

DTE ENERGY CO
Form 10-K
February 07, 2019

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

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

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

Registrant	Title of Each Class	Name of Exchange on which Registered
DTE Energy Company (DTE Energy)	Common stock, without par value	New York Stock Exchange
DTE Energy	2012 Series C 5.25% Junior Subordinated Debentures due 2062	New York Stock Exchange
DTE Energy	2016 Series B 5.375% Junior Subordinated Debentures due 2076	New York Stock Exchange
DTE Energy	2016 Series F 6.00% Junior Subordinated Debentures due 2076	New York Stock Exchange
DTE Energy	2017 Series E 5.25% Junior Subordinated Debentures due 2077	New York Stock Exchange
DTE Energy	6.50% Corporate Units	New York Stock Exchange
DTE Electric Company (DTE Electric)	None	None

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

DTE Energy None DTE Electric None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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DTE Energy Yes No DTE Electric Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

DTE Energy Yes No DTE Electric Yes No

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

DTE Energy Yes No DTE Electric Yes No

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 No DTE Electric Yes No

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

DTE Energy DTE Electric

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 Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

DTE Electric Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

On June 29, 2018, the aggregate market value of DTE Energy's voting and non voting common equity held by non-affiliates was approximately \$18.5 billion (based on the New York Stock Exchange closing price on such date).

Number of shares of Common Stock outstanding at January 25, 2019:

Registrant	Description	Shares
DTE Energy	Common Stock, without par value	181,923,685

DTE Electric Common Stock, \$10 par value, directly-owned by DTE Energy 138,632,324

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in DTE Energy's definitive Proxy Statement for its 2019 Annual Meeting of Common Shareholders to be held May 9, 2019, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the registrant's fiscal year covered by this report on Form 10-K, is incorporated herein by reference to Part III (Items 10, 11, 12, 13, and 14) of this Form 10-K.

This combined Form 10-K 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 I(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format specified in General Instruction I(2) of Form 10-K.

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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.
AMV	Applicable Market Value
ANPR	Advanced Notice of Proposed Rulemaking
ARO	Asset Retirement Obligation
ASU	Accounting Standards Update issued by the FASB
CCR	Coal Combustion Residuals
CFTC	U.S. Commodity Futures Trading Commission
CON	Certificate of Necessity
DOE	U.S. Department of Energy
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.
IRM	Infrastructure Recovery Mechanism
IRS	Internal Revenue Service
ISO	Independent System Operator
LIBOR	London Inter-Bank Offered Rates
LLC	DTE Energy Corporate Services, LLC, a subsidiary of DTE Energy
MDEQ	Michigan Department of Environmental Quality
MGP	Manufactured Gas Plant
MISO	Midcontinent Independent System Operator, Inc.

DEFINITIONS

MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value
NEIL	Nuclear Electric Insurance Limited
NEXUS	NEXUS Gas Transmission, LLC, a joint venture in which DTE Energy owns 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
PLD	City of Detroit's Public Lighting Department
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the IRS.
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
RSN	Remarketable Senior Notes

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RTO	Regional Transmission Organization
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.
Shenango	Shenango Incorporated is a coke battery plant located in Pittsburgh, PA, that was closed in January 2016 and is included in the Power and Industrial Projects segment.
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
TRIA	Terrorism Risk Insurance Program Reauthorization Act of 2015

DEFINITIONS

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 PLD customers to DTE Electric's distribution system.

VEBA Voluntary Employees Beneficiary Association

VIE Variable Interest Entity
Units of Measurement

Bcf Billion cubic feet of natural gas

BTU British thermal unit, heat value (energy content) of fuel

kWh Kilowatthour of electricity

MDth/d Million dekatherms per day

MMBtu One million BTU

MW Megawatt of electricity

MWh Megawatthour of electricity

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FILING FORMAT

This combined Form 10-K is separately filed by DTE Energy and DTE Electric. Information in this combined Form 10-K 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-K should be read in its entirety. No one section of this combined Form 10-K deals with all aspects of the subject matter of this combined 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 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

Items 1. and 2. Business and Properties

General

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

DTE Electric is a Michigan corporation organized in 1903 and is a wholly-owned subsidiary of DTE Energy. 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 Michigan corporation organized in 1898 and is a wholly-owned subsidiary of DTE Energy. 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.

DTE Energy's other businesses are 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.

The Registrants' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to such reports are available free of charge through the Investor Relations Reports and Filings page of DTE Energy's website: www.dteenergy.com, as soon as reasonably practicable after they are filed with or furnished to the SEC.

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

Additionally, the public may read and copy any materials the Registrants file electronically with the SEC at www.sec.gov.

Corporate Structure

DTE Energy sets strategic goals, allocates resources, and evaluates performance based on the following structure. For financial information by segment for the last three years, see Note 22 to the Consolidated Financial Statements in Item 8 of this Report, "Segment and Related Information."

Electric

The Electric segment consists principally of DTE Electric, which is engaged in the generation, purchase, distribution, and sale of electricity to approximately 2.2 million residential, commercial, and industrial customers in southeastern Michigan.

Gas

The Gas segment consists principally of DTE Gas, which is engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.3 million residential, commercial, and industrial customers throughout Michigan and the sale of storage and transportation capacity.

Non-utility Operations

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

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

Energy Trading consists of energy marketing and trading operations.

Corporate and Other

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

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

ELECTRIC

Description

DTE Energy's Electric segment consists principally of DTE Electric, an electric utility engaged in the generation, purchase, distribution, and sale of electricity to approximately 2.2 million customers in southeastern Michigan. DTE Electric is regulated by numerous federal and state governmental agencies, including, but not limited to, the MPSC, the FERC, the NRC, the EPA, and the MDEQ. Electricity is generated from fossil-fuel plants, a hydroelectric pumped storage plant, a nuclear plant, wind and other renewable assets and is supplemented with purchased power. The electricity is sold, or distributed through the retail access program, to three major classes of customers: residential, commercial, and industrial, throughout southeastern Michigan.

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

See Note 4 to the Consolidated Financial Statements in Item 8 of the Report, "Revenue."

Fuel Supply and Purchased Power

DTE Electric's power is generated from a variety of fuels and is supplemented with purchased power. DTE Electric expects to have an adequate supply of fuel and purchased power to meet its obligation to serve customers. DTE Electric's generating capability is heavily dependent upon the availability of coal. Coal is purchased from various sources in different geographic areas under agreements that vary in both pricing and terms. DTE Electric expects to obtain the majority of its coal requirements through long-term contracts, with the balance to be obtained through short-term agreements and spot purchases. DTE Electric has long-term and short-term contracts for the purchase of approximately 24 million tons of low-sulfur western coal and approximately 850 thousand tons of Appalachian coal to be delivered from 2019 to 2022. All of these contracts have pricing schedules. DTE Electric has approximately 86% of the expected coal requirements for 2019 under contract. Given the geographic diversity of supply, DTE Electric believes it can meet its expected generation requirements. DTE Electric leases a fleet of rail cars and has the expected western and eastern coal rail requirements under contract through 2021. Contracts covering expected vessel transportation requirements for delivery of purchased coal to electric generating facilities are under contract through 2019.

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

Properties

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

Generating facilities owned and in service as of December 31, 2018 are shown in the following table:

Facility	Location by Michigan County	Year in Service	Net Generation Capacity ^(a) (MW)
Fossil-fueled Steam-Electric			
Belle River ^(b)	St. Clair	1984 and 1985	1,034
Greenwood	St. Clair	1979	785
Monroe ^(c)	Monroe	1971, 1973, and 1974	3,066
River Rouge	Wayne	1958	272
St. Clair	St. Clair	1953, 1954, 1961, and 1969	1,216
Trenton Channel	Wayne	1968	495
			6,868
Natural gas and Oil-fueled Peaking Units	Various	1966-1971, 1981, 1999, 2002, and 2003	2,033
Nuclear-fueled Steam-Electric Fermi 2	Monroe	1988	1,141
Hydroelectric Pumped Storage Ludington ^(d)	Mason	1973	1,054
Renewables ^(e)			
Wind ^(f)			
Brookfield Wind Park	Huron	2014	75
Echo Wind Park	Huron	2014	112
Gratiot Wind Park	Gratiot	2011 and 2012	102
Pinnebog Wind Park	Huron	2016	51
Thumb Wind Project	Huron and Sanilac	2012	110
			450
Solar			
Utility-Owned SolarCurrents	Various	2010-2016	14
Utility Scale Solar	Various	2017	50
			64
			11,610

^(a) Represents summer net rating for all units with the exception of renewable facilities. The summer net rating is based on operating experience, the physical condition of units, environmental control limitations, and customer requirements for steam, which would otherwise be used for electric generation. Wind and solar facilities reflect name plate capacity measured in alternating current.

^(b) Represents DTE Electric's 81% interest in Belle River with a total capability of 1,270 MW. See Note 7 to the Consolidated Financial Statements in Item 8 of this Report, "Jointly-Owned Utility Plant."

^(c) The Monroe generating plant provided 43% of DTE Electric's total 2018 power plant generation.

^(d) Represents DTE Electric's 49% interest in Ludington with a total capability of 2,151 MW. See Note 7 to the Consolidated Financial Statements in Item 8 of this Report, "Jointly-Owned Utility Plant."

^(e) In addition to the owned renewable facilities described above, DTE Electric has long-term contracts for 481 MW of renewable power generated from wind, solar, and biomass facilities.

^(f) In December 2018, DTE Electric acquired the majority of the Pine River Wind Park with a Net Generation Capacity of 161 MW located in Gratiot County, which is expected to be placed into service in the first quarter of 2019.

See "Capital Investments" in Management's Discussion and Analysis in Item 7 of this Report for information regarding plant retirements and future capital expenditures.

DTE Electric owns and operates 696 distribution substations with a capacity of approximately 36,661,000 kilovolt-amperes (kVA) and approximately 442,700 line transformers with a capacity of approximately 32,059,000 kVA.

Circuit miles of electric distribution lines owned and in service as of December 31, 2018 are shown in the following table:

Operating Voltage-Kilovolts (kV)	Circuit Miles	
	Overhead	Underground
4.8 kV to 13.2 kV	28,498	15,252
24 kV	182	686
40 kV	2,306	376
120 kV	61	8
	31,047	16,322

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

Regulation

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

See Notes 8, 9, 12, and 18 to the Consolidated Financial Statements in Item 8 of this Report, "Asset Retirement Obligations," "Regulatory Matters," "Fair Value," and "Commitments and Contingencies."

Energy Assistance Programs

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

Strategy and Competition

DTE Electric's electrical generation operations seek to provide the energy needs of customers in a cost effective manner. With potential capacity constraints in the MISO region, there will be increased dependency on DTE Electric's generation to provide reliable service and price stability for customers. This generation will require continuing investments in DTE Electric's primary coal generating units, a natural gas fueled combined cycle generation facility, and renewables.

DTE Electric's distribution operations focus is on distributing energy in a safe, cost effective, and reliable manner to customers. DTE Electric seeks to increase operational efficiencies to increase customer satisfaction at an affordable rate.

The electric retail access program in Michigan gives electric customers the option of retail access to alternative electric suppliers, subject to limits. Customers with retail access to alternative electric suppliers represented approximately 10% of retail sales in 2018, 2017, and 2016 and consisted primarily of industrial and commercial customers. MPSC rate orders and 2008 energy legislation enacted by the State of Michigan have placed a 10% cap on the total retail access related migration, mitigating some of the unfavorable effects of electric retail access on DTE Electric's financial performance and full service customer rates. Energy legislation passed in 2016 retained the 10% retail access cap with some revisions. DTE Electric expects that customers with retail access to alternative electric suppliers will represent approximately 10% of retail sales in 2019.

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

Revenues from year to year will vary due to weather conditions, economic factors, regulatory events, and other risk factors as discussed in the "Risk Factors" in Item 1A. of this Report.

GAS

Description

DTE Energy's Gas segment consists principally of DTE Gas, a natural gas utility engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.3 million residential, commercial, and industrial customers throughout Michigan, and the sale of storage and transportation capacity.

DTE Gas' natural gas sales, end-user transportation, and intermediate transportation volumes, revenues, and Net Income, are impacted by weather. Given the seasonal nature of the business, revenues and Net Income are concentrated in the first and fourth quarters of the calendar year. By the end of the first quarter, the heating season is largely over, and DTE Gas typically realizes substantially reduced revenues and earnings in the second quarter, and losses in the third quarter. The impacts of changes in annual average customer usage are minimized by the RDM. DTE Gas operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on the results of DTE Gas.

See Note 4 to the Consolidated Financial Statements in Item 8 of the Report, "Revenue."

Natural Gas Supply

DTE Gas' gas distribution system has a planned maximum daily send-out capacity of 2.4 Bcf, with approximately 66% of the volume coming from underground storage for 2018. Peak-use requirements are met through utilization of storage facilities, pipeline transportation capacity, and purchased gas supplies. Because of the geographic diversity of supply and its pipeline transportation and storage capacity, DTE Gas is able to reliably meet supply requirements. DTE Gas believes natural gas supply and pipeline capacity will be sufficiently available to meet market demands in the foreseeable future.

DTE Gas purchases natural gas supplies in the open market by contracting with producers and marketers, and maintains a diversified portfolio of natural gas supply contracts. Supplier, producing region, quantity, and available transportation diversify DTE Gas' natural gas supply base. Natural gas supply is obtained from various sources in different geographic areas (Appalachian, Gulf Coast, Mid-Continent, Canada, and Michigan) under agreements that vary in both pricing and terms. Gas supply pricing is generally tied to the New York Mercantile Exchange and published price indices to approximate current market prices combined with MPSC-approved fixed price supplies with varying terms and volumes through 2021.

DTE Gas is directly connected to interstate pipelines, providing access to most of the major natural gas supply producing regions in the Appalachian, Gulf Coast, Mid-Continent, and Canadian regions. The primary long-term transportation supply contracts at December 31, 2018 are listed below.

	Availability	Contract
	(MDth/d)	Expiration
Great Lakes Gas Transmission L.P.	30	2022
Viking Gas Transmission Company	21	2022
Vector Pipeline L.P. (an affiliate)	20	2022
ANR Pipeline Company	129	2028
Panhandle Eastern Pipeline Company	125	2029
NEXUS Pipeline (an affiliate)	75	2033

Properties

DTE Gas owns distribution, storage, and transportation properties that are located in the State of Michigan. The distribution system includes approximately 19,800 miles of distribution mains, approximately 1,305,000 service pipelines, and approximately 1,273,000 active meters, and DTE Gas owns approximately 2,000 miles of transmission pipelines that deliver natural gas to the distribution districts and interconnect DTE Gas storage fields with the sources of supply and the market areas.

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

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

DTE Gas leases a portion of its pipeline system to the Vector Pipeline Partnership (an affiliate) through a capital lease arrangement. See Note 17 to the Consolidated Financial Statements in Item 8 of the Report, "Capital and Operating Leases."

Regulation

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

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

DTE Gas is subject to the requirements of other regulatory agencies with respect to safety, the environment, and health.

See Notes 9 and 18 to the Consolidated Financial Statements in Item 8 of this Report, "Regulatory Matters" and "Commitments and Contingencies."

Energy Assistance Program

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to DTE Gas' ability to control its uncollectible accounts receivable and collections expenses. DTE Gas' uncollectible accounts receivable expense is directly affected by the level of government-funded assistance its qualifying customers receive. DTE Gas works continuously with the State of Michigan and others to determine whether the share of funding allocated to customers is representative of the number of low-income individuals in the service territory. DTE Gas

also partners with federal, state, and local officials to attempt to increase the share of low-income funding allocated to DTE Gas customers.

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Strategy and Competition

DTE Gas' strategy is to ensure the safe, reliable, and cost effective delivery of natural gas service within its franchised markets in Michigan. In addition, DTE Gas is promoting the extension of its distribution system to underserved markets and the increased use of natural gas furnaces, water heaters, and appliances within its current customer base. DTE Gas continues to focus on the reduction of operating costs and the delivery of energy waste reduction products and services to its customers, making natural gas service the preferred fuel and even more affordable for its customers. Competition in the gas business primarily involves other natural gas transportation providers, as well as providers of alternative fuels and energy sources. The primary focus of competition for end-user transportation is cost and reliability. Some large commercial and industrial customers have the ability to switch to alternative fuel sources such as coal, electricity, oil, and steam. If these customers were to choose an alternative fuel source, they would not have a need for DTE Gas' end-user transportation service. DTE Gas competes against alternative fuel sources by providing competitive pricing and reliable service, supported by its storage capacity.

Having an extensive transportation pipeline system has enabled marketing of DTE Gas' storage and transportation services to gas producers, marketers, distribution companies, end-user customers, and other pipeline companies. The business operates in a central geographic location with connections to major Midwestern interstate pipelines that extend throughout the Midwest, eastern United States, and eastern Canada.

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

GAS STORAGE AND PIPELINES

Description

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

Properties

Gas Storage and Pipelines holds the following properties:

Property Classification	% Owned	Description	Location
Pipelines			
Appalachia Gathering System	100%	116-mile pipeline delivering Marcellus Shale gas to Texas Eastern Pipeline and Stonewall Gas Gathering system	PA and WV
Birdsboro Pipeline	100%	14-mile pipeline delivering gas supply to the Birdsboro Power Plant	PA
Bluestone Pipeline	100%	64-mile pipeline delivering Marcellus Shale gas to Millennium Pipeline and Tennessee Pipeline	PA and NY
Michigan gathering systems	100%	590-mile pipeline system in northern Michigan	MI
Millennium Pipeline	26%	269-mile pipeline serving markets in the Northeast	NY
NEXUS Pipeline	50%	256-mile pipeline to transport Utica and Marcellus shale gas to Ohio, Michigan, and Ontario market centers	OH and MI
Stonewall Gas Gathering	55%	68-mile pipeline connecting Appalachia Gathering System to Columbia Pipeline	WV
Susquehanna gathering system	100%	203-mile pipeline delivering Southwestern Energy's Marcellus Shale gas production to Bluestone Pipeline	PA
Tioga Gas Gathering	100%	3-mile pipeline delivering production gas to Dominion Transmission interconnect	PA
Vector Pipeline	40%	348-mile pipeline connecting Chicago, Michigan, and Ontario market centers	IL, IN, MI, and Ontario

Storage

Washington 10	100%	75 Bcf of storage capacity	MI
Washington 28	50%	16 Bcf of storage capacity	MI

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

Regulation

Gas Storage and Pipelines operates natural gas storage facilities in Michigan as intrastate facilities regulated by the MPSC, and provides intrastate storage and related services pursuant to an MPSC-approved tariff. Gas Storage and Pipelines also provides interstate services in accordance with an Operating Statement on file with the FERC. Vector, Millennium, Birdsboro, and NEXUS Pipelines provide interstate transportation services in accordance with their FERC-approved tariffs. In addition, NEXUS and Vector are subject to applicable laws, rules, and regulations in Canada. Gas Storage and Pipelines' gathering and pipeline assets are subject to the rules and regulations of various state utility commissions.

Strategy and Competition

Gas Storage and Pipelines expects to continue its steady growth plan by expanding existing assets, acquiring and/or developing new assets that are typically supported with long-term customer commitments. The focus will be on opportunities in the Midwest to Northeast region to supply natural gas to meet growing demand and displace less attractive supply from certain regions in North America. Much of the growth in demand for natural gas is expected to occur in the eastern Canada and the northeast U.S. regions. Gas Storage and Pipelines believes that the Vector, Millennium, and NEXUS Pipelines are well positioned to provide access routes and low-cost expansion options to these markets due to growth in production from the Marcellus/Utica Shales in Pennsylvania and West Virginia. Gas Storage and Pipelines has agreements with key producers that support its Bluestone Pipeline, Susquehanna gathering, Tioga gathering, AGS, and SGG businesses. Gas Storage and Pipelines is evaluating new pipeline and storage investment opportunities that could include additional pipeline and gathering expansions, laterals, compression, and other Marcellus/Utica shale midstream development or partnering opportunities.

Gas Storage and Pipelines has competition from other pipelines and storage providers. Operations are dependent upon a limited number of customers, and the loss of any one or a few customers could have a material adverse effect on the results of Gas Storage and Pipelines.

POWER AND INDUSTRIAL PROJECTS

Description

Power and Industrial Projects is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial, and institutional customers, produce reduced emissions fuel, and sell electricity and gas from renewable energy projects. This business segment provides services using project assets usually located on or near the customers' premises in the steel, automotive, pulp and paper, airport, chemical, and other industries as follows:

Industrial Energy Services

- Steel and Petroleum Coke — Power and Industrial Projects produces metallurgical coke from a coke battery with a capacity of 1.0 million tons per year and has an investment in a second coke battery with a capacity of 1.2 million tons per year. Power and Industrial Projects also provides pulverized coal and petroleum coke to the steel, pulp and paper, and other industries.
- On-Site Energy — Power and Industrial Projects provides power generation, steam production, chilled water production, wastewater treatment, and compressed air supply to industrial customers. Power and Industrial Projects also provides utility-type services using project assets usually located on or near the customers' premises in the automotive, airport, chemical, and other industries.

Renewable Energy

Wholesale Power and Renewables — Power and Industrial Projects holds ownership interests in, and operates, five renewable generating plants with a capacity of 217 MWs. The electric output is sold under long-term power purchase agreements.

Renewable Gas Recovery — Power and Industrial Projects has ownership interests in, and operates, twenty-three gas recovery sites in nine different states. The sites recover methane from landfills and agricultural businesses and convert the gas to generate electricity, replace fossil fuels in industrial and manufacturing operations, or refine to pipeline-quality gas, which can then be used as vehicle fuel.

Reduced Emissions Fuel

Reduced Emissions Fuel — Power and Industrial Projects has constructed and placed in service REF facilities at ten sites including facilities located at seven third-party owned coal-fired power plants. DTE Energy has sold membership interests in five of the facilities and entered into lease arrangements in three of the facilities. In addition, DTE Energy has an agreement to operate an REF facility owned by an outside party located at a third-party owned coal-fired power plant. The facilities blend a proprietary additive with coal used in coal-fired power plants, resulting in reduced emissions of nitrogen oxide and mercury. Qualifying facilities are eligible to generate tax credits for ten years upon achieving certain criteria. The value of a tax credit is adjusted annually by an inflation factor published by the IRS. The value of the tax credit is reduced if the reference price of coal exceeds certain thresholds. The economic benefit of the REF facilities is dependent upon the generation of production tax credits.

Properties and Other

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

Business Areas	Location	Service Type
Industrial Energy Services		
Steel and Petroleum Coke		
Pulverized Coal Operations	MI	Pulverized Coal
Coke Production	MI	Metallurgical Coke Supply
Other Investment in Coke	IN and MS	Metallurgical Coke Supply and Pulverized
Production and Petroleum Coke		Petroleum Coke
On-Site Energy		
Automotive	IN, MI, NY, and OH	Electric Distribution, Chilled Water, Waste Water, Steam, Cooling Tower Water, Reverse Osmosis Water, Compressed Air, Mist, and Dust Collectors
Airports	MI and PA	Electricity and Hot and Chilled Water
Chemical Manufacturing	KY and OH	Electricity, Steam, Natural Gas, Compressed Air, and Wastewater
Consumer Manufacturing	OH	Electricity, Steam, Wastewater, and Sewer
Business Park	PA	Electricity
Hospital and University	CA and IL	Electricity, Steam, and Chilled Water
Renewable Energy		
Pulp and Paper	AL	Electric Generation and Steam
Renewables	CA and MN	Electric Generation
Renewable Gas Recovery	AZ, CA, MI, NC, NY, OH, TX, UT, and WI	Electric Generation and Renewable Natural Gas
Reduced Emissions Fuel	MI, OH, IL, PA, TX, and WI	REF Supply

2018 2017 2016
(In millions)

Production Tax Credits Generated (Allocated to DTE Energy)			
REF	\$178	\$144	\$103
Renewables	7	6	8
Renewable Gas Recovery	3	3	3
	\$188	\$153	\$114

Regulation

Certain electric generating facilities within Power and Industrial Projects have market-based rate authority from the FERC to sell power. The facilities are subject to FERC reporting requirements and market behavior rules. Certain projects of Power and Industrial Projects are also subject to the applicable laws, rules, and regulations related to the EPA, U.S. Department of Homeland Security, DOE, and various state utility commissions.

Strategy and Competition

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

Power and Industrial Projects anticipates building around its core strengths in the markets where it operates. In determining the markets in which to compete, Power and Industrial Projects examines closely the regulatory and competitive environment, new and pending legislation, the number of competitors, and its ability to achieve sustainable margins. Power and Industrial Projects plans to maximize the effectiveness of its related businesses as it expands.

Power and Industrial Projects intends to focus on the following areas for growth:

- Providing operating services to owners of on-site industrial power plants;
- Acquiring and developing renewable gas recovery facilities, renewable energy projects, and other energy projects.

ENERGY TRADING

Description

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

Significant portions of the Energy Trading portfolio are economically hedged. Most financial instruments and physical power and natural gas contracts are deemed derivatives; whereas, natural gas inventory, contracts for pipeline transportation, renewable energy credits, and storage assets are not derivatives. As a result, this segment will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. The business' strategy is to economically manage the price risk of these underlying non-derivative contracts and assets with futures, forwards, swaps, and options. This results in gains and losses that are recognized in different interim and annual accounting periods.

Regulation

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

Strategy and Competition

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

CORPORATE AND OTHER

Description

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

ENVIRONMENTAL MATTERS

The Registrants are subject to extensive environmental regulation and expect to continue recovering environmental costs related to utility operations through rates charged to customers. The following table summarizes DTE Energy's, including DTE Electric's, estimated significant future environmental expenditures based upon current regulations. Pending or future reconsiderations of current regulations may impact the estimated expenditures summarized in the table below. The amounts reported in the table do not include any expenditures related to the EPA Clean Power Plan that has been stayed as discussed below. Actual costs to comply could vary substantially. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented.

	DTE Electric	DTE Gas	Non-utility	Total
	(In millions)			
Water	\$60	\$—	\$—	—\$60
Contaminated and other sites	10	25	—	35
Coal combustion residuals and effluent limitations guidelines	515	—	—	515
Estimated total future expenditures through 2025	\$585	\$25	\$—	—\$610
Estimated 2019 expenditures	\$30	\$15	\$—	—\$45
Estimated 2020 expenditures	\$60	\$5	\$—	—\$65

Water — The EPA finalized regulations on cooling water intake in August 2014. DTE Electric is conducting studies to determine the best technology for reducing the environmental impacts of the cooling water intake structures at each of its facilities. DTE Electric may be required to install technologies to reduce the impacts of the cooling water intakes.

Contaminated and Other Sites — Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke, or oil. The facilities, which produced gas, have been designated as MGP sites. DTE Gas owns, or previously owned, 14 such former MGP sites. DTE Electric owns, or previously owned, three former MGP sites. DTE Energy anticipates the cost amortization methodology approved by the MPSC for DTE Gas, which allows DTE Gas to amortize the MGP costs over a ten-year period beginning with the year subsequent to the year the MGP costs were incurred, will prevent environmental costs from having a material adverse effect on DTE Energy's operations. DTE Electric believes the likelihood of a material

change to the accrued amount is remote based on current knowledge of the conditions at each site.

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The Registrants are also in the process of cleaning up other sites where contamination is present as a result of historical and ongoing utility operations. These other sites include an engineered ash storage facility, electric distribution substations, gas pipelines, electric generating power plants, and underground and aboveground storage tank locations. Cleanup activities associated with these sites will be conducted over the next several years. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and regulatory requirements, could impact the estimate of remedial action costs for these sites and affect the Registrants' financial position and cash flows and the rates charged to their customers.

Coal Combustion Residuals and Effluent Limitations Guidelines — In April 2015, the EPA published a final rule for the disposal of coal combustion residuals, commonly known as coal ash. The rule became effective in October 2015. The rule is based on the continued listing of coal ash as a non-hazardous waste and relies on various self-implementation design and performance standards. DTE Electric owns and operates three permitted engineered coal ash storage facilities to dispose of coal ash from coal-fired power plants and operates a number of smaller impoundments at its power plants. At certain facilities, the rule requires the installation of monitoring wells, compliance with groundwater standards, and the closure of basins at the end of the useful life of the associated power plant. At other facilities, the rule requires ash laden waters be moved from earthen basins to steel and concrete tanks. In 2018, DTE Electric updated its estimated expenditures to remediate accordingly. On October 12, 2018, a D.C. District Court decision became effective that may affect the timing of closure of coal ash impoundments that are not lined with an engineered liner system. In 2019, the EPA is expected to affirmatively undertake rulemaking to implement the D.C. District Court's decision that will determine any changes to DTE Electric's plans in the operations and closure of coal ash impoundments.

In November 2015, the EPA finalized effluent limitations guidelines for the steam electric power generating industry which requires additional controls to be installed between 2018 and 2023. The initial costs to comply with this rule are under development and estimates are included in the Coal Combustion Residual and Effluent Limitations Guidelines amount in the above table.

On April 12, 2017, the EPA granted a petition for reconsideration of the ELG Rule. The EPA also signed an administrative stay of the ELG Rule's compliance deadlines for fly ash transport water, bottom ash transport water, and flue gas desulfurization (FGD) wastewater, among others. On June 6, 2017, the EPA published in the Federal Register a proposed rule to postpone certain applicable deadlines within the ELG rule. The final rule was published on September 18, 2017. The final rule nullified the administrative stay but also extended the earliest compliance deadlines for the FGD wastewater and bottom ash transport water until November 1, 2020 in order for the EPA to propose and finalize a new ruling. The ELG compliance requirements and final deadlines for bottom ash transport water and FGD wastewater, and total ELG related compliance costs will not be known until the EPA completes its reconsideration of the ELG Rule.

Air — DTE Electric is subject to the EPA ozone and fine particulate transport, and acid rain regulations that limit power plant emissions of SO₂ and NO_x. The EPA and the State of Michigan have also issued emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to emission controls on fossil-fueled power plants to reduce SO₂, NO_x, mercury, and other emissions. These rulemakings could require additional controls for SO₂, NO_x, and other hazardous air pollutants over the next few years. DTE Electric does not anticipate additional capital expenditures to comply with air pollution requirements through 2025, pending the results of future rulemakings.

The EPA has implemented regulatory actions under the Clean Air Act to address emissions of GHGs from the utility sector and other sectors of the economy. Among these actions, the EPA has finalized performance standards for emissions of carbon dioxide from new and existing fossil-fuel EGUs. In February 2016, the U.S. Supreme Court granted petitioners' requests for a stay of the carbon rules for existing EGUs (also known as the EPA Clean Power Plan) pending final review by the courts. The Clean Power Plan has no legal effect while the stay is in place. In October 2017, the EPA issued a proposal to repeal the Clean Power Plan, and in August 2018 the EPA issued its proposed Affordable Clean Energy rule to replace the Clean Power Plan. In addition, in December 2018, the EPA issued proposed revisions to the carbon dioxide standards for new, modified or reconstructed fossil-fuel fired EGUs. The carbon dioxide standard for new sources are not expected to have a material impact on DTE Electric, since DTE

Electric has no plans to build new coal-fired generation and any potential new gas generation will be able to comply with the standards. These proposed rules do not impact DTE Energy's goal to reduce carbon emissions 30% by the early 2020s, 45% by 2030, 75% by 2040, and more than 80% by 2050.

