KEYSTONE AUTOMOTIVE INDUSTRIES INC
Form DEF 14A
July 12, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Keystone Automotive Industries, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

700 East Bonita Avenue

Pomona, California 91767

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, August 9, 2006

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Keystone Automotive Industries, Inc. will be held at the Doubletree Hotel, 222 N. Vineyard Avenue, Ontario, California 91764 at 10:00 a.m. (California Time) on August 9, 2006, for the following purposes:

(1) To elect the members of the Board of Directors to serve until the next annual meeting of stockholders;

(2) To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2007; and

(3) To transact such other business as may properly come before the meeting or any adjournments thereof.

These items are more fully described in the accompanying Proxy Statement. If you were a stockholder of record at the close of business on June 23, 2006, you are entitled to vote at the meeting.

Accompanying this Notice are a Proxy and Proxy Statement. IF YOU WILL NOT BE ABLE TO ATTEND THE MEETING TO VOTE IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ACCOMPANYING PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED POSTAGE PAID ENVELOPE. The Proxy may be revoked at any time prior to its exercise at the meeting by following the procedures set forth in the Proxy Statement under the heading May I Change My Vote After I Return My Proxy?

By Order of the Board of Directors,

Ronald G. Foster

Chairman of the Board

Pomona, California

July 14, 2006

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

700 East Bonita Avenue

Pomona, California 91767

PROXY STATEMENT

Annual Meeting Of Stockholders to be held August 9, 2006

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

Why Did You Send Me this Proxy Statement?

We sent you this proxy statement and the enclosed proxy card because our board of directors is soliciting your proxy to vote at the 2006 annual meeting of stockholders. This proxy statement summarizes the information you need to know to cast a vote at the annual meeting. However, you do not need to attend the annual meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

Who is Entitled to Vote?

We will begin sending this proxy statement, the attached notice of annual meeting and the enclosed proxy card on or about July 14, 2006, to all stockholders entitled to vote. Stockholders of record of Keystone common stock at the close of business on June 23, 2006, are entitled to vote. On this record date, there were 16,321,668 shares of Keystone common stock, no par value, outstanding. Keystone s common stock is our only class of voting stock. We are also authorized to issue up to 3,000,000 shares of preferred stock, no par value, and no shares are presently issued and outstanding. We are also sending along with this proxy statement Keystone s 2006 Annual Report, which includes our financial statements.

What Constitutes a Quorum?

The holders of a majority of the outstanding shares of Keystone s common stock entitled to vote at the meeting must be present, in person or by proxy, in order to constitute a quorum. We can conduct the business of the meeting only if a quorum has been established. We will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the meeting.

How Many Votes Do I Have?

Each share of Keystone common stock that you own entitles you to cast one vote. The proxy card indicates the number of shares of Keystone common stock that you own as of the record date.

How Do I Vote By Proxy?

Whether you plan to attend the annual meeting or not, we urge you to complete, sign and date the enclosed proxy card and to return it promptly in the postage-prepaid envelope provided. Returning the proxy card will not affect your right to attend the annual meeting and vote.

If you properly fill in your proxy card and send it to us in time to vote, your proxy (*one of the individuals named on your proxy card*) will vote your shares as you have directed. If you sign the proxy card but do not make specific choices, your proxy will vote your shares as recommended by the board of directors as follows:

FOR the election of all seven nominees for director (see page 9)

FOR ratification of the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal 2007 (see page 24)

If any other matter is presented, your proxy will vote in accordance with the recommendation of the board of directors or, if no recommendation is given, in his or her own discretion. At the time this proxy statement went to press, we knew of no matter which needed to be acted on at the annual meeting, other than the election of directors and the ratification of the appointment of Ernst & Young LLP.

May I Change My Vote After I Return My Proxy?

Yes. If you give a proxy, you may change your vote at any time before it is exercised. You may change your vote in any one of three ways:

- You may send our Corporate Secretary another proxy with a later date.
- You may notify our Corporate Secretary in writing before the annual meeting that you have revoked your proxy.
- You may attend the annual meeting and vote in person.

How Do I Vote in Person?

If you plan to attend the annual meeting and vote in person, we will give you a ballot form when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring the proxy card, an account statement or a letter from the nominee indicating that you were the beneficial owner of the shares on June 23, 2006, the record date for voting, and a written instruction from the nominee authorizing you to vote the shares.

What Vote is Required to Approve Each Proposal?

Proposal 1: *Elect seven Directors*	The seven nominees for director who receive the most votes will be elected. So, if you do not vote for a particular nominee, or you indicate WITHHOLD AUTHORITY to vote for a particular nominee on your proxy card, your vote will not count either for or against the nominee.
Proposal 2: *Ratification of Ernst & Young LLP*	The affirmative vote of a majority of the shares of Common Stock represented and voted at the annual meeting is required to ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending on March 30, 2007.
The Effect of Broker Non-Votes and Abstentions	Abstentions and broker non-votes will be treated as shares present for the purpose of determining the presence of a quorum for the transaction of business at the meeting. Proposal No. 2 requires the approval of the affirmative vote of a majority of the shares of common stock present or represented by proxy and voting at the meeting. Abstentions and broker non-votes can have the effect of preventing approval of a proposal where the number of affirmative votes, though a majority of the votes cast, does not constitute a majority of the shares present or represented by proxy.

What are the Costs of Soliciting these Proxies?

We will pay all the costs of soliciting these proxies. In addition to mailing proxy soliciting material, our directors, officers and employees also may solicit proxies in person, by telephone or by other electronic means of communications for which they will receive no compensation. We will ask banks, brokers and other institutions, nominees and fiduciaries to forward the proxy material to their principals and to obtain authority to execute proxies. We will then reimburse them for their reasonable expenses. In addition, we may pay for and use the services of individuals or companies that we do not regularly employ in connection with the solicitation of proxies if the board of directors determines this is advisable.

How Do I Obtain an Annual Report on Form 10-K?

If you would like a copy of our Annual Report on Form 10-K for the year ended March 31, 2006, that we filed with the Securities and Exchange Commission, we will send you one without charge. Please write to:

Keystone Automotive Industries, Inc.

700 East Bonita Avenue

Pomona, California 91767

Attn: Corporate Secretary

You can also view a copy of the Annual Report on Form 10-K at the SEC s website at http://www.sec.gov or on the Company s website at http://www.keystone-auto.com.

INFORMATION ABOUT KEYSTONE S COMMON STOCK OWNERSHIP

Which Stockholders Own at Least 5% of Keystone?

The following table shows, to the knowledge of the Company, as of June 23, 2006, all persons or entities we know to be beneficial owners of more than five percent of our common stock. The information on the persons listed below is based on Schedule 13G reports filed with the SEC. If you wish, you may obtain a copy of these reports from the SEC or view them at the SEC s website.

Name and Address of Beneficial Owner	Number of Shares of Common Stock(7)	Percent of Class
Wasatch Advisors, Inc.(1)	1,437,536	8.8%
T. Rowe Price Associates, Inc.(2)	1,402,150	8.6
Lord Abbott & Co.(3)	1,196,165	7.3
DF Dent & Company, Inc.(4)	1,137,416	7.0
Wells Fargo Company(5)	1,134,425	7.0
Artisan Partners Ltd. Partnership(6)	970,800	5.9

(1) The address of Wasatch Advisors, Inc. is 150 Social Hall Avenue, Salt Lake City, Utah 84111.

(2) The business address of T. Rowe Price Associates, Inc. is 100 East Pratt Street, Baltimore, Maryland 21202. These securities are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(3) The address of Lord Abbott & Co. is 90 Hudson Street, 11th Floor, Jersey City, NJ 07302.

(4) The address of DF Dent & Company, Inc. is 2 East Read Street, 6th Fl., Baltimore, Maryland 21202.

(5) The address of Wells Fargo Company is 420 Montgomery Street, San Francisco, California 94163.

(6) The address of Artisan Partners Ltd. Partnership is 875 East Wisconsin Ave. Ste 800, Milwaukee, Wisconsin 53202.

(7) Beneficial ownership is a technical term broadly defined by the SEC to mean more than ownership in the usual sense. So, for example, you beneficially own Keystone common stock not only if you hold it directly, but also if you directly or indirectly (through a relationship, a position as a director or trustee, or a contract or understanding), have (or share) the power to vote the stock, to invest it, to sell it, or you currently have the right to acquire it or the right to acquire it within 60 days of June 23, 2006.

How Much Stock is Owned by Directors and Executive Officers?

The following table shows, as of June 23, 2006, the Keystone common stock that our directors and the executive officers named in the Summary Compensation Table under How Do We Compensate Executive Officers?, beneficially own and those shares of common stock owned by all persons who were executive officers and directors at June 23, 2006 as a group.

Name of Beneficial Owner(1)	Number of Shares of Common Stock(2)(3)	Percent of Class(4)
Richard L. Keister(5)	79,450	*
D. Currey Hall(6)	71,667	*
Christopher Northup(7)	41,000	*
Carl Hartman(8)	24,167	*
Ronald G. Foster	13,907	*
Timothy C. McQuay(9)	13,760	*
Keith M. Thompson(10)	11,760	*
Daniel G. Morrissey(11)	10,667	*
James Robert Gerrity	6,451	*
Stephen A. Rhodes	6,270	*
John R. Moore	1,770	*
All directors and executive officers as a group (19 persons)(12)	325,438	2.0%

* Less than one percent.

(1) The business address of each beneficial owner is 700 East Bonita Avenue, Pomona, California 91767.

(2) Each person has sole voting and investment power over the shares of Common Stock shown as beneficially owned, subject to community property laws where applicable.

(3) See footnote 7 to table under Which Stockholders Own at Least 5% of Keystone? above, for the definition of beneficial ownership.

(4) Shares of Common Stock which the person (or group) has the right to acquire within 60 days after June 23, 2006 are included in the table and are deemed to be outstanding in calculating the percentage ownership of the person (or group) but are not deemed to be outstanding as to any other person (or group).

(5) Includes 15,000 shares of restricted stock subject to forfeiture and 17,000 shares issuable upon exercise of currently exercisable stock options and excludes 184,000 shares subject to options which are not exercisable within 60 days of June 23, 2006 and up to 55,000 shares which may be issued pursuant to an award of performance-based shares based upon the Company s performance over the five fiscal years ending with fiscal 2011.

(6) Includes 71,667 shares issuable upon exercise of currently exercisable stock options and excludes 35,291 shares subject to options which are not exercisable within 60 days of June 23, 2006 and up to 5,564 shares which may be issued pursuant to an award of performance-based shares based upon the Company s performance over the three fiscal years ending with fiscal 2009.

(7) Includes 32,500 shares issuable upon exercise of currently exercisable stock options and excludes 27,718 shares subject to options which are not exercisable within 60 days of June 23, 2006 and up to 4,174 shares which may be issued pursuant to an award of performance-based shares based upon the Company s performance over the three fiscal years ending with fiscal 2009.

(8) Includes 24,167 shares issuable upon exercise of currently exercisable stock options and excludes 32,791 shares subject to options which are not exercisable within 60 days of June 23, 2006 and up to 5,564 shares which may be issued pursuant to an award of performance-based shares based upon the Company s performance over the three fiscal years ending with fiscal 2009.

(9) Includes 7,853 shares issuable upon exercise of currently exercisable stock options.

(10) Includes 7,853 shares issuable upon exercise of currently exercisable stock options.

(11) Includes 7,667 shares issuable upon exercise of currently exercisable stock options and excludes 20,291 shares subject to options which are not exercisable within 60 days of June 23, 2005 and up to 5,564 shares which may be issued pursuant to an award of performance-based shares based upon the Company s performance over the three fiscal years ending with fiscal 2009.

(12) Includes 208,707 shares subject to currently exercisable stock options held by all directors and executive officers and 35,000 shares of restricted stock subject to forfeiture and excludes 391,205 shares subject to stock options which are not exercisable within 60 days of June 23, 2006 and up to 106,754 shares which may be issued pursuant to awards of performance-based shares.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires insiders including our executive officers, directors and beneficial owners of more than 10% of our common stock, to file reports of ownership and changes in ownership of our common stock with the SEC, and to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of copies of such forms received by us, we believe that our insiders complied with all applicable Section 16(a) filing requirements during fiscal 2006.

INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors

The Board of Directors oversees the business and affairs of Keystone and monitors the performance of management. In accordance with established Company corporate governance principles, the Board does not involve itself in day-to-day operations.

The Board met nine times during fiscal 2006. Each director attended at least 75% of the total number of board meetings and committee meetings of which the director was a member held in fiscal 2006.

How Do We Compensate Directors?

Effective November 1, 2005, Board members, except for Richard L. Keister, the President and Chief Executive Officer of the Company, receive an annual retainer with a value of $72,000, with $36,000 being paid quarterly in cash and an annual grant of restricted stock with a fair market value of $36,000 based upon the closing price of the Company s Common Stock on the date of the annual stockholders meeting. The restrictions on transfer of the shares lapse on the day prior to the next annual meeting of stockholders. In addition, Ronald G. Foster is paid $85,000 per year for services rendered as Chairman of the Board. Directors are also reimbursed for all reasonable and documented expenses incurred as Board members.

In addition to the above, the Chairman of each of the Audit, Compensation and Nominating Committees receives an annual retainer of $10,000, $7,500 and $6,500, respectively. Members of each of the Committees receive $1,250 for each Committee meeting attended.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee for fiscal 2006 were Keith M. Thompson, Timothy C. McQuay and John R. Moore and, except as follows, no member of this committee was at any time during fiscal 2006 or at any other time an officer or employee of the Company. Mr. Thompson was an employee of the Company from June 1998 through November 1998. No interlocking relationship exists between Keystone s executive officers, members of the board of directors or compensation committee and any executive officer or member of the board of directors or compensation committee of any other company.

Certain Relationships and Related Transactions

In March 1999, the Company acquired substantially all of the assets of Midwest Bumper Company and related entities (Midwest) from Carl Martin and Carl Hartman, currently a Vice President of the Company. In connection with the acquisition, the Company entered into five-year leases with Mr. Martin, his family or an affiliated entity, on seven properties used by Midwest in its operations. The leases each had an option to extend for an additional five-year term. In addition, the Company entered into a five-year lease with Mr. Hartman for a property also used in Midwest s operations. Mr. Hartman was elected a Vice President of the Company in May 2001.

When these leases were nearing the expiration of the original term, management began negotiations with Mr. Martin and Mr. Hartman concerning extending the terms for an additional five years. Extension agreements were reached in March 2004. Because Mr. Hartman is paid six percent of base rents for managing each of the properties, the extension agreements were subject to approval as to their terms by the Company s audit committee and review of the leases by legal counsel. The leases with Mr. Martin, his family and an affiliated entity provide for aggregate base rents over the five-year term of $2,180,643 and the aggregate base rent over the five-year term for the property being leased from Mr. Hartman is $65,353. In addition, all the leases provide for reimbursement to the landlord for certain operating expenses.

After reviewing the terms of the leases and the rental market in the Grand Rapids, Michigan area, in May 2004, the Audit Committee concluded that the lease terms were fair, were no less favorable than could have been obtained from an unaffiliated party in an arms-length transaction and that entering into the leases was in the best interests of the stockholders. Leases on each of the properties were entered into effective June 1, 2004 with a five-year renewal option.

In connection with the acquisition of substantially all of the assets of Veng USA LLC (Veng) in October 2005 from an entity beneficially owned by Scott T. Edwards, the Company assumed a lease on Veng s principal offices in Seekonk, Massachusetts, which was revised to a month-to-month gross lease and a lease on Veng s location in Sutton, Massachusetts. The lessor in both leases was an entity beneficially owned by Mr. Edwards. The monthly rental on the Seekonk property is $22,083 and the triple-net lease on the Sutton property expires on September 30, 2010 with monthly rent of $10,000 through the end of September 2007 and $10,500 until the lease expires. Mr. Edwards was elected a Vice President of the Company effective October 31, 2005.

PROPOSAL NUMBER 1

ELECTION OF DIRECTORS

Nominees

A board of seven directors is to be elected at the Annual Meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company s seven nominees named below, all of whom are presently directors of the Company. If any nominee of the Company is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for the nominee designated by the present board of directors to fill the vacancy. It is not expected that any nominee will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next annual meeting or until a successor has been elected and qualified. Each person nominated for election has agreed to serve if elected.

The Board of Directors unanimously recommends that the stockholders vote FOR the nominees listed below:

Information Concerning Nominees

Set forth below is certain information with respect to the nominees standing for election to the Board of Directors.

Name	Age	Position with the Company	Director Since
Ronald G. Foster	64	Chairman of the Board	2000
James Robert Gerrity(1)(3)(4)	64	Director	2004
Richard L. Keister	60	Director	2004
Timothy C. McQuay(1)(2)	54	Director	1996
John R. Moore(2)	70	Director	2005
Stephen A. Rhodes(1)(3)	67	Director	2005
Keith M. Thompson (2)(3)	65	Director	1999

(1) Member of Audit Committee

(2) Member of Compensation Committee

(3) Member of the Nominating Committee

(4) Lead independent director

RONALD G. FOSTER was elected a director of the Company by stockholders in August 2000 and was elected Chairman of the Board by the directors immediately thereafter. Mr. Foster has been a consultant since he left the automotive division of Tenneco, Inc. in October 1993, specializing in acquisitions, joint ventures, turnaround situations and quality systems such as QS9000. For the prior 25 years, he had held various positions within the automotive division, most recently as the Senior Vice President of Tenneco Automotive and General Manager of Monroe Auto Equipment Company, the world s largest manufacturer of ride control systems.

