

DTE ENERGY CO  
Form 10-Q  
April 26, 2017

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

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FORM 10-Q

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

For the Quarterly Period ended March 31, 2017

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

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

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

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

DTE Energy Yes ☒ No ☐ DTE Electric Yes ☒ No ☐

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

DTE Energy	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
			(Do not check if a smaller reporting company)	Emerging growth company <input type="checkbox"/>
DTE Electric	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
			(Do not check if a smaller reporting company)	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

DTE Energy Yes ☐ No ☒ DTE Electric Yes ☐ No ☒

Number of shares of Common Stock outstanding at March 31, 2017:

Registrant	Description	Shares
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DTE Energy Common Stock, without par value	179,387,424
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DTE Electric Common Stock, \$10 par value, directly owned by DTE Energy	138,632,324
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This combined Form 10-Q is filed separately by two registrants: DTE Energy and DTE Electric. Information contained herein relating to an individual registrant is filed by such registrant solely on its behalf. DTE Electric makes no representation as to information relating exclusively to DTE Energy.

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

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## DEFINITIONS

AFUDC	Allowance for Funds Used During Construction
AGS	Appalachia Gathering System is a midstream natural gas asset located in Pennsylvania and West Virginia. DTE Energy purchased 100% of AGS in October 2016, and this asset is part of DTE Energy's Gas Storage and Pipelines segment.
ASU	Accounting Standards Update issued by the FASB
CCR	Coal Combustion Residuals
CFTC	U.S. Commodity Futures Trading Commission
DTE Electric	DTE Electric Company (a direct wholly-owned subsidiary of DTE Energy) and subsidiary companies
DTE Energy	DTE Energy Company, directly or indirectly the parent of DTE Electric, DTE Gas, and numerous non-utility subsidiaries
DTE Gas	DTE Gas Company (an indirect wholly-owned subsidiary of DTE Energy) and subsidiary companies
EGU	Electric Generating Unit
ELG	Effluent Limitations Guidelines
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FOV	Finding of Violation
FTRs	Financial Transmission Rights are financial instruments that entitle the holder to receive payments related to costs incurred for congestion on the transmission grid.
GCR	A Gas Cost Recovery mechanism authorized by the MPSC that allows DTE Gas to recover through rates its natural gas costs.
GHGs	Greenhouse gases
MDEQ	Michigan Department of Environmental Quality
MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value

NEXUS	NEXUS Gas Transmission, LLC
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services, and other operating related matters are not directly regulated by the MPSC.
NOV	Notice of Violation
NO <sub>x</sub>	Nitrogen Oxides
NRC	U.S. Nuclear Regulatory Commission
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.
PSCR	A Power Supply Cost Recovery mechanism authorized by the MPSC that allows DTE Electric to recover through rates its fuel, fuel-related, and purchased power costs.
REF	Reduced Emissions Fuel
Registrants	DTE Energy and DTE Electric

## DEFINITIONS

Retail access	Michigan legislation provided customers the option of access to alternative suppliers for electricity and natural gas.
SGG	Stonewall Gas Gathering is a midstream natural gas asset located in West Virginia. DTE Energy purchased 55% of SGG in October 2016, and this asset is part of DTE Energy's Gas Storage and Pipelines segment.
TRM	A Transitional Reconciliation Mechanism authorized by the MPSC that allows DTE Electric to recover through rates the deferred net incremental revenue requirement associated with the transition of City of Detroit's Public Lighting Department customers to DTE Electric's distribution system.
SO <sub>2</sub>	Sulfur Dioxide
VIE	Variable Interest Entity
Units of Measurement	
Bcf	Billion cubic feet of natural gas
BTU	Heat value (energy content) of fuel
MMBtu	One million BTU
MWh	Megawatthour of electricity

## FILING FORMAT

This combined Form 10-Q is separately filed by DTE Energy and DTE Electric. Information in this combined Form 10-Q relating to each individual Registrant is filed by such Registrant on its own behalf. DTE Electric makes no representation regarding information relating to any other companies affiliated with DTE Energy other than its own subsidiaries. Neither DTE Energy, nor any of DTE Energy's other subsidiaries (other than DTE Electric), has any obligation in respect of DTE Electric's debt securities, and holders of such debt securities should not consider the financial resources or results of operations of DTE Energy nor any of DTE Energy's other subsidiaries (other than DTE Electric and its own subsidiaries (in relevant circumstances)) in making a decision with respect to DTE Electric's debt securities. Similarly, none of DTE Electric nor any other subsidiary of DTE Energy has any obligation in respect of debt securities of DTE Energy. This combined Form 10-Q should be read in its entirety. No one section of this combined Form 10-Q deals with all aspects of the subject matter of this combined Form 10-Q. This combined Form 10-Q report should be read in conjunction with the Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements and with Management's Discussion and Analysis included in the combined DTE Energy and DTE Electric 2016 Annual Report on Form 10-K.

