DTE ENERGY CO
Form 10-Q
April 24, 2019

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period ended March 31, 2019

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 x No o DTE Electric Company (DTE Electric) Yes x No o
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).
DTE Energy Yes x No o DTE Electric Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 x	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o	Emerging growth company o
DTE Electric	Large accelerated filer o	Accelerated filer o	Non-accelerated filer x	Smaller reporting company o	Emerging growth company o

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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
DTE Energy Yes o No x DTE Electric Yes o No x

Number of shares of Common Stock outstanding at March 31, 2019:

Registrant	Description	Shares
DTE Energy	Common Stock, without par value	183,212,427
DTE Electric	Common Stock, $10 par value, directly owned by DTE Energy	138,632,324

This combined Form 10-Q is filed separately by two registrants: DTE Energy and DTE Electric. Information contained herein relating to any individual registrant is filed by such registrant solely on its own 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
Equity units	DTE Energy's 2016 equity units issued in October 2016, which were used to finance the October 1, 2016 Gas Storage and Pipelines acquisition
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
Green Bonds	A financing option to fund projects that have a positive environmental impact based upon a specified set of criteria. The proceeds are required to be used for eligible green expenditures.
MDEQ	Michigan Department of Environmental Quality

MGP	Manufactured Gas Plant
MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value
NEXUS	NEXUS Gas Transmission, LLC, a joint venture in which DTE Energy own a 50% partnership interest.
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_X	Nitrogen Oxides
NRC	U.S. Nuclear Regulatory Commission
PG&E	Pacific Gas and Electric Corporation

DEFINITIONS

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.
RDM	A Revenue Decoupling Mechanism authorized by the MPSC that is designed to minimize the impact on revenues of changes in average customer usage.
REC	Renewable Energy Credit
REF	Reduced Emissions Fuel
Registrants	DTE Energy and DTE Electric
Retail access	Michigan legislation provided customers the option of access to alternative suppliers for electricity and natural gas.
RNG	Renewable Natural Gas
SEC	Securities and Exchange Commission
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.
SO_2	Sulfur Dioxide
TCJA	Tax Cuts and Jobs Act of 2017
TCJA rate reduction liability	Beginning January 1, 2018, as a result of the change in the corporate tax rate, DTE Electric and DTE Gas have reduced revenue and recorded an offsetting regulatory liability
Topic 606	FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, as amended
Topic 840	FASB issued ASC 840, Leases
Topic 842	FASB issued ASU No. 2016-02, Leases, as amended, which replaced Topic 840
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.
VIE	Variable Interest Entity

Units of Measurement

Bcf	Billion cubic feet of natural gas
BTU	British thermal unit, heat value (energy content) of fuel
MMBtu	One million BTU
MWh	Megawatt-hour 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 to 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 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 2018 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," "may," "could," "projected," "aspiration," "plans," 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;
- the operational failure of electric or gas distribution systems or infrastructure;
- 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;
- the risk of a major safety incident;
- environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements;
- the cost of protecting assets against, or damage due to, cyber incidents and terrorism;
- health, safety, financial, environmental, and regulatory risks associated with ownership and operation of nuclear facilities;
- volatility in the short-term natural gas storage markets impacting third-party storage revenues related to DTE Energy;
- volatility in commodity markets, deviations in weather, and related risks impacting the results of DTE Energy's energy trading operations;
- changes in the cost and availability of coal and other raw materials, purchased power, and natural gas;
- advances in technology that produce power, store power, or reduce power consumption;

- changes in the financial condition of 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;
- 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;
- contract disputes, binding arbitration, litigation, and related appeals; and
- the risks discussed in the Registrants' public filings with the Securities and Exchange Commission.

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

Part I — Financial Information
Item 1. Financial Statements

DTE Energy Company

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In millions, except per share amounts)	
Operating Revenues		
Utility operations	$1,864	$1,740
Non-utility operations	1,650	2,013
	3,514	3,753
Operating Expenses		
Fuel, purchased power, and gas — utility	582	553
Fuel, purchased power, and gas — non-utility	1,385	1,773
Operation and maintenance	591	534
Depreciation and amortization	296	281
Taxes other than income	118	111
Asset (gains) losses and impairments, net	—	(3)
	2,972	3,249
Operating Income	542	504
Other (Income) and Deductions		
Interest expense	152	135
Interest income	(4)	(3)
Non-operating retirement benefits, net	9	9
Other income	(88)	(81)
Other expenses	11	25
	80	85
Income Before Income Taxes	462	419
Income Tax Expense	54	68
Net Income	408	351
Less: Net Income (Loss) Attributable to Noncontrolling Interests	7	(10)
Net Income Attributable to DTE Energy Company	$401	$361
Basic Earnings per Common Share		
Net Income Attributable to DTE Energy Company	$2.20	$2.01
Diluted Earnings per Common Share		
Net Income Attributable to DTE Energy Company	$2.19	$2.00

Weighted Average Common Shares Outstanding		
Basic	182	180
Diluted	183	180

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net Income	$408	$351
Other comprehensive income (loss), net of tax:		
Benefit obligations, net of taxes of $1 and $1, respectively	4	2
Net unrealized losses on derivatives during the period, net of taxes of $(1) and $—, respectively	(3)	—
Foreign currency translation	1	—
Other comprehensive income	2	2
Comprehensive income	410	353
Less: Comprehensive income (loss) attributable to noncontrolling interests	7	(10)
Comprehensive Income Attributable to DTE Energy Company	$403	$363

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Financial Position (Unaudited)

