

DTE ENERGY CO  
Form 10-K  
February 14, 2014

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

Form 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

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

Commission file number 1-11607

DTE ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Michigan

38-3217752

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

One Energy Plaza, Detroit, Michigan

48226-1279

(Address of principal executive offices)

(Zip Code)

313-235-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, without par value

New York Stock Exchange

2011 Series I 6.5% Junior Subordinated Debentures due 2061

New York Stock Exchange

2012 Series C 5.25% Junior Subordinated Debentures due 2062

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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. 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 (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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. (Check one):

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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). Yes  No

On June 28, 2013, the aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates was approximately \$11.7 billion (based on the New York Stock Exchange closing price on such date). There were 177,086,236 shares of common stock outstanding at January 31, 2014.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information in DTE Energy Company's definitive Proxy Statement for its 2014 Annual Meeting of Common Shareholders to be held May 1, 2014, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the registrant's fiscal year covered by this report on Form 10-K, is incorporated herein by reference to Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

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DTE Energy Company  
 Annual Report on Form 10-K  
 Year Ended December 31, 2013

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101.DEF XBRL Taxonomy Extension Definition Linkbase

101.LAB XBRL Taxonomy Extension Label Linkbase

101.PRE XBRL Taxonomy Extension Presentation Linkbase

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DEFINITIONS

ASC	Accounting Standards Codification
ASU	Accounting Standards Update
CFTC	U.S. Commodity Futures Trading Commission
Citizens	Citizens Fuel Gas Company, which distributes natural gas in Adrian, Michigan
Company	DTE Energy Company and any subsidiary companies
Customer Choice	Michigan legislation giving customers the option to choose alternative suppliers for electricity and gas
DTE Electric	DTE Electric Company (a direct wholly owned subsidiary of DTE Energy Company) and subsidiary companies. Formerly known as The Detroit Edison Company.
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. Formerly known as Michigan Consolidated Gas Company.
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
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.
MCIT	Michigan Corporate Income Tax
MDEQ	Michigan Department of Environmental Quality
MISO	Midcontinent Independent System Operator, Inc.
MPSC	Michigan Public Service Commission
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.
NRC	United States Nuclear Regulatory Commission
Production tax credits	

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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.

RDM

A Revenue Decoupling Mechanism authorized by the MPSC that is designed to minimize the impact on revenues of changes in average customer usage.

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.

Subsidiaries

The direct and indirect subsidiaries of DTE Energy Company

VIE

Variable Interest Entity

Units of Measurement

Bcf	Billion cubic feet of gas
Bcfe	Conversion metric using a standard ratio of one barrel of oil and/or natural gas liquids to 6 Mcf of natural gas equivalents.
BTU	Heat value (energy content) of fuel
dth/d	Decatherms per day
kWh	Kilowatthour of electricity
Mcf	Thousand cubic feet of gas
MMcf	Million cubic feet of gas
MW	Megawatt of electricity
MWh	Megawatthour of electricity

## 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 business of DTE Energy. 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 including, but not limited to, the following:

- impact of regulation by the FERC, MPSC, NRC, CFTC and 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 Customer Choice programs;
- economic conditions and population changes in our geographic area resulting in changes in demand, customer conservation and thefts of electricity and 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;
- the potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions;
- volatility in the short-term natural gas storage markets impacting third-party storage revenues;
- volatility in commodity markets, deviations in weather and related risks impacting the results of our energy trading operations;
- 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 construction 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 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;
- binding arbitration, litigation and related appeals; and
- the risks discussed in our public filings with the Securities and Exchange Commission.

New factors emerge from time to time. We cannot predict what factors may arise or how such factors may cause our 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. We 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

### Items 1. and 2. Business and Properties

#### General

In 1995, DTE Energy incorporated in the State of Michigan. Our utility operations consist primarily of DTE Electric and DTE Gas. We also have three other segments that are engaged in a variety of energy-related businesses.

DTE Electric is a Michigan corporation organized in 1903 and is a public utility subject to regulation by the MPSC and the FERC. DTE Electric is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan.

DTE Gas is a Michigan corporation organized in 1898 and is a public utility subject to regulation by the MPSC and the FERC. DTE Gas is 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.

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

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to such reports are available free of charge through the Investors - Reports and Filings page of our website: [www.dteenergy.com](http://www.dteenergy.com), as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (SEC). Our previously filed reports and statements are also available at the SEC's website: [www.sec.gov](http://www.sec.gov).

The Company's Code of Ethics and Standards of Behavior, Board of Directors' Mission and Guidelines, Board Committee Charters, and Categorical Standards of Director Independence are also posted on its website. The information on the Company's website is not part of this or any other report that the Company files with, or furnishes to, the SEC.

Additionally, the public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

References in this Report to "we," "us," "our," "Company" or "DTE" are to DTE Energy and its subsidiaries, collectively.

#### Corporate Structure

Based on the following structure, we set strategic goals, allocate resources, and evaluate performance. See Note 22 of the Notes to Consolidated Financial Statements in Item 8 of this Report for financial information by segment for the last three years.

#### Electric

The Electric segment consists principally of DTE Electric, which is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million residential, commercial and industrial customers in southeastern Michigan.

Gas

The Gas segment consists of DTE Gas and Citizens. DTE Gas 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. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

Non-utility Operations

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

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 biomass-fired energy projects.

Energy Trading consists of energy marketing and trading operations.

Corporate and Other

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

Refer to our Management's Discussion and Analysis in Item 7 of this Report for an in-depth analysis of each segment's financial results. A description of each business unit follows.

ELECTRIC

Description

Our Electric segment consists principally of DTE Electric, an electric utility engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan. DTE Electric is regulated by numerous federal and state governmental agencies, including, but not limited to, the MPSC, the FERC, the NRC, the EPA and the MDEQ. Electricity is generated from our fossil-fuel plants, a hydroelectric pumped storage plant, a nuclear plant and our wind and other renewable assets, and is purchased from electricity generators, suppliers and wholesalers. The electricity we produce and purchase is sold to three major classes of customers: residential, commercial and industrial, throughout southeastern Michigan.

Revenue by Service

	2013	2012	2011
	(In millions)		
Residential	\$2,351	\$2,354	\$2,182
Commercial	1,883	1,898	1,704
Industrial	799	784	692
Other	45	152	458
Subtotal	5,078	5,188	5,036
Interconnection sales (a)	121	105	118
Total Revenue	\$5,199	\$5,293	\$5,154

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

Weather, economic factors, competition and electricity prices affect sales levels to customers. Our peak load and highest total system sales generally occur during the third quarter of the year, driven by air conditioning and other cooling-related demands. Our operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on DTE Electric.

#### Fuel Supply and Purchased Power

Our power is generated from a variety of fuels and is supplemented with purchased power. We expect to have an adequate supply of fuel and purchased power to meet our obligation to serve customers. Our generating capability is heavily dependent upon the availability of coal. Coal is purchased from various sources in different geographic areas under agreements that vary in both pricing and terms. We expect to obtain the majority of our coal requirements through long-term contracts, with the balance to be obtained through short-term agreements and spot purchases. We have long-term and short-term contracts for the purchase of approximately 29.4 million tons of low-sulfur western coal to be delivered from 2014 through 2016 and approximately 1.6 million tons of Appalachian coal to be delivered in 2014. All of these contracts have pricing schedules. We have approximately 92% of our 2014 expected coal requirements under contract. Given the geographic diversity of supply, we believe we can meet our expected generation requirements. We lease a fleet of rail cars and have our expected western coal rail requirements under contract through 2018. All of our expected eastern coal rail requirements are under contract through 2016. Our expected vessel transportation requirements for delivery of purchased coal to our generating facilities are under contract through 2014.

DTE Electric participates in the energy market through MISO. We offer our generation in the market on a day-ahead and real-time basis and bid for power in the market to serve our load. We are a net purchaser of power that supplements our generation capability to meet customer demand during peak cycles or during major plant outages.

#### Properties

DTE Electric owns generating plants and facilities that are located in the State of Michigan. Substantially all of our property is subject to the lien of a mortgage.

Generating plants owned and in service as of December 31, 2013 are shown in the following table. The Company's renewable energy generation, principally wind turbines, is described below.

Plant Name	Location by Michigan County	Summer Net Rated Capability (a) (MW)	(%)	Year in Service
Fossil-fueled Steam-Electric				
Belle River (b)	St. Clair	1,036	9.9	1984 and 1985
Greenwood	St. Clair	798	7.7	1979
Monroe (c)	Monroe	3,022	29.0	1971, 1973 and 1974
River Rouge	Wayne	537	5.2	1957 and 1958
St. Clair	St. Clair	1,386	13.3	1953, 1954, 1959, 1961 and 1969
Trenton Channel	Wayne	631	6.0	1949 and 1968
		7,410	71.1	
Oil or Gas-fueled Peaking Units	Various	989	9.5	1966-1971, 1981 and 1999
Nuclear-fueled Steam-Electric Fermi 2 (d)	Monroe	1,102	10.6	1988
Hydroelectric Pumped Storage Ludington (e)	Mason	917	8.8	1973
		10,418	100.0	

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- Summer net rated capabilities of generating plants in service are based on periodic load tests and are changed
- (a) depending on operating experience, the physical condition of units, environmental control limitations and customer requirements for steam, which otherwise would be used for electric generation.
  - (b) The Belle River capability represents DTE Electric's entitlement to 81% of the capacity and energy of the plant. See Note 9 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.
  - (c) The Monroe generating plant provided 38% of DTE Electric's total 2013 power generation.
  - (d) Fermi 2 has a design electrical rating (net) of 1,150 MW.
  - (e) Represents DTE Electric's 49% interest in Ludington with a total capability of 1,872 MW. See Note 9 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

In 2008, a renewable portfolio standard was established for Michigan electric providers targeting 10% of electricity sold to retail customers from renewable energy by 2015. DTE Electric had approximately 900 MW of owned or contracted renewable energy generation, principally wind turbines located in Gratiot, Tuscola, Huron and Sanilac counties in Michigan, at December 31, 2013, which is projected to represent approximately 9.6% of electricity that will be sold to retail customers in 2015. Approximately 690 MW was in commercial operation at December 31, 2013. DTE Electric expects to meet the 10% renewable portfolio standard with the commercial operation of an additional 210 MW in 2014 and 50 MW in 2015.

DTE Electric owns and operates 669 distribution substations with a capacity of approximately 33,418,000 kilovolt-amperes (kVA) and approximately 428,600 line transformers with a capacity of approximately 23,272,000 kVA.

Circuit miles of electric distribution lines owned and in service as of December 31, 2013:

Operating Voltage-Kilovolts (kV)	Circuit Miles	
	Overhead	Underground
4.8 kV to 13.2 kV	27,739	14,578
24 kV	182	692
40 kV	2,289	383
120 kV	54	8
	30,264	15,661

There are numerous interconnections that allow the interchange of electricity between DTE Electric and electricity providers external to our service area. These interconnections are generally owned and operated by ITC Transmission, an unrelated company, and connect to neighboring energy companies.

#### Regulation

DTE Electric's business is subject to the regulatory jurisdiction of various agencies, including, but not limited to, the MPSC, the FERC and the NRC. The MPSC issues orders pertaining to rates, recovery of certain costs, including the costs of generating facilities and regulatory assets, conditions of service, accounting and operating-related matters. DTE Electric's MPSC-approved rates charged to customers have historically been designed to allow for the recovery of costs, plus an authorized rate of return on our investments. The FERC regulates DTE Electric with respect to financing authorization and wholesale electric activities. The NRC has regulatory jurisdiction over all phases of the operation, construction, licensing and decommissioning of DTE Electric's nuclear plant operations. We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Notes 3, 10, 11 and 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

#### Energy Assistance Programs

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to DTE Electric's ability to control its uncollectible accounts receivable and collections expenses. DTE Electric's uncollectible accounts receivable expense is directly affected by the level of government-funded assistance its qualifying customers receive. We work continuously with the State of Michigan and others to determine whether the share of funding allocated to our customers is representative of the number of low-income individuals in our service territory. We also partner with federal, state and local officials to attempt to increase the share of low-income funding allocated to our customers. Changes in the level of funding provided to our low-income customers will affect the level of uncollectible expense.

## Strategy and Competition

We strive to be the preferred supplier of electrical generation in southeast Michigan. We can accomplish this goal by working with our customers, communities and regulatory agencies to be a reliable, low-cost supplier of electricity. To ensure generation and network reliability we continue to make capital investments in our generating plants and distribution system, which will improve plant availability, operating efficiencies and environmental compliance in areas that have a positive impact on reliability with the goal of high customer satisfaction.

Our distribution operations focus on improving reliability, restoration time and the quality of customer service. We seek to lower our operating costs by improving operating efficiencies. Revenues from year to year will vary due to weather conditions, economic factors, regulatory events and other risk factors as discussed in the “Risk Factors” in Item 1A. of this Report.



The electric Customer Choice program in Michigan allows our electric customers to purchase their electricity from alternative electric suppliers of generation services, subject to limits. Customers choosing to purchase power from alternative electric suppliers represented approximately 10% of retail sales in 2013, 2012 and 2011. Customers participating in the electric Customer Choice program consist primarily of industrial and commercial customers. MPSC rate orders and 2008 energy legislation enacted by the State of Michigan have placed a 10% cap on the total potential Customer Choice related migration, mitigating some of the unfavorable effects of electric Customer Choice on our financial performance and full service customer rates. We expect that in 2014 customers choosing to purchase power from alternative electric suppliers will represent approximately 10% of retail sales.

Competition in the regulated electric distribution business is primarily from the on-site generation of industrial customers and from distributed generation applications by industrial and commercial customers. We do not expect significant competition for distribution to any group of customers in the near term.

## GAS

### Description

Our Gas segment consists of DTE Gas and Citizens. DTE Gas is a natural gas utility 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. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

Revenue is generated by providing the following major classes of service: gas sales, end user transportation, intermediate transportation, and gas storage.

### Revenue by Service

	2013	2012	2011
	(In millions)		
Gas sales	\$1,093	\$957	\$1,150
End user transportation	212	198	194
Intermediate transportation	59	58	58
Storage and other	110	102	103
Total Revenue	\$1,474	\$1,315	\$1,505

Gas sales — Includes the sale and delivery of natural gas primarily to residential and small-volume commercial and industrial customers.

End user transportation — Gas delivery service provided primarily to large-volume commercial and industrial customers. Additionally, the service is provided to residential customers, and small-volume commercial and industrial customers who have elected to participate in our gas Customer Choice program. End user transportation customers purchase natural gas directly from marketers, producers or brokers and utilize our pipeline network to transport the gas to their facilities or homes.

Intermediate transportation — Gas delivery service is provided to producers, brokers and other gas companies that own the natural gas, but are not the ultimate consumers. Intermediate transportation customers use our gathering and high-pressure transportation system to transport the natural gas to storage fields, processing plants, pipeline interconnections or other locations.

Storage and other — Includes revenues from natural gas storage, appliance maintenance, facility development and other energy-related services.

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Our gas sales, end user transportation and intermediate transportation volumes, revenues and net income are impacted by weather. Given the seasonal nature of our business, revenues and net income are concentrated in the first and fourth quarters of the calendar year. By the end of the first quarter, the heating season is largely over, and we typically realize substantially reduced revenues and earnings in the second quarter and losses in the third quarter. The impacts of changes in average customer usage are minimized by the RDM. Effective with the self implementation of rates on November 1, 2012, the RDM was terminated. The DTE Gas partial rate case settlement agreement approved by the MPSC in December 2012 created a new RDM effective November 1, 2013 which decouples weather normalized distribution revenue inside caps. The caps are tied to expected customer conservation attributable to DTE Gas's energy efficiency program, or 1.125% in year one, increasing to 2.25% for the second and future periods.

Our operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on our Gas segment.

### Natural Gas Supply

Our gas distribution system has a planned maximum daily send-out capacity of 2.5 Bcf, with approximately 67% of the volume coming from underground storage for 2013. Peak-use requirements are met through utilization of our storage facilities, pipeline transportation capacity, and purchased gas supplies. Because of our geographic diversity of supply and our pipeline transportation and storage capacity, we are able to reliably meet our supply requirements. We believe natural gas supply and pipeline capacity will be sufficiently available to meet market demands in the foreseeable future.

We purchase natural gas supplies in the open market by contracting with producers and marketers, and we maintain a diversified portfolio of natural gas supply contracts. Supplier, producing region, quantity, and available transportation diversify our natural gas supply base. We obtain our natural gas supply from various sources in different geographic areas (Gulf Coast, Mid-Continent, Canada and Michigan) under agreements that vary in both pricing and terms. Gas supply pricing is generally tied to the New York Mercantile Exchange and published price indices to approximate current market prices combined with MPSC approved fixed price supplies with varying terms and volumes through 2016.

We are directly connected to interstate pipelines, providing access to most of the major natural gas supply producing regions in the Gulf Coast, Mid-Continent and Canadian regions. Our primary long-term transportation supply contracts are as follows:

	Availability (MMcf/d)	Contract Expiration
Great Lakes Gas Transmission L.P.	30	2014
Viking Gas Transmission Company	21	2017
Vector Pipeline L.P.	50	2015
ANR Pipeline Company	224	2028
Panhandle Eastern Pipeline Company	75	2029

### Properties

We own distribution, storage and transportation properties that are located in the State of Michigan. Our distribution system includes approximately 19,000 miles of distribution mains, approximately 1,162,000 service pipelines and approximately 1,311,000 active meters. We own approximately 2,000 miles of transmission pipelines that deliver natural gas to the distribution districts and interconnect our storage fields with the sources of supply and the market areas.

We own storage properties relating to four underground natural gas storage fields with an aggregate working gas storage capacity of approximately 139 Bcf. These facilities are important in providing reliable and cost-effective service to our customers. In addition, we sell storage services to third parties.

Most of our distribution and transportation property is located on property owned by others and used by us through easements, permits or licenses. Substantially all of our property is subject to the lien of a mortgage.

We lease a portion of our pipeline system to the Vector Pipeline Partnership (an affiliate) through a capital lease arrangement. See Note 18 of the Notes to Consolidated Financial Statements in Item 8 of the Report.

## Regulation

DTE Gas's business is subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of regulatory assets, conditions of service, accounting and operating-related matters. DTE Gas's MPSC-approved rates charged to customers have historically been designed to allow for the recovery of costs, plus an authorized rate of return on our investments. DTE Gas operates natural gas storage and transportation facilities in Michigan as intrastate facilities regulated by the MPSC and provides intrastate storage and transportation services pursuant to an MPSC-approved tariff.

DTE Gas also provides interstate storage and transportation services in accordance with an Operating Statement on file with the FERC. The FERC's jurisdiction is limited and extends to the rates, non-discriminatory requirements, and the terms and conditions applicable to storage and transportation provided by DTE Gas in interstate markets. FERC granted DTE Gas authority to provide storage and related services in interstate commerce at market-based rates. DTE Gas provides transportation services in interstate commerce at cost-based rates approved by the MPSC and filed with the FERC.

We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Notes 11 and 19 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

## Energy Assistance Program

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to DTE Gas's ability to control its uncollectible accounts receivable and collections expenses. DTE Gas's uncollectible accounts receivable expense is directly affected by the level of government-funded assistance its qualifying customers receive. We work continuously with the State of Michigan and others to determine whether the share of funding allocated to our customers is representative of the number of low-income individuals in our service territory. We also partner with federal, state and local officials to attempt to increase the share of low-income funding allocated to our customers. Changes in the level of funding provided to our low-income customers will affect the level of uncollectible expense.