## FORWARD-LOOKING STATEMENTS

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

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





the timing and extent of changes in interest rates;

the level of borrowings;

the potential for increased costs or delays in completion of significant capital projects;

- changes in, and application of, federal, state, and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings, and audits;

the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;

unplanned outages;

the cost of protecting assets against, or damage due to, cyber crime and terrorism;

employee relations and the impact of collective bargaining agreements;

the risk of a major safety incident at an electric distribution or generation facility and, for DTE Energy, a gas storage, transmission, or distribution facility;

the availability, cost, coverage, and terms of insurance and stability of insurance providers;

cost reduction efforts and the maximization of plant and distribution system performance;

the effects of competition;

changes in and application of accounting standards and financial reporting regulations;

changes in federal or state laws and their interpretation with respect to regulation, energy policy, and other business issues;

contract disputes, binding arbitration, litigation, and related appeals;

- implementation of new information systems; and

the risks discussed in the Registrants' public filings with the Securities and Exchange Commission.

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

## Part I — Financial Information

## Item 1. Financial Statements

## DTE Energy Company

## Consolidated Statements of Operations (Unaudited)

Three Months  
 Ended March 31,  
 2017    2016  
 (In millions,  
 except per share  
 amounts)

Operating Revenues		
Utility operations	\$1,718	\$1,664
Non-utility operations	1,518	902
	3,236	2,566
Operating Expenses		
Fuel, purchased power, and gas — utility	529	565
Fuel, purchased power, and gas — non-utility	1,180	776
Operation and maintenance	600	516
Depreciation and amortization	249	229
Taxes other than income	109	99
	2,667	2,185
Operating Income	569	381
Other (Income) and Deductions		
Interest expense	125	113
Interest income	(3)	(11)
Other income	(64)	(52)
Other expenses	7	8
	65	58
Income Before Income Taxes	504	323
Income Tax Expense	110	83
Net Income	394	240
Less: Net Loss Attributable to Noncontrolling Interests	(6)	(7)
Net Income Attributable to DTE Energy Company	\$400	\$247
Basic Earnings per Common Share		
Net Income Attributable to DTE Energy Company	\$2.23	\$1.38
Diluted Earnings per Common Share		
Net Income Attributable to DTE Energy Company	\$2.23	\$1.37

Weighted Average Common Shares Outstanding

Basic	179	179
Diluted	179	180
Dividends Declared per Common Share	\$0.825	\$0.73

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31, 2017 2016 (In millions)	
Net Income	\$394	\$240
Other comprehensive income, net of tax:		
Benefit obligations, net of taxes of \$2, for both periods	4	3
Foreign currency translation	—	2
Other comprehensive income	4	5
Comprehensive income	398	245
Less comprehensive loss attributable to noncontrolling interests	(6 )	(7 )
Comprehensive Income Attributable to DTE Energy Company	\$404	\$252

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited)

	March 31, 2017 (In millions)	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 82	\$ 92
Restricted cash	20	21
Accounts receivable (less allowance for doubtful accounts of \$32 and \$41, respectively)		
Customer	1,408	1,522
Other	101	71
Inventories		
Fuel and gas	286	416
Materials and supplies	354	356
Derivative assets	68	47
Regulatory assets	26	42
Other	222	195
	2,567	2,762
<b>Investments</b>		
Nuclear decommissioning trust funds	1,364	1,320
Investments in equity method investees	868	752
Other	210	201
	2,442	2,273
<b>Property</b>		
Property, plant, and equipment	30,287	30,029
Accumulated depreciation and amortization	(10,421)	(10,299)
	19,866	19,730
<b>Other Assets</b>		
Goodwill	2,292	2,286
Regulatory assets	3,833	3,871
Intangible assets	837	842
Notes receivable	71	73
Derivative assets	73	34
Other	168	170
	7,274	7,276
<b>Total Assets</b>	<b>\$ 32,149</b>	<b>\$ 32,041</b>

See Combined Notes to Consolidated Financial Statements (Unaudited)