	March 31, 2019	December 31, 2018
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 56	$ 71
Restricted cash	5	5
Accounts receivable (less allowance for doubtful accounts of $91 for both periods)		
Customer	1,683	1,789
Other	72	108
Inventories		
Fuel and gas	195	406
Materials and supplies	409	405
Derivative assets	72	102
Regulatory assets	117	153
Other	231	221
	2,840	3,260
Investments		
Nuclear decommissioning trust funds	1,509	1,378
Investments in equity method investees	1,772	1,771
Other	238	219
	3,519	3,368
Property		
Property, plant, and equipment	32,214	31,810
Accumulated depreciation and amortization	(10,350)	(10,160)
	21,864	21,650
Other Assets		
Goodwill	2,293	2,293
Regulatory assets	4,520	4,568
Intangible assets	846	849
Notes receivable	158	64
Derivative assets	22	31
Prepaid postretirement costs	76	45
Operating lease right-of-use assets	138	—
Other	158	160
	8,211	8,010

Total Assets	$	36,434	$	36,288

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

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

	March 31, 2019	December 31, 2018
	(In millions, except shares)	
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$981	$1,329
Accrued interest	149	127
Dividends payable	173	172
Short-term borrowings	156	609
Current portion long-term debt, including finance leases	1,499	1,499
Derivative liabilities	50	67
Gas inventory equalization	88	—
Regulatory liabilities	95	126
Operating lease liabilities	33	—
Other	423	509
	3,647	4,438
Long-Term Debt (net of current portion)		
Mortgage bonds, notes, and other	11,624	10,982
Junior subordinated debentures	1,146	1,145
Finance lease liabilities	6	7
	12,776	12,134
Other Liabilities		
Deferred income taxes	2,029	1,975
Regulatory liabilities	2,895	2,922
Asset retirement obligations	2,500	2,469
Unamortized investment tax credit	137	138
Derivative liabilities	52	89
Accrued pension liability	722	837
Nuclear decommissioning	224	205
Operating lease liabilities	98	—
Other	334	364
	8,991	8,999
Commitments and Contingencies (Notes 5 and 12)		
Equity		
Common stock (No par value, 400,000,000 shares authorized, and 183,212,427 and 181,925,281 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively)	4,324	4,245
Retained earnings	6,364	6,112
Accumulated other comprehensive loss	(143)	(120)
Total DTE Energy Company Equity	10,545	10,237
Noncontrolling interests	475	480
Total Equity	11,020	10,717
Total Liabilities and Equity	$36,434	$36,288

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2019		2018	
	(In millions)			
Operating Activities				
Net Income	$ 408		$ 351	
Adjustments to reconcile Net Income to Net cash from operating activities:				
Depreciation and amortization	296		281	
Nuclear fuel amortization	15		15	
Allowance for equity funds used during construction	(7	)	(7	)
Deferred income taxes	49		60	
Equity earnings of equity method investees	(23	)	(21	)
Dividends from equity method investees	44		15	
Changes in assets and liabilities:				
Accounts receivable, net	143		33	
Inventories	207		182	
Prepaid postretirement benefit costs	(31	)	—	
Accounts payable	(288	)	(136	)
Gas inventory equalization	88		85	
Accrued pension liability	(115	)	(187	)
Accrued postretirement liability	—		(36	)
Derivative assets and liabilities	(15	)	(7	)
Regulatory assets and liabilities	112		148	
Other current and noncurrent assets and liabilities	(131	)	62	
Net cash from operating activities	752		838	
Investing Activities				
Plant and equipment expenditures — utility	(641	)	(466	)
Plant and equipment expenditures — non-utility	(27	)	(61	)

Proceeds from sale of nuclear decommissioning trust fund assets	176	336
Investment in nuclear decommissioning trust funds	(178)	(337)
Distributions from equity method investees	1	4
Contributions to equity method investees	(22)	(64)
Notes receivable	(48)	3
Other	(9)	(1)
Net cash used for investing activities	(748)	(586)
Financing Activities		
Issuance of long-term debt, net of issuance costs	644	—
Short-term borrowings, net	(453)	14
Dividends paid on common stock	(172)	(158)
Contributions from noncontrolling interest, principally REF entities	9	12
Distributions to noncontrolling interests	(21)	(4)
Other	(26)	(19)
Net cash used for financing activities	(19)	(155)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(15)	97
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	76	89
Cash, Cash Equivalents, and Restricted Cash at End of Period	$ 61	$ 186
Supplemental disclosure of non-cash investing and financing activities		
Plant and equipment expenditures in accounts payable	$ 235	$ 179

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2018	181,925	$4,245	$6,112	$ (120)	$ 480	$10,717
Implementation of ASU 2018-02	—	—	25	(25)	—	—
Net Income	—	—	401	—	7	408
Dividends declared on common stock ($0.945 per Common Share)	—	—	(173)	—	—	(173)
Contribution of common stock to pension plan	815	100	—	—	—	100
Other comprehensive income, net of tax	—	—	—	2	—	2
Stock-based compensation, net contributions from noncontrolling interests, and other	472	(21)	(1)	—	(12)	(34)
Balance, March 31, 2019	183,212	$4,324	$6,364	$ (143)	$ 475	$11,020

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Shares	Amount				
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2017	179,387	$3,989	$5,643	$ (120)	$ 478	$9,990
Implementation of ASU 2016-01	—	—	5	(5)	—	—
Net Income (Loss)	—	—	361	—	(10)	351
Dividends declared on common stock ($0.88 per Common Share)	—	—	(160)	—	—	(160)
Contribution of common stock to pension plan	1,751	175	—	—	—	175
Other comprehensive income, net of tax	—	—	—	2	—	2
Stock-based compensation, net contributions from noncontrolling interests, and other	345	(1)	(1)	—	7	5
Balance, March 31, 2018	181,483	$4,163	$5,848	$ (123)	$ 475	$10,363

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Operating Revenues — Utility operations	$1,235	$1,205
Operating Expenses		
Fuel and purchased power — utility	346	339
Operation and maintenance	358	320
Depreciation and amortization	221	212
Taxes other than income	84	81
	1,009	952
Operating Income	226	253
Other (Income) and Deductions		
Interest expense	76	68
Interest income	(1)	—
Other income	(33)	(27)
Other expenses	8	25
	50	66
Income Before Income Taxes	176	187
Income Tax Expense	29	47
Net Income	$147	$140