## Strategy and Competition

Our strategy is to be the preferred provider of natural gas services in Michigan. We expect future sales volumes to decline due to reduced natural gas usage by customers due to more efficient furnaces and appliances, and an increased emphasis on conservation of energy usage. We continue to provide energy-related services that capitalize on our expertise, capabilities and efficient systems. We continue to focus on lowering our operating costs by improving operating efficiencies.

Competition in the gas business primarily involves other natural gas transportation providers, as well as providers of alternative fuels and energy sources. The primary focus of competition for end user transportation is cost and reliability. Some large commercial and industrial customers have the ability to switch to alternative fuel sources such as coal, electricity, oil and steam. If these customers were to choose an alternative fuel source, they would not have a need for our end-user transportation service. In addition, some of these customers could bypass our pipeline system and have their gas delivered directly from an interstate pipeline. We compete against alternative fuel sources by providing competitive pricing and reliable service, supported by our storage capacity.

Our extensive transportation pipeline system has enabled us to market 400 to 500 Bcf annually for intermediate storage and transportation services for Michigan gas producers, marketers, distribution companies and other pipeline companies. We operate in a central geographic location with connections to major Midwestern interstate pipelines that

extend throughout the Midwest, eastern United States and eastern Canada.

DTE Gas's storage capacity is used to store natural gas for delivery to DTE Gas's customers as well as sold to third parties, under a variety of arrangements for periods up to three years. Prices for storage arrangements for shorter periods are generally higher, but more volatile than for longer periods. Prices are influenced primarily by market conditions, weather and natural gas pricing.

## GAS STORAGE AND PIPELINES

## Description

Gas Storage and Pipelines controls two natural gas storage fields, intrastate lateral and intrastate gathering pipeline systems, and has ownership interests in two interstate pipelines serving the Midwest, Ontario and Northeast markets. The pipeline and storage assets are primarily supported by long-term, fixed-price revenue contracts.

## Properties

The Gas Storage and Pipelines business holds the following property:

Property Classification	% Owned	Description	Location
Pipelines			
Vector Pipeline	40	% 348-mile pipeline connecting Chicago, Michigan and Ontario market centers	IL, IN, MI & Ontario
Millennium Pipeline	26	% 182-mile pipeline serving markets in the Northeast	NY
Bluestone Lateral	100	% 44-mile pipeline delivering Marcellus Shale gas to Millennium Pipeline and Tennessee Pipeline	PA & NY
Susquehanna gathering system	100	% Gathering system delivering Southwestern Energy's Marcellus Shale gas production to Bluestone Lateral	PA
Michigan gathering systems	100	% Gathers production gas in northern Michigan	MI
Storage			
Washington 10	100	% 75 Bcf of storage capacity	MI
Washington 28	50	% 16 Bcf of storage capacity	MI

The assets of these businesses are well integrated with other DTE Energy operations. Pursuant to an operating agreement, DTE Gas provides physical operations, maintenance, and technical support for the Washington 10 and 28 storage facilities and for the Michigan gathering systems.

## Regulation

The Gas Storage and Pipelines business operates natural gas storage facilities in Michigan as intrastate facilities regulated by the MPSC and provides intrastate storage and related services pursuant to an MPSC-approved tariff. We also provide interstate services in accordance with an Operating Statement on file with the FERC. Vector and Millennium Pipelines provide interstate transportation services in accordance with their FERC-approved tariffs. Bluestone Lateral is regulated as an intrastate pipeline by applicable agencies in the states of New York and Pennsylvania.

## Strategy and Competition

Our Gas Storage and Pipelines business expects to continue its steady growth plan by expanding existing assets and developing new assets that are typically supported with long-term customer commitments. We have competition from other pipelines and storage providers. The Gas Storage and Pipelines business focuses on asset development opportunities in the Midwest-to-Northeast region to supply natural gas to meet growing demand. Much of the growth in demand for natural gas is expected to occur in the Eastern Canada and the Northeast U.S. regions. We believe that the Vector and Millennium Pipelines are well positioned to provide access routes and low-cost expansion options to

these markets. In addition, we believe that Millennium Pipeline is well positioned for growth in production from the Marcellus shale, especially with respect to Marcellus production in Northern Pennsylvania and along the southern tier of New York. Gas Storage and Pipelines has an agreement with Southwestern Energy Services Company and affiliates to support its Bluestone Lateral and Susquehanna gathering system. Bluestone Lateral is a 44-mile pipeline in Susquehanna County, Pennsylvania and Broome County, New York with the southern portion of the pipeline placed in service in 2012 and the northern portion placed in service in the first quarter of 2013. We expect to continue steady growth in the Gas Storage and Pipelines business and are evaluating new pipeline and storage investment opportunities that could include additional Millennium expansions and laterals, Bluestone laterals and gathering expansions and other Marcellus midstream development or partnering opportunities. Our operations are dependent upon a limited number of customers, and the loss of any one or a few customers could have a material adverse effect on the Gas Storage and Pipelines business.



## POWER AND INDUSTRIAL PROJECTS

### Description

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 biomass-fired energy projects. This business segment provides services using project assets usually located on or near the customers' premises in the steel, automotive, pulp and paper, airport and other industries as follows:

**Steel and Petroleum Coke:** We produce metallurgical coke from two coke batteries with a capacity of 1.4 million tons per year. We have an investment in a third coke battery with a capacity of 1.2 million tons per year. We also provide pulverized coal and petroleum coke to the steel, pulp and paper, and other industries.

**Onsite Energy:** We provide power generation, steam production, chilled water production, wastewater treatment and compressed air supply to industrial customers. We provide utility-type services using project assets usually located on or near the customers' premises in the automotive, airport, chemical and other industries.

**Wholesale Power and Renewables:** We own and operate four biomass-fired electric generating plants with a capacity of 183 MWs. We own a coal-fired power plant currently undergoing conversion to biomass with an in-service date in 2014. The electric output is sold under long term power purchase agreements. We also develop landfill gas recovery systems that capture the gas and provide local utilities, industry and consumers with an opportunity to use a competitive, renewable source of energy, in addition to providing environmental benefits by reducing greenhouse gas emissions.

**Reduced Emissions Fuel (REF):** We own and operate nine REF facilities. Our facilities blend a proprietary additive with coal used in coal-fired power plants resulting in reduced emissions of Nitrogen Oxide (NO) and Mercury (Hg). Qualifying facilities are eligible to generate tax credits for ten years upon achieving certain criteria. The value of a tax credit is adjusted annually by an inflation factor published by the Internal Revenue Service. The value of the tax credit is reduced if the reference price of coal exceeds certain thresholds. The economic benefit of the REF facilities is dependent upon the generation of production tax credits. We placed in service five REF facilities in 2009 and an additional four REF facilities in 2011. To optimize income and cash flow from the REF operations, we sold membership interests at two of the facilities in 2011 and at two additional facilities in 2013. We continue to optimize these facilities by seeking investors for facilities operating at DTE Electric and other utility sites. Additionally, we intend to relocate certain underutilized facilities to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years.

Properties and Other

The following are significant properties operated by the Power and Industrial Projects segment:

Facility	Location	Service Type
Steel and Petroleum Coke Pulverized Coal Operations	MI	Pulverized Coal
Coke Production	MI, PA & IN	Metallurgical Coke Supply
Other Investment in Coke Production and Petroleum Coke	IN & MS	Metallurgical Coke Supply and Pulverized Petroleum Coke
<b>On-Site Energy</b>		
Automotive	Various sites in MI, IN, OH & NY	Electric Distribution, Chilled Water, Waste Water, Steam, Cooling Tower Water, Reverse Osmosis Water, Compressed Air, Mist and Dust Collectors
Airports	MI & PA	Electricity, Hot and Chilled Water
Chemical Manufacturing	IL, KY & OH	Electricity, Steam, Natural Gas, Compressed Air and Wastewater
Consumer Manufacturing	OH	Electricity, Steam, Hot and Chilled Water, Sewer, Compressed Air
Business Park	FL, OH & PA	Electricity, Steam, Hot and Chilled Water, Compressed Air
Hospital	CA	Electricity, Steam and Chilled Water
<b>Wholesale Power and Renewables</b>		
Pulp and Paper	AL	Electric Generation and Steam
Renewables	CA, MN & WI	Electric Generation
Landfill Gas Recovery	Various U.S. sites	Electric Generation and Landfill Gas
REF	MI, OK, IL & OH	REF Supply

	2013 (In millions)	2012	2011
Production Tax Credits Generated (Allocated to DTE Energy)			
REF	\$44	\$35	\$1
Power Generation	8	7	4
Landfill Gas Recovery	1	1	1
	\$53	\$43	\$6

Regulation

Certain electric generating facilities within Power and Industrial Projects have market-based rate authority from the FERC to sell power. The facilities are subject to FERC reporting requirements and market behavior rules. Certain Power and Industrial projects are also subject to the applicable laws, rules and regulations related to the Commodity Futures Trading Commission, U.S. Department of Homeland Security and Department of Energy.

Strategy and Competition

Power and Industrial Projects will continue leveraging its energy-related operating experience and project management capability to develop and grow our steel, renewable power, on-site energy, landfill gas recovery and REF businesses. We also will continue to pursue opportunities to provide asset management and operations services to third parties. There are limited competitors for our existing disparate businesses who provide similar products and services. Our operations are dependent upon a limited number of customers, and the loss of any one or a few customers could have a material adverse effect on the Power and Industrial Projects business.

We anticipate building around our core strengths in the markets where we operate. In determining the markets in which to compete, we examine closely the regulatory and competitive environment, new and pending legislation, the number of competitors and our ability to achieve sustainable margins. We plan to maximize the effectiveness of our related businesses as we expand. As we pursue growth opportunities, our first priority will be to achieve value-added returns.

We intend to focus on the following areas for growth:

• Selling membership interests in our REF projects;

• Relocating our underutilized REF facilities to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years;

• Acquiring and developing landfill gas recovery facilities, renewable energy projects, and other energy projects which may qualify for tax credits; and

• Providing operating services to owners of industrial and power plants.

## ENERGY TRADING

### Description

Energy Trading focuses on physical and financial power, gas and coal marketing and trading, structured transactions, enhancement of returns from DTE Energy's asset portfolio, and optimization of contracted natural gas pipeline transportation and storage, and generating capacity 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 under FERC Asset Management Arrangements, and the supply or purchase of renewable energy credits to various customers. Our customer base is predominantly utilities, local distribution companies, pipelines, producers and generators, and other marketing and trading companies. We enter into derivative financial instruments as part of our marketing and hedging activities. These financial instruments are generally accounted for under the mark-to-market method, which results in the recognition in earnings of unrealized gains and losses from changes in the fair value of the derivatives. We utilize forwards, futures, swaps and option contracts to mitigate risk associated with our marketing and trading activity as well as for proprietary trading within defined risk guidelines. Energy Trading also provides commodity risk management services to the other businesses within DTE Energy.

Significant portions of the Energy Trading portfolio are economically hedged. Most financial instruments and physical power and gas contracts are deemed derivatives; whereas, natural gas inventory, contracts for pipeline transportation, renewable energy credits and certain storage assets are not derivatives. As a result, this segment may experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. The segment'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.

### Regulation

Energy Trading has market-based rate authority from the FERC to sell power and blanket authority from the FERC to sell natural gas at market prices. Energy Trading is subject to FERC reporting requirements and market behavior rules. Energy Trading is also subject to the applicable laws, rules and regulations related to the Commodity Futures Trading Commission, U.S. Department of Homeland Security and Department of Energy.

## Strategy and Competition

Our strategy for the Energy Trading business is to deliver value-added services to our customers. We seek to manage this business in a manner consistent with and complementary to the growth of our other business segments. We focus on physical marketing and the optimization of our portfolio of energy assets. We compete with electric, gas and coal marketers, financial institutions, traders, utilities and other energy providers. The Energy Trading business is dependent upon the availability of capital and an investment grade credit rating. The Company believes it has ample available capital capacity to support Energy Trading activities. We monitor our use of capital closely to ensure that our commitments do not exceed capacity. A material credit restriction would negatively impact our financial performance. Competitors with greater access to capital or at a lower cost may have a competitive advantage. We have risk management and credit processes to monitor and mitigate risk.

## CORPORATE AND OTHER

## Description

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

## ENVIRONMENTAL MATTERS

We are subject to extensive environmental regulation. We expect to continue recovering environmental costs related to utility operations through rates charged to our customers. The following table summarizes our estimated significant future environmental expenditures based upon current regulations. Actual costs to comply could vary substantially. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented.

	Electric (In millions)	Gas	Non-utility	Total
Air	\$1,420	\$—	\$—	\$1,420
Water	80	—	18	98
Contaminated and other sites	8	28	—	36
Estimated total future expenditures through 2021	\$1,508	\$28	\$18	\$1,554
Estimated 2014 expenditures	\$280	\$5	\$10	\$295
Estimated 2015 expenditures	\$95	\$6	\$8	\$109

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. Since 2005, the EPA and the State of Michigan have issued additional 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. Future rulemakings could require additional controls for sulfur dioxide, nitrogen oxides and other hazardous air pollutants over the next few years.

Water - In response to an EPA regulation, DTE Electric is required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of completed studies and expected future studies, DTE Electric may be required to install technologies to reduce the impacts of the water intakes. However, the types of technologies are unknown at this time. The EPA is expected to finalize regulations on cooling water intake in early 2014. The EPA has also issued proposed steam electric effluent guidelines. When finalized, these guidelines are expected to require additional wastewater discharge controls.

Contaminated and Other Sites - Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. The facilities, which produced gas, have been designated as manufactured gas plant (MGP) sites. Gas segment owns, or previously owned, fifteen such former MGP sites. DTE Electric owns, or previously owned, three former MGP sites. The Company anticipates the cost amortization methodology approved by the MPSC for DTE Gas, which allows DTE Gas to amortize the MGP costs over a ten-year period beginning with the year subsequent to the year the MGP costs were incurred, and the cost deferral and rate recovery mechanism for Citizens approved by the City of Adrian, will prevent MGP environmental costs from having a material adverse impact on the Company's results of operations.

We are also in the process of cleaning up other sites where contamination is present as a result of historical and ongoing utility operations. These other sites include an engineered ash storage facility, electrical distribution

substations, gas pipelines, electric generating power plants, and underground and aboveground storage tank locations. Cleanup activities associated with these sites will be conducted over the next several years. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination and regulatory requirements, could impact the estimate of remedial action costs for these sites and affect the Company's financial position and cash flows and the rates we charge our customers.

The EPA has published proposed rules to regulate coal ash, which may result in a designation of coal ash as a hazardous waste. The EPA could apply some, or all, of the disposal and reuse standards that have been applied to other existing hazardous wastes. Some of the regulatory actions currently being contemplated could have a significant impact on our operations and financial position and the rates we charge our customers. It is not possible to quantify the impact of those expected rulemakings at this time.

See Notes 11 and 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report and Management's Discussion and Analysis in Item 7 of this Report.

## EMPLOYEES

We had approximately 9,900 employees as of December 31, 2013, of which approximately 4,900 were represented by unions. There are several bargaining units for the Company's represented employees. The majority of represented employees are under contracts that expire in 2016 and 2017.

### Item 1A. Risk Factors

There are various risks associated with the operations of DTE Energy's utility and non-utility businesses. To provide a framework to understand the operating environment of DTE Energy, we are providing a brief explanation of the more significant risks associated with our businesses. Although we have tried to identify and discuss key risk factors, others could emerge in the future. Each of the following risks could affect our performance.

We are subject to rate regulation. Electric and gas rates for our utilities are set by the MPSC and the FERC and cannot be changed without regulatory authorization. We may be negatively impacted by new regulations or interpretations by the MPSC, the FERC or other regulatory bodies. Our ability to recover costs may be impacted by the time lag between the incurrence of costs and the recovery of the costs in customers' rates. Our regulators also may decide to disallow recovery of certain costs in customers' rates if they determine that those costs do not meet the standards for recovery under our governing laws and regulations. Our utilities typically self-implement base rate changes six months after rate case filings in accordance with Michigan law. However, if the final rates authorized by our regulators in the final rate order are lower than the amounts we collected during the self-implementation period, we must refund the difference with interest. Our regulators may also disagree with our rate calculations under the various tracking and decoupling mechanisms that are intended to mitigate the risk to our utilities of certain aspects of our business. If we cannot agree with our regulators on an appropriate reconciliation of those mechanisms, it may impact our ability to recover certain costs through our customer rates. Our regulators may also decide to eliminate these mechanisms in future rate cases, which may make it more difficult for us to recover our costs in the rates we charge customers. We cannot predict what rates an MPSC order will authorize in future rate cases. New legislation, regulations or interpretations could change how our business operates, impact our ability to recover costs through rates or require us to incur additional expenses.

Changes to Michigan's electric Customer Choice program could negatively impact our financial performance. The State of Michigan currently experiences a hybrid market, where the MPSC continues to regulate electric rates for our customers, while alternative electric suppliers charge market-based rates. Energy legislation enacted by the State of Michigan in 2008, placed a 10% cap on the total potential electric Customer Choice related migration. However, even with the legislated 10% cap on participation, there continues to be legislative and financial risk associated with the electric Customer Choice program. Electric Customer Choice migration is sensitive to market price and full service electric price changes.

Environmental laws and liability may be costly. We are subject to and affected by numerous environmental regulations. These regulations govern air emissions, water quality, wastewater discharge and disposal of solid and hazardous waste. Compliance with these regulations can significantly increase capital spending, operating expenses and plant down times and can negatively affect the affordability of the rates we charge to our customers.

Uncertainty around future environmental regulations creates difficulty planning long-term capital projects in our generation fleet and gas distribution businesses. These laws and regulations require us to seek a variety of environmental licenses, permits, inspections and other regulatory approvals. We could be required to install expensive



pollution control measures or limit or cease activities, including the retirement of certain generating plants, based on these regulations. Additionally, we may become a responsible party for environmental cleanup at sites identified by a regulatory body. We cannot predict with certainty the amount and timing of future expenditures related to environmental matters because of the difficulty of estimating clean up costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on potentially responsible parties.

We may also incur liabilities as a result of potential future requirements to address climate change issues. Proposals for voluntary initiatives and mandatory controls are being discussed both in the United States and worldwide to reduce greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels. If increased regulation of greenhouse gas emissions are implemented, the operations of our fossil-fuel generation assets may be significantly impacted. Since there can be no assurances that environmental costs may be recovered through the regulatory process, our financial performance may be negatively impacted as a result of environmental matters.

Future environmental regulation of natural gas extraction techniques including hydraulic fracturing being discussed both at the United States federal level and by some states may affect the profitability of natural gas extraction businesses which could affect demand for and profitability of our gas transportation businesses.

Operation of a nuclear facility subjects us to risk. Ownership of an operating nuclear generating plant subjects us to significant additional risks. These risks include, among others, plant security, environmental regulation and remediation, changes in federal nuclear regulation and operational factors that can significantly impact the performance and cost of operating a nuclear facility. While we maintain insurance for various nuclear-related risks, there can be no assurances that such insurance will be sufficient to cover our costs in the event of an accident or business interruption at our nuclear generating plant, which may affect our financial performance.

The supply and/or price of energy commodities and/or related services may impact our financial results. We are dependent on coal for much of our electrical generating capacity. Our access to natural gas supplies is critical to ensure reliability of service for our utility gas customers. Our non-utility businesses are also dependent upon supplies and prices of energy commodities and services. Price fluctuations, fuel supply disruptions and changes in transportation costs could have a negative impact on the amounts we charge our utility customers for electricity and gas and on the profitability of our non-utility businesses. We have hedging strategies and regulatory recovery mechanisms in place to mitigate some of the negative fluctuations in commodity supply prices in our utility and non-utility businesses, but there can be no assurances that our financial performance will not be negatively impacted by price fluctuations. The price of energy also impacts the market for our non-utility businesses that compete with utilities and alternative electric suppliers.