## DTE Energy Company

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

	March 31, 2017	December 31, 2016
	(In millions, except shares)	
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities		
Accounts payable	\$910	\$1,079
Accrued interest	131	96
Dividends payable	148	148
Short-term borrowings	59	499
Current portion long-term debt, including capital leases	13	14
Derivative liabilities	33	69
Gas inventory equalization	86	—
Regulatory liabilities	37	34
Other	417	498
	1,834	2,437
Long-Term Debt (net of current portion)		
Mortgage bonds, notes, and other	10,999	10,506
Junior subordinated debentures	756	756
Capital lease obligations	3	7
	11,758	11,269
Other Liabilities		
Deferred income taxes	4,270	4,162
Regulatory liabilities	563	555
Asset retirement obligations	2,229	2,197
Unamortized investment tax credit	91	93
Derivative liabilities	93	98
Accrued pension liability	1,022	1,152
Accrued postretirement liability	63	36
Nuclear decommissioning	203	194
Other	335	349
	8,869	8,836
Commitments and Contingencies (Notes 5 and 11)		
Equity		
Common stock, without par value, 400,000,000 shares authorized, and 179,387,424 and 179,432,581 shares issued and outstanding, respectively	3,958	4,030
Retained earnings	5,365	5,114
Accumulated other comprehensive loss	(129)	(133)
Total DTE Energy Company Equity	9,194	9,011
Noncontrolling interests	494	488
Total Equity	9,688	9,499
Total Liabilities and Equity	\$32,149	\$32,041



See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,		
	2017		2016
	(In millions)		
Operating Activities			
Net Income	\$	394	\$ 240
Adjustments to reconcile Net Income to net cash from operating activities:			
Depreciation and amortization	249		229
Nuclear fuel amortization	12		15
Allowance for equity funds used during construction	(7	)	(5
Deferred income taxes	100		80
Equity earnings of equity method investees	(26	)	(15
Dividends from equity method investees	18		18
Changes in assets and liabilities:			
Accounts receivable, net	84		97
Inventories	135		143
Accounts payable	(33	)	(93
Gas inventory equalization	86		87
Accrued pension liability	(130	)	(3
Accrued postretirement liability	27		(29
Derivative assets and liabilities	(100	)	40
Regulatory assets and liabilities	128		34
Other current and noncurrent assets and liabilities	(150	)	(93
Net cash from operating activities	787		745
Investing Activities			
Plant and equipment expenditures — utility	(533	)	(394
Plant and equipment expenditures — non-utility	(22	)	(30
Proceeds from sale of nuclear decommissioning	394		260

trust fund assets				
Investment in nuclear decommissioning trust funds	(378)	)	(262)	)
Distributions from equity method investees	6		3	
Contributions to equity method investees	(112)	)	(26)	)
Other	4		12	
Net cash used for investing activities	(641)	)	(437)	)
Financing Activities				
Issuance of long-term debt, net of issuance costs	496		—	
Redemption of long-term debt	(5)	)	(11)	)
Short-term borrowings, net	(440)	)	(134)	)
Repurchase of common stock	(51)	)	(33)	)
Dividends on common stock	(148)	)	(131)	)
Other	(8)	)	(1)	)
Net cash used for financing activities	(156)	)	(310)	)
Net Decrease in Cash and Cash Equivalents	(10)	)	(2)	)
Cash and Cash Equivalents at Beginning of Period	92		37	
Cash and Cash Equivalents at End of Period	\$ 82		\$ 35	
Supplemental disclosure of non-cash investing and financing activities				
Plant and equipment expenditures in accounts payable	\$ 196		\$ 134	

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained	Accumulated	Other	Noncontrolling	
	Shares	Amount	Earnings	Comprehensive	Income	Interests	Total
				(Loss)			
(Dollars in millions, shares in thousands)							
Balance, December 31, 2016	179,433	\$4,030	\$ 5,114	\$ (133 )	\$ 488		\$9,499
Net Income (Loss)	—	—	400	—	(6 )		394
Dividends declared on common stock	—	—	(148 )	—	—		(148 )
Repurchase of common stock	(524 )	(51 )	—	—	—		(51 )
Benefit obligations, net of tax	—	—	—	4	—		4
Stock-based compensation, net contributions from noncontrolling interests, and other	478	(21 )	(1 )	—	12		(10 )
Balance, March 31, 2017	179,387	\$3,958	\$ 5,365	\$ (129 )	\$ 494		\$9,688