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net Income	$147	$140
Other comprehensive income	—	—
Comprehensive Income	$147	$140

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Financial Position (Unaudited)

	March 31, 2019	December 31, 2018
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10	$ 18
Accounts receivable (less allowance for doubtful accounts of $49 and $53, respectively)		
Customer	728	750
Affiliates	15	11
Other	25	54
Inventories		
Fuel	116	171
Materials and supplies	283	279
Notes receivable		
Affiliates	83	—
Other	13	6
Regulatory assets	102	148
Prepaid property tax	87	47
Other	27	36
	1,489	1,520
Investments		
Nuclear decommissioning trust funds	1,509	1,378
Other	35	34
	1,544	1,412
Property		
Property, plant, and equipment	23,100	22,747
Accumulated depreciation and amortization	(7,442)	(7,310)
	15,658	15,437
Other Assets		
Regulatory assets	3,791	3,829
Intangible assets	24	21
Prepaid postretirement costs — affiliates	189	189
Operating lease right-of-use assets	70	—
Other	135	121
	4,209	4,160
Total Assets	$ 22,900	$ 22,529

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

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

	March 31, 2019	December 31, 2018
	(In millions, except shares)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable		
Affiliates	$71	$ 71
Other	363	441
Accrued interest	81	74
Accrued vacation	44	41
Current portion long-term debt, including finance leases	4	4
Regulatory liabilities	87	98
Short-term borrowings		
Affiliates	51	101
Other	—	149
Operating lease liabilities	14	—
Other	101	98
	816	1,077
Long-Term Debt (net of current portion)		
Mortgage bonds, notes, and other	7,178	6,538
Finance lease liabilities	6	7
	7,184	6,545
Other Liabilities		
Deferred income taxes	2,276	2,246
Regulatory liabilities	2,142	2,171
Asset retirement obligations	2,299	2,271
Unamortized investment tax credit	136	137
Nuclear decommissioning	224	205
Accrued pension liability — affiliates	615	718
Accrued postretirement liability — affiliates	257	278
Operating lease liabilities	50	—
Other	85	88
	8,084	8,114
Commitments and Contingencies (Notes 5 and 12)		
Shareholder's Equity		
Common stock ($10 par value, 400,000,000 shares authorized, and 138,632,324 shares issued and outstanding for both periods)	4,631	4,631
Retained earnings	2,185	2,162
Total Shareholder's Equity	6,816	6,793
Total Liabilities and Shareholder's Equity	$22,900	$ 22,529

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31, 2019		2018	
	(In millions)			
Operating Activities				
Net Income	$ 147		$ 140	
Adjustments to reconcile Net Income to Net cash from operating activities:				
Depreciation and amortization	221		212	
Nuclear fuel amortization	15		15	
Allowance for equity funds used during construction	(6	)	(5	)
Deferred income taxes	23		48	
Changes in assets and liabilities:				
Accounts receivable, net	47		39	
Inventories	51		50	
Accounts payable	(36	)	(30	)
Accrued pension liability — affiliates	(103	)	(178	)
Accrued postretirement liability — affiliates	(21	)	(24	)
Regulatory assets and liabilities	130		97	
Other current and noncurrent assets and liabilities	(146	)	(41	)
Net cash from operating activities	322		323	
Investing Activities				
Plant and equipment expenditures	(531	)	(370	)
Notes receivable, including affiliates	(96	)	—	
Proceeds from sale of nuclear decommissioning trust fund assets	176		336	
Investment in nuclear decommissioning trust funds	(178	)	(337	)
Other	(10	)	—	
Net cash used for investing activities	(639	)	(371	)

Financing Activities		
Issuance of long-term debt, net of issuance costs	644	—
Short-term borrowings, net — affiliate	(50)	26
Short-term borrowings, net — other	(149)	142
Dividends paid on common stock	(124)	(115)
Other	(12)	(4)
Net cash from financing activities	309	49
Net Increase (Decrease) in Cash and Cash Equivalents	(8)	1
Cash and Cash Equivalents at Beginning of Period	18	15
Cash and Cash Equivalents at End of Period	$ 10	$ 16
Supplemental disclosure of non-cash investing and financing activities		
Plant and equipment expenditures in accounts payable	$ 140	$ 109

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

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

	Common Stock		Additional Paid-in	Retained Earnings	Total
	Shares	Amount	Capital		
	(Dollars in millions, shares in thousands)				
Balance, December 31, 2018	138,632	$ 1,386	$ 3,245	$ 2,162	$ 6,793
Net Income	—	—	—	147	147
Dividends declared on common stock	—	—	—	(124)	(124)
Balance, March 31, 2019	138,632	$ 1,386	$ 3,245	$ 2,185	$ 6,816

	Common Stock		Additional Paid-in	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Capital			
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2017	138,632	$ 1,386	$ 2,920	$ 1,956	$ 3	$ 6,265
Implementation of ASU 2016-01	—	—	—	3	(3)	—
Net Income	—	—	—	140	—	140
Dividends declared on common stock	—	—	—	(115)	—	(115)
Balance, March 31, 2018	138,632	$ 1,386	$ 2,920	$ 1,984	$ —	$ 6,290

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

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) services related to the gathering, transportation, and storage of natural gas; 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 2018 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, 2019.

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 generally 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.

The Registrants have variable interests in NEXUS, which include DTE Energy's 50% ownership interest and DTE Electric's transportation services contract. NEXUS is a joint venture which owns a 256-mile pipeline to transport Utica and Marcellus shale gas to Ohio, Michigan, and Ontario market centers. NEXUS is a VIE as it has insufficient equity at risk to finance its activities. The Registrants are not the primary beneficiaries, as the power to direct significant activities is shared between the owners of the equity interests. DTE Energy accounts for its ownership interest in NEXUS under the equity method.