The supply and/or price of other industrial raw and finished inputs and/or related services may impact our financial results. We are dependent on supplies of certain commodities, such as copper and limestone, among others, and industrial materials and services in order to maintain day-to-day operations and maintenance of our facilities. Price fluctuations or supply interruptions for these commodities and other items could have a negative impact on the amounts we charge our customers for our utility products and on the profitability of our non-utility businesses.

Adverse changes in our credit ratings may negatively affect us. Regional and national economic conditions, increased scrutiny of the energy industry and regulatory changes, as well as changes in our economic performance, could result in credit agencies reexamining our credit rating. While credit ratings reflect the opinions of the credit agencies issuing such ratings and may not necessarily reflect actual performance, a downgrade in our credit rating below investment grade could restrict or discontinue our ability to access capital markets and could result in an increase in our borrowing costs, a reduced level of capital expenditures and could impact future earnings and cash flows. In addition, a reduction in our credit rating may require us to post collateral related to various physical or financially settled contracts for the purchase of energy-related commodities, products and services, which could impact our liquidity.

Poor investment performance of pension and other postretirement benefit plan assets and other factors impacting benefit plan costs could unfavorably impact our liquidity and results of operations. Our costs of providing non-contributory defined benefit pension plans and other postretirement benefit plans are dependent upon a number of factors, such as the rates of return on plan assets, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, and our required or voluntary contributions made to the plans. The performance of the debt and equity markets affects the value of assets that are held in trust to satisfy future obligations under our plans. We have significant benefit obligations and hold significant assets in trust to satisfy these obligations. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected return rates. A decline in the market value of the pension and other postretirement benefit plan assets will increase the funding requirements under our pension and other postretirement benefit plans if the actual asset returns do not recover these declines in the foreseeable future. Additionally, our pension and other postretirement benefit plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the liabilities increase, resulting in

increasing benefit expense and funding requirements. Also, if future increases in pension and other postretirement benefit costs as a result of reduced plan assets are not recoverable from our utility customers, the results of operations and financial position of our company could be negatively affected. Without sustained growth in the plan investments over time to increase the value of our plan assets, we could be required to fund our plans with significant amounts of cash. Such cash funding obligations could have a material impact on our cash flows, financial position, or results of operations.

Our ability to access capital markets is important. Our ability to access capital markets is important to operate our businesses. Turmoil in credit markets may constrain our ability, as well as the ability of our subsidiaries, to issue new debt, including commercial paper, and refinance existing debt at reasonable interest rates. In addition, the level of borrowing by other energy companies and the market as a whole could limit our access to capital markets. Our long term revolving credit facilities do not expire until 2018, but we regularly access capital markets to refinance existing debt or fund new projects at our utilities and non-utility businesses, and we cannot predict the pricing or demand for those future transactions.

Construction and capital improvements to our power facilities and distribution systems subject us to risk. We are managing ongoing and planning future significant construction and capital improvement projects at multiple power generation and distribution facilities and our gas distribution system. Many factors that could cause delays or increased prices for these complex projects are beyond our control, including the cost of materials and labor, subcontractor performance, timing and issuance of necessary permits, construction disputes and weather conditions. Failure to complete these projects on schedule and on budget for any reason could adversely affect our financial performance and operations at the affected facilities and businesses.

Our non-utility businesses may not perform to our expectations. We rely on our non-utility operations for an increasing portion of our earnings. If our current and contemplated non-utility investments do not perform at expected levels, we could experience diminished earnings and a corresponding decline in our shareholder value.

Our participation in energy trading markets subjects us to risk. Events in the energy trading industry have increased the level of scrutiny on the energy trading business and the energy industry as a whole. In certain situations we may be required to post collateral to support trading operations, which could be substantial. If access to liquidity to support trading activities is curtailed, we could experience decreased earnings potential and cash flows. Energy trading activities take place in volatile markets and expose us to risks related to commodity price movements, deviations in weather and other related risks. We routinely have speculative trading positions in the market, within strict policy guidelines we set, resulting from the management of our business portfolio. To the extent speculative trading positions exist, fluctuating commodity prices can improve or diminish our financial results and financial position. We manage our exposure by establishing and enforcing strict risk limits and risk management procedures. During periods of extreme volatility, these risk limits and risk management procedures may not work as planned and cannot eliminate all risks associated with these activities.

Our ability to utilize production tax credits may be limited. To reduce U.S. dependence on imported oil, the Internal Revenue Code provides production tax credits as an incentive for taxpayers to produce fuels and electricity from alternative sources. We generated production tax credits from coke production, landfill gas recovery, biomass fired electric generation, reduced emission fuel, renewable energy generation and gas production operations. All production tax credits taken after 2011 are subject to audit by the Internal Revenue Service (IRS). If our production tax credits were disallowed in whole or in part as a result of an IRS audit, there could be additional tax liabilities owed for previously recognized tax credits that could significantly impact our earnings and cash flows.

Weather significantly affects operations. Deviations from normal hot and cold weather conditions affect our earnings and cash flow. Mild temperatures can result in decreased utilization of our assets, lowering income and cash flow. Ice storms, tornadoes, or high winds can damage the electric distribution system infrastructure and power generation facilities and require us to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process.

Unplanned power plant outages may be costly. Unforeseen maintenance may be required to safely produce electricity or comply with environmental regulations. As a result of unforeseen maintenance, we may be required to make spot market purchases of electricity that exceed our costs of generation. Our financial performance may be negatively

affected if we are unable to recover such increased costs.

We rely on cash flows from subsidiaries. DTE Energy is a holding company. Cash flows from our utility and non-utility subsidiaries are required to pay interest expenses and dividends on DTE Energy debt and securities. Should a major subsidiary not be able to pay dividends or transfer cash flows to DTE Energy, our ability to pay interest and dividends would be restricted.

Renewable portfolio standards and energy efficiency programs may affect our business. We are subject to existing Michigan and potential future federal legislation and regulation requiring us to secure sources of renewable energy. We expect to comply with the existing state legislation, but we do not know what requirements may be added by federal legislation. In addition, there could be additional state requirements increasing the percentage of power required to be provided by renewable energy sources. We cannot predict the financial impact or costs associated with complying with potential future legislation and regulations. Compliance with these requirements can significantly increase capital expenditures and operating expenses and can negatively affect the affordability of the rates we charge to our customers.

We are also required by Michigan legislation to implement energy efficiency measures and provide energy efficiency customer awareness and education programs. These requirements necessitate expenditures and implementation of these programs creates the risk of reducing our revenues as customers decrease their energy usage. We cannot predict how these programs will impact our business and future operating results.

Regional and national economic conditions can have an unfavorable impact on us. Our utility and non-utility businesses follow the economic cycles of the customers we serve and credit risk of counterparties we do business with. Should national or regional economic conditions deteriorate, reduced volumes of electricity and gas, and demand for energy services we supply, collections of accounts receivable, reductions in federal and state energy assistance funding, and potentially higher levels of lost gas or stolen gas and electricity could result in decreased earnings and cash flow.

Threats of terrorism or cyber attacks could affect our business. We may be threatened by problems such as computer viruses or terrorism that may disrupt our operations and could harm our operating results. Our industry requires the continued operation of sophisticated information technology systems and network infrastructure. Despite our implementation of security measures, all of our technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism and other causes. If our information technology systems were to fail and we were unable to recover in a timely way, we might be unable to fulfill critical business functions, which could have a material adverse effect on our business, operating results, and financial condition.

In addition, our generation plants, gas pipeline and storage facilities and electrical distribution facilities in particular may be targets of terrorist activities that could disrupt our ability to produce or distribute some portion of our energy products. We have increased security as a result of past events and we may be required by our regulators or by the future terrorist threat environment to make investments in security that we cannot currently predict.

Failure to maintain the security of personally identifiable information could adversely affect us. In connection with our business we collect and retain personally identifiable information of our customers, shareholders and employees. Our customers, shareholders and employees expect that we will adequately protect their personal information, and the United States regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss or fraudulent use of customer, shareholder, employee or DTE Energy data by cybercrime or otherwise could adversely impact our reputation and could result in significant costs, fines and litigation.

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on our operations. Our business is dependent on our ability to recruit, retain, and motivate employees. Competition for skilled employees in some areas is high and the inability to retain and attract these employees could adversely affect our business and future operating results.

A work interruption may adversely affect us. There are several bargaining units for the Company's approximately 4,900 represented employees. The majority of represented employees are under contracts that expire in 2016 and 2017. A union choosing to strike would have an impact on our business. We are unable to predict the effect a work

stoppage would have on our costs of operation and financial performance.

If our goodwill becomes impaired, we may be required to record a charge to earnings. We annually review the carrying value of goodwill associated with acquisitions made by the Company for impairment. Factors that may be considered for purposes of this analysis include any change in circumstances indicating that the carrying value of our goodwill may not be recoverable such as a decline in stock price and market capitalization, future cash flows, and slower growth rates in our industry. We cannot predict the timing, strength or duration of any economic slowdown or subsequent recovery, worldwide or in the economy or markets in which we operate; however, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable, the Company may take a non-cash impairment charge, which could potentially materially impact our results of operations and financial position.

We may not be fully covered by insurance. We have a comprehensive insurance program in place to provide coverage for various types of risks, including catastrophic damage as a result of acts of God, terrorism or a combination of other significant unforeseen events that could impact our operations. Economic losses might not be covered in full by insurance or our insurers may be unable to meet contractual obligations.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

In July 2009, DTE Energy received a Notice of Violation/Finding of Violation (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, but not relating to the July 2009 NOV/FOV. Among other relief, the EPA requested the court to require DTE Electric to install and operate the best available control technology at Unit 2 of the Monroe Power Plant. Further, the EPA requested the court to issue a preliminary injunction to require DTE Electric to (i) begin the process of obtaining the necessary permits for the Monroe Unit 2 modification and (ii) offset the pollution from Monroe Unit 2 through emissions reductions from DTE Electric's fleet of coal-fired power plants until the new control equipment is operating. On August 23, 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. On October 20, 2011, the EPA caused to be filed a Notice of Appeal to the U.S. Court of Appeals for the Sixth Circuit. On March 28, 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. On September 3, 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 addition, the Sierra Club caused to be filed a motion to add a claim regarding the River Rouge Power Plant. The EPA and Sierra Club motions are currently pending with the U.S. District Court Judge.

DTE Energy and DTE Electric believe that the plants identified by the EPA and the Sierra Club, including Unit 2 of the Monroe Power Plant, 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 Company cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

In March 2013, the Sierra Club filed suit against DTE Energy and DTE Electric alleging violations of the Clean Air Act at four of DTE Electric's coal-fired power plants. The plaintiffs allege 1,499 6-minute periods of excess opacity of air emissions from 2007-2012 at those facilities. The suit asks that the court enjoin DTE Energy and DTE Electric from operating the power plants except in complete compliance with applicable laws and permit requirements, pay civil penalties, conduct beneficial environmental mitigation projects, pay attorney fees and require the installation of



any necessary pollution controls or to convert and/or operate the plants' boilers on natural gas to avoid additional violations and to off-set historic unlawful emissions. In December 2013, a U.S. District Court judge issued an order dismissing, without prejudice, the plaintiff's complaint allowing them to file an amended complaint by January 17, 2014. The order dismissing the complaint resulted from a considerable number of plaintiff's claims being time barred based on the statute of limitations. On January 17, 2014, the plaintiffs filed an amended complaint for the period January 13, 2008 - June 30, 2012, reducing the total number of 6-minute periods from 1,499 to 1,139. DTE Energy and DTE Electric plan to file an answer to the amended complaint in the first quarter of 2014. The resolution of this matter is not expected to have a material effect on the Company's operations or financial statements.

For additional discussion on legal matters, see Notes 11 and 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Item 4. Mine Safety Disclosures

Not applicable.

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## Part II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the New York Stock Exchange, which is the principal market for such stock. The following table indicates the reported high and low sales prices of our common stock on the Composite Tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Year	Quarter	High	Low	Dividends Paid per Share
2013	First	\$68.38	\$60.33	\$0.6200
	Second	\$73.32	\$63.38	\$0.6550
	Third	\$71.77	\$64.71	\$0.6550
	Fourth	\$70.64	\$64.45	\$0.6550
2012	First	\$56.52	\$52.46	\$0.5875
	Second	\$60.25	\$53.70	\$0.5875
	Third	\$62.54	\$58.06	\$0.6200
	Fourth	\$62.49	\$58.20	\$0.6200

At December 31, 2013, there were 177,087,230 shares of our common stock outstanding. These shares were held by a total of 64,638 shareholders of record.

Our Bylaws nullify Chapter 7B of the Michigan Business Corporation Act (Act). This Act regulates shareholder rights when an individual's stock ownership reaches 20% of a Michigan corporation's outstanding shares. A shareholder seeking control of the Company cannot require our Board of Directors to call a meeting to vote on issues related to corporate control within 10 days, as stipulated by the Act.

We paid cash dividends on our common stock of \$445 million in 2013, \$407 million in 2012, and \$389 million in 2011. The amount of future dividends will depend on our earnings, cash flows, financial condition and other factors that are periodically reviewed by our Board of Directors. Although there can be no assurances, we anticipate paying dividends for the foreseeable future.

See Note 13 of the Notes to Consolidated Financial Statements in Item 8 of this Report for information on dividend restrictions.

All of our equity compensation plans that provide for the annual awarding of stock-based compensation have been approved by shareholders. See Note 21 of the Notes to Consolidated Financial Statements in Item 8 of this Report for additional detail.

See the following table for information as of December 31, 2013.

Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity
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			Compensation Plans
Plans approved by shareholders	723,697	\$ 42.60	2,044,255

## UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended December 31, 2013:

	Number of Shares Purchased (a)	Average Price Paid per Share (a)	Number of Shares Purchased 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
10/01/2013 — 10/31/2013	1,452	\$66.69	—	—	—
11/01/2013 — 11/30/2013	—	—	—	—	—
12/01/2013 — 12/31/2013	2,790	\$67.62	—	—	—
Total	4,242		—		

(a) Represents shares of common stock withheld to satisfy income tax obligations upon the vesting of restricted stock.

## COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

Total Return To Shareholders  
(Includes reinvestment of dividends)

Company/Index	Annual Return Percentage Year Ended December 31				
	2009	2010	2011	2012	2013
DTE Energy Company	30.08	9.06	25.76	14.90	14.89
S&P 500 Index	26.46	15.06	2.11	16.00	32.39
S&P 500 Multi-Utilities Index	20.92	11.08	18.41	4.24	17.88

Company/Index	Indexed Returns Year Ended December 31 Base Period					
	2008	2009	2010	2011	2012	2013
DTE Energy Company	100	130.08	141.86	178.40	204.99	235.52
S&P 500 Index	100	126.46	145.51	148.59	172.37	228.19
S&P 500 Multi-Utilities Index	100	120.92	134.32	159.05	165.79	195.43

## Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with the accompanying Management's Discussion and Analysis in Item 7 of this Report and Notes to the Consolidated Financial Statements in Item 8 of this Report.

	2013	2012	2011	2010	2009
	(In millions, except per share amounts)				
Operating Revenues	\$9,661	\$8,791	\$8,858	\$8,525	\$7,983
Net Income Attributable to DTE Energy Company					
Income from continuing operations (a)	\$661	\$666	\$714	\$638	\$538
Discontinued operations (b)	—	(56	) (3	) (8	) (6
Net Income Attributable to DTE Energy Company	\$661	\$610	\$711	\$630	\$532
Diluted Earnings Per Common Share					
Income from continuing operations	\$3.76	\$3.88	\$4.20	\$3.78	\$3.27
Discontinued operations	—	(0.33	) (0.02	) (0.04	) (0.03
Diluted Earnings Per Common Share	\$3.76	\$3.55	\$4.18	\$3.74	\$3.24
Financial Information					
Dividends declared per share of common stock	\$2.59	\$2.42	\$2.32	\$2.18	\$2.12
Total assets	\$25,935	\$26,339	\$26,009	\$24,896	\$24,195
Long-term debt, including capital leases	\$7,214	\$7,014	\$7,187	\$7,089	\$7,370
Shareholders' equity	\$7,921	\$7,373	\$7,009	\$6,722	\$6,278

(a) 2011 results include an \$87 million income tax benefit related to the enactment of the MCIT.

(b) Discontinued operations represents the Unconventional Gas Production business that was sold in 2012 resulting in a \$55 million after-tax loss on sale.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

## EXECUTIVE OVERVIEW

DTE Energy is a diversified energy company with 2013 operating revenues of approximately \$9.7 billion and approximately \$26 billion in assets. We are 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. We operate three energy-related non-utility segments with operations throughout the United States.

The following table summarizes our financial results:

	2013	2012	2011
	(In millions, except per share amounts)		
Income from continuing operations	\$668	\$674	\$723
Diluted earnings per common share from continuing operations	\$3.76	\$3.88	\$4.20

The decrease in 2013 income from continuing operations is primarily due to lower earnings in the Energy Trading segment, partially offset by higher earnings in the Gas and Power and Industrial Projects segments. The decrease in 2012 income from continuing operations is principally driven by an income tax benefit of \$87 million in the Corporate and Other segment related to the enactment of the MCIT in the second quarter of 2011 and lower results in the Energy Trading segment, partially offset by improved results in the Electric 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.

Our utilities' growth will be driven by environmental and renewable investments in addition to base infrastructure investments. We are focused on executing plans to achieve operational excellence and customer satisfaction with a focus on customer affordability. We operate in a constructive regulatory environment and have solid relationships with our regulators.

We have significant investments in our non-utility businesses. We employ disciplined investment criteria when assessing meaningful, low-risk growth opportunities that leverage our assets, skills and expertise and provide diversity in earnings and geography. Specifically, we invest in targeted energy markets with attractive competitive dynamics where meaningful scale is in alignment with our risk profile. We expect 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, issuance of debt and issuance of equity through our dividend reinvestment plan and pension and other employee benefit plans. We have an enterprise risk management program that, among other things, is designed to monitor and manage our exposure to earnings and cash flow volatility related to commodity price changes, interest rates and counterparty credit risk.

## CAPITAL INVESTMENTS

Our utility businesses require significant base capital investments each year in order to maintain and improve the reliability of asset bases, including power generation plants, distribution systems, storage fields and other facilities and

fleets. DTE Electric's capital investments over the 2014-2018 period are estimated at \$5.6 billion for base infrastructure, \$700 million for mandated environmental compliance requirements and \$400 million for renewable energy and energy efficiency expenditures. 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's capital investments over the 2014-2018 period are estimated at \$700 million for base infrastructure and \$500 million for gas main renewal, meter move out and pipeline integrity programs. In April 2013, the MPSC issued an order approving an infrastructure recovery mechanism (IRM) and authorized the recovery of the cost of service related to \$77 million of annual investment in its gas main renewal and meter move out and pipeline integrity programs. DTE Gas plans to seek regulatory approval in general rate case filings for base infrastructure capital expenditures consistent with prior ratemaking treatment.



## ENVIRONMENTAL MATTERS

We 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. We expect to continue recovering environmental costs related to utility operations through rates charged to our 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. Since 2005, the EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze and mercury air pollution. These rules will lead to additional emission controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide, acid gases, particulate matter and mercury emissions. To comply with these requirements, DTE Electric has spent approximately \$2.0 billion through 2013. It is estimated that DTE Electric will make capital expenditures of approximately \$280 million in 2014 and up to approximately \$1.2 billion of additional capital expenditures through 2021 based on current regulations.