JAMES ROBERT GERRITY held the offices of Senior Vice President and Chief Financial Officer and subsequently, President, and was a director of Dyneer Corporation from 1970 until 1993, during such period when that company was both publicly traded and later privately owned. Since that time, Mr. Gerrity has been involved in numerous investment banking and consulting assignments and private investing activities. Currently, Mr. Gerrity is a director of Delco Remy International, Inc., which has an issue of publicly-traded bonds outstanding.

RICHARD L. KEISTER was the President of the Aftermarket Division of Delco Remy International, Inc. (Delco Remy) from October 2001 until he joined the Company as an employee in June 2004. He became the

President and Chief Executive Officer of the Company in August 2004. Prior to that he had been President of the Delco Remy Electrical Aftermarket business unit since 1997. Prior to 1997, he was President of World Wide Automotive, the predecessor company of which was co-founded by Mr. Keister in 1976 and acquired by Delco Remy in 1997.

TIMOTHY C. MCQUAY was elected a director of the Company upon the completion of its initial public offering in June 1996. Mr. McQuay joined A. G. Edwards & Sons, Inc. as a senior member of its Investment Banking Department in July 1997, where he is currently a Managing Director. From October 1994 to July 1997, Mr. McQuay was Managing Director Corporate Finance with Crowell, Weedon & Co. From May 1993 to October 1994, Mr. McQuay was Vice President, Corporate Development with Kerr Group, Inc., a NYSE-listed plastics manufacturing company. From May 1990 to May 1993, Mr. McQuay was Managing Director Merchant Banking with Union Bank. Mr. McQuay is a director of Meade Instruments Corp., a publicly held company.

JOHN R. MOORE is an advisor to Peer, Inc. and is currently an advisor to the Integrated Components Division of ATF, both are private companies. Mr. Moore is a member of the Board of Directors and Executive Committee of the Lake Forest Graduate School of Management, Lake Forest, Illinois and is a Trustee of the University of Colorado Foundation. Mr. Moore joined Midas International Corporation in the mid-sixties and from 1984 until he retired in January 1999, he served as its President and Chief Executive Officer. He joined the Board of Directors of the Company in February 2005.

STEPHEN A. RHODES holds degrees in Mechanical Engineering from Washington State University, where he served on the faculty. After leaving the university, he spent his career in the automotive and mobile equipment components markets. He became a director of Hitachi Metals America in 1993 and served as the president of its casting products division until 2003, at which time he retired. He joined the Board of Directors of the Company in February 2005.

KEITH M. THOMPSON was the President and Chief Executive Officer of Republic Automotive Parts, Inc. (Republic) from 1986 until he resigned and retired on November 30, 1998. Republic was acquired by the Company in June 1998.

There are no arrangements or understandings between any director, or any nominee, or any other person pursuant to which such director or nominee is or was nominated to serve as a director. There is no family relationship among any directors or executive officers of the Company.

EXECUTIVE OFFICERS

The following table sets forth certain information regarding the executive officers of the Company.

Name	Age	Position	Years Employed by Company
Ronald G. Foster	64	Chairman of the Board	5
Richard L. Keister	60	President, Chief Executive Officer and Director	2
Jeffrey T. Gray	41	Vice President and Chief Financial Officer	*
Robert E. Hedrick	58	Vice President Chief People Officer	*
Jesus V. Arriaga	43	Vice President Chief Information Officer	6
Charles Fischer	49	Vice President Supply Chain Management	2
James T. Tuttle	49	Vice President Finance	7
James C. Lockwood	68	Vice President General Counsel and Secretary	9
Scott T. Edwards	42	Vice President Operations	*
D. Currey Hall	40	Vice President Operations	17(1)
Carl F. Hartman	52	Vice President Operations	26(2)
Arnold B. Kohorst	53	Vice President Operations	27(3)
Daniel G. Morrissey	48	Vice President Operations	30
Christopher Northup	46	Vice President Operations and Marketing	23

* Less than one year.

(1) Includes years of service at Fenders & More, Inc., acquired by the Company in 1999.

(2) Includes years of service at Midwest Bumper Company, acquired by the Company in 1999.

(3) Includes years of service at North Star and affiliated entities, acquired by the Company in 1997.

JEFFREY T. GRAY joined the Company in April 2006 as Vice President and Chief Financial Officer. From October 2004 to December 2005, Mr. Gray served as Executive Vice President and Chief Financial Officer of Advance Auto Parts (Advance), a publicly traded auto parts retailer. From August 2003 until October 2004, Mr. Gray was a Senior Vice President and Chief Financial Officer, and prior to that time, served in various positions with Advance beginning in 1994, including vice president of inventory management. Mr. Gray is a certified public accountant.

ROBERT E. HEDRICK joined the Company in May 2006 as Vice President and Chief People Officer. From May 2001 until April 2005, Mr. Hedrick served as the Senior Vice President of Human Resources of Advance. From January 1997 to May 2001, he served in a similar capacity for Foodbrands America. Previous to that, he served in various HR roles with Sara Lee Corporation for 20 years.

JESUS V. ARRIAGA joined the Company in November 2000 as its Chief Information Officer. He was appointed Vice President Chief Information Officer in September 2004. From March 2000 until he joined the company, Mr. Arriaga was Vice President/Chief Technology Officer of TheBigHub.com, Inc., an eCommerce company. From October 1999 to March 2000, Mr. Arriaga was Vice President/Chief Technology Officer for eKube, Inc. an Internet start-up company, and was Chief Information Officer for Goodwill Industries of Orange County from November 1997 to October 1999.

CHARLES FISCHER was appointed Vice President Supply Chain Management in November 2004. From October 2003 until he joined the Company, he was selling supply chain engineering services for Modern Engineering. From 1998 until 2003, Mr. Fischer was Director of Automotive Industry Consulting at Viewlocity Inc., a private supply chain software company.

JAMES T. TUTTLE joined the Company in January 1999 as Corporate Controller and was elected Vice President Finance in February 2006. Mr. Tuttle is a certified public accountant.

JAMES C. LOCKWOOD joined the Company in April 1997 and was appointed Vice President General Counsel and Secretary in May 1997. From July 1985 until he joined the Company in April 1997, Mr. Lockwood was a member of the law firm of Troy & Gould Professional Corporation. Mr. Lockwood is a member of the Board of Directors of Movie Gallery, Inc., a publicly held company.

SCOTT T. EDWARDS joined the Company in October 2005 when he was elected Vice President Operations. For the prior six years, Mr. Edwards was the President of Veng USA, which business was acquired by the Company in October 2005.

D. CURREY HALL was elected a Vice President of the Company in August 2000. Mr. Hall was a Vice President of Fenders & More, Inc. from May 1989 to July 1997, when he became President of that company, a position which he occupies at the present time. Mr. Hall has been a member of the Board of Directors of the Aftermarket Body Parts Association since 1997.

CARL F. HARTMAN was elected a Vice President of the Company in May 2001. Mr. Hartman was employed by Midwest Bumper Company and related companies from September 1979 until it was acquired by the Company in March 1999. He occupied various positions with those companies, beginning as a sales manager and immediately prior to the acquisition he was Vice President and General Manager. Mr. Hartman served on the Board of Directors of the Aftermarket Body Parts Association for 17 years and the Bumper Recyclers Association of North America for 3 years. He was a member of the CAPA Technical Committee for nine years and is currently a member of the CAPA Board of Directors.

ARNOLD B. KOHORST was elected a Vice President of the Company in August 2003. Mr. Kohorst was employed by North Star and affiliated entities in various capacities from February 1979 until it was acquired by the Company in 1997. From 1997 until early 2003, Mr. Kohorst was the regional manager of the Minneapolis division and was the Midwest region general manager from early 2003 until he was elected a Vice President.

DANIEL G. MORRISSEY has been employed by the Company since early 1976. He has held a number of positions with the Company including general manager, regional manager and more recently was appointed a Vice President in September 2004. Mr. Morrissey was a member of the CAPA Technical Committee for six years.

CHRISTOPHER NORTHUP has served as a Vice President of the Company since October 1996. From 1987 until October 1996, Mr. Northup served as the National Marketing Director. From his joining the Company in 1983 until 1987, Mr. Northup held the position of Sales and Marketing Manager.

How Do We Compensate Executive Officers?

The following table sets forth all compensation paid by Keystone for each of the fiscal years ended in 2006, 2005 and 2004 to (1) our Chief Executive Officer and (2) the four other most highly compensated executive officers who held these offices at the end of the Company s 2006 fiscal year (Named Executive Officers).

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	**Year**	**Salary($)**	**Bonus($)**	**Other Annual Compensation ($)(2)**	**Restricted Stock Awards ($)**	**Securities Underlying Options(#)**	**All Other Compensation ($)(3)**
Richard L. Keister(1)	2006	$ 467,500	$ 350,905	$ 16,176		51,000	$ 16,160
President and Chief	2005	349,908	340,000	11,133	$ 823,800		267,766
Executive Officer							
Christopher Northup	2006	217,735	146,502	9,262		15,000	11,766
Vice President	2005	218,885	65,080	9,841		15,000	12,647
	2004	206,616	70,355	9,138		15,000	14,197
D. Currey Hall	2006	219,980	156,417	9,929		20,000	6,170
Vice President	2005	218,885	25,399	10,692		20,000	7,075
	2004	210,769	106,611	12,219		20,000	6,814
Carl F. Hartman	2006	219,980	156,417	2,228		20,000	10,927
Vice President	2005	218,885	34,196	2,229		15,000	11,631
	2004	204,616	52,972	2,229		15,000	8,941
Daniel G. Morrissey	2006	210,215	148,975	1,672		20,000	6,035
Vice President	2005	196,154	53,783	1,120			3,839

(1) Mr. Keister joined the Company on June 1, 2004 and was elected its President and Chief Executive Officer on August 18, 2004. At March 31, 2006, Mr. Keister held 22,500 shares of restricted stock having a value, based upon the closing price of the Company s Common Stock on March 31, 2006, of $949,725. These shares would be entitled to any dividends paid on the Company s Common Stock in the future.

(2) Consists of automobile lease and related expenses.

(3) Consists of reimbursement of medical and dental expenses not covered by insurance plans provided to employees generally, Keystone contributions to the Section 401(k) savings plan and excess group term life insurance. With respect to Mr. Keister, it also includes a moving allowance of $271,788 in fiscal 2005.

Certain executive officers of the Company, including Messrs. Keister, Northup, Hall and Hartman, have entered into Key Employee Salary Continuation Agreements. Each Key Employee Salary Continuation Agreement provides that in the event of a change in control of the Company followed by an involuntary termination of the executive within one year following the change in control, the executive is entitled to certain benefits. An involuntary termination includes a termination by the executive if there has been a reduction in base pay, material reduction in fringe benefits, a forced relocation, a material decrease in responsibilities or authority or any other material adverse change in the condition of employment. The benefits include a continuation of the annual base salary and fringe benefits for two years and an accelerated vesting of all stock options held by the executive.

Individual Option Grants to Executive Officers During Fiscal Year 2006

The following table sets forth certain information regarding stock options granted during fiscal 2006 to the individuals named in the Summary Compensation Table.

	Individual Grants				Potential Realizable Value at Assumed Annual Rate of Stock Price Appreciation for Option Term	
Name	Shares of Common Stock Underlying Options(1)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price	Expiration Date	5%	10%
Richard L. Keister	51,000	26.0	$ 25.23	July 6, 2015	$ 818,840	$ 2,075,100
D. Currey Hall	20,000	10.2	25.23	July 6, 2015	321,114	813,765
Carl F. Hartman	20,000	10.2	25.23	July 6, 2015	321,114	813,765
Daniel G. Morrissey	20,000	10.2	25.23	July 6, 2015	321,114	813,765
Christopher Northup	15,000	7.7	25.23	July 6, 2015	240,835	610,324

(1) The options vest in three equal annual installments, with the first installment having vested in July 2006.

Aggregated Option Exercises in Fiscal 2006 and Year-End Option Values

The following table sets forth for each of the individuals named in the Summary Compensation Table, certain information summarizing exercises of stock options as well as certain information concerning the number of shares subject to both exercisable and unexercisable stock options as of March 31, 2006. Also reported are values for in-the-money options that represent the positive spread between the respective exercise prices of outstanding options and the fair market value of Keystone common stock as of March 31, 2006.

Name	Shares Acquired On Exercise	Value(1) Realized	Number of Shares of Common Stock Underlying Unexercised Options at Year-End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at Year-End Exercisable/Unexercisable
Richard L. Keister			/ 51,000	/ 865,980
D. Currey Hall	16,750	$ 522,390	50,000 / 50,000	$ 1,231,200 / 941,000
Carl F. Hartman	45,000	1,287,000	3,750 / 46,250	60,413 / 880,688
Daniel G. Morrissey	1,750	57,100	1,000 / 20,000	36,680 / 339,600
Christopher Northup	5,000	119,575	33,750 / 41,250	810,263 / 795,788

(1) Value represents the aggregate difference between the option price and the market value at the date of exercise.

Employee Defined Benefit Pension Plan

General. The Board of Directors adopted the Employee Defined Benefit Pension Plan (the Pension Plan), originally effective as of April 1, 1978, for the benefit of the eligible employees of the Company. Since the implementation of the Pension Plan, the Company has amended the Pension Plan from time to time. The primary purpose of the Pension Plan was to provide a retirement benefit for participating employees who continue in the employ of the Company until their retirement. Effective April 30, 1997, the Pension Plan was suspended with no further benefits to accrue on behalf of any participant or beneficiary and no further contributions, except as may be required by law, to be made. It is anticipated that the Pension Plan will be terminated and that the termination will not have a material adverse impact on the financial condition of the Company upon that event. The Pension Plan has been replaced with the 401(k) Savings Plan described below.

Estimated Monthly Benefits. The following table sets forth the estimated monthly benefit under the Pension Plan based on the current benefit structure.

PENSION PLAN TABLE

Remuneration	Years of Service				
	15	20	25	30	35
$125,000	$ 1,172	$ 1,563	$ 1,953	$ 2,344	$ 2,734
150,000	1,407	1,875	2,344	2,813	3,281
175,000	1,407	1,875	2,344	2,813	3,281
200,000	1,407	1,875	2,344	2,813	3,281
225,000	1,407	1,875	2,344	2,813	3,281
250,000	1,407	1,875	2,344	2,813	3,281
300,000	1,407	1,875	2,344	2,813	3,281
400,000	1,407	1,875	2,344	2,813	3,281
450,000	1,407	1,875	2,344	2,813	3,281
500,000	1,407	1,875	2,344	2,813	3,281

The compensation covered by the Pension Plan includes basic salary or wages, overtime payments, bonuses, commissions and all other direct current compensation, but does not include contributions by the Company to Social Security, benefits from stock options (whether qualified or not), contributions to this or any other retirement plans or programs, or the value of any other fringe benefits provided at the expense of the Company. For benefit calculation purposes, a highest-five-year average of compensation is used. Benefits are paid as straight-life annuities with no subsidies or offsets. The compensation covered by the Pension Plan for all of the Named Executive Officers was limited to $150,000 in April 1997 when the Pension Plan was suspended, in accordance with Section 401(a)(17) of the Internal Revenue Code of 1986, as amended.

The years of credited service for each Named Executive who participates in the Pension Plan are as follows:

Name	Years
Christopher Northup	16
Daniel G. Morrissey	21
D. Currey Hall	6

401(k) Savings Plan

Effective April 1, 1997, the Section 401(k) Savings Plan (the Savings Plan) in effect at North Star Plating Company (acquired by the Company in March 1997) was amended to make the Savings Plan available to employees of the Company. Pursuant to the amendment, the Company became the Savings Plan sponsor and North Star became an adopting employer. All employees of the Company as of April 1, 1997, became participants in the Savings Plan and the amendment had no affect upon those persons who were employed at North Star on April 1, 1997. Persons becoming employees of the Company subsequent to April 1, 1997 are not eligible to participate until they complete one year of service and are at least 21 years of age.

Under the terms of the Savings Plan, participants can contribute, by way of payroll deductions, up to 50% of their pre-tax compensation annually, subject to certain legal limitations. The Savings Plan also provides for a matching contribution by the Company equal to 50% of the first 6% of a participant s contribution. For purposes of determining the amount of contributions and matching contributions to be allocated to a participant s account, compensation is defined as the annual income amount reportable by the Company for federal income tax purposes, including overtime, commissions and bonuses but excluding stock compensation, moving allowances and non-cash fringe benefits.

A participant is always 100% vested in his own Savings Plan contributions. A participant becomes 100% vested in the matching contributions allocated to his account upon the earliest to occur of four years of service, normal retirement age (age 65), disability while employed by the Company, death while employed by the Company or the termination or complete discontinuance of contributions to the Savings Plan.

If a participant terminates employment with the Company for any other reason, a participant vests 25% in his benefits after one year of service, and 25% each year thereafter, with 100% vesting after four or more years of service.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The Company is committed to having sound corporate governance principles, which it believes is important in operating its business and maintaining its reputation in the marketplace.

