2,018	2,018
Regulatory assets	3,699	3,692
Intangible assets	90	89
Notes receivable	79	85
Derivative assets	53	54
Other	157	179
	6,096	6,117
Total Assets	\$ 28,564	\$ 28,662

See Combined Notes to Consolidated Financial Statements (Unaudited)



## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited) — (Continued)

	March 31, 2016	December 31, 2015
	(In millions, except shares)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 649	\$ 809
Accrued interest	119	89
Dividends payable	131	131
Short-term borrowings	365	499
Current portion long-term debt, including capital leases	462	473
Derivative liabilities	67	57
Gas inventory equalization	87	—
Regulatory liabilities	30	41
Other	299	429
	2,209	2,528
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	8,266	8,265
Junior subordinated debentures	480	480
Capital lease obligations	12	15
	8,758	8,760
<b>Other Liabilities</b>		
Deferred income taxes	4,006	3,923
Regulatory liabilities	585	569
Asset retirement obligations	2,227	2,194
Unamortized investment tax credit	60	62
Derivative liabilities	96	86
Accrued pension liability	1,130	1,133
Accrued postretirement liability	199	228
Nuclear decommissioning	179	177
Other	205	207
	8,687	8,579
<b>Commitments and Contingencies (Notes 4 and 10)</b>		
<b>Equity</b>		
Common stock, without par value, 400,000,000 shares authorized, and 179,435,404 and 179,470,213 shares issued and outstanding, respectively	4,118	4,123
Retained earnings	4,909	4,794
Accumulated other comprehensive loss	(140)	(145)
Total DTE Energy Company Equity	8,887	8,772
Noncontrolling interests	23	23
Total Equity	8,910	8,795
Total Liabilities and Equity	\$28,564	\$28,662

See Combined Notes to Consolidated Financial Statements (Unaudited)

8

---



## DTE Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,		
	2016		2015
	(In millions)		
Operating Activities			
Net Income	\$	240	\$ 274
Adjustments to reconcile Net Income to net cash from operating activities:			
Depreciation and amortization	229		209
Nuclear fuel amortization	15		13
Allowance for equity funds used during construction	(5	)	(5
Deferred income taxes	80		84
Equity earnings of equity method investees	(15	)	(16
Dividends from equity method investees	18		16
Asset (gains) losses and impairments, net	—		(10
Changes in assets and liabilities:			
Accounts receivable, net	97		(8
Inventories	143		172
Accounts payable	(93	)	(123
Gas inventory equalization	87		130
Accrued pension liability	(3	)	2
Accrued postretirement liability	(29	)	(135
Derivative assets and liabilities	40		49
Regulatory assets and liabilities	34		(4
Other current and noncurrent assets and liabilities	(97	)	99
Net cash from operating activities	741		747
Investing Activities			
Plant and equipment expenditures — utility	(394	)	(366
Plant and equipment expenditures — non-utility	(30	)	(39
Acquisition	—		(240
	—		13

Proceeds from sale of assets				
Restricted cash for debt redemption, principally Securitization, net	—		96	
Proceeds from sale of nuclear decommissioning trust fund assets	260		246	
Investment in nuclear decommissioning trust funds	(262)	)	(250)	)
Distributions from equity method investees	3		3	
Contributions to equity method investees	(26)	)	(22)	)
Other	12		3	
Net cash used for investing activities	(437)	)	(556)	)
Financing Activities				
Issuance of long-term debt, net of issuance costs	—		495	
Redemption of long-term debt	(11)	)	(117)	)
Short-term borrowings, net	(134)	)	(398)	)
Issuance of common stock	—		9	
Repurchase of common stock	(33)	)	—	)
Dividends on common stock	(131)	)	(122)	)
Other	3		(7)	)
Net cash used for financing activities	(306)	)	(140)	)
Net Increase (Decrease) in Cash and Cash Equivalents	(2)	)	51	)
Cash and Cash Equivalents at Beginning of Period	37		48	
Cash and Cash Equivalents at End of Period	\$ 35		\$ 99	
Supplemental disclosure of non-cash investing and financing activities				
Plant and equipment expenditures in accounts payable	\$ 134		\$ 186	

See Combined Notes to Consolidated Financial Statements (Unaudited)

9

---

## DTE Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained Earnings	Accumulated	Non-Controlling Interests	Total
	Shares	Amount		Other Comprehensive Income (Loss)		
(Dollars in millions, shares in thousands)						
Balance, December 31, 2015	179,470	\$4,123	\$4,794	\$ (145 )	\$ 23	\$8,795
Net Income (Loss)	—	—	247	—	(7 )	240
Dividends declared on common stock	—	—	(131 )	—	—	(131 )
Repurchase of common stock	(394 )	(33 )	—	—	—	(33 )
Benefit obligations, net of tax	—	—	—	3	—	3
Foreign currency translation	—	—	—	2	—	2
Stock-based compensation, net contributions from noncontrolling interests, and other	359	28	(1 )	—	7	34
Balance, March 31, 2016	179,435	\$4,118	\$4,909	\$ (140 )	\$ 23	\$8,910

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Utility operations	\$1,153	\$1,203
Operating Expenses		
Fuel and purchased power — utility	335	390
Operation and maintenance	324	317
Depreciation and amortization	176	155
Taxes other than income	73	73
	908	935
Operating Income	245	268
Other (Income) and Deductions		
Interest expense	65	63
Interest income	(8 )	—
Other income	(16 )	(15 )
Other expenses	7	9
	48	57
Income Before Income Taxes	197	211
Income Tax Expense	70	74
Net Income	\$127	\$137

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31, 2016 2015 (In millions)	
Net Income	\$ 127	\$ 137
Other comprehensive income, net of tax:		
Transfer of benefit obligations, net of taxes of \$18 in 2015	—	28
Comprehensive income	\$ 127	\$ 165

See Combined Notes to Consolidated Financial Statements (Unaudited)

12

---

## DTE Electric Company

## Consolidated Statements of Financial Position (Unaudited)

	March 31, 2016 (In millions)	December 31, 2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 17	\$ 15
Accounts receivable (less allowance for doubtful accounts of \$26 and \$28, respectively)		
Customer	618	657
Affiliates	8	14
Other	43	40
Inventories		
Fuel	232	271
Materials and supplies	259	251
Notes receivable		
Other	5	—
Regulatory assets	25	17
Prepaid property tax	84	44
Other	31	22
	1,322	1,331
Investments		
Nuclear decommissioning trust funds	1,246	1,236
Other	34	35
	1,280	1,271
Property		
Property, plant, and equipment	21,476	21,391
Less accumulated depreciation and amortization	(7,681 )	(7,646 )
	13,795	13,745
Other Assets		
Regulatory assets	2,981	2,969
Intangible assets	38	34
Prepaid postretirement costs — affiliates	24	24
Other	119	144
	3,162	3,171
Total Assets	\$ 19,559	\$ 19,518

See Combined Notes to Consolidated Financial Statements (Unaudited)





## DTE Electric Company

## Consolidated Statements of Financial Position (Unaudited) — (Continued)

	March 31, 2016	December 31, 2015
	(In millions, except shares)	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable		
Affiliates	\$56	\$ 40
Other	288	329
Accrued interest	66	62
Current portion long-term debt, including capital leases	148	157
Regulatory liabilities	27	19
Short-term borrowings		
Affiliates	97	75
Other	211	272
Other	122	138
	1,015	1,092
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	5,438	5,437
Capital lease obligations	12	15
	5,450	5,452
<b>Other Liabilities</b>		
Deferred income taxes	3,566	3,498
Regulatory liabilities	213	199
Asset retirement obligations	2,049	2,020
Unamortized investment tax credit	56	58
Nuclear decommissioning	179	177
Accrued pension liability — affiliates	979	976
Accrued postretirement liability — affiliates	288	307
Other	69	66
	7,399	7,301
<b>Commitments and Contingencies (Notes 4 and 10)</b>		
<b>Shareholder's Equity</b>		
Common stock, \$10 par value, 400,000,000 shares authorized, and 138,632,324 shares issued and outstanding	4,086	4,086
Retained earnings	1,607	1,585
Accumulated other comprehensive income	2	2
	5,695	5,673
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$19,559</b>	<b>\$ 19,518</b>

See Combined Notes to Consolidated Financial Statements (Unaudited)



## DTE Electric Company

## Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Operating Activities		
Net Income	\$ 127	\$ 137
Adjustments to reconcile Net Income to net cash from operating activities:		
Depreciation and amortization	176	155
Nuclear fuel amortization	15	13
Allowance for equity funds used during construction	(4 )	(5 )
Deferred income taxes	70	76
Changes in assets and liabilities:		
Accounts receivable, net	57	(3 )
Inventories	31	2
Accounts payable	25	(8 )
Accrued pension liability — affiliates	3	(88 )
Accrued postretirement liability — affiliates	(19 )	(128 )
Regulatory assets and liabilities	40	(43 )
Other current and noncurrent assets and liabilities	(68 )	65
Net cash from operating activities	453	173
Investing Activities		
Plant and equipment expenditures	(315 )	(311 )
Acquisition	—	(240 )
Proceeds from the sale of assets	6	—
Restricted cash for debt redemption, principally	—	96
Securitization, net	—	—
Notes receivable from affiliate	—	8
Proceeds from sale of nuclear decommissioning trust fund assets	260	246

Investment in nuclear decommissioning trust funds	(262)	)	(250)	)
Transfer of Rabbi Trust assets to affiliate	—		137	
Other	14		2	
Net cash used for investing activities	(297)	)	(312)	)
Financing Activities				
Issuance of long-term debt, net of issuance costs	—		496	
Redemption of long-term debt	(10)	)	(115)	)
Short-term borrowings, net — affiliate	22		(49)	)
Short-term borrowings, net — other	(61)	)	(50)	)
Dividends on common stock	(105)	)	(99)	)
Other	—		(4)	)
Net cash from (used for) financing activities	(154)	)	179	
Net Increase in Cash and Cash Equivalents	2		40	
Cash and Cash Equivalents at Beginning of the Period	15		14	
Cash and Cash Equivalents at End of the Period	17		\$ 54	
Supplemental disclosure of non-cash investing and financing activities				
Plant and equipment expenditures in accounts payable	\$ 100		\$ 154	

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Changes in Shareholder's Equity (Unaudited)

	Common Stock		Additional	Retained	Accumulated	
	Shares	Amount	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					Income	
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2015	138,632	\$ 1,386	\$ 2,700	\$ 1,585	\$ 2	\$5,673
Net Income	—	—	—	127	—	127
Dividends declared on common stock	—	—	—	(105 )	—	(105 )
Balance, March 31, 2016	138,632	\$ 1,386	\$ 2,700	\$ 1,607	\$ 2	\$5,695

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited)

Index of Combined Notes to Consolidated Financial Statements (Unaudited)

The Combined Notes to Consolidated Financial Statements (Unaudited) are a combined presentation for DTE Energy and DTE Electric. The following list indicates the Registrant(s) to which each note applies:

Note 1	Organization and Basis of Presentation	DTE Energy and DTE Electric
Note 2	Significant Accounting Policies	DTE Energy and DTE Electric
Note 3	New Accounting Pronouncements	DTE Energy and DTE Electric
Note 4	Regulatory Matters	DTE Energy and DTE Electric
Note 5	Earnings per Share	DTE Energy
Note 6	Fair Value	DTE Energy and DTE Electric
Note 7	Financial and Other Derivative Instruments	DTE Energy and DTE Electric
Note 8	Long-Term Debt	DTE Energy and DTE Electric
Note 9	Short-Term Credit Arrangements and Borrowings	DTE Energy and DTE Electric
Note 10	Commitments and Contingencies	DTE Energy and DTE Electric
Note 11	Retirement Benefits and Trusteed Assets	DTE Energy and DTE Electric
Note 12	Segment and Related Information	DTE Energy

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

• DTE Electric is a public utility engaged in the generation, purchase, distribution, and sale of electricity to approximately 2.2 million customers in southeastern Michigan;

• DTE Gas is a public utility engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.2 million customers throughout Michigan and the sale of storage and transportation capacity; and

• Other businesses involved in 1) natural gas pipelines, gathering, and storage; 2) power and industrial projects; and 3) energy marketing and trading operations.

DTE Electric and DTE Gas are regulated by the MPSC. Certain activities of DTE Electric and DTE Gas, as well as various other aspects of businesses under DTE Energy are regulated by the FERC. In addition, the Registrants are regulated by other federal and state regulatory agencies including the NRC, the EPA, the MDEQ, and the CFTC.

Basis of Presentation

The Consolidated Financial Statements should be read in conjunction with the Combined Notes to Consolidated Financial Statements included in the combined DTE Energy and DTE Electric 2015 Annual Report on Form 10-K. The accompanying Consolidated Financial Statements of the Registrants are prepared using accounting principles generally accepted in the United States of America. These accounting principles require management to use estimates and assumptions that impact reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from the Registrants' estimates.

The Consolidated Financial Statements are unaudited but, in the Registrants' opinions include all adjustments necessary to present a fair statement of the results for the interim periods. All adjustments are of a normal recurring nature, except as otherwise disclosed in these Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2016.

DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The information in these combined notes relates to each of the Registrants as noted in the Index of Combined Notes to Consolidated Financial Statements. However, DTE Electric does not make any representation as to information related solely to DTE Energy or the subsidiaries of DTE Energy other than itself.

Certain prior year balances for the Registrants were reclassified to match the current year's Consolidated Financial Statements presentation. Such revisions include amounts reclassified to separate Operating Revenues and Fuel, purchased power, and gas between Utility operations and Non-utility operations and from Operations and maintenance to Fuel, purchased power, and gas — non-utility related to the Power and Industrial Projects segment. The reclassifications did not affect DTE Energy's Net Income for the prior periods, as such, they are not deemed material to the previously issued Consolidated Financial Statements. For reclassifications of debt issuance costs arising from ASU 2015-03, see Note 3 to the Consolidated Financial Statements, "New Accounting Pronouncements."

#### Principles of Consolidation

The Registrants consolidate all majority-owned subsidiaries and investments in entities in which they have controlling influence. Non-majority owned investments are accounted for using the equity method when the Registrants are able to significantly influence the operating policies of the investee. When the Registrants do not influence the operating policies of an investee, the cost method is used. These Consolidated Financial Statements also reflect the Registrants' proportionate interests in certain jointly-owned utility plants. The Registrants eliminate all intercompany balances and transactions.

The Registrants evaluate whether an entity is a VIE whenever reconsideration events occur. The Registrants consolidate VIEs for which they are the primary beneficiary. If a Registrant is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity method of accounting. When assessing the determination of the primary beneficiary, a Registrant considers all relevant facts and circumstances, including: the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE. The Registrants perform ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

Legal entities within DTE Energy's Power and Industrial Projects segment enter into long-term contractual arrangements with customers to supply energy-related products or services. The entities are generally designed to pass-through the commodity risk associated with these contracts to the customers, with DTE Energy retaining operational and customer default risk. These entities generally are VIEs and consolidated when DTE Energy is the primary beneficiary. In addition, DTE Energy has interests in certain VIEs through which control of all significant activities is shared with partners, and therefore are accounted for under the equity method.

