

DTE ENERGY CO  
 Form 10-Q  
 October 23, 2015

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

FORM 10-Q

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

For the Quarterly Period ended September 30, 2015

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

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

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

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

DTE Energy Yes  No  DTE Electric Yes  No

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

DTE Energy Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

(Do not check if a smaller reporting company)

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

DTE Energy Yes  No  DTE Electric Yes  No

Number of shares of Common Stock outstanding at September 30, 2015:

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Registrant	Description	Shares
DTE Energy	Common Stock, without par value	179,475,625
DTE Electric	Common Stock, \$10 par value, directly owned by DTE Energy	138,632,324

This combined Form 10-Q is filed separately by two registrants: DTE Energy and DTE Electric. Information contained herein relating to an individual registrant is filed by such registrant solely on its behalf. DTE Electric makes no representation as to information relating exclusively to DTE Energy.

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

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DEFINITIONS

ARO	Asset Retirement Obligation
ASU	Accounting Standards Update issued by the FASB
CFTC	U.S. Commodity Futures Trading Commission
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
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FOV	Finding of Violation
FTRs	Financial Transmission Rights are financial instruments that entitle the holder to receive payments related to costs incurred for congestion on the transmission grid.
GCR	A Gas Cost Recovery mechanism authorized by the MPSC that allows DTE Gas to recover through rates its natural gas costs
MDEQ	Michigan Department of Environmental Quality
MGP	Manufactured Gas Plant
MPSC	Michigan Public Service Commission
MTM	Mark-to-market
NAV	Net Asset Value
NEIL	Nuclear Electric Insurance Limited
NEXUS	NEXUS Gas Transmission, LLC
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services, and other operating related matters are not directly regulated by the MPSC.

NOV	Notice of Violation
NRC	U.S. Nuclear Regulatory Commission
PLD	City of Detroit's Public Lighting Department
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.
PSCR	A Power Supply Cost Recovery mechanism authorized by the MPSC that allows DTE Electric to recover through rates its fuel, fuel-related, and purchased power costs
REF	Reduced Emissions Fuel
Registrant(s)	DTE Energy and DTE Electric
Retail access	Michigan legislation provided customers the option of access to alternative suppliers for electricity and natural gas
Securitization	DTE Electric financed specific stranded costs at lower interest rates through the sale of rate reduction bonds by a wholly-owned special purpose entity, The Detroit Edison Securitization Funding LLC

DEFINITIONS

TRIA	Terrorism Risk Insurance Program Reauthorization Act of 2015
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	Heat value (energy content) of fuel
kWh	Kilowatthour of electricity
MMBtu	One million BTU
MW	Megawatt of electricity
MWh	Megawatthour of electricity

## FILING FORMAT

This combined Form 10-Q is separately filed by DTE Energy and DTE Electric. Information in this combined Form 10-Q relating to each individual Registrant is filed by such Registrant on its own behalf. DTE Electric makes no representation regarding information relating to any other companies affiliated with DTE Energy other than its own subsidiaries. Neither DTE Energy, nor any of DTE Energy's other subsidiaries (other than DTE Electric), has any obligation in respect of DTE Electric's debt securities and holders of such debt securities should not consider the financial resources or results of operations of DTE Energy nor any of DTE Energy's other subsidiaries (other than DTE Electric and its own subsidiaries (in relevant circumstances)) in making a decision with respect to DTE Electric's debt securities. Similarly, none of DTE Electric nor any other subsidiary of DTE Energy has any obligation in respect of debt securities of DTE Energy. This combined Form 10-Q should be read in its entirety. No one section of this combined Form 10-Q deals with all aspects of the subject matter of this combined Form 10-Q. This combined Form 10-Q report should be read in conjunction with the separately filed Consolidated Financial Statements and Notes to Consolidated Financial Statements and with Management's Discussion and Analysis included in DTE Energy's 2014 Annual Report on Form 10-K and DTE Electric's 2014 Annual Report on Form 10-K.

## FORWARD-LOOKING STATEMENTS

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

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

- the potential for increased costs or delays in completion of significant construction projects;
- changes in and application of federal, state, and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings, and audits;
- the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;
- unplanned outages;
- the cost of protecting assets against, or damage due to, terrorism or cyber attacks;
- employee relations and the impact of collective bargaining agreements;
- the risk of a major safety incident at an electric distribution or generation facility and, for DTE Energy, a gas storage, transmission or distribution facility;
- the availability, cost, coverage, and terms of insurance and stability of insurance providers;
- cost reduction efforts and the maximization of plant and distribution system performance;
- the effects of competition;
- changes in and application of accounting standards and financial reporting regulations;
- changes in federal or state laws and their interpretation with respect to regulation, energy policy, and other business issues;
- contract disputes, binding arbitration, litigation, and related appeals; and
- the risks discussed in the Registrants' public filings with the Securities and Exchange Commission.

