



DTE Energy®

# Business Update

**September 28, 2016**






# Safe Harbor Statement

Many factors impact forward-looking statements 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 our geographic area resulting in changes in demand, customer conservation, and thefts of electricity and, for DTE Energy, natural gas; environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements; health, safety, financial, environmental, and regulatory risks associated with ownership and operation of nuclear facilities; changes in the cost and availability of coal and other raw materials, purchased power, and natural gas; volatility in the short-term natural gas storage markets impacting third-party storage revenues related to DTE Energy; impact of volatility of prices in the oil and gas markets on DTE Energy's gas storage and pipelines operations; impact of volatility in prices in the international steel markets on DTE Energy's power and industrial projects operations; volatility in commodity markets, deviations in weather, and related risks impacting the results of DTE Energy's energy trading operations; changes in the financial condition of DTE Energy's significant customers and strategic partners; the potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions; access to capital markets and the results of other financing efforts which can be affected by credit agency ratings; instability in capital markets which could impact availability of short and long-term financing; the timing and extent of changes in interest rates; the level of borrowings; the potential for increased costs or delays in completion of significant capital projects; changes in, and application of, federal, state, and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings, and audits; the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers; unplanned outages; the cost of protecting assets against, or damage due to, 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 our public filings with the Securities and Exchange Commission. New factors emerge from time to time. We cannot predict what factors may arise or how such factors may cause results to differ materially from those contained in any forward-looking statement. Any forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. This presentation should also be read in conjunction with the Forward-Looking Statements section of the joint DTE Energy and DTE Electric 2015 Form 10-K and 2016 Forms 10-Q (which sections are incorporated by reference herein), and in conjunction with other SEC reports filed by DTE Energy and DTE Electric.

- **Overview**
- **Long-Term Growth Update**
- **Financial Update**
- **Summary**

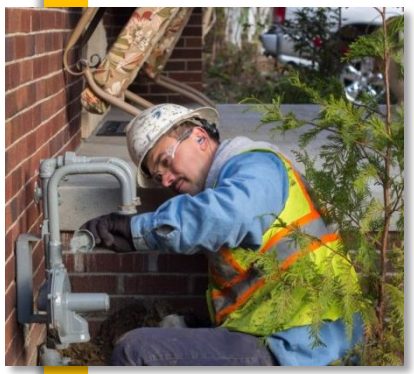
# DTE Energy's growth is driven by strong, stable utilities and complementary non-utility businesses

## Strong, Stable and Growing Utilities
Fully Regulated by Michigan Public Service Commission

*~80% of total earnings*



### DTE Electric
- *Electric generation and distribution*
- *2.2 million customers*



### DTE Gas
- *Natural gas transmission, storage and distribution*
- *1.2 million customers*

## Complementary Non-Utility Businesses

*~20% of total earnings*



### Gas Storage & Pipelines
- *Transport and store natural gas*



### Power & Industrial Projects
- *Own and operate energy related assets*
- *66 sites, 17 states*



### Energy Trading
- *Generates economic value and provide strategic benefits*

DTE's earnings are ~95% regulated or contracted, consisting of electric and gas utilities, FERC regulated pipelines and long-term contracted energy projects

# Our business strategy is fundamental to how we create value for our investors

- ✓ Utility growth plan driven by infrastructure investments
- ✓ Strategic and transparent growth opportunities in non-utility businesses provide diversity in earnings and geography
- ✓ Constructive regulatory structure and continued cost savings enable utilities to earn their authorized returns
- ✓ Operational excellence and customer satisfaction that are distinctive in our industry
- ✓ Strong BBB credit rating; grow dividends with earnings

**5% - 6% Annual EPS Growth**

**Attractive Dividend**

**Strong Balance Sheet**

# We continue to make progress on many fronts



## Financial performance

*Strong year-to-date financial results*

*2016 operating EPS* guidance raised to a midpoint of $5.22*

*Acquisition of midstream assets*



## Regulatory framework

*Regulatory proceedings progressing in a constructive manner, including a supportive position regarding NEXUS*



## Operations

*DTE Electric ranked 2nd in Midwest for residential customer satisfaction***

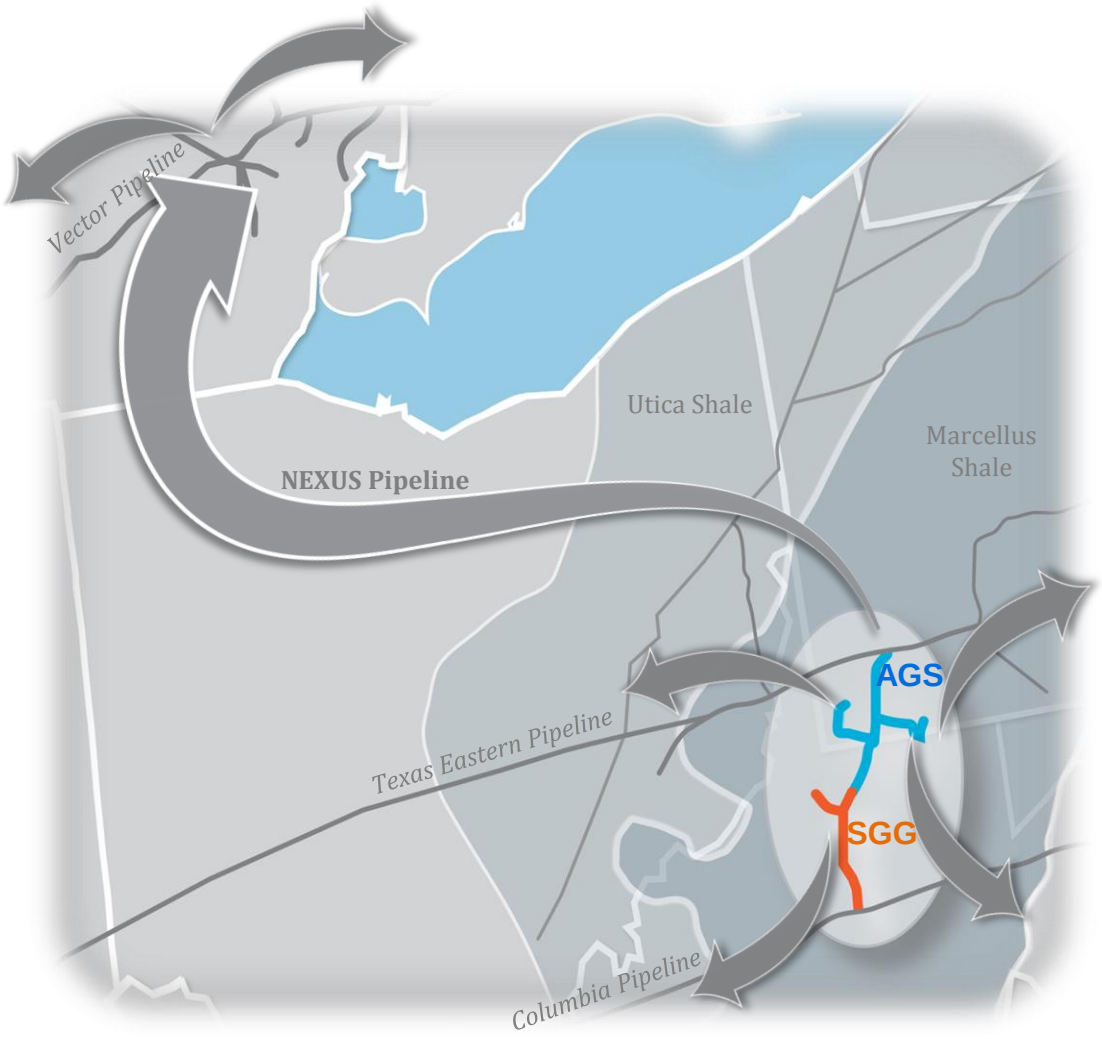
*Year to date safety performance best in company's history*

*NEXUS project on track for 4th quarter 2017 in-service*

* Reconciliation to GAAP reported earnings included in the appendix

** J.D. Power 2016 Electric Utility Residential Customer Satisfaction Study(sm)(large providers). Visit jdpower.com

# Entered into agreement to purchase midstream assets in the SW Marcellus / Dry Utica region for $1.3 billion




- 100% of Appalachia Gathering System (AGS) and 55% of Stonewall Gas Gathering (SGG)*
- Complements our existing gas midstream business
- Expands our footprint in most prolific geography in the country
- Provides platform for new value creation with significant growth potential
- Delivers solid economics underpinned by long-term contracts and high quality reserves

* Antero Resources also has the option to sell DTE an additional portion of the SGG asset

# Energy legislation continues to move forward



*DTE Energy's 5% to 6% growth is not dependent on new energy legislation*

*...DTE customers would benefit from new capacity and reliability requirements*

## Proposed Legislation

- Key provisions include
  - Capacity requirements for all electricity providers
  - Integrated resource planning pre-approval process
  - Energy efficiency related incentives and revenue decoupling

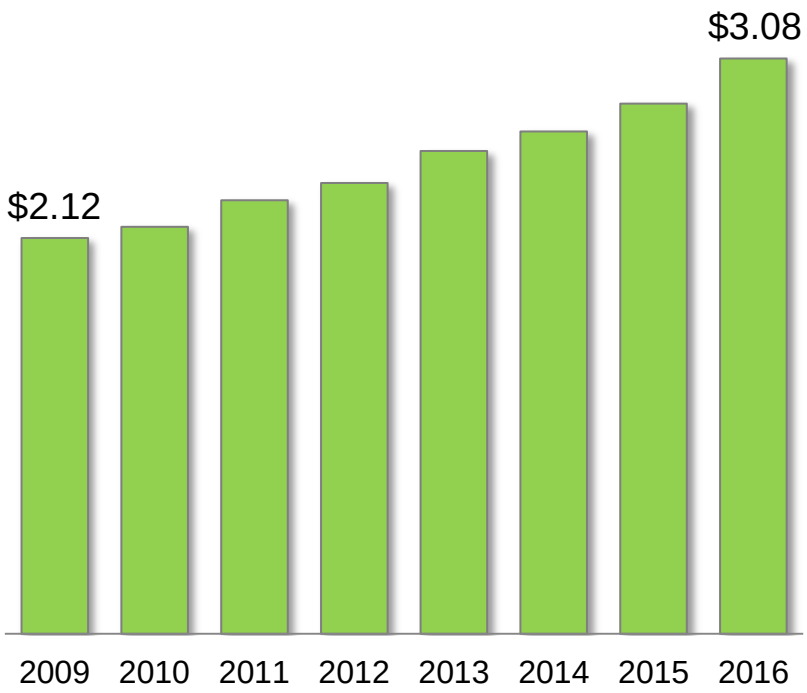
## 2008 Law

- 2008 law works well and includes
  - 10% retail open access cap
  - Certificate of Need for large capital projects
  - 12 month final order; 6 month rate case self implementation
  - 10% renewable portfolio standard