Climate regulation and/or legislation has been proposed and discussed within the U.S. Congress and the EPA. The EPA is implementing regulatory actions under the Clean Air Act to address emissions of greenhouse gases (GHGs). EPA regulation of GHGs requires the best available control technology (BACT) for new major sources or modifications to existing major sources that cause significant increases in GHG emissions. In June 2012, the EPA proposed new source performance standards for carbon dioxide emissions from new fossil-fueled power plants. These new source performance standards were re-proposed on September 20, 2013, under a presidential directive issued on June 25, 2013. Under the same presidential directive, the EPA is expected to propose performance standards for carbon dioxide emissions from existing and modified plants by June 1, 2014 and issue final standards by June 1, 2015. DTE Energy will be an active participant in working with the EPA and other stakeholders to shape the final performance standards for new and existing power plants. The standards for new sources are not expected to have a material impact on the Company. It is not possible to determine the potential impact of future regulations on existing sources at this time. Pending or future legislation or other regulatory actions could have a material impact on our operations and financial position and the rates we charge our customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission offsets from market sources and the retirement of facilities where control equipment is not economical. We would seek to recover these incremental costs through increased rates charged to our utility customers per MPSC protocols. Increased costs for energy produced from traditional coal based sources could also increase the economic viability of energy produced from renewable and/or nuclear sources, from energy efficiency initiatives, and from the potential development of market-based trading of carbon offsets which could provide new business opportunities for our utility and non-utility segments. At the present time, it is not possible to quantify the financial implication of these climate related legislative or regulatory initiatives on DTE Energy or its customers.

See Note 19 of the Notes to the Consolidated Financial Statements and Items 1. and 2. Business and Properties for further discussion of Environmental Matters.

## OUTLOOK

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

Looking forward, we will focus on several areas that we expect will improve future performance:

- electric and gas customer satisfaction;

- electric reliability;
- rate competitiveness and affordability;
- regulatory stability and investment recovery for our utilities;
- growth of our utility asset base;
- employee engagement;
- cost structure optimization across all business segments;

cash, capital and liquidity to maintain or improve our financial strength; and

investments that integrate our assets and leverage our skills and expertise.

We will continue to pursue opportunities to grow our businesses in a disciplined manner if we can secure opportunities that meet our strategic, financial and risk criteria.

## RESULTS OF OPERATIONS

The following sections provide a detailed discussion of the operating performance and future outlook of our segments.

	2013	2012	2011
	(In millions)		
Net Income (Loss) Attributable to DTE Energy by Segment:			
Electric	\$484	\$483	\$434
Gas	143	115	110
Gas Storage and Pipelines	70	61	57
Power and Industrial Projects	66	42	38
Energy Trading	(58)	) 12	52
Corporate and Other	(44	) (47	) 23
Income From Continuing Operations Attributable to DTE Energy Company	661	666	714
Discontinued Operations	—	(56	) (3
Net Income Attributable to DTE Energy Company	\$661	\$610	\$711

## ELECTRIC

Our Electric segment consists principally of DTE Electric.

Electric results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	\$5,199	\$5,293	\$5,154
Fuel and Purchased Power	1,668	1,758	1,716
Gross Margin	3,531	3,535	3,438
Operation and Maintenance	1,377	1,429	1,370
Depreciation and Amortization	902	827	818
Taxes Other Than Income	261	257	240
Asset (Gains) and Losses, Reserves and Impairments, Net	(3	) (2	) 13
Operating Income	994	1,024	997
Other (Income) and Deductions	258	261	298
Income Tax Expense	252	280	265
Net Income Attributable to DTE Energy Company	\$484	\$483	\$434
Operating Income as a % of Operating Revenues	19	% 19	% 19

Gross margin decreased by \$4 million in 2013 and increased \$97 million in 2012. Revenues associated with certain tracking mechanisms and surcharges are offset by related expenses elsewhere in the Consolidated Statements of Operations.



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

	2013	2012
	(In millions)	
Base sales, inclusive of weather effect	\$(54	) \$79
Restoration tracker, discontinued in October 2011	—	(47
Securitization bond and tax surcharge	39	25
Renewable energy program	19	35
Low income energy assistance surcharge	(12	) 4
Regulatory mechanisms and other	4	1
Increase (decrease) in gross margin	\$(4	) \$97

	2013	2012	2011
	(In thousands of MWh)		
Electric Sales			
Residential	15,273	15,666	15,907
Commercial	16,661	16,832	16,779
Industrial	10,303	9,989	9,739
Other	942	958	3,136
	43,179	43,445	45,561
Interconnection sales (a)	3,883	2,125	3,512
Total Electric Sales	47,062	45,570	49,073
Electric Deliveries			
Retail and Wholesale	43,179	43,445	45,561
Electric Customer Choice, including self generators (b)	5,200	5,197	5,445
Total Electric Sales and Deliveries	48,379	48,642	51,006

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

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

Operation and maintenance expense decreased \$52 million in 2013 and increased \$59 million in 2012. The decrease in 2013 is primarily due to lower employee benefit expenses of \$90 million, lower power plant generation expenses of \$14 million and reduced low income energy assistance of \$12 million, partially offset by higher restoration and line clearance expenses of \$19 million, higher corporate administrative expenses of \$17 million, increased uncollectible expenses of \$11 million, higher energy optimization and renewable energy expenses of \$8 million, and increased distribution operations expenses of \$8 million. The increase in 2012 is primarily due to higher employee benefit expenses of \$53 million, increased energy optimization and renewable energy expenses of \$17 million, higher power plant generation expenses of \$12 million, increased distribution operations expenses of \$4 million and higher expenses for low income energy assistance of \$4 million, partially offset by reduced restoration and line clearance expenses of \$22 million and reduced uncollectible expenses of \$9 million.

Depreciation and amortization expense increased \$75 million in 2013 and \$9 million in 2012. The 2013 increase was due to higher amortization of regulatory assets of \$57 million, primarily related to Securitization, and increased depreciation of \$18 million due to a higher depreciable base. The 2012 increase was due to higher amortization of regulatory assets of \$43 million, primarily related to Securitization, partially offset by the net effect of \$34 million of lower depreciation rates on a higher depreciable base.

Asset (gains) and losses, reserves and impairments, net increased \$1 million in 2013 and increased \$15 million in 2012. The 2012 increase was primarily due to a 2011 accrual of \$19 million resulting from management's revisions of

the timing and estimate of cash flows for the decommissioning of Fermi 1, partially offset by a 2011 revision of \$6 million in the timing and estimate of cash flows for the Fermi 1 asbestos removal obligation and other items.

Other (income) and deductions were lower by \$3 million in 2013 and by \$37 million in 2012. The decrease in 2013 was primarily due to 2012 one time expenses of \$11 million related to Michigan ballot proposals and higher 2013 investment earnings of \$10 million, offset by the 2013 contribution to the DTE Energy Foundation of \$18 million. The decrease in 2012 was due primarily to the 2011 contribution to the DTE Energy Foundation of \$21 million and lower interest expense of \$17 million.

Income tax expense decreased \$28 million in 2013 and increased \$15 million in 2012. The variances were impacted by variations in pre-tax income and higher production tax credits.

Outlook — We continue to move forward in our efforts to achieve operational excellence, sustained strong cash flows and earn our authorized return on equity. We expect that our planned significant environmental expenditures 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, and uncertainty of legislative or regulatory actions regarding climate change and electric customer choice. We expect to continue our efforts to improve productivity and decrease our costs while improving customer satisfaction with consideration of customer rate affordability.

In June 2013, the City of Detroit announced a transition of its Public Lighting Department's customers to the DTE Electric distribution system over a five to seven year system conversion period. See Note 11 of the Notes to Consolidated Financial Statements.

## GAS

Our Gas segment consists of DTE Gas and Citizens.

Gas results are discussed below:

	2013	2012	2011	
	(In millions)			
Operating Revenues	\$1,474	\$1,315	\$1,505	
Cost of Gas	624	550	744	
Gross Margin	850	765	761	
Operation and Maintenance	429	385	394	
Depreciation and Amortization	95	92	89	
Taxes Other Than Income	56	54	54	
Operating Income	270	234	224	
Other (Income) and Deductions	50	69	54	
Income Tax Expense	77	50	60	
Net Income Attributable to DTE Energy Company	\$143	\$115	\$110	
Operating Income as a % of Operating Revenues	18	% 18	% 15	%

Gross margin increased \$85 million in 2013 and increased \$4 million in 2012. Revenues associated with certain tracking mechanisms and surcharges are offset by related expenses elsewhere in the Consolidated Statements of Operations.

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

	2013	2012	
	(In millions)		
Weather	\$72	\$(41	)
Uncollectible tracking mechanism	20	—	
Lost and stolen gas	9	29	
Self implementation and rate orders	15	5	
Revenue decoupling mechanism	(16	) 11	
Energy optimization revenue	(3	) 6	
Midstream storage and transportation revenues	(8	) 6	
Other	(4	) (12	)

Increase in gross margin	\$85	\$4
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	2013	2012	2011
Gas Markets (in Bcf)			
Gas sales	128	104	123
End user transportation	157	157	141
	285	261	264
Intermediate transportation	300	264	273
	585	525	537

Operation and maintenance expense increased \$44 million in 2013 and decreased \$9 million in 2012. The increase in 2013 is primarily due to higher gas operations expenses of \$24 million, higher maintenance and repair costs of \$14 million, higher transmission costs of \$14 million, higher corporate administrative expenses of \$8 million and increased uncollectible expenses of \$5 million, partially offset by lower employee benefit expenses of \$19 million and reduced energy optimization expenses of \$3 million. The decrease in 2012 is primarily due to reduced uncollectible expenses of \$9 million, lower legal liability expenses of \$4 million and lower customer service expenses of \$3 million, partially offset by increased energy optimization expenses of \$6 million and higher employee benefit expenses of \$3 million.

Other (income) and deductions were lower by \$19 million in 2013 and higher by \$15 million in 2012. The decrease in 2013 is due to lack of a contribution to the DTE Energy Foundation in 2013, partially offset by a \$5 million contribution to low income energy assistance funds. The increase in 2012 was due primarily to the contribution to the DTE Energy Foundation of \$21 million, partially offset by lower interest expenses of \$5 million.

Outlook — We continue to move forward in our efforts to achieve operational excellence, sustained strong cash flows and earn our authorized return on equity. We expect that our planned significant infrastructure capital expenditures 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. We expect to continue our efforts to improve productivity and decrease our costs while improving customer satisfaction with consideration of customer rate affordability.

## GAS STORAGE AND PIPELINES

Our Gas Storage and Pipelines segment consists of our non-utility gas pipelines and storage businesses.

Gas Storage and Pipelines results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	\$132	\$96	\$91
Operation and Maintenance	25	19	16
Depreciation and Amortization	23	8	6
Taxes Other Than Income	3	3	3
Asset (Gains) and Losses and Reserves, Net	—	3	—
Operating Income	81	63	66
Other (Income) and Deductions	(36	) (40	) (28
Income Tax Expense	45	39	35
Net Income	72	64	59
Noncontrolling interest	2	3	2
Net Income Attributable to DTE Energy	\$70	\$61	\$57

Net income attributable to DTE Energy increased \$9 million and \$4 million in 2013 and 2012, respectively. Operating revenues increased \$36 million and Depreciation expense increased \$15 million in 2013 due to the operation of the Bluestone and Susquehanna projects. The 2013 increase in Operating revenues was partially offset by lower storage revenue due to lower market rates. The 2012 increase in Net income was primarily driven by higher earnings from our pipeline equity investments.

Outlook — Our Gas Storage and Pipelines business expects to maintain its steady growth by developing an asset portfolio with multiple growth platforms through investment in new projects and expansions. Millennium Pipeline completed its Phase One expansion in 2013, and its Phase Two expansion is scheduled to be in service in 2014. Additionally, Bluestone, a 44-mile lateral pipeline in Susquehanna County, Pennsylvania and Broome County, New York is in service and volumes are increasing. We plan to expand the capacity of the Bluestone lateral by constructing additional compression facilities, meter upgrades, and other initiatives to accommodate increased shipper demand. Through our agreement with Southwestern Energy Services Company and affiliates, we believe Bluestone lateral and Susquehanna gathering system are strategically positioned for future growth of the Marcellus shale.

## POWER AND INDUSTRIAL PROJECTS

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 (REF) and sell electricity from biomass-fired energy projects.

Power and Industrial Projects results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	\$1,950	\$1,823	\$1,129
Operation and Maintenance	1,914	1,788	1,025
Depreciation and Amortization	72	65	60
Taxes other than Income	15	16	10
Asset (Gains) and Losses, Reserves and Impairments, Net	(4	) (5	) (12
Operating Income (Loss)	(47	) (41	) 46
Other (Income) and Deductions	(73	) (44	) (10
Income Taxes			
Expense	8	—	17
Production Tax Credits	(53	) (44	) (6
	(45	) (44	) 11
Net Income	71	47	45
Noncontrolling interest	5	5	7
Net Income Attributable to DTE Energy Company	\$66	\$42	\$38

Operating revenues increased \$127 million in 2013 and increased \$694 million in 2012. The 2013 increase is primarily due to a \$161 million increase associated with higher volumes from REF projects, of which \$25 million represents affiliate transactions, and a \$102 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a \$75 million decrease from exiting the coal transportation and marketing business, and a \$63 million decrease due primarily to lower coal prices associated with the steel business. The 2012 increase is primarily due to a \$740 million increase associated with higher volumes from REF projects, of which \$554 million represents affiliate transactions, and a \$30 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a \$44 million decrease primarily due to lower volumes associated with the steel business, and a \$28 million decrease in coal transportation and marketing services business.

Operation and maintenance expense increased \$126 million in 2013 and increased \$763 million in 2012. The 2013 increase is primarily due to a \$173 million increase associated with higher volumes from REF projects, of which \$25 million represents affiliate transactions and an \$84 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a \$67 million decrease from exiting the coal transportation and marketing business, and a \$67 million decrease due primarily to lower coal prices associated with the steel business. The 2012 increase is primarily due to a \$770 million increase associated with higher volumes from REF projects, of which \$562

million represents affiliate transactions, a \$25 million increase due to the on-site energy projects acquired in the 2012 fourth quarter and an \$11 million customer settlement, partially offset by a \$20 million decrease primarily due to lower volumes associated with the steel business and a \$26 million decrease in coal transportation and marketing services business.

Depreciation and amortization expense increased by \$7 million in 2013 and increased by \$5 million in 2012. The 2013 increase is primarily due to \$10 million associated with the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a \$3 million decrease from exiting the coal transportation and marketing business. The 2012 increase was primarily due to \$4 million associated with the on-site energy projects acquired in the 2012 fourth quarter.

Asset (gains) and losses, reserves and impairments, net decreased by \$1 million in 2013 and decreased by \$7 million in 2012. The 2012 decrease was due primarily to a \$3 million loss on the sale of assets associated with our coal transloading terminal and \$3 million of impairments related to non-strategic assets.

Other (income) and deductions were higher by \$29 million in 2013 and \$34 million in 2012 due primarily to income that is recognized when refined coal is produced and tax credits are generated.

Production tax credits increased by \$9 million in 2013 and \$38 million in 2012 primarily due to tax credits earned from REF projects.

Outlook — The Company has constructed and placed in service nine REF facilities including four facilities located at third party owned coal-fired power plants. The Company has sold membership interests in four of the facilities. We continue to optimize these facilities by seeking investors for facilities operating at DTE Electric and other utility sites. Additionally, we intend to relocate two underutilized facilities, located at DTE Electric sites, to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years.

We expect sustained production levels of metallurgical coke and pulverized coal supplied to steel industry customers for 2014. Substantially all of the metallurgical coke margin is maintained under long-term contracts. We have four biomass-fired power generation facilities in operation, and we are converting an additional facility to be placed in service in 2014. Our on-site energy services will continue to be delivered in accordance with the terms of long-term contracts. We will begin construction on a new natural gas-fired cogeneration facility and two landfill gas to energy projects during the year which are expected to be completed in 2014. We 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, natural gas and coal marketing and trading, structured transactions, enhancement of returns from DTE Energy's asset portfolio, and optimization of contracted natural gas pipeline transportation and storage, and generating capacity 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:

	2013	2012	2011
	(In millions)		
Operating Revenues	\$1,771	\$1,109	\$1,276
Fuel, Purchased Power and Gas	1,782	1,011	1,112
Gross Margin	(11	) 98	164
Operation and Maintenance	72	66	63
Depreciation and Amortization	1	2	3
Taxes Other Than Income	4	3	3
Operating Income (Loss)	(88	) 27	95
Other (Income) and Deductions	8	8	9
Income Tax Expense (Benefit)	(38	) 7	34
Net Income (Loss) Attributable to DTE Energy Company	\$(58	) \$12	\$52

Gross margin decreased \$109 million in 2013 and decreased \$66 million in 2012. The overall decrease in gross margin in 2013 was primarily due to timing from mark-to-market adjustments on certain transactions in our gas structured strategy.

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. During the fourth quarter of 2013, we saw significant increases in gas prices which led to the volatility in the accounting earnings due to the physical component being marked-to-market without an offsetting mark on the transportation component. Unrealized losses from gas structured transactions were \$89 million in 2013. We anticipate that approximately 65% of the financial impact of this timing difference will reverse during the first quarter of 2014 as the underlying contracts are settled.

The decrease in gross margin in 2013 represents a \$1 million decrease in realized margins and a \$108 million decrease in unrealized margins. The \$1 million decrease in realized margins is due to \$40 million of unfavorable results, primarily in our power trading, power full requirements, and gas transportation strategies, offset by \$39 million of favorable results, primarily in our gas and coal trading, and gas structured strategies. The \$108 million decrease in unrealized margins is due to \$123 million of unfavorable results, primarily in our gas structured, gas trading and gas transportation strategies, offset by \$15 million of favorable results, primarily in our power full requirements strategy.

The decrease in gross margin in 2012 represents a \$28 million decrease in realized margins and a \$38 million decrease in unrealized margins. The \$28 million decrease in realized margins is due to \$74 million of unfavorable results, primarily in our power and gas trading and power full requirements services strategies, offset by \$46 million of favorable results, primarily in our gas full requirements services, gas structured, and gas transportation strategies. The \$38 million decrease in unrealized margins is due to \$58 million of unfavorable results, primarily in our power and gas full requirements services, power trading, and gas structured and storage strategies, offset by \$20 million of favorable results, primarily in our gas trading strategy.

Outlook — In the near term, we expect market conditions to remain challenging and the profitability of this segment may be impacted by the volatility in commodity prices in the markets we participate in and the uncertainty of impacts associated with financial reform, regulatory changes and changes in operating rules of regional transmission organizations.

The Energy Trading portfolio includes financial instruments, physical commodity contracts and natural gas inventory, as well as contracted natural gas pipeline transportation and storage, and generation capacity 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 under FERC Asset Management Arrangements, and the supply or purchase of renewable energy credits to various customers. 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, we will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. Our 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 also the “Fair Value” section that follows.

## CORPORATE AND OTHER

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

The 2013 net loss of \$44 million represented an improvement of \$3 million from the 2012 net loss of \$47 million due primarily to lower impairments of investments.

The 2012 net loss of \$47 million represented a decrease of \$70 million from the 2011 net income of \$23 million. The decrease resulted primarily from a income tax benefit of \$87 million related to the enactment of the MCIT in the second quarter of 2011 and lower interest costs.

See Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this report.



## DISCONTINUED OPERATIONS

## Unconventional Gas Production

In December 2012, the Company sold its 100% equity interest in its Unconventional Gas Production business which consisted of gas and oil production assets in the western Barnett and Marble Falls shale areas of Texas. See Note 7 of the Notes to Consolidated Financial Statements.