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



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## Part I — Financial Information

## Item 1. Financial Statements

## DTE Energy Company

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
Operating Revenues	\$2,598	\$2,595	\$7,850	\$9,223
Operating Expenses				
Fuel, purchased power, and gas	1,053	1,119	3,393	4,550
Operation and maintenance	817	860	2,436	2,512
Depreciation and amortization	196	293	625	855
Taxes other than income	91	86	282	268
Asset (gains) losses and impairments, net	1	(2)	9	(10)
	2,158	2,356	6,745	8,175
Operating Income	440	239	1,105	1,048
Other (Income) and Deductions				
Interest expense	116	107	341	323
Interest income	(4)	(2)	(10)	(7)
Other income	(55)	(55)	(155)	(136)
Other expenses	17	11	36	29
	74	61	212	209
Income Before Income Taxes	366	178	893	839
Income Tax Expense	102	21	250	229
Net Income	264	157	643	610
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(1)	1	(4)	4
Net Income Attributable to DTE Energy Company	\$265	\$156	\$647	\$606
Basic Earnings per Common Share				
Net Income Attributable to DTE Energy Company	\$1.47	\$0.88	\$3.61	\$3.42
Diluted Earnings per Common Share				
Net Income Attributable to DTE Energy Company	\$1.47	\$0.88	\$3.61	\$3.42
Weighted Average Common Shares Outstanding Basic	179	177	179	177

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Diluted	180	177	179	177
Dividends Declared per Common Share	\$0.73	\$0.69	\$2.11	\$2.00

See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Energy Company

## Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Net Income	\$264	\$157	\$643	\$610
Other comprehensive income (loss), net of tax:				
Benefit obligations, net of taxes of \$2, \$1, \$6, and \$2, respectively	3	2	9	3
Net unrealized gains on investments during the period, net of taxes of \$—, \$—, \$—, and \$—, respectively	—	—	—	1
Foreign currency translation	(2	) (1	) (4	) (1
Other comprehensive income	1	1	5	3
Comprehensive income	265	158	648	613
Less comprehensive income (loss) attributable to noncontrolling interests	(1	) 1	(4	) 4
Comprehensive income attributable to DTE Energy Company	\$266	\$157	\$652	\$609

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

## Consolidated Statements of Financial Position (Unaudited)

	September 30, 2015	December 31, 2014
	(In millions)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$67	\$48
Restricted cash	21	120
Accounts receivable (less allowance for doubtful accounts of \$56 and \$54, respectively)		
Customer	1,242	1,504
Other	79	94
Inventories		
Fuel and gas	533	512
Materials and supplies	307	292
Derivative assets	90	128
Regulatory assets	15	76
Other	346	313
	2,700	3,087
Investments		
Nuclear decommissioning trust funds	1,199	1,241
Other	684	628
	1,883	1,869
Property		
Property, plant, and equipment	28,014	26,538
Less accumulated depreciation and amortization	(10,147	) (9,718
	17,867	16,820
Other Assets		
Goodwill	2,018	2,018
Regulatory assets	3,719	3,651
Securitized regulatory assets	—	34
Intangible assets	89	102
Notes receivable	82	90
Derivative assets	48	44
Other	248	259
	6,204	6,198
Total Assets	\$28,654	\$27,974

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Energy Company

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

	September 30, 2015	December 31, 2014
	(In millions, except shares)	
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$835	\$973
Accrued interest	119	86
Dividends payable	131	122
Short-term borrowings	185	398
Current portion long-term debt, including capital leases	468	274
Derivative liabilities	56	77
Regulatory liabilities	67	153
Other	412	494
	2,273	2,577
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	8,368	7,860
Junior subordinated debentures	480	480
Capital lease obligations	8	3
	8,856	8,343
<b>Other Liabilities</b>		
Deferred income taxes	4,022	3,776
Regulatory liabilities	598	667
Asset retirement obligations	2,180	1,962
Unamortized investment tax credit	50	41
Derivative liabilities	27	8
Accrued pension liability	1,120	1,280
Accrued postretirement liability	302	515
Nuclear decommissioning	174	182
Other	219	281
	8,692	8,712
<b>Commitments and Contingencies (Notes 6 and 12)</b>		
<b>Equity</b>		
Common stock, without par value, 400,000,000 shares authorized, and 179,475,625 and 176,991,231 shares issued and outstanding, respectively	4,117	3,904
Retained earnings	4,845	4,578
Accumulated other comprehensive loss	(150)	(155)
Total DTE Energy Company Equity	8,812	8,327
Noncontrolling interests	21	15
Total Equity	8,833	8,342
Total Liabilities and Equity	\$28,654	\$27,974

See Combined Notes to Consolidated Financial Statements (Unaudited)



## DTE Energy Company

## Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2015	2014
	(In millions)	
<b>Operating Activities</b>		
Net Income	\$643	\$610
Adjustments to reconcile Net Income to net cash from operating activities:		
Depreciation and amortization	625	855
Nuclear fuel amortization	40	33
Allowance for equity funds used during construction	(16	) (16
Deferred income taxes	251	244
Asset (gains) losses and impairments, net	9	(10
Changes in assets and liabilities:		
Accounts receivable, net	277	273
Inventories	(36	) (165
Accounts payable	(125	) 48
Accrued pension obligation	(160	) (154
Accrued postretirement obligation	(213	) (64
Derivative assets and liabilities	32	(56
Regulatory assets and liabilities	35	(211
Other current and noncurrent assets and liabilities	106	(89
Net cash from operating activities	1,468	1,298
<b>Investing Activities</b>		
Plant and equipment expenditures — utility	(1,239	) (1,295
Plant and equipment expenditures — non-utility	(162	) (207
Acquisition	(241	) —
Proceeds from sale of assets	16	36
Restricted cash for debt redemption, principally Securitization	99	62
Proceeds from sale of nuclear decommissioning trust fund assets	627	652
Investment in nuclear decommissioning trust funds	(638	) (665
Other	(34	) (40
Net cash used for investing activities	(1,572	) (1,457
<b>Financing Activities</b>		
Issuance of long-term debt, net of issuance costs	956	1,289
Redemption of long-term debt	(260	) (1,222
Short-term borrowings, net	(213	) 522
Issuance of common stock	9	—
Repurchase of common stock	—	(52
Dividends on common stock	(370	) (348
Other	1	(22
Net cash from financing activities	123	167
Net Increase in Cash and Cash Equivalents	19	8
Cash and Cash Equivalents at Beginning of Period	48	52
Cash and Cash Equivalents at End of Period	\$67	\$60