# DTE consistently provides value to its shareholders

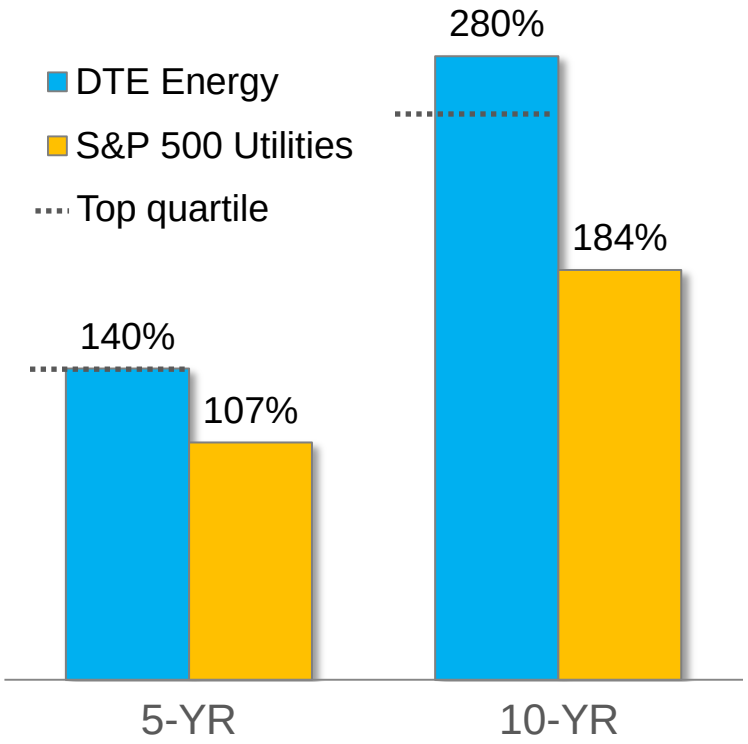
## Annualized Dividend per Share

(dollars per share)




Over 100 consecutive years of paying dividends

## Total Shareholder Return (TSR)*



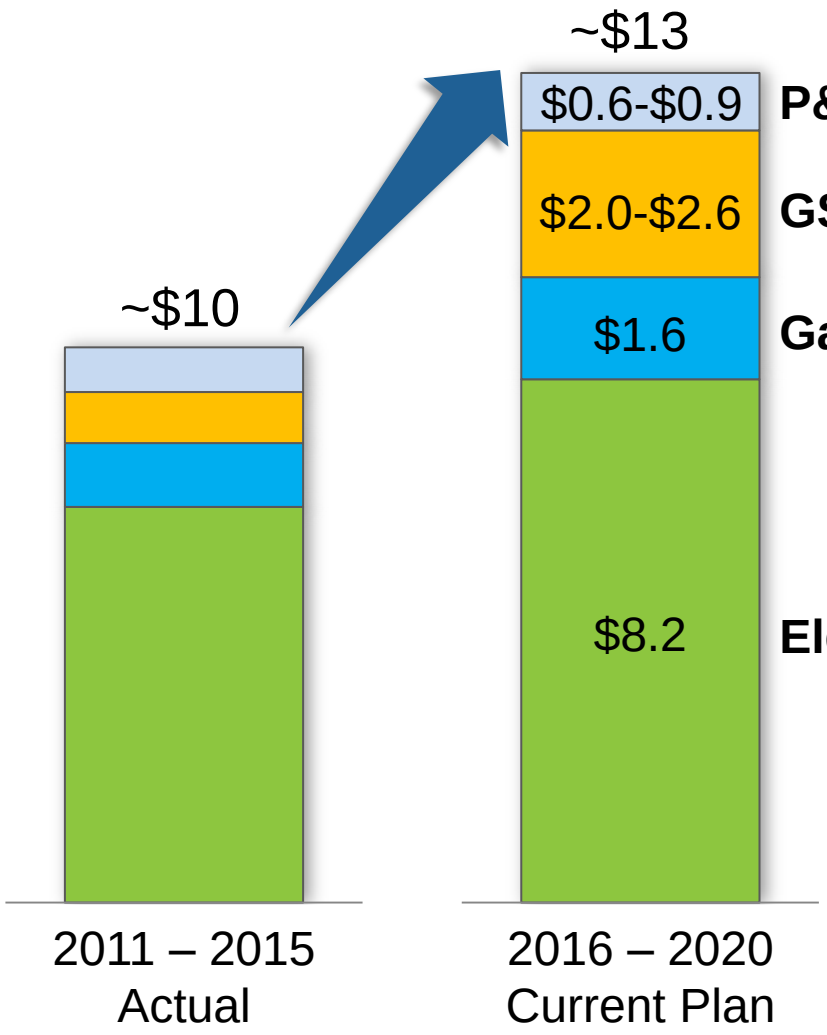

Total return in top quartile of S&P Utilities for 5 and 10 years

* Source: Bloomberg (as of 6/30/16)

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# Distribution and generation infrastructure improvements drive capital investments through 2020

(billions)




**P&I** ---------- Cogeneration, on-site energy

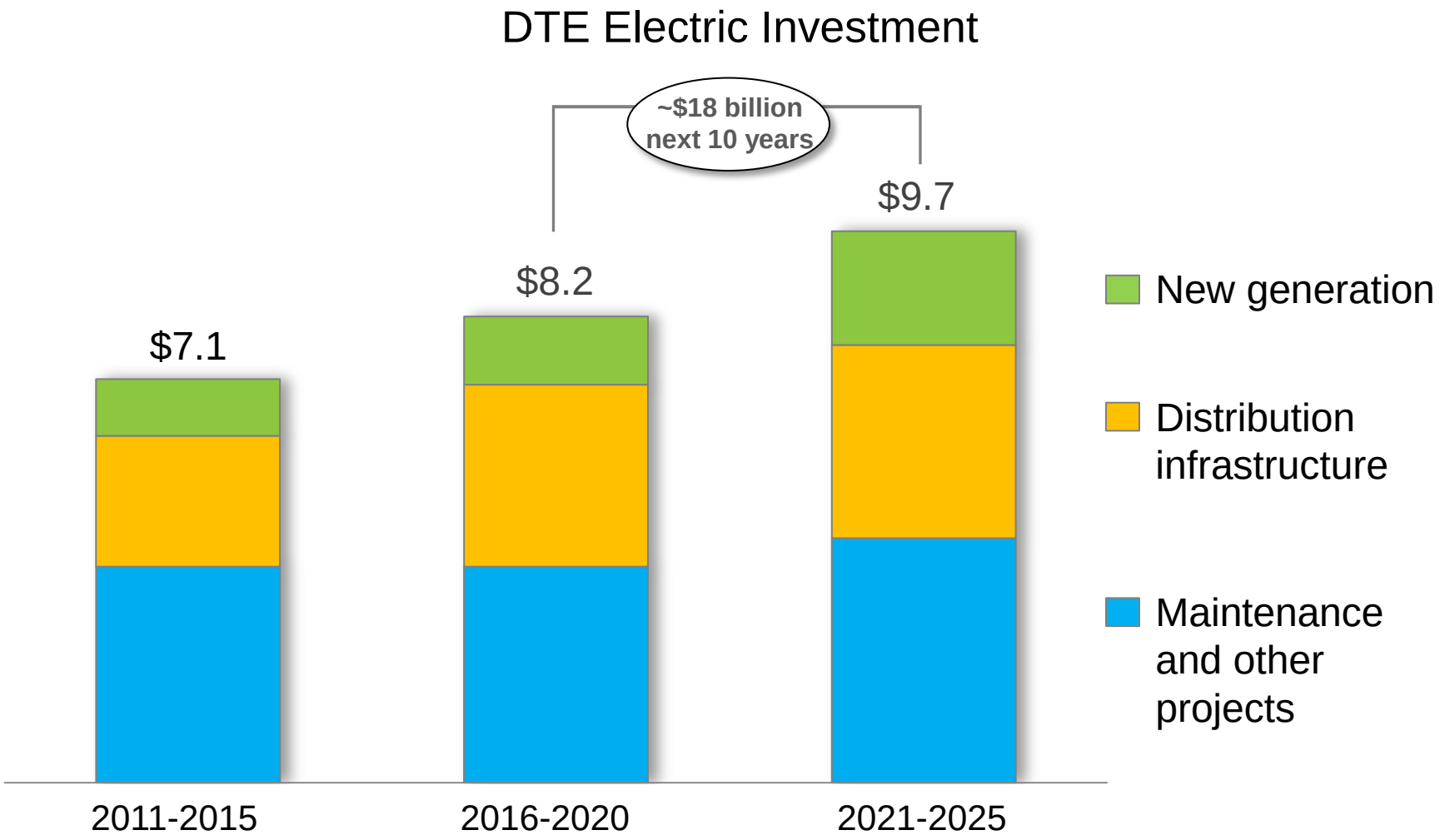
**GSP** ---------- Gathering investments, NEXUS, pipeline expansions