## CAPITAL RESOURCES AND LIQUIDITY

## Cash Requirements

We use cash to maintain and expand our electric and natural gas utilities and to grow our non-utility businesses, retire and pay interest on long-term debt and pay dividends. We believe that we will have sufficient internal and external capital resources to fund anticipated capital and operating requirements. In 2014, we expect that cash from operations will be \$1.6 billion due to lower surcharge collections and higher cash contributions to employee benefit plans. We anticipate base level utility capital investments, environmental, renewable and energy optimization expenditures and expenditures for non-utility businesses in 2014 of approximately \$2.3 billion. We plan to seek regulatory approval to include utility capital expenditures in our 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 our strict risk-return and value creation criteria.

	2013	2012	2011
	(In millions)		
Cash and Cash Equivalents			
Cash Flow From (Used For)			
Operating activities:			
Net income	\$668	\$618	\$720
Depreciation, depletion and amortization	1,094	1,018	995
Nuclear fuel amortization	38	29	46
Allowance for equity funds used during construction	(15)	(13)	(6)
Deferred income taxes	164	47	220
Loss on sale of non-utility business	—	83	—
Asset (gains) and losses, reserves and impairments, net	(8)	1	(21)
Working capital and other	213	426	54
	2,154	2,209	2,008
Investing activities:			
Plant and equipment expenditures — utility	(1,534)	(1,451)	(1,382)
Plant and equipment expenditures — non-utility	(342)	(369)	(102)
Proceeds from sale of non-utility business	—	255	—
Proceeds from sale of assets	36	38	18
Acquisition, net of cash acquired	—	(198)	—
Other	(66)	(44)	(94)
	(1,906)	(1,769)	(1,560)
Financing activities:			
Issuance of long-term debt	1,234	759	1,179
Redemption of long-term debt	(961)	(639)	(1,455)
Short-term borrowings, net	(109)	(179)	269
Issuance of common stock	39	39	—
Repurchase of common stock	—	—	(18)

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Dividends on common stock	(445	)	(407	)	(389	)
Other	(19	)	(16	)	(31	)
	(261	)	(443	)	(445	)
Net Increase (Decrease) in Cash and Cash Equivalents	\$(13	)	\$(3	)	\$3	)

Cash from Operating Activities

A majority of our operating cash flow is provided by our electric and natural gas utilities, which are significantly influenced by factors such as weather, electric Customer Choice, regulatory deferrals, regulatory outcomes, economic conditions and operating costs.

Cash from operations was lower by \$55 million in 2013. The reduction in operating cash flow reflects lower cash generated from working capital items, partially offset by higher net income after adjusting for non-cash and non-operating items (primarily depreciation, depletion and amortization and deferred income taxes).

Cash from operations was \$201 million higher in 2012. The improvement in operating cash flow reflects higher cash generated from working capital items, partially offset by lower net income after adjusting for non-cash and non-operating items (primarily depreciation, depletion and amortization, deferred income taxes, loss on sale of non-utility business and asset (gains) and losses, reserves and impairments, net).

The change in working capital items in 2013 primarily related to fuel inventories, derivative assets and liabilities and pension and other postretirement liabilities, partially offset by the change in accounts receivable, net. The change in working capital items in 2012 primarily related to pension and other postretirement obligations and income taxes.

#### 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. In any given year, we will look to realize cash from under-performing or non-strategic assets or matured fully valued assets.

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

Capital spending within our non-utility businesses is primarily for ongoing maintenance, expansion and growth. We look 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. We have been disciplined in how we deploy capital and will not make investments unless they meet our criteria. For new business lines, we initially invest based on research and analysis. We start with a limited investment, we evaluate results and either expand or exit the business based on those results. In any given year, the amount of growth capital will be determined by the underlying cash flows of the Company with a clear understanding of any potential impact on our credit ratings.

Net cash used for investing activities was higher by \$137 million in 2013 due primarily to increased capital expenditures by our utility businesses.

Net cash used for investing activities was higher by \$209 million in 2012 due primarily to increased capital expenditures by our utility and non-utility businesses. The 2012 increase includes higher capital expenditures for the Bluestone Pipeline project and the Power and Industrial Projects acquisition of fourteen on-site energy projects, partially offset by the proceeds from the sale of the Unconventional Gas Production business.

#### Cash used for Financing Activities

We rely on both short-term borrowing and long-term financing as a source of funding for our capital requirements not satisfied by our operations.

Our strategy is to have a targeted debt portfolio blend of fixed and variable interest rates and maturity. We continually evaluate our leverage target, which is currently 50% to 52%, to ensure it is consistent with our objective to have a strong investment grade debt rating.

Net cash used for financing activities was \$182 million lower in 2013. The decrease was primarily attributable to higher issuances of long-term debt, partially offset by higher redemptions of long-term debt.

Net cash used for financing activities was \$2 million lower in 2012. The decrease was primarily attributable to lower redemptions of long-term debt, offset by a reduction in short-term borrowings.

## Outlook

We expect cash flow from operations to increase over the long-term primarily as a result of growth from our utilities and non-utility businesses. We expect growth in our utilities to be driven primarily by capital spending to maintain and improve our 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. Our non-utility growth is expected from additional investments primarily in our Gas Storage and Pipelines and Power and Industrial Projects segments.

We may be impacted by the timing of collection or refund of our 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. We are continuing our efforts to identify opportunities to improve cash flow through working capital initiatives and maintaining flexibility in the timing and extent of our long-term capital projects.

We have approximately \$900 million in long-term debt maturing in the next twelve months. The repayment of the principal amount of the Securitization debt is funded through a surcharge payable by DTE Electric's customers. The repayment of the other 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 December 31, 2013, consisting of cash and amounts available under unsecured revolving credit agreements.

At the discretion of management, and depending upon financial market conditions, we anticipate making 2014 contributions to the pension plans of up to \$345 million and up to \$145 million to the other postretirement benefit plans.

Various subsidiaries of the Company have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to request that the Company post cash or letters of credit as collateral in the event that DTE Energy's credit rating is downgraded below investment grade. As of December 31, 2013, the value of the transactions for which the Company would have been exposed to collateral requests had DTE Energy's credit rating been below investment grade on such date was approximately \$406 million. In circumstances where an entity is downgraded below investment grade and collateral requests are made as a result, the requesting parties often agree to accept less than the full amount of their exposure to the downgraded entity. In addition, the Company maintains adequate credit facilities to meet this obligation should such an occurrence arise.

We believe we have sufficient operating flexibility, cash resources and funding sources to maintain adequate amounts of liquidity and to meet our future operating cash and capital expenditure needs. However, virtually all of our 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 11, 12, 15, 17, and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## Contractual Obligations

The following table details our contractual obligations for debt redemptions, leases, purchase obligations and other long-term obligations as of December 31, 2013:

	Total	2014	2015-2016	2017-2018	2019 and Beyond
	(In millions)				
Long-term debt:					
Mortgage bonds, notes and other (a)	\$7,326	\$695	\$836	\$416	\$5,379
Securitization bonds	302	197	105	—	—
Junior subordinated debentures	480	—	—	—	480
Capital lease obligations	19	8	11	—	—
Interest	6,091	429	670	631	4,361
Operating leases	230	35	58	45	92
Electric, gas, fuel, transportation and storage purchase obligations (b)	8,499	2,577	1,802	645	3,475
Other long-term obligations (c)(d)(e)	99	40	36	11	12
Total obligations	\$23,046	\$3,981	\$3,518	\$1,748	\$13,799

(a) Excludes \$14 million of unamortized discount on debt.

(b) Excludes amounts associated with full requirements contracts where no stated minimum purchase volume is required.

(c) Includes liabilities for unrecognized tax benefits of \$10 million.

(d) Excludes other long-term liabilities of \$193 million not directly derived from contracts or other agreements.

At December 31, 2013, we met the minimum pension funding levels required under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 for our defined benefit pension plans. We may contribute more than the minimum funding requirements for our pension plans and may also make (e) contributions to our other postretirement benefit plans; however, these amounts are not included in the table above as such amounts are discretionary. Planned funding levels are disclosed in the Capital Resources and Liquidity and Critical Accounting Estimates sections herein and in Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold securities. The Company's credit ratings affect our cost of capital and other terms of financing as well as our ability to access the credit and commercial paper markets. Management believes that our current credit ratings provide sufficient access to the capital markets. However, disruptions in the banking and capital markets not specifically related to us may affect our ability to access these funding sources or cause an increase in the return required by investors.

As part of the normal course of business, DTE Electric, DTE Gas and various non-utility subsidiaries of the Company routinely enter into physical or financially settled contracts for the purchase and sale of electricity, natural gas, coal, capacity, storage and other energy-related products and services. Certain of these contracts contain provisions which allow the counterparties to request that the Company post cash or letters of credit in the event that the senior unsecured debt rating of DTE Energy is downgraded below investment grade. Certain of these contracts for DTE Electric and DTE Gas contain similar provisions in the event that the senior unsecured debt rating of the particular utility is downgraded below investment grade. The amount of such collateral which could be requested fluctuates

based upon commodity prices and the provisions and maturities of the underlying transactions and could be substantial. Also, upon a downgrade below investment grade, we could have restricted access to the commercial paper market and if DTE Energy is downgraded below investment grade our non-utility businesses, especially the Energy Trading and Power and Industrial Projects segments, could be required to restrict operations due to a lack of available liquidity. A downgrade below investment grade could potentially increase the borrowing costs of DTE Energy and its subsidiaries and may limit access to the capital markets. The impact of a downgrade will not affect our ability to comply with our existing debt covenants. While we currently do not anticipate such a downgrade, we cannot predict the outcome of current or future credit rating agency reviews.

In January 2013, Fitch raised the senior secured debt rating for DTE Gas from 'A-' to 'A' and affirmed the senior unsecured debt rating for DTE Energy at 'BBB' and senior secured debt rating for DTE Electric at 'A'. The upgrade reflects improved earnings and cash flows following recent rate case orders, a constructive regulatory environment, and strong credit metrics. In February 2013, based on steady improvement in the financial profiles due in large part to a constructive legislative and regulatory environment, Moody's upgraded DTE Energy's unsecured debt rating from 'Baa2' to 'Baa1' and upgraded the secured debt rating of DTE Electric and DTE Gas from 'A2' to 'A1'. In August 2013, S&P raised the credit outlook from 'stable' to 'positive' for DTE Energy, DTE Electric, and DTE Gas pointing to the Company's improving business risk profile. S&P also revised its business risk profile to 'excellent'. In January 2014, based on a favorable view of the U.S. regulatory environment, Moody's upgraded DTE Energy's unsecured debt rating from 'Baa1' to 'A3' and upgraded the secured debt rating of DTE Electric and DTE Gas from 'A1' to 'Aa3'.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require that management apply accounting policies and make estimates and assumptions that affect results of operations and the amounts of assets and liabilities reported in the financial statements. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Additional discussion of these accounting policies can be found in the Notes to Consolidated Financial Statements in Item 8 of this Report.

### Regulation

A significant portion of our business is subject to regulation. This results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. DTE Electric and DTE Gas are required to record regulatory assets and liabilities for certain transactions that would have been treated as revenue or expense in non-regulated businesses. Future regulatory changes or changes in the competitive environment could result in the discontinuance of this accounting treatment for regulatory assets and liabilities for some or all of our businesses. Management believes that currently available facts support the continued use of regulatory assets and liabilities and that all regulatory assets and liabilities are recoverable or refundable in the current rate environment.

See Note 11 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

### Derivatives and Hedging Activities

Derivatives are generally recorded at fair value and shown as Derivative Assets or Liabilities. Changes in the fair value of the derivative instruments are recognized in earnings in the period of change, unless the derivative meets certain defined conditions and qualifies as an effective hedge. The normal purchases and normal sales exception requires, among other things, physical delivery in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that are designated as normal purchases and normal sales are not recorded at fair value. Substantially all of the commodity contracts entered into by DTE Electric and DTE Gas meet the criteria specified for this exception.

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 and liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. Management makes certain assumptions it believes that market participants would use in pricing assets and liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Company and our counterparties is incorporated in the valuation of the assets and



liabilities through the use of credit reserves, the impact of which was immaterial at December 31, 2013 and 2012. Management believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

The fair values we calculate for our derivatives may change significantly as inputs and assumptions are updated for new information. Actual cash returns realized on our derivatives may be different from the results we estimate using models. As fair value calculations are estimates based largely on commodity prices, we perform sensitivity analyses on the fair values of our forward contracts. See sensitivity analysis in Item 7A. Quantitative and Qualitative Disclosures About Market Risk. See also the Fair Value section, herein. See Notes 3 and 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts based on historical losses and management's assessment of existing economic conditions, customer trends, and other factors. The allowance for doubtful accounts for our two utilities is calculated using the aging approach that utilizes rates developed in reserve studies and applies these factors to past due receivable balances. We believe the allowance for doubtful accounts is based on reasonable estimates.

## Asset Impairments

## Goodwill

Certain of our reporting units have goodwill or allocated goodwill resulting from purchase business combinations. We perform an impairment test for each of our reporting units with goodwill annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

In performing Step 1 of the impairment test, we compare the fair value of the reporting unit to its carrying value including goodwill. If the carrying value including goodwill were to exceed the fair value of a reporting unit, Step 2 of the test would be performed. Step 2 of the impairment test requires the carrying value of goodwill to be reduced to its fair value, if lower, as of the test date.

For Step 1 of the test, we estimate the reporting unit's fair value using standard valuation techniques, including techniques which use estimates of projected future results and cash flows to be generated by the reporting unit. Such techniques generally include a terminal value that utilizes an earnings multiple approach, which incorporates the current market values of comparable entities. These cash flow valuations involve a number of estimates that require broad assumptions and significant judgment by management regarding future performance. We also employ market-based valuation techniques to test the reasonableness of the indications of value for the reporting units determined under the cash flow technique.

We performed our annual impairment test as of October 1, 2013 and determined that the estimated fair value of each reporting unit exceeded its carrying value, and no impairment existed. As part of the annual impairment test, we also compared the aggregate fair value of our reporting units to our overall market capitalization. The implied premium of the aggregate fair value over market capitalization is likely attributable to an acquisition control premium (the price in excess of a stock's market price that investors typically pay to gain control of an entity). The results of the test and key estimates that were incorporated are as follows.

As of October 1, 2013 Valuation Date:

Reporting Unit	Goodwill	Fair Value Reduction % (a)	Discount Rate	Terminal Multiple (b)	Valuation Methodology (c)
	(In millions)				
Electric	\$1,208	37	% 7	% 9.0x	DCF, assuming stock sale
Gas	743	29	% 6	% 10.5x	DCF, assuming stock sale
Power and Industrial Projects (d)	26	65	% 9	% 10.0x	DCF, assuming asset sale (e)
Gas Storage and Pipelines	24	84	% 8	% 11.0x	DCF, assuming asset sale
Energy Trading	17	15	% 11	% n/a	DCF, assuming asset sale
	\$2,018				

(a) Percentage by which the fair value of equity of the reporting unit would need to decline to equal its carrying value, including goodwill.

- (b) Multiple of enterprise value (sum of debt plus equity value) to earnings before interest, taxes, depreciation and amortization (EBITDA).
- (c) Discounted cash flows (DCF) incorporated 2014-2018 projected cash flows plus a calculated terminal value.
- (d) Power and Industrial Projects excludes the Biomass reporting unit as this unit has no allocated goodwill.
- (e) Asset sales were assumed except for Power and Industrial Projects' reduced emissions fuels projects, which assumed stock sales.

The Energy Trading reporting unit passed Step 1 of the impairment test by a 15% margin. A substantive increase in the market interest rate or disruptions in cash flows for the Energy Trading reporting unit could result in an impairment charge in the foreseeable future. For example, holding all other variables constant, a 2% increase in the discount rate would lower the fair value by approximately \$49 million. At the lower fair value, the Energy Trading reporting unit would likely fail Step 1 of the test, potentially resulting in a charge for impairment of goodwill following the completion of the Step 2 analysis.

We perform an annual impairment test each October. In between annual tests, we monitor our estimates and assumptions regarding estimated future cash flows, including the impact of movements in market indicators in future quarters and will update our impairment analyses if a triggering event occurs. While we believe our assumptions are reasonable, actual results may differ from our projections. To the extent projected results or cash flows are revised downward, the reporting unit may be required to write down all or a portion of its goodwill, which would adversely impact our earnings.

#### Long-Lived Assets

We evaluate the carrying value of our long-lived assets, excluding goodwill, when circumstances indicate that the carrying value of those assets may not be recoverable. Conditions that could have an adverse impact on the cash flows and fair value of the long-lived assets are deteriorating business climate, condition of the asset, or plans to dispose of the asset before the end of its useful life. The review of long-lived assets for impairment requires significant assumptions about operating strategies and estimates of future cash flows, which require assessments of current and projected market conditions. An impairment evaluation is based on an undiscounted cash flow analysis at the lowest level for which independent cash flows of long-lived assets can be identified from other groups of assets and liabilities. Impairment may occur when the carrying value of the asset exceeds the future undiscounted cash flows. When the undiscounted cash flow analysis indicates a long-lived asset is not recoverable, the amount of the impairment loss is determined by measuring the excess of the long-lived asset over its fair value. An impairment would require us to reduce both the long-lived asset and current period earnings by the amount of the impairment, which would adversely impact our earnings.

#### Pension and Other Postretirement Costs

We sponsor defined benefit pension plans and other postretirement benefit plans for eligible employees of the Company. The measurement of the plan obligations and cost of providing benefits under these plans involve various factors, including numerous assumptions and accounting elections. When determining the various assumptions that are required, we consider historical information as well as future expectations. The benefit costs are affected by, among other things, the actual rate of return on plan assets, the long-term expected return on plan assets, the discount rate applied to benefit obligations, the incidence of mortality, the expected remaining service period of plan participants, level of compensation and rate of compensation increases, employee age, length of service, the anticipated rate of increase of health care costs, benefit plan design changes and the level of benefits provided to employees and retirees. Pension and other postretirement benefit costs attributed to the segments are included with labor costs and ultimately allocated to projects within the segments, some of which are capitalized.

We had pension costs of \$228 million in 2013, \$220 million in 2012, and \$172 million in 2011. Other postretirement benefits costs (credit) were \$(42) million in 2013, \$151 million in 2012 and \$122 million in 2011. Pension and other postretirement benefits costs for 2013 are calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on our plan assets of 8.25%. In developing our expected long-term rate of return assumptions, we evaluated asset class risk and return expectations, as well as inflation assumptions. Projected returns are based on broad equity, bond and other markets. Our 2014 expected long-term rate of return on pension plan assets is based on an asset allocation assumption utilizing active investment management of 47% in equity markets, 25% in fixed income markets, and 28% invested in other assets. Because of market volatility, we periodically review our asset allocation and rebalance our portfolio when considered appropriate. Given market conditions and financial market risk considerations, we are changing our long-term rate of return assumptions for our pension plans and our other postretirement health and life plans from 8.25% for 2013 to 7.75% for our pension plans and to 8% for our other postretirement health and life plans for 2014. We believe these rates are reasonable assumptions for the long-term rate of return on our plan assets for 2014 given our investment strategy. We will continue to evaluate our actuarial assumptions, including our expected rate of return, at least annually.