Board Independence

The Board has determined that each of the directors currently on the Board is independent under the listing standards of the NASDAQ stock market, except for Ronald G. Foster, the Chairman of the Board and Richard L. Keister, the President and Chief Executive Officer. Furthermore, each member of its Audit, Compensation and Nominating Committees is independent under applicable NASDAQ listing standards. Following this meeting, it is anticipated that all members of these Committees will be independent under applicable NASDAQ listing standards.

Board Structure and Committee Composition

As of the date of this proxy statement, the Company s Board has seven directors and has the following three standing committees: (1) Audit, (2) Compensation and (3) Nominating. The membership during the last year and the function of each of the committees are described below. Each of the committees operates under a written charter adopted by the Board. Each of these committee charters is available on the Company s website at http://www.keystone-auto.com.

The Audit Committee

Directors McQuay, Gerrity and Rhodes currently serve as members of the audit committee. The audit committee met eight times during fiscal 2006.

The Board adopted and approved an amended and restated charter for the audit committee in May 2004, replacing the charter adopted in May 2000. The Board has determined that all members of the Audit Committee are independent as that term is defined in Rule 4200 of the NASDAQ listing standards and Rule 10A-3 (c) of the Securities Exchange Act, as amended. The Board has also determined that Mr. McQuay is an audit committee financial expert as defined by the SEC.

The Audit Committee, among other duties:

- appoints and retains, evaluates performance and, when appropriate, terminates the outside auditors;
- approves in advance all audit and permissible non-audit services to be provided by the outside auditors;
- reviews and discusses with outside auditors the scope of the audit, the results of the annual audit examination and any difficulties or issues the auditors encountered in the course of their work;
- discusses with management and the outside auditors the adequacy and effectiveness of the Company s internal financial and accounting controls and disclosure controls;
- reviews and discusses with management and the outside auditors the annual audited and quarterly financial statements, including such reports to any governmental or regulatory body;
- prepares the report of the Audit Committee to be included in the Company s annual meeting proxy statement; annually reviews the Audit Committee charter and evaluates the committee s performance;

- reviews conflicts of interest and related party transactions; and
- oversees the internal audit function.

The Compensation Committee

Directors Thompson, McQuay and Moore currently serve as members of the compensation committee. The compensation committee met five times during fiscal 2006.

In May 2004, the Board adopted a written charter for the Compensation Committee. Under this charter, the Compensation Committee among other duties:

- administers and makes recommendations to the Board with respect to the Company s incentive compensation and equity-based plans for executive officers;
- reviews and approves the Company s corporate goals and objectives relevant to the CEO s compensation, evaluates the CEO s performance in light of those goals and objectives, and based on this evaluation, recommends the CEO s compensation level to the Board;
- evaluates the performance of executive officers other than the CEO and considers and authorizes or makes recommendations to the Board concerning compensation arrangements for executive officers;
- reviews and recommends employment agreements and severance agreements for senior management;
- annually evaluates its performance, and reviews and assesses the adequacy of its charter; and
- prepares the report of the Compensation Committee to be included in the Company s annual meeting proxy statement.

The Nominating Committee

Directors Gerrity, McQuay and Thompson currently serve as members of the Nominating Committee. The Nominating Committee met two times in fiscal 2006. It considers, and proposes to the full Board, director nominees for election at each annual meeting; selects candidates to propose to fill Board vacancies as they may occur; has oversight with respect to the evaluation of the performance of the Board; and performs any other functions or duties deemed appropriate by the Board.

The Nominating Committee will accept for consideration stockholders nominations for directors if made in writing. The nominee s written consent to the nomination and sufficient background information on the candidate must be included to enable the Committee to make proper judgments as to his or her qualifications. Nominations must be addressed to the Secretary of the Company at the Company s headquarters and must be received no later than May 11, 2007 in order to be considered for the next annual election of directors.

Consideration of Director Nominees

Stockholder Nominees

It is the policy of the Nominating Committee to consider properly submitted stockholder nominations for candidates for membership on the Board as described below under Identifying and Evaluating Nominees for Directors. In evaluating such nominations, like all nominations, the Board s criteria will include business experience and skills, academic expertise, independence, integrity, experience as a board member of another publicly held company, the absence of potential conflicts with the Company s interests and the candidate s general understanding of marketing, finance and other elements relevant to the success of a publicly-traded company in today s business environment. Any stockholder nominations proposed for consideration by the Nominating Committee should include the nominee s name and qualifications for Board membership and should be addressed to the Nominating Committee c/o Corporate Secretary, Keystone Automotive Industries, Inc., 700 E. Bonita Avenue, Pomona, California 91767.

In addition, the bylaws of the Company permit stockholders, under certain circumstances, to nominate directors for consideration at an annual meeting of the stockholders. Under the Company s bylaws, nominations for election of directors may be made by the Board or by any stockholder entitled to vote in the election of directors; provided that no stockholder may nominate a person for election as a director unless written notice of such nomination is presented to the Company not later than 90 days prior to the day and month on which, in the

immediately preceding year, the annual meeting was held. Nominations for the 2007 Annual Meeting must be received on or before May 11, 2007. If no such nominations are received by that date, no other nominees for election as director will be considered at that Meeting except for nominations made by the Board in the event one or more of the nominees named in the proxy statement should unexpectedly be unavailable.

Identifying and Evaluating Nominees for Directors

The Committee will utilize a variety of methods for identifying and evaluating nominees for director. The Nominating Committee s policy is to assess the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Nominating Committee will consider various potential candidates for director. Candidates may come to the attention of the Nominating Committee through current Board members, stockholders or other persons. These candidates will be evaluated at regular or special meetings of the Nominating Committee and may be considered at any point during the year. As described above, the Nominating Committee will considered properly submitted stockholder nominations for candidates for the Board. Following verification of the stockholder status of persons proposing candidates, recommendations will be aggregated and considered by the Nominating Committee at a regularly scheduled meeting. If any materials are provided by a stockholder in connection with the nomination of a director candidate, such materials will be forwarded to the Nominating Committee.

Lead Independent Director and Executive Sessions

In July 2004, the Board created a new position of lead independent director, whose responsibilities include presiding over and setting the agenda for executive sessions of the independent directors, in which management directors and other members of management do not participate. These executive sessions of the independent directors will take place at least four times a year. The lead independent director also consults with the Chairman of the Board and the Chief Executive Officer of the Company with respect to agendas, scheduling and information needs relating to Board and committee meetings, and acts as a liaison between the independent directors and management. The independent members of the Board of Directors have decided to rotate the position of lead independent director among the independent directors on the Board. Mr. Gerrity is currently the lead independent director to serve until this annual meeting of stockholders.

Communications with the Board

Individuals may communicate with the Board by writing to Board of Directors of the Company, c/o Corporate Secretary, Keystone Automotive Industries, Inc., 700 E. Bonita Avenue, Pomona, California 91767. The Company s Corporate Secretary will forward all correspondence to the Board of Directors, except for spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate materials. The Company s Corporate Secretary may forward certain correspondence, such as product-related inquiries, elsewhere within the Company for review and possible response. Communications that are intended specifically for non-management directors should be sent to the attention of the Lead Independent Director, at the above address.

It is the policy of the Board, but not a requirement, that all Board members attend the annual meetings of stockholders. All directors attended last year s meeting.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics, which is applicable to all Company directors, executive officers and employees, including the principal executive officer and the principal financial and accounting officer. The Code of Business Conduct and Ethics is available on the Company s website at http://www.keystone-auto.com. The Company will post amendments to or waivers under this Code at this location on its website.

REPORTS OF THE COMPENSATION COMMITTEE

AND AUDIT COMMITTEE

The following Compensation Committee s Report on Executive Compensation and Audit Committee s Report shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulations 14A or 14C of or to the liabilities of Section 18, of the Securities Exchange Act of 1934, as amended (the Exchange Act), and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, notwithstanding any general incorporation by reference of this proxy statement into any other document.

Report of the Compensation Committee

General

The Compensation Committee of the Board of Directors (the Compensation Committee), which is responsible for establishing and administering the policies that govern executive compensation and benefit practices, furnishes the following report on executive compensation for fiscal 2006. The Committee is comprised entirely of independent directors. Its decisions regarding executive compensation, including the pay of the Chief Executive Officer, are submitted to the Company s Board of Directors for ratification. The Compensation Committee is comprised of Messrs. McQuay, Moore, and Thompson.

To assist the Committee in reviewing the compensation practices at the Company, it retains an independent executive compensation consultant. The consultant reports directly to the Committee, and the Committee has the sole authority to hire or terminate the consultant. The role of the consultant is to serve the Company, and to provide the Committee with information on competitive practices and pay levels, and to advise the Committee on executive compensation issues. The consultant does not recommend specific pay levels for executives.

Philosophy of Executive Officer Compensation and Elements Used

The Company s Executive Officer compensation program is designed to:

1. Pay market competitive compensation that enables the Company to attract top quality executive talent.

2. Reward executives for Company performance and increases in stockholder value.

3. Effectively recognize individual contributions to Company success.

In Fiscal 2006, the Company s executive compensation program to executives had the following elements:

- Base salary;

- An annual performance-based cash incentive;

- Grants of stock options; and

- Benefits.

In the Committee s view, this multi-component approach best serves the interest of the Company and its stockholders. It enables us to meet the requirements of the highly competitive business environment for executive talent, while ensuring that executive officer compensation advances stockholders short- and long-term interests. In general, the Company seeks to encourage and reward both profitable growth and operational efficiency. Under the Company s incentive plans, the Committee makes awards related to achievement in these areas of performance.

The Committee seeks to ensure that a high proportion of the Company s executive officers current compensation is at risk. The only guaranteed forms of officer compensation are base salaries and benefit plans; with the remainder of compensation being earned through performance.

Competitive Compensation for Executives

The Committee reviewed a competitive study of compensation performed by its consultant. The study examined the Company s executive compensation levels versus market by element (base pay, annual incentives and long-term incentives) and in total. In doing so, the value of each of our pay elements was compared to information available in existing survey databases for companies with similar revenues as the Company.

On average, Keystone s salaries and targeted cash compensation (salary plus annual incentive) are slightly below competitive levels. When long term incentive (stock option) grants are added, compensation is, on average, slightly above the competitive median.

Approach to Determining Executive Pay

Base Salaries. Executive officers are eligible for salary increases annually. The Committee reviews and approves recommendations from the Chief Executive Officer (CEO) with respect to changes in other executive officers salaries. The CEO s recommendations take into account factors such as the officer s performance and overall contribution, competitive rates of salary increase and the level of each officer s salary versus competitive levels. Individual executive officer performance factors include financial performance, management effectiveness, and organization development. For Fiscal 2006, the average executive salary increase was approximately 4.0% of salary.

Annual Incentives. Keystone s annual incentive plan provides for performance-based cash awards for executive officers. In Fiscal 2006, there were 10 participants in the plan.

The Fiscal 2006 plan was based on Company performance relative to financial goals of Earnings per Share growth and Return on Invested Capital. These goals were designed to encourage both profitable growth and the efficient use of capital, thus improving stockholder value. The award earned is based on a schedule that combines performance on each metric.

Each executive role has a dollar target that is an established as a percent of base salary. For current executive officers, this percentage ranges from 30% to 60% for the CEO. If a threshold level of performance on either metric is not met, the incentive award would be zero. The maximum award for executive officers is three times the target award.

Corporate executive officer performance is judged solely on Company wide achievement; for the five Operating Vice Presidents, their awards are based 50% on corporate metrics and 50% on the earnings for their Division versus budget.

In Fiscal 2006, the Company experienced strong financial performance. Corporate performance was 125.1% of target; Operating Vice Presidents had performances that resulted in awards ranging from 131.5% to 158.4% of target.

The Compensation Committee has the ability to make discretionary adjustments to awards under the annual incentive plan, but expects to exercise this discretion rarely, or in unusual circumstances. The Committee made no discretionary adjustments to awards in Fiscal 2006.

The design of the annual incentive plan will remain similar for Fiscal 2007, including the level of individual target awards as a percentage of salary, performance metrics, and payout determination.

Long-Term Incentives. In Fiscal 2006, the Company granted equity awards to executive officers under the 2005 Omnibus Incentive Plan in the form of stock options. Stock options are granted to encourage absolute stock price growth.

In general, stock options are granted to executive officers upon promotion, and ongoing grants are made annually in July. Options granted in Fiscal 2006 were at fair-market value, and had a three-year vesting schedule and a ten-year term. In recent years, restricted stock grants have been made to newly hired executive officers.

For each executive officer, there is a dollar value guideline for long term incentive awards that reflects competitive long-term incentive grant levels and relative importance of each officer s role within the Company. This guideline is converted to a number of options using a Black-Scholes model. The CEO recommends grants for the other executive officers, making adjustments from the guideline to reflect performance. The Committee reviews the recommendation for the CEO s subordinates and determines the size of the award. It then applies a similar methodology to determine the CEO s equity grant.

Below the executive level, members of management are eligible for grants of time-vested restricted stock based on role and performance. In Fiscal 2006, these awards were made to 170 employees. The average grant for management recipients of restricted stock was approximately 300 shares.

The Company will implement FAS123R at the beginning of fiscal year 2007. The Committee has examined the accounting expense associated with past and planned future equity grants, and will be changing the long-term incentive design for Fiscal 2007 grants. The major change will be the implementation of a performance share plan that would apply to executive officers. It is expected that grants of performance shares will be made annually, with performance measured over the three year cycle. Stock options will still be granted, but the number of options granted to most executive officers will decrease.

Benefits and perquisites. We do not seek to use benefit programs or perquisites to attract or retain executives. Generally, executive officers participate in the Company s broad-based health and welfare, life insurance and 401(k) programs. The Company has a defined benefit pension plan which was open to all employees that was suspended in 1997; only three executive officers, Messrs. Hall, Morrissey and Northup, have any accrued benefits under that plan. The only executive perquisite provided to executive officers is the use of leased automobiles. In addition, all executive officers receive reimbursement for out-of-pocket, unreimbursed medical expenses up to $10,000 and reimbursement for tax and financial advice up to $2,500.

Accounting and Tax issues

Subject to the needs of our company, we generally attempt to design all incentive and equity-based programs to be deductible under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code).

Chief Executive Officer Compensation

Richard Keister was hired as the Company s CEO on June 1, 2004. This section summarizes his compensation for Fiscal 2006.

Mr. Keister was paid an annual salary of $467,500 for Fiscal 2006. This salary represented an increase of 10.0% over his Fiscal 2005 salary of $425,000. The salary increase reflected several factors: The Committee s assessment of his leadership in the implementation of new inventory, budgeting, and supply chain systems; the improvement of his management team and its effectiveness; and the progress made in addressing critical operational issues. It also reflected that his salary was well below competitive norms. Even with this increase, Mr. Keister s salary is below the market median of survey data reviewed by the Committee.

For Fiscal 2006, Mr. Keister had an annual incentive target of 60% of his base salary, or $280,500. Mr. Keister participated in the same annual incentive program as all other executive officers. His performance was based solely on corporate results related to Earnings per Share growth and Return on Invested Capital goals. Company performance relative to goals was determined to be 125.1% of plan; therefore, Mr. Keister s award was 125.1% of his target, or $350,906. His annual incentive target will remain 60% of his Fiscal 2007 base salary.

On July 7, 2005, Mr. Keister received a grant of 51,000 stock options. The size of the grant was intended to reflect strong performance in positioning the Company for future growth. According to our consultant, this grant had an economic value that was above median competitive long-term incentive levels, but within the third quartile of the market data. In addition, Mr. Keister received 30,000 restricted shares at the time of his hiring, one-fourth of which vest each June. Therefore, 7,500 shares vested in June 2005 and in June 2006, leaving 15,000 shares unvested.

Summary

The Compensation Committee believes that its executive compensation philosophy of paying its executive officers by means of base salaries, benefits, annual cash bonuses and long-term incentives, as described in this Report, is in the best interests of the Company and its stockholders.

Submitted By The Compensation Committee:

John R. Moore, Chairman

Timothy C. McQuay

Keith M. Thompson

Report of the Audit Committee

The following is the report of the Audit Committee with respect to the Company s audited financial statements for the fiscal year ended March 31, 2006, which include its consolidated balance sheets as of March 31, 2006, April 1, 2005 and March 26, 2004 and the related consolidated statements of operations, stockholders equity and cash flows for each of the three years in the period ended March 31, 2006 and the notes thereto.

The Audit Committee is responsible for overseeing the Company s financial reporting process on behalf of the Board of Directors. Management of the Company has the primary responsibility for the Company s financial reporting process and internal controls as well as preparation of its financial statements. The Company s independent registered public accounting firm is responsible for performing an audit of the Company s financial statements and internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and to issue reports thereon.

The Audit Committee has reviewed and discussed the Company s audited financial statements as of and for the year ended March 31, 2006 with management and the independent registered public accounting firm. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed under auditing standards generally accepted in the United States, including those matters set forth in Statement on Auditing Standards No. 61 (Communication with Audit Committees), as currently in effect. The independent registered public accounting firm has provided to the Audit Committee the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as currently in effect, and the Audit Committee has discussed with the registered public accounting firm their independence from the Company. The Audit Committee has also considered whether the independent registered public accounting firm s provision of other non-audit services to the Company is compatible with maintaining their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the Company s audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

Submitted by The Audit Committee:

Timothy C. McQuay, Chairman

James Robert Gerrity

Stephen A. Rhodes

AUDIT AND NON-AUDIT FEES

The Audit Committee requires pre-approval for all engagements with Ernst & Young LLP. The Audit Committee has also adopted policies and procedures for pre-approving all non-audit work performed by Ernst & Young LLP.