**Gas** ---------- Base investments, infrastructure renewal, NEXUS related

**Electric** -------- Distribution infrastructure, maintenance, new generation

# Electric generation and infrastructure renewal will significantly increase investment in the decade ahead

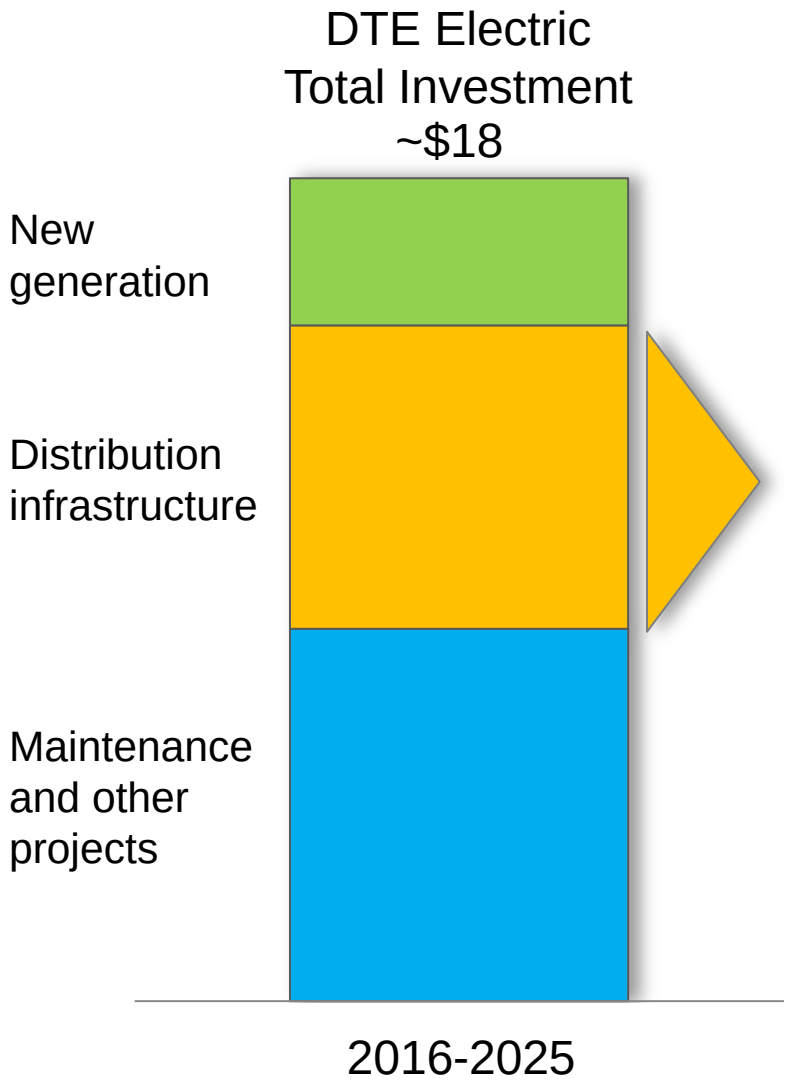
(billions)




*The electric company started serving its first customers in 1886*

# Of the $18 billion investment over the next 10 years, we will invest $6.5 billion on distribution infrastructure

(billions)



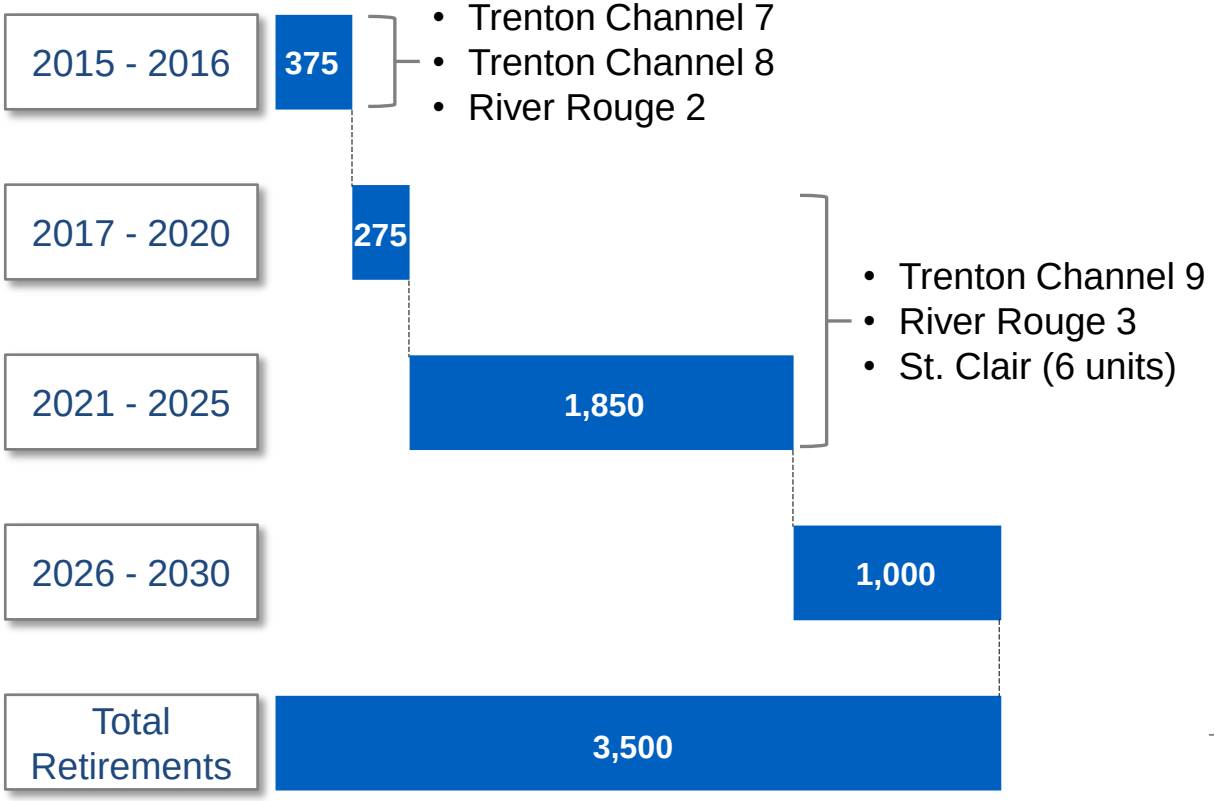

- $6.5 billion over next 10 years
- Potential to increase to $10.5 billion
- Replace aging infrastructure
- Address overloaded substations
- Enhance technology

Customer benefits

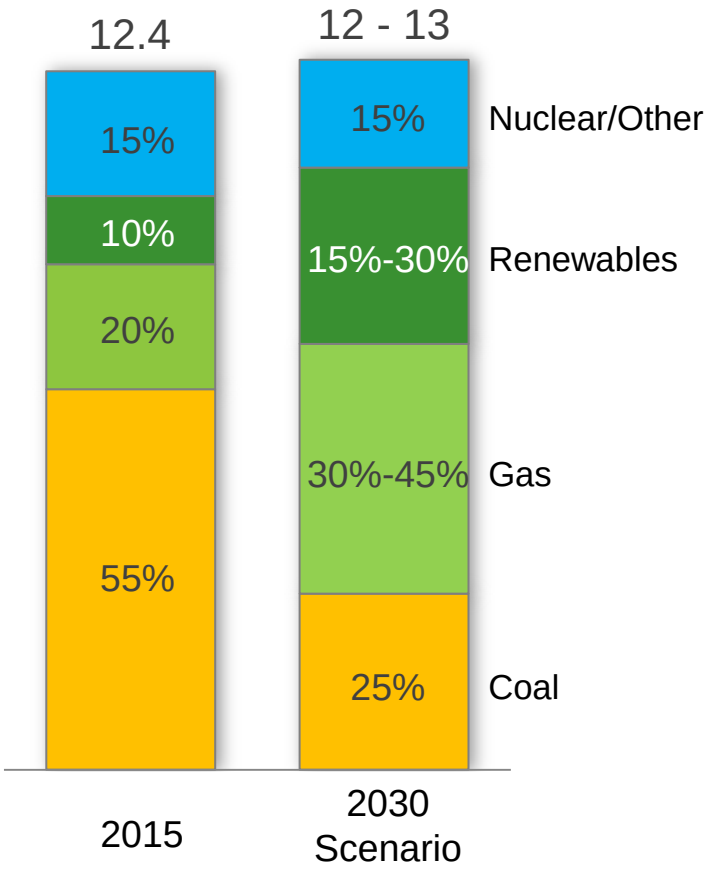
- ✓ Reduce restoration time
- ✓ Improve reliability
- ✓ Decrease outages
- ✓ Create and support Michigan jobs

# DTE Electric has already begun to retire its coal-fired generation

## Coal-fired Generation Retirement Timeline
(MW)




## Electric Capacity Shift
(GW)




Note: Estimated amounts. Timing and mix of generation impacted by MISO capacity requirements and Michigan and EPA policies

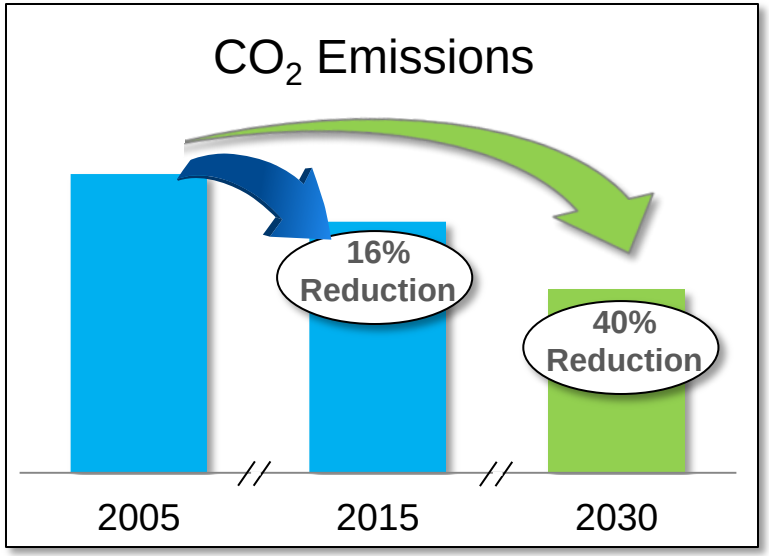
# Paving the way for cleaner energy for our customers

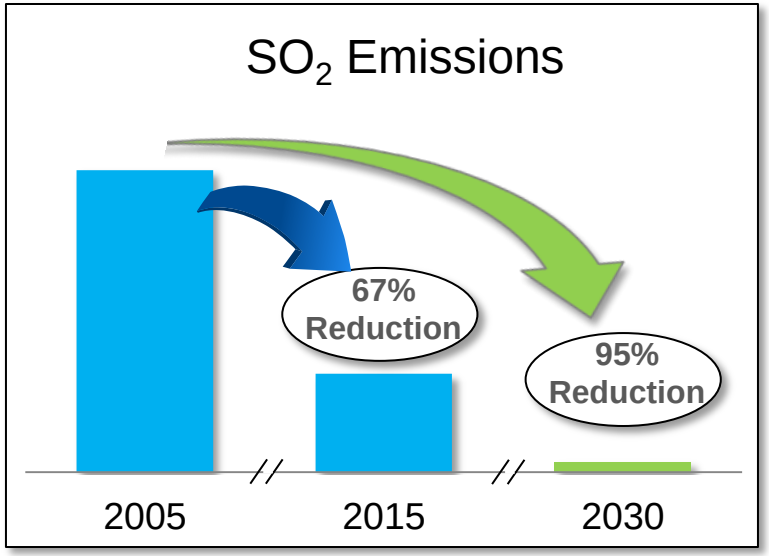


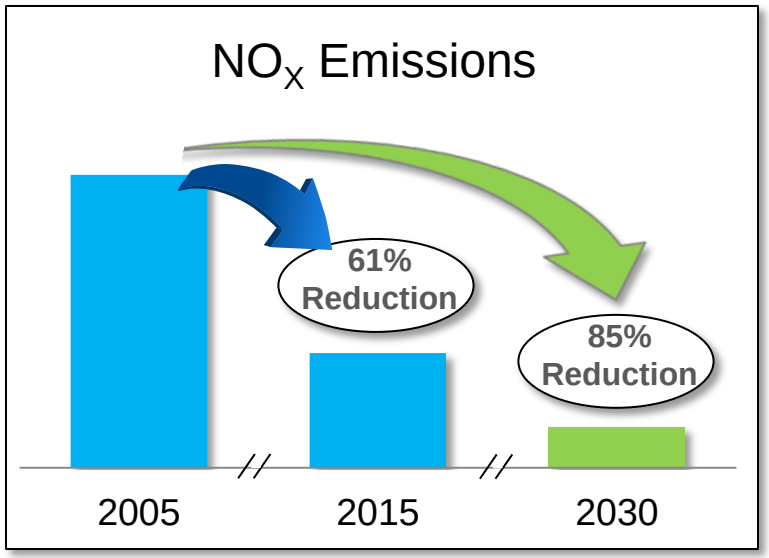
- Announced retirement of 2.5 GW of less-efficient coal-fired generation
  - Capacity will be retired by 2023
  - Combination of baseload gas and solar/wind renewables replace retired generation
  - ~$3 billion of expected investment
- Will retire additional 1.0 GW by 2030
  - Coal generation reduced by more than half
- Reducing $CO_2$ and conventional emissions significantly through 2030
- Purchased two natural gas combustion turbine plants in 2015
- Developing largest utility-owned solar array east of the Mississippi in service 1Q17
- Installed nearly 250 wind turbines
- Drove over $2 billion in renewable energy investments over the past 5 years