Pending or future legislation or other regulatory actions could have a material impact on DTE Electric's operations and financial position and the rates charged to its customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission credits from market sources, higher costs of purchased power, and the retirement of facilities where control equipment is not economical. DTE Electric would seek to recover these incremental costs through increased rates charged to its utility customers, as authorized by the MPSC.

See Management's Discussion and Analysis in Item 7 of this Report and Notes 8, 9, and 18 to the Consolidated Financial Statements in Item 8 of this Report, "Asset Retirement Obligations," "Regulatory Matters," and "Commitments and Contingencies."

EMPLOYEES

DTE Energy and its subsidiaries had approximately 10,600 employees as of December 31, 2018, of which approximately 5,200 were represented by unions. DTE Electric had approximately 4,900 employees as of December 31, 2018, of which approximately 2,800 were represented by unions. There are several bargaining units for DTE Energy subsidiaries' represented employees. The majority of represented employees for both DTE Energy and DTE Electric are under contracts that expire in 2020 and 2021.

Item 1A. Risk Factors

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

The Registrants are subject to rate regulation. Electric and gas rates for the utilities are set by the MPSC and the FERC and cannot be changed without regulatory authorization. The Registrants may be negatively impacted by new regulations or interpretations by the MPSC, the FERC, or other regulatory bodies. The Registrants' ability to recover costs may be impacted by the time lag between the incurrence of costs and the recovery of the costs in customers' rates. Regulators also may decide to disallow recovery of certain costs in customers' rates if they determine that those costs do not meet the standards for recovery under current governing laws and regulations. Regulators may also disagree with the Registrants' rate calculations under the various mechanisms that are intended to mitigate the risk to their utilities related to certain aspects of the business. If the Registrants cannot agree with regulators on an appropriate reconciliation of those mechanisms, it may impact the Registrants' ability to recover certain costs through customer rates. Regulators may also decide to eliminate these mechanisms in future rate cases, which may make it more difficult for the Registrants to recover their costs in the rates charged to customers. The Registrants cannot predict what rates the MPSC will authorize in future rate cases. New legislation, regulations, or interpretations could change how the business operates, impact the Registrants' ability to recover costs through rates or the timing of such recovery, or require the Registrants to incur additional expenses.

Changes to Michigan's electric retail access program could negatively impact the Registrants' financial performance. The State of Michigan currently experiences a hybrid market, where the MPSC continues to regulate electric rates for DTE Electric customers, while alternative electric suppliers charge market-based rates. MPSC rate orders, and energy legislation enacted by the State of Michigan, have placed a 10% cap on the total potential retail access migration. However, even with the legislated 10% cap on participation, there continues to be legislative and financial risk associated with the electric retail access program. Electric retail access migration is sensitive to market price and full service electric price changes. The Registrants are required under current regulation to provide full service to retail access customers that choose to return, potentially resulting in the need for additional generating capacity.

The Registrants' electric distribution system and DTE Energy's gas distribution system are subject to risks from their operation, which could reduce revenues, increase expenses, and have a material adverse effect on their business, financial position, and results of operations. The Registrants' electric distribution and DTE Energy's gas distribution systems are subject to many operational risks. These operational systems and infrastructure have been in service for many years. Equipment, even when maintained in accordance with good utility practices, is subject to operational failure, including events that are beyond the Registrants' control, and could require significant operation and maintenance expense or capital expenditures to operate efficiently. Because the Registrants' distribution systems are interconnected with those of third parties, the operation of the Registrants' systems could be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties.

DTE Energy's non-utility businesses may not perform to its expectations. DTE Energy relies on non-utility operations for an increasing portion of earnings. If DTE Energy's current and contemplated non-utility investments do not perform at expected levels, DTE Energy could experience diminished earnings and a corresponding decline in shareholder value.

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

The Registrants' businesses have safety risks. The Registrants' electric distribution system, power plants, renewable energy equipment, and other facilities, and DTE Energy's gas distribution system, gas infrastructure, and other facilities, could be involved in incidents that result in injury, death, or property loss to employees, customers, third parties, or the public. Although the Registrants have insurance coverage for many potential incidents, depending upon the nature and severity of any incident, they could experience financial loss, damage to their reputation, and negative consequences from regulatory agencies or other public authorities.

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

Uncertainty around future environmental regulations creates difficulty planning long-term capital projects in the Registrants' generation fleet and, for DTE Energy's gas distribution businesses. These laws and regulations require the Registrants to seek a variety of environmental licenses, permits, inspections, and other regulatory approvals. The Registrants could be required to install expensive pollution control measures or limit or cease activities, including the retirement of certain generating plants, based on these regulations. Additionally, the Registrants may become a responsible party for environmental cleanup at sites identified by a regulatory body. The Registrants cannot predict with certainty the amount and timing of future expenditures related to environmental matters because of the difficulty of estimating cleanup costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on potentially responsible parties.

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

For DTE Energy, future environmental regulation of natural gas extraction techniques, including hydraulic fracturing, being discussed both at the United States federal level and by some states may affect the profitability of natural gas extraction businesses which could affect demand for, and profitability of, DTE Energy's gas transportation businesses. Threats of cyber incidents, physical security, and terrorism could affect the Registrants' business. Issues may threaten the Registrants such as cyber incidents, physical security, or terrorism that may disrupt the Registrants' operations, and could harm the Registrants' operating results.

Information security risks have increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyberattacks, and data security breaches. The Registrants' industry requires the continued operation of sophisticated information and control technology systems and network infrastructure. Despite implementation of security measures, all of the Registrants' technology systems are vulnerable to disability or failures due to cyber incidents, physical security threats, acts of war or terrorism, and other causes, as well as loss of operational control of the Registrants' electric generation and distribution assets and, DTE Energy's gas distribution assets. If the Registrants' information technology systems were to fail and they were unable to recover in a timely way, the Registrants may be unable to fulfill critical business functions, which could have a material adverse effect on the Registrants' business, operating results, and financial condition.

Suppliers, vendors, contractors, and information technology providers have access to systems that support the Registrants' operations and maintain customer and employee data. A breach of these third-party systems could adversely affect the business as if it was a breach of our own system. Also, because the Registrants' generation and distribution systems are part of an interconnected system, a disruption caused by a cyber incident at another utility, electric generator, system operator, or commodity supplier could also adversely affect the Registrants' businesses, operating results, and financial condition.

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

Failure to maintain the security of personally identifiable information could adversely affect the Registrants. In connection with the Registrants' businesses, they collect and retain personally identifiable information of their customers, shareholders, and employees. Customers, shareholders, and employees expect that the Registrants will adequately protect their personal information. The regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss, or fraudulent use of customer, shareholder, employee, or Registrant data by cybercrime or otherwise, could adversely impact the Registrants' reputation, and could result in significant costs, fines, and litigation.

Construction and capital improvements to the Registrants' power facilities, DTE Energy's distribution systems and its Gas Storage and Pipelines business subject them to risk. The Registrants are managing ongoing, and planning future, significant construction and capital improvement projects at the Registrants' multiple power generation and distribution facilities, at DTE Energy's gas distribution system, and at DTE Energy's Gas Storage and Pipelines business. Many factors that could cause delays or increased prices for these complex projects are beyond the Registrants' control, including the cost of materials and labor, subcontractor performance, timing and issuance of necessary permits or approvals (including required certificates from regulatory agencies), construction disputes, impediments to acquiring rights-of-way or land rights on a timely basis and on acceptable terms, cost overruns, and weather conditions. Failure to complete these projects on schedule and on budget for any reason could adversely affect the Registrants' financial performance, operations, or expected investment returns at the affected facilities, businesses and development projects.

Operation of a nuclear facility subjects the Registrants to risk. Ownership of an operating nuclear generating plant subjects the Registrants to significant additional risks. These risks include, among others, plant security, environmental regulation and remediation, changes in federal nuclear regulation, increased capital expenditures to meet industry requirements, and operational factors that can significantly impact the performance and cost of operating a nuclear facility compared to other generation options. Insurance maintained by the Registrants for various nuclear-related risks may not be sufficient to cover the Registrants' costs in the event of an accident or business interruption at the nuclear generating plant, which may affect the Registrants' financial performance. In addition, the Registrants' nuclear decommissioning trust fund, to finance the decommissioning of the nuclear generating plant, may not be sufficient to fund the cost of decommissioning. A decline in market value of assets held in decommissioning trust funds due to poor investment performance or other factors may increase the funding requirements for these obligations. Any increase in funding requirements may have a material impact on the Registrants' liquidity, financial

position, or results of operations.

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The supply and/or price of energy commodities and/or related services may impact the Registrants' financial results. The Registrants are dependent on coal for much of their electrical generating capacity as well as uranium for their nuclear operations. DTE Energy's access to natural gas supplies is critical to ensure reliability of service for utility gas customers. DTE Energy's non-utility businesses are also dependent upon supplies and prices of energy commodities and services. Price fluctuations, fuel supply disruptions, and changes in transportation costs, could have a negative impact on the amounts DTE Electric charges utility customers for electricity and DTE Gas charges utility customers for gas, and on the profitability of DTE Energy's non-utility businesses. The Registrants' hedging strategies and regulatory recovery mechanisms may be insufficient to mitigate the negative fluctuations in commodity supply prices in their utility and, for DTE Energy, non-utility businesses, and the Registrants' financial performance may therefore be negatively impacted by price fluctuations. The price of energy also impacts the market for DTE Energy's non-utility businesses that compete with utilities and alternative electric suppliers.

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

Emerging technologies may have a material adverse effect on the Registrants. Advances in technology that produce power or reduce power consumption include cost-effective renewable energy technologies, distributed generation, energy waste reduction technologies, and energy storage devices. Such developments may impact the price of energy, may affect energy deliveries as customer-owned generation becomes more cost-effective, may require further improvements to our distribution systems to address changing load demands, and could make portions of our electric system power supply and/or distribution facilities obsolete prior to the end of their useful lives. Such technologies could also result in further declines in commodity prices or demand for delivered energy. Each of these factors could materially affect the Registrants' results of operations, cash flows, or financial position.

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

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

Registrants could be negatively affected. Without sustained growth in the plan investments over time to increase the value of plan assets, the Registrants could be required to fund these plans with significant amounts of cash. Such cash funding obligations could have a material impact on the Registrants' cash flows, financial position, or results of operations.

The Registrants' ability to access capital markets is important. The Registrants' ability to access capital markets is important to operate their businesses and to fund capital investments. Turmoil in credit markets may constrain the Registrants' ability, as well as the ability of their subsidiaries, to issue new debt, including commercial paper, and refinance existing debt at reasonable interest rates. In addition, the level of borrowing by other energy companies, and the market as a whole, could limit the Registrants' access to capital markets. The Registrants' long-term revolving credit facilities do not expire until 2022, but the Registrants regularly access capital markets to refinance existing debt or fund new projects at the Registrants' utilities and DTE Energy's non-utility businesses, and the Registrants cannot predict the pricing or demand for those future transactions.

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

Weather significantly affects operations. At both utilities, deviations from normal hot and cold weather conditions affect the Registrants' earnings and cash flows. Mild temperatures can result in decreased utilization of the Registrants' assets, lowering income and cash flows. At DTE Electric, ice storms, tornadoes, or high winds can damage the electric distribution system infrastructure and power generation facilities and require it to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process. DTE Gas can experience higher than anticipated expenses from emergency repairs on its gas distribution infrastructure required as a result of weather related issues.

Unplanned power plant outages may be costly. Unforeseen maintenance may be required to safely produce electricity or comply with environmental regulations. As a result of unforeseen maintenance, the Registrants may be required to make spot market purchases of electricity that exceed the costs of generation. The Registrants' financial performance may be negatively affected if unable to recover such increased costs.

Regional, national, and international economic conditions can have an unfavorable impact on the Registrants. The Registrants' utility and DTE Energy's non-utility businesses follow the economic cycles of the customers they serve and credit risk of counterparties they do business with. Should the financial conditions of some of DTE Energy's significant customers deteriorate as a result of regional, national or international economic conditions, reduced volumes of electricity and gas, and demand for energy services DTE Energy supplies, collections of accounts receivable, reductions in federal and state energy assistance funding, and potentially higher levels of lost gas or stolen gas and electricity could result in decreased earnings and cash flows.

Renewable portfolio standards and energy waste reduction programs may affect the Registrants' business. The Registrants are subject to existing Michigan, and potential future, federal legislation and regulation requiring them to secure sources of renewable energy. The Registrants have complied with the existing federal and state legislation, but do not know what requirements may be added by federal or state legislation in the future. In addition, the Registrants expect to comply with new Michigan legislation increasing the percentage of power required to be provided by renewable energy sources. The Registrants cannot predict the financial impact or costs associated with complying with potential future legislation and regulations. Compliance with these requirements can significantly increase capital expenditures and operating expenses and can negatively affect the affordability of the rates charged to customers. The Registrants are also required by Michigan legislation to implement energy waste reduction measures and provide energy waste reduction customer awareness and education programs. These requirements necessitate expenditures, and implementation of these programs creates the risk of reducing the Registrants' revenues as customers decrease

their energy usage. The Registrants cannot predict how these programs will impact their business and future operating results.

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Failure to attract and retain key executive officers and other skilled professional and technical employees could have an adverse effect on the Registrants' operations. The Registrants' businesses are dependent on their ability to attract and retain skilled employees. Competition for skilled employees in some areas is high, and the inability to attract and retain these employees could adversely affect the Registrants' business and future operating results. In addition, the Registrants have an aging utility workforce, and the failure of a successful transfer of knowledge and expertise could negatively impact their operations.

A work interruption may adversely affect the Registrants. There are several bargaining units for DTE Energy's approximately 5,200 and DTE Electric's approximately 2,800 represented employees. The majority of represented employees are under contracts that expire in 2020 and 2021. A union choosing to strike would have an impact on the Registrants' businesses. The Registrants are unable to predict the effect a work stoppage would have on their costs of operations and financial performance.

DTE Energy's ability to utilize production tax credits may be limited. To reduce U.S. dependence on imported oil, the Internal Revenue Code provides production tax credits as an incentive for taxpayers to produce fuels and electricity from alternative sources. DTE Energy generated production tax credits from coke production, renewable gas recovery, reduced emission fuel, and gas production operations, and for the Registrants, renewable energy generation. If the Registrants' production tax credits were disallowed in whole or in part as a result of an IRS audit or changes in tax law, there could be additional tax liabilities owed for previously recognized tax credits that could significantly impact the Registrants' earnings and cash flows.

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

The Registrants may not be fully covered by insurance. The Registrants have a comprehensive insurance program in place to provide coverage for various types of risks, including catastrophic damage as a result of severe weather or other natural disasters, war, terrorism, or a combination of other significant unforeseen events that could impact the Registrants' operations. Economic losses might not be covered in full by insurance, or the Registrants' insurers may be unable to meet contractual obligations.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

In March 2018, the Trenton Channel Power Plant experienced exceedances of its mercury emission limits. The exceedances were reported to the EPA and the MDEQ. On September 12, 2018, the EPA issued a NOV. DTE Electric is currently working with the EPA to address the NOV. At this time, DTE Electric cannot predict the impact of the NOV.

For more information on legal proceedings and matters related to the Registrants, see Notes 9 and 18 to the Consolidated Financial Statements in Item 8 of this Report, "Regulatory Matters" and "Commitments and Contingencies," respectively.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

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

DTE Energy common stock is listed under the ticker symbol "DTE" on the New York Stock Exchange, which is the principal market for such stock.

At December 31, 2018, there were 181,925,281 shares of DTE Energy common stock outstanding. These shares were held by a total of 51,338 shareholders of record.

All of the 138,632,234 issued and outstanding shares of DTE Electric common stock, par value \$10 per share, are owned by DTE Energy, and constitute 100% of the voting securities of DTE Electric. Therefore, no market exists for DTE Electric's common stock.

For information on DTE Energy dividend restrictions, see Note 16 to the Consolidated Financial Statements in Item 8 of this Report, "Short-Term Credit Arrangements and Borrowings."

All of DTE Energy's equity compensation plans that provide for the annual awarding of stock-based compensation have been approved by shareholders. For additional detail, see Note 21 to the Consolidated Financial Statements in Item 8 of this Report, "Stock-Based Compensation."

See the following table for information as of December 31, 2018:

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Plans approved by shareholders	52,100	\$ 43.30	2,897,674

UNREGISTERED SALES OF DTE ENERGY EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of DTE Energy Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about DTE Energy's purchases of equity securities that are registered by DTE Energy pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended December 31, 2018:

	Number of Shares Purchased ^(a)	Average Price Paid per Share ^(a)	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
10/01/2018 — 10/31/2018	143	\$ 110.14	—	—	—
11/01/2018 — 11/30/2018	—	\$ —	—	—	—
12/01/2018 — 12/31/2018	—	\$ —	—	—	—
Total	143	—	—	—	—

^(a) Represents shares of DTE Energy common stock withheld to satisfy income tax obligations upon the vesting of restricted stock based on the price in effect at the grant date.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

Total Return to DTE Energy Shareholders

(Includes reinvestment of dividends)

Company/Index	Annual Return Percentage				
	Year Ended December 31,				
	2014	2015	2016	2017	2018
DTE Energy Company	34.61	(3.77)	26.93	14.59	4.19
S&P 500 Index	13.69	1.38	11.95	21.82	(4.39)
S&P 500 Multi-Utilities Index	28.94	(1.73)	18.56	12.09	1.77

Company/Index	Indexed Returns					
	Year Ended December 31,					
	Base					
	Period					
	2013	2014	2015	2016	2017	2018
DTE Energy Company	100.00	134.61	129.54	164.41	188.40	196.30
S&P 500 Index	100.00	113.69	115.26	129.04	157.19	150.29
S&P 500 Multi-Utilities Index	100.00	128.94	126.71	150.22	168.38	171.35

Item 6. Selected Financial Data

The following selected financial data of DTE Energy should be read in conjunction with the accompanying Management's Discussion and Analysis in Item 7 of this Report and Combined Notes to Consolidated Financial Statements in Item 8 of this Report. This information has been omitted for DTE Electric per General Instruction I (2) (a) of Form 10-K for wholly-owned subsidiaries (reduced disclosure format).

	2018	2017	2016	2015	2014
	(In millions, except per share amounts)				
Operating Revenues	\$14,212	\$12,607	\$10,630	\$10,337	\$12,301
Net Income Attributable to DTE Energy Company ^(a)	\$1,120	\$1,134	\$868	\$727	\$905
Diluted Earnings Per Common Share	\$6.17	\$6.32	\$4.83	\$4.05	\$5.10
Financial Information					
Dividends declared per share of common stock	\$3.60	\$3.36	\$3.06	\$2.84	\$2.69
Total Assets	\$36,288	\$33,767	\$32,041	\$28,662	\$27,827
Long-Term Debt ^(b)	\$12,134	\$12,185	\$11,269	\$8,760	\$8,271
Shareholders' equity	\$10,237	\$9,512	\$9,011	\$8,772	\$8,327

(a) The 2017 results include a \$105 million net income tax benefit related to the enactment of the TCJA.

(b) Long-Term Debt includes Capital lease obligations and excludes debt due within one year.

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

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

EXECUTIVE OVERVIEW

DTE Energy is a diversified energy company with 2018 Operating Revenues of approximately \$14.2 billion and Total Assets of approximately \$36.3 billion. DTE Energy is the parent company of DTE Electric and DTE Gas, regulated electric and natural gas utilities engaged primarily in the business of providing electricity and natural gas sales, distribution, and storage services throughout Michigan. DTE Energy operates three energy-related non-utility segments with operations throughout the United States.

The following table summarizes DTE Energy's financial results:

	Years Ended		
	December 31,		
	2018	2017	2016
	(In millions, except per share amounts)		
Net Income Attributable to DTE Energy Company	\$1,120	\$1,134	\$868
Diluted Earnings per Common Share	\$6.17	\$6.32	\$4.83

The decrease in 2018 Net Income Attributable to DTE Energy Company was primarily due to lower earnings in the Gas Storage and Pipelines, Energy Trading, and Corporate and Other segments, partially offset by higher earnings in the Electric, Gas, and Power and Industrial Projects segments. The 2018 decrease was partially attributable to true-up adjustments for the remeasurement of deferred taxes of \$21 million as the adjustments increased Income Tax Expense, of which \$17 million was attributable to the regulated utilities and increased Regulatory liabilities. The increase in 2017 Net Income Attributable to DTE Energy Company was primarily due to higher earnings in the Gas Storage and Pipelines, Energy Trading, and Power and Industrial Projects segments, partially offset by lower earnings in the Corporate and Other segment. The 2017 increase was also due to \$105 million of net income tax benefit related to the enactment of the TCJA.

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

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

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

In May 2017, DTE Energy announced its plan to reduce carbon emissions. This goal will be attained by cutting carbon emissions 30% by the early 2020s, 45% by 2030, 75% by 2040, and more than 80% by 2050. To achieve this reduction, DTE Energy will transition away from coal-powered sources and incorporate more renewable energy, energy waste reduction projects, demand response, and natural gas fueled generation. DTE Energy has already begun the transition in the way it produces power through the continued retirement of its aging coal-fired plants. In May 2018, DTE Energy announced its plans to accelerate its clean energy initiatives by targeting at least a 50% clean energy goal by 2030 to be achieved through a combination of investments in renewable energy and energy waste reduction projects. Refer to the "Capital Investments" section below for further discussion.

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

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

CAPITAL INVESTMENTS

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

DTE Electric's capital investments over the 2019-2023 period are estimated at \$11.3 billion comprised of \$4.0 billion for capital replacements and other projects, \$4.6 billion for distribution infrastructure, and \$2.7 billion for new generation. DTE Electric has retired four coal-fired generation units at the Trenton Channel, River Rouge, and St Clair facilities and has announced plans to retire its remaining thirteen coal-fired generating units. Seven of these coal-fired generating units will be retired through 2023 at the Trenton Channel, River Rouge, and St. Clair facilities. The remaining coal-fired generating units at the Belle River and Monroe facilities are expected to be retired by 2040. The retired facilities will be replaced with renewables, energy waste reduction, demand response, and natural gas fueled generation. In April 2018, DTE Electric received approval from the MPSC to build a natural gas fueled combined cycle generation facility to provide approximately 1,100 megawatts of energy beginning in 2022. In August 2018, DTE Electric began construction on its natural gas fueled combined cycle generation facility. In March 2018, DTE Electric filed its 2018 Renewable Energy Plan with the MPSC proposing approximately 1,000 additional megawatts of energy from new wind and solar projects to be completed by 2022. The MPSC had previously approved 300 of the 1,000 additional megawatts for wind projects in an MPSC order received in September 2016. In January 2018, DTE Electric filed with the MPSC its five-year distribution operations investment and maintenance plan to improve system reliability. DTE Electric plans to seek regulatory approval for capital expenditures consistent with prior ratemaking treatment. For further discussion of regulatory matters, see Note 9 to the Consolidated Financial Statements, "Regulatory Matters."

DTE Gas' capital investments over the 2019-2023 period are estimated at \$2.5 billion comprised of \$1.2 billion for base infrastructure, and \$1.3 billion for gas main renewal, meter move out, and pipeline integrity programs. DTE Gas plans to seek regulatory approval for capital expenditures consistent with ratemaking treatment.

DTE Energy's non-utility businesses' capital investments are primarily for expansion, growth, and ongoing maintenance. Gas Storage and Pipelines' capital investments over the 2019-2023 period are estimated at \$4.0 billion to

\$5.0 billion for gathering and pipeline investments and expansions. Power and Industrial Projects' capital investments over the 2019-2023 period are estimated at \$1.0 billion to \$1.4 billion for industrial energy services and RNG projects.

ENVIRONMENTAL MATTERS

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

Air — DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of SO₂ and NO_x. The EPA and the State of Michigan have also issued emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to controls on fossil-fueled power plants to reduce SO₂, NO_x, mercury, and other emissions. Additional rulemakings may occur over the next few years which could require additional controls for SO₂, NO_x, and other hazardous air pollutants. To comply with existing requirements, DTE Electric spent approximately \$2.4 billion through 2018. DTE Electric does not anticipate additional capital expenditures through 2025.

The EPA has implemented regulatory actions under the Clean Air Act to address emissions of GHGs from the utility sector and other sectors of the economy. Among these actions, in 2015 the EPA finalized performance standards for emissions of carbon dioxide from new and existing EGUs. In February 2016, the U.S. Supreme Court granted petitioners' requests for a stay of the carbon rules for existing EGUs (also known as the EPA Clean Power Plan) pending final review by the courts. The Clean Power Plan has no legal effect while the stay is in place. On March 28, 2017, a presidential executive order was issued on "Promoting Energy Independence and Economic Growth." The order instructs the EPA to review, and if appropriate, suspend, revise or rescind the Clean Power Plan rule. Following the issuance of this order, the federal government requested the U.S. Court of Appeals for the D.C. Circuit to hold all legal challenges in abeyance until the review of these regulations is completed. On October 10, 2017, the EPA proposed to rescind the Clean Power Plan and announced its intent to issue an ANPR seeking input as to whether it should replace the rule and, if so, what form it should take. In August 2018, the EPA proposed revised emission guidelines for GHGs from existing electric utility generating units. The proposed rule, named the Affordable Clean Energy (ACE) rule, is intended to replace the Clean Power Plan rule. Comments on the proposed ACE rule were due on October 31, 2018. It is not possible to determine the potential impact of the EPA's proposed ACE rule on existing sources at this time.

Pending or future legislation or other regulatory actions could have a material impact on DTE Electric's operations and financial position and the rates charged to its customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission credits from market sources, higher costs of purchased power, and the retirement of facilities where control equipment is not economical. DTE Electric would seek to recover these incremental costs through increased rates charged to its utility customers, as authorized by the MPSC.

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

See Items 1. and 2. Business and Properties and Note 18 to the Consolidated Financial Statements in Item 8 of this Report, "Commitments and Contingencies," for further discussion of Environmental Matters.

OUTLOOK

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

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

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

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

RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations includes financial information prepared in accordance with GAAP, as well as the non-GAAP financial measures, Utility Margin and Non-utility Margin, discussed below, which DTE Energy uses as measures of its operational performance. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP.

DTE Energy uses Utility Margin and Non-utility Margin, non-GAAP financial measures, to assess its performance by reportable segment.

Utility Margin includes electric and gas Operating Revenues net of Fuel, purchased power, and gas expenses. The utilities' fuel, purchased power, and natural gas supply are passed through to customers, and therefore, result in changes to the utilities' revenues that are comparable to changes in such expenses. As such, DTE Energy believes Utility Margin provides a meaningful basis for evaluating the utilities' operations across periods, as it excludes the revenue effect of fluctuations in these expenses.

The Non-utility Margin relates to the Power and Industrial Projects and Energy Trading segments. For the Power and Industrial Projects segment, Non-utility Margin primarily includes Operating Revenues net of Fuel, purchased power, and gas expenses. Operating Revenues include sales of refined coal to third parties and the affiliated Electric utility, metallurgical coke and related by-products, petroleum coke, renewable natural gas, and electricity, as well as rental income and revenues from utility-type consulting, management, and operational services. For the Energy Trading segment, Non-utility Margin includes revenue and realized and unrealized gains and losses from physical and financial power and gas marketing, optimization, and trading activities, net of Purchased power and gas related to these activities. DTE Energy evaluates its operating performance of these non-utility businesses using the measure of Operating Revenues net of Fuel, purchased power, and gas expenses.

Utility Margin and Non-utility Margin are not measures calculated in accordance with GAAP and should be viewed as a supplement to and not a substitute for the results of operations presented in accordance with GAAP. Utility Margin and Non-utility Margin do not intend to represent operating income, the most comparable GAAP measure, as an indicator of operating performance and are not necessarily comparable to similarly titled measures reported by other companies.

The following sections provide a detailed discussion of the operating performance and future outlook of DTE Energy's segments. Segment information, described below, includes intercompany revenues and expenses, and other income and deductions that are eliminated in the Consolidated Financial Statements.

	2018	2017	2016
	(In millions)		
Net Income (Loss) Attributable to DTE Energy by Segment			
Electric	\$664	\$606	\$622
Gas	150	146	138
Gas Storage and Pipelines	235	275	119
Power and Industrial Projects	161	138	95
Energy Trading	39	72	(45)
Corporate and Other	(129)	(103)	(61)
Net Income Attributable to DTE Energy Company	\$1,120	\$1,134	\$868

ELECTRIC

The Results of Operations discussion for DTE Electric is presented in a reduced disclosure format in accordance with General Instruction I (2) (a) of Form 10-K for wholly-owned subsidiaries.

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

	2018	2017	2016
	(In millions)		
Operating Revenues — Utility operations	\$5,298	\$5,102	\$5,225
Fuel and purchased power — utility	1,552	1,454	1,532
Utility Margin	3,746	3,648	3,693
Operation and maintenance	1,437	1,382	1,408
Depreciation and amortization	836	753	750
Taxes other than income	307	302	284
Asset (gains) losses and impairments, net	(1)	—	—
Operating Income	1,167	1,211	1,251
Other (Income) and Deductions	310	284	276
Income Tax Expense	193	321	353
Net Income Attributable to DTE Energy Company	\$664	\$606	\$622

See DTE Electric's Consolidated Statements of Operations in Item 8 of this Report for a complete view of its results.

For an explanation of differences between the Electric segment and DTE Electric's Consolidated Statements of Operations, refer to Note 20 to the Consolidated Financial Statements, "Retirement Benefits and Trusteed Assets." Utility Margin increased \$98 million in 2018 and decreased \$45 million in 2017. Revenues associated with certain mechanisms and surcharges are offset by related expenses elsewhere in the Registrants' Consolidated Statements of Operations.

The following table details changes in various Utility Margin components relative to the comparable prior period:

	2018	2017	
	(In millions)		
Weather	\$152	\$(109)	
Implementation of new rates	51	124	
Regulatory mechanism — TRM	40	(26)	
PSCR disallowance in 2017	13	(13)	
Base sales	(3)	(26)	
TCJA rate reduction	(156)	—	
Other regulatory mechanisms and other	1	5	
Increase (decrease) in Utility Margin	\$98	\$(45)	
	2018	2017	2016
	(In thousands of MWh)		
DTE Electric Sales			
Residential	15,959	14,885	15,875
Commercial	17,282	17,283	17,521
Industrial	10,324	9,897	10,004
Other	221	258	264
	43,786	42,323	43,664
Interconnection sales ^(a)	2,796	2,623	2,334
Total DTE Electric Sales	46,582	44,946	45,998
DTE Electric Deliveries			
Retail and wholesale	43,786	42,323	43,664
Electric retail access, including self-generators ^(b)	4,737	4,820	4,936
Total DTE Electric Sales and Deliveries	48,523	47,143	48,600

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

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

DTE Electric sales increased for residential, commercial, and industrial primarily due to favorable weather in 2018. Operation and maintenance expense increased \$55 million in 2018 and decreased \$26 million in 2017. The increase in 2018 was primarily due to increased uncollectible expense of \$34 million due to customer billing initiatives following implementation of the new billing system, increased power plant generation expense of \$24 million, an increase in energy waste reduction expense of \$10 million to meet higher energy savings targets, partially offset by decreased distribution operations expense of \$13 million. The decrease in 2017 was primarily due to decreased power plant generation expenses of \$66 million, partially offset by increased storm restoration expenses of \$27 million, and increased line clearance expenses of \$10 million. The decrease in power plant generation includes an increase of \$6 million of costs related to the 2016 fire at a generation facility, offset by \$21 million of insurance proceeds received in 2017.