We calculate the expected return on pension and other postretirement benefit plan assets by multiplying the expected return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. Current accounting rules provide that the MRV of plan assets can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. For our pension plans, we use a calculated value when determining the MRV of the pension plan assets and recognize changes in fair value over a three-year period. Accordingly, the future value of assets will be impacted as previously deferred gains or losses are recognized. Financial markets in 2013 contributed to our investment performance resulting in unrecognized net gains. As of December 31, 2013, we had \$150 million of cumulative gains that remain to be recognized in the calculation of the MRV of pension assets related to investment performance in 2013, 2012 and 2011. For our other postretirement benefit plans, we use fair value when determining the MRV of other postretirement benefit plan assets, therefore all investment gains and losses have been recognized in the calculation of MRV for these plans.

The discount rate that we utilize for determining future pension and other postretirement benefit obligations is based on a yield curve approach and a review of bonds that receive one of the two highest ratings given by a recognized rating agency. The yield curve approach matches projected pension plan and other postretirement benefit payment streams with bond portfolios reflecting actual liability duration unique to our plans. The discount rate determined on this basis increased to 4.95% at December 31, 2013 from 4.15% at December 31, 2012. We estimate that our 2014 total pension costs will approximate \$175 million compared to \$228 million in 2013 primarily due to greater than expected 2013 returns, a higher discount rate, lower amortization of net actuarial losses and 2014 contributions. Our 2014 other postretirement benefit credit will approximate \$(120) million compared to \$(42) million in 2013 due to the continued impact of plan design changes, favorable retiree medical utilization trends, greater than expected returns, a higher discount rate, lower amortization of net actuarial losses and modestly lower assumed long-term retiree medical inflation. Our health care trend rate for pre-65 participants assumes 7.5% for 2014 and 2015, 7% for 2016 and 2017, 6.5% in 2018, 6% in 2019, 5.75% in 2020, 5.5% in 2021, 5.25% in 2022, 5% in 2023, 4.75% in 2024 and 4.5% in 2025 and beyond. Our health care trend rate for post-65 participants assumes 6.5% for 2014 and 2015, 6.25% for 2016 and 2017, 6% in 2018, 5.75% in 2019, 5.5% in 2020, 5.25% in 2021, 5% in 2022, 4.75% in 2023, 4.5% in 2024 and beyond. Future actual pension and other postretirement benefit costs will depend on future investment performance, changes in future discount rates and various other factors related to plan design.

Lowering the expected long-term rate of return on our plan assets by one percentage point would have increased our 2013 pension costs by approximately \$32 million. Lowering the discount rate and the salary increase assumptions by one percentage point would have increased our 2013 pension costs by approximately \$16 million. Lowering the expected long-term rate of return on our plan assets by one percentage point would have increased our 2013 other postretirement costs by approximately \$13 million. Lowering the discount rate assumption by one percentage point would have decreased our 2013 other postretirement credit by approximately \$27 million. Lowering the health care cost trend assumptions by one percentage point would have increased our other postretirement credit for 2013 by approximately \$8 million.

The value of our qualified pension and other postretirement benefit plan assets was \$5.2 billion at December 31, 2013 and \$4.4 billion at December 31, 2012. At December 31, 2013, our qualified pension plans were underfunded by \$565 million and our other postretirement benefit plans were underfunded by \$351 million. The 2013 funding levels generally improved due to increased discount rates, investment returns in excess of expected returns, plan sponsor contributions and plan design changes for our other postretirement benefits plans in 2013 and 2012.

Pension and other postretirement costs and pension cash funding requirements may increase in future years without typical returns in the financial markets. We made contributions to our qualified pension plans of \$277 million in 2013 and \$229 million in 2012. At the discretion of management, consistent with the Pension Protection Act of 2006, and depending upon financial market conditions, we anticipate making contributions to our qualified pension plans of up to \$345 million in 2014 and up to \$1.0 billion over the next five years. We made other postretirement benefit plan contributions of \$264 million and \$140 million in 2013 and 2012, respectively. We are required by orders issued by the MPSC to make other postretirement benefit contributions at least equal to the amounts included in our utilities' base rates. As a result, we anticipate making up to a \$145 million contribution to our other postretirement plans in 2014 and, subject to MPSC funding requirements, up to \$165 million over the next five years. The planned contributions will be made in cash, DTE Energy common stock or a combination of cash and stock.

See Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

#### Legal Reserves

We are involved in various legal proceedings, claims and litigation arising in the ordinary course of business. We regularly assess our liabilities and contingencies in connection with asserted or potential matters, and establish

reserves when appropriate. Legal reserves are based upon management's assessment of pending and threatened legal proceedings and claims against us.

#### Insured and Uninsured Risks

Our comprehensive insurance program provides coverage for various types of risks. Our insurance policies cover risk of loss including property damage, general liability, workers' compensation, auto liability, and directors' and officers' liability. Under our risk management policy, we self-insure portions of certain risks up to specified limits, depending on the type of exposure. The maximum self-insured retention for various risks is as follows: property damage - \$10 million, general liability - \$7 million, workers' compensation - \$9 million, and auto liability - \$7 million. We have an actuarially determined estimate of our incurred but not reported (IBNR) liability prepared annually and we adjust our reserves for self-insured risks as appropriate. As of December 31, 2013, this IBNR liability was approximately \$36 million.

## Accounting for Tax Obligations

We are required to make judgments regarding the potential tax effects of various financial transactions and results of operations in order to estimate our obligations to taxing authorities. We account for uncertain income tax positions using a benefit recognition model with a two-step approach, a more-likely-than-not recognition criterion and a measurement attribute that measures the position as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If the benefit does not meet the more likely than not criteria for being sustained on its technical merits, no benefit will be recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. We also have non-income tax obligations related to property, sales and use and employment-related taxes and ongoing appeals related to these tax matters.

Accounting for tax obligations requires judgments, including assessing whether tax benefits are more likely than not to be sustained, and estimating reserves for potential adverse outcomes regarding tax positions that have been taken. We also assess our ability to utilize tax attributes, including those in the form of carry-forwards, for which the benefits have already been reflected in the financial statements. We believe the resulting tax reserve balances as of December 31, 2013 and 2012 are appropriate. The ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material.

See Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

## FAIR VALUE

Derivatives are generally recorded at fair value and shown as Derivative Assets or Liabilities. Contracts we typically classify as derivative instruments include power, natural gas, oil and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items we do not generally account for as derivatives include natural gas inventory, pipeline transportation, renewable energy credits and storage assets. See Notes 3 and 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

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 DTE Energy's 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 Company manages its mark-to-market (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, the Company 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 Company has 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 3 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

The following tables provide details on changes in our MTM net asset (or liability) position during 2013:

Total



	(In millions)
MTM at December 31, 2012	\$(4 )
Reclassify to realized upon settlement	(89 )
Changes in fair value recorded to income	(11 )
Amounts recorded to unrealized income	(100 )
Changes in fair value recorded in regulatory liabilities	5
Change in collateral held by (for) others	(9 )
Option premiums received and other	(5 )
Amounts recorded in other comprehensive income	1
MTM at December 31, 2013	\$(112 )

The table below shows the maturity of our MTM positions:

Source of Fair Value	2014	2015	2016	2017 and Beyond	Total Fair Value
	(In millions)				
Level 1	\$ (3 )	\$ —	\$ —	\$ —	\$ (3 )
Level 2	(42 )	(20 )	(2 )	—	(64 )
Level 3	(37 )	(2 )	2	1	(36 )
MTM before collateral adjustments	\$ (82 )	\$ (22 )	\$ —	\$ 1	(103 )
Collateral adjustments					(9 )
MTM at December 31, 2013					\$ (112 )

#### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

##### Market Price Risk

DTE Energy has commodity price risk in both utility and non-utility businesses arising from market price fluctuations.

The Electric and Gas businesses have risks in conjunction with the anticipated purchases of coal, natural gas, uranium, electricity, and base metals to meet their service obligations. However, the Company does 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 and storage sales revenue at the Gas segment. Gas segment manages its market price risk related to storage sales revenue primarily through the sale of long-term storage contracts. The Company is exposed to short-term cash flow or liquidity risk as a result of the time differential between actual cash settlements and regulatory rate recovery.

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

Our Power and Industrial Projects business segment is subject to electricity and natural gas product price risk. The Company manages its exposures to commodity price risk through the use of long-term contracts.

Our 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 our 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

The Company purchases and sells electricity, natural gas, coal, coke and other energy products from and to governmental entities and numerous companies operating in the steel, automotive, energy, retail, financial and other industries. Certain of its customers have filed for bankruptcy protection under the U.S. Bankruptcy Code. The Company regularly reviews contingent matters relating to these customers and its purchase and sale contracts and records provisions for amounts considered at risk of probable loss. The Company believes its accrued amounts are adequate for probable loss.

The Company's utilities provide services to the city of Detroit, Michigan (Detroit). Detroit filed for Chapter 9 bankruptcy protection on July 18, 2013. The Company had pre-petition accounts receivable of approximately \$20 million outstanding as of the bankruptcy filing date. Detroit has been paying amounts owed in a timely manner and its account is substantially current. The Company does not expect Detroit's bankruptcy filing to have a material impact on its financial results.

Other

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

## Trading Activities

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

The following table displays the credit quality of our trading counterparties as of December 31, 2013:

	Credit Exposure Before Cash Collateral (In millions)	Cash Collateral	Net Credit Exposure
Investment Grade (a)			
A- and Greater	\$154	\$(33)	) \$121
BBB+ and BBB	240	—	240
BBB-	108	—	108
Total Investment Grade	502	(33)	) 469
Non-investment grade (b)	1	—	1
Internally Rated — investment grade (c)	173	—	173
Internally Rated — non-investment grade (d)	21	(6)	) 15
Total	\$697	\$(39)	) \$658

(a) This category includes counterparties with minimum credit ratings of Baa3 assigned by Moody's Investors Service (Moody's) and BBB- assigned by Standard & Poor's Rating Group (Standard & Poor's). The five largest counterparty exposures combined for this category represented approximately 31% of the total gross credit exposure.

(b) This category includes counterparties with credit ratings that are below investment grade. The five largest counterparty exposures combined for this category represented less than 1% of the total gross credit exposure.

(c) 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 18% of the total gross credit exposure.

(d) 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 2% of the total gross credit exposure.

## Interest Rate Risk

We are subject to interest rate risk in connection with the issuance of debt. In order to manage interest costs, we may use treasury locks and interest rate swap agreements. Our 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 December 31, 2013, we had a floating rate debt-to-total debt ratio of approximately 2% (excluding securitized debt).

## Foreign Currency Exchange Risk

We have 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 our exposure to foreign currency exchange

fluctuations, we have entered into a series of foreign currency exchange forward contracts through July 2016.

#### Summary of Sensitivity Analysis

We performed a sensitivity analysis on the fair values of our 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 our energy marketing and trading activities. The sensitivity analysis involved increasing and decreasing forward rates at December 31, 2013 and 2012 by a hypothetical 10% and calculating the resulting change in the fair values.

The results of the sensitivity analysis calculations as of December 31, 2013 and 2012:

Activity	Assuming a 10% Increase in Rates As of December 31,		Assuming a 10% Decrease in Rates As of December 31,		Change in the Fair Value of
	2013	2012	2013	2012	
	(In millions)				
Coal contracts	\$—	\$2	\$—	\$(1	) Commodity contracts
Gas contracts	\$(21	) \$(4	) \$21	\$3	Commodity contracts
Power contracts	\$14	\$4	\$(13	) \$(5	) Commodity contracts
Interest rate risk	\$(291	) \$(247	) \$309	\$260	Long-term debt
Foreign currency exchange risk	\$—	\$—	\$—	\$—	Forward contracts
Discount rates	\$—	\$—	\$—	\$—	Commodity contracts

For further discussion of market risk, see Note 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements and financial statement schedule are included herein.

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## Controls and Procedures

### (a) Evaluation of disclosure controls and procedures

Management of the Company 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 the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2013, which is the end of the period covered by this report. Based on this evaluation, the Company'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 the Company 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 SEC's rules and forms and (ii) is accumulated and communicated to the Company'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) Management's report on internal control over financial reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 COSO) in Internal Control - Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company's financial statements, as stated in their report which appears herein.

### (c) Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
DTE Energy Company

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of DTE Energy Company and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan  
February 14, 2014

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## DTE Energy Company

## Consolidated Statements of Operations

	Year Ended December 31		
	2013	2012	2011
	(In millions, except per share amounts)		
Operating Revenues	\$9,661	\$8,791	\$8,858
Operating Expenses			
Fuel, purchased power and gas	4,055	3,296	3,537
Operation and maintenance	2,978	2,892	2,612
Depreciation, depletion and amortization	1,094	995	977
Taxes other than income	340	332	310
Asset (gains) and losses, reserves and impairments, net	(9	) (3	) 1
	8,458	7,512	7,437
Operating Income	1,203	1,279	1,421
Other (Income) and Deductions			
Interest expense	436	440	488
Interest income	(9	) (10	) (10
Other income	(201	) (173	) (117
Other expenses	55	62	69
	281	319	430
Income Before Income Taxes	922	960	991
Income Tax Expense	254	286	268
Income from Continuing Operations	668	674	723
Loss from Discontinued Operations, net of tax	—	(56	) (3
Net Income	668	618	720
Less: Net Income Attributable to Noncontrolling Interest	7	8	9
Net Income Attributable to DTE Energy Company	\$661	\$610	\$711
Basic Earnings per Common Share			
Income from continuing operations	\$3.76	\$3.89	\$4.21
Loss from discontinued operations, net of tax	—	(0.33	) (0.02
Total	\$3.76	\$3.56	\$4.19
Diluted Earnings per Common Share			
Income from continuing operations	\$3.76	\$3.88	\$4.20
Loss from discontinued operations, net of tax	—	(0.33	) (0.02
Total	\$3.76	\$3.55	\$4.18
Weighted Average Common Shares Outstanding			
Basic	175	171	169
Diluted	175	172	170
Dividends Declared per Common Share	\$2.59	\$2.42	\$2.32

See Notes to Consolidated Financial Statements



## DTE Energy Company

## Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Net income	\$668	\$618	\$720
Other comprehensive income (loss), net of tax:			
Benefit obligations, net of taxes of \$13, \$(1) and \$(5)	22	(2	) (9
Net unrealized gains on investments during the period, net of taxes of \$1, \$1 and \$—	2	1	—
Foreign currency translation, net of taxes of \$(1), \$— and \$—	(2	) 1	—
Other comprehensive income (loss)	22	—	(9
Comprehensive income	690	618	711
Less comprehensive income attributable to noncontrolling interests	7	8	9
Comprehensive income attributable to DTE Energy Company	\$683	\$610	\$702

See Notes to Consolidated Financial Statements

## DTE Energy Company

## Consolidated Statements of Cash Flows

	Year Ended December 31		
	2013	2012	2011
	(In millions)		
Operating Activities			
Net income	\$668	\$618	\$720
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	1,094	1,018	995
Nuclear fuel amortization	38	29	46
Allowance for equity funds used during construction	(15)	(13)	(6)
Deferred income taxes	164	47	220
Loss on sale of non-utility business	—	83	—
Asset (gains) and losses, reserves and impairments, net	(8)	1	(21)
Changes in assets and liabilities:			
Accounts receivable, net	(154)	52	71
Inventories	123	35	(129)
Accounts payable	14	40	(23)
Derivative assets and liabilities	107	53	(94)
Accrued pension obligation	(644)	280	432
Accrued postretirement obligation	(526)	(323)	209
Regulatory assets and liabilities	1,269	278	(662)
Other assets	(24)	55	44
Other liabilities	48	(44)	206
Net cash from operating activities	2,154	2,209	2,008
Investing Activities			
Plant and equipment expenditures — utility	(1,534)	(1,451)	(1,382)
Plant and equipment expenditures — non-utility	(342)	(369)	(102)
Proceeds from sale of non-utility business	—	255	—
Proceeds from sale of assets	36	38	18
Restricted cash for debt redemption, principally Securitization	(1)	2	(5)
Acquisition, net of cash acquired	—	(198)	—
Proceeds from sale of nuclear decommissioning trust fund assets	1,118	759	833
Investment in nuclear decommissioning trust funds	(1,134)	(764)	(850)
Other	(49)	(41)	(72)
Net cash used for investing activities	(1,906)	(1,769)	(1,560)
Financing Activities			
Issuance of long-term debt, net of issuance costs	1,234	759	1,179
Redemption of long-term debt	(961)	(639)	(1,455)
Short-term borrowings, net	(109)	(179)	269
Issuance of common stock	39	39	—
Repurchase of common stock	—	—	(18)
Dividends on common stock	(445)	(407)	(389)
Other	(19)	(16)	(31)
Net cash used for financing activities	(261)	(443)	(445)
Net Increase (Decrease) in Cash and Cash Equivalents	(13)	(3)	3
Cash and Cash Equivalents at Beginning of Period	65	68	65
Cash and Cash Equivalents at End of Period	\$52	\$65	\$68

Supplemental disclosure of cash information

Cash paid (received) for:

Interest (net of interest capitalized)	\$418	\$438	\$485
Income taxes	\$121	\$173	\$(205 )

Supplemental disclosure of non-cash information

Common stock issued for employee benefit and compensation plans	\$293	\$155	\$15
Plant and equipment expenditures in accounts payable	\$329	\$235	\$212

See Notes to Consolidated Financial Statements

## DTE Energy Company

## Consolidated Statements of Financial Position

	December 31	
	2013	2012
	(In millions)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$52	\$65
Restricted cash, principally Securitization	123	122
Accounts receivable (less allowance for doubtful accounts of \$55 and \$62, respectively)		
Customer	1,542	1,336
Other	127	126
Inventories		
Fuel and gas	363	527
Materials and supplies	265	234
Derivative assets	99	108
Regulatory assets	26	182
Other	209	215
	2,806	2,915
Investments		
Nuclear decommissioning trust funds	1,191	1,037
Other	603	554
	1,794	1,591
Property		
Property, plant and equipment	25,123	23,631
Less accumulated depreciation, depletion and amortization	(9,323	) (8,947
	15,800	14,684
Other Assets		
Goodwill	2,018	2,018
Regulatory assets	2,837	4,235
Securitized regulatory assets	231	413
Intangible assets	122	135
Notes receivable	102	112
Derivative assets	27	39
Other	198	197
	5,535	7,149
Total Assets	\$25,935	\$26,339

See Notes to Consolidated Financial Statements



## DTE Energy Company

## Consolidated Statements of Financial Position — (Continued)

	December 31	
	2013	2012
	(In millions, except shares)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$962	\$848
Accrued interest	90	93
Dividends payable	116	107
Short-term borrowings	131	240
Current portion long-term debt, including capital leases	898	817
Derivative liabilities	195	125
Regulatory liabilities	302	89
Other	495	449
	3,189	2,768
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes and other	6,618	6,220
Securitization bonds	105	302
Junior subordinated debentures	480	480
Capital lease obligations	11	12
	7,214	7,014
<b>Other Liabilities</b>		
Deferred income taxes	3,321	3,191
Regulatory liabilities	862	1,031
Asset retirement obligations	1,827	1,719
Unamortized investment tax credit	47	56
Derivative liabilities	43	26
Accrued pension liability	653	1,498
Accrued postretirement liability	350	1,160
Nuclear decommissioning	178	159
Other	297	306
	7,578	9,146
<b>Commitments and Contingencies (Notes 11 and 19)</b>		
<b>Equity</b>		
Common stock, without par value, 400,000,000 shares authorized, 177,087,230 and 172,351,680 shares issued and outstanding, respectively	3,907	3,587
Retained earnings	4,150	3,944
Accumulated other comprehensive loss	(136	) (158
Total DTE Energy Company Equity	7,921	7,373
Noncontrolling interests	33	38
Total Equity	7,954	7,411
Total Liabilities and Equity	\$25,935	\$26,339

See Notes to Consolidated Financial Statements



## DTE Energy Company

## Consolidated Statements of Changes in Equity

	Common Stock		Retained Earnings	Accumulated	Non-Controlling Interests	Total
	Shares	Amount		Other Comprehensive Loss		
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2010	169,428	\$3,440	\$3,431	\$ (149 )	\$ 45	\$6,767
Net income	—	—	711	—	9	720
Dividends declared on common stock	—	—	(392 )	—	—	(392 )
Repurchase of common stock	(1,184 )	(58 )	—	—	—	(58 )
Benefit obligations, net of tax	—	—	—	(9 )	—	(9 )
Stock-based compensation, distributions to noncontrolling interests and other	1,003	35	—	—	(10 )	25
Balance, December 31, 2011	169,247	\$3,417	\$3,750	\$ (158 )	\$ 44	\$7,053
Net Income	—	—	610	—	8	618
Dividends declared on common stock	—	—	(414 )	—	—	(414 )
Issuance of common stock	684	39	—	—	—	39
Contribution of common stock to pension plan	1,335	80	—	—	—	80
Foreign currency translation, net of tax	—	—	—	1	—	1
Benefit obligations, net of tax	—	—	—	(2 )	—	(2 )
Net change in unrealized losses on investments, net of tax	—	—	—	1	—	1
Stock-based compensation, distributions to noncontrolling interests and other	1,086	51	(2 )	—	(14 )	35
Balance, December 31, 2012	172,352	\$3,587	\$3,944	\$ (158 )	\$ 38	\$7,411
Net Income	—	—	661	—	7	668
Dividends declared on common stock	—	—	(454 )	—	—	(454 )
Issuance of common stock	589	39	—	—	—	39
Contribution of common stock to pension plan	3,026	200	—	—	—	200
Foreign currency translation, net of tax	—	—	—	(2 )	—	(2 )
Benefit obligations, net of tax	—	—	—	22	—	22
Net change in unrealized losses on investments, net of tax	—	—	—	2	—	2
Stock-based compensation, distributions to noncontrolling interests and other	1,120	81	(1 )	—	(12 )	68
Balance, December 31, 2013	177,087	\$3,907	\$4,150	\$ (136 )	\$ 33	\$7,954

See Notes to Consolidated Financial Statements

DTE Energy Company

Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

- DTE Electric, an electric utility engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan;

DTE Gas, a natural gas 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 Company is regulated by other federal and state regulatory agencies including the NRC, the EPA, the MDEQ and CFTC.