*Generated/contracted enough electricity from renewable sources to power over 400,000 homes in 2015*

# Significant emissions reductions have already been achieved and we continue on the path to clean energy



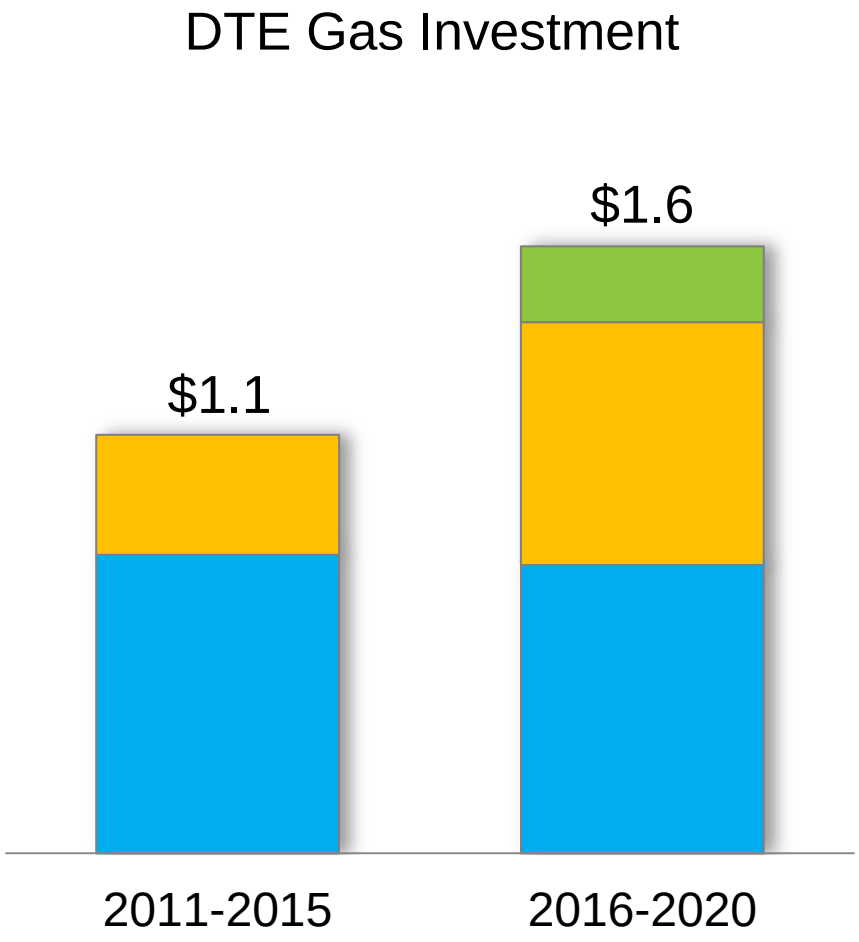




- Emissions reductions are largely due to $2 billion in controls installed at Monroe Power Plant, new technology and reduced reliance on coal-fired generation
- In addition, mercury emissions have been reduced 42% since 2005 with 75% reduction expected by 2030

# Strengthening and expanding our gas infrastructure will reduce leaks and lost gas while creating and supporting Michigan jobs

(billions)



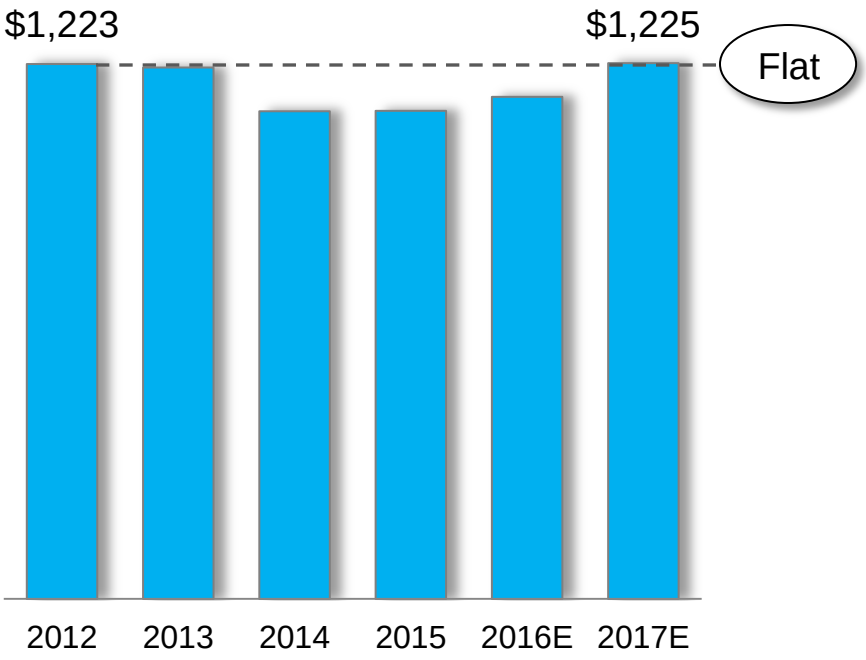

- NEXUS related
  - $200 million through 2017
  - Primarily additional compression
  - Supported by long-term transport agreement with NEXUS
- Infrastructure renewal
  - Main renewal
  - Meter move-out
  - Pipeline integrity
- Base infrastructure
  - Transmission
  - Compression
  - Distribution
  - Storage

*The gas company was formed in 1849 and started lighting the streets of Detroit with gas in 1851*

# We remain focused on customer affordability

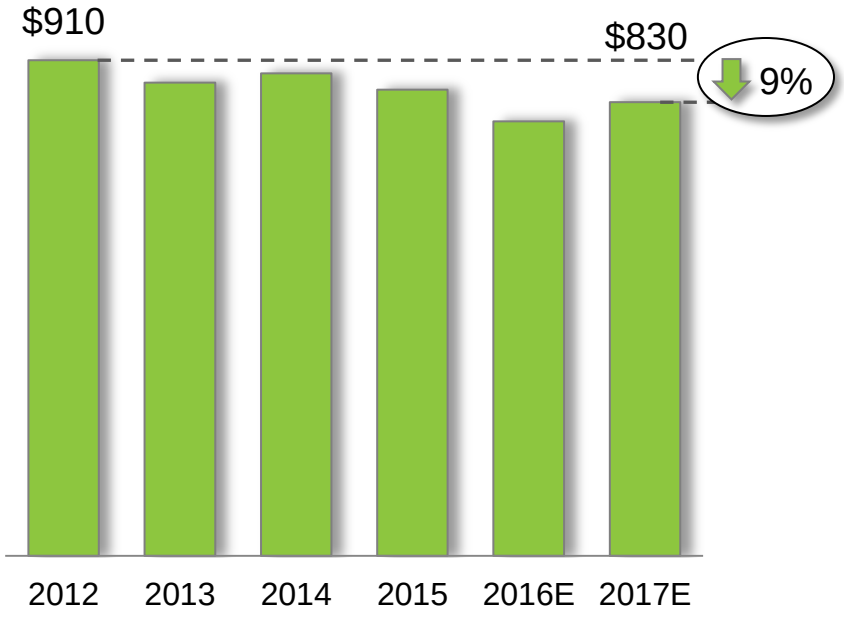
(dollars)