For the fiscal years ended March 31, 2006 and April 1, 2005, fees for services provided by Ernst & Young LLP were as follows:

		Fiscal 2006	2005
A.	Audit fees (1)	$ 714,553	$ 671,435
B.	Audit-related fees (2)	50,175	45,000
C.	Tax fees (3)	30,850	17,405
D.	All other fees (4)	2,465	2,500
	Total	$ 798,043	$ 736,350

(1) Primarily fees for professional services for the audit of the Company s consolidated financial statements and internal control over financial reporting included in its Annual Report on Form 10-K filed with the SEC and the review of financial statements included in Quarterly Reports on Form 10-Q filed with the SEC, or for services that are normally provided in connection with statutory and regulatory filings or engagements.

(2) Primarily fees billed for audits of the Company s employee benefit plans.

(3) Primarily fees for tax compliance, tax advice and tax planning.

(4) Primarily subscriptions for accounting and auditing research tools.

EQUITY COMPENSATION PLAN INFORMATION

	March 31, 2006		
	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	515,256	20.15	1,668,078
Equity compensation plans not approved by security holders			
Total	515,256	20.15	1,668,078

PROPOSAL NUMBER 2

RATIFICATION OF APPROVAL OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP has audited the Company s financial statements every year since the fiscal year ended in March 1977.

The Audit Committee and the Board of Directors has approved Ernst & Young LLP as the independent registered public accounting firm for the Company for the fiscal year ending March 30, 2007. The Audit Committee approves all audit and non-audit services provided to the Company by Ernst & Young LLP. Although not required to be voted upon by the stockholders, the Board of Directors deems it appropriate for the approval to be submitted for ratification by the stockholders. The persons named in the accompanying proxy will vote the Common Stock represented by the proxy for ratification of the approval of Ernst & Young LLP, unless a contrary choice has been specified in the proxy. If the stockholders do not ratify the approval of Ernst & Young LLP by a majority vote, the approval of the independent registered public accounting firm will be considered by the Audit Committee and the full Board of Directors, although the Company will not be required to retain a different independent registered public accounting firm. The Audit Committee retains the authority to approve another firm as the independent registered public accounting firm for the Company to replace a firm whose approval was ratified by the stockholders in the event the Audit Committee and the Board of Directors determines that the best interest of the Company warrants a change of its independent registered public accounting firm. A representative of Ernst & Young LLP is expected to be present at the annual meeting and will have the opportunity to make a statement if he or she desires to do so. Such representative is expected to be available to respond to appropriate questions.

The Board of Directors has approved the appointment of Ernst & Young LLP as the independent registered public accounting firm for the Company for Fiscal Year 2007 and unanimously recommends a vote FOR ratification of such appointment.

PERFORMANCE GRAPH

Set forth below is a line graph comparing the annual percentage change in the cumulative return to the holders of the Company s Common Stock with the cumulative return of the NASDAQ Stock Market (US Companies) Index and the following group of peer companies (the Peer Group): Autozone, Inc., LKQ Corporation, Genuine Parts Co., O Reilly Automotive, Inc. and Pep Boys Manny, Moe & Jack, for the period commencing with March 30, 2001 and ending March 31, 2006. The information contained in the performance graph shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference into such filing. The stock price performance on the following graph is not necessarily indicative of future stock price performance. The graph assumes that the value of the investment in the Company s Common Stock, the NASDAQ Market Index and the peer group of companies was each $100 on March 30, 2001 and that all dividends were reinvested.

INFORMATION ABOUT STOCKHOLDER PROPOSALS

Stockholders are advised that any stockholder proposal intended for inclusion in the Company s proxy materials for the 2007 Annual Meeting of Stockholders must be received by the Company on or before April 11, 2007. Any nominations to the Board of Directors, whether or not included in the proxy materials, must be received by the Company on or before May 11, 2007. Stockholders submitting proposals or nominating directors should submit them to the Company, c/o the Secretary of the Company, and utilize certified mail, return-receipt requested in order to ensure timely delivery.

By Order of the Board of Directors,

James C. Lockwood

Secretary

PROXY

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

700 East Bonita Avenue

Pomona, California 91767

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Ronald G. Foster, Richard L. Keister and Jeffrey T. Gray, and each of them, the attorneys and proxies of the undersigned with full powers of substitution to vote as indicated herein, all of the common stock (Keystone Common Stock), no par value, of Keystone Automotive Industries, Inc. (Keystone) held of record by the undersigned at the close of business on June 23, 2006, at the Annual Meeting of Keystone Stockholders to be held on August 9, 2006, at 10:00 a.m., Pacific Daylight Savings Time at the Doubletree Hotel, 222 N. Vineyard Avenue, Ontario, California 91764, or at any postponements or adjournments thereof, with all the powers the undersigned would possess if then and there personally present.

THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2 WHEN NO CHOICE IS INDICATED. In their discretion, the proxy holders are authorized to vote upon such other business as may properly come before the Meeting or any adjournments or postponements thereof.

SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE

PLEASE MARK YOUR CHOICE LIKE THIS x IN BLACK OR BLUE INK.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE

FOR ALL NOMINEES LISTED BELOW AND FOR PROPOSAL 2.

1. **ELECTION OF DIRECTORS** Vote withheld from the following nominees:	¨ **FOR** all nominees listed below (except as marked to the contrary)		¨ **WITHHOLD AUTHORITY** to vote for all nominees listed below.
	¨ Ronald G. Foster	¨ Timothy C. McQuay	¨ John R. Moore
	¨ James Robert Gerrity		
	¨ Richard L. Keister	¨ Keith M. Thompson	¨ Stephen A. Rhodes
2. **PROPOSALTO RATIFY THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**	¨ For ¨ Against ¨ Abstain		

THIS PROXY IS CONTINUED ON THE REVERSE SIDE. PLEASE DATE, SIGN AND RETURN PROMPTLY.

THE UNDERSIGNED HEREBY ACKNOWLEDGES RECEIPT OF THE NOTICE OF ANNUAL MEETING AND PROXY STATEMENT OF KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

(Signature should be exactly as name or names appear on this proxy. If stock is held jointly each holder should sign. If signature is by attorney, executor, administrator, trustee or guardian, please give full title.)

Dated: __________________________, 2006

____

Signature

____

Signature if held jointly

I plan to attend the meeting: YES ¨ NO ¨

t-family:inherit;font-size:8pt;">Vector Pipeline L.P.

50

2015
ANR Pipeline Company
224

2028
Panhandle Eastern Pipeline Company
75

2029

Properties

We own distribution, storage and transportation properties that are located in the State of Michigan. Our distribution system includes approximately 19,000 miles of distribution mains, approximately 1,162,000 service pipelines and approximately 1,311,000 active meters. We own approximately 2,000 miles of transmission pipelines that deliver natural gas to the distribution districts and interconnect our storage fields with the sources of supply and the market areas.

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

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

We lease a portion of our pipeline system to the Vector Pipeline Partnership (an affiliate) through a capital lease arrangement. See Note 18 of the Notes to Consolidated Financial Statements in Item 8 of the Report.

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Regulation

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

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

We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Notes 11 and 19 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

Energy Assistance Program

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to DTE Gas’s ability to control its uncollectible accounts receivable and collections expenses. DTE Gas’s uncollectible accounts receivable expense is directly affected by the level of government-funded assistance its qualifying customers receive. We work continuously with the State of Michigan and others to determine whether the share of funding allocated to our customers is representative of the number of low-income individuals in our service territory. We also partner with federal, state and local officials to attempt to increase the share of low-income funding allocated to our customers. Changes in the level of funding provided to our low-income customers will affect the level of uncollectible expense.

Strategy and Competition

Our strategy is to be the preferred provider of natural gas services in Michigan. We expect future sales volumes to decline due to reduced natural gas usage by customers due to more efficient furnaces and appliances, and an increased emphasis on conservation of energy usage. We continue to provide energy-related services that capitalize on our expertise, capabilities and efficient systems. We continue to focus on lowering our operating costs by improving operating efficiencies.

Competition in the gas business primarily involves other natural gas transportation providers, as well as providers of alternative fuels and energy sources. The primary focus of competition for end user transportation is cost and reliability. Some large commercial and industrial customers have the ability to switch to alternative fuel sources such as coal, electricity, oil and steam. If these customers were to choose an alternative fuel source, they would not have a need for our end-user transportation service. In addition, some of these customers could bypass our pipeline system and have their gas delivered directly from an interstate pipeline. We compete against alternative fuel sources by providing competitive pricing and reliable service, supported by our storage capacity.

Our extensive transportation pipeline system has enabled us to market 400 to 500 Bcf annually for intermediate storage and transportation services for Michigan gas producers, marketers, distribution companies and other pipeline companies. We operate in a central geographic location with connections to major Midwestern interstate pipelines that extend throughout the Midwest, eastern United States and eastern Canada.

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

GAS STORAGE AND PIPELINES

Description

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

Properties

The Gas Storage and Pipelines business holds the following property:

Property Classification	% Owned		Description	Location
Pipelines				
Vector Pipeline	40	%	348-mile pipeline connecting Chicago, Michigan and Ontario market centers	IL, IN, MI & Ontario
Millennium Pipeline	26	%	182-mile pipeline serving markets in the Northeast	NY
Bluestone Lateral	100	%	44-mile pipeline delivering Marcellus Shale gas to Millennium Pipeline and Tennessee Pipeline	PA & NY
Susquehanna gathering system	100	%	Gathering system delivering Southwestern Energy's Marcellus Shale gas production to Bluestone Lateral	PA
Michigan gathering systems	100	%	Gathers production gas in northern Michigan	MI
Storage				
Washington 10	100	%	75 Bcf of storage capacity	MI
Washington 28	50	%	16 Bcf of storage capacity	MI

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

Regulation

The Gas Storage and Pipelines business operates natural gas storage facilities in Michigan as intrastate facilities regulated by the MPSC and provides intrastate storage and related services pursuant to an MPSC-approved tariff. We also provide interstate services in accordance with an Operating Statement on file with the FERC. Vector and Millennium Pipelines provide interstate transportation services in accordance with their FERC-approved tariffs. Bluestone Lateral is regulated as an intrastate pipeline by applicable agencies in the states of New York and Pennsylvania.

Strategy and Competition

Our Gas Storage and Pipelines business expects to continue its steady growth plan by expanding existing assets and developing new assets that are typically supported with long−term customer commitments. We have competition from other pipelines and storage providers. The Gas Storage and Pipelines business focuses on asset development opportunities in the Midwest−to−Northeast region to supply natural gas to meet growing demand. Much of the growth in demand for natural gas is expected to occur in the Eastern Canada and the Northeast U.S. regions. We believe that the Vector and Millennium Pipelines are well positioned to provide access routes and low−cost expansion options to these markets. In addition, we believe that Millennium Pipeline is well positioned for growth in production from the Marcellus shale, especially with respect to Marcellus production in Northern Pennsylvania and along the southern tier of New York. Gas Storage and Pipelines has an agreement with Southwestern Energy Services Company and affiliates to support its Bluestone Lateral and Susquehanna gathering system. Bluestone Lateral is a 44-mile pipeline in Susquehanna County, Pennsylvania and Broome County, New York with the southern portion of the pipeline placed in service in 2012 and the northern portion placed in service in the first quarter of 2013. We expect to continue steady growth in the Gas Storage and Pipelines business and are evaluating new pipeline and storage investment opportunities that could include additional Millennium expansions and laterals, Bluestone laterals and gathering expansions and other Marcellus midstream development or partnering opportunities. Our operations are dependent upon a limited number of customers, and the loss of any one or a few customers could have a material adverse effect on the Gas Storage and Pipelines business.

POWER AND INDUSTRIAL PROJECTS

Description

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

Steel and Petroleum Coke: We produce metallurgical coke from two coke batteries with a capacity of 1.4 million tons per year. We have an investment in a third coke battery with a capacity of 1.2 million tons per year. We also provide pulverized coal and petroleum coke to the steel, pulp and paper, and other industries.

Onsite Energy: We provide power generation, steam production, chilled water production, wastewater treatment and compressed air supply to industrial customers. We provide utility-type services using project assets usually located on or near the customers' premises in the automotive, airport, chemical and other industries.

Wholesale Power and Renewables: We own and operate four biomass-fired electric generating plants with a capacity of 183 MWs. We own a coal-fired power plant currently undergoing conversion to biomass with an in-service date in 2014. The electric output is sold under long term power purchase agreements. We also develop landfill gas recovery systems that capture the gas and provide local utilities, industry and consumers with an opportunity to use a competitive, renewable source of energy, in addition to providing environmental benefits by reducing greenhouse gas emissions.

Reduced Emissions Fuel (REF): We own and operate nine REF facilities. Our facilities blend a proprietary additive with coal used in coal-fired power plants resulting in reduced emissions of Nitrogen Oxide (NO) and Mercury (Hg). Qualifying facilities are eligible to generate tax credits for ten years upon achieving certain criteria. The value of a tax credit is adjusted annually by an inflation factor published by the Internal Revenue Service. The value of the tax credit is reduced if the reference price of coal exceeds certain thresholds. The economic benefit of the REF facilities is dependent upon the generation of production tax credits. We placed in service five REF facilities in 2009 and an additional four REF facilities in 2011. To optimize income and cash flow from the REF operations, we sold membership interests at two of the facilities in 2011 and at two additional facilities in 2013. We continue to optimize these facilities by seeking investors for facilities operating at DTE Electric and other utility sites. Additionally, we intend to relocate certain underutilized facilities to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years.

Properties and Other

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

Facility	Location	Service Type
Steel and Petroleum Coke		
Pulverized Coal Operations	MI	Pulverized Coal
Coke Production	MI, PA & IN	Metallurgical Coke Supply
Other Investment in Coke Production and Petroleum Coke	IN & MS	Metallurgical Coke Supply and Pulverized Petroleum Coke
On-Site Energy		
Automotive	Various sites in MI, IN, OH & NY	Electric Distribution, Chilled Water, Waste Water, Steam, Cooling Tower Water, Reverse Osmosis Water, Compressed Air, Mist and Dust Collectors
Airports	MI & PA	Electricity, Hot and Chilled Water
Chemical Manufacturing	IL, KY & OH	Electricity, Steam, Natural Gas, Compressed Air and Wastewater
Consumer Manufacturing	OH	Electricity, Steam, Hot and Chilled Water, Sewer, Compressed Air
Business Park	FL, OH & PA	Electricity, Steam, Hot and Chilled Water, Compressed Air
Hospital	CA	Electricity, Steam and Chilled Water
Wholesale Power and Renewables		
Pulp and Paper	AL	Electric Generation and Steam
Renewables	CA, MN & WI	Electric Generation
Landfill Gas Recovery	Various U.S. sites	Electric Generation and Landfill Gas
REF	MI, OK, IL & OH	REF Supply

	2013	2012	2011
	(In millions)		
Production Tax Credits Generated (Allocated to DTE Energy)			
REF	$44	$35	$1
Power Generation	8	7	4
Landfill Gas Recovery	1	1	1
	$53	$43	$6

Regulation

Certain electric generating facilities within Power and Industrial Projects have market-based rate authority from the FERC to sell power. The facilities are subject to FERC reporting requirements and market behavior rules. Certain Power and Industrial projects are also subject to the applicable laws, rules and regulations related to the Commodity Futures Trading Commission, U.S. Department of Homeland Security and Department of Energy.

Strategy and Competition

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

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We anticipate building around our core strengths in the markets where we operate. In determining the markets in which to compete, we examine closely the regulatory and competitive environment, new and pending legislation, the number of competitors and our ability to achieve sustainable margins. We plan to maximize the effectiveness of our related businesses as we expand. As we pursue growth opportunities, our first priority will be to achieve value-added returns.

We intend to focus on the following areas for growth:

- Selling membership interests in our REF projects;
- Relocating our underutilized REF facilities to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years;
- Acquiring and developing landfill gas recovery facilities, renewable energy projects, and other energy projects which may qualify for tax credits; and
- Providing operating services to owners of industrial and power plants.

ENERGY TRADING

Description

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

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

Regulation

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

Strategy and Competition

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

CORPORATE AND OTHER

Description

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

ENVIRONMENTAL MATTERS

We are subject to extensive environmental regulation. We expect to continue recovering environmental costs related to utility operations through rates charged to our customers. The following table summarizes our estimated significant future environmental expenditures based upon current regulations. Actual costs to comply could vary substantially. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented.

	Electric	Gas	Non-utility	Total
	(In millions)			
Air	$1,420	$—	$—	$1,420
Water	80	—	18	98
Contaminated and other sites	8	28	—	36
Estimated total future expenditures through 2021	$1,508	$28	$18	$1,554
Estimated 2014 expenditures	$280	$5	$10	$295
Estimated 2015 expenditures	$95	$6	$8	$109

Air - DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. Since 2005, the EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze, mercury and other air pollution. These rules have led to additional emission controls on fossil-fueled power plants to reduce nitrogen oxide and sulfur dioxide, with further emission controls planned for reductions of mercury and other emissions. Future rulemakings could require additional controls for sulfur dioxide, nitrogen oxides and other hazardous air pollutants over the next few years.