References in this Report to “Company” or “DTE” are to DTE Energy and its subsidiaries, collectively.

Basis of Presentation

The accompanying Consolidated Financial Statements 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 Company’s estimates.

Certain prior year balances were reclassified to match the current year’s financial statement presentation. Such revisions included an increase in the Consolidated Statements of Cash Flows line items for (i) Proceeds from sale of nuclear decommissioning trust funds, and (ii) Investment in nuclear decommissioning trust funds by \$662 million and \$753 million for the years ended December 31, 2012 and 2011, respectively. These revisions were needed to properly state the gross purchases and sales activity in the nuclear decommissioning trust fund for the respective years. The totals of Net cash used in investing activities for both 2012 and 2011 were unchanged by these revisions. The revisions noted above are not deemed material, individually or in the aggregate, to the prior period consolidated financial statements.

Principles of Consolidation

The Company consolidates all majority-owned subsidiaries and investments in entities in which it has controlling influence. Non-majority owned investments are accounted for using the equity method when the Company is able to influence the operating policies of the investee. When the Company does not influence the operating policies of an investee, the cost method is used. These consolidated financial statements also reflect the Company’s proportionate interests in certain jointly owned utility plant. The Company eliminates all intercompany balances and transactions.

The Company evaluates whether an entity is a VIE whenever reconsideration events occur. The Company consolidates VIEs for which it is the primary beneficiary. If the Company 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, the Company 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 Company performs ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

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

Legal entities within the Company'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 the Company retaining operational and customer default risk. These entities generally are VIEs and are consolidated when the Company is the primary beneficiary. In addition, we have interests in certain VIEs that we share control of all significant activities for those entities with our partners, and therefore are accounted for under the equity method.

The Company has variable interests in VIEs through certain of its long-term purchase contracts. As of December 31, 2013, the carrying amount of assets and liabilities in the Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase contracts are predominately related to working capital accounts and generally represent the amounts owed by the Company for the deliveries associated with the current billing cycle under the contracts. The Company has not provided any form of financial support associated with these long-term contracts. There is no significant potential exposure to loss as a result of its variable interests through these long-term purchase contracts.

In 2001, DTE Electric financed a regulatory asset related to Fermi 2 and certain other regulatory assets through the sale of rate reduction bonds by a wholly-owned special purpose entity, Securitization. DTE Electric performs servicing activities including billing and collecting surcharge revenue for Securitization. This entity is a VIE and is consolidated by the Company.

The maximum risk exposure for consolidated VIEs is reflected on the Company's Consolidated Statements of Financial Position. For non-consolidated VIEs, the maximum risk exposure is generally limited to its investment and amounts which it has guaranteed.

The following table summarizes the major balance sheet items for consolidated VIEs as of December 31, 2013 and 2012. 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 the Company 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.

	December 31, 2013			December 31, 2012		
	Securitization	Other	Total	Securitization	Other	Total
	(In millions)					
<b>ASSETS</b>						
Cash and cash equivalents	\$—	\$12	\$12	\$—	\$10	\$10
Restricted cash	100	8	108	102	7	109
Accounts receivable	34	16	50	34	7	41
Inventories	—	118	118	—	141	141
Other current assets	—	1	1	—	1	1
Property, plant and equipment	—	99	99	—	93	93
Securitized regulatory assets	231	—	231	413	—	413
Other assets	4	8	12	7	11	18
	\$369	\$262	\$631	\$556	\$270	\$826
<b>LIABILITIES</b>						
Accounts payable and accrued current liabilities	\$7	\$23	\$30	\$11	\$14	\$25
	196	9	205	177	8	185

Current portion long-term debt, including capital leases

Current regulatory liabilities	43	—	43	50	—	50
Other current liabilities	—	4	4	—	4	4
Mortgage bonds, notes and other	—	21	21	—	25	25
Securitization bonds	105	—	105	302	—	302
Capital lease obligations	—	7	7	—	11	11
Other long-term liabilities	8	2	10	7	2	9
	\$359	\$66	\$425	\$547	\$64	\$611

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

Amounts for non-consolidated VIEs as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
	(In millions)	
Other investments	\$141	\$130
Notes receivable	\$8	\$6

## NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

### Revenues

Revenues from the sale and delivery of electricity, and the sale, delivery and storage of natural gas are recognized as services are provided. DTE Electric and DTE Gas record revenues for electricity and gas provided but unbilled at the end of each month. Rates for DTE Electric and DTE Gas include provisions to adjust billings for fluctuations in fuel and purchased power costs, cost of natural gas and certain other costs. Revenues are adjusted for differences between actual costs subject to reconciliation and the amounts billed in current rates. Under or over recovered revenues related to these cost recovery mechanisms are recorded on the Consolidated Statements of Financial Position and are recovered or returned to customers through adjustments to the billing factors.

See Note 11 for further discussion of recovery mechanisms authorized by the MPSC.

Non-utility businesses recognize revenues as services are provided and products are delivered. See Note 4 for discussion of derivative contracts.

### Other Income

Other income is recognized for non-operating income such as equity earnings, interest and dividends, allowance for funds used during construction and contract services. Power & Industrial Projects 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 & Industrial Projects recognized approximately \$81 million, \$63 million, and \$15 million of Other income for the years ended December 31, 2013, 2012, and 2011, respectively.

### Accounting for ISO Transactions

DTE Electric participates in the energy market through MISO. MISO requires that we submit hourly day-ahead, real-time and FTR bids and offers for energy at locations across the MISO region. DTE Electric accounts for MISO transactions on a net hourly basis in each of the day-ahead, real-time and FTR markets and net transactions across all MISO energy market locations. In any single hour DTE Electric records net purchases in Fuel, purchased power and gas and net sales in Operating revenues on the Consolidated Statements of Operations.

Energy Trading participates in the energy markets through various independent system operators and regional transmission organizations (ISOs and RTOs). These markets require that Energy Trading submits hourly day-ahead, real-time bids and offers for energy at locations across each region. Energy Trading submits bids in the annual and monthly auction revenue rights and FTR auctions to the regional transmission organizations. Energy Trading accounts



for these transactions on a net hourly basis for the day-ahead, real-time and FTR markets. These transactions are related to trading contracts which are presented on a net basis in Operating Revenues in the Consolidated Statements of Operations.

DTE Electric and Energy Trading record accruals for future net purchases adjustments based on historical experience, and reconcile accruals to actual costs when invoices are received from MISO, and other ISOs and RTOs.

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

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in common shareholders' equity during a period from transactions and events from non-owner sources, including net income. As shown in the following tables, amounts recorded to accumulated other comprehensive loss for the year ended December 31, 2013 include unrealized gains and losses from derivatives accounted for as cash flow hedges, unrealized gains and losses on available-for-sale securities, the Company's interest in other comprehensive income of equity investees, which comprise the net unrealized gains and losses on investments, changes in benefit obligations, consisting of deferred actuarial losses, prior service costs and transition amounts related to pension and other postretirement benefit plans, and foreign currency translation adjustments.

	Changes in Accumulated Other Comprehensive Loss by Component				
	(a)				
	For The Year Ended December 31, 2013				
	Net	Net	Benefit	Foreign	Total
	Unrealized	Unrealized	Obligations	Currency	
	Gain/(Loss)	Gain/(Loss)	(b)	Translation	
	on	on			
	Derivatives	Investments			
	(In millions)				
Beginning balances December 31, 2012	\$ (4 )	\$ (8 )	\$ (148 )	\$ 2	\$ (158 )
Other comprehensive income (loss) before reclassifications	—	2	13	(2)	13
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	9	—	9
Net current-period other comprehensive income (loss)	—	2	22	(2)	22
Ending balances December 31, 2013	\$ (4 )	\$ (6 )	\$ (126 )	\$ —	\$ (136 )

(a) All amounts are net of tax.

(b) The amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of the net periodic pension and other postretirement benefit costs (see Note 20).

Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, cash in banks and temporary investments purchased with remaining maturities of three months or less. Restricted cash consists of funds held to satisfy requirements of certain debt, primarily Securitization bonds, and partnership operating agreements. Restricted cash designated for interest and principal payments within one year is classified as a current asset.

Receivables

Accounts receivable are primarily composed of trade receivables and unbilled revenue. Our accounts receivable are stated at net realizable value.

The allowance for doubtful accounts for DTE Electric and DTE Gas is generally calculated using the aging approach that utilizes rates developed in reserve studies. We establish an allowance for uncollectible accounts based on

historical losses and management's assessment of existing economic conditions, customer trends, and other factors. Customer accounts are generally considered delinquent if the amount billed is not received by the due date, which is typically in 21 days, however, factors such as assistance programs may delay aggressive action. We assess late payment fees on trade receivables based on past-due terms with customers. Customer accounts are written off when collection efforts have been exhausted. The time period for write-off is 150 days after service has been terminated.

The customer allowance for doubtful accounts for our other businesses is calculated based on specific review of probable future collections based on receivable balances in excess of 30 days.

Unbilled revenues of \$815 million and \$686 million are included in customer accounts receivable at December 31, 2013 and 2012, respectively.

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

Notes Receivable

Notes receivable, or financing receivables, are primarily comprised of capital lease receivables and loans and are included in Notes receivable and Other current assets on the Company's Consolidated Statements of Financial Position.

Notes receivable are typically considered delinquent when payment is not received for periods ranging from 60 to 120 days. The Company ceases accruing interest (nonaccrual status), considers a note receivable impaired, and establishes an allowance for credit loss when it is probable that all principal and interest amounts due will not be collected in accordance with the contractual terms of the note receivable. Cash payments received on nonaccrual status notes receivable, that do not bring the account contractually current, are first applied to contractually owed past due interest, with any remainder applied to principal. Accrual of interest is generally resumed when the note receivable becomes contractually current.

In determining the allowance for credit losses for notes receivable, we consider the historical payment experience and other factors that are expected to have a specific impact on the counterparty's ability to pay. In addition, the Company monitors the credit ratings of the counterparties from which we have notes receivable.

Inventories

The Company generally values inventory at average cost.

Natural gas inventory of \$4 million and \$37 million as of December 31, 2013 and 2012, respectively, at DTE Gas is determined using the last-in, first-out (LIFO) method. At December 31, 2013, the replacement cost of gas remaining in storage exceeded the LIFO cost by \$170 million. At December 31, 2012, the replacement cost of gas remaining in storage exceeded the LIFO cost by \$113 million.

Property, Retirement and Maintenance, and Depreciation, Depletion and Amortization

Property is stated at cost and includes construction-related labor, materials, overheads and, for utility property, an allowance for funds used during construction (AFUDC). The cost of utility properties retired is charged to accumulated depreciation. Expenditures for maintenance and repairs are charged to expense when incurred, except for Fermi 2.

Utility property at DTE Electric and DTE Gas is depreciated over its estimated useful life using straight-line rates approved by the MPSC.

Non-utility property is depreciated over its estimated useful life using the straight-line and units of production methods.

Depreciation, depletion and amortization expense also includes the amortization of certain regulatory assets.

Approximately \$26 million and \$12 million of expenses related to Fermi 2 refueling outages were accrued at December 31, 2013 and 2012, respectively. Amounts are accrued on a pro-rata basis, generally over an 18-month period, that coincides with scheduled refueling outages at Fermi 2. This accrual of outage costs matches the regulatory recovery of these costs in rates set by the MPSC. See Note 11.

The cost of nuclear fuel is capitalized. The amortization of nuclear fuel is included within Fuel, purchased power, and gas in the Consolidated Statements of Operations and is recorded using the units-of-production method.

#### Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds the expected discounted future cash flows generated by the asset, an impairment loss is recognized resulting in the asset being written down to its estimated fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

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

Intangible Assets

The Company has certain intangible assets relating to emission allowances, renewable energy credits and non-utility contracts as shown below:

	December 31, 2013	December 31, 2012
	(In millions)	
Emission allowances	\$2	\$6
Renewable energy credits	51	44
Contract intangible assets	126	139
	179	189
Less accumulated amortization	45	34
Intangible assets, net	134	155
Less current intangible assets	12	20
	\$122	\$135

Emission allowances and renewable energy credits are charged to expense, using average cost, as the allowances and credits are consumed in the operation of the business. The Company amortizes contract intangible assets on a straight-line basis over the expected period of benefit, ranging from 1 to 28 years. Intangible assets amortization expense was \$14 million in 2013, \$6 million in 2012 and \$5 million in 2011.

The following table summarizes the estimated amortization expense expected to be recognized during each year through 2018:

	(In millions)
Estimated amortization expense	
2014	\$13
2015	\$12
2016	\$11
2017	\$8
2018	\$8

Excise and Sales Taxes

The Company records the billing of excise and sales taxes as a receivable with an offsetting payable to the applicable taxing authority, with no net impact on the Consolidated Statements of Operations.

Deferred Debt Costs

The costs related to the issuance of long-term debt are deferred and amortized over the life of each debt issue. In accordance with MPSC regulations applicable to the Company's electric and gas utilities, the unamortized discount, premium and expense related to utility debt redeemed with a refinancing are amortized over the life of the replacement issue. Discount, premium and expense on early redemptions of debt associated with non-utility operations are charged to earnings.

Investments in Debt and Equity Securities

The Company generally classifies investments in debt and equity securities as either trading or available-for-sale and has recorded such investments at market value with unrealized gains or losses included in earnings or in other

comprehensive income or loss, respectively. Changes in the fair value of Fermi 2 nuclear decommissioning investments are recorded as adjustments to regulatory assets or liabilities, due to a recovery mechanism from customers. The Company's equity investments are reviewed for impairment each reporting period. If the assessment indicates that the impairment is other than temporary, a loss is recognized resulting in the equity investment being written down to its estimated fair value. See Note 3.

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

Government Grants

Grants are recognized when there is reasonable assurance that the grant will be received and that any conditions associated with the grant will be met. When grants are received related to Property, Plant and Equipment, the Company reduces the cost of the assets on the Consolidated Statements of Financial Position, resulting in lower depreciation expense over the life of the associated asset. Grants received related to expenses are reflected as a reduction of the associated expense in the period in which the expense is incurred.

DTE Energy Foundation

Charitable contributions to the DTE Energy Foundation were \$18 million, \$21 million, and \$21 million for the years ended December 31, 2013, 2012 and 2011, respectively. The DTE Energy Foundation is a non-consolidated not-for-profit private foundation, the purpose of which is to contribute to and assist charitable organizations and does not serve a direct business or political purpose of DTE.

Other Accounting Policies

See the following notes for other accounting policies impacting the Company's consolidated financial statements:

Note	Title
3	Fair Value
4	Financial and Other Derivative Instruments
10	Asset Retirement Obligations
11	Regulatory Matters
12	Income Taxes
21	Stock-based Compensation

NOTE 3 — 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 Company makes certain assumptions it believes 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 Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at December 31, 2013 and 2012. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

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 Company classifies 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 Company has 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.

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

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.

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2013 and 2012:

	December 31, 2013					December 31, 2012				
	Level 1	Level 2	Level 3	Netting (a)	Net Balance	Level 1	Level 2	Level 3	Netting (a)	Net Balance
(In millions)										
<b>Assets:</b>										
Cash equivalents (b)	\$10	\$115	\$—	\$—	\$125	\$—	\$123	\$—	\$—	\$123
Nuclear decommissioning trusts	779	412	—	—	1,191	694	343	—	—	1,037
Other investments (c) (d)	92	44	—	—	136	66	44	—	—	110
<b>Derivative assets:</b>										
<b>Commodity Contracts:</b>										
Natural Gas	273	89	34	(382 )	14	555	66	24	(605 )	40
Electricity	—	261	139	(291 )	109	—	226	134	(258 )	102
Other	33	1	3	(34 )	3	6	3	2	(6 )	5
Total derivative assets	306	351	176	(707 )	126	561	295	160	(869 )	147
Total	\$1,187	\$922	\$176	\$(707)	\$1,578	\$1,321	\$805	\$160	\$(869)	\$1,417
<b>Liabilities:</b>										
<b>Derivative liabilities:</b>										
<b>Commodity Contracts:</b>										
Natural Gas	\$(277 )	\$(140)	\$(86 )	\$395	\$(108 )	\$(526 )	\$(73 )	\$(62 )	\$605	\$(56 )
Electricity	—	(272 )	(126 )	269	(129 )	—	(240 )	(111 )	258	(93 )
Other	(32 )	(2 )	—	34	—	(6 )	(1 )	—	6	(1 )
Other derivative contracts (f)	—	(1 )	—	—	(1 )	—	(1 )	—	—	(1 )
Total derivative liabilities	(309 )	(415 )	(212 )	698	(238 )	(532 )	(315 )	(173 )	869	(151 )
Total	\$(309 )	\$(415)	\$(212)	\$698	\$(238 )	\$(532 )	\$(315)	\$(173)	\$869	\$(151 )
Net Assets (liabilities) at the end of the period	\$878	\$507	\$(36 )	\$(9 )	\$1,340	\$789	\$490	\$(13 )	\$—	\$1,266
<b>Assets:</b>										
Current	\$277	\$400	\$139	\$(592)	\$224	\$493	\$372	\$120	\$(754)	\$231
Noncurrent (e)	910	522	37	(115 )	1,354	828	433	40	(115 )	1,186
Total Assets	\$1,187	\$922	\$176	\$(707)	\$1,578	\$1,321	\$805	\$160	\$(869)	\$1,417
<b>Liabilities:</b>										
Current	\$(268 )	\$(328)	\$(177)	\$578	\$(195 )	\$(466 )	\$(269)	\$(144)	\$754	\$(125 )
Noncurrent	(41 )	(87 )	(35 )	120	(43 )	(66 )	(46 )	(29 )	115	(26 )
Total Liabilities	\$(309 )	\$(415)	\$(212)	\$698	\$(238 )	\$(532 )	\$(315)	\$(173)	\$869	\$(151 )
Net Assets (liabilities) at the end of the period	\$878	\$507	\$(36 )	\$(9 )	\$1,340	\$789	\$490	\$(13 )	\$—	\$1,266

(a)

Amounts represent the impact of master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

- At December 31, 2013, available-for-sale securities of \$125 million included \$109 million and \$16 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial Position, respectively. At December 31, 2012, available-for-sale securities of \$123 million, included \$109 million and \$14 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial Position, respectively.
- (c) Excludes cash surrender value of life insurance investments.
  - (d) Available-for-sale equity securities of \$7 million at December 31, 2013 and \$5 million at December 31, 2012 are included in Other investments on the Consolidated Statements of Financial Position.
  - (e) Includes \$136 million and \$110 million of Other investments that are included in the Consolidated Statements of Financial Position in Other investments at December 31, 2013 and 2012, respectively.
  - (f) Includes Interest rate contracts and Foreign currency exchange contracts.