DTE Energy has variable interests in VIEs through certain of its long-term purchase and sale contracts. DTE Electric has variable interests in VIEs through certain of its long-term purchase contracts. As of March 31, 2016, the carrying amount of assets and liabilities in DTE Energy's Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase and sale contracts are predominantly related to working capital accounts and generally represent the amounts owed by or to DTE Energy for the deliveries associated with the current billing cycle under the contracts. As of March 31, 2016, the carrying amount of assets and liabilities in DTE Electric's Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase contracts are predominantly related to working capital accounts and generally represent the amounts owed by DTE Electric for the deliveries associated with the current billing cycle under the contracts. The Registrants have not provided any significant form of financial support associated with these long-term contracts. There is no significant potential exposure to loss as a result of DTE Energy's variable interests through these long-term purchase and sale contracts. In addition, there is no significant potential exposure to loss as a result of DTE Electric's variable interests through these long-term purchase contracts.

The maximum risk exposure for consolidated VIEs is reflected on the Registrants' Consolidated Statements of Financial Position. For non-consolidated VIEs, the maximum risk exposure is generally limited to its investment, notes receivable, and future funding commitments.





DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table summarizes the major Consolidated Statements of Financial Position items for consolidated VIEs as of March 31, 2016 and December 31, 2015. All assets and liabilities of a consolidated VIE are presented where it has been determined that a consolidated VIE has either (1) assets that can be used only to settle obligations of the VIE or (2) liabilities for which creditors do not have recourse to the general credit of the primary beneficiary. VIEs, in which DTE Energy holds a majority voting interest and is the primary beneficiary, that meet the definition of a business and whose assets can be used for purposes other than the settlement of the VIE's obligations have been excluded from the table below.

	March 31, 2016	December 31, 2015
	(In millions)	
<b>ASSETS</b>		
Cash and cash equivalents	\$9	\$ 14
Restricted cash	7	8
Accounts receivable	14	18
Inventories	70	82
Property, plant, and equipment, net	62	66
Other current and long-term assets	3	4
	\$165	\$ 192
<b>LIABILITIES</b>		
Accounts payable and accrued current liabilities	\$8	\$ 13
Current portion long-term debt, including capital leases	7	8
Mortgage bonds, notes, and other	8	10
Other current and long-term liabilities	6	6
	\$29	\$ 37

Amounts for DTE Energy's non-consolidated VIEs as of March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
	(In millions)	
Investment in equity method investees	\$194	\$ 136
Notes receivable	\$15	\$ 15
Future funding commitments	\$9	\$ —

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**

**Other Income**

Other income for the Registrants is recognized for non-operating income such as equity earnings, allowance for equity funds used during construction, and contract services. DTE Energy's Power and Industrial Projects segment also recognizes Other income in connection with the sale of membership interests in reduced emissions fuel facilities to investors. In exchange for the cash received, the investors will receive a portion of the economic attributes of the facilities, including income tax attributes. The transactions are not treated as a sale of membership interests for financial reporting purposes. Other income is considered earned when refined coal is produced and tax credits are generated. Power and Industrial Projects recognized approximately \$19 million of Other income for the three months ended March 31, 2016 and 2015, respectively.

**Changes in Accumulated Other Comprehensive Income (Loss)**

For the three months ended March 31, 2016 and 2015, reclassifications out of Accumulated other comprehensive income (loss) for the Registrants were not material. Changes in Accumulated other comprehensive income (loss) are

presented in DTE Energy's Consolidated Statements of Changes in Equity and DTE Electric's Consolidated Statements of Changes in Shareholder's Equity.

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Income Taxes

The effective tax rate and unrecognized tax benefits of the Registrants are as follows:

	Effective Tax Rate	Unrecognized Tax Benefits	
Three Months Ended March 31, 2016	31%	\$ 3	March 31, 2015
	26%	\$ 4	2016

(In millions)

DTE Energy 26% 31% \$ 3

DTE Electric 36% 35% \$ 4

The 5% decrease in DTE Energy's effective tax rate for the three months ended March 31, 2016 is primarily due to higher production tax credits in 2016.

DTE Energy had \$2 million of unrecognized tax benefits that, if recognized, would favorably impact its effective tax rate. DTE Electric had \$3 million of unrecognized tax benefits that, if recognized, would favorably impact its effective tax rate. The Registrants do not anticipate any material changes to the unrecognized tax benefits in the next twelve months.

DTE Electric had income tax receivables with DTE Energy of \$6 million at March 31, 2016 and December 31, 2015, respectively.

Unrecognized Compensation Costs

As of March 31, 2016, DTE Energy had \$82 million of total unrecognized compensation cost related to non-vested stock incentive plan arrangements. That cost is expected to be recognized over a weighted-average period of 1.79 years.

Allocated Stock-Based Compensation

DTE Electric received an allocation of costs from DTE Energy associated with stock-based compensation of \$10 million and \$4 million for the three months ended March 31, 2016 and 2015, respectively.

NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The ASU affects (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. It is effective for the Registrants for the first interim period within annual reporting periods beginning after December 15, 2015. The Registrants adopted this ASU at January 1, 2016. The implementation of this guidance is reflected in Note 1 of the Consolidated Financial Statements, "Organization and Basis of Presentation." Certain entities are now deemed to be VIEs and are included in DTE Energy's non-consolidated VIE table. This implementation did not have a significant impact on the Registrants' Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for reporting periods beginning after December 15, 2015, and interim periods therein. It is to be applied retrospectively. The Registrants adopted this ASU at January 1, 2016. The effect of the adoption decreased assets and liabilities on DTE Energy's and DTE Electric's Consolidated Statements of Financial Position by \$75 million and \$36 million, respectively, at December 31, 2015.



DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share (or its equivalent) practical expedient. The guidance applies to investments for which there is not a readily determinable fair value (market quote) or the investment is in a mutual fund without a publicly available net asset value. It is effective for the Registrants for the first interim period within annual reporting periods beginning after December 15, 2015. It is to be applied retrospectively. The Registrants adopted this ASU at January 1, 2016. The implementation of this guidance is reflected in Note 6 of the Consolidated Financial Statements, "Fair Value." This implementation did not have a significant impact on the Registrants' Consolidated Financial Statements.

Recently Issued Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. In July 2015, the FASB deferred implementation of the revenue standard to be effective for the first interim period within annual reporting periods beginning after December 15, 2017. The standard is to be applied retrospectively and early adoption is permitted in the preceding year. In March 2016, the FASB issued an ASU that amends and clarifies the implementation guidance on principal versus agent considerations for reporting revenue gross rather than net. In April 2016, the FASB issued an ASU that amends and clarifies the identification of performance obligations and accounting for licenses of intellectual property. Both ASUs issued in 2016 have the same deferred effective date. The Registrants are currently assessing the impact of these ASUs on their Consolidated Financial Statements.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. The ASU replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. It is to be applied prospectively and early adoption is permitted. The ASU will not have a significant impact on the Registrants' Consolidated Financial Statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The new guidance is intended to improve the recognition and measurement of financial instruments. The ASU primarily impacts accounting for equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) and financial liabilities under the fair value option. Under the new guidance, equity investments will generally be measured at fair value, with subsequent changes in fair value recognized in net income. The ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Upon adoption, entities will be required to make a cumulative-effect adjustment to the Statements of Financial Position as of the beginning of the first reporting period in which the guidance is effective. Changes to the accounting for equity securities without a readily determinable fair value will be applied prospectively. The Registrants are currently assessing the impact of this ASU on their Consolidated Financial Statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), a replacement of Leases (Topic 840). This guidance requires a lessee to account for leases as finance or operating leases. Both leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition. For lessors, the standard modifies the classification criteria and the accounting for sales-type and direct financing leases. Entities will classify leases to determine how to recognize lease-related revenue and expense. This ASU is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted. A modified retrospective approach is required for

leases existing or entered into after the beginning of the earliest comparative period in the Consolidated Financial Statements. The Registrants are currently assessing the impact of this ASU on their Consolidated Financial Statements.

DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting. The ASU simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the Statements of Cash Flows. Under the new standard, income tax benefits and deficiencies are to be recognized in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. This provision is to be applied prospectively. Excess tax benefits should be recognized regardless of whether the benefit reduces taxes payable in the current period, along with any valuation allowance, on a modified retrospective basis as a cumulative-effect adjustment to the retained earnings as of the date of adoption. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. This provision can be applied prospectively or retrospectively for all periods presented. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. Early adoption is permitted. DTE Energy is currently assessing the impact of this ASU on its Consolidated Financial Statements.

#### NOTE 4 — REGULATORY MATTERS

##### 2014 Electric Rate Case Filing

DTE Electric filed a rate case with the MPSC on December 19, 2014 requesting an increase in base rates of \$370 million based on a projected twelve-month period ending June 30, 2016. The requested increase in base rates is due primarily to an increase in net plant resulting from infrastructure investments, plant acquisitions, environmental compliance, and reliability improvement projects. The rate filing also included projected changes in sales, working capital, operation and maintenance expenses, return on equity, and capital structure. On July 1, 2015, DTE Electric realized an annual revenue increase of \$230 million consisting of \$190 million of self-implemented base rate increase related to the December 19, 2014 rate request and \$40 million associated with the required elimination of a credit surcharge.

On December 11, 2015, the MPSC issued an order approving an annual revenue increase of \$238 million for service rendered on or after December 17, 2015. The rate order also provided for a return on equity of 10.3% on a capital structure of 50% debt and 50% equity. On December 22, 2015, DTE Electric and other intervenors petitioned the MPSC for a rehearing and clarification of several issues related to the December 11, 2015 MPSC rate order. On February 23, 2016, the MPSC issued a final rehearing order in this case that adjusted the annual revenue increase to \$243 million for service rendered on or after March 1, 2016.

##### 2016 Electric Rate Case Filing

DTE Electric filed a rate case with the MPSC on February 1, 2016 requesting an increase in base rates of \$344 million based on a projected twelve-month period ending July 31, 2017. The requested increase in base rates is due primarily to an increase in net plant resulting from infrastructure investments, environmental compliance, and reliability improvement projects. The rate filing also includes projected changes in sales, operation and maintenance expenses, and working capital. The rate filing also requests an increase in return on equity from 10.3% to 10.5% on a capital structure of 50% equity and 50% debt. DTE Electric anticipates self-implementing a rate increase in August 2016 with an MPSC order expected by February 2017.

##### 2015 DTE Gas Rate Case Filing

DTE Gas filed a rate case with the MPSC on December 18, 2015 requesting an increase in base rates of \$183 million, inclusive of \$41 million of existing IRM surcharges which are expected to be converted into base rates, based on a projected twelve-month period ending October 31, 2017. The requested increase in base rates is due primarily to an increase in net plant, inclusive of IRM capital investments being recovered through approved IRM surcharge filings. The rate filing also includes projected changes in sales, operation and maintenance expenses, and working capital. The rate filing also requests an increase in return on equity from 10.5% to 10.75% on a capital structure of 52% equity and 48% debt. DTE Gas anticipates self-implementing a rate increase in November 2016 with an MPSC order expected by December 2016. Concurrent with the MPSC order in this rate case, the existing IRM surcharge being billed will be

terminated. However, DTE Gas requested to implement a new IRM surcharge of approximately \$9 million to become effective in January 2017.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

NOTE 5 — EARNINGS PER SHARE

DTE Energy reports both basic and diluted earnings per share. The calculation of diluted earnings per share assumes the issuance of potentially dilutive common shares outstanding during the period from the exercise of stock options. A reconciliation of both calculations is presented in the following table:

	Three Months Ended March 31, 2016 2015 (In millions, except per share amounts)	
Basic Earnings per Share		
Net Income Attributable to DTE Energy Company	\$247	\$273
Average number of common shares outstanding	179	178
Dividends declared — common shares	\$131	\$123
Dividends declared — net restricted shares	—	1
Total distributed earnings	\$131	\$124
Net Income less distributed earnings	\$116	\$149
Distributed (dividends per common share)	\$0.73	\$0.69
Undistributed	0.65	0.84
Total Basic Earnings per Common Share	\$1.38	\$1.53
Diluted Earnings per Share		
Net Income Attributable to DTE Energy Company	\$247	\$273
Average number of common shares outstanding	180	178
Dividends declared — common shares	\$131	\$123
Dividends declared — net restricted shares	—	1
Total distributed earnings	\$131	\$124
Net Income less distributed earnings	\$116	\$149
Distributed (dividends per common share)	\$0.73	\$0.69
Undistributed	0.64	0.84
Total Diluted Earnings per Common Share	\$1.37	\$1.53

NOTE 6 — FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Registrants make certain assumptions they believe that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Registrants and their counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at March 31, 2016 and December 31, 2015. The Registrants believe they use valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.



DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. All assets and liabilities are required to be classified in their entirety based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Registrants classify fair value balances based on the fair value hierarchy defined as follows:

• Level 1 — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Registrants have the ability to access as of the reporting date.

• Level 2 — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

• Level 3 — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

Edgar Filing: DTE ENERGY CO - Form 10-Q

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table presents assets and liabilities for DTE Energy measured and recorded at fair value on a recurring basis as of March 31, 2016 and December 31, 2015:

	March 31, 2016						December 31, 2015					
	Level 1	Level 2	Level 3	Other (a)	Netting (b)	Net Balance	Level 1	Level 2	Level 3	Other (a)	Netting (b)	Net Balance
(In millions)												
<b>Assets:</b>												
Cash equivalents (c)	\$11	\$3	\$—	\$—	\$—	\$14	\$13	\$3	\$—	\$—	\$—	\$16
Nuclear decommissioning trusts	752	491	—	3	—	1,246	759	473	—	4	—	1,236
Other investments (d)	154	—	—	—	—	154	149	—	—	—	—	149
<b>Derivative assets:</b>												
<b>Commodity Contracts:</b>												
Natural Gas	133	89	76	—	(216)	82	193	91	103	—	(285)	102
Electricity	—	305	72	—	(299)	78	—	239	68	—	(232)	75
Other	3	—	1	—	(3)	1	2	—	3	—	(2)	3
Foreign currency exchange contracts	—	6	—	—	(5)	1	—	12	—	—	(9)	3
Total derivative assets	136	400	149	—	(523)	162	195	342	174	—	(528)	183
<b>Total</b>	<b>\$1,053</b>	<b>\$894</b>	<b>\$149</b>	<b>\$3</b>	<b>\$(523)</b>	<b>\$1,576</b>	<b>\$1,116</b>	<b>\$818</b>	<b>\$174</b>	<b>\$4</b>	<b>\$(528)</b>	<b>\$1,584</b>
<b>Liabilities:</b>												
<b>Derivative liabilities:</b>												
<b>Commodity Contracts:</b>												
Natural Gas	\$(188)	\$(52)	\$(110)	\$—	\$258	\$(92)	\$(218)	\$(57)	\$(108)	\$—	\$294	\$(89)
Electricity	—	(308)	(88)	—	327	(69)	—	(243)	(62)	—	253	(52)
Other	(5)	—	(8)	—	12	(1)	(2)	—	(8)	—	8	(2)
Foreign currency exchange contracts	—	(4)	—	—	3	(1)	—	(7)	—	—	7	—
Total derivative liabilities	(193)	(364)	(206)	—	600	(163)	(220)	(307)	(178)	—	562	(143)
<b>Total</b>	<b>\$(193)</b>	<b>\$(364)</b>	<b>\$(206)</b>	<b>\$—</b>	<b>\$600</b>	<b>\$(163)</b>	<b>\$(220)</b>	<b>\$(307)</b>	<b>\$(178)</b>	<b>\$—</b>	<b>\$562</b>	<b>\$(143)</b>
<b>Net Assets (Liabilities) at the end of the period</b>	<b>\$860</b>	<b>\$530</b>	<b>\$(57)</b>	<b>\$3</b>	<b>\$77</b>	<b>\$1,413</b>	<b>\$896</b>	<b>\$511</b>	<b>\$(4)</b>	<b>\$4</b>	<b>\$34</b>	<b>\$1,441</b>
<b>Assets:</b>												
Current	\$118	\$325	\$98	\$—	\$(418)	\$123	\$174	\$284	\$128	\$—	\$(441)	\$145
Noncurrent	935	569	51	3	(105)	1,453	942	534	46	4	(87)	1,439
<b>Total Assets</b>	<b>\$1,053</b>	<b>\$894</b>	<b>\$149</b>	<b>\$3</b>	<b>\$(523)</b>	<b>\$1,576</b>	<b>\$1,116</b>	<b>\$818</b>	<b>\$174</b>	<b>\$4</b>	<b>\$(528)</b>	<b>\$1,584</b>
<b>Liabilities:</b>												
Current	\$(150)	\$(296)	\$(99)	\$—	\$478	\$(67)	\$(174)	\$(260)	\$(87)	\$—	\$464	\$(57)
Noncurrent	(43)	(68)	(107)	—	122	(96)	(46)	(47)	(91)	—	98	(86)
<b>Total Liabilities</b>	<b>\$(193)</b>	<b>\$(364)</b>	<b>\$(206)</b>	<b>\$—</b>	<b>\$600</b>	<b>\$(163)</b>	<b>\$(220)</b>	<b>\$(307)</b>	<b>\$(178)</b>	<b>\$—</b>	<b>\$562</b>	<b>\$(143)</b>