Depreciation and amortization expense increased \$83 million in 2018 and increased \$3 million in 2017. In 2018, the increase was primarily due to an increase to depreciable base of \$46 million and an increase of \$42 million associated with the TRM, partially offset by a decrease in regulatory asset amortization of \$5 million. In 2017, the increase was due to \$45 million of increased expense from an increased depreciable base, partially offset by a decrease of \$29 million associated with the TRM, and a decrease of \$13 million in amortization of regulatory assets.

Other (Income) and Deductions increased \$26 million in 2018 and increased \$8 million in 2017. The increase in 2018 was primarily due to higher interest expense of \$9 million and change in investment earnings (loss of \$11 million in 2018 compared to a gain of \$26 million in 2017), partially offset by decreased non-operating retirement benefits expense of \$13 million and a contribution to the DTE Energy Foundation of \$7 million in 2017. The increase in 2017 was primarily due to higher interest expense of \$10 million, lower interest income of \$8 million related to a sales and use tax settlement received in 2016, and a \$7 million contribution to the DTE Energy Foundation, partially offset by \$12 million of higher investment earnings and a \$3 million decrease in Low Income Self-Sufficiency Plan (LSP) contributions to not-for-profit organizations in 2016.

Outlook — DTE Electric will continue to move forward in its efforts to achieve operational excellence, sustain strong cash flows, and earn its authorized return on equity. DTE Electric expects that planned significant capital investments will result in earnings growth. DTE Electric will maintain a strong focus on customers by increasing reliability and satisfaction while keeping customer rate increases affordable. Looking forward, additional factors may impact earnings such as weather, the outcome of regulatory proceedings, benefit plan design changes, investment returns and changes in discount rate assumptions in benefit plans and health care costs, uncertainty of legislative or regulatory actions regarding climate change, and effects of energy waste reduction programs.

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. DTE Electric also included Calculation C in this filing to address all remaining issues relative to the enactment of the TCJA, which is primarily the remeasurement of deferred taxes and how the amounts deferred as Regulatory liabilities will flow to ratepayers. A final MPSC order in this case is expected by May 2019. Refer to Note 9 to the Consolidated Financial Statements, “Regulatory Matters” for additional information.

GAS

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

	2018	2017	2016
	(In millions)		
Operating Revenues — Utility operations	\$1,436	\$1,388	\$1,324
Cost of gas — utility	446	443	454
Utility Margin	990	945	870
Operation and maintenance	502	449	440
Depreciation and amortization	133	123	106
Taxes other than income	73	65	64
Asset (gains) losses and impairments, net	—	—	4
Operating Income	282	308	256
Other (Income) and Deductions	65	84	41
Income Tax Expense	67	78	77
Net Income Attributable to DTE Energy Company	\$150	\$146	\$138

Utility Margin increased \$45 million in 2018 and increased \$75 million in 2017. Revenues associated with certain surcharges are offset by related expenses elsewhere in DTE Energy's Consolidated Statements of Operations.

The following table details changes in various Utility Margin components relative to the comparable prior period:

	2018	2017
	(In millions)	
Weather	\$46	\$(6)
Implementation of new rates	15	80
Midstream storage and transportation revenues	15	(5)
Regulatory mechanism — RDM	(3)	4
TCJA rate reduction	(40)	—
Other regulatory mechanisms and other	12	2
Increase in Utility Margin	\$45	\$75

	2018	2017	2016
	(In Bcf)		

Gas Markets

Gas sales	135	119	116
End-user transportation	187	165	182
	322	284	298
Intermediate transportation	329	260	214
Total Gas sales	651	544	512

Operation and maintenance expense increased \$53 million in 2018 and increased \$9 million in 2017. The increase in 2018 was primarily due to increased uncollectible expense of \$28 million due to customer billing initiatives following implementation of a new customer billing system and higher gas operations expenses of \$22 million, which included increased investment spending and higher pipeline integrity expenses. The increase in 2017 was primarily due to increased corporate expenses of \$3 million and increased gas operations expenses of \$3 million.

Depreciation and amortization expense increased \$10 million in 2018 and increased \$17 million in 2017. The increase in 2018 was primarily due to an increased depreciable base. The increase in 2017 was primarily due to an increased depreciable base and higher depreciation rates.

Other (Income) and Deductions decreased \$19 million in 2018 and increased \$43 million in 2017. The decrease in 2018 was primarily due to lower contributions to the DTE Energy Foundation and other not-for-profit organizations of \$27 million, partially offset by higher net interest expense of \$6 million. The increase in 2017 was primarily due to increased non-operating retirement benefits expenses of \$31 million, increased contributions to the DTE Energy Foundation and other not-for-profit organizations of \$7 million and higher interest expense of \$5 million.

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

DTE filed its Calculation C case with the MPSC on November 16, 2018 to reduce the revenue requirement by \$12 million related to the amortization of deferred tax remeasurement. Calculation C addresses all remaining issues relative to the enactment of the TCJA, which is primarily the remeasurement of deferred taxes and how the amounts deferred as Regulatory liabilities will flow to ratepayers. Refer to Note 9 to the Consolidated Financial Statements, “Regulatory Matters” for additional information.

GAS STORAGE AND PIPELINES

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

	2018	2017	2016
	(In millions)		
Operating Revenues — Non-utility operations	\$485	\$453	\$302
Cost of gas — Non-utility	22	30	6
Operation and maintenance	103	83	81
Depreciation and amortization	82	76	45
Taxes other than income	8	8	4
Asset (gains) losses and impairments, net	—	2	—
Operating Income	270	254	166
Other (Income) and Deductions	(61)	(18)	(31)
Income Tax Expense (Benefit)	68	(30)	71
Net Income	263	302	126
Less: Net Income Attributable to Noncontrolling Interests	28	27	7
Net Income Attributable to DTE Energy Company	\$235	\$275	\$119

Operating Revenues — Non-utility operations increased \$32 million in 2018 and increased \$151 million in 2017. The increase in both periods was primarily due to increased pipeline and gathering volumes. The 2017 increase was also due to the acquisition of AGS and SGG in October 2016.

Cost of gas — Non-utility decreased \$8 million in 2018 and increased \$24 million in 2017. The 2018 decrease was driven by lower physical purchases of gas from AGS customers for resale to optimize available transportation capacity. The 2017 increase was driven by higher physical purchases of gas from AGS customers for resale to optimize available transportation capacity.

Operation and maintenance expense increased \$20 million in 2018 and increased \$2 million in 2017. The 2018 increase was primarily due to increased labor related expenses and additional compression activity on the Bluestone Pipeline and Susquehanna gathering systems.

Depreciation and amortization expense increased \$6 million in 2018 and increased \$31 million in 2017. The 2017 increase was primarily due to the acquisition of AGS and SGG in October 2016.

Other (Income) and Deductions increased \$43 million in 2018 and decreased \$13 million in 2017. The 2018 increase was primarily due to increased earnings from pipeline investments and a \$16 million net loss on extinguishment of debt within the storage business in 2017, partially offset by higher interest expense. The 2017 decrease was primarily due to a \$16 million net loss on extinguishment of debt within the storage business and contributions to the DTE Energy Foundation and other not-for-profit organizations, partially offset by increased earnings from pipeline investments.

Income Tax Expense (Benefit) increased \$98 million in 2018 and decreased \$101 million in 2017. The changes were primarily driven by the \$115 million remeasurement of deferred tax assets and liabilities to reflect the reduction in the corporate tax rate from the enactment of the TCJA in December 2017. The 2017 change was partially offset by increased tax expense on higher earnings in 2017.

Net Income Attributable to Noncontrolling Interests increased \$1 million in 2018 and increased \$20 million in 2017. The 2017 increase was primarily due to the acquisition of SGG in October 2016.

Outlook — DTE Energy believes its long-term agreements with producers and the quality of the natural gas reserves in the Marcellus/Utica region soundly position the gathering systems for future revenues.

NEXUS Pipeline was placed in service in in October 2018. The NEXUS Pipeline provides a transportation path for Appalachian Basin shale gas, including Utica and Marcellus shale gas, directly to consuming markets in northern Ohio, southeastern Michigan, and Dawn Ontario. DTE Energy owns a 50% partnership interest in the NEXUS Pipeline with an investment balance of \$1.26 billion at December 31, 2018.

On January 11, 2019, NEXUS signed an agreement to purchase Generation Pipeline, LLC, a public utility regulated by the Public Utilities Commission of Ohio. This 23-mile pipeline system supplies gas to industrial customers in the Toledo, OH area, has existing interconnects with ANR Pipeline Company and Panhandle Eastern Pipeline Company, and is located 4 miles away from Nexus. The transaction is expected to close in the first half of 2019 upon regulatory approvals.

AGS and SGG provide a platform for midstream growth and access to further investment opportunities in the Appalachian basin, an additional connection to the NEXUS Pipeline which should drive incremental volumes on the NEXUS Pipeline, and producer relationships that may lead to more partnering opportunities.

Gas Storage and Pipelines expects to maintain its steady growth by developing an asset portfolio with multiple growth platforms through investment in new projects and expansions. Gas Storage and Pipelines will continue to look for additional investment opportunities and other storage and pipeline projects at favorable prices.

POWER AND INDUSTRIAL PROJECTS

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

	2018	2017	2016
	(In millions)		
Operating Revenues — Non-utility operations	\$2,204	\$2,089	\$1,906
Fuel, purchased power, and gas — non-utility	1,888	1,813	1,640
Non-utility Margin	316	276	266
Operation and maintenance	363	342	317
Depreciation and amortization	67	72	72
Taxes other than income	12	11	13
Asset (gains) losses and impairments, net	27	20	(1)
Operating Loss	(153)	(169)	(135)
Other (Income) and Deductions	(89)	(63)	(49)
Income Taxes			
Benefit	(7)	(42)	(26)
Production Tax Credits	(188)	(153)	(114)
	(195)	(195)	(140)
Net Income	131	89	54
Less: Net Loss Attributable to Noncontrolling Interests	(30)	(49)	(41)
Net Income Attributable to DTE Energy Company	\$161	\$138	\$95

Operating Revenues — Non-utility operations increased \$115 million in 2018 and increased \$183 million in 2017. The changes are due to the following:

	2018 (In millions)
Higher demand due to improved conditions in the steel business	\$ 59
Higher production in the renewables business	25
Higher production, offset by lower coal prices in the REF business	18
Higher sales primarily associated with new contracts in the on-site business	13
	\$ 115
	2017 (In millions)
Higher demand due to improved conditions in the steel business	\$ 107
Higher production driven by new projects, offset by lower coal prices in the REF business	102
Lower production and one-time recovery in 2016, offset by an acquisition in the renewables business	(9)
Lower sales primarily associated with expired contracts in the on-site business	(17)
	\$ 183

Non-utility Margin increased \$40 million in 2018 and increased \$10 million in 2017. The changes are due to the following:

	2018 (In millions)
Higher production in the renewables business	\$ 20
Higher sales primarily associated with new contracts in the on-site business	12
Higher demand due to improved conditions in the steel business	8
	\$ 40
	2017 (In millions)
Higher demand due to improved conditions in the steel business	\$ 42
Lower production and one-time recovery in 2016 in the renewables business	(11)
Lower sales primarily associated with expired contracts in the on-site business	(15)
Other	(6)
	\$ 10

Operation and maintenance expense increased \$21 million in 2018 and increased \$25 million in 2017. The 2018 increase was primarily due to higher production in the REF business of \$11 million and new contracts in the on-site business of \$8 million. The 2017 increase was primarily due to an increase in maintenance spending driven by improved conditions in the steel business of \$16 million, higher maintenance and a new acquisition in the renewables business of \$7 million, and an increase associated with new projects in the REF business of \$5 million, offset by lower spending as a result of Shenango plant closure activities in the first half of 2016 of \$6 million.

Asset (gains) losses and impairments, net increased \$7 million in 2018 from the net loss of \$20 million in 2017 and decreased \$21 million in 2017 from the net gain of \$1 million in 2016. The 2018 increase was primarily due to \$15 million of a liability adjustment related to contingent consideration and an \$8 million asset write-off associated with the renewable business in anticipation of a contract ending in 2020. The 2017 decrease was primarily due to an impairment in the REF business of \$14 million and an impairment of a petroleum coke project of \$6 million.

Other (Income) and Deductions increased \$26 million in 2018 and increased \$14 million in 2017. The 2018 increase was primarily due to higher production in the REF business of \$20 million and decreased contributions to the DTE Energy Foundation of \$4 million. The 2017 increase was primarily due to increased equity earnings in the renewable business of \$9 million and insurance settlements in the renewable and REF businesses of \$6 million, offset by increased contributions to the DTE Energy Foundation of \$6 million.

Income Taxes — Benefit decreased by \$35 million in 2018 and increased by \$16 million in 2017. The 2018 decrease was primarily due to the 2017 remeasurement of deferred tax assets and liabilities to reflect the reduction in the corporate tax rate from the enactment of the TCJA in December 2017. The increase in 2017 was primarily due to the remeasurement of deferred tax assets and liabilities to reflect the reduction in the corporate tax rate from the enactment of the TCJA in December 2017 of \$21 million, an increase due to higher pretax loss of \$7 million, and a decrease due to a worthless stock deduction associated with the Shenango closure in 2016 of \$10 million.

Income Taxes — Production Tax Credits increased by \$35 million in 2018 and increased \$39 million in 2017. The increase in both periods was primarily due to higher production in the REF business.

Net Loss Attributable to Noncontrolling Interests decreased by \$19 million in 2018 and increased by \$8 million in 2017. The 2018 decrease was primarily due to termination of a project in the REF business. The 2017 increase was primarily due to a change in the ownership percentage in one of the REF projects of \$8 million.

Outlook — Power and Industrial Projects has constructed and placed in service REF facilities at ten sites including facilities located at seven third-party owned coal-fired power plants. DTE Energy has sold membership interests in five of the facilities and entered into lease arrangements in three of the facilities. Three REF facilities will phase out in 2019 with the remaining seven to be phased out at the end of 2021.

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

ENERGY TRADING

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

	2018	2017	2016
	(In millions)		
Operating Revenues — Non-utility operations	\$5,557	\$4,277	\$2,575
Purchased power and gas — non-utility	5,417	4,077	2,552
Non-utility Margin	140	200	23
Operation and maintenance	75	68	63
Depreciation and amortization	5	5	3
Taxes other than income	5	4	2
Operating Income (Loss)	55	123	(45)
Other (Income) and Deductions	3	2	29
Income Tax Expense (Benefit)	13	49	(29)
Net Income (Loss) Attributable to DTE Energy Company	\$39	\$72	\$(45)

Operating Revenues — Non-utility operations and Purchased power and gas — non-utility were impacted primarily by an increase in volumes as well as an increase in gas prices for the years ended December 31, 2018 and December 31, 2017, primarily in the gas structured strategy.

Non-utility Margin decreased \$60 million in 2018 and increased \$177 million in 2017. The change in both periods was primarily due to timing from the unrealized and realized margins presented in the following tables:

		2018
		(In millions)
Unrealized Margins ^(a)		
Favorable results, primarily in the power trading strategy	\$	20
Unfavorable results, primarily in gas structured, and power full requirements strategies ^(b))
		(80)
Realized Margins ^(a)		
Favorable results, primarily in the gas structured strategy	54	
Unfavorable results, primarily in the power full requirements strategy ^(c)	(34)
	20	
Decrease in Non-utility Margin	\$	(60)

Natural gas structured transactions typically involve a physical purchase or sale of natural gas in the future and/or natural gas basis financial instruments which are derivatives and a related non-derivative pipeline transportation contract. These gas structured transactions can result in significant earnings volatility as the derivative components are marked-to-market without revaluing the related non-derivative contracts.

(a) Amount includes \$74 million of timing related losses related to gas strategies which will reverse in future periods as the underlying contracts settle.

(b) Amount includes \$11 million of timing related gains related to gas strategies recognized in previous periods that reversed as the underlying contracts settled.

		2017
		(In millions)
Unrealized Margins ^(a)		
Favorable results, primarily in gas structured and gas full requirements strategies ^(b)	\$	113
Unfavorable results, primarily in power and gas trading and power full requirements strategies	(26)
		87
Realized Margins ^(a)		
Favorable results, primarily in gas structured, environmental trading and gas storage strategies ^(c)	103	
Unfavorable results, primarily in the power full requirements strategy	(13)
		90
Increase in Non-utility Margin	\$	177

Natural gas structured transactions typically involve a physical purchase or sale of natural gas in the future and/or natural gas basis financial instruments which are derivatives and a related non-derivative pipeline transportation contract. These gas structured transactions can result in significant earnings volatility as the derivative components are marked-to-market without revaluing the related non-derivative contracts.

(a) Amount includes \$113 million of timing related gains related to gas strategies which will reverse in future periods as the underlying contracts settle.

(b) Amount includes \$95 million of timing related losses related to gas strategies recognized in previous periods that reversed as the underlying contracts settled.

Other (Income) and Deductions increased \$1 million in 2018 and decreased \$27 million in 2017 due to contributions to the DTE Energy Foundation in 2016.

Outlook — In the near-term, Energy Trading expects market conditions to remain challenging, and the profitability of this segment may be impacted by the volatility in commodity prices and the uncertainty of impacts associated with regulatory changes, and changes in operating rules of RTOs. Significant portions of the Energy Trading portfolio are economically hedged. Most financial instruments and physical power and natural gas contracts are deemed derivatives, whereas natural gas inventory, pipeline transportation, renewable energy credits, and storage assets are not derivatives. As a result, Energy Trading will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. Energy Trading's strategy is to economically manage the price risk of these underlying non-derivative contracts and assets with futures, forwards, swaps, and options. This results in gains and losses that are recognized in different interim and annual accounting periods. See also the "Fair Value" section herein and Notes 12 and 13 to the Consolidated Financial Statements in Item 8 of this Report, "Fair Value" and "Financial and Other Derivative Instruments," respectively.

CORPORATE AND OTHER

Corporate and Other includes various holding company activities, holds certain non-utility debt, and holds energy-related investments. The 2018 net loss of \$129 million represents an increase of \$26 million from the 2017 net loss of \$103 million primarily due to a reduction in the corporate tax rate from the TCJA in December 2017, higher interest expense and increased contributions to other not-for-profit organizations, partially offset by the remeasurement of deferred tax assets and liabilities to reflect the reduction in the corporate tax rate from the enactment of the TCJA in 2017. The 2017 net loss of \$103 million represents an increase of \$42 million from the 2016 net loss of \$61 million primarily due to the remeasurement of deferred tax assets and liabilities to reflect the reduction in the corporate tax rate from the enactment of the TCJA in December 2017 resulting in income tax expense of \$34 million, and the contribution of land and improvements to the DTE Energy Beacon Park Foundation. See Note 10 to the Consolidated Financial Statements in Item 8 of this Report, "Income Taxes."

CAPITAL RESOURCES AND LIQUIDITY

Cash Requirements

DTE Energy uses cash to maintain and invest in the electric and natural gas utilities, to grow the non-utility businesses, to retire and pay interest on long-term debt, and to pay dividends. DTE Energy believes it will have sufficient internal and external capital resources to fund anticipated capital and operating requirements. DTE Energy expects that cash from operations in 2019 will be approximately \$2.4 billion. DTE Energy anticipates base level utility capital investments, including environmental, renewable, and energy waste reduction expenditures; expenditures for non-utility businesses; and contributions to equity method investees in 2019 of approximately \$3.9 billion. DTE Energy plans to seek regulatory approval to include utility capital expenditures in regulatory rate base consistent with prior treatment. Capital spending for growth of existing or new non-utility businesses will depend on the existence of opportunities that meet strict risk-return and value creation criteria.

	2018	2017	2016
Cash and Cash Equivalents			
Cash Flow From (Used For)			
Operating Activities			
Net Income	\$1,118	\$1,112	\$834
Adjustments to reconcile Net Income to Net cash from operating activities:			
Depreciation and amortization	1,124	1,030	976
Nuclear fuel amortization	45	53	58
Allowance for equity funds used during construction	(28)	(23)	(21)
Deferred income taxes	114	196	265
Asset (gains) losses and impairments, net	29	38	8
Working capital and other	278	(289)	(36)
Net cash from operating activities	2,680	2,117	2,084
Investing Activities			
Plant and equipment expenditures — utility	(2,439)	(2,037)	(1,898)
Plant and equipment expenditures — non-utility	(274)	(213)	(147)
Acquisition, net of cash acquired	—	—	(1,147)
Contributions to equity method investees	(637)	(299)	(239)
Other	3	(13)	41
Net cash used for investing activities	(3,347)	(2,562)	(3,390)
Financing Activities			
Issuance of long-term debt, net of issuance costs	1,432	1,398	2,035
Redemption of long-term debt	(105)	(385)	(807)
Repurchase of long-term debt	—	—	(59)
Issuance of equity units, net of issuance costs	—	—	654
Short-term borrowings, net	(12)	122	—
Repurchase of common stock	—	(51)	(33)
Dividends on common stock and other	(620)	(592)	(531)
Contributions from noncontrolling interests, principally REF entities	53	50	114
Distributions to noncontrolling interests	(48)	(40)	(5)
Other	(46)	(81)	(9)
Net cash from financing activities	654	421	1,359
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	\$(13)	\$(24)	\$53

Cash from Operating Activities

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

Cash from operations increased \$563 million in 2018. The increase in operating cash flows reflects an increase in adjustments for non-cash and non-operating items, primarily Depreciation and amortization and working capital adjustments, partially offset by a decrease to Deferred income taxes.

Cash from operations increased \$33 million in 2017. The increase in operating cash flows reflects an increase in Net Income and adjustments for non-cash and non-operating items, primarily Depreciation and amortization, and Asset (gains) losses and impairments, partially offset by a decrease to Deferred income taxes and working capital adjustments.

The change in working capital items in 2018 primarily related to increases in cash from Accounts receivable, Accrued pension liability, Derivative assets and liabilities, and Other current and noncurrent assets and liabilities, partially offset by increases of cash used for Equity earnings of equity method investees, Prepaid postretirement benefit costs, Accrued postretirement liability, and Regulatory assets and liabilities. The change in working capital items in 2017 primarily related to increases of cash used for Accounts Receivable, Inventories, Accrued pension liability, Derivative

assets and liabilities, Equity earnings of equity method investees, and Other current and noncurrent assets and liabilities, partially offset by increases in cash from the Accrued postretirement liability, and Regulatory assets and liabilities.

Cash used for Investing Activities

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

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

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

Net cash used for investing activities increased \$785 million in 2018 due primarily to an increase in Plant and equipment expenditures and Contributions to equity method investees, principally to NEXUS.

Net cash used for investing activities decreased \$828 million in 2017 due primarily to DTE Energy's 2016 acquisition of midstream natural gas assets, partially offset by increased Plant and equipment expenditures, Contributions to equity method investees, principally to NEXUS, and two acquisitions of renewable gas recovery sites, which are presented in Investing Activities — Other.

Cash from Financing Activities

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

DTE Energy's strategy is to have a targeted debt portfolio blend of fixed and variable interest rates and maturity. DTE Energy targets balance sheet financial metrics to ensure it is consistent with the objective of a strong investment grade debt rating.

Net cash from financing activities increased \$233 million in 2018. The increase was primarily due to the reduction of Redemption of long-term debt and Repurchases of common stock and an increase in Issuance of long-term debt, partially offset by an increase in cash used for repayments of Short-term borrowings and an increase in Dividends on common stock.

Net cash from financing activities decreased \$938 million in 2017. The decrease was primarily due to a decrease in Issuances of long-term debt and equity units, Contributions from noncontrolling interests, an increase in Dividends on common stock, and Distributions to noncontrolling interests, partially offset by an increase to Short-term borrowings, and a decrease to Redemptions and Repurchases of long-term debt.

Outlook

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

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

DTE Energy has approximately \$1.5 billion in long-term debt, including capital leases, maturing in the next twelve months. The repayment of the debt is expected to be paid through internally generated funds or the issuance of

long-term debt.

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DTE Energy has approximately \$1.4 billion of available liquidity at December 31, 2018, consisting of cash and amounts available under unsecured revolving credit agreements.

DTE Energy expects to issue equity up to \$250 million in 2019 through the pension and other employee benefit plans, which is exclusive from any amounts related to the Equity Units described in Note 14 to the Consolidated Financial Statements, "Long-Term Debt."

At the discretion of management, and depending upon financial market conditions, DTE Energy anticipates making up to \$150 million in contributions, including \$100 million of DTE Electric contributions, to the qualified pension plans in 2019. DTE Energy does not anticipate making any contributions to the other postretirement plans in 2019.

Various subsidiaries and equity investees of DTE Energy have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to require that DTE Energy post cash or letters of credit as collateral in the event that DTE Energy's credit rating is downgraded below investment grade. Certain of these provisions (known as "hard triggers") state specific circumstances under which DTE Energy can be required to post collateral upon the occurrence of a credit downgrade, while other provisions (known as "soft triggers") are not as specific. For contracts with soft triggers, it is difficult to estimate the amount of collateral which may be requested by counterparties and/or which DTE Energy may ultimately be required to post. The amount of such collateral which could be requested fluctuates based on commodity prices (primarily natural gas, power, and coal) and the provisions and maturities of the underlying transactions. As of December 31, 2018, DTE Energy's contractual obligation to post collateral in the form of cash or letters of credit in the event of a downgrade to below investment grade, under both hard trigger and soft trigger provisions, was approximately \$638 million.

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

See Notes 9, 10, 14, 16, 18, and 20 to the Consolidated Financial Statements in Item 8 of this Report, "Regulatory Matters," "Income Taxes," "Long-Term Debt," "Short-Term Credit Arrangements and Borrowings," "Commitments and Contingencies," and "Retirement Benefits and Trusteed Assets," respectively.

Contractual Obligations

The following table details DTE Energy's, including DTE Electric's, contractual obligations for debt redemptions, leases, purchase obligations, and other long-term obligations as of December 31, 2018:

	Total	2019	2020-2021	2022-2023	2024 and Thereafter
	(In millions)				
Long-term debt:					
Mortgage bonds, notes, and other ^(a)	\$12,566	\$1,495	\$1,144	\$1,793	\$8,134
Junior subordinated debentures ^(b)	1,180	—	—	—	1,180
Capital lease obligations	11	4	7	—	—
Interest	10,340	556	1,016	929	7,839
Stock purchase contract	33	33	—	—	—
Operating leases	154	42	48	19	45
Electric, gas, fuel, transportation, and storage purchase obligations ^(c)	5,509	2,216	1,465	591	1,237
Long-term DTE Electric renewable energy power purchase agreements ^{(d)(e)}	1,133	100	162	162	709
Other long-term obligations ^{(f)(g)(h)}	715	375	326	7	7
Total obligations	\$31,641	\$4,821	\$4,168	\$3,501	\$19,151

(a) Excludes \$16 million of unamortized debt discount and \$73 million of unamortized debt issuance costs.

(b) Excludes \$35 million of unamortized debt issuance costs.

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

The agreements represent the minimum obligations with suppliers for renewable energy and renewable energy

(d) credits under existing contract terms which expire from 2030 through 2035. DTE Electric's share of plant output ranges from 29% to 100%.

(e) Excludes a power purchase agreement with a non-utility affiliate of DTE Energy.

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

(g) Excludes other long-term liabilities of \$172 million not directly derived from contracts or other agreements.

At December 31, 2018, DTE Energy met the minimum pension funding levels required under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 for the defined benefit pension plans. DTE Energy may contribute more than the minimum funding requirements for the pension plans

(h) and may also make contributions to the other postretirement benefit plans; however, these amounts are not included in the table above as such amounts are discretionary. Planned funding levels are disclosed in the "Capital Resources and Liquidity" and "Critical Accounting Estimates" sections herein and in Note 20 to the Consolidated Financial Statements in Item 8 of this Report, "Retirement Benefits and Trusteed Assets."

Credit Ratings

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

As part of the normal course of business, DTE Electric, DTE Gas, and various non-utility subsidiaries of DTE Energy routinely enter into physical or financially settled contracts for the purchase and sale of electricity, natural gas, coal, capacity, storage, and other energy-related products and services. Certain of these contracts contain provisions which allow the counterparties to request that DTE Energy posts cash or letters of credit in the event that the senior

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

CRITICAL ACCOUNTING ESTIMATES

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

Regulation

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

See Note 9 to the Consolidated Financial Statements in Item 8 of this Report, "Regulatory Matters."

Derivatives

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets 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 December 31, 2018 and 2017. The Registrants believe they use valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

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

See Notes 12 and 13 to the Consolidated Financial Statements in Item 8 of this Report, "Fair Value" and "Financial and Other Derivative Instruments," respectively.

Asset Impairments

Goodwill

Certain of DTE Energy's reporting units have goodwill or allocated goodwill resulting from business combinations. DTE Energy performs an impairment test for each of the reporting units with goodwill annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

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

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

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

DTE Energy performed its annual impairment test as of October 1, 2018 and determined that the estimated fair value of each reporting unit exceeded its carrying value, and no impairment existed.

The results of the test and key estimates that were incorporated are as follows as of the October 1, 2018 valuation date:

Reporting Unit	Goodwill	Fair Value Reduction %(a)	Discount Rate	Terminal Multiple ^(b)	Valuation Methodology ^(c)
	(In millions)				
Electric	\$ 1,208	35 %	6 %	10.0x	DCF, assuming stock sale
Gas	743	30 %	7 %	12.0x	DCF, assuming stock sale
Gas Storage and Pipelines	299	19 %	7 %	n/a ^(d)	DCF, assuming asset sale
Power and Industrial Projects ^(e)	26	18 %	6 %	9.0x	DCF, assuming asset sale ^(f)
Energy Trading	17	56 %	12 %	n/a ^(g)	DCF, assuming asset sale
	\$ 2,293				

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

(b) Multiple of enterprise value (sum of debt plus equity value) to earnings before interest, taxes, depreciation, and amortization (EBITDA).

(c) Discounted cash flows (DCF) incorporated 2019-2023 projected cash flows plus a calculated terminal value.

Due to the nature of the projected cash flows for Gas Storage and Pipelines, DTE Energy capitalized the terminal (d) year cash flows at the weighted average cost of capital (WACC) less an assumed long-term growth rate of 3.0% in lieu of applying a terminal EBITDA multiple.

(e) Power and Industrial Projects excludes the Biomass reporting unit, as this unit has no allocated goodwill.

(f) Asset sales were assumed, except for Power and Industrial Projects' reduced emissions fuels projects, which assumed stock sales.

(g) Due to lack of market comparable information for Energy Trading, DTE Energy capitalized the terminal year cash flows at the WACC in lieu of applying a terminal EBITDA multiple.