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Supplemental disclosure of non-cash investing and financing activities		
Plant and equipment expenditures in accounts payable	\$185	\$192

See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Energy Company

## Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained	Accumulated	Non-Controlling		
	Shares	Amount	Earnings	Other	Interests	Total	
				Comprehensive			
				Income (Loss)			
	(Dollars in millions, shares in thousands)						
Balance, December 31, 2014	176,991	\$3,904	\$4,578	\$ (155	) \$ 15	\$8,342	
Net Income (Loss)	—	—	647	—	(4	) 643	
Dividends declared on common stock	—	—	(379	) —	—	(379	)
Issuance of common stock	105	9	—	—	—	9	
Contribution of common stock to VEBA Trust	1,428	117	—	—	—	117	
Benefit obligations, net of tax	—	—	—	9	—	9	
Foreign currency translation	—	—	—	(4	) —	(4	)
Stock-based compensation, contributions, and distributions to noncontrolling interests and other	952	87	(1	) —	10	96	
Balance, September 30, 2015	179,476	\$4,117	\$4,845	\$ (150	) \$ 21	\$8,833	

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Operations (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Operating Revenues	\$1,385	\$1,357	\$3,735	\$4,048
Operating Expenses				
Fuel and purchased power	441	430	1,212	1,328
Operation and maintenance	330	351	966	1,022
Depreciation and amortization	141	238	461	695
Taxes other than income	73	66	214	202
Asset (gains) losses and impairments, net	—	—	—	(1 )
	985	1,085	2,853	3,246
Operating Income	400	272	882	802
Other (Income) and Deductions				
Interest expense	66	65	196	189
Other income	(14 )	(15 )	(42 )	(45 )
Other expenses	15	11	32	26
	67	61	186	170
Income Before Income Taxes	333	211	696	632
Income Tax Expense	117	75	244	229
Net Income	\$216	\$136	\$452	\$403

See Combined Notes to Consolidated Financial Statements (Unaudited)

DTE Electric Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions)			
Net Income	\$216	\$136	\$452	\$403
Other comprehensive income (loss), net of tax:				
Transfer of benefit obligations, net of taxes of \$—, \$—, \$18, and \$—, respectively		—	28	—
Benefit obligations, net of taxes of \$—, \$—, \$—, and \$—, respectively		1	—	—
Comprehensive income	\$216	\$137	\$480	\$403

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Financial Position (Unaudited)

	September 30, 2015	December 31, 2014
	(In millions)	
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$29	\$14
Restricted cash, principally Securitization	—	96
Accounts receivable (less allowance for doubtful accounts of \$29, for both periods)		
Customer	730	688
Affiliates	69	31
Other	38	15
Inventories		
Fuel	267	269
Materials and supplies	250	231
Notes receivable		
Affiliates	4	8
Other	6	8
Regulatory assets	3	46
Prepaid property tax	96	44
Other	27	31
	1,519	1,481
Investments		
Nuclear decommissioning trust funds	1,199	1,241
Other	34	172
	1,233	1,413
Property		
Property, plant, and equipment	21,045	19,805
Less accumulated depreciation and amortization	(7,586	) (7,216 )
	13,459	12,589
Other Assets		
Regulatory assets	3,002	2,913
Securitized regulatory assets	—	34
Intangible assets	39	37
Other	171	182
	3,212	3,166
Total Assets	\$19,423	\$18,649

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

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

	September 30, 2015	December 31, 2014
	(In millions, except shares)	
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable		
Affiliates	\$41	\$60
Other	360	366
Accrued interest	68	58
Current portion long-term debt, including capital leases	153	118
Regulatory liabilities	36	150
Short-term borrowings		
Affiliates	68	84
Other	46	50
Other	159	151
	931	1,037
<b>Long-Term Debt (net of current portion)</b>		
Mortgage bonds, notes, and other	5,492	5,144
Capital lease obligations	8	—
	5,500	5,144
<b>Other Liabilities</b>		
Deferred income taxes	3,454	3,188
Regulatory liabilities	218	245
Asset retirement obligations	2,007	1,796
Unamortized investment tax credit	45	36
Nuclear decommissioning	174	182
Accrued pension liability — affiliates	985	1,200
Accrued postretirement liability — affiliates	356	520
Other	74	105
	7,313	7,272
<b>Commitments and Contingencies (Notes 6 and 12)</b>		
<b>Shareholder's Equity</b>		
Common stock, \$10 par value, 400,000,000 shares authorized, and 138,632,324 shares issued and outstanding	4,086	3,786
Retained earnings	1,591	1,436
Accumulated other comprehensive income (loss)	2	(26 )
	5,679	5,196
<b>Total Liabilities and Shareholder's Equity</b>	<b>\$19,423</b>	<b>\$18,649</b>