Net Assets

(Liabilities) at the end of the period	\$860	\$530	\$(57 )	\$ 3	\$77	\$1,413	\$896	\$511	\$(4 )	\$ 4	\$34	\$1,441
--	-------	-------	---------	------	------	---------	-------	-------	--------	------	------	---------

- 
- (a) Amounts represent assets valued at NAV as a practical expedient for fair value.
  - (b) Amounts represent the impact of master netting agreements that allow DTE Energy to net gain and loss positions and cash collateral held or placed with the same counterparties.  
At March 31, 2016, available-for-sale securities of \$14 million included \$7 million and \$7 million of cash equivalents included in Restricted cash and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively. At December 31, 2015, available-for-sale securities of \$16 million, included \$8 million and \$8 million of cash equivalents included in Restricted cash and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively.
  - (c) Financial Position, respectively. At December 31, 2015, available-for-sale securities of \$16 million, included \$8 million and \$8 million of cash equivalents included in Restricted cash and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively.
  - (d) Excludes cash surrender value of life insurance investments.

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table presents assets for DTE Electric measured and recorded at fair value on a recurring basis as of March 31, 2016 and December 31, 2015:

	March 31, 2016					December 31, 2015				
	Level 1	Level 2	Level 3	Other (a)	Net Balance	Level 1	Level 2	Level 3	Other (a)	Net Balance
(In millions)										
Assets:										
Cash equivalents (b)	\$4	\$3	\$ —	\$ —	\$7	\$5	\$3	\$ —	\$ —	\$8
Nuclear decommissioning trusts	752	491	—	3	1,246	759	473	—	4	1,236
Other investments	8	—	—	—	8	8	—	—	—	8
Derivative assets — FTRs	—	—	1	—	1	—	—	3	—	3
Total	\$764	\$494	\$ 1	\$ 3	\$ 1,262	\$772	\$476	\$ 3	\$ 4	\$ 1,255
Assets:										
Current	\$4	\$3	\$ 1	\$ —	\$8	\$5	\$3	\$ 3	\$ —	\$11
Noncurrent	760	491	—	3	1,254	767	473	—	4	1,244
Total Assets	\$764	\$494	\$ 1	\$ 3	\$ 1,262	\$772	\$476	\$ 3	\$ 4	\$ 1,255

(a) Amounts represent assets valued at NAV as a practical expedient for fair value.

At March 31, 2016, available-for-sale securities of \$7 million consisted of cash equivalents included in Other investments on DTE Electric's Consolidated Statements of Financial Position. At December 31, 2015, available-for-sale securities of \$8 million consisted of cash equivalents included in Other investments on DTE Electric's Consolidated Statements of Financial Position.

#### Cash Equivalents

Cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value table are comprised of short-term investments and money market funds.

#### Nuclear Decommissioning Trusts and Other Investments

The nuclear decommissioning trusts and other investments hold debt and equity securities directly and indirectly through institutional mutual funds and commingled funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services. The institutional mutual funds hold exchange-traded equity or debt securities (exchange and non-exchange traded) and are valued based on publicly available NAVs. The commingled funds hold exchange-traded equity or debt securities (exchange and non-exchange traded) and are valued based on a calculated NAV as a practical expedient. A primary price source is identified by asset type, class, or issue for each security. The trustee monitors prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the trustee determines that another price source is considered to be preferable. The Registrants have obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, the Registrants selectively corroborate the fair value of securities by comparison of market-based price sources. Investment policies and procedures are determined by DTE Energy's Trust Investments Department which reports to DTE Energy's Vice President and Treasurer.

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Derivative Assets and Liabilities

Derivative assets and liabilities are comprised of physical and financial derivative contracts, including futures, forwards, options, and swaps that are both exchange-traded and over-the-counter traded contracts. Various inputs are used to value derivatives depending on the type of contract and availability of market data. Exchange-traded derivative contracts are valued using quoted prices in active markets. The Registrants consider the following criteria in determining whether a market is considered active: frequency in which pricing information is updated, variability in pricing between sources or over time, and the availability of public information. Other derivative contracts are valued based upon a variety of inputs including commodity market prices, broker quotes, interest rates, credit ratings, default rates, market-based seasonality, and basis differential factors. The Registrants monitor the prices that are supplied by brokers and pricing services and may use a supplemental price source or change the primary price source of an index if prices become unavailable or another price source is determined to be more representative of fair value. The Registrants have obtained an understanding of how these prices are derived. Additionally, the Registrants selectively corroborate the fair value of their transactions by comparison of market-based price sources. Mathematical valuation models are used for derivatives for which external market data is not readily observable, such as contracts which extend beyond the actively traded reporting period. The Registrants have established a Risk Management Committee whose responsibilities include directly or indirectly ensuring all valuation methods are applied in accordance with predefined policies. The development and maintenance of the Registrants' forward price curves has been assigned to DTE Energy's Risk Management Department, which is separate and distinct from the trading functions within DTE Energy.

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for DTE Energy for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016				Three Months Ended March 31, 2015			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of December 31	\$ (5 )	\$ 6	\$ (5 )	\$ (4 )	\$ 30	\$ (5 )	\$ (1 )	\$ 24
Transfers into Level 3 from Level 2	—	—	—	—	—	—	(1 )	(1 )
Transfers from Level 3 into Level 2	(1 )	—	—	(1 )	—	—	—	—
Total gains (losses):								
Included in earnings	(20 )	(58 )	(1 )	(79 )	(29 )	7	(2 )	(24 )
Recorded in Regulatory assets	—	—	(2 )	(2 )	—	—	(2 )	(2 )
Purchases, issuances, and settlements:								
Settlements	(8 )	36	1	29	(1 )	(9 )	1	(9 )
Net Assets (Liabilities) as of March 31	\$ (34 )	\$ (16 )	\$ (7 )	\$ (57 )	\$ —	\$ (7 )	\$ (5 )	\$ (12 )
The amount of total gains (losses) included in Net Income attributed to the change in unrealized gains (losses) related to assets and liabilities held at March 31, 2016 and 2015 and reflected in Operating Revenues — Non-utility operations and Fuel, purchased power, and gas — non-utility in DTE Energy's Consolidated Statements of Operations	\$ (72 )	\$ (3 )	\$ (1 )	\$ (76 )	\$ (91 )	\$ (3 )	\$ (2 )	\$ (96 )

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for DTE Electric for the three months ended March 31, 2016 and 2015:

Three  
Months  
Ended

	March 31, 2016 2015	
	(In millions)	
Net Assets as of December 31	\$ 3	\$ 3
Change in fair value recorded in Regulatory assets	(2 )	(2 )
Purchases, issuances, and settlements:		
Settlements	—	—
Net Assets as of March 31	\$ 1	\$ 1
The amount of total gains (losses) included in Regulatory assets attributed to the change in unrealized gains (losses) related to assets held at March 31, 2016 and 2015 and reflected in DTE Electric's Consolidated Statements of Financial Position	\$—	\$—



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Derivatives are transferred between levels primarily due to changes in the source data used to construct price curves as a result of changes in market liquidity. Transfers in and transfers out are reflected as if they had occurred at the beginning of the period.

There were no transfers between Levels 1 and 2 for the Registrants during the three months ended March 31, 2016 and 2015, and there were no transfers from or into Level 3 for DTE Electric during the same periods.

The following tables present the unobservable inputs related to DTE Energy's Level 3 assets and liabilities as of March 31, 2016 and December 31, 2015:

		March 31, 2016					
Commodity	Derivative	Derivative	Valuation	Unobservable Input	Range		Weighted
Contracts	Assets	Liabilities	Techniques				Average
(In millions)							
Natural Gas	\$76	\$(110)	Discounted Cash Flow	Forward basis price (per MMBtu)	\$(1.21) — \$3.62/MMBtu		\$(0.12)/MMBtu
Electricity	\$72	\$(88)	Discounted Cash Flow	Forward basis price (per MWh)	\$(14) — \$13 /MWh	\$1	/MWh
		December 31, 2015					
Commodity	Derivative	Derivative	Valuation	Unobservable Input	Range		Weighted
Contracts	Assets	Liabilities	Techniques				Average
(In millions)							
Natural Gas	\$103	\$(108)	Discounted Cash Flow	Forward basis price (per MMBtu)	\$(1.50) — \$2.77/MMBtu		\$(0.19)/MMBtu
Electricity	\$68	\$(62)	Discounted Cash Flow	Forward basis price (per MWh)	\$(11) — \$14 /MWh	\$2	/MWh

The unobservable inputs used in the fair value measurement of the electricity and natural gas commodity types consist of inputs that are less observable due in part to lack of available broker quotes, supported by little, if any, market activity at the measurement date or are based on internally developed models. Certain basis prices (i.e., the difference in pricing between two locations) included in the valuation of natural gas and electricity contracts were deemed unobservable.

The inputs listed above would have a direct impact on the fair values of the above security types if they were adjusted. A significant increase (decrease) in the basis price would result in a higher (lower) fair value for long positions, with offsetting impacts to short positions.

#### Fair Value of Financial Instruments

The fair value of financial instruments included in the table below is determined by using quoted market prices when available. When quoted prices are not available, pricing services may be used to determine the fair value with reference to observable interest rate indexes. The Registrants have obtained an understanding of how the fair values are derived. The Registrants also selectively corroborate the fair value of their transactions by comparison of market-based price sources. Discounted cash flow analyses based upon estimated current borrowing rates are also used to determine fair value when quoted market prices are not available. The fair values of notes receivable, excluding capital leases, are generally estimated using discounted cash flow techniques that incorporate market interest rates as well as assumptions about the remaining life of the loans and credit risk. Depending on the information available, other valuation techniques may be used that rely on internal assumptions and models. Valuation policies and procedures for the Registrants are determined by DTE Energy's Treasury Department which reports to DTE Energy's Vice President and Treasurer.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table presents the carrying amount and fair value of financial instruments for DTE Energy as of March 31, 2016 and December 31, 2015:

	March 31, 2016				December 31, 2015			
	Carrying Amount	Fair Value			Carrying Amount	Fair Value		
	Level 1	Level 2	Level 3	Level 3	Level 1	Level 2	Level 3	Level 3
(In millions)								
Notes receivable, excluding capital leases	\$32	\$—	\$—	\$32	\$32	\$—	\$—	\$32
Dividends payable	\$131	\$131	\$—	\$—	\$131	\$131	\$—	\$—
Short-term borrowings	\$365	\$—	\$365	\$—	\$499	\$—	\$499	\$—
Long-term debt, excluding capital leases	\$9,201	\$495	\$8,353	\$1,299	\$9,210	\$496	\$8,136	\$1,203

The following table presents the carrying amount and fair value of financial instruments for DTE Electric as of March 31, 2016 and December 31, 2015:

	March 31, 2016			December 31, 2015		
	Carrying Amount	Fair Value	Level 3	Carrying Amount	Fair Value	Level 3
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(In millions)						
Notes receivable, excluding capital leases	\$5	\$—	\$5	\$5	\$—	\$5
Short-term borrowings — affiliates	\$97	\$—	\$97	\$75	\$—	\$75
Short-term borrowings — other	\$211	\$—	\$—	\$272	\$—	\$—
Long-term debt, excluding capital leases	\$5,579	\$—	\$5,501	\$717	\$5,588	\$545

For further fair value information on financial and derivative instruments see Note 7 to the Consolidated Financial Statements, "Financial and Other Derivative Instruments."

Nuclear Decommissioning Trust Funds

DTE Electric has a legal obligation to decommission its nuclear power plants following the expiration of its operating licenses. This obligation is reflected as an ARO on DTE Electric's Consolidated Statements of Financial Position. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. DTE Electric is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates.

The following table summarizes DTE Electric's fair value of the nuclear decommissioning trust fund assets:

	March 31, 2016	December 31, 2015
(In millions)		
Fermi 2	\$1,220	\$1,211
Fermi 1	3	3
Low-level radioactive waste	23	22
Total	\$1,246	\$1,236

The costs of securities sold are determined on the basis of specific identification. The following table sets forth DTE Electric's gains and losses and proceeds from the sale of securities by the nuclear decommissioning trust funds:

Three Months Ended March 31, 2016	2015
(In millions)	

Edgar Filing: DTE ENERGY CO - Form 10-Q

Realized gains	\$9	\$9
Realized losses	\$(15)	\$(7)
Proceeds from sales of securities	\$260	\$246

29

---

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Realized gains and losses from the sale of securities for Fermi 2 are recorded to the Regulatory asset and Nuclear decommissioning liability. Realized gains and losses from the sale of securities for low-level radioactive waste funds are recorded to the Nuclear decommissioning liability. The following table sets forth DTE Electric's fair value and unrealized gains and losses for the nuclear decommissioning trust funds:

	March 31, 2016			December 31, 2015		
	Fair Value	Unrealized Gains	Unrealized Losses	Fair Value	Unrealized Gains	Unrealized Losses
	(In millions)					
Equity securities	\$728	\$ 199	\$ (68 )	\$731	\$ 195	\$ (68 )
Debt securities	512	24	(2 )	499	16	(4 )
Cash and cash equivalents	6	—	—	6	—	—
	\$1,246	\$ 223	\$ (70 )	\$1,236	\$ 211	\$ (72 )

The debt securities at March 31, 2016 and December 31, 2015 had an average maturity of approximately 6 years, respectively. Securities held in the Nuclear decommissioning trust funds are classified as available-for-sale. As DTE Electric does not have the ability to hold impaired investments for a period of time sufficient to allow for the anticipated recovery of market value, all unrealized losses are considered to be other-than-temporary impairments. Unrealized losses incurred by the Fermi 2 trust are recognized as a Regulatory asset and Nuclear decommissioning liability. Unrealized losses on the low-level radioactive waste funds are recognized as a Nuclear decommissioning liability.