Long-Lived Assets

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

Pension and Other Postretirement Costs

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

DTE Energy had pension costs of \$148 million in 2018, \$172 million in 2017, and \$167 million in 2016. Other postretirement benefit credits were \$36 million in 2018, \$31 million in 2017, and \$111 million in 2016. Pension costs and other postretirement benefit credits for 2018 were calculated based upon several actuarial assumptions, including an expected long-term rate of return on plan assets of 7.50% for the pension plans and 7.75% for the other postretirement benefit plans. In developing the expected long-term rate of return assumptions, DTE Energy evaluated asset class risk and return expectations, as well as inflation assumptions. Projected returns are based on broad equity, bond, and other markets. DTE Energy's 2019 expected long-term rate of return on pension plan assets is based on an asset allocation assumption utilizing active investment management of 35% in equity markets, 42% in fixed income markets, including long duration bonds, and 23% invested in other assets. DTE Energy's 2019 expected long-term rate of return on other postretirement plan assets is based on an asset allocation assumption utilizing active investment management of 39% in equity markets, 28% in fixed income markets, and 33% invested in other assets. Because of market volatility, DTE Energy periodically reviews the asset allocation and rebalances the portfolio when considered appropriate. DTE Energy is lowering its long-term rate of return assumption for the pension plans to 7.30% and maintaining the other postretirement plans at 7.75% for 2019. DTE Energy believes these rates are reasonable assumptions for the long-term rates of return on the plans' assets for 2019 given their respective asset allocations and DTE's capital market expectations. DTE Energy will continue to evaluate the actuarial assumptions, including its expected rate of return, at least annually.

DTE Energy calculates the expected return on pension and other postretirement benefit plan assets by multiplying the expected return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. Current accounting rules provide that the MRV of plan assets can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. For the pension plans, DTE Energy uses a calculated value when determining the MRV of the pension plan assets and recognizes changes in fair value over a three-year period. Accordingly, the future value of assets will be impacted as previously deferred gains or losses are recognized. Negative asset performance in 2018 resulted in unrecognized net losses. As of December 31, 2018, DTE Energy had \$248 million of cumulative losses related to investment performance in 2018 and 2017, that were not yet recognized in the calculation of the MRV of pension assets. For the other postretirement benefit plans, DTE Energy uses fair value when determining the MRV of other postretirement benefit plan assets, therefore all investment gains and losses have been recognized in the calculation of MRV for these plans.

The discount rate that DTE Energy utilizes for determining future pension and other postretirement benefit obligations is based on a yield curve approach and a review of bonds that receive one of the two highest ratings given by a recognized rating agency. The yield curve approach matches projected pension plan and other postretirement benefit payment streams with bond portfolios reflecting actual liability duration unique to the plans. The discount rate determined on this basis was 4.40% for the pension and other postretirement plans at December 31, 2018 compared to 3.70% for the pension and other postretirement plans at December 31, 2017.

DTE Energy changed the mortality assumption as of December 31, 2018 to reflect the updated MP-2018 projection scale, along with the actual experience and credibility of each population. The mortality assumptions used at December 31, 2018 are the RP-2014 mortality table projected back to 2006 using the Scale MP-2014, projected

forward to 2015 using the Scale MP-2017 and projected beyond 2015 using the Scale MP-2018 with generational projection. The base mortality tables vary by type of plan, employee's union status and employment status, with additional adjustments to reflect the actual experience and credibility of each population.

DTE Energy estimates the 2019 total pension costs will be approximately \$100 million in 2019, compared to \$148 million in 2018. The reduction in total pension costs is primarily due to updated demographic assumptions and favorable discount rates, offset by lower asset returns. The 2019 other postretirement benefit credit will be approximately \$45 million compared to \$36 million in 2018.

The health care trend rates for DTE Energy assume 6.75% for pre-65 participants and 7.25% for post-65 participants for 2019, trending down to 4.50% for both pre-65 and post-65 participants in 2031.

Future actual pension and other postretirement benefit costs or credits will depend on future investment performance, changes in future discount rates, and various other factors related to plan design.

Lowering the expected long-term rate of return on the plan assets by one percentage point would have increased the 2018 pension costs by approximately \$44 million. Lowering the discount rate and the salary increase assumptions by one percentage point would have increased the 2018 pension costs by approximately \$24 million. Lowering the expected long-term rate of return on plan assets by one percentage point would have decreased the 2018 other postretirement credit by approximately \$18 million. Lowering the discount rate assumption by one percentage point would have decreased the 2018 other postretirement credit by approximately \$27 million. Lowering the health care cost trend assumptions by one percentage point would have increased the other postretirement credit for 2018 by approximately \$4 million.

The value of the qualified pension and other postretirement benefit plan assets was \$6.0 billion at December 31, 2018 and \$6.5 billion at December 31, 2017. At December 31, 2018, DTE Energy's qualified pension plans were underfunded by \$720 million and its other postretirement benefit plans were overfunded by \$44 million. In 2018, the funded status of the pension plans improved as plan sponsor contributions and an increase in discount rates were partially offset by negative asset returns. The funded status of the other postretirement benefit plans improved as an increase in discount rates and favorable healthcare experience were partially offset by negative asset returns.

Pension and other postretirement costs and pension cash funding requirements may increase in future years without typical returns in the financial markets. DTE Energy made contributions to its qualified pension plans of \$175 million in 2018 and \$223 million in 2017. At the discretion of management, consistent with the Pension Protection Act of 2006, and depending upon financial market conditions, DTE Energy anticipates making contributions to its qualified pension plans of up to \$150 million in 2019 and up to \$700 million over the next five years. DTE Energy did not make other postretirement benefit plan contributions in 2018 or 2017. DTE Energy does not anticipate making any contributions to its other postretirement plans in 2019 or over the next five years. The planned pension contributions will be made in cash and/or DTE Energy common stock.

See Note 20 to the Consolidated Financial Statements in Item 8 of this Report, "Retirement Benefits and Trusteed Assets."

Legal Reserves

The Registrants are involved in various legal proceedings, claims, and litigation arising in the ordinary course of business. The Registrants regularly assess their liabilities and contingencies in connection with asserted or potential matters, and establish reserves when appropriate. Legal reserves are based upon the Registrants' management's assessment of pending and threatened legal proceedings and claims against the Registrants.

Accounting for Tax Obligations

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

Accounting for tax obligations requires judgments, including assessing whether tax benefits are more likely than not to be sustained, and estimating reserves for potential adverse outcomes regarding tax positions that have been taken. The Registrants also assess their ability to utilize tax attributes, including those in the form of carry-forwards, for which the benefits have already been reflected in the Consolidated Financial Statements. The Registrants believe the resulting tax reserve balances as of December 31, 2018 and 2017 are appropriate. The ultimate outcome of such matters could result in favorable or unfavorable adjustments to the Registrants' Consolidated Financial Statements, and such adjustments could be material.

See Note 10 to the Consolidated Financial Statements in Item 8 of this Report, "Income Taxes."

NEW ACCOUNTING PRONOUNCEMENTS

See Note 3 to the Consolidated Financial Statements in Item 8 of this Report, "New Accounting Pronouncements."

FAIR VALUE

Derivatives are generally recorded at fair value and shown as Derivative assets or liabilities. Contracts DTE Energy typically classifies as derivative instruments include power, natural gas, oil, and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items DTE Energy does not generally account for as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits, and storage assets. See Notes 12 and 13 to the Consolidated Financial Statements in Item 8 of this Report, "Fair Value" and "Financial and Other Derivative Instruments," respectively.

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

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

The Registrants have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For further discussion of the fair value hierarchy, see Note 12 to the Consolidated Financial Statements in Item 8 of this Report, "Fair Value."

The following table provides details on changes in DTE Energy's MTM net asset (or liability) position:

	Total (In millions)
MTM at December 31, 2017	\$ 8
Reclassified to realized upon settlement	74
Changes in fair value recorded to income	(81)
Amounts recorded to unrealized income	(7)
Changes in fair value recorded in regulatory liabilities	9
Change in collateral	(30)
Amounts recorded in Other comprehensive income, pretax	(3)
MTM at December 31, 2018	\$ (23)

The table below shows the maturity of DTE Energy's MTM positions. The positions from 2022 and beyond principally represent longer tenor gas structured transactions:

Source of Fair Value	2019	2020	2021	2022 and Beyond	Total Fair Value
	(In millions)				
Level 1	\$4	\$(1)	\$(1)	\$ —	\$2
Level 2	20	8	3	5	36
Level 3	21	(7)	(11)	(47)	(44)
MTM before collateral adjustments	\$45	\$—	\$(9)	\$(42)	(6)
Collateral adjustments					(17)
MTM at December 31, 2018					\$(23)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Price Risk

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

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

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

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

Credit Risk

Bankruptcies

DTE Energy's Power and Industrial Projects segment holds ownership interests in, and operates, five generating plants that sell electric output from renewable sources under long-term power purchase agreements with PG&E. PG&E filed for Chapter 11 bankruptcy protection on January 29, 2019. As of December 31, 2018, uncollected pre-petition accounts receivable from PG&E were approximately \$12 million. Currently, PG&E has been paying amounts owed in a timely manner and its account is current. As of December 31, 2018, DTE Energy has not recorded a reserve related to the pre-petition receivables.

As of December 31, 2018, the book value of long-lived assets used in producing electric output for sale to PG&E was approximately \$106 million. As of December 31, 2018, DTE Energy performed an impairment analysis on its long-lived assets in accordance with ASC 360, Property, Plant and Equipment. Based on its undiscounted cash flow projections, DTE Energy determined that it did not have an impairment loss as of December 31, 2018. DTE Energy's assumptions and conclusions may change, and it could have impairment losses if any of the terms of the contracts are not honored by PG&E or the contracts are rejected through the bankruptcy process.

The Power and Industrial Projects segment also has equity investments, including a note receivable, of approximately \$77 million in entities that sell power to PG&E. DTE Energy has determined that it does not have an other than temporary decline in its equity investments as described in ASC 323, Investments-Equity Method and Joint Ventures. DTE Energy's assumptions and conclusions may change in the future, and it could have an impairment loss if certain facilities are not utilized as currently anticipated or the contracts are rejected through the bankruptcy process.

Other

The Registrants regularly review contingent matters relating to customers and their contracts and record provisions for amounts considered at risk of probable loss in the allowance for doubtful accounts. The Registrants believe their accrued amounts are adequate for probable loss.

Trading Activities

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

The following table displays the credit quality of DTE Energy's trading counterparties as of December 31, 2018:

	Credit Exposure Before Cash Collateral (In millions)	Cash Collateral	Net Credit Exposure
Investment Grade ^(a)			
A- and Greater	\$348	\$ —	\$ 348
BBB+ and BBB	288	—	288
BBB-	49	—	49
Total Investment Grade	685	—	685
Non-investment grade ^(b)	3	—	3
Internally Rated — investment grade ^(c)	368	(1)	367
Internally Rated — non-investment grade ^(d)	38	(4)	34
Total	\$1,094	\$ (5)	\$ 1,089

This category includes counterparties with minimum credit ratings of Baa3 assigned by Moody's Investors Service (Moody's) or BBB- assigned by Standard & Poor's Rating Group, a division of McGraw-Hill Companies, Inc. (Standard & Poor's). The five largest counterparty exposures, combined, for this category represented 16% of the total gross credit exposure.

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

(c) This category includes counterparties that have not been rated by Moody's or Standard & Poor's, but are considered investment grade based on DTE Energy's evaluation of the counterparty's creditworthiness. The five largest counterparty exposures, combined, for this category represented 14% of the total gross credit exposure.

(d) This category includes counterparties that have not been rated by Moody's or Standard & Poor's, and are considered non-investment grade based on DTE Energy's evaluation of the counterparty's creditworthiness. The five largest counterparty exposures, combined, for this category represented 2% of the total gross credit exposure.

Other

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

Interest Rate Risk

DTE Energy is subject to interest rate risk in connection with the issuance of debt. In order to manage interest costs, DTE Energy may use treasury locks and interest rate swap agreements. DTE Energy's exposure to interest rate risk arises primarily from changes in U.S. Treasury rates, commercial paper rates, and LIBOR. As of December 31, 2018, DTE Energy had a floating rate debt-to-total debt ratio of 4.3%.

Foreign Currency Exchange Risk

DTE Energy has foreign currency exchange risk arising from market price fluctuations associated with fixed priced contracts. These contracts are denominated in Canadian dollars and are primarily for the purchase and sale of natural gas and power, as well as for long-term transportation capacity. To limit DTE Energy's exposure to foreign currency exchange fluctuations, DTE Energy has entered into a series of foreign currency exchange forward contracts through June 2023.

Summary of Sensitivity Analyses

Sensitivity analyses were performed on the fair values of commodity contracts for DTE Energy and long-term debt obligations for the Registrants. The commodity contracts listed below principally relate to energy marketing and trading activities. The sensitivity analyses involved increasing and decreasing forward prices and rates at December 31, 2018 and 2017 by a hypothetical 10% and calculating the resulting change in the fair values.

The results of the sensitivity analyses:

Activity	Assuming a 10% Increase in Prices/Rates		Assuming a 10% Decrease in Prices/Rates		Change in the Fair Value of
	As of December 31, 2018	As of December 31, 2017	As of December 31, 2018	As of December 31, 2017	
Gas contracts	\$8	\$—	\$(8)	\$—	Commodity contracts
Power contracts	\$10	\$5	\$(10)	\$(7)	Commodity contracts
Interest rate risk — DTE Energy	\$(596)	\$(576)	\$625	\$581	Long-term debt
Interest rate risk — DTE Electric	\$(277)	\$(246)	\$300	\$263	Long-term debt

For further discussion of market risk, see Management's Discussion and Analysis in Item 7 of this Report and Note 13 to the Consolidated Financial Statements in Item 8 of this Report, "Financial and Other Derivative Instruments."

Item 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements and financial statement schedules are included herein:

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DTE Energy — Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Management of DTE Energy carried out an evaluation, under the supervision and with the participation of DTE Energy's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of DTE Energy's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2018, which is the end of the period covered by this report. Based on this evaluation, DTE Energy's CEO and CFO have concluded that such disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by DTE Energy in reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to DTE Energy's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in the effectiveness of any disclosure controls and procedures, management cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be attained.

(b) Management's report on internal control over financial reporting

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

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

Management of DTE Energy has assessed the effectiveness of DTE Energy's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO) in Internal Control - Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2018, DTE Energy's internal control over financial reporting was effective based on those criteria.

The effectiveness of DTE Energy's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited DTE Energy's financial statements, as stated in their report which appears herein.

(c) Changes in internal control over financial reporting

There have been no changes in DTE Energy's internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, DTE Energy's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
DTE Energy Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of DTE Energy Company and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 7, 2019

We have served as the Company's auditor since 2008.

DTE Energy Company
Consolidated Statements of Operations

Year Ended December 31,
2018 2017 2016
(In millions, except per
share amounts)

Operating Revenues			
Utility operations	\$6,670	\$6,434	\$6,497
Non-utility operations	7,542	6,173	4,133
	14,212	12,607	10,630
Operating Expenses			
Fuel, purchased power, and gas — utility	1,981	1,881	1,968
Fuel, purchased power, and gas — non-utility	6,630	5,283	3,562
Operation and maintenance	2,451	2,270	2,261
Depreciation and amortization	1,124	1,030	976
Taxes other than income	405	391	370
Asset (gains) losses and impairments, net	27	41	7
	12,618	10,896	9,144
Operating Income	1,594	1,711	1,486
Other (Income) and Deductions			
Interest expense	559	536	472
Interest income	(12)	(12)	(20)
Non-operating retirement benefits, net	37	65	41
Other income	(333)	(268)	(207)
Other expenses	127	103	95
	378	424	381
Income Before Income Taxes	1,216	1,287	1,105
Income Tax Expense	98	175	271
Net Income	1,118	1,112	834
Less: Net Loss Attributable to Noncontrolling Interests	(2)	(22)	(34)
Net Income Attributable to DTE Energy Company	\$1,120	\$1,134	\$868
Basic Earnings per Common Share			
Net Income Attributable to DTE Energy Company	\$6.18	\$6.32	\$4.84
Diluted Earnings per Common Share			
Net Income Attributable to DTE Energy Company	\$6.17	\$6.32	\$4.83
Weighted Average Common Shares Outstanding			
Basic	181	179	179
Diluted	181	179	179
See Combined Notes to Consolidated Financial Statements			

DTE Energy Company
Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Net Income	\$1,118	\$1,112	\$834
Other comprehensive income (loss), net of tax:			
Benefit obligations, net of taxes of \$2, \$5, and \$6, respectively	8	10	11
Net unrealized gains (losses) on derivatives during the period, net of taxes of \$— for all periods	(1)	1	—
Net unrealized gains on investments during the period, net of taxes of \$—, \$1, and \$1, respectively	—	1	1
Foreign currency translation	(2)	1	—
Other comprehensive income	5	13	12
Comprehensive income	1,123	1,125	846
Less: Comprehensive loss attributable to noncontrolling interests	(2)	(22)	(34)
Comprehensive Income Attributable to DTE Energy Company	\$1,125	\$1,147	\$880
See Combined Notes to Consolidated Financial Statements			

DTE Energy Company

Consolidated Statements of Financial Position

	December 31, 2018		2017
	(In millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$	71	\$ 66
Restricted cash	5		23
Accounts receivable (less allowance for doubtful accounts of \$91 and \$49, respectively)			
Customer	1,789		1,758
Other	108		98
Inventories			
Fuel and gas	406		399
Materials and supplies	405		380
Derivative assets	102		103
Regulatory assets	153		55
Other	221		199
	3,260		3,081
Investments			
Nuclear decommissioning trust funds	1,378		1,492
Investments in equity method investees	1,771		1,073
Other	219		232
	3,368		2,797
Property			
Property, plant, and equipment	31,810		31,424
Accumulated depreciation and amortization	(10,160)	(10,703
	21,650		20,721
Other Assets			
Goodwill	2,293		2,293
Regulatory assets	4,568		3,723
Intangible assets	849		867
Notes receivable	64		73
Derivative assets	31		51
Prepaid postretirement costs	45		—
Other	160		161
	8,010		7,168
Total Assets	\$	36,288	\$ 33,767

See Combined Notes to Consolidated Financial Statements

DTE Energy Company
Consolidated Statements of Financial Position — (Continued)

	December 31, 2018 2017 (In millions, except shares)	
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$1,329	\$1,171
Accrued interest	127	111
Dividends payable	172	158
Short-term borrowings	609	621
Current portion long-term debt, including capital leases	1,499	109
Derivative liabilities	67	99
Regulatory liabilities	126	18
Other	509	525
	4,438	2,812
Long-Term Debt (net of current portion)		
Mortgage bonds, notes, and other	10,982	11,039
Junior subordinated debentures	1,145	1,145
Capital lease obligations	7	1
	12,134	12,185
Other Liabilities		
Deferred income taxes	1,975	1,888
Regulatory liabilities	2,922	2,875
Asset retirement obligations	2,469	2,320
Unamortized investment tax credit	138	122
Derivative liabilities	89	47
Accrued pension liability	837	924
Accrued postretirement liability	—	61
Nuclear decommissioning	205	220
Other	364	323
	8,999	8,780
Commitments and Contingencies (Notes 9 and 18)		
Equity		
Common stock (No par value, 400,000,000 shares authorized, and 181,925,281 and 179,386,967 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively)	4,245	3,989
Retained earnings	6,112	5,643
Accumulated other comprehensive loss	(120)	(120)
Total DTE Energy Company Equity	10,237	9,512
Noncontrolling interests	480	478
Total Equity	10,717	9,990
Total Liabilities and Equity	\$36,288	\$33,767
See Combined Notes to Consolidated Financial Statements		

DTE Energy Company
Consolidated Statements of Cash Flows

	Year Ended December		
	31,		
	2018	2017	2016
	(In millions)		
Operating Activities			
Net Income	\$1,118	\$1,112	\$834
Adjustments to reconcile Net Income to Net cash from operating activities:			
Depreciation and amortization	1,124	1,030	976
Nuclear fuel amortization	45	53	58
Allowance for equity funds used during construction	(28)	(23)	(21)
Deferred income taxes	114	196	265
Equity earnings of equity method investees	(132)	(102)	(68)
Dividends from equity method investees	74	74	68
Asset (gains) losses and impairments, net	29	38	8
Changes in assets and liabilities:			
Accounts receivable, net	(44)	(252)	(226)
Inventories	(32)	(4)	37
Prepaid postretirement benefit costs	(45)	—	—
Accounts payable	146	129	145
Accrued pension liability	(87)	(228)	19
Accrued postretirement liability	(61)	25	(192)
Derivative assets and liabilities	31	(94)	126
Regulatory assets and liabilities	15	217	(40)
Other current and noncurrent assets and liabilities	413	(54)	95
Net cash from operating activities	2,680	2,117	2,084
Investing Activities			
Plant and equipment expenditures — utility	(2,439)	(2,037)	(1,898)
Plant and equipment expenditures — non-utility	(274)	(213)	(147)
Acquisition, net of cash acquired	—	—	(1,147)
Proceeds from sale of nuclear decommissioning trust fund assets	1,203	1,240	1,457
Investment in nuclear decommissioning trust funds	(1,188)	(1,226)	(1,463)
Distributions from equity method investees	9	10	11
Contributions to equity method investees	(637)	(299)	(239)
Other	(21)	(37)	36
Net cash used for investing activities	(3,347)	(2,562)	(3,390)
Financing Activities			
Issuance of long-term debt, net of issuance costs	1,432	1,398	2,035
Redemption of long-term debt	(105)	(385)	(807)
Repurchase of long-term debt	—	—	(59)
Issuance of equity units, net of issuance costs	—	—	654
Short-term borrowings, net	(12)	122	—
Repurchase of common stock	—	(51)	(33)
Dividends on common stock	(620)	(592)	(531)
Contributions from noncontrolling interests, principally REF entities	53	50	114
Distributions to noncontrolling interests	(48)	(40)	(5)
Other	(46)	(81)	(9)
Net cash from financing activities	654	421	1,359
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(13)	(24)	53

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Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	89	113	60
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$76	\$89	\$113

Supplemental disclosure of cash information

Cash paid (received) for:

Interest, net of interest capitalized	\$572	\$495	\$448
Income taxes	\$(26)	\$4	\$(1)

Supplemental disclosure of non-cash investing and financing activities

Plant and equipment expenditures in accounts payable	\$307	\$295	\$312
Premium on equity units	\$—	\$—	\$98

See Combined Notes to Consolidated Financial Statements

DTE Energy Company
Consolidated Statements of Changes in Equity

	Common Stock		Retained	Accumulated	Noncontrolling	
	Shares	Amount	Earnings	Other	Interests	Total
				Comprehensive		
				Income		
				(Loss)		
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2015	179,470	\$4,123	\$4,794	\$ (145)	\$ 23	\$8,795
Implementation of ASU 2016-09	—	—	3	—	—	\$3
Net Income (Loss)	—	—	868	—	(34)	834
Dividends declared on common stock (\$3.06 per Common Share)	—	—	(548)	—	—	(548)
Repurchase of common stock	(394)	(33)	—	—	—	(33)
Premium on equity units	—	(98)	—	—	—	(98)
Issuance costs of equity units	—	(18)	—	—	—	(18)
Acquisition of SGG	—	—	—	—	390	390
Other comprehensive income, net of tax	—	—	—	12	—	12
Stock-based compensation, net contributions from noncontrolling interests, and other	357	56	(3)	—	109	162
Balance, December 31, 2016	179,433	\$4,030	\$5,114	\$ (133)	\$ 488	\$9,499
Net Income (Loss)	—	—	1,134	—	(22)	1,112
Dividends declared on common stock (\$3.36 per Common Share)	—	—	(602)	—	—	(602)
Repurchase of common stock	(524)	(51)	—	—	—	(51)
Other comprehensive income, net of tax	—	—	—	13	—	13
Stock-based compensation, net contributions from noncontrolling interests, and other	478	10	(3)	—	12	19
Balance, December 31, 2017	179,387	\$3,989	\$5,643	\$ (120)	\$ 478	\$9,990
Implementation of ASU 2016-01	—	—	5	(5)	—	—
Net Income (Loss)	—	—	1,120	—	(2)	1,118
Dividends declared on common stock (\$3.60 per Common Share)	—	—	(653)	—	—	(653)
Issuance of common stock	255	26	—	—	—	26
Contribution of common stock to pension plan	1,751	175	—	—	—	175
Other comprehensive income, net of tax	—	—	—	5	—	5
Stock-based compensation, net contributions from noncontrolling interests, and other	532	55	(3)	—	4	56
Balance, December 31, 2018	181,925	\$4,245	\$6,112	\$ (120)	\$ 480	\$10,717

See Combined Notes to Consolidated Financial Statements

DTE Electric — Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Management of DTE Electric carried out an evaluation, under the supervision and with the participation of DTE Electric's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of DTE Electric's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2018, which is the end of the period covered by this report. Based on this evaluation, DTE Electric's CEO and CFO have concluded that such disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by DTE Electric in reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to DTE Electric's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in the effectiveness of any disclosure controls and procedures, management cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be attained.

(b) Management's report on internal control over financial reporting

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

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

Management of DTE Electric has assessed the effectiveness of DTE Electric's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 COSO) in Internal Control - Integrated Framework.

Based on this assessment, management concluded that, as of December 31, 2018, DTE Electric's internal control over financial reporting was effective based on those criteria.

This annual report does not include an audit report of DTE Electric's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to audit by DTE Electric's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit DTE Electric to provide only management's report in this annual report.

(c) Changes in internal control over financial reporting

There have been no changes in DTE Electric's internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, DTE Electric's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
DTE Electric Company
Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of DTE Electric Company and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive income, of changes in shareholder’s equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended December 31, 2018 listed in the accompanying index (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 7, 2019

We have served as the Company's auditor since 2008.

DTE Electric Company
Consolidated Statements of Operations

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Operating Revenues — Utility operations	\$5,298	\$5,102	\$5,225
Operating Expenses			
Fuel and purchased power — utility	1,552	1,454	1,532
Operation and maintenance	1,470	1,428	1,455
Depreciation and amortization	836	753	750
Taxes other than income	307	302	284
Asset (gains) losses and impairments, net	(1)	—	—
	4,164	3,937	4,021
Operating Income	1,134	1,165	1,204
Other (Income) and Deductions			
Interest expense	283	274	264
Interest income	—	—	(8)
Other income	(83)	(77)	(61)
Other expenses	77	40	34
	277	237	229
Income Before Income Taxes	857	928	975
Income Tax Expense	193	327	353
Net Income	\$664	\$601	\$622
See Combined Notes to Consolidated Financial Statements			

DTE Electric Company
 Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Net Income	\$664	\$601	\$622
Other comprehensive income, net of tax:			
Net unrealized gains on investments during the period, net of taxes of \$—, \$1, and \$—, respectively	—	1	—
Other comprehensive income	—	1	—
Comprehensive Income	\$664	\$602	\$622
See Combined Notes to Consolidated Financial Statements			

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DTE Electric Company
Consolidated Statements of Financial Position

	December 31, 2018		2017
	(In millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$	18	\$ 15
Accounts receivable (less allowance for doubtful accounts of \$53 and \$31, respectively)			
Customer		750	791
Affiliates		11	20
Other		54	37
Inventories			
Fuel		171	190
Materials and supplies		279	275
Regulatory assets		148	50
Other		89	68
		1,520	1,446
Investments			
Nuclear decommissioning trust funds		1,378	1,492
Other		34	36
		1,412	1,528
Property			
Property, plant, and equipment		22,747	22,972
Accumulated depreciation and amortization		(7,310)	(7,984)
		15,437	14,988
Other Assets			
Regulatory assets		3,829	3,005
Intangible assets		21	25
Prepaid postretirement costs — affiliates		189	113
Other		121	123
		4,160	3,266
Total Assets	\$	22,529	\$ 21,228

See Combined Notes to Consolidated Financial Statements

DTE Electric Company
Consolidated Statements of Financial Position — (Continued)

	December 31, 2018 2017	
	(In millions, except shares)	
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities		
Accounts payable		
Affiliates	\$71	\$52
Other	441	416
Accrued interest	74	72
Current portion long-term debt, including capital leases	4	5
Regulatory liabilities	98	17
Short-term borrowings		
Affiliates	101	116
Other	149	238
Other	139	145
	1,077	1,061
Long-Term Debt (net of current portion)		
Mortgage bonds, notes, and other	6,538	6,017
Capital lease obligations	7	1
	6,545	6,018
Other Liabilities		
Deferred income taxes	2,246	2,088
Regulatory liabilities	2,171	2,137
Asset retirement obligations	2,271	2,125
Unamortized investment tax credit	137	120
Nuclear decommissioning	205	220
Accrued pension liability — affiliates	718	811
Accrued postretirement liability — affiliates	278	311
Other	88	72
	8,114	7,884
Commitments and Contingencies (Notes 9 and 18)		
Shareholder's Equity		
Common stock (\$10 par value, 400,000,000 shares authorized, and 138,632,234 shares issued and outstanding for both periods)	4,631	4,306
Retained earnings	2,162	1,956
Accumulated other comprehensive income	—	3
Total Shareholder's Equity	6,793	6,265
Total Liabilities and Shareholder's Equity	\$22,529	\$21,228
See Combined Notes to Consolidated Financial Statements		

DTE Electric Company
Consolidated Statements of Cash Flows

	Year Ended		
	December 31,		
	2018	2017	2016
	(In millions)		
Operating Activities			
Net Income	\$664	\$601	\$622
Adjustments to reconcile Net Income to Net cash from operating activities:			
Depreciation and amortization	836	753	750
Nuclear fuel amortization	45	53	58
Allowance for equity funds used during construction	(19)	(18)	(18)
Deferred income taxes	189	345	342
Changes in assets and liabilities:			
Accounts receivable, net	33	(80)	(64)
Inventories	15	31	26
Prepaid postretirement benefit costs — affiliates	(76)	1	(90)
Accounts payable	54	(2)	59
Accrued pension liability — affiliates	(93)	(197)	32
Accrued postretirement liability — affiliates	(33)	42	(38)
Regulatory assets and liabilities	4	202	10
Other current and noncurrent assets and liabilities	101	(147)	(34)
Net cash from operating activities	1,720	1,584	1,655
Investing Activities			
Plant and equipment expenditures	(1,989)	(1,574)	(1,503)
Proceeds from sale of nuclear decommissioning trust fund assets	1,203	1,240	1,457
Investment in nuclear decommissioning trust funds	(1,188)	(1,226)	(1,463)
Other	(15)	18	36
Net cash used for investing activities	(1,989)	(1,542)	(1,473)
Financing Activities			
Issuance of long-term debt, net of issuance costs	519	435	355
Redemption of long-term debt	—	(300)	(10)
Repurchase of long-term debt	—	—	(59)
Capital contribution by parent company	325	100	120
Short-term borrowings, net — affiliate	(15)	(1)	41
Short-term borrowings, net — other	(89)	176	(210)
Dividends on common stock	(461)	(432)	(420)
Other	(7)	(18)	(1)
Net cash from (used for) financing activities	272	(40)	(184)
Net Increase (Decrease) in Cash and Cash Equivalents	3	2	(2)
Cash and Cash Equivalents at Beginning of Period	15	13	15
Cash and Cash Equivalents at End of Period	\$18	\$15	\$13
Supplemental disclosure of cash information			
Cash paid (received) for:			
Interest, net of interest capitalized	\$283	\$252	\$252
Income taxes	\$—	\$(16)	\$6
Supplemental disclosure of non-cash investing and financing activities			
Plant and equipment expenditures in accounts payable	\$181	\$191	\$232
See Combined Notes to Consolidated Financial Statements			

DTE Electric Company

Consolidated Statements of Changes in Shareholder's Equity

	Common Stock		Additional	Retained	Accumulated	
	Shares	Amount	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					Income (Loss)	
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2015	138,632	\$ 1,386	\$ 2,700	\$ 1,585	\$ 2	\$5,673
Net Income	—	—	—	622	—	622
Dividends declared on common stock	—	—	—	(420)	—	(420)
Capital contribution by parent company	—	—	120	—	—	120
Balance, December 31, 2016	138,632	\$ 1,386	\$ 2,820	\$ 1,787	\$ 2	\$5,995
Net Income	—	—	—	601	—	601
Dividends declared on common stock	—	—	—	(432)	—	(432)
Other comprehensive income, net of tax	—	—	—	—	1	1
Capital contribution by parent company	—	—	100	—	—	100
Balance, December 31, 2017	138,632	\$ 1,386	\$ 2,920	\$ 1,956	\$ 3	\$6,265
Implementation of ASU 2016-01	—	—	—	3	(3)	—
Net Income	—	—	—	664	—	664
Dividends declared on common stock	—	—	—	(461)	—	(461)
Capital contribution by parent company	—	—	325	—	—	325
Balance, December 31, 2018	138,632	\$ 1,386	\$ 3,245	\$ 2,162	\$ —	\$6,793

See Combined Notes to Consolidated Financial Statements

DTE Energy Company — DTE Electric Company
 Combined Notes to Consolidated Financial Statements

Index of Combined Notes to Consolidated Financial Statements

The Combined Notes to Consolidated Financial Statements 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	Revenue	DTE Energy and DTE Electric
Note 5	Goodwill	DTE Energy
Note 6	Property, Plant, and Equipment	DTE Energy and DTE Electric
Note 7	Jointly-Owned Utility Plant	DTE Energy and DTE Electric
Note 8	Asset Retirement Obligations	DTE Energy and DTE Electric
Note 9	Regulatory Matters	DTE Energy and DTE Electric
Note 10	Income Taxes	DTE Energy and DTE Electric
Note 11	Earnings Per Share	DTE Energy
Note 12	Fair Value	DTE Energy and DTE Electric
Note 13	Financial and Other Derivative Instruments	DTE Energy and DTE Electric
Note 14	Long-Term Debt	DTE Energy and DTE Electric
Note 15	Preferred and Preference Securities	DTE Energy and DTE Electric
Note 16	Short-Term Credit Arrangements and Borrowings	DTE Energy and DTE Electric
Note 17	Capital and Operating Leases	DTE Energy and DTE Electric
Note 18	Commitments and Contingencies	DTE Energy and DTE Electric
Note 19	Nuclear Operations	DTE Energy and DTE Electric
Note 20	Retirement Benefits and Trusteed Assets	DTE Energy and DTE Electric
Note 21	Stock-Based Compensation	DTE Energy and DTE Electric
Note 22	Segment and Related Information	DTE Energy
Note 23	Related Party Transactions	DTE Electric
Note 24	Supplementary Quarterly Financial Information (Unaudited)	DTE Energy and DTE Electric

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.