## Average Annual Residential Bill*
## DTE Electric



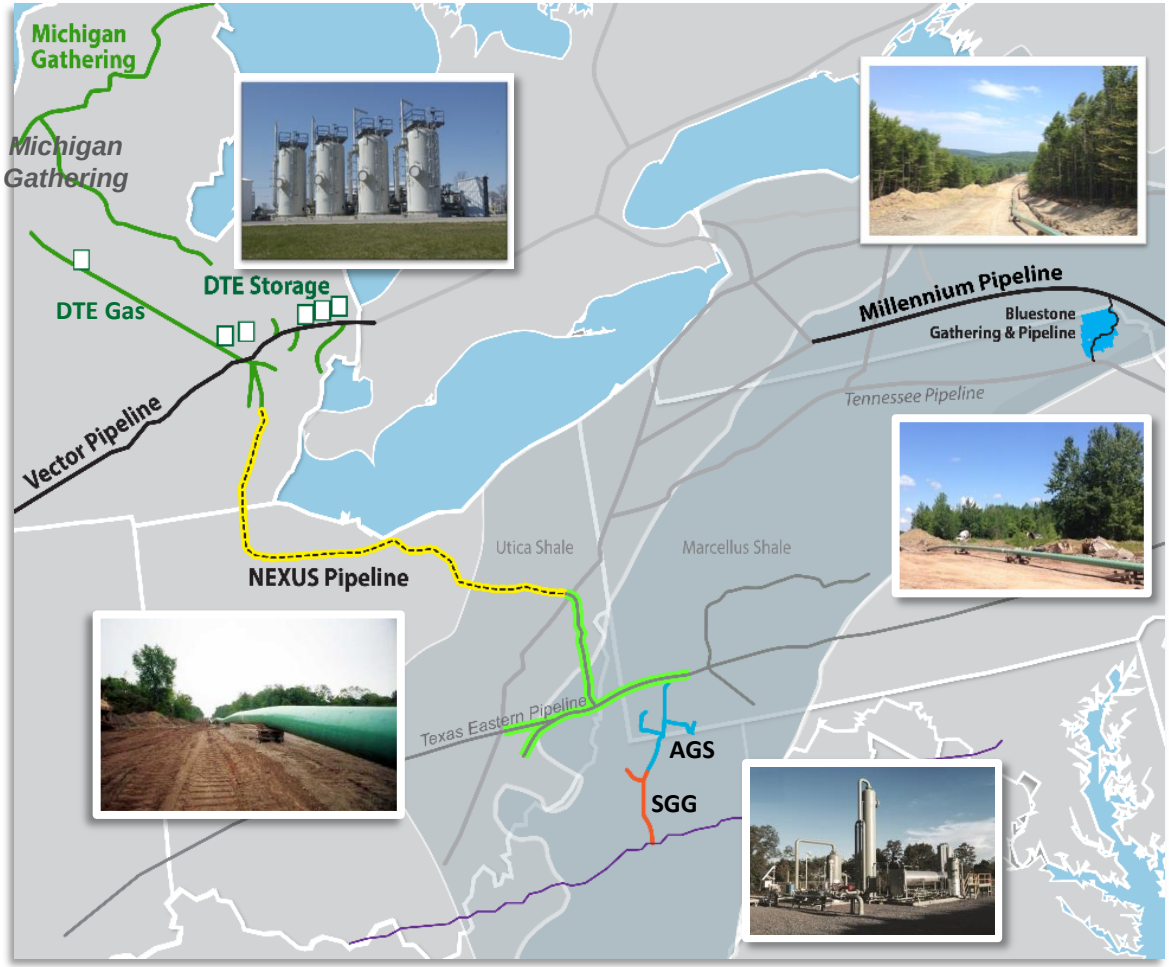

* Assumes average usage per year times the average residential rate per year and implementing $344 million rate increase beginning August 2016

## Average Annual Residential Bill**
## DTE Gas




** Assumes normal weather and implementing $180 million rate increase beginning November 2016

# Gas Storage & Pipelines has an asset portfolio with multiple growth platforms




**Millennium Pipeline (26.25%) — 1.0 Bcf/d***

- 0.1 Bcf/d lateral expansion 2Q17
- 0.2 Bcf/d expansion 2H18
- Firm capacity/demand-based contracts

**Bluestone Pipeline & Gathering — 1.0 Bcf/d***

- Bi-directional pipe
- 0.1 Bcf/d expansion 4Q16
- Firm capacity/demand-based contracts
- Gathering is minimum volume based

**NEXUS Pipeline (50%) — 1.5 Bcf/d**

- 4Q17 in-service
- Firm capacity/demand-based contracts

**Vector Pipeline (40%) — 1.3 Bcf/d**

- Bi-directional pipe
- Firm capacity/demand-based contracts

**AGS/SGG — 2.2 Bcf/d**

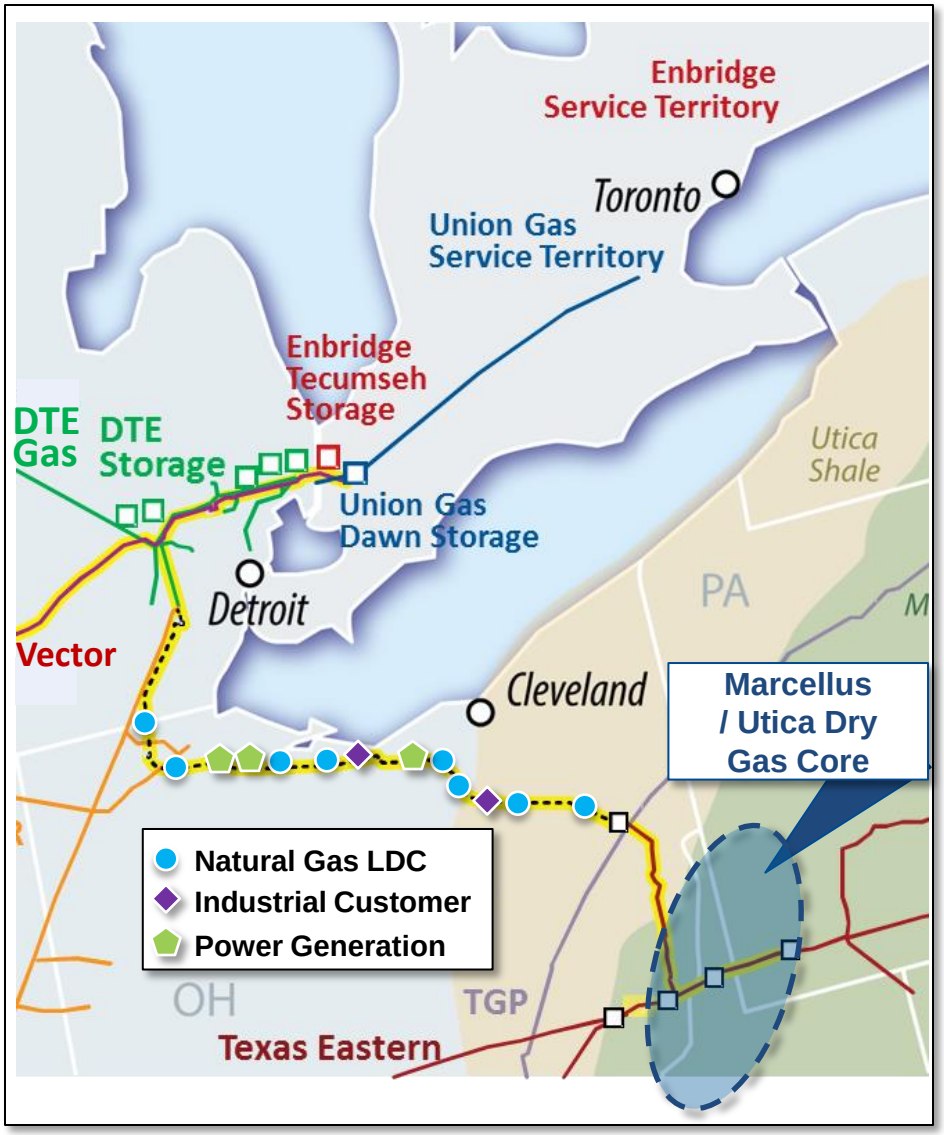
- Lateral and gathering assets in Marcellus / Dry Utica basin

**GSP Gas Storage — 91 Bcf**

- Strategically located between Chicago and Dawn trading hubs

* Includes expansions

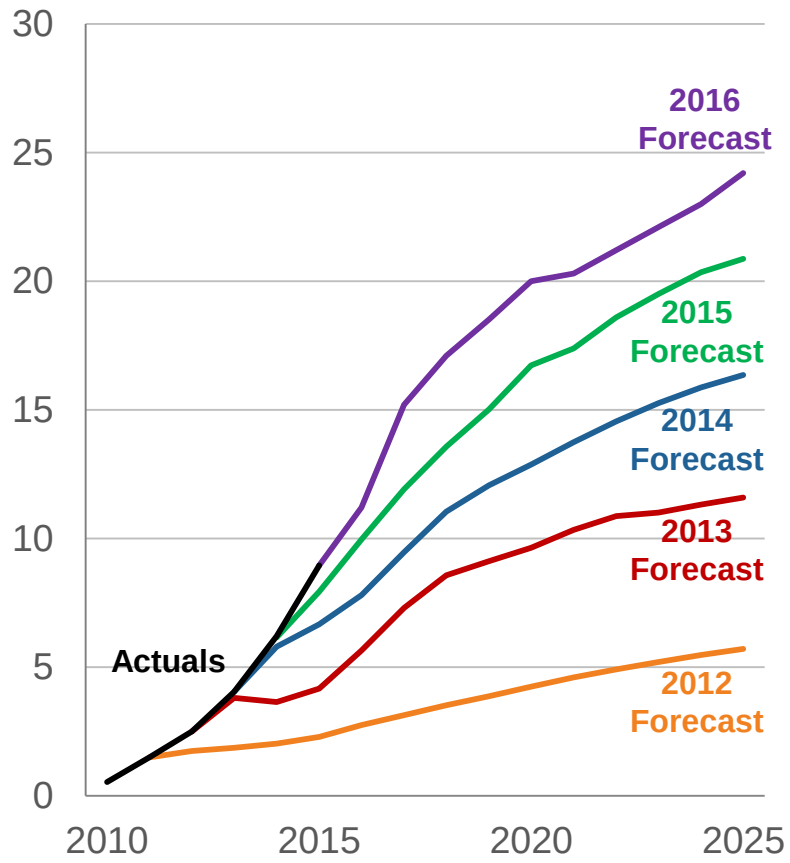
# NEXUS project is progressing and originates in the most economical geology in the country




- Project on track for 4th quarter 2017 in-service
- FERC Notice of Schedule issued 2nd quarter 2016
- Draft Environmental Impact Statement (EIS) received on July 8, 2016
- Final EIS expected by November 30, 2016
- FERC certificate of construction expected within 90 days of final EIS
- Right of way acquisitions and detailed engineering progressing
- Constructive work with FERC and other regulatory agencies continues

# Strong results from the Utica and Marcellus region are increasing expectations for the basin

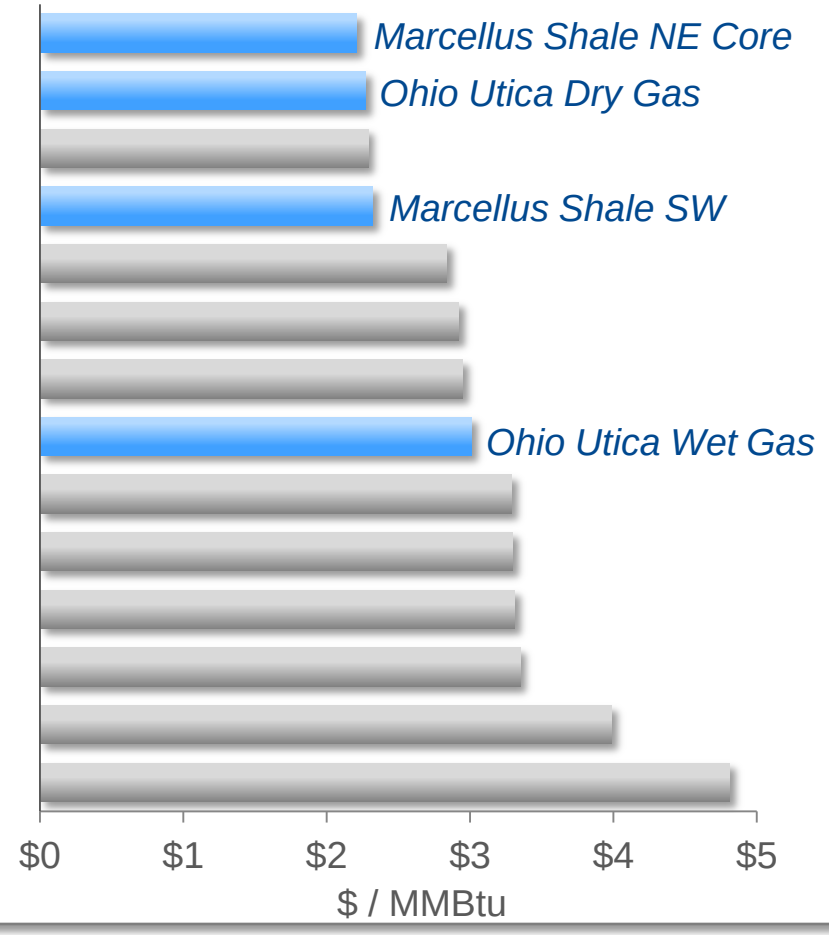
## Utica / SW Marcellus Supply Growth (Bcf/d)