#### Other Securities

At March 31, 2016 and December 31, 2015, the Registrants' securities were comprised primarily of money market and equity securities. There were no unrealized losses on available-for-sale securities which were reclassified out of Other comprehensive income (loss) and realized into Net Income for DTE Energy or DTE Electric during the three months ended March 31, 2016 and 2015. Gains related to trading securities held at March 31, 2016 and March 31, 2015 were \$5 million and \$1 million, respectively, for the Registrants. The trading gains or losses related to the Rabbi Trust assets, included in Other investments at DTE Energy, are allocated from DTE Energy to DTE Electric.

#### NOTE 7 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

The Registrants recognize all derivatives at their fair value as Derivative assets or liabilities on their respective Consolidated Statements of Financial Position unless they qualify for certain scope exceptions, including the normal purchases and normal sales exception. Further, derivatives that qualify and are designated for hedge accounting are classified as either hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or as hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge). For cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the value of the underlying exposure is deferred in Accumulated other comprehensive income (loss) and later reclassified into earnings when the underlying transaction occurs. Gains or losses from the ineffective portion of cash flow hedges are recognized in earnings immediately. For fair value hedges, changes in fair values for the derivative and hedged item are recognized in earnings each period. For derivatives that do not qualify or are not designated for hedge accounting, changes in fair value are recognized in earnings each period.

The Registrants' primary market risk exposure is associated with commodity prices, credit, and interest rates. The Registrants have risk management policies to monitor and manage market risks. The Registrants use derivative instruments to manage some of the exposure. DTE Energy uses derivative instruments for trading purposes in its Energy Trading segment. Contracts classified as derivative instruments include electricity, natural gas, oil, certain coal forwards, futures, options, swaps, and foreign currency exchange contracts. Items not classified as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits, and natural gas storage assets.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

DTE Electric — DTE Electric generates, purchases, distributes, and sells electricity. DTE Electric uses forward energy contracts to manage changes in the price of electricity and fuel. Substantially all of these contracts meet the normal purchases and normal sales exception and are therefore accounted for under the accrual method. Other derivative contracts are MTM and recoverable through the PSCR mechanism when settled. This results in the deferral of unrealized gains and losses as Regulatory assets or liabilities until realized.

DTE Gas — DTE Gas purchases, stores, transports, distributes and sells natural gas, and sells storage and transportation capacity. DTE Gas has fixed-priced contracts for portions of its expected natural gas supply requirements through March 2019. Substantially all of these contracts meet the normal purchases and normal sales exception and are therefore accounted for under the accrual method. DTE Gas may also sell forward transportation and storage capacity contracts. Forward transportation and storage contracts are generally not derivatives and are therefore accounted for under the accrual method.

Gas Storage and Pipelines — This segment is primarily engaged in services related to the transportation and storage of natural gas. Primarily fixed-priced contracts are used in the marketing and management of transportation and storage services. Generally these contracts are not derivatives and are therefore accounted for under the accrual method.

Power and Industrial Projects — This segment manages and operates energy and pulverized coal projects, a coke battery, reduced emissions fuel projects, landfill gas recovery, and power generation assets. Primarily fixed-price contracts are used in the marketing and management of the segment assets. These contracts are generally not derivatives and are therefore accounted for under the accrual method.

Energy Trading — Commodity Price Risk — Energy Trading markets and trades electricity, natural gas physical products, and energy financial instruments, and provides energy and asset management services utilizing energy commodity derivative instruments. Forwards, futures, options, and swap agreements are used to manage exposure to the risk of market price and volume fluctuations in its operations. These derivatives are accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

Energy Trading — Foreign Currency Exchange Risk — Energy Trading has foreign currency exchange forward contracts to economically hedge fixed Canadian dollar commitments existing under natural gas and power purchase and sale contracts and natural gas transportation contracts. Energy Trading enters into these contracts to mitigate price volatility with respect to fluctuations of the Canadian dollar relative to the U.S. dollar. These derivatives are accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

Corporate and Other — Interest Rate Risk — DTE Energy may use interest rate swaps, treasury locks, and other derivatives to hedge the risk associated with interest rate market volatility.

Credit Risk — DTE Energy maintains credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, including the viability of underlying productive assets, credit rating, collateral requirements, or other credit enhancements such as letters of credit or guarantees. DTE Energy generally uses standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty. DTE Energy maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends, and other information. Based on DTE Energy's credit policies and its March 31, 2016 provision for credit losses, DTE Energy's exposure to counterparty nonperformance is not expected to have a material adverse effect on DTE Energy's Consolidated Financial Statements.

#### Derivative Activities

DTE Energy manages its MTM risk on a portfolio basis based upon the delivery period of its contracts and the individual components of the risks within each contract. Accordingly, it records and manages the energy purchase and sale obligations under its contracts in separate components based on the commodity (e.g. electricity or natural gas), the product (e.g. electricity for delivery during peak or off-peak hours), the delivery location (e.g. by region), the risk profile (e.g. forward or option), and the delivery period (e.g. by month and year). The following describes the categories of activities represented by their operating characteristics and key risks:

-

Asset Optimization — Represents derivative activity associated with assets owned and contracted by DTE Energy, including forward natural gas purchases and sales, natural gas transportation, and storage capacity. Changes in the value of derivatives in this category typically economically offset changes in the value of underlying non-derivative positions, which do not qualify for fair value accounting. The difference in accounting treatment of derivatives in this category and the underlying non-derivative positions can result in significant earnings volatility.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Marketing and Origination — Represents derivative activity transacted by originating substantially hedged positions with wholesale energy marketers, producers, end-users, utilities, retail aggregators, and alternative energy suppliers. Fundamentals Based Trading — Represents derivative activity transacted with the intent of taking a view, capturing market price changes, or putting capital at risk. This activity is speculative in nature as opposed to hedging an existing exposure.

Other — Includes derivative activity at DTE Electric related to FTRs. Changes in the value of derivative contracts at DTE Electric are recorded as Derivative assets or liabilities, with an offset to Regulatory assets or liabilities as the settlement value of these contracts will be included in the PSCR mechanism when realized.

The following table presents the fair value of derivative instruments as of March 31, 2016 and December 31, 2015 for DTE Energy:

	March 31, 2016		December 31, 2015	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(In millions)			
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts	\$6	\$ (4 )	\$12	\$ (7 )
Commodity Contracts:				
Natural Gas	298	(350 )	387	(383 )
Electricity	377	(396 )	307	(305 )
Other	4	(13 )	5	(10 )
Total derivatives not designated as hedging instruments:	\$685	\$ (763 )	\$711	\$ (705 )
Current	\$527	\$ (545 )	\$570	\$ (521 )
Noncurrent	158	(218 )	141	(184 )
Total derivatives	\$685	\$ (763 )	\$711	\$ (705 )

The following table presents the fair value of derivative instruments as of March 31, 2016 and December 31, 2015 for DTE Electric:

	March 31, 2016		December 31, 2015	
	(In millions)			
FTRs — Other current assets	\$ 1	\$ 3		
Total derivatives not designated as hedging instrument	\$ 1	\$ 3		

Certain of DTE Energy's derivative positions are subject to netting arrangements which provide for offsetting of asset and liability positions as well as related cash collateral. Such netting arrangements generally do not have restrictions. Under such netting arrangements, DTE Energy offsets the fair value of derivative instruments with cash collateral received or paid for those contracts executed with the same counterparty, which reduces DTE Energy's Total Assets and Liabilities. Cash collateral is allocated between the fair value of derivative instruments and customer accounts receivable and payable with the same counterparty on a pro-rata basis to the extent there is exposure. Any cash collateral remaining, after the exposure is netted to zero, is reflected in Accounts receivable and Accounts payable as collateral paid or received, respectively.

DTE Energy also provides and receives collateral in the form of letters of credit which can be offset against net Derivative assets and liabilities as well as Accounts receivable and payable. DTE Energy had issued letters of credit of approximately \$2 million and \$7 million outstanding at March 31, 2016 and December 31, 2015, respectively, which could be used to offset net Derivative liabilities. Letters of credit received from third parties which could be used to offset net Derivative assets were \$2 million at March 31, 2016 and December 31, 2015, respectively. Such balances of

letters of credit are excluded from the tables below and are not netted with the recognized assets and liabilities in DTE Energy's Consolidated Statements of Financial Position.

32

---

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

For contracts with certain clearing agents the fair value of derivative instruments is netted against realized positions with the net balance reflected as either 1) a Derivative asset or liability or 2) an Account receivable or payable. Other than certain clearing agents, Accounts receivable and Accounts payable that are subject to netting arrangements have not been offset against the fair value of Derivative assets and liabilities. Certain contracts that have netting arrangements have not been offset in DTE Energy's Consolidated Statements of Financial Position. The impact of netting these derivative instruments and cash collateral related to such contracts is not material. Only the gross amounts for these derivative instruments are included in the table below.

For DTE Energy, the total cash collateral posted, net of cash collateral received, was \$79 million and \$37 million as of March 31, 2016 and December 31, 2015, respectively. DTE Energy had \$7 million of cash collateral related to unrealized positions to net against Derivative assets while Derivative liabilities are shown net of cash collateral of \$84 million as of March 31, 2016. DTE Energy had \$2 million of cash collateral related to unrealized positions to net against Derivative assets while Derivative liabilities are shown net of cash collateral of \$36 million as of December 31, 2015. DTE Energy recorded cash collateral paid of \$5 million and cash collateral received of \$3 million not related to unrealized derivative positions as of March 31, 2016. DTE Energy recorded cash collateral paid of \$6 million and cash collateral received of \$3 million not related to unrealized derivative positions as of December 31, 2015. These amounts are included in Accounts receivable and Accounts payable and are recorded net by counterparty. The following table presents the netting offsets of Derivative assets and liabilities for DTE Energy at March 31, 2016 and December 31, 2015:

	March 31, 2016			December 31, 2015		
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position
	(In millions)					
Derivative assets:						
Commodity Contracts:						
Natural Gas	\$298	\$ (216 )	\$ 82	\$387	\$ (285 )	\$ 102
Electricity	377	(299 )	78	307	(232 )	75
Other	4	(3 )	1	5	(2 )	3
Foreign currency exchange contracts	6	(5 )	1	12	(9 )	3
Total derivative assets	\$685	\$ (523 )	\$ 162	\$711	\$ (528 )	\$ 183
Derivative liabilities:						
Commodity Contracts:						
Natural Gas	\$(350)	\$ 258	\$ (92 )	\$(383)	\$ 294	\$ (89 )
Electricity	(396 )	327	(69 )	(305 )	253	(52 )
Other	(13 )	12	(1 )	(10 )	8	(2 )
Foreign currency exchange contracts	(4 )	3	(1 )	(7 )	7	—
Total derivative liabilities	\$(763)	\$ 600	\$ (163 )	\$(705)	\$ 562	\$ (143 )

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table presents the netting offsets of Derivative assets and liabilities showing the reconciliation of derivative instruments to DTE Energy's Consolidated Statements of Financial Position at March 31, 2016 and December 31, 2015:

	March 31, 2016				December 31, 2015			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
	(In millions)							
Total fair value of derivatives	\$527	\$ 158	\$(545)	\$( 218 )	\$570	\$ 141	\$(521)	\$( 184 )
Counterparty netting	(415 )	(101 )	415	101	(441 )	(85 )	441	85
Collateral adjustment	(3 )	(4 )	63	21	—	(2 )	23	13
Total derivatives as reported	\$109	\$ 53	\$(67 )	\$( 96 )	\$129	\$ 54	\$(57 )	\$( 86 )

The effect of derivatives not designated as hedging instruments on DTE Energy's Consolidated Statements of Operations for the three months ended March 31, 2016 and 2015 for DTE Energy is as follows:

Derivatives not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Gain (Loss) Recognized in Income on Derivatives for the Three Months Ended	
		March 31, 2016	2015
Foreign currency exchange contracts	Operating Revenues — Non-utility operations	\$(5 )	\$1
Commodity Contracts:			
Natural Gas	Operating Revenues — Non-utility operations	\$(56 )	(126)
Natural Gas	Fuel, purchased power, and gas — non-utility	41	21
Electricity	Operating Revenues — Non-utility operations	\$(24 )	31
Other	Operating Revenues — Non-utility operations	\$(2 )	(2 )
Total		\$(46)	\$(75)

Revenues and energy costs related to trading contracts are presented on a net basis in DTE Energy's Consolidated Statements of Operations. Commodity derivatives used for trading purposes, and financial non-trading commodity derivatives, are accounted for using the MTM method with unrealized and realized gains and losses recorded in Operating Revenues — Non-utility operations. Non-trading physical commodity sale and purchase derivative contracts are generally accounted for using the MTM method with unrealized and realized gains and losses for sales recorded in Operating Revenues — Non-utility operations and purchases recorded in Fuel, purchased power, and gas — non-utility. The following represents the cumulative gross volume of DTE Energy's derivative contracts outstanding as of March 31, 2016:

Commodity	Number of Units
Natural Gas (MMBtu)	1,864,037,929
Electricity (MWh)	31,063,981
Oil (Gallons)	19,992,000
Foreign Currency Exchange (Canadian dollars)	84,218,522

Various subsidiaries of DTE Energy have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to require that DTE Energy post cash or letters of credit as collateral in the event that DTE Energy's credit rating is downgraded below investment grade. Certain of these provisions (known as "hard triggers") state specific circumstances under which DTE Energy can be required to post collateral upon the occurrence of a credit downgrade, while other provisions (known as "soft triggers") are not as specific. For contracts with soft triggers, it is difficult to estimate the amount of collateral which may be requested by counterparties and/or which DTE Energy may ultimately be required to post. The amount of such collateral which could be requested fluctuates based on commodity prices (primarily natural gas, power, and coal) and the provisions and maturities of the underlying transactions. As of March 31, 2016, DTE Energy's contractual obligation to post collateral in the form of cash or letters of credit in the event of a downgrade to below investment grade, under both hard trigger and soft trigger provisions, was approximately \$437 million.

DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

As of March 31, 2016, DTE Energy had approximately \$639 million of derivatives in net liability positions, for which hard triggers exist. Collateral of approximately \$2 million has been posted against such liabilities, including cash and letters of credit. Associated derivative net asset positions for which contractual offset exists were approximately \$491 million. The net remaining amount of approximately \$146 million is derived from the \$437 million noted above.

NOTE 8 — LONG-TERM DEBT

Debt Redemptions

In 2016, the following debt was redeemed:

Company	Month	Type	Interest Rate	Maturity	Amount (In millions)
DTE Electric	March	Mortgage Bonds	7.904%	2016	\$ 10
DTE Energy	Various	Other Long-Term Debt	Various	2016	1
					\$ 11

NOTE 9 — SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

DTE Energy, DTE Electric and DTE Gas, have unsecured revolving credit agreements that can be used for general corporate borrowings, but are intended to provide liquidity support for each of the companies' commercial paper programs. Borrowings under the revolvers are available at prevailing short-term interest rates. Additionally, DTE Energy has other facilities to support letter of credit issuance.