See Combined Notes to Consolidated Financial Statements (Unaudited)

## DTE Electric Company

## Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2015	2014
	(In millions)	
Operating Activities		
Net Income	\$452	\$403
Adjustments to reconcile Net Income to net cash from operating activities:		
Depreciation and amortization	461	695
Nuclear fuel amortization	40	33
Allowance for equity funds used during construction	(15)	(16)
Deferred income taxes	269	199
Changes in assets and liabilities:		
Accounts receivable, net	(103)	) 36
Inventories	(17)	) (38)
Accounts payable	3	7
Accrued pension liability — affiliates	(215)	) (122)
Accrued postretirement liability — affiliates	(164)	) (42)
Regulatory assets and liabilities	(12)	) (163)
Other current and noncurrent assets and liabilities	9	(113)
Net cash from operating activities	708	879
Investing Activities		
Plant and equipment expenditures	(1,045)	) (1,143)
Acquisition	(241)	) —
Restricted cash for debt redemption, principally Securitization	96	60
Notes receivable from affiliate	4	164
Proceeds from sale of nuclear decommissioning trust fund assets	627	652
Investment in nuclear decommissioning trust funds	(638)	) (665)
Transfer of Rabbi Trust assets to affiliate	137	—
Other	9	(16)
Net cash used for investing activities	(1,051)	) (948)
Financing Activities		
Issuance of long-term debt, net of issuance costs	495	942
Redemption of long-term debt	(115)	) (837)
Capital contribution by parent company	300	—
Short-term borrowings, net — other	(4)	) 254
Short-term borrowings, net — affiliate	(16)	) (2)
Dividends on common stock	(297)	) (277)
Other	(5)	) (10)
Net cash from financing activities	358	70
Net Increase in Cash and Cash Equivalents	15	1
Cash and Cash Equivalents at Beginning of the Period	14	27
Cash and Cash Equivalents at End of the Period	\$29	\$28
Supplemental disclosure of non-cash investing and financing activities		
Plant and equipment expenditures in accounts payable	\$134	\$139

See Combined Notes to Consolidated Financial Statements (Unaudited)

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## DTE Electric Company

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

	Common Stock		Additional	Retained	Accumulated	
	Shares	Amount	Paid-in	Earnings	Other	Total
			Capital		Comprehensive	
					Income (Loss)	
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2014	138,632	\$ 1,386	\$ 2,400	\$ 1,436	\$ (26 )	\$ 5,196
Net Income	—	—	—	452	—	452
Dividends declared on common stock	—	—	—	(297 )	—	(297 )
Transfer of benefit obligations, net of tax	—	—	—	—	28	28
Capital contribution by parent company	—	—	300	—	—	300
Balance, September 30, 2015	138,632	\$ 1,386	\$ 2,700	\$ 1,591	\$ 2	\$ 5,679

See Combined Notes to Consolidated Financial Statements (Unaudited)

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

Index of Combined Notes to Consolidated Financial Statements (Unaudited)

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

Note 1	Organization and Basis of Presentation	DTE Energy and DTE Electric
Note 2	Significant Accounting Policies	DTE Energy and DTE Electric
Note 3	New Accounting Pronouncements	DTE Energy and DTE Electric
Note 4	Acquisitions	DTE Energy and DTE Electric
Note 5	Asset Retirement Obligations	DTE Energy and DTE Electric
Note 6	Regulatory Matters	DTE Energy and DTE Electric
Note 7	Earnings per Share	DTE Energy
Note 8	Fair Value	DTE Energy and DTE Electric
Note 9	Financial and Other Derivative Instruments	DTE Energy and DTE Electric
Note 10	Long-Term Debt	DTE Energy and DTE Electric
Note 11	Short-Term Credit Arrangements and Borrowings	DTE Energy and DTE Electric
Note 12	Commitments and Contingencies	DTE Energy and DTE Electric
Note 13	Retirement Benefits and Trusteed Assets	DTE Energy and DTE Electric
Note 14	Stock-Based Compensation	DTE Energy and DTE Electric
Note 15	Segment and Related Information	DTE Energy

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

- DTE Electric is an electric utility engaged in the generation, purchase, distribution, and sale of electricity to approximately 2.1 million customers in southeastern Michigan;
- DTE Gas is a natural gas utility engaged in the purchase, storage, transportation, distribution, and sale of natural gas to approximately 1.2 million customers throughout Michigan and the sale of storage and transportation capacity; and
- Other businesses involved in 1) natural gas pipelines, gathering, and storage; 2) power and industrial projects; and 3) energy marketing and trading operations.

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

Basis of Presentation

The Consolidated Financial Statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the DTE Energy 2014 Annual Report on Form 10-K and the Notes to Consolidated Financial Statements included in the DTE Electric 2014 Annual Report on Form 10-K.

The accompanying Consolidated Financial Statements of the Registrants are prepared using accounting principles generally accepted in the United States of America. These accounting principles require management to use estimates and assumptions that impact reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from the Registrants' estimates.