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

Basis of Presentation

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 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.

Due to the implementation of ASU 2017-07, amounts previously included in Operation and maintenance were reclassified to Non-operating retirement benefits, net on the Consolidated Statements of Operations. See Note 3 to the Consolidated Financial Statements, "New Accounting Pronouncements."

Principles of Consolidation

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

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

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

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

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 December 31, 2018, 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 December 31, 2018, 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 and for DTE Energy, in Note 18 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 18 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 December 31, 2018 and 2017. 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:

	December 31, 2018			December 31, 2017		
	SGG ^(a)	Other	Total	SGG ^(a)	Other	Total
	(In millions)					
ASSETS						
Cash and cash equivalents	\$25	\$14	\$39	\$23	\$14	\$37
Restricted cash	—	5	5	—	8	8
Accounts receivable	9	37	46	11	42	53
Inventories	1	92	93	3	114	117
Property, plant, and equipment, net	395	46	441	400	75	475
Goodwill	25	—	25	25	—	25
Intangible assets	557	—	557	572	—	572
Other current and long-term assets	3	—	3	4	—	4
	\$1,015	\$194	\$1,209	\$1,038	\$253	\$1,291
LIABILITIES						
Accounts payable and accrued current liabilities	\$3	\$31	\$34	\$26	\$47	\$73
Current portion long-term debt, including capital leases	—	—	—	—	4	4
Mortgage bonds, notes, and other	—	—	—	—	1	1
Other current and long-term liabilities	9	10	19	1	16	17
	\$12	\$41	\$53	\$27	\$68	\$95

(a) Amounts shown are 100% of SGG's assets and liabilities, of which DTE Energy owns 55%.

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

Amounts for DTE Energy's non-consolidated VIEs are as follows:

	December 31,	
	2018	2017
	(In millions)	
Investments in equity method investees	\$1,425	\$811
Notes receivable	\$15	\$17
Future funding commitments	\$55	\$598

Equity Method Investments

Investments in non-consolidated affiliates that are not controlled by the Registrants, but over which they have significant influence, are accounted for using the equity method. Certain of the equity method investees are also considered VIEs and disclosed in the non-consolidated VIEs table above. At December 31, 2018 and 2017, DTE Energy's share of the underlying equity in the net assets of the investees exceeded the carrying amounts of Investments in equity method investees by \$59 million and \$72 million, respectively. The difference is being amortized over the life of the underlying assets.

DTE Energy equity method investees are described below:

Segment	Investments		% Owned		Description
	2018	2017	2018	2017	
	(In millions)				
Significant Equity Method Investees					
Gas Storage and Pipelines					
NEXUS Pipeline	\$1,260	\$640	50%	50%	256-mile pipeline to transport Utica and Marcellus shale gas to Ohio, Michigan, and Ontario market centers
Vector Pipeline	123	115	40%	40%	348-mile pipeline connecting Chicago, Michigan, and Ontario market centers
Millennium Pipeline	202	124	26%	26%	269-mile pipeline serving markets in the Northeast
	1,585	879			
Other Equity Method Investees					
Other Segments	186	194			
	\$1,771	\$1,073			

The balances in Other Equity Method Investees are individually insignificant and are primarily from the Power and Industrial Projects segment. These investments are comprised of projects that deliver energy and utility-type products and services to an industrial customer, sell electricity from renewable energy projects under long-term power purchase agreements, and produce and sell metallurgical coke.

For further information by segment, see Note 22 to the Consolidated Financial Statements, "Segment and Related Information."

The following table presents summarized financial information of subsidiaries not consolidated and 50 percent or less owned by DTE Energy. The amounts included in the table below represents 100% of the results of continuing operations of such entities accounted for under the equity method of accounting.

Summarized balance sheet data is as follows:

	December 31,	
	2018	2017
	(In millions)	
Current Assets	\$358	\$344

Non-current assets	\$5,101	\$3,576
Current Liabilities	\$391	\$345
Non-current liabilities	\$762	\$858

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

Summarized income statement data is as follows:

	December 31,		
	2018	2017	2016
	(In millions)		
Operating Revenues	\$883	\$756	\$767
Operating Expenses	\$622	\$561	\$526
Net Income	\$365	\$254	\$225

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Other Income

Other income for the Registrants is recognized for non-operating income such as equity earnings of equity method investees, allowance for equity funds used during construction, contract services, and gains (losses) from trading securities. DTE Energy's Power and Industrial Projects segment also recognizes Other income in connection with the sale of membership interests in reduced emissions fuel facilities to investors. In exchange for the cash received, the investors will receive a portion of the economic attributes of the facilities, including income tax attributes. The transactions are not treated as a sale of membership interests for financial reporting purposes. Other income related to fixed non-refundable cash payments received from investors for which the earnings process is not contingent upon production of refined coal is recognized on a straight-line basis over the non-cancelable contract term as the economic benefit from the ownership of the facility is transferred to investors. Other income related to cash payments that is contingent upon production of refined coal is considered earned and recognized when the contingency regarding the timing and amount of payment is resolved, generally as refined coal is produced and tax credits are generated.

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

	2018	2017	2016
	(In millions)		
Equity earnings of equity method investees	\$132	\$102	\$68
Income from REF entities	98	77	75
Contract services	51	19	21
Allowance for equity funds used during construction	28	23	21
Gains from trading securities	6	26	15
Other	18	21	7
	\$333	\$268	\$207

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

	2018	2017	2016
	(In millions)		
Contract services	\$51	\$21	\$20
Allowance for equity funds used during construction	19	18	18
Gains from trading securities allocated from DTE Energy	6	26	15
Other	7	12	8
	\$83	\$77	\$61

For information on equity earnings of equity method investees by segment, see Note 22 to the Consolidated Financial Statements, "Segment and Related Information."

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

Accounting for ISO Transactions

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

The Energy Trading segment participates in the energy markets through various ISOs and RTOs. These markets require that Energy Trading submits hourly day-ahead, real-time bids and offers for energy at locations across each region. Energy Trading submits bids in the annual and monthly auction revenue rights and FTR auctions to the RTOs. Energy Trading accounts for these transactions on a net hourly basis for the day-ahead, real-time, and FTR markets. These transactions are related to trading contracts which, if derivatives, are presented on a net basis in Operating Revenues — Non-utility operations, and if non-derivatives, the realized gains and losses for sales are recorded in Operating Revenues — Non-utility operations and purchases are recorded in Fuel, purchased power, and gas — non-utility in the DTE Energy Consolidated Statements of Operations.

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

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 the Registrants include unrealized gains and losses on available-for-sale securities and changes in benefit obligations, consisting of deferred actuarial losses and prior service costs. The amounts recorded to Accumulated other comprehensive income (loss) relating solely to DTE Energy also include 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.

The following table summarizes the changes in DTE Energy's Accumulated other comprehensive income (loss) by component^(a) for the years ended December 31, 2018 and 2017:

	Net Unrealized Gain (Loss) on Derivatives (In millions)	Net Unrealized Gain (Loss) on Investments	Benefit Obligations ^(b)	Foreign Currency Translation	Total
Balance, December 31, 2016	\$(4)	\$ (3)	\$ (120)	\$ (6)	\$(133)
Other comprehensive income (loss) before reclassifications	—	1	(3)	1	(1)
Amounts reclassified from Accumulated other comprehensive income	1	—	13	—	14
Net current-period Other comprehensive income	1	1	10	1	13
Balance, December 31, 2017	\$(3)	\$ (2)	\$ (110)	\$ (5)	\$(120)
Implementation of ASU 2016-01	(7)	2	—	—	(5)
Other comprehensive loss before reclassifications	(2)	—	(1)	(2)	(5)
Amounts reclassified from Accumulated other comprehensive income	1	—	9	—	10
Net current-period Other comprehensive income (loss)	(8)	2	8	(2)	—
Balance, December 31, 2018	\$(11)	\$ —	\$ (102)	\$ (7)	\$(120)

(a) All amounts are net of tax, except for Foreign currency translation.

The amounts reclassified from Accumulated other comprehensive income (loss) are included in the computation of
(b) the net periodic pension and other postretirement benefit costs (see Note 20 to the Consolidated Financial Statements, "Retirement Benefits and Trusteed Assets").

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

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.

The following is a table that provides a reconciliation of DTE Energy's Cash and cash equivalents as well as Restricted cash reported within the Consolidated Statements of Financial Position that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows:

	2018	2017
	(In millions)	
Cash and cash equivalents	\$71	\$66
Restricted cash	5	23
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	\$76	\$89

Receivables

Accounts receivable are primarily composed of trade receivables and unbilled revenue. The Registrants' Accounts receivable are stated at net realizable value.

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

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

DTE Energy unbilled revenues of \$1.0 billion at December 31, 2018 and 2017 include \$264 million and \$290 million of DTE Electric unbilled revenues, respectively, included in Customer Accounts receivable.

Notes Receivable

Notes receivable, or financing receivables, for DTE Energy are primarily comprised of capital lease receivables and loans and are included in Notes receivable and Other current assets on DTE Energy's Consolidated Statements of Financial Position. Notes receivable, or financing receivables, for DTE Electric are primarily comprised of loans. Notes receivable are typically considered delinquent when payment is not received for periods ranging from 60 to 120 days. The Registrants cease accruing interest (nonaccrual status), consider a note receivable impaired, and establish an allowance for credit loss when it is probable that all principal and interest amounts due will not be collected in accordance with the contractual terms of the note receivable. Cash payments received on nonaccrual status notes receivable, that do not bring the account contractually current, are first applied to contractually owed past due interest, with any remainder applied to principal. Accrual of interest is generally resumed when the note receivable becomes contractually current.

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

Inventories

Inventory related to utility operations is generally valued at average cost. Inventory related to non-utility operations is valued at the lower of cost or net realizable value.

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

DTE Gas' natural gas inventory of \$48 million and \$29 million as of December 31, 2018 and 2017, respectively, is determined using the last-in, first-out (LIFO) method. The replacement cost of gas in inventory exceeded the LIFO cost by \$113 million and \$81 million at December 31, 2018 and 2017, respectively.

Property, Retirement and Maintenance, and Depreciation and Amortization

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

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

DTE Energy's non-utility property is depreciated over its estimated useful life using the straight-line method. Depreciation and amortization expense also includes the amortization of certain regulatory assets for the Registrants. Approximately \$4 million and \$15 million of expenses related to Fermi 2 refueling outages were accrued at December 31, 2018 and 2017, respectively. Amounts are accrued on a pro-rata basis, generally over an 18-month period, that coincides with scheduled refueling outages at Fermi 2. This accrual of outage costs matches the regulatory recovery of these costs in rates set by the MPSC. See Note 9 to the Consolidated Financial Statements, "Regulatory Matters."

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

See Note 6 to the Consolidated Financial Statements, "Property, Plant, and Equipment."

Long-Lived Assets

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

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

Intangible Assets

The Registrants have certain Intangible assets as shown below:

	Useful Lives	December 31, 2018			December 31, 2017		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
(In millions)							
Intangible assets subject to amortization							
Customer relationships	25 - 40 years ^(a)	\$ 779	\$ (44)	\$ 735	\$ 770	\$ (24)	\$ 746
Contract intangibles	6 to 26 years	159	(66)	93	168	(72)	96
		938	(110)	828	938	(96)	842
DTE Electric renewable energy credits (b)		20	—	20	24	—	24
DTE Electric emission allowances (b)		1	—	1	1	—	1
		21	—	21	25	—	25
Long-term intangible assets							
DTE Electric		\$ 21	\$ —	\$ 21	\$ 25	\$ —	\$ 25
DTE Energy		\$ 959	\$ (110)	\$ 849	\$ 963	\$ (96)	\$ 867

The useful life of the customer relationship intangible assets is based on the number of years in which the assets are expected to economically contribute to the business. The expected economic benefit incorporates existing customer contracts and expected renewal rates based on the estimated volume and production lives of gas resources in the region.

Emission allowances and renewable energy credits are charged to expense, using average cost, as the allowances and credits are consumed in the operation of the business.

The following table summarizes DTE Energy's estimated customer relationship and contract intangible amortization expense expected to be recognized during each year through 2023:

	2019	2020	2021	2022	2023
Estimated amortization expense	\$ 27	\$ 26	\$ 25	\$ 25	\$ 25

(In millions)

DTE Energy amortizes customer relationship and contract intangible assets on a straight-line basis over the expected period of benefit. DTE Energy's Intangible assets amortization expense was \$27 million in 2018, \$29 million in 2017, and \$16 million in 2016.

Excise and Sales Taxes

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

Deferred Debt Costs

The costs related to the issuance of long-term debt are deferred and amortized over the life of each debt issue. The deferred amounts are included as a direct deduction from the carrying amount of each debt issue in Mortgage bonds, notes, and other and Junior subordinated debentures on DTE Energy's Consolidated Statements of Financial Position and in Mortgage bonds, notes, and other on DTE Electric's Consolidated Statements of Financial Position. In accordance with MPSC regulations applicable to DTE Energy's electric and gas utilities, the unamortized discount, premium, and expense related to utility debt redeemed with a refinancing are amortized over the life of the replacement issue. Discount, premium, and expense on early redemptions of debt associated with DTE Energy's non-utility operations are charged to earnings.

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

Investments in Debt and Equity Securities

The Registrants generally record investments in debt and equity securities at market value with unrealized gains or losses included in earnings. Changes in the fair value of Fermi 2 nuclear decommissioning investments are recorded as adjustments to Regulatory assets or liabilities, due to a recovery mechanism from customers. The Registrants' equity investments are reviewed for impairment each reporting period. If the assessment indicates that an impairment exists, a loss is recognized resulting in the equity investment being written down to its estimated fair value. See Note 12 of the Consolidated Financial Statements, "Fair Value."

DTE Energy Foundation

DTE Energy's charitable contributions to the DTE Energy Foundation were \$22 million, \$43 million, and \$26 million for the years ended December 31, 2018, 2017, and 2016, respectively. The DTE Energy Foundation is a non-consolidated not-for-profit private foundation, the purpose of which is to contribute to and assist charitable organizations.

Other Accounting Policies

See the following notes for other accounting policies impacting the Registrants' Consolidated Financial Statements:

Note	Title
4	Revenue
8	Asset Retirement Obligations
9	Regulatory Matters
10	Income Taxes
12	Fair Value
13	Financial and Other Derivative Instruments
20	Retirement Benefits and Trusteed Assets
21	Stock-Based Compensation

NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), as amended.

The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also required expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. The standard is to be applied using either a full retrospective or modified retrospective approach. The Registrants adopted the standard effective January 1, 2018, using the modified retrospective approach. Under the modified retrospective approach, the information for periods prior to the adoption date has not been restated and continues to be reported under the accounting standards in effect for those periods. As permitted under the standard, the Registrants have elected to apply the guidance only to those contracts that were not completed at January 1, 2018, and have elected not to restate the impacts of any contract modifications made prior to the earliest period presented.

The adoption of the ASU did not have a significant impact on the Registrants' financial position or results of operations, but required additional disclosures for revenue. See Note 4 to the Consolidated Financial Statements, "Revenue."

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

In March 2017, the FASB issued ASU No. 2017-07, Compensation — Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The amendments in this update required that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside of income from operations. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The Registrants adopted the standard effective January 1, 2018. The standard has been applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement and prospectively for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. As permitted by the standard, the Registrants have used benefit cost amounts disclosed for prior periods as the basis for retrospective application in the income statement. As a result of regulatory mechanisms, the impact to the Consolidated Financial Statements was not material for the year ended December 31, 2018.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments — Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, as amended. The new guidance is intended to improve the recognition and measurement of financial instruments. The guidance primarily impacts accounting for equity investments in unconsolidated entities (other than those accounted for using the equity method of accounting) and financial liabilities under the fair value option. The guidance requires equity investments to be generally measured at fair value, with subsequent changes in fair value recognized in net income. The guidance requires entities to make a cumulative-effect adjustment to the Statements of Financial Position as of the beginning of the first reporting period in which the guidance is effective. The Registrants adopted the standard effective January 1, 2018. Upon adoption, DTE Energy and DTE Electric recorded a cumulative-effect adjustment to reclassify \$5 million and \$3 million of unrealized gains from Accumulated other comprehensive income (loss) to Retained earnings, respectively.

In March 2018, the FASB issued ASU No. 2018-05, Income Taxes (Topic 740): Amendments to SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 118. The Amendments in this update add various SEC paragraphs pursuant to the issuance of SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118). SAB 118 directs taxpayers to consider the implications of the TCJA as provisional when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in the tax law. As described in Note 10 to the Consolidated Financial Statements, "Income Taxes," within the combined DTE Energy and DTE Electric 2017 Annual Report on Form 10-K and in accordance with SAB 118, the Registrants recorded amounts that were considered provisional. During the year ended December 31, 2018, DTE Energy and DTE Electric finalized their SAB 118 analysis and recorded true-up adjustments to the remeasurement of deferred taxes of \$21 million and \$7 million, respectively. The impact of the true-up adjustments was an increase in Income Tax Expense, of which \$17 million was attributable to the regulated utilities and increased Regulatory liabilities. The true-up adjustments were a result of further analysis for items subject to further consideration at December 31, 2017, under SAB 118 and primarily related to timing differences not recoverable from DTE Electric and DTE Gas customers.

Recently Issued 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 will adopt the standard on January 1, 2019. The standard allows lessees and lessors to apply either, 1) a modified retrospective approach for leases existing or entered into after the beginning of the earliest comparative period in the Consolidated Financial Statements, or 2) a prospective transition approach for leases existing as of January 1, 2019 with a cumulative effect adjustment to be recorded to retained earnings. The Registrants will apply

the standard on a prospective basis. The Registrants will elect the package of practical expedients 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. These practical expedients apply to leases that commenced prior to January 1, 2019. The Registrants will also elect to exclude leases from the balance sheet that are for a period of one year or less, as well as, the practical expedient allowing entities to not evaluate land easements under the new guidance at adoption if they were not previously accounted for as leases.

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

A third-party software tool has been implemented that will assist with the initial adoption and ongoing compliance of the standard. The Registrants are implementing new business processes, internal controls, and accounting policies. The Registrants are in the process of drafting disclosures to satisfy the standard's requirements. In addition, the Registrants are continuing to monitor utility industry implementation guidance and interpretation. While the Registrants expect an increase in assets and liabilities, as well as additional disclosures, they are still assessing the impact of this ASU on their Consolidated Financial Statements.

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 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 for 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 ASU is effective for the Registrants for fiscal years beginning after December 15, 2018, 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 — (Continued)

NOTE 4 — REVENUE

Significant Accounting Policy

Upon the adoption of Topic 606, revenue is measured based upon the consideration specified in a contract with a customer at the time when performance obligations are satisfied. Under Topic 606, a performance obligation is a promise in a contract to transfer a distinct good or service or a series of distinct goods or services to the customer. The Registrants recognize revenue when performance obligations are satisfied by transferring control over a product or service to a customer. The Registrants have determined control to be transferred when the product is delivered or the service is provided to the customer. For the year ended December 31, 2018, recognition of revenue for the Registrants subsequent to the adoption of Topic 606 is substantially similar in amount and approach to that prior to adoption.

Rates for DTE Electric and DTE Gas include provisions to adjust billings for fluctuations in fuel and purchased power costs, cost of natural gas, and certain other costs. Revenues are adjusted for differences between actual costs subject to reconciliation and the amounts billed in current rates. Under or over recovered revenues related to these cost recovery mechanisms are included in Regulatory assets or liabilities on the Registrants' Consolidated Statements of Financial Position and are recovered or returned to customers through adjustments to the billing factors.

For discussion of derivative contracts, see Note 13 to the Consolidated Financial Statements, "Financial and Other Derivative Instruments."

Disaggregation of Revenue

The following is a summary of revenues disaggregated by segment for DTE Energy:

	2018 (In millions)
Electric ^(a)	
Residential	\$ 2,494
Commercial	1,794
Industrial	690
Other	320
Total Electric operating revenues ^(b)	\$ 5,298
Gas	
Gas sales	\$ 1,055
End User Transportation	232
Intermediate Transportation	58
Other	91
Total Gas operating revenues ^(c)	\$ 1,436
Other segment operating revenues	
Gas Storage and Pipelines	\$ 485
Power and Industrial Projects ^(d)	\$ 2,204
Energy Trading ^(e)	\$ 5,557

(a) Revenues under the Electric segment generally represent those of DTE Electric.

(b) Includes \$21 million under Alternative Revenue Programs and \$20 million of other revenues, which are both outside the scope of Topic 606 for the year ended December 31, 2018.

(c) Includes \$2 million under Alternative Revenue Programs and \$7 million of other revenues, which are both outside the scope of Topic 606 for the year ended December 31, 2018.

(d) Includes revenues outside the scope of Topic 606 primarily related to \$125 million of contracts accounted for as leases for the year ended December 31, 2018.

(e) Includes revenues outside the scope of Topic 606 primarily related to \$4.5 billion of derivatives for the year ended December 31, 2018.

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

Nature of Goods and Services

The following is a description of principal activities, separated by reportable segments, from which DTE Energy generates revenue. For more detailed information about reportable segments, see Note 22 to the Consolidated Financial Statements, “Segment and Related Information.”

The Registrants have contracts with customers which may contain more than one performance obligation. When more than one performance obligation exists in a contract, the consideration under the contract is allocated to the performance obligations based on the relative standalone selling price. DTE Energy generally determines standalone selling prices based on the prices charged to customers or the use of the adjusted market assessment approach. The adjusted market assessment approach involves the evaluation of the market in which DTE Energy sells goods or services and estimating the price that a customer in that market would be willing to pay.

Under Topic 606, when a customer simultaneously receives and consumes the product or service provided, revenue is considered to be recognized over time. Alternatively, if it is determined that the criteria for recognition of revenue over time is not met, the revenue is considered to be recognized at a point in time.

Electric

Electric consists principally of DTE Electric. Electric revenues are primarily comprised of the supply and delivery of electricity, and related capacity. Revenues are primarily associated with cancelable contracts, with the exception of certain long-term contracts with commercial and industrial customers. Revenues, including estimated unbilled amounts, are generally recognized over time based upon volumes delivered or through the passage of time ratably based upon providing a stand-ready service. The Registrants have determined that the above methods represent a faithful depiction of the transfer of control to the customer. Unbilled revenues are typically determined utilizing approved tariff rates and estimated meter volumes. Estimated unbilled amounts recognized in revenue are subject to adjustment in the following reporting period as actual volumes by customer class are known. Revenues are typically subject to tariff rates based upon customer class and type of service, and are billed and received monthly. Tariff rates are determined by the MPSC on a per unit or monthly basis.

Gas

Gas consists principally of DTE Gas. Gas revenues are primarily comprised of the supply and delivery of natural gas, and other services including storage, transportation, and appliance maintenance. Revenues are primarily associated with cancelable contracts with the exception of certain long-term contracts with commercial and industrial customers. Revenues, including estimated unbilled amounts, are generally recognized over time based upon volumes delivered or through the passage of time ratably based upon providing a stand-ready service. DTE Energy has determined that the above methods represent a faithful depiction of the transfer of control to the customer. Unbilled revenues are typically determined using both estimated meter volumes and estimated usage based upon the number of unbilled days and historical temperatures. Estimated unbilled amounts recognized in revenue are subject to adjustment in the following reporting period as actual volumes by customer class and service type are known. Revenues are typically subject to tariff rates or other rates subject to regulatory oversight and are billed and received monthly. Tariff rates are determined by the MPSC on a per unit or monthly basis.

Gas Storage and Pipelines

Gas Storage and Pipelines revenues generally consist of services related to the gathering, transportation, and storage of natural gas. Contracts are primarily long-term in nature. Revenues, including estimated unbilled amounts, are generally recognized over time based upon services provided or through the passage of time ratably based upon providing a stand-ready service. DTE Energy has determined that the above methods represent a faithful depiction of the transfer of control to the customer. Revenues are typically billed and received monthly. Pricing for such revenues may consist of demand rates, commodity rates, transportation rates, and other associated fees. Consideration may consist of both fixed and variable components. Generally, uncertainties in the variable consideration components are resolved and revenues are known at the time of recognition.

Power and Industrial Projects

Power and Industrial Projects revenues include contracts accounted for as leases which are outside of the scope of Topic 606. For performance obligations within the scope of Topic 606, the timing of revenue recognition is dependent upon when control over the associated product or service is transferred.

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

Revenues at Power and Industrial Projects, within the scope of Topic 606, generally consist of sales of refined coal, coal, blast furnace coke, coke oven gas, electricity, equipment maintenance services, and other energy related products and services. Revenues, including estimated unbilled amounts, for the sale of blast furnace coke are generally recognized at a point in time when the product is delivered, which represents the transfer of control to the customer. Other revenues are generally recognized over time based upon services provided or through the passage of time ratably based upon providing a stand-ready service. DTE Energy has determined that the above methods represent a faithful depiction of the transfer of control to the customer. Market based pricing structures exist in such contracts including adjustments for consumer price or other indices. Consideration may consist of both fixed and variable components. Generally, uncertainties in the variable consideration components are resolved and revenues are known at the time of recognition. Billing terms vary and are generally monthly with payment terms typically within 30 days following billing.

Energy Trading

Energy Trading revenues consist primarily of derivative contracts outside of the scope of Topic 606. For performance obligations within the scope of Topic 606, the timing of revenue recognition is dependent upon when control over the associated product or service is transferred.

Revenues, including estimated unbilled amounts, within the scope of Topic 606 arising from the sale of natural gas, electricity, power capacity, and other energy related products are generally recognized over time based upon volumes delivered or through the passage of time ratably based upon providing a stand-ready service. DTE Energy has determined that the above methods represent a faithful depiction of the transfer of control to the customer. Revenues are known at the time of recognition. Payment for the aforementioned revenues is generally due from customers in the month following delivery.

Revenues associated with RECs are recognized at a point in time when control of the RECs are transferred to the customer which is deemed to be when the subject RECs are entered for transfer to the customer in the applicable regulatory tracking system. Revenues associated with RECs under a wholesale full requirements power contract are deferred until control has been transferred. The deferred revenues represent a contract liability for which payment has been received and the amounts have been estimated using the adjusted market assessment approach. With the exception of RECs, generally all other performance obligations associated with wholesale full requirements power contracts are satisfied over time in conjunction with the delivery of power. At the time power is delivered, DTE Energy may not have control over the RECs as the RECs are not self-generated and may not yet have been procured resulting in deferred revenues.

Deferred Revenue

The following is a summary of deferred revenue activity:

	DTE Energy (In millions)
Beginning Balance, January 1, 2018	\$ 56
Increases due to cash received or receivable, excluding amounts recognized as revenue during the period	48
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(30)
Ending Balance, December 31, 2018	\$ 74

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.

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.

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

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	\$ 46
2020	1
2021	5
2022	7
2023	5
2024 and thereafter	10
	\$ 74

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 (In millions)	DTE Electric
2019	\$267	\$ 8
2020	263	—
2021	219	—
2022	172	—
2023	139	—
2024 and thereafter	658	—
	\$1,718	\$ 8

Other Matters

DTE Energy and DTE Electric have recognized charges of \$140 million and \$85 million related to expense recognized for estimated uncollectible accounts receivable for the year ended December 31, 2018, respectively.

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

NOTE 5 — GOODWILL

DTE Energy has goodwill resulting from business combinations.