In April 2016, DTE Energy, DTE Electric, and DTE Gas exercised the extension features in their revolving credit agreements to add one year to the existing maturities. Each of these revolvers' expirations were extended from April 2020 to April 2021.

The agreements require DTE Energy, DTE Electric, and DTE Gas to maintain a total funded debt to capitalization ratio of no more than 0.65 to 1. In the agreements, "total funded debt" means all indebtedness of each respective company and their consolidated subsidiaries, including capital lease obligations, hedge agreements, and guarantees of third parties' debt, but excluding contingent obligations, nonrecourse and junior subordinated debt, and certain equity-linked securities and, except for calculations at the end of the second quarter, certain DTE Gas short-term debt. "Capitalization" means the sum of (a) total funded debt plus (b) "consolidated net worth," which is equal to consolidated total equity of each respective company and their consolidated subsidiaries (excluding pension effects under certain FASB statements), as determined in accordance with accounting principles generally accepted in the United States of America. At March 31, 2016, the total funded debt to total capitalization ratios for DTE Energy, DTE Electric, and DTE Gas were 0.50 to 1, 0.51 to 1, and 0.47 to 1, respectively, and were in compliance with this financial covenant. The availability under the facilities in place at March 31, 2016 is shown in the following table:

	DTE Energy	DTE Electric	DTE Gas	Total
	(In millions)			
Unsecured letter of credit facility, expiring in February 2017	\$ 100	\$ —	\$ —	\$ 100
Unsecured letter of credit facility, expiring in September 2017	70	—	—	70
Unsecured revolving credit facility, expiring April 2020	1,200	400	300	1,900
	1,370	400	300	2,070
Amounts outstanding at March 31, 2016				
Commercial paper issuances	71	211	83	365
Letters of credit	167	—	—	167
	238	211	83	532
Net availability at March 31, 2016	\$ 1,132	\$ 189	\$ 217	\$ 1,538



DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

DTE Energy has other outstanding letters of credit which are not included in the above described facilities totaling approximately \$17 million which are used for various corporate purposes.

In conjunction with maintaining certain exchange traded risk management positions, DTE Energy may be required to post collateral with its clearing agent. DTE Energy has a demand financing agreement for up to \$100 million with its clearing agent. The agreement, as amended, also allows for up to \$50 million of additional margin financing provided that DTE Energy posts a letter of credit for the incremental amount and allows the right of setoff with posted collateral. At March 31, 2016, a \$35 million letter of credit was in place, raising the capacity under this facility to \$135 million. The \$35 million letter of credit is included in the table above. The amount outstanding under this agreement was \$106 million and \$103 million at March 31, 2016 and December 31, 2015, respectively, and was fully offset by the posted collateral.

#### NOTE 10 — COMMITMENTS AND CONTINGENCIES

##### Environmental

##### DTE Electric

Air — DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. The EPA and the State of Michigan have issued emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide, mercury and other emissions. Additional rulemakings are expected over the next few years which could require additional controls for sulfur dioxide, nitrogen oxides, and hazardous air pollutants.

The Mercury and Air Toxics Standards (MATS) rule, formerly known as the Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) Rule was finalized in December 2011. The MATS rule required reductions of mercury and other hazardous air pollutants beginning in April 2015. DTE Electric requested and was granted compliance date extensions for all relevant units to April 2016. In November 2014, the U.S. Supreme Court agreed to review a challenge to the MATS rule based on a narrowly focused question of how the EPA considered costs in regulating air pollutants emitted by electric utilities. In June 2015, the U.S. Supreme Court reversed the decision of the Court of Appeals for the D.C. District and remanded the MATS rule to the Court of Appeals for further consideration based on their decision that the EPA must consider costs prior to deciding to regulate under the provisions of the Clean Air Act. Subsequently, in December 2015, the Court of Appeals ordered a remand of the MATS rule back to the EPA without staying the rule. DTE Electric does not expect this decision to have a material effect on its compliance plans at this time.

In July 2009, DTE Energy received a NOV/FOV from the EPA alleging, among other things, that five DTE Electric power plants violated New Source Performance standards, Prevention of Significant Deterioration requirements, and operating permit requirements under the Clean Air Act. In June 2010, the EPA issued a NOV/FOV making similar allegations related to a project and outage at Unit 2 of the Monroe Power Plant. In March 2013, DTE Energy received a supplemental NOV from the EPA relating to the July 2009 NOV/FOV. The supplemental NOV alleged additional violations relating to the New Source Review provisions under the Clean Air Act, among other things.

In August 2010, the U.S. Department of Justice, at the request of the EPA, brought a civil suit in the U.S. District Court for the Eastern District of Michigan against DTE Energy and DTE Electric, related to the June 2010 NOV/FOV and the outage work performed at Unit 2 of the Monroe Power Plant. In August 2011, the U.S. District Court judge granted DTE Energy's motion for summary judgment in the civil case, dismissing the case and entering judgment in favor of DTE Energy and DTE Electric. In October 2011, the EPA caused to be filed a Notice of Appeal to the Court of Appeals for the Sixth Circuit. In March 2013, the Court of Appeals remanded the case to the U.S. District Court for review of the procedural component of the New Source Review notification requirements. In September 2013, the EPA caused to be filed a motion seeking leave to amend their complaint regarding the June 2010 NOV/FOV adding additional claims related to outage work performed at the Trenton Channel and Belle River Power Plants as well as additional claims related to work performed at the Monroe Power Plant. In March 2014, the U.S. District Court judge



granted again DTE Energy's motion for summary judgment dismissing the civil case related to Monroe Unit 2. In April 2014, the U.S. District Court judge granted motions filed by the EPA and the Sierra Club to amend their New Source Review complaint adding additional claims for Monroe Units 1, 2 and 3, Belle River Units 1 and 2, and Trenton Channel Unit 9. In October 2014, the EPA and the U.S. Department of Justice filed a notice of appeal of the U.S. District Court judge's dismissal of the Monroe Unit 2 case. The amended New Source Review claims are all stayed until the appeal is resolved by the Court of Appeals for the Sixth Circuit. Oral arguments for the appeal occurred in December 2015.

DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The Registrants believe that the plants and generating units identified by the EPA and the Sierra Club have complied with all applicable federal environmental regulations. Depending upon the outcome of discussions with the EPA regarding the two NOV/FOVs, DTE Electric could be required to install additional pollution control equipment at some or all of the power plants in question, implement early retirement of facilities where control equipment is not economical, engage in supplemental environmental programs, and/or pay fines. The Registrants cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

The EPA is implementing regulatory actions under the Clean Air Act to address emissions of GHGs from the utility sector and other sectors of the economy. Among these actions, the EPA finalized performance standards for emissions of carbon dioxide from new and existing electric generating units (EGUs). The carbon standards for new sources are not expected to have a material impact on DTE Electric, since DTE Electric has no plans to build new coal-fired generation and any potential new gas generation will be able to comply with the standards. In February 2016, the U.S. Supreme Court granted petitioners' requests for a stay of the carbon rules for existing EGUs (also known as the EPA Clean Power Plan) pending final review by the courts. The Clean Power Plan has no legal effect while the stay is in place. It is not possible to determine the potential impact of the EPA Clean Power Plan on existing sources at this time. Pending or future legislation or other regulatory actions could have a material impact on DTE Electric's operations and financial position and the rates charged to its customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission credits from market sources, higher costs of purchased power, and the retirement of facilities where control equipment is not economical. DTE Electric would seek to recover these incremental costs through increased rates charged to its utility customers, as authorized by the MPSC.

To comply with air pollution requirements, DTE Electric spent approximately \$2.3 billion through 2015. DTE Electric estimates making capital expenditures of approximately \$45 million in 2016.

**Coal Combustion Residuals and Effluent Limitations Guidelines** — A final EPA rule for the disposal of coal combustion residuals, commonly known as coal ash, became effective in October 2015. DTE Electric owns and operates three permitted engineered coal ash storage facilities to dispose of coal ash from coal-fired power plants and operates a number of smaller impoundments at its power plants. At certain facilities, the rule requires the installation of monitoring wells, compliance with groundwater standards, and the closure of basins at the end of the useful life of the associated power plant. At other facilities, the rule requires ash laden waters be moved from earthen basins to steel and concrete tanks.

In November 2015, the EPA finalized effluent limitations guidelines for the steam electric power generating industry which may require additional controls to be installed between 2018 and 2023. Compliance schedules for individual facilities and individual waste streams are determined through issuance of new wastewater permits by the State of Michigan. No new permits have been issued, consequently no compliance timelines have been established. Certain effluent limitations guidelines requirements will be required to be performed in conjunction with the coal combustion residuals requirements. Costs associated with the building of new facilities over the next seven years to comply with coal combustion residuals requirements and effluent limitations guidelines are estimated to be approximately \$290 million.

#### Non-utility

DTE Energy's non-utility businesses are subject to a number of environmental laws and regulations dealing with the protection of the environment from various pollutants.

The Shenango coke battery received two NOV/FOVs from the Pennsylvania Department of Environmental Protection (PADEP) in 2010 alleging violations of the permit for the Pennsylvania coke battery facility in connection with coal pile storm water runoff. DTE Energy settled the alleged violations by implementing best management practices to address the issues and repair/upgrade its wastewater treatment plant. DTE Energy received a construction permit to upgrade its existing waste water treatment system. Due to the December 2015 decision to close the Shenango coke battery in January 2016, DTE Energy will not proceed with the upgrade to its wastewater treatment system.

The decision to close the Shenango facility has prompted the PADEP, the EPA, and the Allegheny County, PA Health Department to submit demand letters under the 2012 consent decree for stipulated penalties related to water and air matters since 2012. The stipulated penalties totaling \$534,000 have been assessed to the facility of which \$189,000 remains unpaid as of March 31, 2016. DTE Energy is currently working with the respective regulatory agencies to settle all matters.

DTE Energy Company — DTE Electric Company  
Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Nuclear Operations

Nuclear Fuel Disposal Costs

DTE Electric currently employs a spent nuclear fuel storage strategy utilizing a fuel pool and a newly completed dry cask storage facility. The dry cask storage facility is expected to provide sufficient spent fuel storage capability for the life of the plant as defined by the original operating license.

The federal government continues to maintain its legal obligation to accept spent nuclear fuel from Fermi 2 for permanent storage. Issues relating to long-term waste disposal policy and to the disposition of funds contributed by DTE Electric ratepayers to the federal waste fund await future governmental action.

Synthetic Fuel Guarantees

DTE Energy discontinued the operations of its synthetic fuel production facilities throughout the United States as of December 31, 2007. DTE Energy provided certain guarantees and indemnities in conjunction with the sales of interests in its synfuel facilities. The guarantees cover potential commercial, environmental, oil price, and tax-related obligations that will survive until 90 days after expiration of all applicable statutes of limitations. DTE Energy estimates that its maximum potential liability under these guarantees at March 31, 2016 is approximately \$850 million. Payment under these guarantees is considered remote.

REF Guarantees

DTE Energy has provided certain guarantees and indemnities in conjunction with the sales of interests in or lease of its REF facilities. The guarantees cover potential commercial, environmental, and tax-related obligations that will survive until 90 days after expiration of all applicable statutes of limitations. DTE Energy estimates that its maximum potential liability under these guarantees at March 31, 2016 is approximately \$270 million. Payment under these guarantees is considered remote.

Other Guarantees

In certain limited circumstances, the Registrants enter into contractual guarantees. The Registrants may guarantee another entity's obligation in the event it fails to perform and may provide guarantees in certain indemnification agreements. Finally, the Registrants may provide indirect guarantees for the indebtedness of others. DTE Energy's guarantees are not individually material with maximum potential payments totaling \$56 million at March 31, 2016. Payment under these guarantees is considered remote.

DTE Energy is periodically required to obtain performance surety bonds in support of obligations to various governmental entities and other companies in connection with its operations. As of March 31, 2016, DTE Energy had approximately \$56 million of performance bonds outstanding. In the event that such bonds are called for nonperformance, DTE Energy would be obligated to reimburse the issuer of the performance bond. DTE Energy is released from the performance bonds as the contractual performance is completed and does not believe that a material amount of any currently outstanding performance bonds will be called.

Bankruptcies

Certain of the Registrants' customers and suppliers have filed for bankruptcy protection under the U.S. Bankruptcy Code. The Registrants regularly review contingent matters relating to these customers and suppliers and their purchase and sale contracts, and record provisions for amounts considered at risk of probable loss in the allowance for doubtful accounts. The Registrants believe their accrued amounts are adequate for probable loss.

Other Contingencies

The Registrants are involved in certain other legal, regulatory, administrative, and environmental proceedings before various courts, arbitration panels, and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, additional environmental reviews and investigations, audits, inquiries from various regulators, and pending judicial matters. The Registrants cannot predict the final disposition of such proceedings. The Registrants regularly review legal matters and record provisions for claims that they can estimate and are considered probable of loss. The resolution of these pending proceedings is not expected to have a material effect on the Registrants' Consolidated Financial Statements in the periods they are resolved.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

For a discussion of contingencies related to regulatory matters and derivatives see Notes 4 and 7 to the Consolidated Financial Statements, "Regulatory Matters" and "Financial and Other Derivative Instruments," respectively.

**NOTE 11 — RETIREMENT BENEFITS AND TRUSTEED ASSETS**

The following table details the components of net periodic benefit costs for pension benefits and other postretirement benefits for DTE Energy:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Three Months Ended March 31,	(In millions)			
Service cost	\$23	\$25	\$6	\$9
Interest cost	54	53	20	20
Expected return on plan assets	(77)	(74)	(32)	(33)
Amortization of:				
Net actuarial loss	40	51	8	11
Prior service credit	—	—	(30)	(31)
Net periodic benefit cost (credit)	\$40	\$55	\$(28)	\$(24)

The following table details the components of net periodic benefit costs for pension benefits and other postretirement benefits for DTE Electric:

	Pension Benefits		Other Postretirement Benefits	
	2016	2015	2016	2015
Three Months Ended March 31,	(In millions)			
Service cost	\$18	\$20	\$5	\$7
Interest cost	41	40	15	16
Expected return on plan assets	(55)	(53)	(23)	(23)
Amortization of:				
Net actuarial loss	29	38	6	8
Prior service credit	—	—	(22)	(24)
Net periodic benefit cost (credit)	\$33	\$45	\$(19)	\$(16)

**Pension and Other Postretirement Contributions**

At the discretion of management, DTE Energy may make contributions up to \$175 million, including contributions from DTE Electric of \$145 million, to its pension plans in 2016.

At the discretion of management, DTE Energy may make up to \$20 million, through contributions from DTE Gas, to its other postretirement benefit plans in 2016.

**NOTE 12 — SEGMENT AND RELATED INFORMATION**

DTE Energy sets strategic goals, allocates resources, and evaluates performance based on the following structure: Electric segment consists principally of DTE Electric, which is engaged in the generation, purchase, distribution, and sale of electricity to approximately 2.2 million residential, commercial, and industrial customers in southeastern Michigan.

Gas segment consists principally of DTE Gas, which is engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.2 million residential, commercial, and industrial customers throughout Michigan and the sale of storage and transportation capacity.

Gas Storage and Pipelines consists of natural gas pipeline, gathering, and storage businesses.



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Power and Industrial Projects is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial, and institutional customers, produce reduced emissions fuel, and sell electricity from renewable energy projects.

Energy Trading consists of energy marketing and trading operations.