Water - In response to an EPA regulation, DTE Electric is required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of completed studies and expected future studies, DTE Electric may be required to install technologies to reduce the impacts of the water intakes. However, the types of technologies are unknown at this time. The EPA is expected to finalize regulations on cooling water intake in early 2014. The EPA has also issued proposed steam electric effluent guidelines. When finalized, these guidelines are expected to require additional wastewater discharge controls.

Contaminated and Other Sites - Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. The facilities, which produced gas, have been designated as manufactured gas plant (MGP) sites. Gas segment owns, or previously owned, fifteen such former MGP sites. DTE Electric owns, or previously owned, three former MGP sites. The Company anticipates the cost amortization methodology approved by the MPSC for DTE Gas, which allows DTE Gas to amortize the MGP costs over a ten-year period beginning with the year subsequent to the year the MGP costs were incurred, and the cost deferral and rate recovery mechanism for Citizens approved by the City of Adrian, will prevent MGP environmental costs from having a material adverse impact on the Company's results of operations.

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

The EPA has published proposed rules to regulate coal ash, which may result in a designation of coal ash as a hazardous waste. The EPA could apply some, or all, of the disposal and reuse standards that have been applied to other existing hazardous wastes. Some of the regulatory actions currently being contemplated could have a significant impact on our operations and financial position and the rates we charge our customers. It is not possible to quantify the impact of those expected rulemakings at this time.

See Notes 11 and 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report and Management's Discussion and Analysis in Item 7 of this Report.

EMPLOYEES

We had approximately 9,900 employees as of December 31, 2013, of which approximately 4,900 were represented by unions. There are several bargaining units for the Company's represented employees. The majority of represented employees are under contracts that expire in 2016 and 2017.

Item 1A. Risk Factors

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

We are subject to rate regulation. Electric and gas rates for our utilities are set by the MPSC and the FERC and cannot be changed without regulatory authorization. We may be negatively impacted by new regulations or interpretations by the MPSC, the FERC or other regulatory bodies. Our ability to recover costs may be impacted by the time lag between the incurrence of costs and the recovery of the costs in customers' rates. Our regulators also may decide to disallow recovery of certain costs in customers' rates if they determine that those costs do not meet the standards for recovery under our governing laws and regulations. Our 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 our regulators in the final rate order are lower than the amounts we collected during the self-implementation period, we must refund the difference with interest. Our regulators may also disagree with our rate calculations under the various tracking and decoupling mechanisms that are intended to mitigate the risk to our utilities of certain aspects of our business. If we cannot agree with our regulators on an appropriate reconciliation of those mechanisms, it may impact our ability to recover certain costs through our customer rates. Our regulators may also decide to eliminate these mechanisms in future rate cases, which may make it more difficult for us to recover our costs in the rates we charge customers. We cannot predict what rates an MPSC order will authorize in future rate cases. New legislation, regulations or interpretations could change how our business operates, impact our ability to recover costs through rates or require us to incur additional expenses.

Changes to Michigan's electric Customer Choice program could negatively impact our financial performance. The State of Michigan currently experiences a hybrid market, where the MPSC continues to regulate electric rates for our customers, while alternative electric suppliers charge market-based rates. Energy legislation enacted by the State of Michigan in 2008, placed a 10% cap on the total potential electric Customer Choice related migration. However, even with the legislated 10% cap on participation , there continues to be legislative and financial risk associated with the electric Customer Choice program. Electric Customer Choice migration is sensitive to market price and full service electric price changes.

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

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

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

Future environmental regulation of natural gas extraction techniques including hydraulic fracturing being discussed both at the United States federal level and by some states may affect the profitability of natural gas extraction businesses which could affect demand for and profitability of our gas transportation businesses.

Operation of a nuclear facility subjects us to risk. Ownership of an operating nuclear generating plant subjects us to significant additional risks. These risks include, among others, plant security, environmental regulation and remediation, changes in federal nuclear regulation and operational factors that can significantly impact the performance and cost of operating a nuclear facility. While we maintain insurance for various nuclear-related risks, there can be no assurances that such insurance will be sufficient to cover our costs in the event of an accident or business interruption at our nuclear generating plant, which may affect our financial performance.

The supply and/or price of energy commodities and/or related services may impact our financial results. We are dependent on coal for much of our electrical generating capacity. Our access to natural gas supplies is critical to ensure reliability of service for our utility gas customers. Our non-utility businesses are also dependent upon supplies and prices of energy commodities and services. Price fluctuations, fuel supply disruptions and changes in transportation costs could have a negative impact on the amounts we charge our utility customers for electricity and gas and on the profitability of our non-utility businesses. We have hedging strategies and regulatory recovery mechanisms in place to mitigate some of the negative fluctuations in commodity supply prices in our utility and non-utility businesses, but there can be no assurances that our financial performance will not be negatively impacted by price fluctuations. The price of energy also impacts the market for our non-utility businesses that compete with utilities and alternative electric suppliers.

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

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

Poor investment performance of pension and other postretirement benefit plan assets and other factors impacting benefit plan costs could unfavorably impact our liquidity and results of operations. Our costs of providing non-contributory defined benefit pension plans and other postretirement benefit plans are dependent upon a number of factors, such as the rates of return on plan assets, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, and our required or voluntary contributions made to the plans. The performance of the debt and equity markets affects the value of assets that are held in trust to satisfy future obligations under our plans. We have significant benefit obligations and hold significant assets in trust to satisfy these obligations. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected return rates. A decline in the market value of the pension and other postretirement benefit plan assets will increase the funding requirements under our pension and other postretirement benefit plans if the actual asset returns do not recover these declines in the foreseeable future. Additionally, our pension and other postretirement benefit plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the liabilities increase, resulting in increasing benefit expense and funding requirements. Also, if future increases in pension and other postretirement benefit costs as a result of reduced plan assets are not recoverable from our utility customers, the results of operations and financial position of our company could be negatively affected. Without sustained growth in the plan investments over time to increase the value of our plan assets, we could be required to fund our plans with significant amounts of cash. Such cash funding obligations could have a material impact on our cash flows, financial position, or results of operations.

Our ability to access capital markets is important. Our ability to access capital markets is important to operate our businesses. Turmoil in credit markets may constrain our ability, as well as the ability of our subsidiaries, to issue new debt, including commercial paper, and refinance existing debt at reasonable interest rates. In addition, the level of borrowing by other energy companies and the market as a whole could limit our access to capital markets. Our long term revolving credit facilities do not expire until 2018, but we regularly access capital markets to refinance existing debt or fund new projects at our utilities and non-utility businesses, and we cannot predict the pricing or demand for those future transactions.

Construction and capital improvements to our power facilities and distribution systems subject us to risk. We are managing ongoing and planning future significant construction and capital improvement projects at multiple power generation and distribution facilities and our gas distribution system. Many factors that could cause delays or increased prices for these complex projects are beyond our control, including the cost of materials and labor, subcontractor performance, timing and issuance of necessary permits, construction disputes and weather conditions. Failure to complete these projects on schedule and on budget for any reason could adversely affect our financial performance and operations at the affected facilities and businesses.

Our non-utility businesses may not perform to our expectations. We rely on our non-utility operations for an increasing portion of our earnings. If our current and contemplated non-utility investments do not perform at expected levels, we could experience diminished earnings and a corresponding decline in our shareholder value.

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

Our ability to utilize production tax credits may be limited. To reduce U.S. dependence on imported oil, the Internal Revenue Code provides production tax credits as an incentive for taxpayers to produce fuels and electricity from alternative sources. We generated production tax credits from coke production, landfill gas recovery, biomass fired electric generation, reduced emission fuel, renewable energy generation and gas production operations. All production tax credits taken after 2011 are subject to audit by the Internal Revenue Service (IRS). If our production tax credits were disallowed in whole or in part as a result of an IRS audit, there could be additional tax liabilities owed for previously recognized tax credits that could significantly impact our earnings and cash flows.

Weather significantly affects operations. Deviations from normal hot and cold weather conditions affect our earnings and cash flow. Mild temperatures can result in decreased utilization of our assets, lowering income and cash flow. Ice storms, tornadoes, or high winds can damage the electric distribution system infrastructure and power generation facilities and require us to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process.

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

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

Renewable portfolio standards and energy efficiency programs may affect our business. We are subject to existing Michigan and potential future federal legislation and regulation requiring us to secure sources of renewable energy. We expect to comply with the existing state legislation, but we do not know what requirements may be added by federal legislation. In addition, there could be additional state requirements increasing the percentage of power required to be provided by renewable energy sources. We cannot predict the financial impact or costs associated with complying with potential future legislation and regulations. Compliance with these requirements can significantly increase capital expenditures and operating expenses and can negatively affect the affordability of the rates we charge to our customers.

We are also required by Michigan legislation to implement energy efficiency measures and provide energy efficiency customer awareness and education programs. These requirements necessitate expenditures and implementation of these programs creates the risk of reducing our revenues as customers decrease their energy usage. We cannot predict how these programs will impact our business and future operating results.

Regional and national economic conditions can have an unfavorable impact on us. Our utility and non-utility businesses follow the economic cycles of the customers we serve and credit risk of counterparties we do business with. Should national or regional economic conditions deteriorate, reduced volumes of electricity and gas, and demand for energy services we supply, collections of accounts receivable, reductions in federal and state energy assistance funding, and potentially higher levels of lost gas or stolen gas and electricity could result in decreased earnings and cash flow.

Threats of terrorism or cyber attacks could affect our business. We may be threatened by problems such as computer viruses or terrorism that may disrupt our operations and could harm our operating results. Our industry requires the continued operation of sophisticated information technology systems and network infrastructure. Despite our implementation of security measures, all of our technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism and other causes. If our information technology systems were to fail and we were unable to recover in a timely way, we might be unable to fulfill critical business functions, which could have a material adverse effect on our business, operating results, and financial condition.

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

Failure to maintain the security of personally identifiable information could adversely affect us. In connection with our business we collect and retain personally identifiable information of our customers, shareholders and employees. Our customers, shareholders and employees expect that we will adequately protect their personal information, and the United States regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss or fraudulent use of customer, shareholder, employee or DTE Energy data by cybercrime or otherwise could adversely impact our reputation and could result in significant costs, fines and litigation.

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on our operations. Our business is dependent on our ability to recruit, retain, and motivate employees. Competition for skilled employees in some areas is high and the inability to retain and attract these employees could adversely affect our business and future operating results.

A work interruption may adversely affect us. There are several bargaining units for the Company's approximately 4,900 represented employees. The majority of represented employees are under contracts that expire in 2016 and 2017. A union choosing to strike would have an impact on our business. We are unable to predict the effect a work stoppage would have on our costs of operation and financial performance.

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

We may not be fully covered by insurance. We have a comprehensive insurance program in place to provide coverage for various types of risks, including catastrophic damage as a result of acts of God, terrorism or a combination of other significant unforeseen events that could impact our operations. Economic losses might not be covered in full by insurance or our insurers may be unable to meet contractual obligations.

Item 1B. Unresolved Staff Comments

None.

Item 3. Legal Proceedings

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

In August 2010, the U.S. Department of Justice, at the request of the EPA, brought a civil suit in the U.S. District Court for the Eastern District of Michigan against DTE Energy and DTE Electric, related to the June 2010 NOV/FOV and the outage work performed at Unit 2 of the Monroe Power Plant, but not relating to the July 2009 NOV/FOV. Among other relief, the EPA requested the court to require DTE Electric to install and operate the best available control technology at Unit 2 of the Monroe Power Plant. Further, the EPA requested the court to issue a preliminary injunction to require DTE Electric to (i) begin the process of obtaining the necessary permits for the Monroe Unit 2 modification and (ii) offset the pollution from Monroe Unit 2 through emissions reductions from DTE Electric's fleet of coal-fired power plants until the new control equipment is operating. On August 23, 2011, the U.S. District Court judge granted DTE Energy's motion for summary judgment in the civil case, dismissing the case and entering judgment in favor of DTE Energy and DTE Electric. On October 20, 2011, the EPA caused to be filed a Notice of Appeal to the U.S. Court of Appeals for the Sixth Circuit. On March 28, 2013, the Court of Appeals remanded the case to the U.S. District Court for review of the procedural component of the New Source Review notification requirements. On September 3, 2013, the EPA caused to be filed a motion seeking leave to amend their complaint regarding the June 2010 NOV/FOV adding additional claims related to outage work performed at the Trenton Channel and Belle River power plants as well as additional claims related to work performed at the Monroe Power Plant. In addition, the Sierra Club caused to be filed a motion to add a claim regarding the River Rouge Power Plant. The EPA and Sierra Club motions are currently pending with the U.S. District Court Judge.

DTE Energy and DTE Electric believe that the plants identified by the EPA and the Sierra Club, including Unit 2 of the Monroe Power Plant, have complied with all applicable federal environmental regulations. Depending upon the outcome of discussions with the EPA regarding the two NOVs/FOVs, DTE Electric could be required to install additional pollution control equipment at some or all of the power plants in question, implement early retirement of facilities where control equipment is not economical, engage in supplemental environmental programs, and/or pay fines. The Company cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

In March 2013, the Sierra Club filed suit against DTE Energy and DTE Electric alleging violations of the Clean Air Act at four of DTE Electric's coal-fired power plants. The plaintiffs allege 1,499 6-minute periods of excess opacity of air emissions from 2007-2012 at those facilities. The suit asks that the court enjoin DTE Energy and DTE Electric from operating the power plants except in complete compliance with applicable laws and permit requirements, pay civil penalties, conduct beneficial environmental mitigation projects, pay attorney fees and require the installation of any necessary pollution controls or to convert and/or operate the plants' boilers on natural gas to avoid additional violations and to off-set historic unlawful emissions. In December 2013, a U.S. District Court judge issued an order dismissing, without prejudice, the plaintiff's complaint allowing them to file an amended complaint by January 17, 2014. The order dismissing the complaint resulted from a considerable number of plaintiff's claims being time barred based on the statute of limitations. On January 17, 2014, the plaintiffs filed an amended complaint for the period January 13, 2008 - June 30, 2012, reducing the total number of 6-minute periods from 1,499 to 1,139. DTE Energy and DTE Electric plan to file an answer to the amended complaint in the first quarter of 2014. The resolution of this matter is not expected to have a material effect on the Company's operations or financial statements.

For additional discussion on legal matters, see Notes 11 and 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

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Item 4. Mine Safety Disclosures

Not applicable.

Part II

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

Our common stock is listed on the New York Stock Exchange, which is the principal market for such stock. The following table indicates the reported high and low sales prices of our common stock on the Composite Tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Year	Quarter	High	Low	Dividends Paid per Share
2013				
	First	$68.38	$60.33	$0.6200
	Second	$73.32	$63.38	$0.6550
	Third	$71.77	$64.71	$0.6550
	Fourth	$70.64	$64.45	$0.6550
2012				
	First	$56.52	$52.46	$0.5875
	Second	$60.25	$53.70	$0.5875
	Third	$62.54	$58.06	$0.6200
	Fourth	$62.49	$58.20	$0.6200

At December 31, 2013, there were 177,087,230 shares of our common stock outstanding. These shares were held by a total of 64,638 shareholders of record.

Our Bylaws nullify Chapter 7B of the Michigan Business Corporation Act (Act). This Act regulates shareholder rights when an individual's stock ownership reaches 20% of a Michigan corporation's outstanding shares. A shareholder seeking control of the Company cannot require our Board of Directors to call a meeting to vote on issues related to corporate control within 10 days, as stipulated by the Act.

We paid cash dividends on our common stock of $445 million in 2013, $407 million in 2012, and $389 million in 2011. The amount of future dividends will depend on our earnings, cash flows, financial condition and other factors that are periodically reviewed by our Board of Directors. Although there can be no assurances, we anticipate paying dividends for the foreseeable future.

See Note 13 of the Notes to Consolidated Financial Statements in Item 8 of this Report for information on dividend restrictions.

All of our equity compensation plans that provide for the annual awarding of stock-based compensation have been approved by shareholders. See Note 21 of the Notes to Consolidated Financial Statements in Item 8 of this Report for additional detail.

See the following table for information as of December 31, 2013.

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity

			Compensation Plans
Plans approved by shareholders	723,697	$ 42.60	2,044,255

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UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act of 1934 for the quarter ended December 31, 2013:

	Number of Shares Purchased (a)	Average Price Paid per Share (a)	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
10/01/2013 — 10/31/2013	1,452	$66.69	—	—	—
11/01/2013 — 11/30/2013	—	—	—	—	—
12/01/2013 — 12/31/2013	2,790	$67.62	—	—	—
Total	4,242		—		

(a) Represents shares of common stock withheld to satisfy income tax obligations upon the vesting of restricted stock.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

Total Return To Shareholders
(Includes reinvestment of dividends)

	Annual Return Percentage Year Ended December 31				
Company/Index	2009	2010	2011	2012	2013
DTE Energy Company	30.08	9.06	25.76	14.90	14.89
S&P 500 Index	26.46	15.06	2.11	16.00	32.39
S&P 500 Multi-Utilities Index	20.92	11.08	18.41	4.24	17.88

	Indexed Returns Year Ended December 31					
	Base Period					
Company/Index	2008	2009	2010	2011	2012	2013
DTE Energy Company	100	130.08	141.86	178.40	204.99	235.52
S&P 500 Index	100	126.46	145.51	148.59	172.37	228.19
S&P 500 Multi-Utilities Index	100	120.92	134.32	159.05	165.79	195.43

Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with the accompanying Management's Discussion and Analysis in Item 7 of this Report and Notes to the Consolidated Financial Statements in Item 8 of this Report.