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31, 2017    2016 (In millions)	
Operating Revenues — Utility operations	\$1,175	\$1,153
Operating Expenses		
Fuel and purchased power — utility	314	335
Operation and maintenance	383	324
Depreciation and amortization	181	176
Taxes other than income	80	73
	958	908
Operating Income	217	245
Other (Income) and Deductions		
Interest expense	66	65
Interest income	—	(8 )
Other income	(19 )	(16 )
Other expenses	7	7
	54	48
Income Before Income Taxes	163	197
Income Tax Expense	57	70
Net Income	\$106	\$127

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31, 2017	2016
	(In millions)	
Net Income	\$106	\$127
Other comprehensive income	—	—
Comprehensive Income	\$106	\$127

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Financial Position (Unaudited)

	March 31, 2017 (In millions)	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 11	\$ 13
Accounts receivable (less allowance for doubtful accounts of \$19 and \$25, respectively)		
Customer	654	728
Affiliates	19	12
Other	38	29
Inventories		
Fuel	178	225
Materials and supplies	276	271
Regulatory assets	11	36
Prepaid property tax	89	45
Other	16	18
	1,292	1,377
<b>Investments</b>		
Nuclear decommissioning trust funds	1,364	1,320
Other	34	36
	1,398	1,356
<b>Property</b>		
Property, plant, and equipment	22,276	22,094
Accumulated depreciation and amortization	(7,812)	(7,721)
	14,464	14,373
<b>Other Assets</b>		
Regulatory assets	3,090	3,113
Intangible assets	32	31
Prepaid postretirement costs — affiliates	114	114
Other	125	125
	3,361	3,383
<b>Total Assets</b>	<b>\$ 20,515</b>	<b>\$ 20,489</b>

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

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

	March 31, 2017	December 31, 2016
	(In millions, except shares)	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable		
Affiliates	\$55	\$ 58
Other	384	452
Accrued interest	72	65
Current portion long-term debt, including capital leases	5	6
Regulatory liabilities	33	27
Short-term borrowings		
Affiliates	205	117
Other	59	62
Other	149	146
	962	933
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	5,879	5,878
Capital lease obligations	3	7
	5,882	5,885
<b>Other Liabilities</b>		
Deferred income taxes	3,850	3,793
Regulatory liabilities	241	229
Asset retirement obligations	2,041	2,012
Unamortized investment tax credit	88	90
Nuclear decommissioning	203	194
Accrued pension liability — affiliates	885	1,008
Accrued postretirement liability — affiliates	290	269
Other	79	81
	7,677	7,676
<b>Commitments and Contingencies (Notes 5 and 11)</b>		
<b>Shareholder's Equity</b>		
Common stock, \$10 par value, 400,000,000 shares authorized, and 138,632,324 shares issued and outstanding	4,206	4,206
Retained earnings	1,786	1,787
Accumulated other comprehensive income	2	2
Total Shareholder's Equity	5,994	5,995
Total Liabilities and Shareholder's Equity	\$20,515	\$ 20,489

See Combined Notes to Consolidated Financial Statements (Unaudited)





## DTE Electric Company

## Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,		2016
	2017		
	(In millions)		
Operating Activities			
Net Income	\$ 106		\$ 127
Adjustments to reconcile Net Income to net cash from operating activities:			
Depreciation and amortization	181		176
Nuclear fuel amortization	12		15
Allowance for equity funds used during construction	(6 )		(4 )
Deferred income taxes	57		70
Changes in assets and liabilities:			
Accounts receivable, net	58		57
Inventories	44		31
Accounts payable	26		25
Accrued pension liability — affiliates	(123 )		3
Accrued postretirement liability — affiliates	21		(19 )
Regulatory assets and liabilities	122		40
Other current and noncurrent assets and liabilities	(87 )		(68 )
Net cash from operating activities	411		453
Investing Activities			
Plant and equipment expenditures	(408 )		(315 )
Proceeds from sale of assets	—		6
Proceeds from sale of nuclear decommissioning trust fund assets	394		260
Investment in nuclear decommissioning trust funds	(378 )		(262 )
Other	5		14
Net cash used for investing activities	(387 )		(297 )

## Financing Activities

Redemption of long-term debt	—	(10)	)
Short-term borrowings, net — affiliate	88	22	
Short-term borrowings, net — other	(3)	(61)	)
Dividends on common stock	(108)	(105)	)
Other	(3)	—	
Net cash used for financing activities	(26)	(154)	)
Net Increase (Decrease) in Cash and Cash Equivalents	(2)	2	
Cash and Cash Equivalents at Beginning of Period		15	
Cash and Cash Equivalents at End of Period	\$ 11	\$ 17	