Source: IHS CERA

## US Shale Basin Economics

(NYMEX Gas Price Required for 15% After-Tax IRR)




Source: Credit Suisse February 2016 report

# Gas Storage & Pipelines is focused on continued success in pipeline and gathering

## Near-Term



- Accelerated Marcellus development in 2015 delivered 30% year over year earnings growth
- Earnings growth driven by both pipeline and gathering platforms
- Assessing investment opportunities given current sector dynamics

Operating earnings*
2015 Actual
$107 million

2016 Guidance
$115-120 million

## Long-Term



- Current sector dynamics not expected to impact targets
- Organic platform growth
  - NEXUS
  - Millennium and Bluestone
  - AGS / SGG

Operating earnings*
2020 Target
$195 million

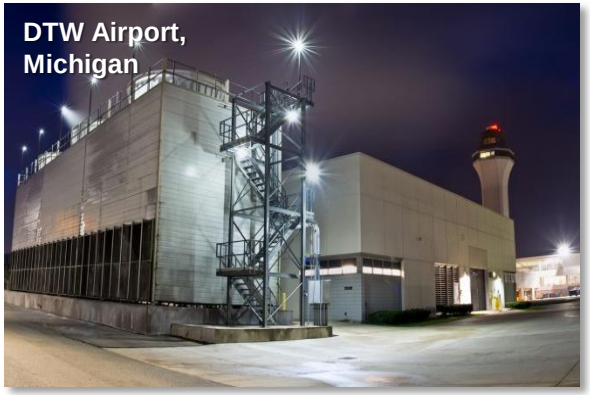
Capital investment
2016-2020
$2.0-2.6 billion

* Reconciliation to GAAP reported earnings included in the appendix

# Power & Industrial Projects operates within three distinct business lines in 17 states

## Industrial Energy Services

- On-site utility services for industrial and commercial customers
- Coke and pulverized coal for steel customers




Typical contract 5-20 years

Current duration* ~6+ years

## Renewable Energy

- Wood-fired power plants
- Landfill gas to energy projects




Typical contract 10-25 years

Current duration* ~15 years

## Reduced Emissions Fuel (REF)

- Projects reduce emissions from coal-fired plants
- Utility contracted




Current duration ~5 years

* Current duration does not include expected contract extensions

# Power & Industrial Projects is continuing to pursue additional strategic opportunities

## Near-Term



- 2016 earnings in line with 2015 actuals
- Higher REF earnings offset by lower steel related earnings

Operating earnings*

2015 Actual
$95 million

2016 Guidance
$90-100 million

## Long-Term



- Grow cogeneration portfolio
- Pursue strategic asset acquisitions
- Maximize REF opportunities

Operating earnings*
2020 target
$105 million

Capital investment
2016-2020
$0.6-0.9 billion

* Reconciliation to GAAP reported earnings included in the appendix

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# Increasing our 2016 operating EPS* guidance

(millions, except EPS)

| | 2016 YTD 2Q Actuals | Prior 2016 Guidance | 2016 Revised Guidance | |
|---|---|---|---|---|
| DTE Electric | $262 | $589 - $605 | $615 - $625 | ↑ |
| DTE Gas | 100 | 135 - 141 | 135 - 141 | |
| Gas Storage & Pipelines | 65 | 110 - 115 | 115 - 120 | ↑ |
| Power & Industrial Projects | 38 | 90 - 100 | 90 - 100 | |
| Corporate & Other | (30) | (50) - (46) | (55) - (51) | ↓ |
| **Growth segments**** | **$435** | **$874 - $915** | **$900 - $935** | |
| **Growth segments operating EPS** | **$2.42** | **$4.85 - $5.08** | **$5.01 - $5.21** | ↑ |
| Energy Trading | 16 | 10 - 20 | 15 - 25 | ↑ |
| **DTE Energy** | **$451** | **$884 - $935** | **$915 - $960** | |
| **Operating EPS** | **$2.51** | **$4.91 - $5.19** | **$5.09 - $5.35** | ↑ |
| Avg. Shares Outstanding | 180 | 180 | 180 | |

* Reconciliation to GAAP reported earnings included in the appendix
** Total DTE Energy excluding Energy Trading

# 2016 Cash Flow and Capital Guidance

(billions)

## Cash Flow Summary

| | 2015 Actual | 2016 Guidance |
|---|---|---|
| Cash From Operations* | $1.9 | $1.8 |
| Capital Spending | (2.3) | (2.7) |
| ***Free Cash Flow*** | ($0.4) | ($0.9) |
| Asset Sales & Other | 0.1 | - |
| Dividends | (0.5) | (0.5) |
| ***Net Cash*** | ($0.8) | ($1.4) |
| Debt Financing: | | |
| Issuances | $1.1 | $1.9 |
| Redemptions | (0.3) | (0.5) |
| ***Change in Debt*** | $0.8 | $1.4 |

(millions)

## Capital Expenditures Summary

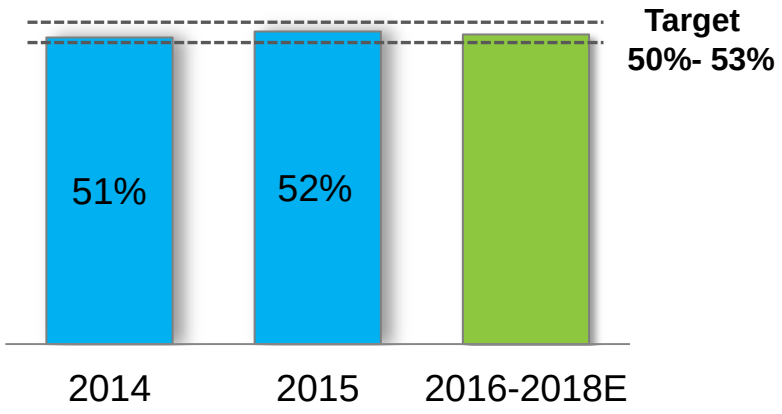
| | 2015 Actual | 2016 Guidance |
|---|---|---|
| **DTE Electric** | | |
| Distribution Infrastructure | $579 | $610 |
| New Generation | 316 | 150 |
| Maintenance & Other | 892 | 790 |
| | $1,787 | $1,550 |
| **DTE Gas** | | |
| Base Infrastructure | $184 | $220 |
| NEXUS Related | 2 | 110 |
| Main Replacement** | 87 | 100 |
| | $273 | $430 |
| **Non-Utility** | $299 | $520 – 720 |
| **Total** | $2,359 | $2,500 - 2,700 |

* Includes ~$0.2b and ~$0.1b of equity issued for employee benefit programs in 2015 actuals and 2016 guidance, respectively

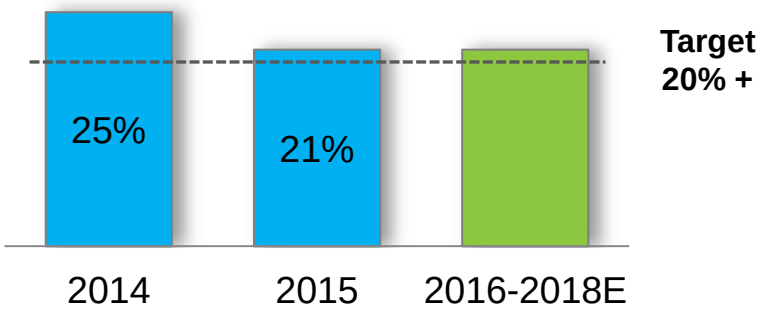
** Includes Main Renewal / Meter Move-out / Pipeline Integrity

# A strong balance sheet remains a key priority to support growth

## Leverage*




## Funds from Operations** / Debt*




- Strong year-to-date cash performance; 2016 financing plan is on track
- Target $200 to $300 million total equity issuances over the next 3 years
- Successfully extended the existing $1.9 billion credit facilities to 2021
  - $1.8 billion of available liquidity as of June 30, 2016
- Maintain strong balance sheet metrics

* Debt excludes securitization, a portion of DTE Gas' short-term debt, and considers 50% of the Junior Subordinated Notes as equity
** Funds from Operations (FFO) is calculated using operating earnings

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# Summary

- Raised 2016 operating EPS* guidance by $0.17 **(**$0.29 higher than original guidance)
  *...in light of strong year-to-date performance*

- Increased dividend for 7th consecutive year**...**
  *...as we continue to grow dividends with earnings*

- Investing in utilities and strategic growth opportunities in our non-utility businesses...
  ...*providing consistent 5% to 6% annual EPS growth*

- Retiring coal plants and replacing with a combination of gas and renewables...
  *...paving the way to cleaner energy by significantly reducing emissions*

- Maintaining strong cash flow and balance sheet...
  *...supporting our future growth opportunities*

