

COMPANY PROFILE

DTE Energy Company

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COMPANY OVERVIEW

DTE Energy Company (DTE or the company) is a diversified energy company involved in the development and management of energy-related businesses and services. DTE's utility operations consist primarily of DTE Electric and DTE Gas along with other non-utility businesses. The company primarily operates in the US. It is headquartered in Detroit, Michigan.

The company reported revenues of (US Dollars) US\$12,607 million for the fiscal year ended December 2017 (FY2017), an increase of 18.6% over FY2016. In FY2017, the company's operating margin was 13.1%, compared to an operating margin of 13.6% in FY2016. In FY2017, the company recorded a net margin of 9%, compared to a net margin of 8.2% in FY2016.

The company reported revenues of US\$3,159.0 million for the second quarter ended June 2018, a decrease of 15.8% over the previous quarter.

KEY FACTS

Head Office	DTE Energy Company One Energy Plaza Detroit Michigan Detroit Michigan USA
Phone	1 313 2354000
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Web Address	www.newlook.dteenergy.com
Revenue / turnover (USD Mn)	12,607.0
Financial Year End	December
Employees	10,200
New York Stock Exchange Ticker	DTE

SWOT ANALYSIS

DTE Energy Company (DTE or 'the company') is a diversified energy company involved in the development and management of energy-related businesses and services. Strong presence across majority of the energy value chain reduces DTE's dependence on any one market or sector, which in turn protects the company from adverse market conditions in any one sector. However, changes to Michigan's electric retail access program could negatively impact the DTE's financial performance.

<p>Strength</p> <p>Diversified Customer Base Strong Presence across Majority of the Energy Value Chain Robust Infrastructure</p>	<p>Weakness</p> <p>Dependence on Cash Flows from Subsidiaries Limited Geographical Presence</p>
<p>Opportunity</p> <p>Strategic initiatives Expansion of Existing Capabilities</p>	<p>Threat</p> <p>Weather Uncertainty Changes to Michigan's Electric Retail Access Program Rate Regulation</p>

Strength

Diversified Customer Base

The company has a diversified customer base. The company serves 2.2 million electricity consumers and about 1.3 million natural gas customers. The composition of the company's customer base is also relatively diverse. The company sells electricity in retail and wholesale markets. In FY2017, the company's Electric segment's consumer mix comprised: 45.3% residential; 34.4% commercial; 13.1% industrial; 6.1% other customers. DTE's gas operations generate revenues through four activities: gas sales; end user transportation; intermediate transportation; and storage and other activities. During FY2017, DTE generated 72.2% of gas utility revenues from gas sales, 14.8% from end user transportation, 3.5% from intermediate transportation, and 9.4% from storage other activities. A diversified customer base enhances the company's revenue generation capacity.

Strong Presence across Majority of the Energy Value Chain

DTE has strong presence across majority of the energy value chain. DTE Electric, DTE's electric utility is engaged in the generation, purchase, distribution, and sale of electricity. It owns 11,084 MW of generating capacity. DTE Gas, DTE's gas utility is engaged in the purchase, storage, transportation, distribution, and sale of natural gas.

Moreover, DTE's Energy Trading segment focuses on physical and financial power and gas marketing

and trading, structured transactions, enhancement of returns from its asset portfolio and optimization of contracted natural gas pipeline transportation, and storage positions. Also, the company's Power and Industrial Projects segment is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial and institutional customers, produce reduced emissions fuel and sell electricity from renewable energy projects. Additionally, the company's Gas Storage and Pipelines segment controls natural gas storage fields, intrastate lateral and intrastate gathering pipeline systems.

DTE's other businesses are involved in natural gas pipelines, gathering, and storage; power and industrial projects and energy marketing and trading operations. Due to its strong presence across the energy value chain, DTE benefits from a diversified revenue stream. During FY2017, DTE generated 38.3% of its revenues from the electric utility segment (before eliminations), followed by energy trading (32.1%), power and industrial projects (15.7%), gas (10.4%), gas and storage and pipelines (3.4%).

Strong presence across majority of the energy value chain reduces DTE's dependence on any one market or sector, which in turn protects the company from adverse market conditions in any one sector.

Robust Infrastructure

DTE has strong infrastructure to support its operations. DTE Electric owns and operates 692 distribution substations with a capacity of approximately 36.4 million kilovolt-amperes (kVA) and approximately 440,500 line transformers with a capacity of approximately 31.7 million kVA. Additionally, DTE's distribution system infrastructure includes approximately 19,500 miles of distribution mains, approximately 1.2 million service pipelines and approximately 1.3 million active meters. The company owns approximately 2,000 miles of transmission pipelines that deliver natural gas to the distribution districts and interconnect the company's storage fields with the sources of supply and the market areas. The company owns storage properties relating to four underground natural gas storage fields with an aggregate working gas storage capacity of approximately 139 billion cubic feet (Bcf).

The company's strong infrastructure gives it a competitive advantage in the growing the US natural gas market.

Weakness

Dependence on Cash Flows from Subsidiaries

DTE is a holding company and, as such, has no operations of its own. DTE's ability to meet its financial obligations and to pay dividends on its common stock at the current rate is primarily dependent on the earnings and cash flows of its subsidiaries and their ability to pay upstream dividends or to repay funds to DTE. Prior to funding DTE, the company's subsidiaries have financial and regulatory obligations that must be satisfied, including, among others, debt service and preferred stock dividends.

