

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 |

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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.

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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> |
| <u>PART I - FINANCIAL INFORMATION</u> | |
| <u>Item 1. Financial Statements</u> | |
| <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> |
| <u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>42</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u> | <u>55</u> |
| <u>Item 4. Controls and Procedures</u> | <u>58</u> |
| <u>PART II - OTHER INFORMATION</u> | |
| <u>Item 1. Legal Proceedings</u> | <u>59</u> |
| <u>Item 1A. Risk Factors</u> | <u>59</u> |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>59</u> |
| <u>Item 6. Exhibits</u> | <u>60</u> |
| <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 |
|---|------------------------------------|----------------------|
| ASSETS | | |
| 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) | |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| 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 |
| Long-Term Debt (net of current portion) | | |
| Mortgage bonds, notes, and other | 8,266 | 8,265 |
| Junior subordinated debentures | 480 | 480 |
| Capital lease obligations | 12 | 15 |
| | 8,758 | 8,760 |
| Other Liabilities | | |
| 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 |
| Commitments and Contingencies (Notes 4 and 10) | | |
| Equity | | |
| 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 |
| Operating Activities | (In millions) | | |
| 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 | Accumulated | Non-Controlling | |
|------------------------------------|--|---------|----------|---------------|-----------------|---------|
| | Shares | Amount | Earnings | Other | Interests | Total |
| | | | | 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 | — | — | — | — | — | — |