* Reconciliation to GAAP reported earnings included in the appendix

# Contact Us

DTE Energy Investor Relations

www.dteenergy.com/investors

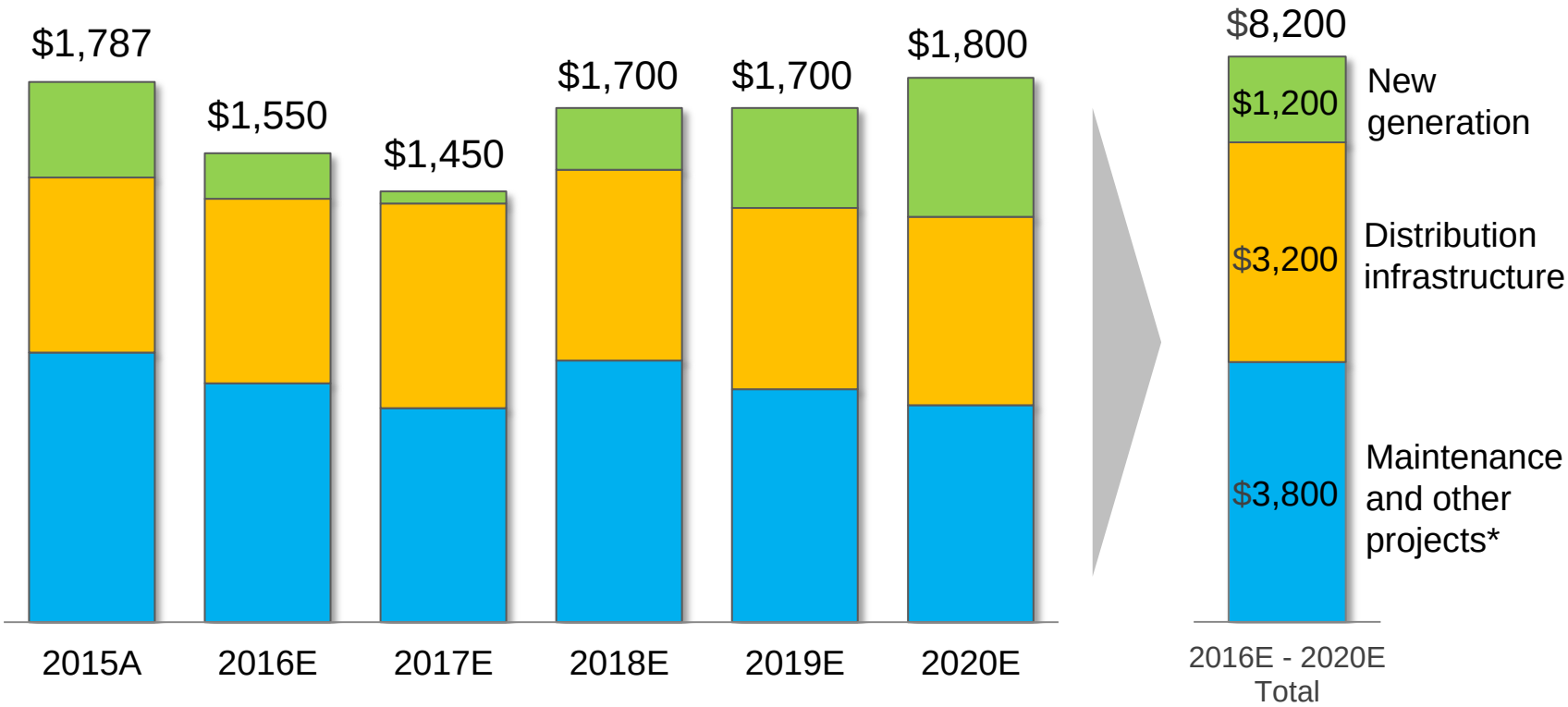
(313) 235-8030

# Appendix

# DTE Electric plans $8.2 billion of investments over the next 5 years

(millions)

***Targeting 6% - 7% growth***




| | | |
|---|---|---|
| Depreciation | $662M | ~$886M |
| YE Rate Base** | $14.8B | ~$19.8B |

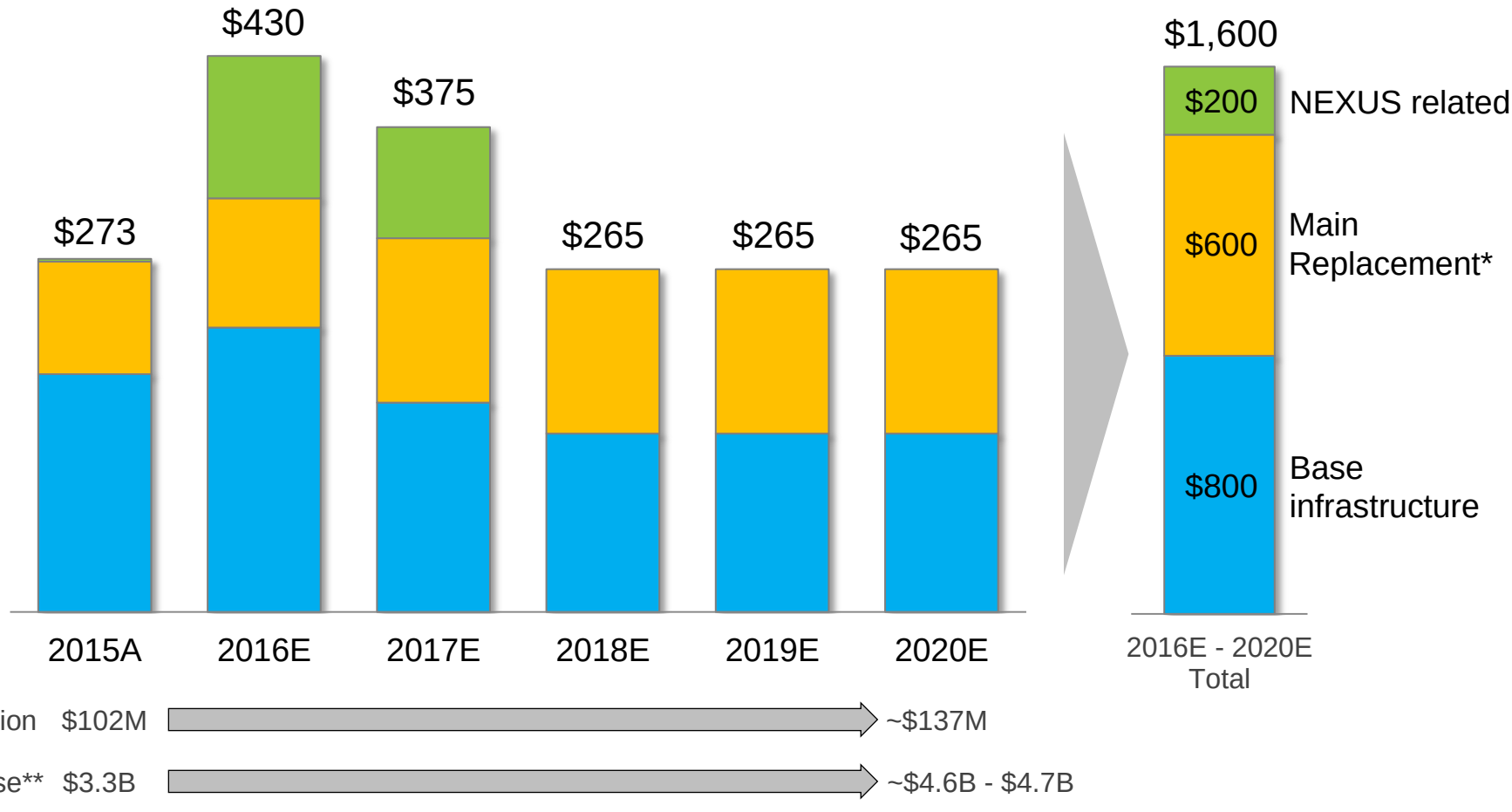
* Includes power reliability, existing generation maintenance, AMI, Ludington expansion and other investments

** Includes working capital and rate base associated with surcharges

# DTE Gas plans $1.6 billion of investments over the next 5 years

(millions)