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

### 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. The fair values of the shares in these investments are based upon observable market prices for similar securities and, therefore, have been categorized as Level 2 in the fair value hierarchy.

### 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. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. The institutional mutual funds which hold exchange-traded equity or debt securities are valued based on the underlying securities, using quoted prices in actively traded markets. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services. 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. DTE Energy has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, DTE Energy selectively corroborates the fair value of securities by comparison of market-based price sources. Investment policies and procedures are determined by the Company's Trust Investments Department which reports to the Company's Vice President and Treasurer.

### 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. DTE Energy considers 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. DTE Energy monitors 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. DTE Energy has obtained an understanding of how these prices are derived. Additionally, DTE Energy selectively corroborates the fair value of its 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 Company has 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 our forward price curves has been assigned to our Risk Management Department, which is separate and distinct from the trading functions within the Company.

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

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of December 31	\$(38 )	\$ 23	\$ 2	\$(13 )	\$ 6	\$ 32	\$ 6	\$ 44
Transfers into Level 3	1	—	—	1	1	—	—	1
Total gains (losses):								
Included in earnings	(32 )	75	—	43	(41 )	101	—	60
Recorded in regulatory assets/liabilities	—	—	5	5	—	—	15	15
Purchases, issuances and settlements:								
Purchases	(8 )	1	—	(7 )	—	2	—	2
Issuances	—	(1 )	—	(1 )	—	—	—	—
Settlements	25	(85 )	(4 )	(64 )	(4 )	(112 )	(19 )	(135 )
Net Assets (Liabilities) as of December 31	\$(52 )	\$ 13	\$ 3	\$(36 )	\$(38 )	\$ 23	\$ 2	\$(13 )
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 December 31, 2013 and 2012 and reflected in Operating revenues and Fuel, purchased power and gas in the Consolidated Statements of Operations	\$(49 )	\$ 48	\$—	\$(1 )	\$(33 )	\$ 91	\$—	\$ 58

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. The following table shows transfers between the levels of the fair value hierarchy for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(In millions)					
Transfers into Level 1 from	\$ N/A	\$—	\$—	\$ N/A	\$—	\$—
Transfers into Level 2 from	—	N/A	—	—	N/A	—
Transfers into Level 3 from	—	1	N/A	—	1	N/A

The following table presents the unobservable inputs related to Level 3 assets and liabilities as of December 31, 2013 and 2012:

Commodity Contracts	December 31, 2013		Unobservable Input	Range	Weighted Average
	Derivative Assets	Derivative Liabilities			
	(In millions)				
	\$34	\$(86 )		\$(0.88 )—\$5.07 /MMBtu	\$(0.16 )/MMBtu

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		December 31, 2012		Discounted	Forward basis price			
Natural Gas				Cash Flow	(per MMBtu)			
Electricity	\$ 139	\$(126 )		Discounted	Forward basis price	\$(7 )	-\$15	/MWh \$3 /MWh
				Cash Flow	(per MWh)			
Commodity Contracts	Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range			Weighted Average
	(In millions)							
Natural Gas	\$24	\$(62 )	Discounted Cash Flow	Forward basis price (per MMBtu)	\$(0.63 )	-\$1.95	/MMBtu	\$0.03 /MMBtu
Electricity	\$134	\$(111 )	Discounted Cash Flow	Forward basis price (per MWh)	\$(2 )	-\$16	/MWh	\$3 /MWh

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

The unobservable inputs used in the fair value measurement of the electricity and natural gas commodity types consists 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. DTE Energy has obtained an understanding of how the fair values are derived. DTE Energy also selectively corroborates the fair value of its 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 estimated using discounted cash flow techniques that incorporate market interest rates as well 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 are determined by DTE Energy's Treasury Department which reports to the Company's Vice President and Treasurer.

The following table presents the carrying amount and fair value of financial instruments as of December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3
	(In millions)							
Notes receivable, excluding capital leases	\$41	\$—	\$—	\$41	\$39	\$—	\$—	\$39
Dividends payable	\$116	\$116	\$—	\$—	\$107	\$107	\$—	\$—
Short-term borrowings	\$131	\$—	\$131	\$—	\$240	\$—	\$240	\$—
Long-term debt	\$8,094	\$425	\$7,551	\$499	\$7,813	\$507	\$7,453	\$933

See Note 4 for further fair value information on financial and derivative instruments.

#### Nuclear Decommissioning Trust Funds

DTE Electric has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. This obligation is reflected as an asset retirement obligation on the 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. See Note 10.

The following table summarizes the fair value of the nuclear decommissioning trust fund assets:

December 31,    December 31,

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	2013 (In millions)	2012
Fermi 2	\$1,172	\$1,021
Fermi 1	3	3
Low level radioactive waste	16	13
Total	\$1,191	\$1,037

65

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

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

	Year Ended December 31		
	2013	2012	2011
	(In millions)		
Realized gains	\$83	\$37	\$46
Realized losses	\$(41)	\$(31)	\$(38)
Proceeds from sales of securities	\$1,118	\$759	\$833

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

	December 31, 2013		December 31, 2012	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
	(In millions)			
Equity securities	\$730	\$201	\$631	\$122
Debt securities	442	12	399	27
Cash and cash equivalents	19	—	7	—
	\$1,191	\$213	\$1,037	\$149

At December 31, 2013, investments in the nuclear decommissioning trust funds consisted of approximately 61% in publicly traded equity securities, 37% in fixed debt instruments and 2% in cash equivalents. At December 31, 2012, investments in the nuclear decommissioning trust funds consisted of approximately 61% in publicly traded equity securities, 38% in fixed debt instruments and 1% in cash equivalents.

The debt securities at December 31, 2013 and 2012 had an average maturity of approximately 7 and 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. DTE Electric recognized \$31 million and \$44 million of unrealized losses as Regulatory assets at December 31, 2013 and 2012, respectively. Since the decommissioning of Fermi 1 is funded by DTE Electric rather than through a regulatory recovery mechanism, there is no corresponding regulatory asset treatment. Therefore, unrealized losses incurred by the Fermi 1 trust are recognized in earnings immediately. There were no unrealized losses recognized in 2013, 2012 and 2011 for Fermi 1.

#### Other Securities

At December 31, 2013 and 2012, the securities were comprised primarily of money-market and equity securities. During the years ended December 31, 2013 and 2012, no amounts of unrealized losses on available-for-sale securities were reclassified out of other comprehensive income and realized into net income for the periods. Gains related to trading securities held at December 31, 2013, 2012, and 2011 were \$22 million, \$11 million and \$4 million, respectively.



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

NOTE 4 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

The Company recognizes all derivatives at their fair value as Derivative assets or liabilities on the 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 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 the fair value are recognized in earnings each period.

The Company's primary market risk exposure is associated with commodity prices, credit and interest rates. The Company has risk management policies to monitor and manage market risks. The Company uses derivative instruments to manage some of the exposure. The Company uses derivative instruments for trading purposes in its Energy Trading segment. Contracts classified as derivative instruments include power, natural gas, oil and certain coal forwards, futures, options and 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.

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 sales exemption and are therefore accounted for under the accrual method. Other derivative contracts are recoverable through the PSCR mechanism when settled. This results in the deferral of unrealized gains and losses as Regulatory assets or liabilities until realized.

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 gas supply requirements through 2016. Substantially all of these contracts meet the normal purchases and sales exemption 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, coke batteries, 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, coal, 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. The Company 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.

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

Corporate and Other — Interest Rate Risk — The Company uses interest rate swaps, treasury locks and other derivatives to hedge the risk associated with interest rate market volatility. In 2004 and 2000, the Company entered into a series of interest rate derivatives to limit its sensitivity to market interest rate risk associated with the issuance of long-term debt. Such instruments were designated as cash flow hedges. The Company subsequently issued long-term debt and terminated these hedges at a cost that is included in Other comprehensive loss. Amounts recorded in Other comprehensive loss will be reclassified to interest expense through 2033. In 2014, the Company estimates reclassifying less than \$1 million of losses to earnings.

Credit Risk — The utility and non-utility businesses are exposed to credit risk if customers or counterparties do not comply with their contractual obligations. The Company maintains credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees. The Company generally uses standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty. The Company maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends, and other information. Based on the Company's credit policies and its December 31, 2013 and 2012 provision for credit losses, the Company's exposure to counterparty nonperformance is not expected to have a material adverse effect on the Company's financial statements.

#### Derivative Activities

The Company manages its mark-to-market (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.

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.

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

The following tables present the fair value of derivative instruments as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Derivative Assets (In millions)	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments:				
Interest rate contracts	\$—	\$—	\$—	\$(1 )
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts	\$—	\$(1 )	\$—	\$—
Commodity Contracts:				
Natural Gas	396	(503 )	645	(661 )
Electricity	400	(398 )	360	(351 )
Other	37	(34 )	11	(7 )
Total derivatives not designated as hedging instruments:	\$833	\$(936 )	\$1,016	\$(1,019 )
Total derivatives:				
Current	\$691	\$(773 )	\$862	\$(879 )
Noncurrent	142	(163 )	154	(141 )
Total derivatives	\$833	\$(936 )	\$1,016	\$(1,020 )

Certain of the Company'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, the Company offsets the fair value of derivative instruments with cash collateral received or paid for those contracts executed with the same counterparty, which reduces the Company'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.

The Company 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. The Company had issued letters of credit of approximately \$19 million and \$63 million at December 31, 2013 and 2012, respectively, which could be used to offset our net derivative liabilities. Letters of credit received from third parties which could be used to offset our net derivative assets were not material for the periods presented. Such balances of letters of credit are excluded from the tables below and are not netted with the recognized assets and liabilities in the Consolidated Statements of Financial Position.

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 the 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.

As of December 31, 2013, the total cash collateral posted, net of cash collateral received, was \$12 million. As of December 31, 2012, the total cash collateral received, net of cash collateral posted, was \$20 million. As of December 31, 2013, derivative assets and derivative liabilities are shown net of cash collateral of \$26 million and \$17 million, respectively. There was no cash collateral related to unrealized positions to net against derivative assets and liabilities as of December 31, 2012. The Company recorded cash collateral paid of \$34 million and cash collateral received of \$13 million not related to unrealized derivative positions as of December 31, 2013. The Company recorded cash collateral paid of \$4 million and cash collateral received of \$24 million not related to unrealized derivative positions as of December 31, 2012. These amounts are included in accounts receivable and accounts payable and are recorded net by counterparty.

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

The following table presents the netting offsets of derivative assets and liabilities at December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
	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	\$396	\$(382)	) \$14	\$645	\$(605)	) \$40
Electricity	400	(291)	) 109	360	(258)	) 102
Other	37	(34)	) 3	11	(6)	) 5
Total derivative assets	\$833	\$(707)	) \$126	\$1,016	\$(869)	) \$147
Derivative liabilities:						
Commodity Contracts:						
Natural Gas	\$(503)	) \$395	\$(108)	) \$(661)	) \$605	\$(56)
Electricity	(398)	) 269	(129)	) (351)	) 258	(93)
Other	(34)	) 34	—	(7)	) 6	(1)
Other derivative liabilities	(1)	) —	(1)	) (1)	) —	(1)
Total derivative liabilities	\$(936)	) \$698	\$(238)	) \$(1,020)	) \$869	\$(151)

The following table presents the netting offsets of derivative assets and liabilities at December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
(In millions)								
Reconciliation of derivative instruments to Consolidated Statements of Financial Position:								
Total fair value of derivatives	\$691	\$142	\$(773)	) \$(163)	) \$862	\$154	\$(879)	) \$(141)
Counterparty netting	(566)	) (115)	) 566	115	(754)	) (115)	) 754	115
Collateral adjustment	(26)	) —	12	5	—	—	—	—
Total derivatives as reported	\$99	\$27	\$(195)	) \$(43)	) \$108	\$39	\$(125)	) \$(26)

The effect of derivatives not designated as hedging instruments on the Consolidated Statements of Operations for years ended December 31, 2013 and 2012 is as follows:

Location of Gain	Gain (Loss)
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	(Loss) Recognized in Income on Derivatives	Recognized in Income on Derivatives for Years Ended December 31
		2013      2012
		(In millions)
Derivatives not Designated as Hedging Instruments		
Foreign currency exchange contracts	Operating Revenue	\$(1      ) \$—
Commodity Contracts:		
Natural Gas	Operating Revenue	(48      ) (29      )
Natural Gas	Fuel, purchased power and gas	(44      ) 25
Electricity	Operating Revenue	82      64
Other	Operating Revenue	—      5
Total		\$(11      ) \$65

70

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

Revenues and energy costs related to trading contracts are presented on a net basis in the Consolidated Statements of Operations. Commodity derivatives used for trading purposes, and financial non-trading commodity derivatives, are accounted for using the mark-to-market method with unrealized and realized gains and losses recorded in Operating revenues. Non-trading physical commodity sale and purchase derivative contracts are generally accounted for using the mark-to-market method with unrealized and realized gains and losses for sales recorded in Operating revenue and purchases recorded in Fuel, purchased power and gas.

The effects of derivative instruments recoverable through the PSCR mechanism when realized on the Consolidated Statements of Financial Position were \$5 million in unrealized gains related to FTRs recognized in Regulatory liabilities for the year ended December 31, 2013, and \$15 million in unrealized gains related to FTRs recognized in Regulatory liabilities, for the year ended December 31, 2012.

The following represents the cumulative gross volume of derivative contracts outstanding as of December 31, 2013:

Commodity	Number of Units
Natural Gas (MMBtu)	795,553,773
Electricity (MWh)	55,658,483
Foreign Currency Exchange (\$ CAD)	65,074,206
FTR (MWh)	10,485,618

Various subsidiaries of the Company have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to request that the Company 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 the Company can be asked 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 the Company 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 December 31, 2013, DTE Energy's contractual obligation 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 \$406 million.

As of December 31, 2013, the Company had approximately \$1,176 million of derivatives in net liability positions, for which hard triggers exist. Collateral of approximately \$25 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 \$902 million. The net remaining amount of approximately \$249 million is derived from the \$406 million noted above.

#### NOTE 5 — GOODWILL

The Company has goodwill resulting from purchase business combinations.

The change in the carrying amount of goodwill for the fiscal years ended December 31, 2013 and 2012 is as follows:

	2013	2012
	(In millions)	
Balance as of January 1	\$2,018	\$2,020
Goodwill attributable to sale of Unconventional Gas Production business	—	(2 )

Balance at December 31	\$2,018	\$2,018
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NOTE 6 — ACQUISITION

In the fourth quarter of 2012, the Company closed on the purchase of a portfolio of fourteen on-site energy projects from subsidiaries of Duke Energy Corporation and GDF Suez Energy North America, Inc. This acquisition provided a growth opportunity for the Company's Power and Industrial Projects segment that leverages its extensive energy-related operating experience and project management capabilities.

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

The purchase of equity interests ranged from 46 percent to 100 percent of the project companies for a total purchase price of approximately \$294 million, which consisted of \$220 million paid in cash and assumption of approximately \$74 million of debt. The debt assumed related to two project companies which have been deemed variable interest entities. DTE, however, was determined not to be the primary beneficiary and thus the VIEs' assets and liabilities are not included in the Company's Consolidated Statements of Financial Position. Therefore, the assumed debt was not included in the purchase price allocation table below. There was no exposure to loss related to the debt assumed as the customer of the project companies is obligated to pay the loans in the event of default or termination. The following table summarizes the fair value of the assets acquired and liabilities assumed as of the closing date:

	(In millions)
Cash	\$22
Accounts receivable	14
Other current assets	8
Property, plant and equipment	100
Intangible assets	75
Other noncurrent assets	9
Current liabilities	(7 )
Non-controlling interest	(1 )
Total purchase price	\$220

The intangible assets recorded as a result of the acquisition pertained to existing contracts and agreements, which were valued at approximately \$75 million as of the closing date. The intangible assets are amortized on a straight line basis over a weighted-average amortization period of approximately eight years. The Company did not record any goodwill due to the acquisition.

The Company's 2012 results of operations included revenue of \$30 million and net income of \$2 million associated with the acquired project companies for the approximate three-month period following the closing date. The pro forma results of operations have not been presented for DTE Energy because the effects of the acquisition were not material to our consolidated results of operations.

#### NOTE 7 — DISCONTINUED OPERATIONS

##### Sale of Unconventional Gas Production Business

In December 2012, the Company sold its 100% equity interest in its Unconventional Gas Production business which consisted of gas and oil production assets in the western Barnett and Marble Falls shale areas of Texas. The sale resulted in gross proceeds of approximately \$255 million, which resulted in a pre-tax loss of approximately \$83 million (\$55 million after tax). The activity of the discontinued business is shown below. The amounts exclude general corporate overhead costs, and related tax effects, and no portion of corporate interest costs were allocated to discontinued operations.

	2012	2011
	(In millions)	
Operating Revenues	\$55	\$39
Operation and Maintenance	24	16
Depreciation, Depletion and Amortization	23	18

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Taxes Other Than Income	4	3	
Asset (Gains) and Losses, Net	83	—	
	134	37	
Operating Income (Loss)	(79	) 2	
Other (Income) and Deductions	6	6	
Loss Before Income Taxes	(85	) (4	)
Income Tax Expense (Benefit)	(29	) (1	)
Net Loss Attributable to DTE Energy Company	\$(56	) \$(3	)

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

## NOTE 8 — PROPERTY, PLANT AND EQUIPMENT

Summary of property by classification as of December 31:

	2013	2012	
Property, Plant and Equipment	(In millions)		
DTE Electric			
Generation	\$ 11,127	\$ 10,383	
Distribution	7,603	7,306	
Total DTE Electric	18,730	17,689	
DTE Gas			
Distribution	2,834	2,704	
Storage	431	426	
Other	836	852	
Total DTE Gas	4,101	3,982	
Non-utility and other	2,292	1,960	
Total	25,123	23,631	
Less Accumulated Depreciation, Depletion and Amortization			
DTE Electric			
Generation	(4,004	) (3,880	)
Distribution	(2,947	) (2,837	)
Total DTE Electric	(6,951	) (6,717	)
DTE Gas			
Distribution	(1,129	) (1,057	)
Storage	(138	) (132	)
Other	(338	) (365	)
Total DTE Gas	(1,605	) (1,554	)
Non-utility and other	(767		