The Registrants hold ownership interests in certain limited partnerships. The limited partnerships include investment funds which support regional development and economic growth, as well as, an operational business providing energy-related products. These entities are generally VIEs as a result of certain characteristics of the limited partnership voting rights. The ownership interests are accounted for under the equity method as the Registrants are not the primary beneficiaries.

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, 2019, 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, 2019, 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.

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

The maximum risk exposure for consolidated VIEs is reflected on the Registrants' Consolidated Statements of Financial Position and, for DTE Energy, in Note 12 to the Consolidated Financial Statements, "Commitments and Contingencies," related to the REF guarantees and indemnities. For non-consolidated VIEs, the maximum risk exposure of the Registrants is generally limited to their investment, notes receivable, future funding commitments, and amounts which DTE Energy has guaranteed. See Note 12 to the Consolidated Financial Statements, "Commitments and Contingencies," for further discussion of the NEXUS guarantee arrangements.
The following table summarizes the major Consolidated Statements of Financial Position items for consolidated VIEs as of March 31, 2019 and December 31, 2018. 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.
Amounts for DTE Energy's consolidated VIEs are as follows:

	March 31, 2019			December 31, 2018		
	SGG[(a)]	Other	Total	SGG[(a)]	Other	Total
	(In millions)					
ASSETS						
Cash and cash equivalents	$21	$14	$35	$25	$14	$39
Restricted cash	—	5	5	—	5	5
Accounts receivable	10	28	38	9	37	46
Inventories	—	47	47	1	92	93
Property, plant, and equipment, net	394	42	436	395	46	441
Goodwill	25	—	25	25	—	25
Intangible assets	553	—	553	557	—	557
Other current and long-term assets	1	—	1	3	—	3
	$1,004	$136	$1,140	$1,015	$194	$1,209
LIABILITIES						
Accounts payable and accrued current liabilities	$1	$22	$23	$3	$31	$34
Other current and long-term liabilities	8	10	18	9	10	19
	$9	$32	$41	$12	$41	$53

(a)Amounts shown are 100% of SGG's assets and liabilities, of which DTE Energy owns 55%.
Amounts for DTE Energy's non-consolidated VIEs are as follows:

	March 31, 2019	December 31, 2018
	(In millions)	
Investments in equity method investees	$1,412	$ 1,425
Notes receivable	$26	$ 15
Future funding commitments	$64	$ 55

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

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES
Other Income
The following is a summary of DTE Energy's Other income:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Income from REF entities	$ 27	$ 23
Equity earnings of equity method investees	23	21
Gains from equity securities	17	—
Contract services	8	20
Allowance for equity funds used during construction	7	7
Other	6	10
	$ 88	$ 81

The following is a summary of DTE Electric's Other income:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Gains from equity securities allocated from DTE Energy	$ 17	$ —
Contract services	8	20
Allowance for equity funds used during construction	6	5
Other	2	2
	$ 33	$ 27

Changes in Accumulated Other 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. The amounts recorded to Accumulated other comprehensive income (loss) for DTE Energy include changes in benefit obligations, consisting of deferred actuarial losses and prior service costs, unrealized gains and losses from derivatives accounted for as cash flow hedges, DTE Energy's interest in other comprehensive income of equity investees which comprise the net unrealized gains and losses on investments, and foreign currency translation adjustments. DTE Energy releases income tax effects from accumulated other comprehensive income when the circumstances upon which they are premised cease to exist.
Changes in Accumulated other comprehensive income (loss) are presented in DTE Energy's Consolidated Statements of Changes in Equity and DTE Electric's Consolidated Statements of Changes in Shareholder's Equity. For further discussion regarding changes in Accumulated other comprehensive income (loss), see Note 3 to the Consolidated Financial Statements, "New Accounting Pronouncements." For the three months ended March 31, 2019 and 2018, reclassifications out of Accumulated other comprehensive income (loss) not relating to the adoption of new accounting pronouncements for DTE Energy were not material.

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

Income Taxes

The 2019 estimated annual effective tax rates for DTE Energy and DTE Electric are 12% and 16%, respectively. These tax rates are affected by estimated annual permanent items, including AFUDC equity, production tax credits, and other flow-through items, as well as discrete items that may occur in any given period, but are not consistent from period to period.

The interim effective tax rate of the Registrants are as follows:

	Effective Tax Rate Three Months Ended March 31,	
	2019	2018
DTE Energy	12 %	16 %
DTE Electric	16 %	25 %

The 4% decrease in DTE Energy's effective tax rate for the three months ended March 31, 2019 was primarily due to the amortization of the TCJA regulatory liability of 3% in 2019 and the remeasurement of deferred taxes in 2018 of $21 million that impacted the effective tax rate by 5%. The decrease in the effective tax rate was partially offset by lower production tax credits of 5% in 2019.

The 9% decrease in DTE Electric's effective tax rate for the three months ended March 31, 2019 was primarily due to the amortization of the TCJA regulatory liability of 4% and higher production tax credits of 1% in 2019. The remeasurement of deferred taxes in 2018 of $8 million impacted the effective tax rate by 4%.

DTE Energy's total amount of unrecognized tax benefits as of March 31, 2019 was $8 million, which if recognized, would favorably impact its effective tax rate. DTE Electric's total amount of unrecognized tax benefits as of March 31, 2019 was $10 million, which if recognized, would favorably impact its effective tax rate. The Registrants do not anticipate any material changes to the unrecognized tax benefits in the next twelve months.

DTE Electric had income tax receivables of $3 million with DTE Energy at March 31, 2019 and income tax receivables with DTE Energy of $8 million at December 31, 2018.

Unrecognized Compensation Costs

As of March 31, 2019, DTE Energy had $121 million of total unrecognized compensation cost related to non-vested stock incentive plan arrangements. That cost is expected to be recognized over a weighted-average period of 1.77 years.

Allocated Stock-Based Compensation

DTE Electric received an allocation of costs from DTE Energy associated with stock-based compensation of $13 million and $9 million for the three months ended March 31, 2019 and 2018, respectively.