## Supplemental disclosure of non-cash investing and financing activities

Plant and equipment expenditures in accounts payable	\$ 134	\$ 100
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See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

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

	Common Stock		Additional	Retained	Accumulated	
	Shares	Amount	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					Income	
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2016	138,632	\$ 1,386	\$ 2,820	\$ 1,787	\$ 2	\$5,995
Net Income	—	—	—	106	—	106
Dividends declared on common stock	—	—	—	(108 )	—	(108 )
Other	—	—	—	1	—	1
Balance, March 31, 2017	138,632	\$ 1,386	\$ 2,820	\$ 1,786	\$ 2	\$5,994

See Combined Notes to Consolidated Financial Statements (Unaudited)

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

Index of Combined Notes to Consolidated Financial Statements (Unaudited)

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

Note 1	Organization and Basis of Presentation	DTE Energy and DTE Electric
Note 2	Significant Accounting Policies	DTE Energy and DTE Electric
Note 3	New Accounting Pronouncements	DTE Energy and DTE Electric
Note 4	Acquisition	DTE Energy
Note 5	Regulatory Matters	DTE Energy and DTE Electric
Note 6	Earnings per Share	DTE Energy
Note 7	Fair Value	DTE Energy and DTE Electric
Note 8	Financial and Other Derivative Instruments	DTE Energy and DTE Electric
Note 9	Long-Term Debt	DTE Energy
Note 10	Short-Term Credit Arrangements and Borrowings	DTE Energy and DTE Electric
Note 11	Commitments and Contingencies	DTE Energy and DTE Electric
Note 12	Retirement Benefits and Trusteed Assets	DTE Energy and DTE Electric
Note 13	Segment and Related Information	DTE Energy

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

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

• DTE Gas is a public utility engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.3 million customers throughout Michigan and the sale of storage and transportation capacity; and

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

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

Basis of Presentation

The Consolidated Financial Statements should be read in conjunction with the Combined Notes to Consolidated Financial Statements included in the combined DTE Energy and DTE Electric 2016 Annual Report on Form 10-K. The accompanying Consolidated Financial Statements of the Registrants are prepared using accounting principles generally accepted in the United States of America. These accounting principles require management to use estimates and assumptions that impact reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from the Registrants' estimates.

The Consolidated Financial Statements are unaudited but, in the Registrants' opinions include all adjustments necessary to present a fair statement of the results for the interim periods. All adjustments are of a normal recurring nature, except as otherwise disclosed in these Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2017.

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

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

Certain prior year balances for the Registrants were reclassified to match the current year's Consolidated Financial Statements presentation.

Principles of Consolidation

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

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

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

DTE Energy owns a 55% interest in SGG, which owns and operates midstream natural gas assets. SGG has contracts through which certain construction risk is designed to pass-through to the customers, with DTE Energy retaining operational and customer default risk. SGG is a VIE with DTE Energy as the primary beneficiary. See Note 4 to the Consolidated Financial Statements, "Acquisition," for more information.

DTE Energy has variable interests in VIEs through certain of its long-term purchase and sale contracts. DTE Electric has variable interests in VIEs through certain of its long-term purchase contracts. As of March 31, 2017, the carrying amount of assets and liabilities in DTE Energy's Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase and sale contracts are predominantly related to working capital accounts and generally represent the amounts owed by or to DTE Energy for the deliveries associated with the current billing cycle under the contracts. As of March 31, 2017, the carrying amount of assets and liabilities in DTE Electric's Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase contracts are predominantly related to working capital accounts and generally represent the amounts owed by DTE Electric for the deliveries associated with the current billing cycle under the contracts. The Registrants have not provided any significant form of financial support associated with these long-term contracts. There is no significant potential exposure to loss as a result of DTE Energy's variable interests through these long-term purchase and sale contracts. In addition, there is no significant potential exposure to loss as a result of DTE Electric's variable interests through these long-term purchase contracts.

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



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

The following table summarizes the major Consolidated Statements of Financial Position items for consolidated VIEs as of March 31, 2017 and December 31, 2016. All assets and liabilities of a consolidated VIE are presented where it has been determined that a consolidated VIE has either (1) assets that can be used only to settle obligations of the VIE or (2) liabilities for which creditors do not have recourse to the general credit of the primary beneficiary. VIEs, in which DTE Energy holds a majority voting interest and is the primary beneficiary, that meet the definition of a business and whose assets can be used for purposes other than the settlement of the VIE's obligations have been excluded from the table below.

	March 31, 2017	December 31, 2016
SGG <sup>(a)</sup>		
Other		