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

The Consolidated Financial Statements are unaudited, but in the Registrants' opinions include all adjustments necessary to present a fair statement of the results for the interim periods. All adjustments are of a normal recurring nature, except as otherwise disclosed in these Consolidated Financial Statements and Combined Notes to Consolidated Financial Statements. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2015.

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 current year's financial statement presentation.

#### Principles of Consolidation

The Registrants consolidate all majority-owned subsidiaries and investments in entities in which they have controlling influence. Non-majority owned investments are accounted for using the equity method when the Registrants are able to influence the operating policies of the investee. When the Registrants do not influence the operating policies of an investee, the cost method is used. These Consolidated Financial Statements also reflect the Registrants' proportionate interests in certain jointly-owned utility plants. The Registrants eliminate all intercompany balances and transactions. The Registrants evaluate whether an entity is a VIE whenever reconsideration events occur. The Registrants consolidate VIEs for which they are the primary beneficiary. If a Registrant is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity method of accounting. When assessing the determination of the primary beneficiary, a Registrant considers all relevant facts and circumstances, including: the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE. The Registrants perform ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

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

DTE Energy 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 September 30, 2015, the carrying amount of assets and liabilities in the Registrants' Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase and sale contracts are predominately related to working capital accounts and generally represent the amounts owed by or to the Registrants 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. In 2001, DTE Electric financed a regulatory asset related to Fermi 2 and certain other regulatory assets through the sale of rate reduction bonds by a wholly-owned special purpose entity, Securitization. DTE Electric performed servicing activities including billing and collecting surcharge revenue for Securitization. The remaining amounts due on the rate reduction bonds were paid in March 2015. The associated regulatory assets were fully amortized by March 31, 2015. Securitization has an over-recovery of funds. DTE Electric began to return the funds to customers in September 2015. Remaining funds are expected to be returned to customers during the fourth quarter of 2015. Subsequent to the pay-down of the bonds, Securitization is no longer a VIE but continues to be consolidated by the Registrants as a voting interest entity.

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

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

The following table summarizes the major Consolidated Statements of Financial Position items for consolidated VIEs as of September 30, 2015 and December 31, 2014. 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. Securitization, included in the DTE Energy table below for December 31, 2014, also relates to DTE Electric. 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.

	September 30, 2015	December 31, 2014		
	Total	Securitization	Other	Total
	(In millions)			
<b>ASSETS</b>				
Cash and cash equivalents	\$12	\$—	\$7	\$7
Restricted cash	6	96	8	104
Accounts receivable	14	26	15	41
Inventories	43	—	67	67
Property, plant, and equipment, net	70	—	81	81
Securitized regulatory assets	—	34	—	34
Other current and long-term assets	4	1	6	7
	\$149	\$157	\$184	\$341
<b>LIABILITIES</b>				
Accounts payable and accrued current liabilities	\$11	\$3	\$8	\$11
Current portion long-term debt, including capital leases	9	105	10	115
Current regulatory liabilities	—	32	—	32
Mortgage bonds, notes, and other	11	—	15	15
Capital lease obligations	—	—	3	3
Other current and long-term liabilities	6	9	6	15
	\$37	\$149	\$42	\$191

Amounts for DTE Energy's non-consolidated VIEs as of September 30, 2015 and December 31, 2014 are as follows:

	September 30, 2015	December 31, 2014
	(In millions)	
Other investments	\$138	\$134
Notes receivable	\$15	\$15

**NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES**

**Other Income**

Other income for the Registrants is recognized for non-operating income such as equity earnings, allowance for equity funds used during construction, and contract services. DTE Energy's Power & 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 is considered earned when refined coal is produced and tax credits are generated. Power & Industrial Projects recognized approximately \$24 million and \$25 million of Other income for the

three months ended September 30, 2015 and 2014, respectively, and approximately \$64 million and \$57 million of Other income for the nine months ended September 30, 2015 and 2014, respectively.

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

Changes in Accumulated Other Comprehensive Income (Loss)

For the three and nine months ended September 30, 2015 and 2014, reclassifications out of Accumulated other comprehensive income (loss) for the Registrants were not material. Refer to Note 13 to the Consolidated Financial Statements, "Retirement Benefits and Trusteed Assets", regarding the transfer of a portion of DTE Electric benefit obligations during the year. Changes in Accumulated other comprehensive income (loss) are presented in DTE Energy's Consolidated Statements of Changes in Equity and DTE Electric's Consolidated Statements of Changes in Shareholder's Equity.

Intangible Assets

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

	September 30, 2015	December 31, 2014
	(In millions)	
Emission allowances	\$1	\$1
Renewable energy credits	49	45
Contract intangible assets	109	122
	159	168
Less accumulated amortization	59	57
Intangible assets, net	100	111
Less current intangible assets	11	9
	\$89	\$102

DTE Electric has certain intangible assets relating to emission allowances and renewable energy credits as shown below:

	September 30, 2015	December 31, 2014
	(In millions)	
Emission allowances	\$1	\$1
Renewable energy credits	49	45
	50	46
Less current intangible assets	11	9
	\$39	\$37

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 businesses by the Registrants. DTE Energy amortizes contract intangible assets on a straight-line basis over the expected period of benefit, ranging from 1 to 26 years.