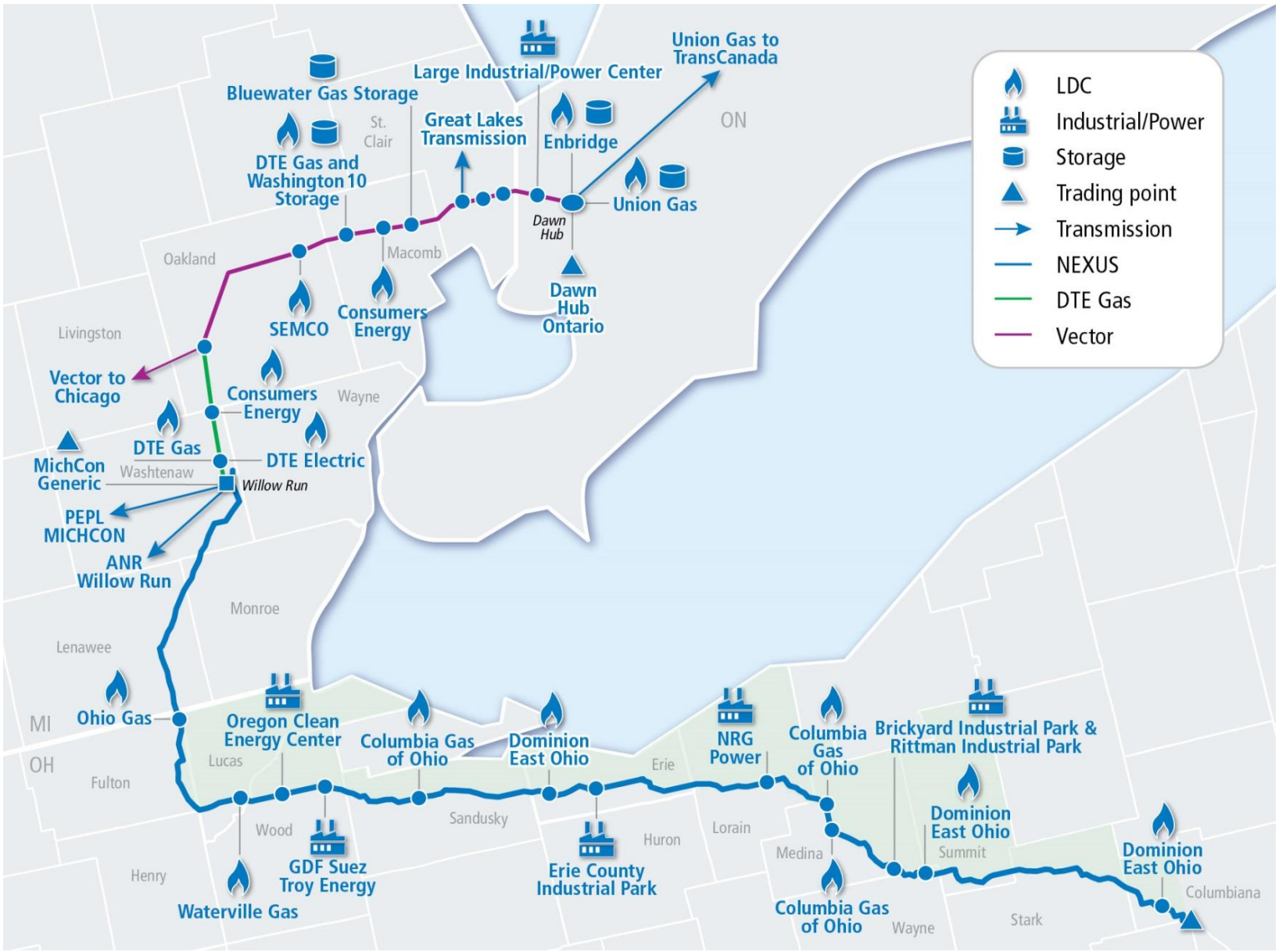
***Targeting 7% - 8% growth***



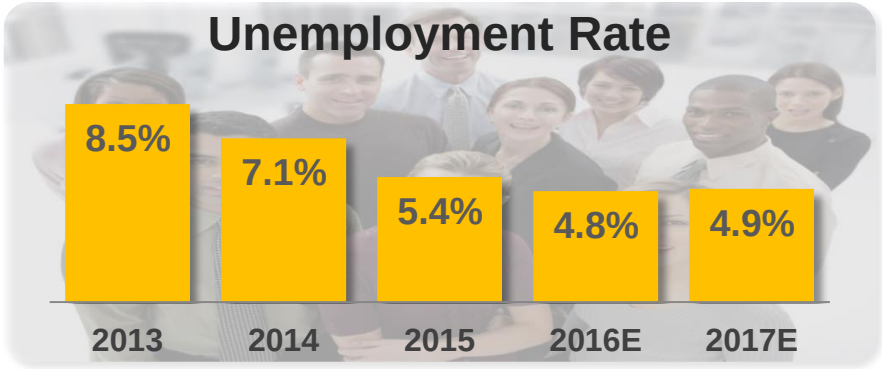

* Includes main renewal, meter move-out and pipeline integrity

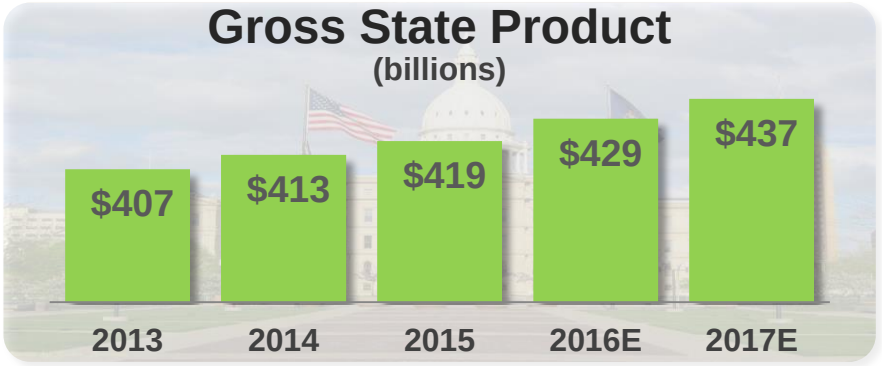
** Includes working capital

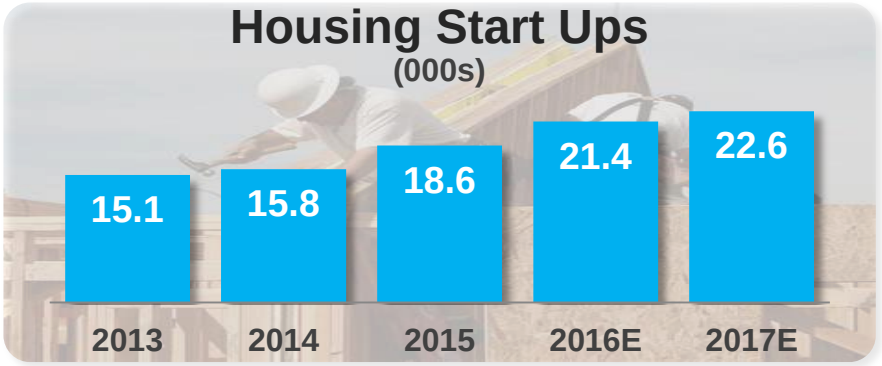
# Interconnect agreements provide strong support on the NEXUS path up to 1.75 Bcf/d



# Michigan's economy continues to improve




Source: IHS

Unemployment **below** national rate

**Most** new manufacturing jobs since 2009*

Ranked **Top 10** in pro-business 50 state rankings**

**Top decile** in Gross Domestic Product five year growth***

**7th** most competitive state for job creation****

* Source: State of Michigan website
** Source: Pollina Corporate/Aedi Pro-Business 50 State Rankings
*** Source: Bureau of Economic Analysis, real GDP 2009 chained dollars (2009-2014)
**** Source: Site Selection magazine

# DTE rate case highlights

## DTE Gas - 2015
## Docket U-17999*

Filed December 18, 2015

- Requested rate recovery: $183 million
- Test year: November 1, 2016 to October 31, 2017
- Return on Equity: 10.75%
- Self implement*: $103 million on or after November 1, 2016
- Briefs: July 27, 2016
- Proposal for decision: October 5, 2016
- MPSC order: on or before December 17, 2016

## DTE Electric - 2016
## Docket U-18014*

Filed February 1, 2016

- Requested rate recovery: $344 million
- Test year: August 1, 2016 to July 31, 2017
- Return on Equity: 10.5%
- Self implement: $245 million August 1, 2016
- Briefs: September 16, 2016
- Proposal for decision: November 21, 2016
- MPSC order: on or before January 31, 2017

* Excludes $41m of IRM surcharges
Dates may be subject to change

# June YTD 2016 Reconciliation of Reported to Operating Earnings

Use of Operating Earnings Information – DTE Energy management believes that operating earnings provide a more meaningful representation of the company's earnings from ongoing operations and uses operating earnings as the primary performance measurement for external communications with analysts and investors. Internally, DTE Energy uses operating earnings to measure performance against budget and to report to the Board of Directors. Operating earnings are presented both with and without Energy Trading. The term "Growth Segments" refers to DTE Energy without Energy Trading and represents the business segments that management expects to generate earnings growth going forward.

**YTD 2016** — **Net Income (millions)**

| | DTE Electric | DTE Gas | Gas Storage and Pipelines | Power and Industrial Projects | Corporate and Other | Growth Segments | Energy Trading | DTE Energy |
|---|---|---|---|---|---|---|---|---|
| Reported Earnings | $ 262 | $ 100 | $ 65 | $ 32 | $ (30) | $ 429 | $ (30) | $ 399 |
| Plant closure | - | - | - | 6 | - | 6 | - | 6 |
| Certain mark-to-market transactions | - | - | - | - | - | - | 46 | 46 |
| Operating Earnings | $ 262 | $ 100 | $ 65 | $ 38 | $ (30) | $ 435 | $ 16 | $ 451 |

**YTD 2016** — **EPS**

| | DTE Electric | DTE Gas | Gas Storage and Pipelines | Power and Industrial Projects | Corporate and Other | Growth Segments | Energy Trading | DTE Energy |
|---|---|---|---|---|---|---|---|---|
| Reported Earnings | $ 1.46 | $ 0.56 | $ 0.36 | $ 0.18 | $ (0.17) | $ 2.39 | $ (0.17) | $ 2.22 |
| Plant closure | - | - | - | 0.03 | - | 0.03 | - | 0.03 |
| Certain mark-to-market transactions | - | - | - | - | - | - | 0.26 | 0.26 |
| Operating Earnings | $ 1.46 | $ 0.56 | $ 0.36 | $ 0.21 | $ (0.17) | $ 2.42 | $ 0.09 | $ 2.51 |

# 2011 – 2015 Full Year
# Reconciliation of Reported to Operating Earnings

Use of Operating Earnings Information – DTE Energy management believes that operating earnings provide a more meaningful representation of the company's earnings from ongoing operations and uses operating earnings as the primary performance measurement for external communications with analysts and investors. Internally, DTE Energy uses operating earnings to measure performance against budget and to report to the Board of Directors.

| | Net Income (millions) | | | | | EPS | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **DTE Energy Reported Earnings** | **$ 711** | **$ 610** | **$ 661** | **$ 905** | **$ 727** | **$4.18** | **$3.55** | **$3.76** | **$5.10** | **$4.05** |
| **DTE Electric** | | | | | | | | | | |
| Fermi 1 asset retirement obligation | 9 | | | | | 0.05 | | | | |
| 2011/2012 PSCR disallowance | | | | | 12 | | | | | 0.07 |
| Tree trimming disallowance | | | | | 8 | | | | | 0.05 |
| **DTE Gas** | | | | | | | | | | |
| **Gas Storage & Pipelines** | | | | | | | | | | |
| **Power & Industrial Projects** | | | | | | | | | | |
| Coke oven gas settlement | | 7 | | | | | 0.04 | | | |
| Chicago Fuels terminal sale | | 2 | | | | | 0.01 | | | |
| Pet coke mill impairment | | 1 | | | | | 0.01 | | | |
| Asset impairment | | | 4 | | | | | 0.02 | | |
| Contract termination | | | | | 10 | | | | | 0.05 |
| Plant closure | | | | | 69 | | | | | 0.39 |
| **Energy Trading** | | | | | | | | | | |
| Certain mark-to-market transactions | | | 55 | (102) | 47 | | | 0.31 | (0.57) | 0.26 |
| Natural gas pipeline refund | | | | | (10) | | | | | (0.05) |
| **Corporate & Other** | | | | | | | | | | |
| Michigan corporate income tax adj. | (87) | | | | | (0.50) | | | | |
| Investment impairment | | | | 5 | | | | | 0.03 | |
| NY state tax law change | | | | 8 | | | | | 0.04 | |
| **Unconventional Gas** | | | | | | | | | | |
| Discontinued operations | 3 | 56 | | | | 0.02 | 0.33 | | | |
| **DTE Energy Operating Earnings** | **$ 636** | **$ 676** | **$ 720** | **$ 816** | **$ 863** | **$3.75** | **$3.94** | **$4.09** | **$4.60** | **$4.82** |

# Reconciliation of Other Reported to Operating Earnings

Use of Operating Earnings Information – DTE Energy management believes that operating earnings provide a more meaningful representation of the company's earnings from ongoing operations and uses operating earnings as the primary performance measurement for external communications with analysts and investors. Internally, DTE Energy uses operating earnings to measure performance against budget and to report to the Board of Directors.

In this presentation, DTE Energy provides guidance for future period operating earnings. It is likely that certain items that impact the company's future period reported results will be excluded from operating results. A reconciliation to the comparable future period reported earnings is not provided because it is not possible to provide a reliable forecast of specific line items. These items may fluctuate significantly from period to period and may have a significant impact on reported earnings.

For comparative purposes, 2011 and 2012 operating earnings exclude the Unconventional Gas Production segment that was classified as a discontinued operation on 12/31/2012.