The following is the summary of change in the carrying amount of goodwill for the years ended December 31:

	2018	2017
	(In millions)	
Balance as of January 1	\$2,293	\$2,286
Goodwill attributable to Gas Storage and Pipelines 2016 acquisition of AGS and SGG	—	7
Balance at December 31	\$2,293	\$2,293

NOTE 6 — PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of Property, plant, and equipment by classification as of December 31:

	2018	2017
	(In millions)	
Property, plant, and equipment		
DTE Electric		
Generation	\$11,027	\$12,166
Distribution	9,153	8,637
Other	2,567	2,169
Total DTE Electric	22,747	22,972
DTE Gas		
Distribution	3,823	3,523
Storage	548	533
Transmission and other	1,204	1,118
Total DTE Gas	5,575	5,174
Non-utility and other	3,488	3,278
Total DTE Energy	31,810	31,424
Accumulated depreciation and amortization		
DTE Electric		
Generation	(3,609)	(4,403)
Distribution	(2,974)	(2,914)
Other	(727)	(667)
Total DTE Electric	(7,310)	(7,984)
DTE Gas		
Distribution	(1,283)	(1,238)
Storage	(165)	(159)
Transmission and other	(404)	(384)
Total DTE Gas	(1,852)	(1,781)
Non-utility and other	(998)	(938)
Total DTE Energy	(10,160)	(10,703)
Net DTE Energy Property, plant, and equipment	\$21,650	\$20,721
Net DTE Electric Property, plant, and equipment	\$15,437	\$14,988

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

The following is a summary of the Registrants' AFUDC and interest capitalized for the years ended December 31:

	DTE Energy		DTE Electric	
	2018	2017	2018	2017
	(In millions)			
Allowance for debt funds used during construction and interest capitalized	\$15	\$13	\$9	\$8
Allowance for equity funds used during construction	28	23	19	18
Total	\$43	\$36	\$28	\$26

The composite depreciation rate for DTE Electric was approximately 3.7%, 3.6%, and 3.5% in 2018, 2017 and 2016, respectively. The composite depreciation rate for DTE Gas was 2.7%, in 2018 and 2017, and 2.4% in 2016. The average estimated useful life for each major class of utility Property, plant, and equipment as of December 31, 2018 follows:

Utility	Estimated Useful Lives in Years		
	Generation	Distribution	Storage
DTE Electric	40	41	N/A
DTE Gas	N/A	50	53

The estimated useful lives for DTE Electric's Other utility assets range from 3 to 62 years, while the estimated useful lives for DTE Gas' Transmission and other utility assets range from 5 to 70 years. The estimated useful lives for major classes of DTE Energy's non-utility assets and facilities range from 3 to 83 years.

The following is a summary of Depreciation and amortization expense for DTE Energy:

	2018	2017	2016
	(In millions)		
Property, plant, and equipment	\$912	\$865	\$783
Regulatory assets and liabilities	212	165	193
	\$1,124	\$1,030	\$976

The following is a summary of Depreciation and amortization expense for DTE Electric:

	2018	2017	2016
	(In millions)		
Property, plant, and equipment	\$657	\$620	\$582
Regulatory assets and liabilities	179	133	168
	\$836	\$753	\$750

Capitalized software costs are classified as Property, plant, and equipment and the related amortization is included in accumulated depreciation and amortization on the Registrants' Consolidated Financial Statements. The Registrants capitalize the costs associated with computer software developed or obtained for use in their businesses. The Registrants amortize capitalized software costs on a straight-line basis over the expected period of benefit, ranging from 1 to 15 years for DTE Energy and 3 to 15 years for DTE Electric.

The following balances for capitalized software relate to DTE Energy:

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Amortization expense of capitalized software	\$108	\$101	\$89
Gross carrying value of capitalized software	\$905	\$890	
Accumulated amortization of capitalized software	\$534	\$500	

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

The following balances for capitalized software relate to DTE Electric:

	Year Ended		
	December 31,		
	2018	2017	2016
	(In millions)		
Amortization expense of capitalized software	\$101	\$93	\$83
Gross carrying value of capitalized software	\$799	\$774	
Accumulated amortization of capitalized software	\$463	\$423	

DTE Energy is the lessor under certain operating leases for energy facilities and related equipment. Property under operating leases for DTE Energy is as follows:

	DTE	
	Energy	
	2018	2017
	(In millions)	
Gross property under operating leases	\$447	\$327
Accumulated amortization of property under operating leases	\$148	\$108

The Registrants are the lessee under certain capital leases related to software and information technology related equipment. Property under capital leases for the Registrants is as follows:

	DTE		DTE	
	Energy		Electric	
	2018	2017	2018	2017
	(In millions)			
Gross property under capital leases	\$18	\$44	\$18	\$18
Accumulated amortization of property under capital leases	\$7	\$38	\$7	\$12

NOTE 7 — JOINTLY-OWNED UTILITY PLANT

DTE Electric has joint ownership interest in two power plants, Belle River and Ludington Hydroelectric Pumped Storage. DTE Electric's share of direct expenses of the jointly-owned plants are included in Fuel, purchased power, and gas — utility and Operation and maintenance expenses in the DTE Energy Consolidated Statements of Operations and Fuel and purchased power— utility and Operation and maintenance expenses in the DTE Electric Consolidated Statements of Operations.

DTE Electric's ownership information of the two utility plants as of December 31, 2018 was as follows:

	Belle River	Ludington Hydroelectric Pumped Storage
In-service date	1984-1985	1973
Ownership interest	81%	49%
Investment in Property, plant, and equipment (in millions)	\$ 1,819	\$ 586
Accumulated depreciation (in millions)	\$ 1,068	\$ 187

Belle River

The Michigan Public Power Agency (MPPA) has ownership interests in Belle River Unit No. 1 and other related facilities. The MPPA is entitled to 19% of the total capacity and energy of the plant and is responsible for the same percentage of the plant's operation, maintenance, and capital improvement costs.

Ludington Hydroelectric Pumped Storage

Consumers Energy Company has an ownership interest in the Ludington Hydroelectric Pumped Storage Plant. Consumers Energy is entitled to 51% of the total capacity and energy of the plant and is responsible for the same percentage of the plant's operation, maintenance, and capital improvement costs.

NOTE 8 — ASSET RETIREMENT OBLIGATIONS

DTE Electric has a legal retirement obligation for the decommissioning costs for its Fermi 1 and Fermi 2 nuclear plants, dismantlement of facilities located on leased property, and various other operations. DTE Electric has conditional retirement obligations for asbestos and PCB removal at certain of its power plants and various distribution equipment. DTE Gas has conditional retirement obligations for gas pipelines, certain service centers, compressor and gate stations. The Registrants recognize such obligations as liabilities at fair market value when they are incurred, which generally is at the time the associated assets are placed in service. Fair value is measured using expected future cash outflows discounted at the Registrants' credit-adjusted risk-free rate. For its utility operations, the Registrants recognize in the Consolidated Statements of Operations removal costs in accordance with regulatory treatment. Any differences between costs recognized related to asset retirement and those reflected in rates are recognized as either a Regulatory asset or liability on the Consolidated Statements of Financial Position.

If a reasonable estimate of fair value cannot be made in the period in which the retirement obligation is incurred, such as for assets with indeterminate lives, the liability is recognized when a reasonable estimate of fair value can be made. Natural gas storage system and certain other distribution assets for DTE Gas and substations, manholes, and certain other distribution assets for DTE Electric have an indeterminate life. Therefore, no liability has been recorded for these assets.

A reconciliation of the asset retirement obligations for 2018 follows:

	DTE Energy	DTE Electric
	(In millions)	
Asset retirement obligations at December 31, 2017	\$2,320	\$2,125
Accretion	140	129
Liabilities incurred	27	27
Liabilities settled	(16)	(8)
Revision in estimated cash flows	(2)	(2)
Asset retirement obligations at December 31, 2018	\$2,469	\$2,271

Approximately \$2.0 billion of the asset retirement obligations represent nuclear decommissioning liabilities that are funded through a surcharge to electric customers over the life of the Fermi 2 nuclear plant. The NRC has jurisdiction over the decommissioning of nuclear power plants and requires minimum decommissioning funding based upon a formula. The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants and both require the use of external trust funds to finance the decommissioning of Fermi 2. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. DTE Electric believes the MPSC collections will be adequate to fund the estimated cost of decommissioning. The decommissioning assets, anticipated earnings thereon, and future revenues from decommissioning collections will be used to decommission Fermi 2. DTE Electric expects the liabilities to be reduced to zero at the conclusion of the decommissioning activities. If amounts remain in the trust funds for Fermi 2 following the completion of the decommissioning activities, those amounts will be disbursed based on rulings by the MPSC and FERC.

A portion of the funds recovered through the Fermi 2 decommissioning surcharge and deposited in external trust accounts is designated for the removal of non-radioactive assets and returning the site to greenfield. This removal and greenfielding is not considered a legal liability. Therefore, it is not included in the asset retirement obligation, but is reflected as the Nuclear decommissioning liability. The decommissioning of Fermi 1 is funded by DTE Electric. Contributions to the Fermi 1 trust are discretionary. For additional discussion of Nuclear decommissioning trust fund assets, see Note 12 to the Consolidated Financial Statements, "Fair Value."

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

NOTE 9 — REGULATORY MATTERS

Regulation

DTE Electric and DTE Gas are subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of generating facilities and regulatory assets, conditions of service, accounting, and operating-related matters. DTE Electric is also regulated by the FERC with respect to financing authorization and wholesale electric activities. Regulation results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses.

The Registrants are unable to predict the outcome of the unresolved regulatory matters discussed herein. Resolution of these matters is dependent upon future MPSC orders and appeals, which may materially impact the Consolidated Financial Statements of the Registrants.

Regulatory Assets and Liabilities

DTE Electric and DTE Gas are required to record Regulatory assets and liabilities for certain transactions that would have been treated as revenue or expense in non-regulated businesses. Continued applicability of regulatory accounting treatment requires that rates be designed to recover specific costs of providing regulated services and be charged to and collected from customers. Future regulatory changes or changes in the competitive environment could result in the discontinuance of this accounting treatment for Regulatory assets and liabilities for some or all of the Registrants' businesses and may require the write-off of the portion of any Regulatory asset or liability that was no longer probable of recovery through regulated rates. Management believes that currently available facts support the continued use of Regulatory assets and liabilities and that all Regulatory assets and liabilities are recoverable or refundable in the current regulatory environment.

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

The following are balances and a brief description of the Registrants' Regulatory assets and liabilities at December 31:

	DTE Energy		DTE Electric	
	2018	2017	2018	2017
	(In millions)			
Assets				
Recoverable pension and other postretirement costs				
Pension	\$ 1,961	\$ 2,000	\$ 1,476	\$ 1,502
Other postretirement costs	213	278	121	211
Asset retirement obligation	778	569	778	569
Recoverable undepreciated costs on retiring plants	630	—	630	—
Removal costs asset	407	299	407	299
Recoverable Michigan income taxes	201	213	161	171
Accrued PSCR/GCR revenue	116	17	116	17
Deferred environmental costs	69	75	—	—
Unamortized loss on reacquired debt	60	65	43	46
Recoverable income taxes related to AFUDC equity	51	41	41	35
Energy Waste Reduction incentive	49	39	39	30
Nuclear Performance Evaluation and Review Committee Tracker	43	22	43	22
Customer360 deferred costs	42	45	42	45
Other recoverable income taxes	23	26	23	26
Transitional Reconciliation Mechanism	21	46	21	46
Other	57	43	36	36
	4,721	3,778	3,977	3,055
Less amount included in Current Assets	(153)	(55)	(148)	(50)
	\$4,568	\$3,723	\$3,829	\$3,005
	DTE Energy		DTE Electric	
	2018	2017	2018	2017
	(In millions)			
Liabilities				
Refundable federal income taxes	\$2,410	\$2,384	\$1,958	\$1,946
Removal costs liability	253	265	—	—
TCJA rate reduction liability	118	—	93	—
Negative other postretirement offset	101	80	79	67
Renewable energy	86	112	86	112
Refundable self-implemented rates	26	2	26	2
Negative pension offset	9	21	—	—
Fermi 2 refueling outage	4	15	4	15
Other	41	14	23	12
	3,048	2,893	2,269	2,154
Less amount included in Current Liabilities	(126)	(18)	(98)	(17)
	\$2,922	\$2,875	\$2,171	\$2,137

As noted below, certain Regulatory assets for which costs have been incurred have been included (or are expected to be included, for costs incurred subsequent to the most recently approved rate case) in DTE Electric's or DTE Gas' rate base, thereby providing a return on invested costs (except as noted). Certain other regulatory assets are not included in rate base but accrue recoverable carrying charges until surcharges to collect the assets are billed. Certain Regulatory assets do not result from cash expenditures and therefore do not represent investments included in rate base or have offsetting liabilities that reduce rate base.

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

ASSETS

Recoverable pension and other postretirement costs — Accounting standards for pension and other postretirement benefit costs require, among other things, the recognition in Other comprehensive income of the actuarial gains or losses and the prior service costs that arise during the period but that are not immediately recognized as components of net periodic benefit costs. DTE Electric and DTE Gas record the impact of actuarial gains or losses and prior service costs as a Regulatory asset since the traditional rate setting process allows for the recovery of pension and other postretirement costs. The asset will reverse as the deferred items are amortized and recognized as components of net periodic benefit costs.^(a)

Asset retirement obligation — This obligation is for Fermi 2 decommissioning costs. The asset captures the timing differences between expense recognition and current recovery in rates and will reverse over the remaining life of the related plant.^(a)

Recoverable undepreciated costs on retiring plants — Deferral of estimated remaining balances associated with coal power plants expected to be retired within the 2020 to 2023 time-frame.

Removal costs asset — Receivable for the recovery of asset removal expenditures in excess of amounts collected from customers.^(a)

Recoverable Michigan income taxes — The State of Michigan enacted a corporate income tax resulting in the establishment of state deferred tax liabilities for DTE Energy's utilities. Offsetting Regulatory assets were also recorded as the impacts of the deferred tax liabilities will be reflected in rates as the related taxable temporary differences reverse and flow through current income tax expense.

Accrued PSCR/GCR revenue — Receivable for the temporary under-recovery of and carrying costs on fuel and purchased power costs incurred by DTE Electric which are recoverable through the PSCR mechanism and temporary under-recovery of and carrying costs on gas costs incurred by DTE Gas which are recoverable through the GCR mechanism.

Deferred environmental costs — The MPSC approved the deferral of investigation and remediation costs associated with DTE Gas' former MGP sites. Amortization of deferred costs is over a ten-year period beginning in the year after costs were incurred, with recovery (net of any insurance proceeds) through base rate filings.^(a)

Unamortized loss on reacquired debt — The unamortized discount, premium, and expense related to debt redeemed with a refinancing are deferred, amortized, and recovered over the life of the replacement issue.

Recoverable income taxes related to AFUDC equity — Accounting standards for income taxes require recognition of a deferred tax liability for the equity component of AFUDC. A regulatory asset is required for the future increase in taxes payable related to the equity component of AFUDC that will be recovered from customers through future rates over the remaining life of the related plant.

Energy Waste Reduction incentive — DTE Electric and DTE Gas operate MPSC approved energy waste reduction programs designed to reduce overall energy usage by their customers. The utilities are eligible to earn an incentive by exceeding statutory savings targets. The utilities have consistently exceeded the savings targets and recognize the incentive as a regulatory asset in the period earned.^(a)

Nuclear Performance Evaluation and Review Committee Tracker — Deferral and amortization of certain costs associated with oversight and review of DTE Electric's nuclear power generation program, including safety and regulatory compliance, nuclear leadership, nuclear facilities, as well as operation and financial performance, pursuant to the MPSC authorization. The approved five-year amortization period began January 1, 2018, with recovery (net of carrying costs) through base rate filings.

Customer360 deferred costs — The MPSC approved the deferral and amortization of certain costs associated with implementing Customer360, which is an integrated software application that enables improved interface among customer service, billing, meter reading, credit and collections, device management, account management, and retail access. Amortization of deferred costs over a 15-year amortization period began after the billing system was put into operation during the second quarter of 2017.

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

Other recoverable income taxes — Income taxes receivable from DTE Electric's customers representing the difference in property-related deferred income taxes and amounts previously reflected in DTE Electric's rates. This asset will reverse over the remaining life of the related plant.

Transitional Reconciliation Mechanism — The MPSC approved the recovery of the deferred net incremental revenue requirement associated with the transition of PLD customers to DTE Electric's distribution system, effective July 1, 2014. Annual reconciliations will be filed and surcharges will be implemented to recover approved amounts.

(a) Regulatory assets not earning a return or accruing carrying charges.

LIABILITIES

Refundable federal income taxes — DTE Electric and DTE Gas' remeasurement of deferred taxes due to the enactment of the TCJA, which reflects the net impact of the tax rate change on cumulative temporary differences expected to reverse after the effective date of January 1, 2018. Refer to "2017 Tax Reform" section below for additional information.

Removal costs liability — The amount collected from customers for the funding of future asset removal activities.

TCJA rate reduction liability — Due to the change in the corporate Federal income tax rate from 35% to 21%, DTE Electric and DTE Gas reduced rates charged to customers during 2018. A regulatory liability equal to the difference between revenues billed based on a 35% rate, and revenues based on a 21% rate, was accrued for the period January 1, 2018 through the date the lower rates were implemented. The refund of the liability will commence on January 1, 2019 through June 30, 2019.

Negative other postretirement offset — DTE Electric and DTE Gas' negative other postretirement costs are not included as a reduction to their authorized rates; therefore, DTE Electric and DTE Gas are accruing a Regulatory liability to eliminate the impact on earnings of the negative other postretirement expense accrual. The Regulatory liabilities will reverse to the extent DTE Electric and DTE Gas' other postretirement expense is positive in future years.

Renewable energy — Amounts collected in rates in excess of renewable energy expenditures.

Refundable self-implemented rates — Amounts refundable to customers for base rates implemented from November 1, 2017 to May 1, 2018 in excess of amounts authorized in the June 2018 DTE Electric rate order from the MPSC.

Negative pension offset — DTE Gas' negative pension costs are not included as a reduction to its authorized rates; therefore, DTE Gas is accruing a Regulatory liability to eliminate the impact on earnings of the negative pension expense accrued. This Regulatory liability will reverse to the extent DTE Gas' pension expense is positive in future years.

Fermi 2 refueling outage — Accrued liability for refueling outage at Fermi 2 pursuant to MPSC authorization.

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. DTE Electric has recorded a refund liability as of December 31, 2018.

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

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. A final MPSC order in this case is expected by May 2019.

Certificate of Necessity

On July 31, 2017, DTE Electric filed a request for authority to build a 1,100 megawatt natural gas fueled combined cycle generation facility at DTE Electric's Belle River Power Plant. DTE Electric requested the MPSC to issue three CONs for the following: (1) power supplied by the proposed project is needed, (2) the size, fuel type, and other design characteristics of the proposed project represent the most reasonable and prudent means of meeting the power need, and (3) the estimated capital costs of \$989 million for the proposed project will be recoverable in rates from DTE Electric's customers. The MPSC issued an order April 27, 2018 approving DTE Electric's request for the three CONs with recoverable amounts through rates up to \$951.8 million. In August 2018, DTE Electric began construction on its natural gas fueled combined cycle generation facility.

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 depreciation rates 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 by May 2019.

2017 Gas Rate Case Filing

DTE Gas filed a rate case with the MPSC on November 22, 2017 requesting an increase in base rates of \$85.1 million based on a projected twelve-month period ending September 30, 2019. The requested increase in base rates was primarily due to an increase in net plant. The rate filing also requested an increase in return on equity from 10.1% to 10.5% and included projected changes in sales, operations and maintenance expenses, and working capital. On May 24, 2018, DTE Gas reduced its initial requested increase in base rates to \$38.1 million, primarily due to the effects of the TCJA on the original request. On September 13, 2018, the MPSC issued an order approving an annual revenue increase of \$9 million for services rendered on or after October 1, 2018. The MPSC authorized a return on equity of 10.0%. Refer to the 2017 Tax Reform section below for further detail regarding the impact of the TCJA Credit A filing for DTE Gas.

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. The first step is to establish Credit A, through contested cases. Credit A is a going-forward tax credit to reflect the reduction of the corporate tax rate from 35% to 21%. DTE Gas submitted its Credit A filing on March 28, 2018, reflecting a reduction in revenues of \$38.2 million. The MPSC approved the \$38.2 million reduction on May 30, 2018, effective July 1, 2018. With approval of the DTE Gas Rate Order on September 13, 2018, effective October 1, 2018, this separate Credit A was terminated. DTE Electric filed its Credit A application on May 18, 2018, reflecting a reduction in revenues of \$157 million. On July 24, 2018, the MPSC issued an order approving a settlement in DTE Electric's Credit A filing reflecting a reduction in revenues of

\$157 million. Rates reflecting this reduction were effective August 1, 2018.

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

The second step is to establish Credit B, through contested cases. Credit B is a backward-looking tax credit to reflect the reduction of the corporate rate of 35% to 21%, for the period January 1, 2018 up to the date Credit A is implemented. The Credit B filing is required within sixty days after Credit A is implemented. For Credit B, DTE Electric and DTE Gas have been deferring the impact of the reduction to the corporate tax rate since January 1, 2018. DTE Gas submitted its Credit B filing on July 30, 2018, reflecting a \$25 million refund effective January 2019 through June 2019. On October 24, 2018, the MPSC issued an order approving the refund in DTE Gas' Credit B filing. DTE Electric submitted its Credit B filing on September 21, 2018, reflecting a \$93 million refund effective January 2019 through June 2019. On December 20, 2018, the MPSC issued an order approving the \$93 million refund, inclusive of interest, in DTE Electric's Credit B filing, which commenced on January 1, 2019 through June 30, 2019. 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 10 — INCOME TAXES

Income Tax Summary

DTE Energy files a consolidated federal income tax return. DTE Electric is a part of the consolidated federal income tax return of DTE Energy. DTE Energy and its subsidiaries file consolidated and/or separate company income tax returns in various states and localities, including a consolidated return in the State of Michigan. DTE Electric is part of the Michigan consolidated income tax return of DTE Energy. The federal, state and local income tax expense for DTE Electric is determined on an individual company basis with no allocation of tax expenses or benefits from other affiliates of DTE Energy. DTE Electric had income tax receivables with DTE Energy of \$8 million and \$12 million at December 31, 2018 and 2017, respectively.

The Registrants' total Income Tax Expense varied from the statutory federal income tax rate for the following reasons:

	2018	2017	2016
DTE Energy	(In millions)		
Income Before Income Taxes	\$1,216	\$1,287	\$1,105
Income tax expense at statutory rate - 21% in 2018 - 35% in 2017 and 2016	\$255	\$450	\$387
Production tax credits	(223)	(189)	(145)
Investment tax credits	(4)	(4)	(5)
Depreciation	2	(4)	(4)
Noncontrolling interests	2	8	12
AFUDC equity	(14)	(18)	(10)
Employee Stock Ownership Plan dividends	(3)	(5)	(5)
Stock based compensation	(3)	(14)	—
Subsidiary stock loss	—	—	(10)
State and local income taxes, net of federal benefit	60	51	58
Enactment of the Tax Cuts and Jobs Act	21	(105)	—
Other, net	5	5	(7)
Income Tax Expense	\$98	\$175	\$271
Effective income tax rate	8.1	% 13.6	% 24.5 %

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

	2018	2017	2016
DTE Electric	(In millions)		
Income Before Income Taxes	\$857	\$928	\$975
Income tax expense at statutory rate - 21% in 2018 - 35% in 2017 and 2016	\$180	\$325	\$341
Production tax credits	(35)	(36)	(30)
Investment tax credits	(3)	(4)	(4)
Depreciation	2	3	3
AFUDC equity	(3)	(5)	(6)
Employee Stock Ownership Plan dividends	(2)	(3)	(3)
State and local income taxes, net of federal benefit	49	48	56
Enactment of the Tax Cuts and Jobs Act	7	—	—
Other, net	(2)	(1)	(4)
Income Tax Expense	\$193	\$327	\$353
Effective income tax rate	22.5 %	35.2 %	36.2 %

Components of the Registrants' Income Tax Expense were as follows:

	2018	2017	2016
DTE Energy	(In millions)		
Current income tax expense (benefit)			
Federal	\$(17)	\$(22)	\$(1)
State and other income tax	1	1	7
Total current income taxes	(16)	(21)	6
Deferred income tax expense			
Federal	38	118	184
State and other income tax	76	78	81
Total deferred income taxes	114	196	265
	\$98	\$175	\$271
DTE Electric	(In millions)		
Current income tax expense (benefit)			
Federal	\$—	\$(17)	\$—
State and other income tax	4	(1)	11
Total current income taxes	4	(18)	11
Deferred income tax expense			
Federal	131	270	268
State and other income tax	58	75	74
Total deferred income taxes	189	345	342
	\$193	\$327	\$353

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts in the Registrant's Consolidated Financial Statements. Consistent with the original establishment of these deferred tax liabilities (assets), no recognition of these non-cash transactions have been reflected in the Consolidated Statements of Cash Flows.

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

The Registrants' deferred tax assets (liabilities) were comprised of the following at December 31:

	DTE Energy		DTE Electric	
	2018	2017	2018	2017
	(In millions)			
Property, plant, and equipment	\$(3,462)	\$(3,276)	\$(2,840)	\$(2,698)
Regulatory assets and liabilities	(54)	(94)	(3)	(31)
Tax credit carry-forwards	1,178	947	250	193
Pension and benefits	311	334	258	302
Federal net operating loss carry-forward	117	83	2	47
State and local net operating loss carry-forwards	59	70	1	5
Investments in equity method investees	(216)	(82)	(1)	—
Other	125	170	87	94
	(1,942)	(1,848)	(2,246)	(2,088)
Less valuation allowance	(33)	(40)	—	—
Long-term deferred income tax liabilities	\$(1,975)	\$(1,888)	\$(2,246)	\$(2,088)
Deferred income tax assets	\$2,021	\$1,814	\$855	\$830
Deferred income tax liabilities	(3,996)	(3,702)	(3,101)	(2,918)
	\$(1,975)	\$(1,888)	\$(2,246)	\$(2,088)

Tax credit carry-forwards for DTE Energy include \$871 million of general business credits that expire from 2034 through 2038 and \$307 million of alternative minimum tax credits that will be refundable over the next four years. The alternative minimum tax credits are production tax credits earned prior to 2006 but not utilized. The majority of these alternative minimum tax credits were generated from projects that had received a private letter ruling (PLR) from the IRS. These PLRs provide assurance as to the appropriateness of using these credits to offset taxable income, however, these tax credits are subject to IRS audit and adjustment. No valuation allowance is required for the tax credits carry-forward deferred tax asset.

DTE Energy has a federal net operating loss carry-forward of \$555 million as of December 31, 2018. The net operating loss carry-forwards generated in 2015 and 2016 will expire from 2035 through 2036, and the net operating loss carry-forward generated in 2018 will be carried forward indefinitely. No valuation allowance is required for the federal net operating loss deferred tax asset.

DTE Energy has state and local deferred tax assets related to net operating loss carry-forwards of \$59 million and \$70 million at December 31, 2018 and 2017, respectively. The state and local net operating loss carry-forwards expire from 2019 through 2038. DTE Energy has recorded valuation allowances at December 31, 2018 and 2017 of approximately \$33 million and \$40 million, respectively, with respect to these deferred tax assets. In assessing the realizability of deferred tax assets, DTE Energy considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Tax credit carry-forwards for DTE Electric include \$250 million of general business credits that expire from 2035 through 2038. No valuation allowance is required for the tax credits carry-forward deferred tax asset.

DTE Electric has a federal net operating loss carry-forward of \$11 million as of December 31, 2018, which will expire in 2035. No valuation allowance is required for the federal net operating loss deferred tax asset.

DTE Electric has state and local deferred tax assets related to net operating loss carry-forwards of \$1 million at December 31, 2018, while there was \$5 million state and local deferred tax asset related to net operating loss carry-forwards at December 31, 2017. No valuation allowance is required for DTE Electric's state and local net operating loss carry-forwards.

The above tables exclude unamortized investment tax credits that are shown separately on the Registrants' Consolidated Statements of Financial Position. Investment tax credits are deferred and amortized to income over the

average life of the related property.

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

Tax Cuts and Jobs Act

On December 22, 2017, the TCJA was enacted reducing the corporate income tax rate from 35% to 21%, effective January 1, 2018. As a result of the enactment, the deferred tax assets and liabilities were remeasured to reflect the impact of the TCJA on the cumulative temporary differences expected to reverse after the effective date. The net impact of this remeasurement was a decrease in deferred tax liabilities of \$2.56 billion, of which \$2.45 billion was attributable to regulated utilities and offset to regulatory assets and liabilities. This regulatory treatment is consistent with prior precedent set by the MPSC from previous tax law changes. The remaining \$105 million was attributable to the non-utility entities and was recognized as a net reduction to income tax expense in 2017.

On December 22, 2017, the SEC issued guidance under Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), directing taxpayers to consider the implications of the TCJA as provisional when it does not have the necessary information available, prepared, or analyzed in reasonable detail to complete its accounting for the change in the tax law. Refer to Note 3 to the Consolidated Financial Statements, "New Accounting Pronouncements," for a description of true-up adjustments to the remeasurement of deferred taxes recorded in 2018.

Uncertain Tax Positions

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the Registrants is as follows:

	2018	2017	2016
DTE Energy	(In millions)		
Balance at January 1	\$10	\$10	\$3
Additions for tax positions of prior years	—	—	7
Balance at December 31	\$10	\$10	\$10
DTE Electric	(In millions)		
Balance at January 1	\$13	\$13	\$4
Additions for tax positions of prior years	—	—	9
Balance at December 31	\$13	\$13	\$13

DTE Energy had \$8 million of unrecognized tax benefits at December 31, 2018 and 2017 that, if recognized, would favorably impact its effective tax rate. DTE Energy does not anticipate any material decrease in unrecognized tax benefits in the next twelve months.

DTE Electric had \$10 million of unrecognized tax benefits at December 31, 2018 and 2017 that, if recognized, would favorably impact its effective tax rate. DTE Electric does not anticipate any material decrease in unrecognized tax benefits in the next twelve months.

The Registrants recognize interest and penalties pertaining to income taxes in Interest expense and Other expenses, respectively, on their Consolidated Statements of Operations.

Accrued interest pertaining to income taxes for DTE Energy totaled \$4 million and \$3 million at December 31, 2018 and 2017, respectively. DTE Energy recognized interest expense related to income taxes of \$1 million in 2018, a nominal amount in 2017, and \$2 million in 2016. DTE Energy had accrued no penalties pertaining to income taxes. Accrued interest pertaining to income taxes for DTE Electric totaled \$5 million and \$4 million at December 31, 2018 and 2017, respectively. DTE Electric recognized interest expense related to income taxes of \$1 million in 2018, a nominal amount in 2017, and \$3 million in 2016. DTE Electric had accrued no penalties pertaining to income taxes. In 2018, DTE Energy, including DTE Electric, settled a federal tax audit for the 2016 tax year. DTE Energy's federal income tax returns for 2017 and subsequent years remain subject to examination by the IRS. DTE Energy's Michigan Business Tax and Michigan Corporate Income Tax returns for the year 2008 and subsequent years remain subject to examination by the State of Michigan. DTE Energy also files tax returns in numerous state and local jurisdictions with varying statutes of limitation.