Cash, 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 and DTE Energy partnership operating agreements. Restricted cash designated for interest and principal payments within one year is classified as a Current Asset.

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

NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), as amended. This guidance requires a lessee to account for leases as finance or operating leases and disclose key information about leasing arrangements. Both types of leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability on its balance sheet, with differing methodology for income statement recognition, depending on the lease classification. The Registrants adopted the standard on January 1, 2019 using the prospective approach. The standard provides a number of transition practical expedients of which the Registrants elected the package of three expedients that must be taken together, allowing entities to not reassess whether an agreement is a lease, to carryforward the existing lease classification, and to not reassess initial direct costs associated with existing leases; but did not elect to apply hindsight in determining lease term and impairment of the right-of-use assets. The Registrants also elected to not evaluate land easements under the new guidance at adoption if they were not previously accounted for as leases. These practical expedients apply to leases that commenced prior to January 1, 2019.

At adoption of the new standard, the Registrants recognized on the Consolidated Statements of Financial Position, right-of-use assets and lease liabilities for certain operating leases of approximately $137 million and $130 million, respectively, for DTE Energy and approximately $74 million and $67 million, respectively, for DTE Electric as of January 1, 2019. The right-of-use lease assets include $9 million of prepaid lease costs that have been reclassified from Other assets, current and noncurrent, and $2 million of deferred lease costs that have been reclassified from Other liabilities, current and noncurrent, for the Registrants. The adoption of the ASU did not have a significant impact on the Registrants' Consolidated Statements of Operations, but required additional disclosures for leases. See Note 11 to the Consolidated Financial Statements, "Leases."

In February 2018, the FASB issued ASU No. 2018-02, Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings from stranded tax effects resulting from the TCJA. The amendments in this update also require entities to disclose their accounting policy for releasing income tax effects from accumulated other comprehensive income. The Registrants adopted the standard effective January 1, 2019. Upon adoption, DTE Energy reclassified $25 million of income tax effects from Accumulated other comprehensive income (loss) to Retained Earnings.

Recently Issued Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update replace the incurred loss impairment methodology in current generally accepted accounting principles with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Entities will apply the new guidance as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The ASU is effective for the Registrants beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Registrants are currently assessing the impact of this standard on their Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurements (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820. The ASU is effective for the Registrants for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Registrants are currently assessing the impact of this standard on their Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-14, Compensation — Retirement Benefits — Defined Benefit Plans (Subtopic 715-20): Disclosure Framework — Changes to the Disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments in this update modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for the Registrants for fiscal years ending after December 15, 2020. Early adoption is permitted. The Registrants are currently assessing the impact of this standard on their Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The ASU is effective for the Registrants for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Registrants are currently assessing the impact of this standard on their Consolidated Financial Statements.

In October 2018, the FASB issued ASU No. 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities. The amendments in this update modify the requirements for determining whether a decision-making fee is a variable interest and require reporting entities to consider indirect interests held through related parties under common control on a proportional basis. The ASU is effective for the Registrants for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Registrants are currently assessing the impact of this standard on their Consolidated Financial Statements.

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

NOTE 4 — REVENUE
Disaggregation of Revenue
The following is a summary of revenues disaggregated by segment for DTE Energy:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Electric[a]		
Residential	$553	$586
Commercial	421	429
Industrial	163	176
Other[b]	98	14
Total Electric operating revenues[c]	$1,235	$1,205
Gas		
Gas sales	$477	$457
End User Transportation	81	85
Intermediate Transportation	26	18
Other[d]	61	(10)
Total Gas operating revenues[e]	$645	$550
Other segment operating revenues		
Gas Storage and Pipelines[f]	$116	$119
Power and Industrial Projects[g]	$388	$567
Energy Trading[h]	$1,301	$1,498

(a) Revenues under the Electric segment generally represent those of DTE Electric.
(b) Includes a reduction of $39 million in revenues related to the TCJA rate reduction liability for the three months ended March 31, 2018. Also includes revenue adjustments related to various regulatory mechanisms.
(c) Includes $4 million and $5 million of other revenues outside the scope of Topic 606 for the three months ended March 31, 2019 and 2018, respectively.
(d) Includes a reduction of $32 million in revenues related to the TCJA rate reduction liability for the three months ended March 31, 2018. Also includes revenue adjustments related to various regulatory mechanisms.
(e) Includes $3 million under Alternative Revenue Programs for the three months ended March 31, 2018 and $2 million of other revenues for both periods, which are both outside the scope of Topic 606.
(f) Includes revenues outside the scope of Topic 606 primarily related to $2 million of contracts accounted for as leases for the three months ended March 31, 2019.
(g) Includes revenues outside the scope of Topic 606 primarily related to $31 million and $28 million of contracts accounted for as leases for the three months ended March 31, 2019 and 2018, respectively.
(h) Includes revenues outside the scope of Topic 606 primarily related to $926 million and $1.2 billion of derivatives for the three months ended March 31, 2019 and 2018, respectively.

Deferred Revenue
The following is a summary of deferred revenue activity:

DTE Energy

	(In millions)
Beginning Balance, January 1, 2019	$ 74
Increases due to cash received or receivable, excluding amounts recognized as revenue during the period	17
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(16)
Ending Balance, March 31, 2019	$ 75

The deferred revenues at DTE Energy generally represent amounts paid by or receivable from customers for which the associated performance obligation has not yet been satisfied.

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

Deferred revenues include amounts associated with REC performance obligations under certain wholesale full requirements power contracts. Deferred revenues associated with RECs are recognized as revenue when control of the RECs has transferred.

Other performance obligations associated with deferred revenues include providing products and services related to customer prepayments. Deferred revenues associated with these products and services are recognized when control has transferred to the customer.