Income Taxes

The effective tax rate and unrecognized tax benefits of the Registrants are as follows:

	Effective Tax Rate				Unrecognized Tax Benefits
	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015		September 30, 2015
	2014	2014	2014	2014	(In millions)
DTE Energy	28	% 12	% 28	% 27	% \$3
DTE Electric	35	% 36	% 35	% 36	% \$4

The increase in DTE Energy's effective tax rate for the three months ended September 30, 2015 is primarily due to higher annual forecasted production tax credits in 2014 as compared to 2015.





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

The increase in DTE Energy's effective tax rate for the nine months ended September 30, 2015 is primarily due to lower production tax credits partially offset by the inclusion in 2014 of \$8 million of deferred tax expense resulting from the New York state income tax reform enacted on March 31, 2014.

The decrease in DTE Electric's effective tax rate for the three and nine months ended September 30, 2015 is due primarily to higher production tax credits in 2015.

If recognized, \$2 million of the unrecognized tax benefits of the Registrants would favorably impact their effective tax rates. During the 2015 third quarter, there was a decrease of \$6 million of unrecognized tax benefits at DTE Energy due to the expiration of statute of limitations. The \$6 million decrease did not impact tax expense because the unrecognized tax benefit was offset by a net operating loss. The Registrants do not anticipate any material changes to the unrecognized tax benefits in the next twelve months.

DTE Electric had income tax receivables with DTE Energy of \$68 million and \$29 million at September 30, 2015 and December 31, 2014, respectively.

**NOTE 3 — NEW ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. 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 requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. In July 2015, the FASB deferred implementation of the revenue standard to be effective for the first interim period within annual reporting periods beginning after December 15, 2017. The standard is to be applied retrospectively and early adoption is permitted in the preceding year. The Registrants are currently assessing the impact of this ASU on their Consolidated Financial Statements.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The ASU affects (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination, and (5) certain investment funds. It is effective for the Registrants for the first interim period within annual reporting periods beginning on or after December 15, 2015 and early adoption is permitted. The Registrants are currently assessing the impact of this ASU on their Consolidated Financial Statements.

In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective for reporting periods beginning after December 15, 2015 and interim periods therein. It is to be applied retrospectively and early adoption is permitted. The adoption of this ASU will not have a significant impact on the Registrants' Consolidated Statements of Financial Position.

In July 2015, the FASB issued ASU No. 2015-11, Inventory (Topic 330), Simplifying the Measurement of Inventory. The ASU replaces the current lower of cost or market test with a lower of cost or net realizable value test when cost is determined on a first-in, first-out or average cost basis. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, and interim periods therein. It is to be applied prospectively and early adoption is permitted. The ASU will not have a significant impact on the Registrants' Consolidated Statements of Financial Position.



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

NOTE 4 — ACQUISITIONS

On January 21, 2015, DTE Electric closed on an acquisition of a 732 MW simple-cycle natural gas facility in Carson City, Michigan from The LS Power Group. The facility will serve to meet customer needs during periods of peak demand. DTE Electric has completed its valuation analysis to arrive at the fair value of the assets acquired. The cash consideration and total purchase price of approximately \$241 million was allocated based on the underlying fair value of the assets acquired, which was primarily Property, plant, and equipment. The pro forma results of operations have not been presented for DTE Electric as the effects of the acquisition were not material to either Registrant's Consolidated Statements of Operations.

On October 1, 2015, DTE Electric closed on an acquisition of a 350 MW simple-cycle natural gas facility in East China Township, Michigan from a non-utility affiliate of DTE Energy. The facility will serve to meet customer needs during periods of peak demand. DTE Electric has completed its purchase accounting. The cash consideration and total purchase price of approximately \$69 million was based on the net book value of the assets acquired, which was primarily Property, plant, and equipment. The pro forma results of operations have not been presented for DTE Electric as the effects of the acquisition were not material to its Consolidated Statements of Operations.

NOTE 5 — ASSET RETIREMENT OBLIGATIONS

A reconciliation of the ARO for the nine months ended September 30, 2015 follows:

	DTE Energy (In millions)	DTE Electric
Asset retirement obligations at December 31, 2014	\$1,962	\$1,796
Accretion	90	83
Revision in estimated cash flows	128	128
Asset retirement obligations at September 30, 2015	\$2,180	\$2,007

The Revision in estimated cash flows was principally attributed to the impact of the Coal Combustion Residual Rule on DTE Electric's coal ash storage facility AROs. Refer to Note 12 to the Consolidated Financial Statements, "Commitments and Contingencies", for discussion of the implications of the Coal Combustion Residual Rule.

NOTE 6 — REGULATORY MATTERS

2014 Electric Rate Case Filing

DTE Electric filed a rate case with the MPSC on December 19, 2014 requesting an increase in base rates of \$370 million based on a projected twelve-month period ending June 30, 2016. The requested increase in base rates is due primarily to an increase in net plant resulting from infrastructure investments, plant acquisitions, environmental compliance, and reliability improvement projects. The rate filing also included projected changes in sales, working capital, operation and maintenance expenses, return on equity, and capital structure. On July 1, 2015, DTE Electric realized a rate increase of \$230 million consisting of \$190 million of self-implemented base rate increase related to the December 19, 2014 rate request and \$40 million associated with the required elimination of a credit surcharge. A final order in this rate case is expected in December 2015.