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

NOTE 11 — 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. For additional information, see Notes 14 and 21 to Consolidated Financial Statements, "Long-Term Debt" and "Stock-Based Compensation," respectively. The following is a reconciliation of DTE Energy's basic and diluted income per share calculation for the years ended December 31:

	2018	2017	2016
	(In millions, except per share amounts)		
Basic Earnings per Share			
Net Income Attributable to DTE Energy Company	\$1,120	\$1,134	\$868
Less: Allocation of earnings to net restricted stock awards	(2)	(2)	(2)
Net income available to common shareholders — basic	\$1,118	\$1,132	\$866
Average number of common shares outstanding — basic	181	179	179
Basic Earnings per Common Share	\$6.18	\$6.32	\$4.84
Diluted Earnings per Share			
Net Income Attributable to DTE Energy Company	\$1,120	\$1,134	\$868
Less: Allocation of earnings to net restricted stock awards	(2)	(2)	(2)
Net income available to common shareholders — diluted	\$1,118	\$1,132	\$866
Average number of common shares outstanding — diluted	181	179	179
Diluted Earnings per Common Share ^(a)	\$6.17	\$6.32	\$4.83

The 2016 Equity Units excluded from the calculation of diluted EPS were approximately 6.3 million for the years (a) ended December 31, 2018 and 2017 as the dilutive stock price threshold was not met. For more information, see Note 14 to the Consolidated Financial Statements, "Long-Term Debt."

NOTE 12 — 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 December 31, 2018 and 2017. 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 — (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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DTE Energy Company — DTE Electric Company
 Combined Notes to Consolidated Financial Statements — (Continued)

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

	December 31, 2018						December 31, 2017					
	Level 1	Level 2	Level 3	Other	Netting ^(c)	Net Balance	Level 1	Level 2	Level 3	Other	Netting ^(c)	Net Balance
	(In millions)											
Assets												
Cash equivalents ^(d)	\$16	\$2	\$—	\$—	\$—	\$18	\$16	\$3	\$—	\$—	\$—	\$19
Nuclear decommissioning trusts												
Equity securities	851	—	—	—	—	851	978	—	—	—	—	978
Fixed income securities	12	490	—	—	—	502	18	477	—	—	—	495
Private equity and other	—	—	—	20	—	20	—	—	—	5	—	5
Cash equivalents	5	—	—	—	—	5	14	—	—	—	—	14
Other investments^(e)												
Equity securities	110	—	—	—	—	110	118	—	—	—	—	118
Fixed income securities	69	—	—	—	—	69	72	—	—	—	—	72
Cash equivalents	4	—	—	—	—	4	4	—	—	—	—	4
Derivative assets:												
Commodity Contracts:												
Natural Gas	199	87	63	—	(277)	72	148	112	97	—	(256)	101
Electricity	—	247	56	—	(252)	51	—	243	42	—	(241)	44
Other	—	—	7	—	(1)	6	—	—	9	—	—	9
Foreign currency exchange contracts	—	4	—	—	—	4	—	1	—	—	(1)	—
Total derivative assets	199	338	126	—	(530)	133	148	356	148	—	(498)	154
Total	\$1,266	\$830	\$126	\$20	\$(530)	\$1,712	\$1,368	\$836	\$148	\$5	\$(498)	\$1,859
Liabilities												
Derivative liabilities:												
Commodity Contracts:												
Natural Gas	\$(197)	\$(71)	\$(112)	\$—	\$272	\$(108)	\$(141)	\$(111)	\$(126)	\$—	\$263	\$(115)
Electricity	—	(227)	(58)	—	240	(45)	—	(245)	(30)	—	246	(29)
Other	—	(1)	—	—	1	—	—	—	(1)	—	1	—
Interest rate contracts	—	(3)	—	—	—	(3)	—	—	—	—	—	—
Foreign currency exchange contracts	—	—	—	—	—	—	—	(3)	—	—	1	(2)

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Total derivative liabilities	(197)	(302)	(170)	—	513	(156)	(141)	(359)	(157)	—	511	(146)
Total	\$(197)	\$(302)	\$(170)	\$ —	\$ 513	\$(156)	\$(141)	\$(359)	\$(157)	\$ —	\$ 511	\$(146)
Net Assets (Liabilities) at end of period	\$1,069	\$528	\$(44)	\$ 20	\$(17)	\$1,556	\$1,227	\$477	\$(9)	\$ 5	\$ 13	\$1,713
Assets												
Current	\$212	\$273	\$96	\$ —	\$(461)	\$120	\$157	\$298	\$104	\$ —	\$(437)	\$122
Noncurrent	1,054	557	30	20	(69)	1,592	1,211	538	44	5	(61)	1,737
Total Assets	\$1,266	\$830	\$126	\$ 20	\$(530)	\$1,712	\$1,368	\$836	\$148	\$ 5	\$(498)	\$1,859
Liabilities												
Current	\$(191)	\$(251)	\$(76)	\$ —	\$ 451	\$(67)	\$(137)	\$(313)	\$(108)	\$ —	\$ 459	\$(99)
Noncurrent	(6)	(51)	(94)	—	62	(89)	(4)	(46)	(49)	—	52	(47)
Total Liabilities	\$(197)	\$(302)	\$(170)	\$ —	\$ 513	\$(156)	\$(141)	\$(359)	\$(157)	\$ —	\$ 511	\$(146)
Net Assets (Liabilities) at end of period	\$1,069	\$528	\$(44)	\$ 20	\$(17)	\$1,556	\$1,227	\$477	\$(9)	\$ 5	\$ 13	\$1,713

(a) See footnotes on following page.

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

(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.

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. At December 31, 2017, the \$19 million consisted of \$8 million and \$11 million of cash equivalents included in 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:

	December 31, 2018					December 31, 2017				
	Level 1	Level 2	Level 3	Other ^(a)	Net Balance	Level 1	Level 2	Level 3	Other	Net Balance
(In millions)										
Assets										
Cash equivalents ^(b)	\$8	\$2	\$ —	\$ —	\$ 10	\$8	\$3	\$ —	\$ —	\$ 11
Nuclear decommissioning trusts										
Equity securities	851	—	—	—	851	978	—	—	—	978
Fixed income securities	12	490	—	—	502	18	477	—	—	495
Private equity and other	—	—	—	20	20	—	—	—	5	5
Cash equivalents	5	—	—	—	5	14	—	—	—	14
Other investments										
Equity securities	10	—	—	—	10	11	—	—	—	11
Derivative assets — FTRs	—	—	6	—	6	—	—	9	—	9
Total	\$886	\$492	\$ 6	\$ 20	\$ 1,404	\$1,029	\$480	\$ 9	\$ 5	\$ 1,523
Assets										
Current	\$8	\$2	\$ 6	\$ —	\$ 16	\$8	\$3	\$ 9	\$ —	\$ 20
Noncurrent	878	490	—	20	1,388	1,021	477	—	5	1,503
Total Assets	\$886	\$492	\$ 6	\$ 20	\$ 1,404	\$1,029	\$480	\$ 9	\$ 5	\$ 1,523

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

At December 31, 2018, the \$10 million consisted of cash equivalents included in Other investments on DTE

(b) Electric's Consolidated Statements of Financial Position. At December 31, 2017, the \$11 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. Other assets such as private equity investments are used to enhance long-term returns while improving portfolio diversification. All pricing for private equity investments in this category are classified as NAV assets. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. Non-exchange traded fixed income securities are valued based upon quotations available from brokers or pricing services. Commingled funds that hold exchange-traded equity or debt securities (exchange and non-exchange traded) and are valued based on publicly available NAVs. 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. Investment policies and procedures are determined by DTE Energy's Trust Investments Department which reports to DTE Energy's Vice President and Treasurer.

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

	Year Ended December 31, 2018				Year Ended December 31, 2017			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of January 1	\$ (29)	\$ 12	\$ 8	\$ (9)	\$ (96)	\$ 9	\$ (1)	\$ (88)
Transfers into Level 3 from Level 2	—	—	—	—	—	—	—	—
Transfers from Level 3 into Level 2	(3)	—	—	(3)	—	—	—	—
Total gains (losses)								
Included in earnings	(146)	29	1	(116)	(29)	109	2	82
Recorded in Regulatory liabilities	—	—	9	9	—	—	25	25
Purchases, issuances, and settlements:								
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	—
Settlements	129	(43)	(11)	75	96	(106)	(18)	(28)
Net Assets (Liabilities) as of December 31	\$ (49)	\$ (2)	\$ 7	\$ (44)	\$ (29)	\$ 12	\$ 8	\$ (9)
The amount of total gains (losses) included in Net Income attributed to the change in unrealized gains (losses) related to assets and liabilities held at December 31, 2018 and 2017 and reflected in Operating Revenues — Non-utility operations and Fuel, purchased power, and gas — non-utility in DTE Energy's Consolidated Statements of Operations	\$ (119)	\$ 15	\$ (16)	\$ (120)	\$ (30)	\$ 50	\$ 1	\$ 21

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

	Year Ended December 31, 2018	2017
	(In millions)	
Net Assets as of January 1	\$ 9	\$ 2
Change in fair value recorded in Regulatory liabilities	9	25
Purchases, issuances, and settlements:		
Settlements	(12)	(18)
Net Assets as of December 31	\$ 6	\$ 9
The amount of total gains (losses) included in Regulatory liabilities attributed to the change in unrealized gains (losses) related to assets and liabilities held at December 31, 2018 and 2017 and reflected in DTE Electric's Consolidated Statements of Financial Position	\$ 6	\$ 9

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 years ended December 31, 2018 and 2017, 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:

Commodity Contracts	December 31, 2018		Derivative Valuation Techniques	Unobservable Input	Range	Weighted Average
	Derivative Assets	Derivative Liabilities				
Natural Gas	\$ 63	\$ (112)	Discounted Cash Flow	Forward basis price (per MMBtu)	\$(2.15)—\$5.59/MMBtu	\$(0.1)/MMBtu
Electricity	\$ 56	\$ (58)	Discounted Cash Flow	Forward basis price (per MWh)	\$(7)—\$9 /MWh	\$1 /MWh
Commodity Contracts	December 31, 2017		Derivative Valuation Techniques	Unobservable Input	Range	Weighted Average
	Derivative Assets	Derivative Liabilities				
Natural Gas	\$ 97	\$ (126)	Discounted Cash Flow	Forward basis price (per MMBtu)	\$(1.10)—\$9.75/MMBtu	\$(0.03)/MMBtu
Electricity	\$ 42	\$ (30)	Discounted Cash Flow	Forward basis price (per MWh)	\$(5)—\$15 /MWh	\$2 /MWh

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

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

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

Fair Value of Financial Instruments

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

	December 31, 2018				December 31, 2017			
	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 capital leases	\$40	\$—	\$—	\$40	\$38	\$—	\$—	\$38
Dividends payable	\$172	\$172	\$—	\$—	\$158	\$158	\$—	\$—
Short-term borrowings	\$609	\$—	\$609	\$—	\$621	\$—	\$621	\$—
Notes payable — Other ^(b) , excluding capital leases	\$41	\$—	\$—	\$41	\$12	\$—	\$—	\$12
Long-term debt ^(c)	\$13,622	\$1,796	\$10,712	\$1,317	\$12,288	\$1,939	\$10,571	\$764

(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 Capital lease obligations.

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

	December 31, 2018			December 31, 2017				
	Carrying		Fair Value	Carrying		Fair Value		
	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3
	(In millions)							
Notes receivable, excluding capital leases	\$6	\$—	\$6	\$—	\$—	\$—	\$—	\$—
Short-term borrowings — affiliates	\$101	\$—	\$101	\$116	\$—	\$116	\$—	\$—
Short-term borrowings — other	\$149	\$—	\$149	\$238	\$—	\$238	\$—	\$—
Notes payable — Other ^(a) , excluding capital leases	\$21	\$—	\$21	\$2	\$—	\$2	\$—	\$—
Long-term debt ^(b)	\$6,538	\$—	\$6,552	\$161	\$6,017	\$—	\$6,441	\$171

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

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

For further fair value information on financial and derivative instruments, see Note 13 to the Consolidated Financial Statements, "Financial and Other Derivative Instruments."

Nuclear Decommissioning Trust Funds

DTE Electric has a legal obligation to decommission its nuclear power plants following the expiration of its operating licenses. This obligation is reflected as an Asset retirement obligation on DTE Electric's Consolidated Statements of Financial Position. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. See Note 8 to the Consolidated Financial Statements, "Asset Retirement Obligations."

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

	December 31,	
	2018	2017
	(In millions)	
Fermi 2	\$1,372	\$1,475

Fermi 1	3	3
Low-level radioactive waste	3	14
	\$1,378	\$1,492

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

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

	Year Ended December 31,		
	2018	2017	2016
	(In millions)		
Realized gains	\$65	\$83	\$74
Realized losses	\$(42)	\$(29)	\$(63)
Proceeds from sale of securities	\$1,203	\$1,240	\$1,457

Realized gains and losses from the sale of securities and unrealized gains and losses incurred by the Fermi 2 trust are recorded to the Regulatory asset and Nuclear decommissioning liability. Realized gains and losses from the sale of securities and unrealized gains and losses on the low-level radioactive waste funds are recorded to the Nuclear decommissioning liability.

The following table sets forth DTE Electric's fair value and unrealized gains and losses for the nuclear decommissioning trust funds:

	December 31, 2018			December 31, 2017		
	Fair Value	Unrealized Gains	Unrealized Losses	Fair Value	Unrealized Gains	Unrealized Losses
	(In millions)					
Equity securities	\$851	\$ 235	\$ (79)	\$978	\$ 320	\$ (32)
Fixed income securities	502	7	(8)	495	13	(3)
Private equity and other	20	—	—	5	—	—
Cash equivalents	5	—	—	14	—	—
	\$1,378	\$ 242	\$ (87)	\$1,492	\$ 333	\$ (35)

The following table summarizes the fair value of the fixed income securities held in nuclear decommissioning trust funds by contractual maturity:

	December 31, 2018
	(In millions)
Due within one year	\$ 29
Due after one through five years	89
Due after five through ten years	113
Due after ten years	271
	\$ 502

Other Securities

At December 31, 2018 and 2017, the Registrants' securities, included in Other investments on the Consolidated Statements of Financial Position, were comprised primarily of money market and equity securities. Net losses related to equity securities held at December 31, 2018 were \$11 million and net gains related to equity securities held at December 31, 2017 and 2016 were \$26 million, and \$15 million, respectively, for the Registrants. Gains or losses related to the Rabbi Trust assets are allocated from DTE Energy to DTE Electric.

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

NOTE 13 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

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

The Registrants' primary market risk exposure is associated with commodity prices, credit, and interest rates. The Registrants have risk management policies to monitor and manage market risks. The Registrants use derivative instruments to manage some of the exposure. DTE Energy uses derivative instruments for trading purposes in its Energy Trading segment. Contracts classified as derivative instruments include electricity, natural gas, oil, certain coal forwards, futures, options, swaps, and foreign currency exchange contracts. Items not classified as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits, and natural gas storage assets. DTE Electric — DTE Electric generates, purchases, distributes, and sells electricity. DTE Electric uses forward contracts to manage changes in the price of electricity and fuel. Substantially all of these contracts meet the normal purchases and normal sales exception and are therefore accounted for under the accrual method. Other derivative contracts are MTM and recoverable through the PSCR mechanism when settled. This results in the deferral of unrealized gains and losses as Regulatory assets or liabilities until realized.

DTE Gas — DTE Gas purchases, stores, transports, distributes and sells natural gas, and sells storage and transportation capacity. DTE Gas has fixed-priced contracts for portions of its expected natural gas supply requirements through March 2021. Substantially all of these contracts meet the normal purchases and normal sales exception and are therefore accounted for under the accrual method. DTE Gas may also sell forward transportation and storage capacity contracts. Forward transportation and storage contracts are generally not derivatives and are therefore accounted for under the accrual method.

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

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

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

Energy Trading — Foreign Currency Exchange Risk — Energy Trading has foreign currency exchange forward contracts to economically hedge fixed Canadian dollar commitments existing under natural gas and power purchase and sale contracts and natural gas transportation contracts. Energy Trading enters into these contracts to mitigate price volatility with respect to fluctuations of the Canadian dollar relative to the U.S. dollar. These derivatives are

accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

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

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

Credit Risk — DTE Energy maintains credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, including the viability of underlying productive assets, credit rating, collateral requirements, or other credit enhancements such as letters of credit or guarantees. DTE Energy generally uses standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty. DTE Energy maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends, and other information. Based on DTE Energy's credit policies and its December 31, 2018 provision for credit losses, DTE Energy's exposure to counterparty nonperformance is not expected to have a material adverse effect on DTE Energy's Consolidated Financial Statements.

Derivative Activities

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

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

Marketing and Origination — Represents derivative activity transacted by originating substantially hedged positions with wholesale energy marketers, producers, end-users, utilities, retail aggregators, and alternative energy suppliers.

Fundamentals Based Trading — Represents derivative activity transacted with the intent of taking a view, capturing market price changes, or putting capital at risk. This activity is speculative in nature as opposed to hedging an existing exposure.

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

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

The following table presents the fair value of derivative instruments for DTE Energy:

	December 31, 2018		December 31, 2017	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(In millions)			
Derivatives designated as hedging instruments				
Interest rate contracts	\$—	\$ (3)	\$—	\$ —
Derivatives not designated as hedging instruments				
Commodity contracts				
Natural gas	\$349	\$ (380)	\$357	\$ (378)
Electricity	303	(285)	285	(275)
Other	7	(1)	9	(1)
Foreign currency exchange contracts	4	—	1	(3)
Total derivatives not designated as hedging instruments	\$663	\$ (666)	\$652	\$ (657)
Current	\$563	\$ (518)	\$540	\$ (558)
Noncurrent	100	(151)	112	(99)
Total derivatives	\$663	\$ (669)	\$652	\$ (657)

The following table presents the fair value of derivative instruments for DTE Electric:

	December 31, 2018		2017	
	(In millions)			
FTRs — Other current assets	\$ 6	\$ 9		
Total derivatives not designated as hedging instruments	\$ 6	\$ 9		

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

DTE Energy also provides and receives collateral in the form of letters of credit which can be offset against net Derivative assets and liabilities as well as Accounts receivable and payable. DTE Energy had issued letters of credit of approximately \$4 million outstanding at December 31, 2018 and 2017, which could be used to offset net Derivative liabilities. Letters of credit received from third parties which could be used to offset net Derivative assets were \$8 million and \$4 million at December 31, 2018 and 2017, respectively. Such balances of letters of credit are excluded from the tables below and are not netted with the recognized assets and liabilities in DTE Energy's Consolidated Statements of Financial Position.

For contracts with certain clearing agents, the fair value of derivative instruments is netted against realized positions with the net balance reflected as either 1) a Derivative asset or liability or 2) an Account receivable or payable. Other than certain clearing agents, Accounts receivable and Accounts payable that are subject to netting arrangements have not been offset against the fair value of Derivative assets and liabilities.

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

For DTE Energy, the total cash collateral received, net of cash collateral posted, was \$13 million as of December 31, 2018. DTE Energy had \$28 million total cash collateral posted, net of cash collateral received, as of December 31, 2017. DTE Energy had \$17 million of cash collateral related to unrealized positions to net against Derivative assets and no cash collateral related to unrealized positions to net against Derivative liabilities as of December 31, 2018. DTE Energy had \$9 million of cash collateral related to unrealized positions to net against Derivative assets while Derivative liabilities are shown net of cash collateral of \$22 million as of December 31, 2017. DTE Energy recorded cash collateral paid of \$10 million and cash collateral received of \$6 million not related to unrealized derivative positions as of December 31, 2018. DTE Energy recorded cash collateral paid of \$18 million and cash collateral received of \$3 million not related to unrealized derivative positions as of December 31, 2017. These amounts are included in Accounts receivable and Accounts payable and are recorded net by counterparty.

The following table presents the netting offsets of Derivative assets and liabilities for DTE Energy:

	December 31, 2018			December 31, 2017		
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position
(In millions)						
Derivative assets						
Commodity contracts						
Natural gas	\$349	\$ (277)	\$ 72	\$357	\$ (256)	\$ 101
Electricity	303	(252)	51	285	(241)	44
Other	7	(1)	6	9	—	9
Foreign currency exchange contracts	4	—	4	1	(1)	—
Total derivative assets	\$663	\$ (530)	\$ 133	\$652	\$ (498)	\$ 154
Derivative liabilities						
Commodity contracts						
Natural gas	\$(380)	\$ 272	\$ (108)	\$(378)	\$ 263	\$ (115)
Electricity	(285)	240	(45)	(275)	246	(29)
Other	(1)	1	—	(1)	1	—
Interest rate contracts	(3)	—	(3)	—	—	—
Foreign currency exchange contracts	—	—	—	(3)	1	(2)
Total derivative liabilities	\$(669)	\$ 513	\$ (156)	\$(657)	\$ 511	\$ (146)

The following table presents the netting offsets of Derivative assets and liabilities showing the reconciliation of derivative instruments to DTE Energy's Consolidated Statements of Financial Position:

	December 31, 2018				December 31, 2017			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
(In millions)								
Total fair value of derivatives	\$563	\$ 100	\$(518)	\$ (151)	\$540	\$ 112	\$(558)	\$ (99)
Counterparty netting	(451)	(62)	451	62	(437)	(52)	437	52

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Collateral adjustment	(10)	(7)	—	—	—	(9)	22	—
Total derivatives as reported	\$102	\$ 31	\$(67)	\$(89)	\$103	\$ 51	\$(99)	\$(47)

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

The effect of derivatives not designated as hedging instruments on DTE Energy's Consolidated Statements of Operations is as follows:

	Location of Gain (Loss) Recognized in Income on Derivatives	Gain (Loss) Recognized in Income on Derivatives for Years Ended December 31,		
		2018	2017	2016
(In millions)				
Derivatives not Designated as Hedging Instruments				
Commodity contracts				
Natural gas	Operating Revenues — Non-utility operations	\$(42)	\$(74)	\$(153)
Natural gas	Fuel, purchased power, and gas — non-utility	(94)	97	(2)
Electricity	Operating Revenues — Non-utility operations	49	105	43
Other	Operating Revenues — Non-utility operations	(1)	2	5
Foreign currency exchange contracts	Operating Revenues — Non-utility operations	7	(2)	(2)
Total		\$(81)	\$128	\$(109)

Revenues and energy costs related to trading contracts are presented on a net basis in DTE Energy's Consolidated Statements of Operations. Commodity derivatives used for trading purposes, and financial non-trading commodity derivatives, are accounted for using the MTM method with unrealized and realized gains and losses recorded in Operating Revenues — Non-utility operations. Non-trading physical commodity sale and purchase derivative contracts are generally accounted for using the MTM method with unrealized and realized gains and losses for sales recorded in Operating Revenues — Non-utility operations and purchases recorded in Fuel, purchased power, and gas — non-utility. The following represents the cumulative gross volume of DTE Energy's derivative contracts outstanding as of December 31, 2018:

Commodity	Number of Units
Natural Gas (MMBtu)	2,171,541,994
Electricity (MWh)	36,163,761
Foreign Currency Exchange (Canadian dollars)	101,975,644

Various subsidiaries of DTE Energy have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to require that DTE Energy post cash or letters of credit as collateral in the event that DTE Energy's credit rating is downgraded below investment grade. Certain of these provisions (known as "hard triggers") state specific circumstances under which DTE Energy can be required to post collateral upon the occurrence of a credit downgrade, while other provisions (known as "soft triggers") are not as specific. For contracts with soft triggers, it is difficult to estimate the amount of collateral which may be requested by counterparties and/or which DTE Energy may ultimately be required to post. The amount of such collateral which could be requested fluctuates based on commodity prices (primarily natural gas, power, and coal) and the provisions and maturities of the underlying transactions. As of December 31, 2018, DTE Energy's contractual obligation to post collateral in the form of cash or letters of credit in the event of a downgrade to below investment grade, under both hard trigger and soft trigger provisions, was \$638 million.

As of December 31, 2018, DTE Energy had \$541 million of derivatives in net liability positions, for which hard triggers exist. There is no collateral that has been posted against such liabilities, including cash and letters of credit. Associated derivative net asset positions for which contractual offset exists were \$495 million. The net remaining amount of \$46 million is derived from the \$638 million noted above.

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

NOTE 14 — LONG-TERM DEBT

Long-Term Debt

DTE Energy's long-term debt outstanding and weighted average interest rates of debt outstanding at December 31 were:

	Interest Rate ^(a)	Maturity Date	2018	2017
(In millions)				
Mortgage bonds, notes, and other				
DTE Energy Debt, Unsecured	3.2%	2019 — 2033	\$4,425	\$3,825
DTE Electric Taxable Debt, Principally Secured	4.3%	2020 — 2048	6,280	5,755
DTE Electric Tax-Exempt Revenue Bonds ^(b)	4.3%	2020 — 2030	310	310
DTE Gas Taxable Debt, Principally Secured	4.5%	2019 — 2048	1,550	1,330
Other Long-Term Debt, including Non-Recourse Debt			1	7
			12,566	11,227
Unamortized debt discount and premium, net			(16)	(15)
Unamortized debt issuance costs			(73)	(69)
Long-term debt due within one year			(1,495)	(104)
			\$10,982	\$11,039
Junior Subordinated Debentures				
Subordinated Debentures	5.5%	2062 — 2077	\$1,180	\$1,180
Unamortized debt issuance costs			(35)	(35)
			\$1,145	\$1,145

(a) Weighted average interest rate as of December 31, 2018.

(b) DTE Electric Tax-Exempt Revenue Bonds are issued by a public body that loans the proceeds to DTE Electric on terms substantially mirroring the Revenue Bonds.

DTE Electric's long-term debt outstanding and weighted average interest rates of debt outstanding at December 31 were:

	Interest Rate ^(a)	Maturity Date	2018	2017
(In millions)				
Mortgage bonds, notes, and other				
Taxable Debt, Principally Secured	4.3%	2020 — 2048	\$6,280	\$5,755
Tax-Exempt Revenue Bonds ^(b)	4.3%	2020 — 2030	310	310
			6,590	6,065
Unamortized debt discount			(11)	(10)
Unamortized debt issuance costs			(41)	(38)
			\$6,538	\$6,017

(a) Weighted average interest rate as of December 31, 2018.

(b) Tax-Exempt Revenue Bonds are issued by a public body that loans the proceeds to DTE Electric on terms substantially mirroring the Revenue Bonds.

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

Debt Issuances

In 2018, the following debt was issued:

Company	Month	Type	Interest Rate	Maturity Date	Amount (In millions)
DTE Electric	May	Mortgage Bonds ^(a)	4.05%	2048	\$ 525
DTE Energy	August	Senior Notes ^(b)	3.70%	2023	600
DTE Gas	August	Mortgage Bonds ^(b)	3.81%	2028	195
DTE Gas	August	Mortgage Bonds ^(b)	4.14%	2048	125
					\$ 1,445

(a) Bonds were issued as Green Bonds and the proceeds will be used to finance expenditures for solar and wind energy, payments under power purchase agreements for solar and wind energy, and energy optimization programs.

(b) Proceeds were used for the repayment of short-term borrowings and general corporate purposes.

Debt Redemptions

In 2018, the following debt was redeemed:

Company	Month	Type	Interest Rate	Maturity Date	Amount (In millions)
DTE Gas	April	Senior Notes	6.04%	2018	\$ 100
DTE Energy	Various	Other Long-Term Debt	Various	2018	5
					\$ 105

The following table shows the Registrants' scheduled debt maturities, excluding any unamortized discount or premium on debt:

	2019	2020	2021	2022	2023	2024 and Thereafter	Total
	(In millions)						
DTE Energy ^(a)	\$ 1,495	\$ 682	\$ 462	\$ 616	\$ 1,177	\$ 9,314	\$ 13,746
DTE Electric	\$ —	\$ 632	\$ 462	\$ 316	\$ 202	\$ 4,978	\$ 6,590

(a) Amounts include DTE Electric's scheduled debt maturities.

Junior Subordinated Debentures

At December 31, 2018, DTE Energy had the following Junior Subordinated Debentures:

	Interest Rate	Maturity Date	Amount (In millions)
2012 Series C	5.25%	2062	\$ 200
2016 Series B	5.375%	2076	300
2016 Series F	6.00%	2076	280
2017 Series E	5.25%	2077	400
			\$ 1,180

DTE Energy has the right to defer interest payments on the debt securities. Should DTE Energy exercise this right, it cannot declare or pay dividends on, or redeem, purchase or acquire, any of its capital stock during the deferral period. Any deferred interest payments will bear additional interest at the rate associated with the related debt issue. As of December 31, 2018, no interest payments have been deferred on the debt securities.

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

Cross Default Provisions

Substantially all of the net utility properties of DTE Electric and DTE Gas are subject to the lien of mortgages. Should DTE Electric or DTE Gas fail to timely pay their indebtedness under these mortgages, such failure may create cross defaults in the indebtedness of DTE Energy.

Acquisition Financing

Effective October 1, 2016, DTE Energy closed on the purchase of midstream natural gas assets. DTE Energy purchased 100% of AGS, located in Pennsylvania and West Virginia, and 40% of SGG, located in West Virginia, from M3 Midstream. In addition, DTE Energy purchased 15% of SGG from Vega Energy Partners, resulting in 55% total ownership of SGG by DTE Energy. The acquisition was financed through the issuance of Equity Units and Senior Notes.

In October 2016, DTE issued \$675 million of Equity Units. Each Equity Unit has a stated amount of \$50, initially in the form of a Corporate Unit, is comprised of (i) a forward purchase contract to buy DTE Energy common stock (stock purchase contract) and (ii) a 1/20 undivided beneficial ownership interest in \$1,000 principal amount of DTE Energy's 2016 Series C 1.5% RSNs due 2024. The RSN debt instruments and the stock purchase contract equity instruments are deemed to be separate instruments as the investor may trade the RSNs separately from the stock purchase contracts and may also settle the stock purchase contracts separately. The Corporate Units are listed on the New York Stock Exchange under the symbol DTV.

The stock purchase contract obligates the holder to purchase from DTE Energy on the settlement date, October 1, 2019, for a price of \$50 per stock purchase contract, the following number of shares of DTE Energy's common stock, subject to anti-dilution adjustments:

if the AMV of DTE Energy's common stock, which is the average volume-weighted average price of DTE Energy's common stock for the trading days during the 20 consecutive scheduled trading day period ending on the third scheduled trading day immediately preceding the stock purchase contract settlement date, is equal to or greater than \$116.31, 0.4299 shares of common stock;

- if the AMV is less than \$116.31 but greater than \$93.05, a number of shares of common stock equal to \$50 divided by the AMV, rounded to the nearest 1/10,000th of a share; and

- if the AMV is less than or equal to \$93.05, 0.5373 shares of common stock.

The RSNs bear interest at a rate of 1.5% per year, payable quarterly, and mature on October 1, 2024. The RSNs will be remarketed in 2019. If this remarketing is successful, the interest rate on the RSNs will be reset, and thereafter interest will be payable semi-annually at the reset rate. If there is no successful remarketing, the interest rate on the RSNs will not be reset, and the holders of the RSNs will have the right to put the RSNs to DTE Energy at a price equal to 100% of the principal amount, and the proceeds of the put right will be deemed to have been applied against the holders' obligation under the stock purchase contracts. DTE Energy may also redeem, in whole or in part, the RSNs in the event of a failed final remarketing.