	2013	2012	2011	2010	2009
	(In millions, except per share amounts)				
Operating Revenues	$9,661	$8,791	$8,858	$8,525	$7,983
Net Income Attributable to DTE Energy Company					
Income from continuing operations (a)	$661	$666	$714	$638	$538
Discontinued operations (b)	—	(56)	(3)	(8)	(6)
Net Income Attributable to DTE Energy Company	$661	$610	$711	$630	$532
Diluted Earnings Per Common Share					
Income from continuing operations	$3.76	$3.88	$4.20	$3.78	$3.27
Discontinued operations	—	(0.33)	(0.02)	(0.04)	(0.03)
Diluted Earnings Per Common Share	$3.76	$3.55	$4.18	$3.74	$3.24
Financial Information					
Dividends declared per share of common stock	$2.59	$2.42	$2.32	$2.18	$2.12
Total assets	$25,935	$26,339	$26,009	$24,896	$24,195
Long-term debt, including capital leases	$7,214	$7,014	$7,187	$7,089	$7,370
Shareholders' equity	$7,921	$7,373	$7,009	$6,722	$6,278

(a) 2011 results include an $87 million income tax benefit related to the enactment of the MCIT.

(b) Discontinued operations represents the Unconventional Gas Production business that was sold in 2012 resulting in a $55 million after-tax loss on sale.

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

EXECUTIVE OVERVIEW

DTE Energy is a diversified energy company with 2013 operating revenues of approximately $9.7 billion and approximately $26 billion in assets. We are the parent company of DTE Electric and DTE Gas, regulated electric and natural gas utilities engaged primarily in the business of providing electricity and natural gas sales, distribution and storage services throughout Michigan. We operate three energy-related non-utility segments with operations throughout the United States.

The following table summarizes our financial results:

	2013	2012	2011
	(In millions, except per share amounts)		
Income from continuing operations	$668	$674	$723
Diluted earnings per common share from continuing operations	$3.76	$3.88	$4.20

The decrease in 2013 income from continuing operations is primarily due to lower earnings in the Energy Trading segment, partially offset by higher earnings in the Gas and Power and Industrial Projects segments. The decrease in 2012 income from continuing operations is principally driven by an income tax benefit of $87 million in the Corporate and Other segment related to the enactment of the MCIT in the second quarter of 2011 and lower results in the Energy Trading segment, partially offset by improved results in the Electric segment.

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

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

Our utilities' growth will be driven by environmental and renewable investments in addition to base infrastructure investments. We are focused on executing plans to achieve operational excellence and customer satisfaction with a focus on customer affordability. We operate in a constructive regulatory environment and have solid relationships with our regulators.

We have significant investments in our non-utility businesses. We employ disciplined investment criteria when assessing meaningful, low-risk growth opportunities that leverage our assets, skills and expertise and provide diversity in earnings and geography. Specifically, we invest in targeted energy markets with attractive competitive dynamics where meaningful scale is in alignment with our risk profile. We expect growth opportunities in the Gas Storage and Pipelines and Power and Industrial Projects segments.

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

CAPITAL INVESTMENTS

Our utility businesses require significant base capital investments each year in order to maintain and improve the reliability of asset bases, including power generation plants, distribution systems, storage fields and other facilities and fleets. DTE Electric's capital investments over the 2014-2018 period are estimated at $5.6 billion for base infrastructure, $700 million for mandated environmental compliance requirements and $400 million for renewable energy and energy efficiency expenditures. DTE Electric plans to seek regulatory approval in general rate case filings and renewable energy plan filings for capital expenditures consistent with prior ratemaking treatment.

DTE Gas's capital investments over the 2014-2018 period are estimated at $700 million for base infrastructure and $500 million for gas main renewal, meter move out and pipeline integrity programs. In April 2013, the MPSC issued an order approving an infrastructure recovery mechanism (IRM) and authorized the recovery of the cost of service related to $77 million of annual investment in its gas main renewal and meter move out and pipeline integrity programs. DTE Gas plans to seek regulatory approval in general rate case filings for base infrastructure capital expenditures consistent with prior ratemaking treatment.

ENVIRONMENTAL MATTERS

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

DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. Since 2005, the EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze and mercury air pollution. These rules will lead to additional emission controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide, acid gases, particulate matter and mercury emissions. To comply with these requirements, DTE Electric has spent approximately $2.0 billion through 2013. It is estimated that DTE Electric will make capital expenditures of approximately $280 million in 2014 and up to approximately $1.2 billion of additional capital expenditures through 2021 based on current regulations.

Climate regulation and/or legislation has been proposed and discussed within the U.S. Congress and the EPA. The EPA is implementing regulatory actions under the Clean Air Act to address emissions of greenhouse gases (GHGs). EPA regulation of GHGs requires the best available control technology (BACT) for new major sources or modifications to existing major sources that cause significant increases in GHG emissions. In June 2012, the EPA proposed new source performance standards for carbon dioxide emissions from new fossil-fueled power plants. These new source performance standards were re-proposed on September 20, 2013, under a presidential directive issued on June 25, 2013. Under the same presidential directive, the EPA is expected to propose performance standards for carbon dioxide emissions from existing and modified plants by June 1, 2014 and issue final standards by June 1, 2015. DTE Energy will be an active participant in working with the EPA and other stakeholders to shape the final performance standards for new and existing power plants. The standards for new sources are not expected to have a material impact on the Company. It is not possible to determine the potential impact of future regulations on existing sources at this time. Pending or future legislation or other regulatory actions could have a material impact on our operations and financial position and the rates we charge our customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures, the purchase of emission offsets from market sources and the retirement of facilities where control equipment is not economical. We would seek to recover these incremental costs through increased rates charged to our utility customers per MPSC protocols. Increased costs for energy produced from traditional coal based sources could also increase the economic viability of energy produced from renewable and/or nuclear sources, from energy efficiency initiatives, and from the potential development of market-based trading of carbon offsets which could provide new business opportunities for our utility and non-utility segments. At the present time, it is not possible to quantify the financial implication of these climate related legislative or regulatory initiatives on DTE Energy or its customers.

See Note 19 of the Notes to the Consolidated Financial Statements and Items 1. and 2. Business and Properties for further discussion of Environmental Matters.

OUTLOOK

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

Looking forward, we will focus on several areas that we expect will improve future performance:

- electric and gas customer satisfaction;

- electric reliability;
- rate competitiveness and affordability;
- regulatory stability and investment recovery for our utilities;
- growth of our utility asset base;
- employee engagement;
- cost structure optimization across all business segments;

- cash, capital and liquidity to maintain or improve our financial strength; and
- investments that integrate our assets and leverage our skills and expertise.

We will continue to pursue opportunities to grow our businesses in a disciplined manner if we can secure opportunities that meet our strategic, financial and risk criteria.

RESULTS OF OPERATIONS

The following sections provide a detailed discussion of the operating performance and future outlook of our segments.

	2013	2012	2011
	(In millions)		
Net Income (Loss) Attributable to DTE Energy by Segment:			
Electric	$484	$483	$434
Gas	143	115	110
Gas Storage and Pipelines	70	61	57
Power and Industrial Projects	66	42	38
Energy Trading	(58)	12	52
Corporate and Other	(44)	(47)	23
Income From Continuing Operations Attributable to DTE Energy Company	661	666	714
Discontinued Operations	—	(56)	(3)
Net Income Attributable to DTE Energy Company	$661	$610	$711

ELECTRIC

Our Electric segment consists principally of DTE Electric.

Electric results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	$5,199	$5,293	$5,154
Fuel and Purchased Power	1,668	1,758	1,716
Gross Margin	3,531	3,535	3,438
Operation and Maintenance	1,377	1,429	1,370
Depreciation and Amortization	902	827	818
Taxes Other Than Income	261	257	240
Asset (Gains) and Losses, Reserves and Impairments, Net	(3)	(2)	13
Operating Income	994	1,024	997
Other (Income) and Deductions	258	261	298
Income Tax Expense	252	280	265
Net Income Attributable to DTE Energy Company	$484	$483	$434
Operating Income as a % of Operating Revenues	19%	19%	19%

Gross margin decreased by $4 million in 2013 and increased $97 million in 2012. Revenues associated with certain tracking mechanisms and surcharges are offset by related expenses elsewhere in the Consolidated Statements of Operations.

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The following table details changes in various gross margin components relative to the comparable prior period:

	2013	2012
	(In millions)	
Base sales, inclusive of weather effect	$(54)	$79
Restoration tracker, discontinued in October 2011	—	(47)
Securitization bond and tax surcharge	39	25
Renewable energy program	19	35
Low income energy assistance surcharge	(12)	4
Regulatory mechanisms and other	4	1
Increase (decrease) in gross margin	$(4)	$97

	2013	2012	2011
	(In thousands of MWh)		
Electric Sales			
Residential	15,273	15,666	15,907
Commercial	16,661	16,832	16,779
Industrial	10,303	9,989	9,739
Other	942	958	3,136
	43,179	43,445	45,561
Interconnection sales (a)	3,883	2,125	3,512
Total Electric Sales	47,062	45,570	49,073
Electric Deliveries			
Retail and Wholesale	43,179	43,445	45,561
Electric Customer Choice, including self generators (b)	5,200	5,197	5,445
Total Electric Sales and Deliveries	48,379	48,642	51,006

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

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

Operation and maintenance expense decreased $52 million in 2013 and increased $59 million in 2012. The decrease in 2013 is primarily due to lower employee benefit expenses of $90 million, lower power plant generation expenses of $14 million and reduced low income energy assistance of $12 million, partially offset by higher restoration and line clearance expenses of $19 million, higher corporate administrative expenses of $17 million, increased uncollectible expenses of $11 million, higher energy optimization and renewable energy expenses of $8 million, and increased distribution operations expenses of $8 million. The increase in 2012 is primarily due to higher employee benefit expenses of $53 million, increased energy optimization and renewable energy expenses of $17 million, higher power plant generation expenses of $12 million, increased distribution operations expenses of $4 million and higher expenses for low income energy assistance of $4 million, partially offset by reduced restoration and line clearance expenses of $22 million and reduced uncollectible expenses of $9 million.

Depreciation and amortization expense increased $75 million in 2013 and $9 million in 2012. The 2013 increase was due to higher amortization of regulatory assets of $57 million, primarily related to Securitization, and increased depreciation of $18 million due to a higher depreciable base. The 2012 increase was due to higher amortization of regulatory assets of $43 million, primarily related to Securitization, partially offset by the net effect of $34 million of lower depreciation rates on a higher depreciable base.

Asset (gains) and losses, reserves and impairments, net increased $1 million in 2013 and increased $15 million in 2012. The 2012 increase was primarily due to a 2011 accrual of $19 million resulting from management's revisions of the timing and estimate of cash flows for the decommissioning of Fermi 1, partially offset by a 2011 revision of $6 million in the timing and estimate of cash flows for the Fermi 1 asbestos removal obligation and other items.

Other (income) and deductions were lower by $3 million in 2013 and by $37 million in 2012. The decrease in 2013 was primarily due to 2012 one time expenses of $11 million related to Michigan ballot proposals and higher 2013 investment earnings of $10 million, offset by the 2013 contribution to the DTE Energy Foundation of $18 million. The decrease in 2012 was due primarily to the 2011 contribution to the DTE Energy Foundation of $21 million and lower interest expense of $17 million.

Income tax expense decreased $28 million in 2013 and increased $15 million in 2012. The variances were impacted by variations in pre-tax income and higher production tax credits.

Outlook — We continue to move forward in our efforts to achieve operational excellence, sustained strong cash flows and earn our authorized return on equity. We expect that our planned significant environmental expenditures will result in earnings growth. Looking forward, additional factors may impact earnings such as weather, the outcome of regulatory proceedings, benefit plan design changes, investment returns and changes in discount rate assumptions in benefit plans and health care costs, and uncertainty of legislative or regulatory actions regarding climate change and electric customer choice. We expect to continue our efforts to improve productivity and decrease our costs while improving customer satisfaction with consideration of customer rate affordability.

In June 2013, the City of Detroit announced a transition of its Public Lighting Department's customers to the DTE Electric distribution system over a five to seven year system conversion period. See Note 11 of the Notes to Consolidated Financial Statements.

GAS

Our Gas segment consists of DTE Gas and Citizens.

Gas results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	$1,474	$1,315	$1,505
Cost of Gas	624	550	744
Gross Margin	850	765	761
Operation and Maintenance	429	385	394
Depreciation and Amortization	95	92	89
Taxes Other Than Income	56	54	54
Operating Income	270	234	224
Other (Income) and Deductions	50	69	54
Income Tax Expense	77	50	60
Net Income Attributable to DTE Energy Company	$143	$115	$110
Operating Income as a % of Operating Revenues	18 %	18 %	15 %

Gross margin increased $85 million in 2013 and increased $4 million in 2012. Revenues associated with certain tracking mechanisms and surcharges are offset by related expenses elsewhere in the Consolidated Statements of Operations.

The following table details changes in various gross margin components relative to the comparable prior period:

	2013	2012
	(In millions)	
Weather	$72	$(41)
Uncollectible tracking mechanism	20	—
Lost and stolen gas	9	29
Self implementation and rate orders	15	5
Revenue decoupling mechanism	(16)	11
Energy optimization revenue	(3)	6
Midstream storage and transportation revenues	(8)	6
Other	(4)	(12)

Increase in gross margin	$85	$4

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	2013	2012	2011
Gas Markets (in Bcf)			
Gas sales	128	104	123
End user transportation	157	157	141
	285	261	264
Intermediate transportation	300	264	273
	585	525	537

Operation and maintenance expense increased $44 million in 2013 and decreased $9 million in 2012. The increase in 2013 is primarily due to higher gas operations expenses of $24 million, higher maintenance and repair costs of $14 million, higher transmission costs of $14 million, higher corporate administrative expenses of $8 million and increased uncollectible expenses of $5 million, partially offset by lower employee benefit expenses of $19 million and reduced energy optimization expenses of $3 million. The decrease in 2012 is primarily due to reduced uncollectible expenses of $9 million, lower legal liability expenses of $4 million and lower customer service expenses of $3 million, partially offset by increased energy optimization expenses of $6 million and higher employee benefit expenses of $3 million.

Other (income) and deductions were lower by $19 million in 2013 and higher by $15 million in 2012. The decrease in 2013 is due to lack of a contribution to the DTE Energy Foundation in 2013, partially offset by a $5 million contribution to low income energy assistance funds. The increase in 2012 was due primarily to the contribution to the DTE Energy Foundation of $21 million, partially offset by lower interest expenses of $5 million.

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

GAS STORAGE AND PIPELINES

Our Gas Storage and Pipelines segment consists of our non-utility gas pipelines and storage businesses.

Gas Storage and Pipelines results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	$132	$96	$91
Operation and Maintenance	25	19	16
Depreciation and Amortization	23	8	6
Taxes Other Than Income	3	3	3
Asset (Gains) and Losses and Reserves, Net	—	3	—
Operating Income	81	63	66
Other (Income) and Deductions	(36)	(40)	(28)
Income Tax Expense	45	39	35
Net Income	72	64	59
Noncontrolling interest	2	3	2
Net Income Attributable to DTE Energy	$70	$61	$57

Net income attributable to DTE Energy increased $9 million and $4 million in 2013 and 2012, respectively. Operating revenues increased $36 million and Depreciation expense increased $15 million in 2013 due to the operation of the Bluestone and Susquehanna projects. The 2013 increase in Operating revenues was partially offset by lower storage revenue due to lower market rates. The 2012 increase in Net income was primarily driven by higher earnings from our pipeline equity investments.

Outlook — Our Gas Storage and Pipelines business expects to maintain its steady growth by developing an asset portfolio with multiple growth platforms through investment in new projects and expansions. Millennium Pipeline completed its Phase One expansion in 2013, and its Phase Two expansion is scheduled to be in service in 2014. Additionally, Bluestone, a 44-mile lateral pipeline in Susquehanna County, Pennsylvania and Broome County, New York is in service and volumes are increasing. We plan to expand the capacity of the Bluestone lateral by constructing additional compression facilities, meter upgrades, and other initiatives to accommodate increased shipper demand. Through our agreement with Southwestern Energy Services Company and affiliates, we believe Bluestone lateral and Susquehanna gathering system are strategically positioned for future growth of the Marcellus shale.