Corporate and Other includes various holding company activities, and holds certain non-utility debt and energy-related investments.

The federal income tax provisions or benefits of DTE Energy's subsidiaries are determined on an individual company basis and recognize the tax benefit of tax credits and net operating losses, if applicable. The state and local income tax provisions of the utility subsidiaries are determined on an individual company basis and recognize the tax benefit of various tax credits and net operating losses, if applicable. The subsidiaries record federal, state, and local income taxes payable to or receivable from DTE Energy based on the federal, state, and local tax provisions of each company.

Inter-segment billing for goods and services exchanged between segments is based upon tariffed or market-based prices of the provider and primarily consists of the sale of reduced emissions fuel, power sales, and natural gas sales in the following segments:

	Three Months Ended March 31, 2016 2015 (In millions)	
Inter-segment Revenues		
Electric	\$9	\$9
Gas	—	1
Gas Storage and Pipelines	2	1
Power and Industrial Projects	148	180
Energy Trading	10	9
Corporate and Other	—	1
	\$169	\$201



DTE Energy Company — DTE Electric Company  
 Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Financial data of the DTE Energy business segments follows:

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Utility operations		
Electric	\$1,153	\$1,203
Gas	520	647
Operating Revenues — Non-utility operations		
Gas Storage and Pipelines	67	57
Power and Industrial Projects	446	567
Energy Trading	549	711
Corporate and Other	—	—
Reconciliation and Eliminations	(169 )	(201 )
Total	\$2,566	\$2,984
Net Income (Loss) Attributable to DTE Energy by Segment:		
Electric	\$127	\$136
Gas	87	111
Gas Storage and Pipelines	30	27
Power and Industrial Projects	17	33
Energy Trading	(7 )	(9 )
Corporate and Other	(7 )	(25 )
Net Income Attributable to DTE Energy Company	\$247	\$273

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following combined discussion is separately filed by DTE Energy and DTE Electric. However, DTE Electric does not make any representations as to information related solely to DTE Energy or the subsidiaries of DTE Energy other than itself.

### EXECUTIVE OVERVIEW

DTE Energy is a diversified energy company and is the parent company of DTE Electric and DTE Gas, regulated electric and natural gas utilities engaged primarily in the business of providing electricity and natural gas sales, distribution, and storage services throughout Michigan. DTE Energy operates three energy-related non-utility segments with operations throughout the United States.

Net Income attributable to DTE Energy in the three months ended March 31, 2016 was \$247 million, or \$1.37 per diluted share, compared to Net Income attributable to DTE Energy of \$273 million, or \$1.53 per diluted share, in the three months ended March 31, 2015. The decrease in Net Income for the three months ended March 31, 2016 is primarily due to decreased earnings in the Gas, Power and Industrial Projects, and Electric segments, partially offset by improved results in the Corporate and Other segment.

Please see detailed explanations of segment performance in the following Results of Operations section.

DTE Energy's strategy is to achieve long-term earnings growth, a strong balance sheet, and an attractive dividend yield.

DTE Energy's utilities are investing capital to improve customer reliability through investments in base infrastructure and new generation, and to comply with environmental requirements. DTE Energy expects that planned significant capital investments will result in earnings growth. DTE Energy is focused on executing plans to achieve operational excellence and customer satisfaction with a focus on customer affordability. DTE Energy operates in a constructive regulatory environment and has solid relationships with its regulators.

DTE Energy has significant investments in non-utility businesses. DTE Energy employs disciplined investment criteria when assessing growth opportunities that leverage its assets, skills, and expertise, and provides diversity in earnings and geography. Specifically, DTE Energy invests in targeted energy markets with attractive competitive dynamics where meaningful scale is in alignment with its risk profile. DTE Energy expects growth opportunities in the Gas Storage and Pipelines and Power and Industrial Projects segments.

A key priority for DTE Energy is to maintain a strong balance sheet which facilitates access to capital markets and reasonably priced short-term and long-term financing. Near-term growth will be funded through internally generated cash flows and the issuance of debt and equity. DTE Energy has an enterprise risk management program that, among other things, is designed to monitor and manage exposure to earnings and cash flow volatility related to commodity price changes, interest rates, and counterparty credit risk.

### CAPITAL INVESTMENTS

DTE Energy's utility businesses require significant capital investments to maintain and improve the electric generation and electric and natural gas distribution infrastructure, and to comply with environmental regulations and renewable energy requirements.

DTE Electric's capital investments over the 2016-2020 period are estimated at \$8.2 billion comprised of \$3.8 billion for maintenance and other projects, \$3.2 billion for distribution infrastructure, and \$1.2 billion for new generation. Over the next fifteen years, DTE Electric plans to retire a portion of its coal-fired generation and to increase the proportion of its generation mix attributable to natural gas-fired generation and renewables. DTE Electric plans to seek regulatory approval in general rate case filings and renewable energy plan filings for capital expenditures consistent with prior ratemaking treatment.

DTE Gas' capital investments over the 2016-2020 period are estimated at \$1.6 billion comprised of \$800 million for base infrastructure, \$600 million for gas main renewal, meter move out, and pipeline integrity programs, and \$200 million for expenditures related to the NEXUS Pipeline. DTE Gas plans to seek regulatory approval in general rate case filings for base infrastructure capital expenditures consistent with prior ratemaking treatment.

DTE Energy's non-utility businesses' capital investments are primarily for expansion, growth, and ongoing maintenance. Gas Storage and Pipelines' capital investments over the 2016-2020 period are estimated at \$2.0 billion to \$2.6 billion for gathering and pipeline investments and expansions, including the NEXUS Pipeline. Power and Industrial Projects' capital investments over the 2016-2020 period are estimated at \$600 million to \$900 million for investments in cogeneration and on-site energy projects.

#### ENVIRONMENTAL MATTERS

The Registrants are subject to extensive environmental regulation. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented. Actual costs to comply could vary substantially. The Registrants expect to continue recovering environmental costs related to utility operations through rates charged to customers.

DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. The EPA and the State of Michigan have issued emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to additional emission controls on fossil-fueled power plants to reduce nitrogen oxide and sulfur dioxide, with further emission controls planned for reductions of mercury and other emissions. These rulemakings could require additional controls for sulfur dioxide, nitrogen oxides, and other hazardous air pollutants over the next few years. To comply with these requirements, DTE Electric spent approximately \$2.3 billion through 2015. It is estimated that DTE Electric will make capital expenditures of approximately \$45 million in 2016.

The EPA is implementing regulatory actions under the Clean Air Act to address emissions of GHGs from the utility sector and other sectors of the economy. Among these actions, the EPA finalized performance standards for emissions of carbon dioxide from new and existing electric generating units (EGUs). The carbon standards for new sources are not expected to have a material impact on DTE Electric, since DTE Electric has no plans to build new coal-fired generation and any potential new gas generation will be able to comply with the standards. In February 2016, the U.S. Supreme Court granted petitioners' requests for a stay of the carbon rules for existing EGUs (also known as the EPA Clean Power Plan) pending final review by the courts. The Clean Power Plan has no legal effect while the stay is in place. It is not possible to determine the potential impact of the EPA Clean Power Plan on existing sources at this time. Pending or future legislation or other regulatory actions could have a material impact on DTE Electric's operations and financial position and the rates charged to its customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission credits from market sources, higher costs of purchased power, and the retirement of facilities where control equipment is not economical. DTE Electric would seek to recover these incremental costs through increased rates charged to its utility customers, as authorized by the MPSC.

Increased costs for energy produced from traditional coal-based sources due to recent, pending, and future regulatory initiatives, could also increase the economic viability of energy produced from renewable, natural gas-fired generation, and/or nuclear sources, energy efficiency initiatives, and the potential development of market-based trading of carbon instruments which could provide new business opportunities for DTE Energy's utility and non-utility segments. At the present time, it is not possible to quantify the financial impacts of these climate related regulatory initiatives on the Registrants or their customers.

For further discussion of environmental matters see Note 10 to the Consolidated Financial Statements, "Commitments and Contingencies."

#### OUTLOOK

The next few years will be a period of rapid change for DTE Energy and for the energy industry. DTE Energy's strong utility base, combined with its integrated non-utility operations, position it well for long-term growth.

Looking forward, DTE Energy will focus on several areas that are expected to improve future performance:

- electric and gas customer satisfaction;
- electric reliability;
- rate competitiveness and affordability;
- regulatory stability and investment recovery for the electric and gas utilities;
- growth of utility asset base;
- employee engagement;
- cost structure optimization across all business segments;
- cash, capital, and liquidity to maintain or improve financial strength; and
- investments that integrate assets and leverage skills and expertise.

DTE Energy will continue to pursue opportunities to grow its businesses in a disciplined manner if it can secure opportunities that meet its strategic, financial, and risk criteria.

## RESULTS OF OPERATIONS

The following sections provide a detailed discussion of the operating performance and future outlook of DTE Energy's segments.

	Three Months Ended March 31, 2016 2015 (In millions)	
Net Income (Loss) Attributable to DTE Energy by Segment:		
Electric	\$127	\$136
Gas	87	111
Gas Storage and Pipelines	30	27
Power and Industrial Projects	17	33
Energy Trading	(7 )	(9 )
Corporate and Other	(7 )	(25 )
Net Income Attributable to DTE Energy Company	\$247	\$273

### ELECTRIC

The Results of Operations discussion for DTE Electric is presented in a reduced disclosure format in accordance with General Instruction H(2) of Form 10-Q.

The Electric segment consists principally of DTE Electric. Results for Electric segment with a reconciliation to DTE Electric are discussed below:

	Three Months Ended March 31,	
	2016	2015
	(In millions)	
Operating Revenues — Utility operations	\$1,153	\$1,203
Fuel and purchased power — utility	335	390
Gross Margin	818	813
Operation and maintenance	324	317
Depreciation and amortization	176	157
Taxes other than income	73	73
Operating Income	245	266
Other (Income) and Deductions	48	57
Income Tax Expense	70	73
Segment Net Income Attributable to DTE Energy Company	\$127	\$136
Reconciliation of Segment Net Income Attributable to DTE Energy Company to DTE Electric Net Income	—	1
DTE Electric Net Income Attributable to DTE Energy Company	\$127	\$137

See DTE Electric's Consolidated Statement of Operations for a complete view of its results.

Gross Margin increased \$5 million in the three months ended March 31, 2016. Revenues associated with certain mechanisms and surcharges are offset by related expenses elsewhere in the Registrants' Consolidated Statements of Operations.

The following table details changes in various gross margin components relative to the comparable prior period:

	Three Months (In millions)
Base rates	\$ 60
Amortization of refundable revenue decoupling/deferred gain in 2015	(32 )
Weather	(29 )
Other	6
Increase in gross margin	\$ 5

	Three Months Ended March 31,	
	2016	2015
	(In thousands of MWh)	
DTE Electric Sales		
Residential	3,618	3,852
Commercial	4,109	4,160
Industrial	2,421	2,464
Other	78	85
	10,226	10,561
Interconnection sales (a)	693	946
Total DTE Electric Sales	10,919	11,507

DTE Electric Deliveries

Retail and wholesale	10,226	10,561
Electric retail access, including self generators (b)	1,159	1,256
Total DTE Electric Sales and Deliveries	11,385	11,817

---

(a) Represents power that is not distributed by DTE Electric.

(b) Represents deliveries for self generators that have purchased power from alternative energy suppliers to supplement their power requirements.

Operation and maintenance expense increased \$7 million in the three months ended March 31, 2016. The increase was due primarily to increased restoration and line clearance expenses of \$17 million and higher employee benefits expenses of \$11 million, partially offset by lower power plant generation expenses of \$10 million, lower expenses related to the transition of PLD customers to DTE Electric's distribution system of \$4 million, lower corporate administrative expenses of \$4 million, and lower uncollectible expenses of \$3 million. The MPSC approved a TRM that provides for recovery of the deferred net incremental revenue requirement associated with the transition of PLD customers that is reflected in the Depreciation and amortization line in DTE Energy's and DTE Electric's Consolidated Statements of Operations.

Depreciation and amortization expense increased \$19 million in the three months ended March 31, 2016. The increase was due primarily to \$13 million of increased expenses due to an increased depreciable base and \$6 million associated with the TRM.

Other (Income) and Deductions decreased \$9 million in the three months ended March 31, 2016. The decrease was due primarily to \$8 million of interest income related to a sales and use tax settlement and \$4 million of higher investment earnings, partially offset by \$2 million of higher interest expenses.

Outlook — DTE Electric will continue to move forward in its efforts to achieve operational excellence, sustained strong cash flows, and earn its authorized return on equity. DTE Electric expects that planned significant capital investments will result in earnings growth. Looking forward, additional factors may impact earnings such as weather, the outcome of regulatory proceedings, benefit plan design changes, investment returns and changes in discount rate assumptions in benefit plans and health care costs, uncertainty of legislative or regulatory actions regarding climate change and electric retail access, and effects of energy efficiency programs. DTE Electric expects to continue its efforts to improve productivity and decrease costs while improving customer satisfaction with consideration of customer rate affordability.

DTE Electric filed a rate case with the MPSC on February 1, 2016 requesting an increase in base rates of \$344 million based on a projected twelve-month period ending July 31, 2017. The requested increase in base rates is due primarily to an increase in net plant resulting from infrastructure investments, environmental compliance, and reliability improvement projects. The rate filing also includes projected changes in sales, operation and maintenance expenses, and working capital. The rate filing also requests an increase in return on equity from 10.3% to 10.5% on a capital structure of 50% equity and 50% debt. DTE Electric anticipates self-implementing a rate increase in August 2016 with an MPSC order expected by February 2017.

#### GAS

The Gas segment consists principally of DTE Gas. Gas results are discussed below:

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Utility operations	\$520	\$647
Cost of gas — utility	233	307
Gross Margin	287	340
Operation and maintenance	96	111
Depreciation and amortization	26	25
Taxes other than income	19	19
Operating Income	146	185
Other (Income) Deductions	11	12
Income Tax Expense	48	62
Net Income Attributable to DTE Energy Company	\$87	\$111

Gross Margin decreased \$53 million in the three months ended March 31, 2016. Revenues associated with certain surcharges are offset by related expenses elsewhere in DTE Energy's Consolidated Statements of Operations.



The following table details changes in various gross margin components relative to the comparable prior period:

	Three Months (In millions)
Weather	\$ (56 )
Midstream storage and transportation revenues	(4 )
Infrastructure recovery mechanism	3
Revenue decoupling mechanism	3
Energy optimization revenue	(2 )
Other	3
Decrease in gross margin	\$ (53 )

Three  
Months  
Ended  
March  
31,  
2016

Gas Markets (in Bcf)	2015	2016
Gas sales	55	69
End user transportation	56	62
	111	131
Intermediate transportation	67	103
	178	234

Operation and maintenance expense decreased \$15 million in the three months ended March 31, 2016. The decrease was due primarily to decreased uncollectible expenses of \$5 million, decreased gas operations expenses of \$3 million, decreased transmission expenses of \$2 million, decreased energy optimization expenses of \$2 million, decreased corporate administrative expenses of \$2 million, and decreased employee benefits expenses of \$1 million.