The following table represents deferred revenue amounts for DTE Energy that are expected to be recognized as revenue in future periods:

	DTE Energy
	(In millions)
2019	$ 43
2020	3
2021	5
2022	7
2023	6
2024 and thereafter	11
	$ 75

Transaction Price Allocated to the Remaining Performance Obligations

In accordance with optional exemptions available under Topic 606, the Registrants did not disclose the value of unsatisfied performance obligations for (1) contracts with an original expected length of one year or less, (2) with the exception of fixed consideration, contracts for which revenue is recognized at the amount to which the Registrants have the right to invoice for goods provided and services performed, and (3) contracts for which variable consideration relates entirely to an unsatisfied performance obligation.

Such contracts consist of varying types of performance obligations across the segments, including the supply and delivery of energy related products and services. Contracts with variable volumes and/or variable pricing, including those with pricing provisions tied to a consumer price or other index, have also been excluded as the related consideration under the contract is variable at inception of the contract. Contract lengths vary from cancelable to multi-year.

The Registrants expect to recognize revenue for the following amounts related to fixed consideration associated with remaining performance obligations in each of the future periods noted:

	DTE Energy	DTE Electric
	(In millions)	
2019	$173	$ 6
2020	295	—
2021	240	—
2022	188	—
2023	134	—
2024 and thereafter	656	—
	$1,686	$ 6

Other Matters

DTE Energy has recognized charges of $29 million and $25 million related to expense recognized for estimated uncollectible accounts receivable for the three months ended March 31, 2019 and 2018, respectively. DTE Electric has recognized charges of $16 million and $14 million related to expense recognized for estimated uncollectible accounts receivable for the three months ended March 31, 2019 and 2018, respectively.

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

NOTE 5 — REGULATORY MATTERS

2017 Electric Rate Case Filing

DTE Electric filed a rate case with the MPSC on April 19, 2017 requesting an increase in base rates of $231 million based on a projected twelve-month period ending October 31, 2018. On November 1, 2017, DTE Electric self-implemented a base rate increase of $125 million. On April 18, 2018, the MPSC issued an order approving an annual revenue increase of $65.2 million for service rendered on or after May 1, 2018. The MPSC authorized a return on equity of 10.0%. On June 28, 2018, the MPSC issued an order on a rehearing granting in part and denying in part, petitions for rehearings of DTE Electric and other intervenors. As a result, the approved addition to base rates increased from $65.2 million to $74.4 million. In August 2018, DTE Electric filed to refund its customers $26.2 million, inclusive of interest, based on their pro rata share of the revenue collected through the self-implementation surcharge in effect from November 1, 2017 to May 1, 2018. In March 2019, the MPSC approved the self-implementation refund of $27.2 million, including interest. The refund will be effective on a per kilowatt-hour basis for bills rendered May and June 2019. DTE Electric has a refund liability as of March 31, 2019.

2018 Electric Rate Case Filing

DTE Electric filed a rate case with the MPSC on July 6, 2018 requesting an increase in base rates of $328 million based on a projected twelve-month period ending April 30, 2020. The requested increase in base rates is primarily due to an increase in net plant resulting from infrastructure investments, depreciation expense, as requested in the 2016 DTE Electric Depreciation Case Filing, and reliability improvement projects. The rate filing also requests an increase in return on equity from 10.0% to 10.5% and includes projected changes in sales, operation and maintenance expenses, and working capital. In addition, the rate filing requests an Infrastructure Recovery Mechanism to recover the incremental revenue requirement associated with certain distribution, fossil generation, and nuclear generation capital expenditures through 2022. Finally, as noted in the 2017 Tax Reform section below, DTE Electric addressed Calculation C in this filing. On February 1, 2019, DTE Electric reduced its initial requested increase in base rates to $248.6 million, primarily reflecting the reduction in requested depreciation expense resulting from the MPSC's approval of new depreciation rates. A final MPSC order in this case is expected in May 2019.

2016 DTE Electric Depreciation Case Filing

DTE Electric filed a depreciation case with the MPSC on November 1, 2016 requesting an increase in depreciation rates for plant in service balances as of December 31, 2015. The MPSC issued an order on December 6, 2018 authorizing DTE Electric to increase its composite depreciation rate from 3.06% to 3.72%. The new rates will be effective upon a final order in DTE Electric's 2018 rate case filing expected in May 2019.

2017 Tax Reform

On December 27, 2017, the MPSC issued an order to consider changes in the rates of all Michigan rate-regulated utilities to reflect the effects of the federal TCJA. On January 19, 2018, DTE Electric and DTE Gas filed information with the MPSC regarding the potential change in revenue requirements due to the TCJA effective January 1, 2018 and outlined their recommended method to flow the current and deferred tax benefits of those impacts to ratepayers.

On February 22, 2018, the MPSC issued an order in this case requiring utilities, including DTE Electric and DTE Gas, to follow a 3-step approach of credits and calculations. In 2018, MPSC orders for the first two steps, Credit A and Credit B, were issued for DTE Electric and DTE Gas. The third step is to perform Calculation C to address all remaining issues relative to the new tax law, which is primarily the remeasurement of deferred taxes and how the amounts deferred as Regulatory liabilities will flow to ratepayers. DTE Gas filed its Calculation C case on November 16, 2018 to reduce the revenue requirement by $12 million related to the amortization of deferred tax remeasurement. DTE Electric addressed Calculation C in its general rate case filed July 6, 2018.

NOTE 6 — EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income, adjusted for income allocated to participating securities, by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the dilution that would occur if any potentially dilutive instruments were exercised or converted into common shares. DTE Energy’s participating securities are restricted shares under the stock incentive program that contain rights to receive non-forfeitable dividends. Equity units, performance shares, and stock options do not receive cash dividends; as such, these awards are not considered participating securities.