POWER AND INDUSTRIAL PROJECTS

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

Power and Industrial Projects results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	$1,950	$1,823	$1,129
Operation and Maintenance	1,914	1,788	1,025
Depreciation and Amortization	72	65	60
Taxes other than Income	15	16	10
Asset (Gains) and Losses, Reserves and Impairments, Net	(4)	(5)	(12)
Operating Income (Loss)	(47)	(41)	46
Other (Income) and Deductions	(73)	(44)	(10)
Income Taxes			
Expense	8	—	17
Production Tax Credits	(53)	(44)	(6)
	(45)	(44)	11
Net Income	71	47	45
Noncontrolling interest	5	5	7
Net Income Attributable to DTE Energy Company	$66	$42	$38

Operating revenues increased $127 million in 2013 and increased $694 million in 2012. The 2013 increase is primarily due to a $161 million increase associated with higher volumes from REF projects, of which $25 million represents affiliate transactions, and a $102 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a $75 million decrease from exiting the coal transportation and marketing business, and a $63 million decrease due primarily to lower coal prices associated with the steel business. The 2012 increase is primarily due to a $740 million increase associated with higher volumes from REF projects, of which $554 million represents affiliate transactions, and a $30 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a $44 million decrease primarily due to lower volumes associated with the steel business, and a $28 million decrease in coal transportation and marketing services business.

Operation and maintenance expense increased $126 million in 2013 and increased $763 million in 2012. The 2013 increase is primarily due to a $173 million increase associated with higher volumes from REF projects, of which $25 million represents affiliate transactions and an $84 million increase due to the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a $67 million decrease from exiting the coal transportation and marketing business, and a $67 million decrease due primarily to lower coal prices associated with the steel business. The 2012 increase is primarily due to a $770 million increase associated with higher volumes from REF projects, of which $562 million represents affiliate transactions, a $25 million increase due to the on-site energy projects acquired in the 2012 fourth quarter and an $11 million customer settlement, partially offset by a $20 million decrease primarily due to lower volumes associated with the steel business and a $26 million decrease in coal transportation and marketing services business.

Depreciation and amortization expense increased by $7 million in 2013 and increased by $5 million in 2012. The 2013 increase is primarily due to $10 million associated with the on-site energy projects acquired in the 2012 fourth quarter, partially offset by a $3 million decrease from exiting the coal transportation and marketing business. The 2012 increase was primarily due to $4 million associated with the on-site energy projects acquired in the 2012 fourth quarter.

Asset (gains) and losses, reserves and impairments, net decreased by $1 million in 2013 and decreased by $7 million in 2012. The 2012 decrease was due primarily to a $3 million loss on the sale of assets associated with our coal transloading terminal and $3 million of impairments related to non-strategic assets.

Other (income) and deductions were higher by $29 million in 2013 and $34 million in 2012 due primarily to income that is recognized when refined coal is produced and tax credits are generated.

Production tax credits increased by $9 million in 2013 and $38 million in 2012 primarily due to tax credits earned from REF projects.

Outlook — The Company has constructed and placed in service nine REF facilities including four facilities located at third party owned coal-fired power plants. The Company has sold membership interests in four of the facilities. We continue to optimize these facilities by seeking investors for facilities operating at DTE Electric and other utility sites. Additionally, we intend to relocate two underutilized facilities, located at DTE Electric sites, to alternative coal-fired power plants which may provide increased production and emission reduction opportunities in 2014 and future years.

We expect sustained production levels of metallurgical coke and pulverized coal supplied to steel industry customers for 2014. Substantially all of the metallurgical coke margin is maintained under long-term contracts. We have four biomass-fired power generation facilities in operation, and we are converting an additional facility to be placed in service in 2014. Our on-site energy services will continue to be delivered in accordance with the terms of long-term contracts. We will begin construction on a new natural gas-fired cogeneration facility and two landfill gas to energy projects during the year which are expected to be completed in 2014. We will continue to look for additional investment opportunities and other energy projects at favorable prices.

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

ENERGY TRADING

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

Energy Trading results are discussed below:

	2013	2012	2011
	(In millions)		
Operating Revenues	$1,771	$1,109	$1,276
Fuel, Purchased Power and Gas	1,782	1,011	1,112
Gross Margin	(11)	98	164
Operation and Maintenance	72	66	63
Depreciation and Amortization	1	2	3
Taxes Other Than Income	4	3	3
Operating Income (Loss)	(88)	27	95
Other (Income) and Deductions	8	8	9
Income Tax Expense (Benefit)	(38)	7	34
Net Income (Loss) Attributable to DTE Energy Company	$(58)	$12	$52

Gross margin decreased $109 million in 2013 and decreased $66 million in 2012. The overall decrease in gross margin in 2013 was primarily due to timing from mark-to-market adjustments on certain transactions in our gas structured strategy.

Natural gas structured transactions typically involve a physical purchase or sale of natural gas in the future and/or natural gas basis financial instruments which are derivatives and a related non-derivative pipeline transportation contract. These gas structured transactions can result in significant earnings volatility as the derivative components are marked-to-market without revaluing the related non-derivative contracts. During the fourth quarter of 2013, we saw significant increases in gas prices which led to the volatility in the accounting earnings due to the physical component being marked-to-market without an offsetting mark on the transportation component. Unrealized losses from gas structured transactions were $89 million in 2013. We anticipate that approximately 65% of the financial impact of this timing difference will reverse during the first quarter of 2014 as the underlying contracts are settled.

The decrease in gross margin in 2013 represents a $1 million decrease in realized margins and a $108 million decrease in unrealized margins. The $1 million decrease in realized margins is due to $40 million of unfavorable results, primarily in our power trading, power full requirements, and gas transportation strategies, offset by $39 million of favorable results, primarily in our gas and coal trading, and gas structured strategies. The $108 million decrease in unrealized margins is due to $123 million of unfavorable results, primarily in our gas structured, gas trading and gas transportation strategies, offset by $15 million of favorable results, primarily in our power full requirements strategy.

The decrease in gross margin in 2012 represents a $28 million decrease in realized margins and a $38 million decrease in unrealized margins. The $28 million decrease in realized margins is due to $74 million of unfavorable results, primarily in our power and gas trading and power full requirements services strategies, offset by $46 million of favorable results, primarily in our gas full requirements services, gas structured, and gas transportation strategies. The $38 million decrease in unrealized margins is due to $58 million of unfavorable results, primarily in our power and gas full requirements services, power trading, and gas structured and storage strategies, offset by $20 million of favorable results, primarily in our gas trading strategy.

Outlook — In the near term, we expect market conditions to remain challenging and the profitability of this segment may be impacted by the volatility in commodity prices in the markets we participate in and the uncertainty of impacts associated with financial reform, regulatory changes and changes in operating rules of regional transmission organizations.

The Energy Trading portfolio includes financial instruments, physical commodity contracts and natural gas inventory, as well as contracted natural gas pipeline transportation and storage, and generation capacity positions. Energy Trading also provides natural gas, power and related services, which may include the management of associated storage and transportation contracts on the customers' behalf under FERC Asset Management Arrangements, and the supply or purchase of renewable energy credits to various customers. Significant portions of the Energy Trading portfolio are economically hedged. Most financial instruments and physical power and natural gas contracts are deemed derivatives, whereas natural gas inventory, pipeline transportation, renewable energy credits, and storage assets are not derivatives. As a result, we will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. Our strategy is to economically manage the price risk of these underlying non-derivative contracts and assets with futures, forwards, swaps and options. This results in gains and losses that are recognized in different interim and annual accounting periods.

See also the “Fair Value” section that follows.

CORPORATE AND OTHER

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

The 2013 net loss of $44 million represented an improvement of $3 million from the 2012 net loss of $47 million due primarily to lower impairments of investments.

The 2012 net loss of $47 million represented a decrease of $70 million from the 2011 net income of $23 million. The decrease resulted primarily from a income tax benefit of $87 million related to the enactment of the MCIT in the second quarter of 2011 and lower interest costs.

See Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this report.

DISCONTINUED OPERATIONS

Unconventional Gas Production

In December 2012, the Company sold its 100% equity interest in its Unconventional Gas Production business which consisted of gas and oil production assets in the western Barnett and Marble Falls shale areas of Texas. See Note 7 of the Notes to Consolidated Financial Statements.

CAPITAL RESOURCES AND LIQUIDITY

Cash Requirements

We use cash to maintain and expand our electric and natural gas utilities and to grow our non-utility businesses, retire and pay interest on long-term debt and pay dividends. We believe that we will have sufficient internal and external capital resources to fund anticipated capital and operating requirements. In 2014, we expect that cash from operations will be $1.6 billion due to lower surcharge collections and higher cash contributions to employee benefit plans. We anticipate base level utility capital investments, environmental, renewable and energy optimization expenditures and expenditures for non-utility businesses in 2014 of approximately $2.3 billion. We plan to seek regulatory approval to include utility capital expenditures in our regulatory rate base consistent with prior treatment. Capital spending for growth of existing or new non-utility businesses will depend on the existence of opportunities that meet our strict risk-return and value creation criteria.

	2013	2012	2011
	(In millions)		
Cash and Cash Equivalents			
Cash Flow From (Used For)			
Operating activities:			
Net income	$668	$618	$720
Depreciation, depletion and amortization	1,094	1,018	995
Nuclear fuel amortization	38	29	46
Allowance for equity funds used during construction	(15)	(13)	(6)
Deferred income taxes	164	47	220
Loss on sale of non-utility business	—	83	—
Asset (gains) and losses, reserves and impairments, net	(8)	1	(21)
Working capital and other	213	426	54
	2,154	2,209	2,008
Investing activities:			
Plant and equipment expenditures — utility	(1,534)	(1,451)	(1,382)
Plant and equipment expenditures — non-utility	(342)	(369)	(102)
Proceeds from sale of non-utility business	—	255	—
Proceeds from sale of assets	36	38	18
Acquisition, net of cash acquired	—	(198)	—
Other	(66)	(44)	(94)
	(1,906)	(1,769)	(1,560)
Financing activities:			
Issuance of long-term debt	1,234	759	1,179
Redemption of long-term debt	(961)	(639)	(1,455)
Short-term borrowings, net	(109)	(179)	269
Issuance of common stock	39	39	—
Repurchase of common stock	—	—	(18)

Dividends on common stock	(445)	(407)	(389)
Other	(19)	(16)	(31)
	(261)	(443)	(445)
Net Increase (Decrease) in Cash and Cash Equivalents	$(13)	$(3)	$3

Cash from Operating Activities

A majority of our operating cash flow is provided by our electric and natural gas utilities, which are significantly influenced by factors such as weather, electric Customer Choice, regulatory deferrals, regulatory outcomes, economic conditions and operating costs.

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Cash from operations was lower by $55 million in 2013. The reduction in operating cash flow reflects lower cash generated from working capital items, partially offset by higher net income after adjusting for non-cash and non-operating items (primarily depreciation, depletion and amortization and deferred income taxes).

Cash from operations was $201 million higher in 2012. The improvement in operating cash flow reflects higher cash generated from working capital items, partially offset by lower net income after adjusting for non-cash and non-operating items (primarily depreciation, depletion and amortization, deferred income taxes, loss on sale of non-utility business and asset (gains) and losses, reserves and impairments, net).

The change in working capital items in 2013 primarily related to fuel inventories, derivative assets and liabilities and pension and other postretirement liabilities, partially offset by the change in accounts receivable, net. The change in working capital items in 2012 primarily related to pension and other postretirement obligations and income taxes.

Cash used for Investing Activities

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

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

Capital spending within our non-utility businesses is primarily for ongoing maintenance, expansion and growth. We look to make growth investments that meet strict criteria in terms of strategy, management skills, risks and returns. All new investments are analyzed for their rates of return and cash payback on a risk adjusted basis. We have been disciplined in how we deploy capital and will not make investments unless they meet our criteria. For new business lines, we initially invest based on research and analysis. We start with a limited investment, we evaluate results and either expand or exit the business based on those results. In any given year, the amount of growth capital will be determined by the underlying cash flows of the Company with a clear understanding of any potential impact on our credit ratings.

Net cash used for investing activities was higher by $137 million in 2013 due primarily to increased capital expenditures by our utility businesses.

Net cash used for investing activities was higher by $209 million in 2012 due primarily to increased capital expenditures by our utility and non-utility businesses. The 2012 increase includes higher capital expenditures for the Bluestone Pipeline project and the Power and Industrial Projects acquisition of fourteen on-site energy projects, partially offset by the proceeds from the sale of the Unconventional Gas Production business.

Cash used for Financing Activities

We rely on both short-term borrowing and long-term financing as a source of funding for our capital requirements not satisfied by our operations.

Our strategy is to have a targeted debt portfolio blend of fixed and variable interest rates and maturity. We continually evaluate our leverage target, which is currently 50% to 52%, to ensure it is consistent with our objective to have a strong investment grade debt rating.

Net cash used for financing activities was $182 million lower in 2013. The decrease was primarily attributable to higher issuances of long-term debt, partially offset by higher redemptions of long-term debt.

Net cash used for financing activities was $2 million lower in 2012. The decrease was primarily attributable to lower redemptions of long-term debt, offset by a reduction in short-term borrowings.

Outlook

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

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

We have approximately $900 million in long-term debt maturing in the next twelve months. The repayment of the principal amount of the Securitization debt is funded through a surcharge payable by DTE Electric’s customers. The repayment of the other debt is expected to be paid through internally generated funds or the issuance of long-term debt.

DTE Energy has approximately $1.6 billion of available liquidity at December 31, 2013, consisting of cash and amounts available under unsecured revolving credit agreements.

At the discretion of management, and depending upon financial market conditions, we anticipate making 2014 contributions to the pension plans of up to $345 million and up to $145 million to the other postretirement benefit plans.

Various subsidiaries of the Company have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to request that the Company post cash or letters of credit as collateral in the event that DTE Energy’s credit rating is downgraded below investment grade. As of December 31, 2013, the value of the transactions for which the Company would have been exposed to collateral requests had DTE Energy’s credit rating been below investment grade on such date was approximately $406 million. In circumstances where an entity is downgraded below investment grade and collateral requests are made as a result, the requesting parties often agree to accept less than the full amount of their exposure to the downgraded entity. In addition, the Company maintains adequate credit facilities to meet this obligation should such an occurrence arise.

We believe we have sufficient operating flexibility, cash resources and funding sources to maintain adequate amounts of liquidity and to meet our future operating cash and capital expenditure needs. However, virtually all of our businesses are capital intensive or require access to capital, and the inability to access adequate capital could adversely impact earnings and cash flows.

See Notes 11, 12, 15, 17, and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Contractual Obligations

The following table details our contractual obligations for debt redemptions, leases, purchase obligations and other long-term obligations as of December 31, 2013:

	Total	2014	2015-2016	2017-2018	2019 and Beyond
	(In millions)				
Long-term debt:					
Mortgage bonds, notes and other (a)	$7,326	$695	$836	$416	$5,379
Securitization bonds	302	197	105	—	—
Junior subordinated debentures	480	—	—	—	480
Capital lease obligations	19	8	11	—	—
Interest	6,091	429	670	631	4,361
Operating leases	230	35	58	45	92
Electric, gas, fuel, transportation and storage purchase obligations (b)	8,499	2,577	1,802	645	3,475
Other long-term obligations (c)(d)(e)	99	40	36	11	12
Total obligations	$23,046	$3,981	$3,518	$1,748	$13,799

(a) Excludes $14 million of unamortized discount on debt.

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

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

(d) Excludes other long-term liabilities of $193 million not directly derived from contracts or other agreements.

(e) At December 31, 2013, we met the minimum pension funding levels required under the Employee Retirement Income Security Act of 1974 (ERISA) and the Pension Protection Act of 2006 for our defined benefit pension plans. We may contribute more than the minimum funding requirements for our pension plans and may also make contributions to our other postretirement benefit plans; however, these amounts are not included in the table above as such amounts are discretionary. Planned funding levels are disclosed in the Capital Resources and Liquidity and Critical Accounting Estimates sections herein and in Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Credit Ratings

Credit ratings are intended to provide banks and capital market participants with a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold securities. The Company’s credit ratings affect our cost of capital and other terms of financing as well as our ability to access the credit and commercial paper markets. Management believes that our current credit ratings provide sufficient access to the capital markets. However, disruptions in the banking and capital markets not specifically related to us may affect our ability to access these funding sources or cause an increase in the return required by investors.

As part of the normal course of business, DTE Electric, DTE Gas and various non-utility subsidiaries of the Company routinely enter into physical or financially settled contracts for the purchase and sale of electricity, natural gas, coal, capacity, storage and other energy-related products and services. Certain of these contracts contain provisions which allow the counterparties to request that the Company post cash or letters of credit in the event that the senior unsecured debt rating of DTE Energy is downgraded below investment grade. Certain of these contracts for DTE Electric and DTE Gas contain similar provisions in the event that the senior unsecured debt rating of the particular utility is downgraded below investment grade. The amount of such collateral which could be requested fluctuates based upon commodity prices and the provisions and maturities of the underlying transactions and could be substantial. Also, upon a downgrade below investment grade, we could have restricted access to the commercial paper market and if DTE Energy is downgraded below investment grade our non-utility businesses, especially the Energy Trading and Power and Industrial Projects segments, could be required to restrict operations due to a lack of available liquidity. A downgrade below investment grade could potentially increase the borrowing costs of DTE Energy and its subsidiaries and may limit access to the capital markets. The impact of a downgrade will not affect our ability to comply with our existing debt covenants. While we currently do not anticipate such a downgrade, we cannot predict the outcome of current or future credit rating agency reviews.