Outlook — DTE Gas will continue to move forward in its efforts to achieve operational excellence, sustained strong cash flows, and earn its authorized return on equity. DTE Gas expects that planned significant infrastructure capital investments will result in earnings growth. Looking forward, additional factors may impact earnings such as weather, the outcome of regulatory proceedings, benefit plan design changes, and investment returns and changes in discount rate assumptions in benefit plans and health care costs. DTE Gas expects to continue its efforts to improve productivity and decrease costs while improving customer satisfaction with consideration of customer rate affordability.

DTE Gas filed a rate case with the MPSC on December 18, 2015 requesting an increase in base rates of \$183 million, inclusive of \$41 million of existing IRM surcharges which are expected to be converted into base rates, based on a projected twelve-month period ending October 31, 2017. The requested increase in base rates is due primarily to an increase in net plant, inclusive of IRM capital investments being recovered through approved IRM surcharge filings. The rate filing also includes projected changes in sales, operation and maintenance expenses, and working capital. The rate filing also requests an increase in return on equity from 10.5% to 10.75% on a capital structure of 52% equity and 48% debt. DTE Gas anticipates self-implementing a rate increase in November 2016 with an MPSC order expected by December 2016. Concurrent with the MPSC order in this rate case, the existing IRM surcharge being billed will be terminated. However, DTE Gas requested to implement a new IRM surcharge of approximately \$9 million to become effective in January 2017.

## GAS STORAGE AND PIPELINES

The Gas Storage and Pipelines segment consists of the non-utility gas pipelines and storage businesses. Gas Storage and Pipelines results are discussed below:

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Non-utility operations	\$67	\$57
Operation and maintenance	16	12
Depreciation and amortization	8	7
Taxes other than income	1	1
Operating Income	42	37
Other (Income) and Deductions	(8 )	(8 )
Income Tax Expense	19	18
Net Income	31	27
Net Income Attributable to Noncontrolling Interests	1	—
Net Income Attributable to DTE Energy Company	\$30	\$27

Operating Revenues — Non-utility operations increased \$10 million in the three months ended March 31, 2016. The increase was due primarily to increased volumes on the Bluestone Pipeline and Susquehanna gathering systems. Operation and maintenance expenses increased \$4 million in the three months ended March 31, 2016. The increase was due primarily to increased activity on the Bluestone and Susquehanna projects, partially offset by lower gas storage operations expenses.

Outlook — Gas Storage and Pipelines expects to maintain its steady growth by developing an asset portfolio with multiple growth platforms through investment in new projects and expansions. Gas Storage and Pipelines will continue to look for additional investment opportunities and other storage and pipeline projects at favorable prices. Planning and design activities are underway for Bluestone Pipeline's 2016 expansion in Broome County, New York. Additionally, the Susquehanna gathering system is being expanded with additional compression facilities and gathering lines. Despite recent pressure on producers from low commodity prices, DTE Energy believes its long-term agreement with Southwestern Energy Production Company and the quality of the natural gas reserves in the Marcellus region soundly positions Bluestone Pipeline and Susquehanna gathering system for future growth. Progress continues on development activities on the NEXUS Pipeline, a transportation path to transport Appalachian Basin shale gas, including Utica and Marcellus shale gas, directly to consuming markets in northern Ohio, southeastern Michigan, and Dawn Ontario. DTE Energy owns a 50% partnership interest in the NEXUS Pipeline with an investment balance of approximately \$117 million at March 31, 2016. A FERC application was filed in the fourth quarter of 2015 with an estimated in service date in the fourth quarter of 2017.

## POWER AND INDUSTRIAL PROJECTS

The Power and Industrial Projects segment is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial, and institutional customers, produce reduced emissions fuel, and sell electricity from renewable energy projects. Power and Industrial Projects results are discussed below:

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Non-utility operations	\$446	\$567
Fuel, purchased power, and gas — non-utility	383	476
Gross Margin	63	91
Operation and maintenance	75	85
Depreciation and amortization	18	20
Taxes other than income	5	5
Asset (gains) losses and impairments, net	—	(10 )
Operating Loss	(35 )	(9 )
Other (Income) and Deductions	(14 )	(17 )
Income Taxes		
Expense (Benefit)	(5 )	1
Production Tax Credits	(25 )	(27 )
	(30 )	(26 )
Net Income	9	34
Net Income (Loss) Attributable to Noncontrolling Interests	(8 )	1
Net Income Attributable to DTE Energy Company	\$17	\$33

Gross Margin decreased \$28 million in the three months ended March 31, 2016. The decrease was due primarily to a \$29 million decrease due to lower demand in the steel business, including a \$14 million decrease associated with the closure of the Shenango coke battery, partially offset by a \$3 million increase primarily associated with higher sales in the on-site business.

Operation and maintenance expense decreased \$10 million in the three months ended March 31, 2016. The decrease was due primarily to \$9 million of lower spending as a result of the closure of the Shenango coke battery and cost control due to lower demand and \$2 million of lower general administrative expenses in the steel business.

Asset (gains) losses and impairments, net decreased \$10 million in the three months ended March 31, 2016. The decrease was due primarily to a gain associated with the sale of a landfill gas project in 2015.

Net Income (Loss) Attributable to Noncontrolling Interests increased by \$9 million in the three months ended March 31, 2016. The loss allocated to noncontrolling interests is primarily due to lease arrangements with investors at various REF facilities.

Outlook — Power and Industrial Projects has constructed and placed in service REF facilities at nine sites including facilities located at six third-party owned coal-fired power plants. DTE Energy has sold membership interests in four of the facilities and entered into lease arrangements in three of the facilities. DTE Energy will continue to optimize these facilities by seeking investors or entering into lease arrangements for facilities operating at DTE Electric and other utility sites. DTE Energy is in the process of relocating underutilized facility equipment at an existing site to a new third-party owned coal-fired power plant. In addition, DTE Energy has entered into an agreement to operate an REF facility owned by an outside party located at a third-party owned coal-fired power plant.

DTE Energy expects decreased production levels of metallurgical coke and pulverized coal supplied to steel industry customers for 2016. A downturn in the steel industry in the United States will negatively impact the volume and pricing of metallurgical coke sales for the near term. The segment has four renewable power generation facilities in operation. On-site energy services will continue to be delivered in accordance with the terms of long-term contracts.

DTE Energy will continue to look for additional investment opportunities and other energy projects at favorable prices.

Power and Industrial Projects will continue to leverage its extensive energy-related operating experience and project management capability to develop additional energy projects to serve energy intensive industrial customers.

## ENERGY TRADING

Energy Trading focuses on physical and financial power and natural gas marketing and trading, structured transactions, enhancement of returns from its asset portfolio, and optimization of contracted natural gas pipeline transportation and storage positions. Energy Trading also provides natural gas, power, and related services, which may include the management of associated storage and transportation contracts on the customers' behalf, and the supply or purchase of renewable energy credits to various customers. Energy Trading results are discussed below:

	Three Months Ended March 31, 2016 2015 (In millions)	
Operating Revenues — Non-utility operations	\$549	\$711
Purchased power and gas — non-utility	541	707
Gross Margin	8	4
Operation and maintenance	16	17
Depreciation and amortization	1	—
Taxes other than income	1	2
Operating Loss	(10 )	(15 )
Other (Income) and Deductions	1	—
Income Tax Expense (Benefit)	(4 )	(6 )
Net Loss Attributable to DTE Energy Company	\$(7 )	\$(9 )

Operating Revenues — Non-utility operations were primarily impacted by a decrease in gas prices, mainly in Energy Trading's gas structured strategy in the three months ended March 31, 2016.

Gross Margin increased \$4 million in the three months ended March 31, 2016. The increase in the first quarter was due to an increase in unrealized margins of \$23 million, partially offset by a decrease in realized margins of \$19 million. The increase in unrealized margins of \$23 million is due to favorable results of \$64 million, primarily in the gas structured, and gas storage strategies, offset by unfavorable results of \$41 million, primarily in the power full requirements and gas trading strategies. The decrease in realized margins of \$19 million is due to unfavorable results of \$56 million, primarily in the gas structured, gas storage, and gas transportation strategies, partially offset by favorable results of \$37 million, primarily in the power and gas trading strategies.

Natural gas structured transactions typically involve a physical purchase or sale of natural gas in the future and/or natural gas basis financial instruments which are derivatives and a related non-derivative pipeline transportation contract. These gas structured transactions can result in significant earnings volatility as the derivative components are marked-to-market without revaluing the related non-derivative contracts. Included in the favorable unrealized results of \$64 million in the three months ended March 31, 2016 are timing related gains and losses related to gas strategies of \$43 million. The timing related items of \$43 million include the variance of timing losses of \$30 million in the first quarter of 2015, and timing gains of \$13 million in the first quarter of 2016 which will reverse in future periods as the underlying contracts settle. Included in the unfavorable realized results of \$56 million in the three months ended March 31, 2016 are timing related gains related to gas strategies of \$29 million recognized in previous years that reversed as the underlying contracts were settled.

Outlook — In the near-term, Energy Trading expects market conditions to remain challenging and the profitability of this segment may be impacted by the volatility in commodity prices and the uncertainty of impacts associated with financial reform, regulatory changes, and changes in operating rules of regional transmission organizations. Significant portions of the Energy Trading portfolio are economically hedged. Most financial instruments and physical power and natural gas contracts are deemed derivatives, whereas natural gas inventory, pipeline transportation, renewable energy credits, and storage assets are not derivatives. As a result, Energy Trading will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. Energy Trading's strategy is to economically manage the price risk of these underlying non-derivative contracts and

assets with futures, forwards, swaps, and options. This results in gains and losses that are recognized in different interim and annual accounting periods.

See Notes 6 and 7 to the Consolidated Financial Statements, "Fair Value" and "Financial and Other Derivative Instruments," respectively.

## CORPORATE AND OTHER

Corporate and Other includes various holding company activities, and holds certain non-utility debt and energy-related investments. The net loss of \$7 million in the three months ended March 31, 2016, represents a decrease of \$18 million from the net loss of \$25 million in the comparable 2015 period. The decreased loss was due primarily to an effective income tax rate adjustment.

## CAPITAL RESOURCES AND LIQUIDITY

## Cash Requirements

DTE Energy uses cash to maintain and invest in the electric and natural gas utilities, to grow the non-utility businesses, to retire, and pay interest on long-term debt, and to pay dividends. DTE Energy believes it will have sufficient internal and external capital resources to fund anticipated capital and operating requirements. DTE Energy expects that cash from operations in 2016 will be approximately \$1.8 billion, or approximately \$100 million lower than 2015, due primarily to higher working capital requirements. DTE Energy anticipates base level utility capital investments; environmental, renewable, and energy optimization expenditures; expenditures for non-utility businesses; and contributions to equity method investees in 2016 of approximately \$2.7 billion. DTE Energy plans to seek regulatory approval to include utility capital expenditures in regulatory rate base consistent with prior treatment. Capital spending for growth of existing or new non-utility businesses will depend on the existence of opportunities that meet strict risk-return and value creation criteria.

	Three Months Ended March 31, 2016 2015 (In millions)	
Cash and Cash Equivalents		
Cash Flow From (Used For)		
Operating Activities:		
Net Income	\$240	\$274
Adjustments to reconcile Net Income to Net cash from operating activities:		
Depreciation and amortization	229	209
Nuclear fuel amortization	15	13
Allowance for equity funds used during construction	(5 )	(5 )
Deferred income taxes	80	84
Asset (gains) losses and impairments, net	—	(10 )
Working capital and other	182	182
Net cash from operating activities	741	747
Investing Activities:		
Plant and equipment expenditures — utility	(394 )	(366 )
Plant and equipment expenditures — non-utility	(30 )	(39 )
Acquisition	—	(240 )
Proceeds from sale of assets	—	13
Restricted cash for debt redemption, principally Securitization, net	—	96
Other	(13 )	(20 )
Net cash used for investing activities	(437 )	(556 )
Financing Activities:		
Issuance of long-term debt, net of issuance costs	—	495
Redemption of long-term debt	(11 )	(117 )
Short-term borrowings, net	(134 )	(398 )
Issuance of common stock	—	9
Repurchase of common stock	(33 )	—

Edgar Filing: DTE ENERGY CO - Form 10-Q

Dividends on common stock and other	(128 ) (129 )
Net cash used for financing activities	(306 ) (140 )
Net Increase (Decrease) in Cash and Cash Equivalents	\$(2 ) \$51

51

---



#### Cash from Operating Activities

A majority of DTE Energy's operating cash flows are provided by the electric and natural gas utilities, which are significantly influenced by factors such as weather, electric retail access, regulatory deferrals, regulatory outcomes, economic conditions, changes in working capital, and operating costs.

Cash from operations in the three months ended March 31, 2016 decreased by \$6 million compared to the three months ended March 31, 2015. The operating cash flow comparison reflects decreased Net Income after adjusting for non-cash and non-operating items (primarily Depreciation and amortization and asset impairments).

#### Cash used for Investing Activities

Cash inflows associated with investing activities are primarily generated from the sale of assets, while cash outflows are the result of plant and equipment expenditures and acquisitions. In any given year, DTE Energy looks to realize cash from under-performing or non-strategic assets or matured fully valued assets.

Capital spending within the utility businesses is primarily to maintain and improve the electric generation, the electric and natural gas distribution infrastructure, and to comply with environmental regulations and renewable energy requirements.

Capital spending within the non-utility businesses is primarily for ongoing maintenance, expansion, and growth. DTE Energy looks to make growth investments that meet strict criteria in terms of strategy, management skills, risks, and returns. All new investments are analyzed for their rates of return and cash payback on a risk adjusted basis. DTE Energy has been disciplined in how it deploys capital and will not make investments unless they meet the criteria. In any given year, the amount of growth capital will be determined by the underlying cash flows of DTE Energy, with a clear understanding of any potential impact on its credit ratings.

Net cash used for investing activities decreased by \$119 million in 2016 due to an acquisition in 2015, partially offset by increased capital expenditures by the utility business, decreased proceeds from the sale of assets, and the decrease in restricted cash for the redemption of Securitization bonds.

#### Cash from Financing Activities

DTE Energy relies on both short-term borrowing and long-term financing as a source of funding for capital requirements not satisfied by its operations.

DTE Energy's strategy is to have a targeted debt portfolio blend of fixed and variable interest rates and maturity. DTE Energy continually evaluates its leverage target, which is currently 50% to 53%, to ensure it is consistent with the objective of a strong investment grade debt rating.

Net cash used for financing activities increased by \$166 million in 2016 due primarily to decreased issuances of long-term debt and increased repurchases of common stock, partially offset by decreased redemptions of long-term debt and decreased short-term borrowings.

#### Outlook

DTE Energy expects cash flows from operations to increase over the long-term, primarily as a result of growth from the utility and non-utility businesses. Growth in the utilities is expected to be driven primarily by capital spending to maintain and improve the electric generation and electric and natural gas distribution infrastructure and to comply with new and existing state and federal regulations that will result in additional environmental and renewable energy investments which will increase the base from which rates are determined. Non-utility growth is expected from additional investments, primarily in the Gas Storage and Pipelines and Power and Industrial Projects segments.

DTE Energy may be impacted by the timing of collection or refund of various recovery and tracking mechanisms, as a result of timing of MPSC orders. Energy prices are likely to be a source of volatility with regard to working capital requirements for the foreseeable future. DTE Energy continues its efforts to identify opportunities to improve cash flows through working capital initiatives and maintaining flexibility in the timing and extent of long-term capital projects.