On January 1, 2017, DTE Energy began paying the stock purchase contract holders quarterly contract adjustment payments at a rate of 5% per year of the stated amount of \$50 per Equity Unit, or \$2.50 per year. The present value of the future contract adjustment payments of \$98 million was recorded as a reduction of shareholders' equity, offset by the stock purchase contract liability. The stock purchase contract liability is included in Current Liabilities — Other and Other Liabilities — Other on DTE Energy's Consolidated Statements of Financial Position. Interest payments on the RSNs are recorded as interest expense and stock purchase contract payments are charged against the liability.

Accretion of the stock purchase contract liability is recorded as imputed interest expense. The treasury stock method is used to compute diluted EPS for the stock purchase contract. Under the treasury stock method, the stock purchase contract will only have a dilutive effect when the settlement rate is based on the market value of DTE's common stock that is greater than \$116.31 (the threshold appreciation price). At December 31, 2018, the stock purchase price contract was anti-dilutive and, therefore, not included in the computation of diluted earnings per share. If payments for the stock purchase contract are deferred, DTE Energy may not make any cash distributions related to its capital stock, including dividends, redemptions, repurchases, liquidation payments or guarantee payments. Also, during the deferral

period, DTE Energy may not make any payments on or redeem or repurchase any debt securities that are equal in right of payment with, or subordinated to, the RSNs.

Until settlement of the stock purchase contracts, the shares of stock underlying each contract are not outstanding.

Under the terms of the stock purchase contracts, assuming no anti-dilution or other adjustments, DTE Energy will issue between 5.8 million and 7.3 million shares of its common stock in October 2019. A total of 9 million shares of DTE Energy's common stock have been reserved for issuance in connection with the stock purchase contracts.

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

Selected information about DTE Energy's 2016 Equity Units is presented below:

Issuance Date	Units Issued	Total Net Proceeds	Total Long-Term Debt	RSN Annual Interest Rate	Stock Purchase Contract Annual Rate	Stock Purchase Settlement Date	Stock Purchase Contract Liability ^(a)	RSN Maturity Date
10/5/2016	13.5	\$ 654	\$ 675	1.5%	5.0%	10/1/2019	\$ 98	10/1/2024

(In millions, except interest rates)

(a) Payments of \$33 million and \$32 million were made in 2018 and 2017, respectively. The stock purchase contract liability, exclusive of interest, was \$33 million and \$66 million at December 31, 2018 and 2017, respectively.

NOTE 15 — PREFERRED AND PREFERENCE SECURITIES

As of December 31, 2018, the amount of authorized and unissued stock is as follows:

Company	Type of Stock	Par Value	Shares Authorized
DTE Energy	Preferred	\$ —	5,000,000
DTE Electric	Preferred	\$ 100	6,747,484
DTE Electric	Preference	\$ 1	30,000,000
DTE Gas	Preferred	\$ 1	7,000,000
DTE Gas	Preference	\$ 1	4,000,000

NOTE 16 — SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

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

The agreements require DTE Energy, DTE Electric, and DTE Gas to maintain a total funded debt to capitalization ratio of no more than 0.65 to 1. In the agreements, "total funded debt" means all indebtedness of each respective company and their consolidated subsidiaries, including capital lease obligations, hedge agreements, and guarantees of third parties' debt, but excluding contingent obligations, nonrecourse and junior subordinated debt, and certain equity-linked securities and, except for calculations at the end of the second quarter, certain DTE Gas short-term debt. "Capitalization" means the sum of (a) total funded debt plus (b) "consolidated net worth," which is equal to consolidated total equity of each respective company and their consolidated subsidiaries (excluding pension effects under certain FASB statements), as determined in accordance with accounting principles generally accepted in the United States of America. At December 31, 2018, the total funded debt to total capitalization ratios for DTE Energy, DTE Electric, and DTE Gas were 0.55 to 1, 0.50 to 1, and 0.48 to 1, respectively, and were in compliance with this financial covenant.

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

The availability under the facilities in place at December 31, 2018 is shown in the following table:

	DTE Energy	DTE Electric	DTE Gas	Total
	(In millions)			
Unsecured letter of credit facility, expiring in February 2019	\$ 150	\$ —	\$—	\$ 150
Unsecured letter of credit facility, expiring in September 2019	70	—	—	70
Unsecured revolving credit facility, expiring April 2022	1,200	400	300	1,900
	1,420	400	300	2,120
Amounts outstanding at December 31, 2018				
Commercial paper issuances	271	149	189	609
Letters of credit	168	—	—	168
	439	149	189	777
Net availability at December 31, 2018	\$981	\$ 251	\$ 111	\$1,343

DTE Energy has \$9 million of other outstanding letters of credit which are used for various corporate purposes and are not included in the facilities described above.

The weighted average interest rate for short-term borrowings was 2.9% and 1.9% at December 31, 2018 and 2017, respectively, for DTE Energy. The weighted average interest rate for short-term borrowings was 2.9% and 1.5% at December 31, 2018 and 2017, respectively, for DTE Electric.

In conjunction with maintaining certain exchange-traded risk management positions, DTE Energy may be required to post collateral with its clearing agent. DTE Energy has a demand financing agreement for up to \$100 million with its clearing agent. The agreement, as amended, also allows for up to \$50 million of additional margin financing provided that DTE Energy posts a letter of credit for the incremental amount and allows the right of setoff with posted collateral. At December 31, 2018, the capacity under this facility was \$125 million. The amount outstanding under this agreement was \$93 million and \$56 million at December 31, 2018 and 2017, respectively, and was fully offset by the posted collateral.

Dividend Restrictions

Certain of DTE Energy's credit facilities contain a provision requiring DTE Energy to maintain a total funded debt to capitalization ratio, as defined in the agreements, of no more than 0.65 to 1, which has the effect of limiting the amount of dividends DTE Energy can pay in order to maintain compliance with this provision. At December 31, 2018, the effect of this provision was to restrict the payment of approximately \$2.4 billion of Retained earnings totaling \$6.1 billion. There are no other effective limitations with respect to DTE Energy's ability to pay dividends.

NOTE 17 — CAPITAL AND OPERATING LEASES

Lessee

Operating Lease — The Registrants lease various assets under operating leases, including coal railcars, office buildings, a warehouse, computers, vehicles, and other equipment. The lease arrangements expire at various dates through 2051 and 2046 for DTE Energy and DTE Electric, respectively.

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

The Registrants' future minimum lease payments under non-cancelable operating leases at December 31, 2018 were:

	DTE Energy	DTE Electric
	(In millions)	
2019	\$42	\$ 17
2020	30	12
2021	18	10
2022	11	7
2023	8	5
2024 and thereafter	45	29
Total minimum lease payments	\$154	\$ 80

Rental expense for DTE Energy operating leases was \$44 million in 2018, \$51 million in 2017, and \$43 million in 2016, including rental expense for DTE Electric operating leases of \$18 million in 2018 and \$28 million in 2017 and 2016.

Lessor

Operating Lease — DTE Energy leases various assets under operating leases for energy facilities and related equipment. DTE Energy's minimum future rental revenues under non-cancelable operating leases as of December 31, 2018 were:

	DTE Energy
	(In millions)
2019	\$ 66
2020	66
2021	64
2022	20
2023	20
2024 and thereafter	196
Total minimum future rental revenue under non-cancelable operating leases	\$ 432

The amounts listed above do not include contingent rentals associated with the leased assets. DTE Energy had contingent rental revenues of \$107 million, \$91 million, and \$101 million in 2018, 2017, and 2016, respectively.

Capital Lease — DTE Energy leases a portion of its pipeline system to the Vector Pipeline through a capital lease contract that expires in 2020, with renewal options extending for five years. DTE Energy owns a 40% interest in the Vector Pipeline. In addition, DTE Energy has two energy services agreements, for which a portion of are accounted for as capital leases. These agreements expire in 2019 and 2026.

The components of DTE Energy's net investment in capital leases at December 31, 2018, were as follows:

	DTE Energy
	(In millions)
2019	\$ 10
2020	9
2021	—
2022	—
2023	—
2024 and thereafter	1
Total minimum future lease receipts	20
Residual value of leased pipeline	40

Less unearned income	(9)
Net investment in capital lease	51
Less current portion	(5)
	\$ 46

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

NOTE 18 — COMMITMENTS AND CONTINGENCIES

Environmental

DTE Electric

Air — DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of SO₂ and NO_x. The EPA and the State of Michigan have also issued emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to controls on fossil-fueled power plants to reduce SO₂, NO_x, mercury, and other emissions. Additional rulemakings may occur over the next few years which could require additional controls for SO₂, NO_x, and other hazardous air pollutants.

The EPA proposed revised air quality standards for ground level ozone in November 2014 and specifically requested comments on the form and level of the ozone standards. The standards were finalized in October 2015. The State of Michigan recommended to the EPA in October 2016 which areas of the state are not attaining the new standard. On April 30, 2018, the EPA finalized the state of Michigan's recommended non-attainment designation for southeast Michigan. The State is required to develop and implement a plan to address the southeast Michigan ozone non-attainment area by 2021. DTE Electric cannot predict the financial impact of the State's plan to address the ozone non-attainment area at this time.

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

In August 2010, the U.S. Department of Justice, at the request of the EPA, brought a civil suit in the U.S. District Court for the Eastern District of Michigan against DTE Energy and DTE Electric, related to the June 2010 NOV/FOV and the outage work performed at Unit 2 of the Monroe Power Plant. In August 2011, the U.S. District Court judge granted DTE Energy's motion for summary judgment in the civil case, dismissing the case and entering judgment in favor of DTE Energy and DTE Electric. In October 2011, the EPA filed a Notice of Appeal to the Court of Appeals for the Sixth Circuit. In March 2013, the Court of Appeals remanded the case to the U.S. District Court for review of the procedural component of the New Source Review notification requirements. In September 2013, the EPA filed a motion seeking leave to amend their complaint regarding the June 2010 NOV/FOV adding additional claims related to outage work performed at the Trenton Channel and Belle River Power Plants as well as additional claims related to work performed at the Monroe Power Plant. In March 2014, the U.S. District Court judge again granted DTE Energy's motion for summary judgment dismissing the civil case related to Monroe Unit 2. In April 2014, the U.S. District Court judge granted motions filed by the EPA and the Sierra Club to amend their New Source Review complaint adding additional claims for Monroe Units 1, 2, and 3, Belle River Units 1 and 2, and Trenton Channel Unit 9. In October 2014, the EPA and the U.S. Department of Justice filed a notice of appeal of the U.S. District Court judge's dismissal of the Monroe Unit 2 case. The amended New Source Review claims were all stayed pending resolution of the appeal by the Court of Appeals for the Sixth Circuit. On January 10, 2017, a divided panel of the Court reversed the decision of the U.S. District Court. On May 8, 2017, DTE Energy and DTE Electric filed a motion to stay the mandate pending filing of a petition for writ of certiorari with the U.S. Supreme Court. The Sixth Circuit granted the motion on May 16, 2017, staying the claims in the U.S. District Court until the U.S. Supreme Court disposes of the case. DTE Electric and DTE Energy filed a petition for writ of certiorari on July 31, 2017. On December 11, 2017, the U.S. Supreme Court denied certiorari. As a result of the Supreme Court electing not to review the matter, the case was sent back to the U.S. District Court for further proceedings and on June 14, 2018 the case was stayed pending settlement negotiations. The proceedings at the District Court remain stayed while the parties discuss potential resolution of the matter.

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

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

The EPA has implemented regulatory actions under the Clean Air Act to address emissions of GHGs from the utility sector and other sectors of the economy. Among these actions, in 2015 the EPA finalized performance standards for emissions of carbon dioxide from new and existing fossil-fuel fired EGUs. In February 2016, the U.S. Supreme Court granted petitioners' requests for a stay of the carbon rules for existing EGUs (also known as the EPA Clean Power Plan) pending final review by the courts. The Clean Power Plan has no legal effect while the stay is in place. On March 28, 2017, a presidential executive order was issued on "Promoting Energy Independence and Economic Growth." The order instructs the EPA to review, and if appropriate, suspend, revise or rescind the Clean Power Plan rule. Following the issuance of this order, the federal government requested the U.S. Court of Appeals for the D.C. Circuit to hold all legal challenges in abeyance until the review of these regulations is completed. On October 10, 2017, the EPA proposed to rescind the Clean Power Plan and in August 2018, the EPA proposed revised emission guidelines for GHGs from existing electric utility generating units. This proposed rule, named the Affordable Clean Energy (ACE) rule, is intended to replace the Clean Power Plan rule. In addition, in December 2018, the EPA issued proposed revisions to the carbon dioxide performance standards for new, modified, or reconstructed fossil-fuel fired EGUs. The carbon standards for new sources are not expected to have a material impact on DTE Electric, since DTE Electric has no plans to build new coal-fired generation and any potential new gas generation will be able to comply with the standards. These proposed rules do not impact DTE Energy's goal to reduce carbon emissions 30% by the early 2020s, 45% by 2030, 75% by 2040, and more than 80% by 2050.

Pending or future legislation or other regulatory actions could have a material impact on DTE Electric's operations and financial position and the rates charged to its customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission credits from market sources, higher costs of purchased power, and the retirement of facilities where control equipment is not economical. DTE Electric would seek to recover these incremental costs through increased rates charged to its utility customers, as authorized by the MPSC.

To comply with air pollution requirements, DTE Electric spent approximately \$2.4 billion through 2018. DTE Electric does not anticipate additional capital expenditures through 2025.

Water — In response to an EPA regulation, DTE Electric was required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of completed studies and expected future studies, DTE Electric may be required to install technologies to reduce the impacts of the water intake structures. A final rule became effective in October 2014. The final rule requires studies to be completed and submitted as part of the National Pollutant Discharge Elimination System (NPDES) permit application process to determine the type of technology needed to reduce impacts to fish. DTE Electric has initiated the process of completing the required studies. Final compliance for the installation of any required technology will be determined by each state on a case by case, site specific basis. DTE Electric is currently evaluating the compliance options and working with the State of Michigan on evaluating whether any controls are needed. These evaluations/studies may require modifications to some existing intake structures. It is not possible to quantify the impact of this rulemaking at this time.

Contaminated and Other Sites — Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke, or oil. The facilities, which produced gas, have been designated as MGP sites. DTE Electric conducted remedial investigations at contaminated sites, including three former MGP sites. The investigations have revealed contamination related to the by-products of gas manufacturing at each MGP site. In addition to the MGP sites, DTE Electric is also in the process of cleaning up other contaminated sites, including the area surrounding an ash landfill, electrical distribution substations, electric generating power plants, and underground and aboveground storage tank locations. The findings of these investigations indicated that the estimated cost to remediate these sites is expected to be incurred over the next several years. At December 31, 2018 and 2017, DTE Electric had \$7 million and \$6 million, respectively, accrued for remediation. Any change in assumptions, such as remediation techniques, nature and extent of contamination, and regulatory requirements, could impact the estimate of remedial action costs for the sites and affect DTE Electric's

financial position and cash flows. DTE Electric believes the likelihood of a material change to the accrued amount is remote based on current knowledge of the conditions at each site.

Coal Combustion Residuals and Effluent Limitations Guidelines — A final EPA rule for the disposal of coal combustion residuals, commonly known as coal ash, became effective in October 2015, and was revised in October 2016 and July 2018. Additionally, a D.C. District Court Decision on August 21, 2018 (effective October 12, 2018) may affect the timing of closure of coal ash impoundments that are not lined with an engineered liner system. In 2019, the EPA is expected to affirmatively undertake rulemaking to implement the D.C. District Court's decision that will determine any changes to DTE Electric's plans in the operation and closure of coal ash impoundments.

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

At the State level, legislation was signed by the Governor in December 2018. The bill provides for a CCR program to be regulated in Michigan once approval is requested and received from the EPA.

DTE Electric owns and operates three permitted engineered coal ash storage facilities to dispose of coal ash from coal-fired power plants and operates a number of smaller impoundments at its power plants. CCR obligations vary based on plant life, but include the installation of monitoring wells, compliance with groundwater standards, and the closure of landfills and basins at the end of the useful life of the associated power plant or as a basin becomes inactive. Under the current CCR rules and uncertainty regarding the D.C. District Court decision, capital costs and timing associated with the building of new CCR facilities or retirement of existing CCR facilities are being evaluated.

In November 2015, the EPA finalized the ELG Rule for the steam electric power generating industry which requires additional controls to be installed between 2018 and 2023. Compliance schedules for individual facilities and individual waste streams are determined through issuance of new National Pollutant Discharge Elimination System (NPDES) permits by the State of Michigan. The State of Michigan has issued a NPDES permit for the Belle River Power Plant establishing a compliance deadline of December 31, 2021. No new permits that would require ELG compliance have been issued for other facilities, consequently no compliance timelines have been established.

On April 12, 2017, the EPA granted a petition for reconsideration of the ELG Rule. The EPA also signed an administrative stay of the ELG Rule's compliance deadlines for fly ash transport water, bottom ash transport water, and flue gas desulfurization (FGD) wastewater, among others. On June 6, 2017, the EPA published in the Federal Register a proposed rule to postpone certain applicable deadlines within the ELG rule. The final rule was published on September 18, 2017. The final rule nullified the administrative stay but also extended the earliest compliance deadlines for the FGD wastewater and bottom ash transport water until November 1, 2020 in order for the EPA to propose and finalize a new ruling. The ELG compliance requirements and final deadlines for bottom ash transport water and FGD wastewater, and total ELG related compliance costs will not be known until the EPA completes its reconsideration of the ELG Rule.

Over the next six years, to comply with the November 2015 ELG requirements and CCR requirements, costs associated with the building of new facilities or installation of controls are estimated to be approximately \$565 million.

DTE Gas

Contaminated and Other Sites — DTE Gas owns or previously owned, 14 former MGP sites. Investigations have revealed contamination related to the by-products of gas manufacturing at each site. Cleanup of six of the MGP sites is complete and the sites are closed. DTE Gas has also completed partial closure of six additional sites. Cleanup activities associated with the remaining sites will continue over the next several years. The MPSC has established a cost deferral and rate recovery mechanism for investigation and remediation costs incurred at former MGP sites. In addition to the MGP sites, DTE Gas is also in the process of cleaning up other contaminated sites, including gate stations, gas pipeline releases, and underground storage tank locations. As of December 31, 2018 and 2017, DTE Gas had \$25 million and \$41 million, respectively, accrued for remediation. Any change in assumptions, such as remediation techniques, nature and extent of contamination, and regulatory requirements, could impact the estimate of remedial action costs for the sites and affect DTE Gas' financial position and cash flows. DTE Gas anticipates the cost amortization methodology approved by the MPSC, which allows for amortization of the MGP costs over a ten-year period beginning with the year subsequent to the year the MGP costs were incurred, will prevent environmental costs from having a material adverse impact on DTE Gas' results of operations.

Non-utility

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

Other

In 2010, the EPA finalized a new one-hour SO₂ ambient air quality standard that requires states to submit plans and associated timelines for non-attainment areas that demonstrate attainment with the new SO₂ standard in phases. Phase 1 addresses non-attainment areas designated based on ambient monitoring data. Phase 2 addresses non-attainment

areas with large sources of SO₂ and modeled concentrations exceeding the National Ambient Air Quality Standards for SO₂. Phase 3 addresses smaller sources of SO₂ with modeled or monitored exceedances of the new SO₂ standard.

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

Michigan's Phase 1 non-attainment area includes DTE Energy facilities in southwest Detroit and areas of Wayne County. Modeling runs by the MDEQ suggest that emission reductions may be required by significant sources of SO₂ emissions in these areas, including DTE Electric power plants and DTE Energy's Michigan coke battery facility. As part of the state implementation plan process, DTE Energy has worked with the MDEQ to develop air permits reflecting significant SO₂ emission reductions that, in combination with other non-DTE Energy sources' emission reduction strategies, will help the state attain the standard and sustain its attainment. Since several non-DTE Energy sources are also part of the proposed compliance plan, DTE Energy is unable to determine the full impact of the final required emissions reductions at this time.

Michigan's Phase 2 non-attainment area includes DTE Electric facilities in St. Clair County. State implementation plan (SIP) submittal and EPA approval describing the control strategy and timeline for demonstrating compliance with the new SO₂ standard is the next step in the process and is expected to be completed by the end of 2019. DTE Energy is currently working with the MDEQ to develop the required SIP. DTE Energy is unable to determine the full impact of the SIP strategy.

Synthetic Fuel Guarantees

DTE Energy discontinued the operations of its synthetic fuel production facilities throughout the United States as of December 31, 2007. DTE Energy provided certain guarantees and indemnities in conjunction with the sales of interests in its synfuel facilities. The guarantees cover potential commercial, environmental, oil price, and tax-related obligations that will survive until 90 days after expiration of all applicable statutes of limitations. DTE Energy estimates that its maximum potential liability under these guarantees at December 31, 2018 was approximately \$400 million. Payment under these guarantees are considered remote.

REF Guarantees

DTE Energy has provided certain guarantees and indemnities in conjunction with the sales of interests in or lease of its REF facilities. The guarantees cover potential commercial, environmental, and tax-related obligations that will survive until 90 days after expiration of all applicable statutes of limitations. DTE Energy estimates that its maximum potential liability under these guarantees at December 31, 2018 was \$359 million. Payments under these guarantees are considered remote.

NEXUS Guarantees

NEXUS entered into certain 15-year capacity lease agreements for the transportation of natural gas with DTE Gas and Texas Eastern Transmission, LP, an unrelated third party. Pursuant to the terms of those agreements, in December 2016, DTE Energy executed separate guarantee agreements with DTE Gas and Texas Eastern Transmission, LP, with maximum potential payments totaling \$242 million and \$377 million at December 31, 2018, respectively; each representing 50% of all payment obligations due and payable by NEXUS. Each guarantee terminates at the earlier of (i) such time as all of the guaranteed obligations have been fully performed, or (ii) two months following the end of the primary term of the capacity lease agreements. In October 2018, NEXUS Pipeline was placed in service. The amount of each guarantee decreases annually as payments are made by NEXUS to each of the aforementioned counterparties.

NEXUS also entered into certain 15-year capacity lease agreements for the transportation of natural gas with Vector, an equity method investee of DTE Energy. Pursuant to the terms of those agreements, in October 2018, DTE Energy executed a guarantee agreement with Vector, with a maximum potential payment totaling \$7 million at December 31, 2018, representing 50% of the first-year payment obligations due and payable by NEXUS. The guarantee terminates at the earlier of (i) such time as all of the guaranteed obligations have been fully performed or (ii) 15 years from the date DTE Energy entered into the guarantee.

Should NEXUS fail to perform under the terms of these agreements, DTE Energy is required to perform on its behalf. Payments under these guarantees are considered remote.

Other Guarantees

In certain limited circumstances, the Registrants enter into contractual guarantees. The Registrants may guarantee another entity's obligation in the event it fails to perform and may provide guarantees in certain indemnification

agreements. Finally, the Registrants may provide indirect guarantees for the indebtedness of others. DTE Energy's guarantees are not individually material with maximum potential payments totaling \$64 million at December 31, 2018. Payments under these guarantees are considered remote.

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

DTE Energy is periodically required to obtain performance surety bonds in support of obligations to various governmental entities and other companies in connection with its operations. As of December 31, 2018, DTE Energy had \$76 million of performance bonds outstanding. In the event that such bonds are called for nonperformance, DTE Energy would be obligated to reimburse the issuer of the performance bond. DTE Energy is released from the performance bonds as the contractual performance is completed and does not believe that a material amount of any currently outstanding performance bonds will be called.

Labor Contracts

There are several bargaining units for DTE Energy subsidiaries' approximate 5,200 represented employees, including DTE Electric's approximate 2,800 represented employees. The majority of the represented employees are under contracts that expire in 2020 and 2021.

Purchase Commitments

As of December 31, 2018, the Registrants were party to numerous long-term purchase commitments relating to a variety of goods and services required for their businesses. These agreements primarily consist of fuel supply commitments and renewable energy contracts for the Registrants, as well as energy trading contracts for DTE Energy. The Registrants estimate the following commitments from 2019 through 2051 for DTE Energy, and 2019 through 2039 for DTE Electric, as detailed in the following table:

	DTE Energy (In millions)	DTE Electric
2019	\$2,691	\$ 777
2020	1,311	541
2021	632	171
2022	409	88
2023	351	85
2024 and thereafter	1,953	737
	\$7,347	\$ 2,399

Utility capital expenditures, expenditures for non-utility businesses, and contributions to equity method investees will be approximately \$3.9 billion and \$2.2 billion in 2019 for DTE Energy and DTE Electric, respectively. The Registrants have made certain commitments in connection with the estimated 2019 annual capital expenditures and contributions to equity method investees.

Bankruptcies

DTE Energy's Power and Industrial Projects segment holds ownership interests in, and operates, five generating plants that sell electric output from renewable sources under long-term power purchase agreements with PG&E. PG&E filed for Chapter 11 bankruptcy protection on January 29, 2019. As of December 31, 2018, uncollected pre-petition accounts receivable from PG&E were approximately \$12 million. Currently, PG&E has been paying amounts owed in a timely manner and its account is current. As of December 31, 2018, DTE Energy has not recorded a reserve related to the pre-petition receivables.

As of December 31, 2018, the book value of long-lived assets used in producing electric output for sale to PG&E was approximately \$106 million. As of December 31, 2018, DTE Energy performed an impairment analysis on its long-lived assets in accordance with ASC 360, Property, Plant and Equipment. Based on its undiscounted cash flow projections, DTE Energy determined that it did not have an impairment loss as of December 31, 2018. DTE Energy's assumptions and conclusions may change, and it could have impairment losses if any of the terms of the contracts are not honored by PG&E or the contracts are rejected through the bankruptcy process.

The Power and Industrial Projects segment also has equity investments, including a note receivable, of approximately \$77 million in entities that sell power to PG&E. DTE Energy has determined that it does not have an other than temporary decline in its equity investments as described in ASC 323, Investments-Equity Method and Joint Ventures. DTE Energy's assumptions and conclusions may change in the future, and it could have an impairment loss if certain

facilities are not utilized as currently anticipated or the contracts are rejected through the bankruptcy process.

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

Other Contingencies

The Registrants are involved in certain other legal, regulatory, administrative, and environmental proceedings before various courts, arbitration panels, and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, additional environmental reviews and investigations, audits, inquiries from various regulators, and pending judicial matters. The Registrants cannot predict the final disposition of such proceedings. The Registrants regularly review legal matters and record provisions for claims that they can estimate and are considered probable of loss. The resolution of these pending proceedings is not expected to have a material effect on the Registrants' Consolidated Financial Statements in the periods they are resolved. For a discussion of contingencies related to regulatory matters and derivatives, see Notes 9 and 13 to the Consolidated Financial Statements, "Regulatory Matters" and "Financial and Other Derivative Instruments," respectively.

NOTE 19 — NUCLEAR OPERATIONS

Property Insurance

DTE Electric maintains property insurance policies specifically for the Fermi 2 plant. These policies cover such items as replacement power and property damage. NEIL is the primary supplier of the insurance policies.

DTE Electric maintains a policy for extra expenses, including replacement power costs necessitated by Fermi 2's unavailability due to an insured event. This policy has a 12-week waiting period and provides an aggregate \$490 million of coverage over a three-year period.

DTE Electric has \$1.5 billion in primary coverage and \$1.25 billion of excess coverage for stabilization, decontamination, debris removal, repair and/or replacement of property, and decommissioning. The combined coverage limit for total property damage is \$2.75 billion. The total limit for property damage for non-nuclear events is \$2.0 billion and an aggregate of \$328 million of coverage for extra expenses over a two-year period.

On January 13, 2015, the Terrorism Risk Insurance Program Reauthorization Act of 2015 was signed, extending TRIA through December 31, 2020. For multiple terrorism losses caused by acts of terrorism not covered under the TRIA occurring within one year after the first loss from terrorism, the NEIL policies would make available to all insured entities up to \$3.2 billion, plus any amounts recovered from reinsurance, government indemnity, or other sources to cover losses.

Under NEIL policies, DTE Electric could be liable for maximum assessments of up to \$41 million per event if the loss associated with any one event at any nuclear plant should exceed the accumulated funds available to NEIL.

Public Liability Insurance

As required by federal law, DTE Electric maintains \$450 million of public liability insurance for a nuclear incident. For liabilities arising from a terrorist act outside the scope of TRIA, the policy is subject to one industry aggregate limit of \$300 million. Further, under the Price-Anderson Amendments Act of 2005, deferred premium charges up to \$138 million could be levied against each licensed nuclear facility, but not more than \$20 million per year per facility. Thus, deferred premium charges could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident at any of these facilities.

Nuclear Fuel Disposal Costs

In accordance with the Federal Nuclear Waste Policy Act of 1982, DTE Electric has a contract with the DOE for the future storage and disposal of spent nuclear fuel from Fermi 2 that required DTE Electric to pay the DOE a fee of 1 mill per kWh of Fermi 2 electricity generated and sold. The fee was a component of nuclear fuel expense. The 1 mill per kWh DOE fee was reduced to zero effective May 16, 2014.

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

The DOE's Yucca Mountain Nuclear Waste Repository program for the acceptance and disposal of spent nuclear fuel was terminated in 2011. DTE Electric is a party in the litigation against the DOE for both past and future costs associated with the DOE's failure to accept spent nuclear fuel under the timetable set forth in the Federal Nuclear Waste Policy Act of 1982. In July 2012, DTE Electric executed a settlement agreement with the federal government for costs associated with the DOE's delay in acceptance of spent nuclear fuel from Fermi 2 for permanent storage. The settlement agreement, including extensions, provides for a claims process and payment of delay-related costs experienced by DTE Electric through 2019. DTE Electric's claims are being settled and paid on a timely basis. The settlement proceeds reduce the cost of the dry cask storage facility assets and provide reimbursement for related operating expenses.

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

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

NOTE 20 — RETIREMENT BENEFITS AND TRUSTEED ASSETS

DTE Energy's subsidiary, DTE Energy Corporate Services, LLC (LLC), sponsors defined benefit pension plans and other postretirement plans covering certain employees of the Registrants.

The table below represents the pension and other postretirement benefit plans of each Registrant at December 31, 2018:

	Registrants	
	DTE Energy	DTE Electric
Qualified Pension Plans		
DTE Energy Company Retirement Plan	X	X
DTE Gas Company Retirement Plan for Employees Covered by Collective Bargaining Agreements	X	
Shenango Inc. Pension Plan	X	
Nonqualified Pension Plans		
DTE Energy Company Supplemental Retirement Plan	X	X
DTE Energy Company Executive Supplemental Retirement Plan ^(a)	X	X
DTE Energy Company Supplemental Severance Benefit Plan	X	
Other Postretirement Benefit Plans		
The DTE Energy Company Comprehensive Non-Health Welfare Plan	X	X
The DTE Energy Company Comprehensive Retiree Group Health Care Plan	X	X
DTE Supplemental Retiree Benefit Plan	X	X
DTE Energy Company Retiree Reimbursement Arrangement Plan	X	X

(a) Sponsored by the DTE Energy subsidiary, DTE Energy Holding Company.