Customer Settlement

In July 2014, an industrial customer of DTE Electric filed a complaint with the MPSC alleging they had been overcharged for the period of February 2008 through March 2014, and sought payment from DTE Electric of \$22 million, plus interest. In July 2015, the MPSC issued an order that found the customer is entitled to a refund in the amount of \$20 million, plus interest calculated at 7% per annum, until the refund is paid in full. In July 2015, DTE Electric issued a customer refund of \$25 million, inclusive of interest. Approximately \$16 million of the refund obligation is expected to be recovered through the PSCR and other regulatory mechanisms. DTE Electric does not expect this order to have a material impact to its Consolidated Statements of Operations.



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

## NOTE 7 — EARNINGS PER SHARE

DTE Energy reports both basic and diluted earnings per share. The calculation of diluted earnings per share assumes the issuance of potentially dilutive common shares outstanding during the period from the exercise of stock options. A reconciliation of both calculations is presented in the following table for the three and nine months ended September 30:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In millions, except per share amounts)			
<b>Basic Earnings per Share</b>				
Net Income Attributable to DTE Energy Company	\$265	\$156	\$647	\$606
Average number of common shares outstanding	179	177	179	177
Dividends declared — common shares	\$131	\$122	\$378	\$353
Dividends declared — net restricted shares	—	—	1	1
Total distributed earnings	\$131	\$122	\$379	\$354
Net Income less distributed earnings	\$134	\$34	\$268	\$252
Distributed (dividends per common share)	\$0.73	\$0.69	\$2.11	\$2.00
Undistributed	0.74	0.19	1.50	1.42
Total Basic Earnings per Common Share	\$1.47	\$0.88	\$3.61	\$3.42
<b>Diluted Earnings per Share</b>				
Net Income Attributable to DTE Energy Company	\$265	\$156	\$647	\$606
Average number of common shares outstanding	180	177	179	177
Dividends declared — common shares	\$131	\$122	\$378	\$353
Dividends declared — net restricted shares	—	—	1	1
Total distributed earnings	\$131	\$122	\$379	\$354
Net Income less distributed earnings	\$134	\$34	\$268	\$252
Distributed (dividends per common share)	\$0.73	\$0.69	\$2.11	\$2.00
Undistributed	0.74	0.19	1.50	1.42
Total Diluted Earnings per Common Share	\$1.47	\$0.88	\$3.61	\$3.42

## NOTE 8 — 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 September 30, 2015 and December 31, 2014. The Registrants believe they use valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

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

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

• Level 1 — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Registrants have the ability to access as of the reporting date.

• Level 2 — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

• Level 3 — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

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

The following table presents assets and liabilities for DTE Energy measured and recorded at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	September 30, 2015					December 31, 2014				
	Level 1	Level 2	Level 3	Netting (a)	Net Balance	Level 1	Level 2	Level 3	Netting (a)	Net Balance
(In millions)										
<b>Assets:</b>										
Cash equivalents (b)	\$11	\$3	\$—	\$—	\$14	\$13	\$99	\$—	\$—	\$112
<b>Nuclear decommissioning trusts</b>										
Other investments (c)	127	18	—	—	145	100	50	—	—	150
<b>Derivative assets:</b>										
<b>Commodity Contracts:</b>										
Natural Gas	162	87	54	(244 )	59	555	140	92	(681 )	106
Electricity	—	204	47	(179 )	72	—	295	47	(280 )	62
Other	17	—	5	(17 )	5	42	—	3	(42 )	3
Other derivative contracts (d)	—	10	—	(8 )	2	—	4	—	(3 )	1
Total derivative assets	179	301	106	(448 )	138	597	439	142	(1,006 )	172
Total	\$1,059	\$779	\$106	\$(448 )	\$1,496	\$1,502	\$1,037	\$142	\$(1,006)	\$1,675
<b>Liabilities:</b>										
<b>Derivative liabilities:</b>										
<b>Commodity Contracts:</b>										
Natural Gas	\$(195 )	\$(49 )	\$(33 )	\$249	\$(28 )	\$(578 )	\$(78 )	\$(62 )	\$679	\$(39 )
Electricity	—	(200 )	(44 )	190	(54 )	—	(290 )	(52 )	298	(44 )
Other	(13 )	(4 )	(6 )	22	(1 )	(32 )	(9 )	(4 )	45	—
Other derivative contracts (d)	—	(7 )	—	7	—	—	(5 )	—	3	(2 )
Total derivative liabilities	(208 )	(260 )	(83 )	468	(83 )	(610 )	(382 )	(118 )	1,025	(85 )
Total	\$(208 )	\$(260 )	\$(83 )	\$468	\$(83 )	\$(610 )	\$(382 )	\$(118 )	\$1,025	\$(85 )
Net Assets (Liabilities) at the end of the period	\$851	\$519	\$23	\$20	\$1,413	\$892	\$655	\$24	\$19	\$1,590
<b>Assets:</b>										
Current	\$159	\$225	\$78	\$(358 )	\$104	\$582	\$504	\$109	\$(955 )	\$240
Noncurrent (e)	900	554	28	(90 )	1,392	920	533	33	(51 )	1,435
Total Assets	\$1,059	\$779	\$106	\$(448 )	\$1,496	\$1,502	\$1,037	\$142	\$(1,006)	\$1,675
<b>Liabilities:</b>										
Current	\$(160 )	\$(198 )	\$(61 )	\$363	\$(56 )	\$(572 )	\$(357 )	\$(112 )	\$964	\$(77 )
Noncurrent	(48 )	(62 )	(22 )	105	(27 )	(38 )	(25 )	(6 )	61	(8 )
Total Liabilities	\$(208 )	\$(260 )	\$(83 )	\$468	\$(83 )	\$(610 )	\$(382 )	\$(118 )	\$1,025	\$(85 )
Net Assets (Liabilities) at the end of the period	\$851	\$519	\$23	\$20	\$1,413	\$892	\$655	\$24	\$19	\$1,590