DTE Energy has approximately \$460 million in long-term debt maturing in the next twelve months. The repayment of the debt is expected to be paid through internally generated funds or the issuance of long-term debt.

DTE Energy has approximately \$1.6 billion of available liquidity at March 31, 2016, consisting of cash and amounts available under unsecured revolving credit agreements.

DTE Energy expects to issue up to \$100 million of common stock in 2016 through its pension and other employee benefit plans.

Various subsidiaries of DTE Energy have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to require that DTE Energy post cash or letters of credit as collateral in the event that DTE Energy's credit rating is downgraded below investment grade. Certain of these provisions (known as "hard triggers") state specific circumstances under which DTE Energy can be required to post collateral upon the occurrence of a credit downgrade, while other provisions (known as "soft triggers") are not as specific. For contracts with soft triggers, it is difficult to estimate the amount of collateral which may be requested by counterparties and/or which DTE Energy may ultimately be required to post. The amount of such collateral which could be requested fluctuates based on commodity prices (primarily natural gas, power, and coal) and the provisions and maturities of the underlying transactions. As of March 31, 2016, DTE Energy's contractual obligation to post collateral in the form of cash or letter of credit in the event of a downgrade to below investment grade, under both hard trigger and soft trigger provisions, was approximately \$437 million.

DTE Energy believes it will have sufficient operating flexibility, cash resources, and funding sources to maintain adequate amounts of liquidity and to meet future operating cash and capital expenditure needs. However, virtually all of DTE Energy's businesses are capital intensive, or require access to capital, and the inability to access adequate capital could adversely impact earnings and cash flows.

See Notes 4, 8, 9, 10, and 11 to the Consolidated Financial Statements, "Regulatory Matters," "Long-Term Debt," "Short-Term Credit Arrangements and Borrowings," "Commitments and Contingencies," and "Retirement Benefits and Trusteed Assets," respectively.

#### NEW ACCOUNTING PRONOUNCEMENTS

See Note 3 to the Consolidated Financial Statements, "New Accounting Pronouncements."

#### FAIR VALUE

Derivatives are generally recorded at fair value and shown as Derivative assets or liabilities. Contracts DTE Energy typically classifies as derivative instruments include power, natural gas, oil, and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items DTE Energy does not generally account for as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits, and storage assets. See Notes 6 and 7 to the Consolidated Financial Statements, "Fair Value" and "Financial and Other Derivative Instruments," respectively.

The tables below do not include the expected earnings impact of non-derivative natural gas storage, transportation, certain power contracts, and renewable energy credits which are subject to accrual accounting. Consequently, gains and losses from these positions may not match with the related physical and financial hedging instruments in some reporting periods, resulting in volatility in the Registrants' reported period-by-period earnings; however, the financial impact of the timing differences will reverse at the time of physical delivery and/or settlement.

The Registrants manage their MTM risk on a portfolio basis based upon the delivery period of their contracts and the individual components of the risks within each contract. Accordingly, the Registrants record and manage the energy purchase and sale obligations under their contracts in separate components based on the commodity (e.g. electricity or natural gas), the product (e.g. electricity for delivery during peak or off-peak hours), the delivery location (e.g. by region), the risk profile (e.g. forward or option), and the delivery period (e.g. by month and year).

The Registrants have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For further discussion of the fair value hierarchy, see Note 6 to the Consolidated Financial Statements, "Fair Value."

The following tables provide details on changes in DTE Energy's MTM net asset (or liability) position during the three months ended March 31, 2016:

	Total (In millions)
MTM at December 31, 2015	\$ 40
Reclassified to realized upon settlement	(35 )
Changes in fair value recorded to income	(46 )
Amounts recorded to unrealized income	(81 )
Changes in fair value recorded in regulatory assets	(2 )
Change in collateral held by (for) others	42
MTM at March 31, 2016	\$ (1 )

The table below shows the maturity of DTE Energy's MTM positions. The positions from 2019 and beyond principally represent longer tenor gas structured transactions:

Source of Fair Value	2016	2017	2018	2019 and Beyond	Total Fair Value
	(In millions)				
Level 1	\$(47)	\$(13)	\$(1)	\$ 4	\$(57)
Level 2	17	14	5	—	36
Level 3	(9 )	(4 )	—	(44 )	(57 )
MTM before collateral adjustments	\$(39)	\$(3 )	\$4	\$(40 )	(78 )
Collateral adjustments					77
MTM at March 31, 2016					\$(1 )

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Price Risk

The Electric and Gas businesses have commodity price risk, primarily related to the purchases of coal, natural gas, uranium, and electricity. However, the Registrants do not bear significant exposure to earnings risk, as such changes are included in the PSCR and GCR regulatory rate-recovery mechanisms. In addition, changes in the price of natural gas can impact the valuation of lost and stolen gas, storage sales, and transportation services revenue at the Gas segment. The Gas segment manages its market price risk related to storage sales revenue primarily through the sale of long-term storage contracts. The Registrants are exposed to short-term cash flows or liquidity risk as a result of the time differential between actual cash settlements and regulatory rate recovery.

DTE Energy's Gas Storage and Pipelines business segment has exposure to natural gas price fluctuations which impact the pricing for natural gas storage and transportation. DTE Energy manages its exposure through the use of short, medium, and long-term storage and transportation contracts.

DTE Energy's Power and Industrial Projects business segment is subject to electricity, natural gas, and coal product price risk. DTE Energy manages its exposure to commodity price risk through the use of long-term contracts.

DTE Energy's Energy Trading business segment has exposure to electricity, natural gas, coal, crude oil, heating oil, and foreign currency exchange price fluctuations. These risks are managed by the energy marketing and trading operations through the use of forward energy, capacity, storage, options, and futures contracts, within pre-determined risk parameters.

Credit Risk

Bankruptcies

Certain of the Registrants' customers and suppliers have filed for bankruptcy protection under the U.S. Bankruptcy Code. The Registrants regularly review contingent matters relating to these customers and suppliers and their purchase and sale contracts and record provisions for amounts considered at risk of probable loss in the allowance for doubtful accounts. The Registrants believe their accrued amounts are adequate for probable loss.

### Trading Activities

DTE Energy is exposed to credit risk through trading activities. Credit risk is the potential loss that may result if the trading counterparties fail to meet their contractual obligations. DTE Energy utilizes both external and internal credit assessments when determining the credit quality of trading counterparties.

The following table displays the credit quality of DTE Energy's trading counterparties as of March 31, 2016:

	Credit Exposure Before Cash Collateral		Net Credit Exposure
(In millions)			
Investment Grade (a)			
A- and Greater	\$155	\$ (2 )	\$ 153
BBB+ and BBB	227	—	227
BBB-	44	—	44
Total Investment Grade	426	(2 )	424
Non-investment grade (b)	12	(5 )	7
Internally Rated — investment grade (c)	293	—	293
Internally Rated — non-investment grade (d)	4	(1 )	13
Total	\$745	\$ (8 )	\$ 737

This category includes counterparties with minimum credit ratings of Baa3 assigned by Moody's Investors Service (Moody's) or BBB- assigned by Standard & Poor's Rating Group, a division of McGraw-Hill Companies, Inc. (Standard & Poor's). The five largest counterparty exposures, combined, for this category represented approximately 23% of the total gross credit exposure.

This category includes counterparties with credit ratings that are below investment grade. The five largest counterparty exposures, combined, for this category represented less than 2% of the total gross credit exposure.

This category includes counterparties that have not been rated by Moody's or Standard & Poor's, but are considered investment grade based on DTE Energy's evaluation of the counterparty's creditworthiness. The five largest counterparty exposures, combined, for this category represented approximately 17% of the total gross credit exposure.

This category includes counterparties that have not been rated by Moody's or Standard & Poor's, and are considered non-investment grade based on DTE Energy's evaluation of the counterparty's creditworthiness. The five largest counterparty exposures, combined, for this category represented approximately 1% of the total gross credit exposure.

### Other

The Registrants engage in business with customers that are non-investment grade. The Registrants closely monitor the credit ratings of these customers and, when deemed necessary and permitted under the tariffs, request collateral or guarantees from such customers to secure their obligations.

### Interest Rate Risk

DTE Energy is subject to interest rate risk in connection with the issuance of debt. In order to manage interest costs, DTE Energy may use treasury locks and interest rate swap agreements. DTE Energy's exposure to interest rate risk arises primarily from changes in U.S. Treasury rates, commercial paper rates, and London Inter-Bank Offered Rates (LIBOR). As of March 31, 2016, DTE Energy had a floating rate debt-to-total debt ratio of approximately 4.0%.

### Foreign Currency Exchange Risk

DTE Energy has foreign currency exchange risk arising from market price fluctuations associated with fixed priced contracts. These contracts are denominated in Canadian dollars and are primarily for the purchase and sale of natural gas and power, as well as for long-term transportation capacity. To limit DTE Energy's exposure to foreign currency exchange fluctuations, DTE Energy has entered into a series of foreign currency exchange forward contracts through

June 2020.

Summary of Sensitivity Analyses

The Registrants performed sensitivity analyses on the fair values of commodity contracts, long-term debt obligations, and foreign currency exchange forward contracts. The commodity contracts and foreign currency exchange risk listed below principally relate to energy marketing and trading activities. The sensitivity analysis involved increasing and decreasing forward prices and rates at March 31, 2016 and 2015 by a hypothetical 10% and calculating the resulting change in the fair values.

56

---

The results of the sensitivity analysis calculations as of March 31, 2016 and 2015:

Activity	Assuming a 10% Increase in Prices/Rates As of March 31,		Assuming a 10% Decrease in Prices/Rates As of March 31,		Change in the Fair Value of
	2016	2015	2016	2015	
Natural gas contracts	\$17	\$(2 )	\$(17 )	\$2	Commodity contracts
Electricity contracts	\$17	\$(2 )	\$(16 )	\$2	Commodity contracts
Oil contracts	\$1	\$2	\$(1 )	\$(2 )	Commodity contracts
Interest rate risk	\$(356)	\$(357)	\$377	\$377	Long-term debt

(In millions)

For further discussion of market risk, see Note 7 to the Consolidated Financial Statements, "Financial and Other Derivative Instruments."

Item 4. Controls and Procedures

DTE Energy

(a) Evaluation of disclosure controls and procedures

Management of DTE Energy carried out an evaluation, under the supervision and with the participation of DTE Energy's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of DTE Energy's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2016, which is the end of the period covered by this report. Based on this evaluation, DTE Energy's CEO and CFO have concluded that such disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by DTE Energy in reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to DTE Energy's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in the effectiveness of any disclosure controls and procedures, management cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be attained.

(b) Changes in internal control over financial reporting

There have been no changes in DTE Energy's internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, DTE Energy's internal control over financial reporting.

DTE Electric

(a) Evaluation of disclosure controls and procedures

Management of DTE Electric carried out an evaluation, under the supervision and with the participation of DTE Electric's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of DTE Electric's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2016, which is the end of the period covered by this report. Based on this evaluation, DTE Electric's CEO and CFO have concluded that such disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by DTE Electric in reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to DTE Electric's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in the effectiveness of any disclosure controls and procedures, management cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be attained.

(b) Changes in internal control over financial reporting

There have been no changes in DTE Electric's internal control over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, DTE Electric's internal control over financial reporting.



## Part II — Other Information

## Item 1. Legal Proceedings

On or about January 19, 2016, the Office of the District Attorney, County of Yolo, California issued investigative subpoenas to Woodland Biomass Power Ltd. and DTE Woodland, LLC, wholly-owned subsidiaries of DTE Energy, (the "Woodland Companies"). The subpoenas relate to the biomass operations and disposal practices of the Woodland Companies in Yolo County, and require the Woodland Companies to produce documents, respond to interrogatories, and provide oral testimony and answer questions under oath in connection with the investigation.

For more information on material legal proceedings and matters related to the Registrants, see Notes 4 and 10, to the Consolidated Financial Statements, "Regulatory Matters," and "Commitments and Contingencies," respectively.

## Item 1A. Risk Factors

There are various risks associated with the operations of the Registrants' businesses. To provide a framework to understand the operating environment of the Registrants, a brief explanation of the more significant risks associated with the Registrants' businesses is provided in Part 1, Item 1A. Risk Factors in DTE Energy's and DTE Electric's combined 2015 Annual Report on Form 10-K. Although the Registrants have tried to identify and discuss key risk factors, others could emerge in the future.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about DTE Energy purchases of equity securities that are registered by DTE Energy pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended March 31, 2016:

	Number of Shares Purchased	Average Price Paid per Share	Number of Shares as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
(a)	(a)	(a)			
01/01/2016 — 01/31/2016	1,668	\$ 80.04	—	—	—
02/01/2016 — 02/29/2016	434,811	\$ 84.17	—	—	—
03/01/2016 — 03/31/2016	12,792	\$ 78.02	—	—	—
Total	438,271		—		

Represents shares of DTE Energy common stock purchased on the open market to provide shares to participants (a) under various employee compensation and incentive programs. Also includes shares of common stock withheld to satisfy income tax obligations upon the vesting of restricted stock based on the price in effect at the grant date.

Edgar Filing: DTE ENERGY CO - Form 10-Q

Item 6. Exhibits

Exhibit Number	Description	DTE Energy	DTE Electric
	(i) Exhibits filed herewith:		
12.67	Computation of Ratio of Earnings to Fixed Charges	X	
12.68	Computation of Ratio of Earnings to Fixed Charges		X
31.113	Chief Executive Officer Section 302 Form 10-Q Certification of Periodic Report	X	
31.114	Chief Financial Officer Section 302 Form 10-Q Certification of Periodic Report	X	
31.115	Chief Executive Officer Section 302 Form 10-Q Certification of Periodic Report		X
31.116	Chief Financial Officer Section 302 Form 10-Q Certification of Periodic Report		X
101.INS	XBRL Instance Document	X	X
101.SCH	XBRL Taxonomy Extension Schema	X	X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	X	X
101.DEF	XBRL Taxonomy Extension Definition Database	X	X
101.LAB	XBRL Taxonomy Extension Label Linkbase	X	X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	X	X
	(ii) Exhibits furnished herewith:		
32.113	Chief Executive Officer Section 906 Form 10-Q Certification of Periodic Report	X	
32.114	Chief Financial Officer Section 906 Form 10-Q Certification of Periodic Report	X	
32.115	Chief Executive Officer Section 906 Form 10-Q Certification of Periodic Report		X
32.116	Chief Financial Officer Section 906 Form 10-Q Certification of Periodic Report		X
	(iii) Exhibits incorporated by reference:		
10.100	Form of Change-in-Control Agreement, dated as of March 3, 2014, between DTE Energy Company and each of Gerard M. Anderson, Steven E. Kurmas, Trevor F. Lauer, David E. Meador, Peter B. Oleksiak, Gerardo Norcia, Bruce D. Peterson, and Larry E. Steward (Exhibit 10.1 to DTE Energy Company's Form 8-K filed on March 5, 2014.)	X	



Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized. The signature for each undersigned Registrant shall be deemed to relate only to matters having reference to such Registrant and any subsidiaries thereof.

Date: April 26, 2016

DTE ENERGY COMPANY

By: /S/DONNA M. ENGLAND

Donna M. England  
Chief Accounting Officer  
(Duly Authorized Officer)

DTE ELECTRIC COMPANY

By: /S/DONNA M. ENGLAND

Donna M. England  
Chief Accounting Officer  
(Duly Authorized Officer)