Dependence on subsidiaries to pay the dividends on its common stock could impact the shareholder's confidence on the company.

Limited Geographical Presence

The company generates all its revenues from the US. DTE Electric, the largest subsidiary, derives majority of its revenues from southeastern Michigan through generation, purchase, distribution and sale of electricity. The gas segment of DTE comprises of DTE Gas which operates in Michigan. Although it is a major player in the US, lack of geographical spread exposes the company to regional economic factors and operating environment. Overexposure to only certain geographies increases its business risks.

Opportunity

Strategic initiatives

The company is taking various strategic initiatives to drive growth. The initiatives are expected to strengthen the company's operations and increase its returns. Further, these initiatives provide competitive advantage for the company. For instance, in May 2018, the company entered into an agreement with The Roxbury Group, a Detroit-based real estate development company, to develop 11-acre mixed use and public space project on the former Michigan Consolidated Gas Company industrial site bordering the Huron River in Ann Arbor, Mich. This new project will raise the investment of about US\$75 million. In March 2018, the company plans for about 1,000 additional MW of carbon-free electricity from new wind and solar projects in Michigan. In February 2018, the company's Fermi 2 Power Plant received Michigan Voluntary Protection Program Star award from the Michigan Occupational Safety and Health Administration. In August 2017, the company received an approval to build 1,100MW power plant in Michigan, the US.

Expansion of Existing Capabilities

The company planned to enhance its existing operations. For instance, in September 2016, the company planned to build new energy generation as part of its commitment to ensure long-term reliability and produce cleaner energy for its customers. The new energy generated will replace a portion of the capacity from coal-fired plants DTE intends to retire by 2023. DTE has plans to build natural gas turbine plants to provide approximately 1,000 MW of energy, enough to power 850,000 homes. The company will invest between \$1-1.5 billion in these new generating assets, expected to be completed between 2021 and 2023. Based on preliminary site analysis, one project is expected to be located on existing DTE property adjacent to the Belle River power plant in China Township, Michigan. This new generation will provide long term reliability and will add to the company's recent acquisitions of natural gas generating capacity.

Expanding the existing capabilities of the company could support and improve its operations and will increase its productivity.

Threat

Weather Uncertainty

At both utilities, deviations from normal hot and cold weather conditions affect the company's earnings and cash flows. Mild temperatures could result in decreased utilization of the company's assets, lowering

income and cash flows. At DTE Electric, ice storms, tornadoes, or high winds may damage the electric distribution system infrastructure and power generation facilities and require it to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process. DTE Gas may experience higher than anticipated expenses from emergency repairs on its gas distribution infrastructure required as a result of weather related issues.

Weather significantly affects the operations and revenues of the business.

Changes to Michigan's Electric Retail Access Program

The State of Michigan currently experiences a hybrid market, where the Michigan Public Service Commission (MPSC) continues to regulate electric rates for DTE Electric customers, while alternative electric suppliers charge market-based rates. MPSC rate orders, and energy legislation enacted by the State of Michigan in 2008, have placed a 10% cap on the total potential retail access migration. However, even with the legislated 10% cap on participation, there continues to be legislative and financial risk associated with the electric retail access program. Electric retail access migration is sensitive to market price and full service electric price changes. The company is required under current regulation to provide full service to retail access customers that choose to return, potentially resulting in the need for additional generating capacity. The outcome of the current Michigan energy policy reform legislative process could impact the DTE's recovery of costs through rates.

The Midcontinent Independent System Operator (MISO) regional energy market, including the State of Michigan, is expected to face capacity constraints beginning in 2016, due primarily to the retirement of coal-fired generation caused by increasingly stringent environmental requirements. Significant investment in new natural gas-fired generation and renewables will be required. Under the current regulatory structure, retail access customers do not fund capacity costs, potentially impacting electric supply reliability and utility customer affordability.

Changes to Michigan's electric retail access program could negatively impact the DTE's financial performance.

Rate Regulation

Electric and gas rates for the utilities are set by the MPSC and the Federal Energy Regulatory Commission (FERC) and cannot be changed without regulatory authorization. The company could be negatively impacted by new regulations or interpretations by the MPSC, the FERC, or other regulatory bodies. The company's ability to recover costs may be impacted by the time lag between the incurrence of costs and the recovery of the costs in customer's rates. DTE also may decide to disallow recovery of certain costs in customer's rates if they determine that those costs do not meet the standards for recovery under current governing laws and regulations.

The company's utilities typically self-implement base rate changes six months after rate case filings, in accordance with Michigan law. However, if the final rates authorized by regulators in the final rate order are lower than the amounts the company collected during the self-implementation period, the company must refund the difference with interest. DTE may also disagree with the company's rate calculations

under the various mechanisms that are intended to mitigate the risk to their utilities related to certain aspects of the business. If the company cannot agree with regulators on an appropriate reconciliation of those mechanisms, it may impact the company's ability to recover certain costs through customer rates. DTE may also decide to eliminate these mechanisms in future rate cases, which may make it more difficult for the company to recover their costs in the rates charged to customers.

The company cannot predict what rates the MPSC will authorize in future rate cases. New legislation, regulations, or interpretations could change how the business operates, impact the company's ability to recover costs through rates or the timing of such recovery, or require the company to incur additional expenses. The outcome of the current Michigan energy policy reform legislative process could impact the company's recovery of costs through rates. Therefore, rate regulation would highly affect the revenues of the business.

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