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

The following is a reconciliation of DTE Energy's basic and diluted income per share calculation:

	Three Months Ended March 31,	
	2019	2018
	(In millions, except per share amounts)	
Basic Earnings per Share		
Net Income Attributable to DTE Energy Company	$401	$361
Less: Allocation of earnings to net restricted stock awards	1	1
Net income available to common shareholders — basic	$400	$360
Average number of common shares outstanding — basic	182	180
Basic Earnings per Common Share	$2.20	$2.01
Diluted Earnings per Share		
Net Income Attributable to DTE Energy Company	$401	$361
Less: Allocation of earnings to net restricted stock awards	1	1
Net income available to common shareholders — diluted	$400	$360
Average number of common shares outstanding — basic	182	180
Incremental shares attributable to:		
Average dilutive equity units, performance share awards, and stock options	1	—
Average number of common shares outstanding — diluted	183	180
Diluted Earnings per Common Share[(a)]	$2.19	$2.00

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(a) The 2016 Equity Units excluded from the calculation of diluted EPS was approximately 6.6 million for the three months ended March 31, 2018 as the dilutive stock price threshold was not met.

NOTE 7 — FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Registrants make certain assumptions they believe that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Registrants and their counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at March 31, 2019 and December 31, 2018. The Registrants believe they use valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

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

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

- Level 1 — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Registrants have the ability to access as of the reporting date.
- Level 2 — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

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The following table presents assets and liabilities for DTE Energy measured and recorded at fair value on a recurring basis[a]:

	March 31, 2019						December 31, 2018					
	Level 1	Level 2	Level 3	Other[b]	Netting[c]	Net Balance	Level 1	Level 2	Level 3	Other[b]	Netting[c]	Net Balance
	(In millions)											
Assets												
Cash equivalents[d]	$17	$2	$—	$—	$—	$19	$16	$2	$—	$—	$—	$18
Nuclear decommissioning trusts												
Equity securities	964	—	—	—	—	964	851	—	—	—	—	851
Fixed income securities	13	504	—	—	—	517	12	490	—	—	—	502
Private equity and other	—	—	—	23	—	23	—	—	—	20	—	20
Cash equivalents	5	—	—	—	—	5	5	—	—	—	—	5
Other investments[e]												
Equity securities	124	—	—	—	—	124	110	—	—	—	—	110
Fixed income securities	72	—	—	—	—	72	69	—	—	—	—	69
Cash equivalents	4	—	—	—	—	4	4	—	—	—	—	4
Other	—	—	—	—	—	—	—	—	—	—	—	—
Derivative assets												
Commodity contracts												
Natural gas	41	80	57	—	(116)	62	199	87	63	—	(277)	72
Electricity	—	134	21	—	(128)	27	—	247	56	—	(252)	51
Other	2	—	2	—	(2)	2	—	—	7	—	(1)	6
Foreign currency exchange contracts	—	3	—	—	—	3	—	4	—	—	—	4
Total derivative assets	43	217	80	—	(246)	94	199	338	126	—	(530)	133
Total	$1,242	$723	$80	$23	$(246)	$1,822	$1,266	$830	$126	$20	$(530)	$1,712
Liabilities												
Derivative liabilities												
Commodity contracts												
Natural gas	$(42)	$(57)	$(67)	$—	$107	$(59)	$(197)	$(71)	$(112)	$—	$272	$(108)
Electricity	—	(119)	(46)	—	128	(37)	—	(227)	(58)	—	240	(45)
Other	—	(1)	—	—	1	—	—	(1)	—	—	1	—
Interest rate contracts	—	(6)	—	—	—	(6)	—	(3)	—	—	—	(3)
	—	—	—	—	—	—	—	—	—	—	—	—

Foreign currency exchange contracts												
Total derivative liabilities	(42)	(183)	(113)	—	236	(102)	(197)	(302)	(170)	—	513	(156)
Total	$(42)	$(183)	$(113)	$ —	$236	$(102)	$(197)	$(302)	$(170)	$ —	$513	$(156)
Net Assets (Liabilities) at end of period	$1,200	$540	$(33)	$ 23	$(10)	$1,720	$1,069	$528	$(44)	$ 20	$(17)	$1,556
Assets												
Current	$57	$167	$61	$ —	$(194)	$91	$212	$273	$96	$ —	$(461)	$120
Noncurrent	1,185	556	19	23	(52)	1,731	1,054	557	30	20	(69)	1,592
Total Assets	$1,242	$723	$80	$ 23	$(246)	$1,822	$1,266	$830	$126	$ 20	$(530)	$1,712
Liabilities												
Current	$(37)	$(147)	$(53)	$ —	$187	$(50)	$(191)	$(251)	$(76)	$ —	$451	$(67)
Noncurrent	(5)	(36)	(60)	—	49	(52)	(6)	(51)	(94)	—	62	(89)
Total Liabilities	$(42)	$(183)	$(113)	$ —	$236	$(102)	$(197)	$(302)	$(170)	$ —	$513	$(156)
Net Assets (Liabilities) at end of period	$1,200	$540	$(33)	$ 23	$(10)	$1,720	$1,069	$528	$(44)	$ 20	$(17)	$1,556

(a) See footnotes on following page.

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(b) Amounts represent assets valued at NAV as a practical expedient for fair value.
(c) Amounts represent the impact of master netting agreements that allow DTE Energy to net gain and loss positions and cash collateral held or placed with the same counterparties.
(d) At March 31, 2019, the $19 million consisted of $4 million, $5 million, and $10 million of cash equivalents included in Cash and cash equivalents, Restricted cash, and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively. At December 31, 2018, the $18 million consisted of $3 million, $5 million and $10 million of cash equivalents included in Cash and cash equivalents, Restricted cash, and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively.
(e) Excludes cash surrender value of life insurance investments.