(a)

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 September 30, 2015, available-for-sale securities of \$14 million included \$6 million and \$8 million of cash equivalents included in Restricted cash and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively. At December 31, 2014, available-for-sale securities of \$112 million, included \$105 million and \$7 million of cash equivalents included in Restricted cash and Other investments on DTE Energy's Consolidated Statements of Financial Position, respectively.
- (c) Excludes cash surrender value of life insurance investments.
  - (d) Primarily includes foreign currency exchange contracts.
  - (e) Includes \$145 million and \$150 million at September 30, 2015 and December 31, 2014, respectively, of other investments that are included in DTE Energy's Consolidated Statements of Financial Position in Other investments.



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

The following table presents assets for DTE Electric measured and recorded at fair value on a recurring basis as of September 30, 2015 and December 31, 2014:

	September 30, 2015			Net Balance	December 31, 2014			Net Balance
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	(In millions)							
Assets:								
Cash equivalents (a)	\$5	\$3	\$—	\$8	\$5	\$99	\$—	\$104
Nuclear decommissioning trusts	742	457	—	1,199	792	449	—	1,241
Other investments	7	—	—	7	97	50	—	147
Derivative assets — FTRs	—	—	5	5	—	—	3	3
Total	\$754	\$460	\$5	\$1,219	\$894	\$598	\$3	\$1,495
Assets:								
Current	\$5	\$3	\$5	\$13	\$5	\$99	\$3	\$107
Noncurrent	749	457	—	1,206	889	499	—	1,388
Total Assets	\$754	\$460	\$5	\$1,219	\$894	\$598	\$3	\$1,495

At September 30, 2015, available-for-sale securities of \$8 million consisted of cash equivalents included in Other investments on DTE Electric's Consolidated Statements of Financial Position. At December 31, 2014, (a) available-for-sale securities of \$104 million included \$96 million and \$8 million of cash equivalents included in Restricted cash and Other investments, respectively, 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 institutional mutual funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. The institutional mutual funds hold exchange-traded equity or debt securities and are valued based on stated NAVs. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services. A primary price source is identified by asset type, class, or issue for each security. The trustee monitors prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the trustee determines that another price source is considered to be preferable. 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. Additionally, the Registrants selectively corroborate the fair value of securities by comparison of market-based price sources. Investment policies and procedures are determined by DTE Energy's Trust Investments Department which reports to DTE Energy's Vice President and Treasurer.

DTE Energy Company — DTE Electric Company  
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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 tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for DTE Energy for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015				Three Months Ended September 30, 2014			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of June 30	\$(8 )	\$ 3	\$ 1	\$(4 )	\$(20 )	\$(27 )	\$ 7	\$(40 )
Transfers into Level 3 from Level 2	—	—	—	—	1	—	—	1
Transfers from Level 3 into Level 2	—	—	—	—	(4 )	—	—	(4 )
Total gains (losses):								
Included in earnings	24	18	(3 )	39	(2 )	13	(1 )	10
Recorded in regulatory assets/liabilities	—	—	3	3	—	—	(3 )	(3 )
Purchases, issuances, and settlements:								
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	—
Settlements	5	(18 )	(2 )	(15 )	(3 )	(3 )	—	(6 )
Net Assets (Liabilities) as of September 30	\$21	\$ 3	\$(1 )	\$23	\$(28 )	\$(17 )	\$ 3	\$(42 )
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 September 30, 2015 and 2014 and reflected in Operating revenues and Fuel, purchased power and gas in DTE Energy's Consolidated Statements of Operations	\$ 18	\$(3 )	\$(3 )	\$ 12	\$(7 )	\$ 14	\$(1 )	\$ 6



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

	Nine Months Ended September 30, 2015				Nine Months Ended September 30, 2014			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of December 31	\$30	\$ (5 )	\$ (1 )	\$24	\$(52 )	\$ 13	\$ 3	\$(36 )
Transfers into Level 3 from Level 2	—	—	—	—	—	—	—	—
Transfers from Level 3 into Level 2	—	—	—	—	2	—	—	2
Total gains (losses):								
Included in earnings	(11 )	42	(5 )	26	(45 )	26	(2 )	(21 )
Recorded in regulatory assets/liabilities	—	—	14	14	—	—	9	9
Purchases, issuances, and settlements:								
Purchases	—	2	—	2	—	1	—	1
Issuances	—	—	—	—	—	(2 )	—	(2 )