The following table presents assets for DTE Electric measured and recorded at fair value on a recurring basis as of:

	March 31, 2019					December 31, 2018				
	Level 1	Level 2	Level 3	Other[(a)]	Net Balance	Level 1	Level 2	Level 3	Other[(a)]	Net Balance
	(In millions)									
Assets										
Cash equivalents[(b)]	$8	$2	$ —	$ —	$ 10	$8	$2	$ —	$ —	$ 10
Nuclear decommissioning trusts										
Equity securities	964	—	—	—	964	851	—	—	—	851
Fixed income securities	13	504	—	—	517	12	490	—	—	502
Private equity and other	—	—	—	23	23	—	—	—	20	20
Cash equivalents	5	—	—	—	5	5	—	—	—	5
Other investments										
Equity securities	11	—	—	—	11	10	—	—	—	10
Derivative assets — FTRs	—	—	2	—	2	—	—	6	—	6
Total	$1,001	$506	$ 2	$ 23	$ 1,532	$886	$492	$ 6	$ 20	$ 1,404
Assets										
Current	$8	$2	$ 2	$ —	$ 12	$8	$2	$ 6	$ —	$ 16
Noncurrent	993	504	—	23	1,520	878	490	—	20	1,388
Total Assets	$1,001	$506	$ 2	$ 23	$ 1,532	$886	$492	$ 6	$ 20	$ 1,404

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(a) Amounts represent assets valued at NAV as a practical expedient for fair value.
(b) At March 31, 2019, the $10 million consisted of cash equivalents included in Other investments on DTE Electric's Consolidated Statements of Financial Position. At December 31, 2018, the $10 million consisted of cash equivalents included in Other investments on DTE Electric's Consolidated Statements of Financial Position.

Cash Equivalents

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

Nuclear Decommissioning Trusts and Other Investments

The nuclear decommissioning trusts and other investments hold debt and equity securities directly and indirectly through commingled funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. Commingled funds that hold exchange-traded equity or debt securities are valued based on stated NAVs. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services. Other assets such as private equity investments are classified as NAV assets. 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 preferable. The Registrants have obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices.

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Combined Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Derivative Assets and Liabilities

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

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for DTE Energy:

	Three Months Ended March 31, 2019				Three Months Ended March 31, 2018			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of January 1	$(49)	$ (2)	$ 7	$(44)	$(29)	$ 12	$ 8	$(9)
Transfers into Level 3 from Level 2	—	—	—	—	—	—	—	—
Transfers from Level 3 into Level 2	—	—	—	—	(3)	—	—	(3)
Total gains (losses)								
Included in earnings	31	(31)	(1)	(1)	(70)	131	—	61
Recorded in Regulatory liabilities	—	—	(3)	(3)	—	—	—	—
Purchases, issuances, and settlements								
Settlements	8	8	(1)	15	92	(156)	(4)	(68)
Net Assets (Liabilities) as of March 31	$(10)	$ (25)	$ 2	$(33)	$(10)	$ (13)	$ 4	$(19)
The amount of total gains (losses) included in Net Income attributed to the change in unrealized gains (losses) related to assets and liabilities held at March 31, 2019 and 2018 and reflected in Operating Revenues — Non-utility operations and Fuel, purchased power, and gas — non-utility in DTE Energy's Consolidated Statements of Operations	$16	$ (21)	$ (1)	$(6)	$(58)	$ (10)	$ —	$(68)

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

The following table presents the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for DTE Electric:

	Three Months Ended March 31,	
	2019	2018
	(In millions)	
Net Assets as of beginning of period	$ 6	$ 9
Change in fair value recorded in Regulatory liabilities	(3)	—
Purchases, issuances, and settlements		
Settlements	(1)	(4)
Net Assets as of March 31	$ 2	$ 5
The amount of total gains (losses) included in Regulatory liabilities attributed to the change in unrealized gains (losses) related to assets held at March 31, 2019 and 2018 and reflected in DTE Electric's Consolidated Statements of Financial Position	$ —	$ 3

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

There were no transfers between Levels 1 and 2 for the Registrants during the three months ended March 31, 2019 and 2018, and there were no transfers from or into Level 3 for DTE Electric during the same periods.

The following tables present the unobservable inputs related to DTE Energy's Level 3 assets and liabilities:

	March 31, 2019					
Commodity Contracts	Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range	Weighted Average
	(In millions)					
Natural Gas	$ 57	$ (67)	Discounted Cash Flow	Forward basis price (per MMBtu)	$(0.88) — $5.97 /MMBtu	$(0.07)/MMBtu
Electricity	$ 21	$ (46)	Discounted Cash Flow	Forward basis price (per MWh)	$(7) — $7 /MWh	$—

	December 31, 2018					
Commodity Contracts	Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range	Weighted Average
	(In millions)					
Natural Gas	$ 63	$ (112)	Discounted Cash Flow	Forward basis price (per MMBtu)	$(2.15) — $5.59 /MMBtu	$(0.10)/MMBtu
Electricity	$ 56	$ (58)	Discounted Cash Flow	Forward basis price (per MWh)	$(7) — $9 /MWh	$1 /MWh

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

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

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Fair Value of Financial Instruments

The following table presents the carrying amount and fair value of financial instruments for DTE Energy:

	March 31, 2019				December 31, 2018			
	Carrying	Fair Value			Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3
	(In millions)							
Notes receivable[a], excluding lessor finance leases	$143	$—	$—	$143	$40	$—	$—	$40
Dividends payable	$173	$173	$—	$—	$172	$172	$—	$—
Short-term borrowings	$156	$—	$156	$—	$609	$—	$609	$—
Notes payable — Other[b], excluding lessee finance leases	$30	$—	$—	$30	$41	$—	$—	$41
Long-term debt[c]	$14,265	$1,960	$11,615	$1,431	$13,622	$1,796	$10,712	$1,317

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(a) Current portion included in Current Assets — Other on DTE Energy's Consolidated Statements of Financial Position.

(b) Included in Current Liabilities — Other and Other Liabilities — Other on DTE Energy's Consolidated Statements of Financial Position.

(c) Includes debt due within one year, unamortized debt discounts, and issuance costs. Excludes finance lease obligations.

The following table presents the carrying amount and fair value of financial instruments for DTE Electric:

	March 31, 2019				December 31, 2018			
	Carrying	Fair Value			Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3
	(In millions)							
Notes receivable[a], excluding lessor finance leases	$18	$—	$—	$18	$6	$—	$—	$6
Notes receivable — affiliates	$83	$—	$—	$83	$—	$—		