In January 2013, Fitch raised the senior secured debt rating for DTE Gas from 'A-' to 'A' and affirmed the senior unsecured debt rating for DTE Energy at 'BBB' and senior secured debt rating for DTE Electric at 'A'. The upgrade reflects improved earnings and cash flows following recent rate case orders, a constructive regulatory environment, and strong credit metrics. In February 2013, based on steady improvement in the financial profiles due in large part to a constructive legislative and regulatory environment, Moody's upgraded DTE Energy's unsecured debt rating from 'Baa2' to 'Baa1' and upgraded the secured debt rating of DTE Electric and DTE Gas from 'A2' to 'A1'. In August 2013, S&P raised the credit outlook from 'stable' to 'positive' for DTE Energy, DTE Electric, and DTE Gas pointing to the Company's improving business risk profile. S&P also revised its business risk profile to 'excellent'. In January 2014, based on a favorable view of the U.S. regulatory environment, Moody's upgraded DTE Energy's unsecured debt rating from 'Baa1' to 'A3' and upgraded the secured debt rating of DTE Electric and DTE Gas from 'A1' to 'Aa3'.

CRITICAL ACCOUNTING ESTIMATES

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

Regulation

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

See Note 11 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Derivatives and Hedging Activities

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets and liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. Management makes certain assumptions it believes that market participants would use in pricing assets and liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Company and our counterparties is incorporated in the valuation of the assets and liabilities through the use of credit reserves, the impact of which was immaterial at December 31, 2013 and 2012. Management believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

The fair values we calculate for our derivatives may change significantly as inputs and assumptions are updated for new information. Actual cash returns realized on our derivatives may be different from the results we estimate using models. As fair value calculations are estimates based largely on commodity prices, we perform sensitivity analyses on the fair values of our forward contracts. See sensitivity analysis in Item 7A. Quantitative and Qualitative Disclosures About Market Risk. See also the Fair Value section, herein. See Notes 3 and 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Allowance for Doubtful Accounts

We establish an allowance for doubtful accounts based on historical losses and management's assessment of existing economic conditions, customer trends, and other factors. The allowance for doubtful accounts for our two utilities is calculated using the aging approach that utilizes rates developed in reserve studies and applies these factors to past due receivable balances. We believe the allowance for doubtful accounts is based on reasonable estimates.

Asset Impairments
Goodwill

Certain of our reporting units have goodwill or allocated goodwill resulting from purchase business combinations. We perform an impairment test for each of our reporting units with goodwill annually or whenever events or circumstances indicate that the value of goodwill may be impaired.

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

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

We performed our annual impairment test as of October 1, 2013 and determined that the estimated fair value of each reporting unit exceeded its carrying value, and no impairment existed. As part of the annual impairment test, we also compared the aggregate fair value of our reporting units to our overall market capitalization. The implied premium of the aggregate fair value over market capitalization is likely attributable to an acquisition control premium (the price in excess of a stock's market price that investors typically pay to gain control of an entity). The results of the test and key estimates that were incorporated are as follows.

As of October 1, 2013 Valuation Date:

Reporting Unit	Goodwill	Fair Value Reduction % (a)		Discount Rate		Terminal Multiple (b)	Valuation Methodology (c)
	(In millions)						
Electric	$1,208	37	%	7	%	9.0x	DCF, assuming stock sale
Gas	743	29	%	6	%	10.5x	DCF, assuming stock sale
Power and Industrial Projects (d)	26	65	%	9	%	10.0x	DCF, assuming asset sale (e)
Gas Storage and Pipelines	24	84	%	8	%	11.0x	DCF, assuming asset sale
Energy Trading	17	15	%	11	%	n/a	DCF, assuming asset sale
	$2,018						

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

(b) Multiple of enterprise value (sum of debt plus equity value) to earnings before interest, taxes, depreciation and amortization (EBITDA).
(c) Discounted cash flows (DCF) incorporated 2014-2018 projected cash flows plus a calculated terminal value.
(d) Power and Industrial Projects excludes the Biomass reporting unit as this unit has no allocated goodwill.
(e) Asset sales were assumed except for Power and Industrial Projects' reduced emissions fuels projects, which assumed stock sales.

The Energy Trading reporting unit passed Step 1 of the impairment test by a 15% margin. A substantive increase in the market interest rate or disruptions in cash flows for the Energy Trading reporting unit could result in an impairment charge in the foreseeable future. For example, holding all other variables constant, a 2% increase in the discount rate would lower the fair value by approximately $49 million. At the lower fair value, the Energy Trading reporting unit would likely fail Step 1 of the test, potentially resulting in a charge for impairment of goodwill following the completion of the Step 2 analysis.

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

Long-Lived Assets

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

Pension and Other Postretirement Costs

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

We had pension costs of $228 million in 2013, $220 million in 2012, and $172 million in 2011. Other postretirement benefits costs (credit) were $(42) million in 2013, $151 million in 2012 and $122 million in 2011. Pension and other postretirement benefits costs for 2013 are calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on our plan assets of 8.25%. In developing our expected long-term rate of return assumptions, we evaluated asset class risk and return expectations, as well as inflation assumptions. Projected returns are based on broad equity, bond and other markets. Our 2014 expected long-term rate of return on pension plan assets is based on an asset allocation assumption utilizing active investment management of 47% in equity markets, 25% in fixed income markets, and 28% invested in other assets. Because of market volatility, we periodically review our asset allocation and rebalance our portfolio when considered appropriate. Given market conditions and financial market risk considerations, we are changing our long-term rate of return assumptions for our pension plans and our other postretirement health and life plans from 8.25% for 2013 to 7.75% for our pension plans and to 8% for our other postretirement health and life plans for 2014. We believe these rates are reasonable assumptions for the long-term rate of return on our plan assets for 2014 given our investment strategy. We will continue to evaluate our actuarial assumptions, including our expected rate of return, at least annually.

We calculate the expected return on pension and other postretirement benefit plan assets by multiplying the expected return on plan assets by the market-related value (MRV) of plan assets at the beginning of the year, taking into consideration anticipated contributions and benefit payments that are to be made during the year. Current accounting rules provide that the MRV of plan assets can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years. For our pension plans, we use a calculated value when determining the MRV of the pension plan assets and recognize changes in fair value over a three-year period. Accordingly, the future value of assets will be impacted as previously deferred gains or losses are recognized. Financial markets in 2013 contributed to our investment performance resulting in unrecognized net gains. As of December 31, 2013, we had $150 million of cumulative gains that remain to be recognized in the calculation of the MRV of pension assets related to investment performance in 2013, 2012 and 2011. For our other postretirement benefit plans, we use fair value when determining the MRV of other postretirement benefit plan assets, therefore all investment gains and losses have been recognized in the calculation of MRV for these plans.

The discount rate that we utilize for determining future pension and other postretirement benefit obligations is based on a yield curve approach and a review of bonds that receive one of the two highest ratings given by a recognized rating agency. The yield curve approach matches projected pension plan and other postretirement benefit payment streams with bond portfolios reflecting actual liability duration unique to our plans. The discount rate determined on this basis increased to 4.95% at December 31, 2013 from 4.15% at December 31, 2012. We estimate that our 2014 total pension costs will approximate $175 million compared to $228 million in 2013 primarily due to greater than expected 2013 returns, a higher discount rate, lower amortization of net actuarial losses and 2014 contributions. Our 2014 other postretirement benefit credit will approximate $(120) million compared to $(42) million in 2013 due to the continued impact of plan design changes, favorable retiree medical utilization trends, greater than expected returns, a higher discount rate, lower amortization of net actuarial losses and modestly lower assumed long-term retiree medical inflation. Our health care trend rate for pre-65 participants assumes 7.5% for 2014 and 2015, 7% for 2016 and 2017, 6.5% in 2018, 6% in 2019, 5.75% in 2020, 5.5% in 2021, 5.25% in 2022, 5% in 2023, 4.75% in 2024 and 4.5% in 2025 and beyond. Our health care trend rate for post-65 participants assumes 6.5% for 2014 and 2015, 6.25% for 2016 and 2017, 6% in 2018, 5.75% in 2019, 5.5% in 2020, 5.25% in 2021, 5% in 2022, 4.75% in 2023, 4.5% in 2024 and beyond. Future actual pension and other postretirement benefit costs will depend on future investment performance, changes in future discount rates and various other factors related to plan design.

Lowering the expected long-term rate of return on our plan assets by one percentage point would have increased our 2013 pension costs by approximately $32 million. Lowering the discount rate and the salary increase assumptions by one percentage point would have increased our 2013 pension costs by approximately $16 million. Lowering the expected long-term rate of return on our plan assets by one percentage point would have increased our 2013 other postretirement costs by approximately $13 million. Lowering the discount rate assumption by one percentage point would have decreased our 2013 other postretirement credit by approximately $27 million. Lowering the health care cost trend assumptions by one percentage point would have increased our other postretirement credit for 2013 by approximately $8 million.

The value of our qualified pension and other postretirement benefit plan assets was $5.2 billion at December 31, 2013 and $4.4 billion at December 31, 2012. At December 31, 2013, our qualified pension plans were underfunded by $565 million and our other postretirement benefit plans were underfunded by $351 million. The 2013 funding levels generally improved due to increased discount rates, investment returns in excess of expected returns, plan sponsor contributions and plan design changes for our other postretirement benefits plans in 2013 and 2012.

Pension and other postretirement costs and pension cash funding requirements may increase in future years without typical returns in the financial markets. We made contributions to our qualified pension plans of $277 million in 2013 and $229 million in 2012. At the discretion of management, consistent with the Pension Protection Act of 2006, and depending upon financial market conditions, we anticipate making contributions to our qualified pension plans of up to $345 million in 2014 and up to $1.0 billion over the next five years. We made other postretirement benefit plan contributions of $264 million and $140 million in 2013 and 2012, respectively. We are required by orders issued by the MPSC to make other postretirement benefit contributions at least equal to the amounts included in our utilities' base rates. As a result, we anticipate making up to a $145 million contribution to our other postretirement plans in 2014 and, subject to MPSC funding requirements, up to $165 million over the next five years. The planned contributions will be made in cash, DTE Energy common stock or a combination of cash and stock.

See Note 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Legal Reserves

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

Insured and Uninsured Risks

Our comprehensive insurance program provides coverage for various types of risks. Our insurance policies cover risk of loss including property damage, general liability, workers' compensation, auto liability, and directors' and officers' liability. Under our risk management policy, we self-insure portions of certain risks up to specified limits, depending on the type of exposure. The maximum self-insured retention for various risks is as follows: property damage - $10 million, general liability - $7 million, workers' compensation - $9 million, and auto liability - $7 million. We have an actuarially determined estimate of our incurred but not reported (IBNR) liability prepared annually and we adjust our reserves for self-insured risks as appropriate. As of December 31, 2013, this IBNR liability was approximately $36 million.

Accounting for Tax Obligations

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

Accounting for tax obligations requires judgments, including assessing whether tax benefits are more likely than not to be sustained, and estimating reserves for potential adverse outcomes regarding tax positions that have been taken. We also assess our ability to utilize tax attributes, including those in the form of carry-forwards, for which the benefits have already been reflected in the financial statements. We believe the resulting tax reserve balances as of December 31, 2013 and 2012 are appropriate. The ultimate outcome of such matters could result in favorable or unfavorable adjustments to our consolidated financial statements and such adjustments could be material.

See Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

FAIR VALUE

Derivatives are generally recorded at fair value and shown as Derivative Assets or Liabilities. Contracts we typically classify as derivative instruments include power, natural gas, oil and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items we do not generally account for as derivatives include natural gas inventory, pipeline transportation, renewable energy credits and storage assets. See Notes 3 and 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

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

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

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

The following tables provide details on changes in our MTM net asset (or liability) position during 2013:

Total

	(In millions)
MTM at December 31, 2012	$(4)
Reclassify to realized upon settlement	(89)
Changes in fair value recorded to income	(11)
Amounts recorded to unrealized income	(100)
Changes in fair value recorded in regulatory liabilities	5
Change in collateral held by (for) others	(9)
Option premiums received and other	(5)
Amounts recorded in other comprehensive income	1
MTM at December 31, 2013	$(112)

The table below shows the maturity of our MTM positions:

Source of Fair Value	2014	2015	2016	2017 and Beyond	Total Fair Value
	(In millions)				
Level 1	$(3)	$—	$—	$—	$(3)
Level 2	(42)	(20)	(2)	—	(64)
Level 3	(37)	(2)	2	1	(36)
MTM before collateral adjustments	$(82)	$(22)	$—	$1	(103)
Collateral adjustments					(9)
MTM at December 31, 2013					$(112)

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market Price Risk

DTE Energy has commodity price risk in both utility and non-utility businesses arising from market price fluctuations.

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

Our Gas Storage and Pipelines business segment has exposure to natural gas price fluctuations which impact the pricing for natural gas storage and transportation. The Company manages its exposure through the use of short, medium and long-term storage and transportation contracts.

Our Power and Industrial Projects business segment is subject to electricity and natural gas product price risk. The Company manages its exposures to commodity price risk through the use of long-term contracts.

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

Credit Risk

Bankruptcies

The Company purchases and sells electricity, natural gas, coal, coke and other energy products from and to governmental entities and numerous companies operating in the steel, automotive, energy, retail, financial and other industries. Certain of its customers have filed for bankruptcy protection under the U.S. Bankruptcy Code. The Company regularly reviews contingent matters relating to these customers and its purchase and sale contracts and records provisions for amounts considered at risk of probable loss. The Company believes its accrued amounts are adequate for probable loss.

The Company's utilities provide services to the city of Detroit, Michigan (Detroit). Detroit filed for Chapter 9 bankruptcy protection on July 18, 2013. The Company had pre-petition accounts receivable of approximately $20 million outstanding as of the bankruptcy filing date. Detroit has been paying amounts owed in a timely manner and its account is substantially current. The Company does not expect Detroit's bankruptcy filing to have a material impact on its financial results.

Other

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

Trading Activities

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

The following table displays the credit quality of our trading counterparties as of December 31, 2013:

	Credit Exposure Before Cash Collateral	Cash Collateral	Net Credit Exposure
	(In millions)		
Investment Grade (a)			
A− and Greater	$154	$(33)	$121
BBB+ and BBB	240	—	240
BBB−	108	—	108
Total Investment Grade	502	(33)	469
Non-investment grade (b)	1	—	1
Internally Rated — investment grade (c)	173	—	173
Internally Rated — non-investment grade (d)	21	(6)	15
Total	$697	$(39)	$658

(a) This category includes counterparties with minimum credit ratings of Baa3 assigned by Moody's Investors Service (Moody's) and BBB- assigned by Standard & Poor's Rating Group (Standard & Poor's). The five largest counterparty exposures combined for this category represented approximately 31% of the total gross credit exposure.

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

(c) This category includes counterparties that have not been rated by Moody's or Standard & Poor's, but are considered investment grade based on DTE Energy's evaluation of the counterparty's creditworthiness. The five largest counterparty exposures combined for this category represented approximately 18% of the total gross credit exposure.

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

Interest Rate Risk

We are subject to interest rate risk in connection with the issuance of debt. In order to manage interest costs, we may use treasury locks and interest rate swap agreements. Our exposure to interest rate risk arises primarily from changes in U.S. Treasury rates, commercial paper rates and London Inter-Bank Offered Rates (LIBOR). As of December 31, 2013, we had a floating rate debt-to-total debt ratio of approximately 2% (excluding securitized debt).

Foreign Currency Exchange Risk

We have foreign currency exchange risk arising from market price fluctuations associated with fixed priced contracts. These contracts are denominated in Canadian dollars and are primarily for the purchase and sale of natural gas and power as well as for long-term transportation capacity. To limit our exposure to foreign currency exchange fluctuations, we have entered into a series of foreign currency exchange forward contracts through July 2016.

Summary of Sensitivity Analysis

We performed a sensitivity analysis on the fair values of our commodity contracts, long-term debt obligations and foreign currency exchange forward contracts. The commodity contracts and foreign currency exchange risk listed below principally relate to our energy marketing and trading activities. The sensitivity analysis involved increasing and decreasing forward rates at December 31, 2013 and 2012 by a hypothetical 10% and calculating the resulting change in the fair values.

The results of the sensitivity analysis calculations as of December 31, 2013 and 2012:

Activity	Assuming a 10% Increase in Rates As of December 31, 2013	Assuming a 10% Increase in Rates As of December 31, 2012	Assuming a 10% Decrease in Rates As of December 31, 2013	Assuming a 10% Decrease in Rates As of December 31, 2012	Change in the Fair Value of
	(In millions)				
Coal contracts	$—	$2	$—	$(1)	Commodity contracts
Gas contracts	$(21)	$(4)	$21	$3	Commodity contracts
Power contracts	$14	$4	$(13)	$(5)	Commodity contracts
Interest rate risk	$(291)	$(247)	$309	$260	Long-term debt
Foreign currency exchange risk	$—	$—	$—	$—	Forward contracts
Discount rates	$—	$—	$—	$—	Commodity contracts

For further discussion of market risk, see Note 4 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

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Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements and financial statement schedule are included herein.

Controls and Procedures

(a) Evaluation of disclosure controls and procedures

Management of the Company carried out an evaluation, under the supervision and with the participation of DTE Energy's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2013, which is the end of the period covered by this report. Based on this evaluation, the Company's CEO and CFO have concluded that such disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure. Due to the inherent limitations in the effectiveness of any disclosure controls and procedures, management cannot provide absolute assurance that the objectives of its disclosure controls and procedures will be attained.

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

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

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

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 COSO) in Internal Control - Integrated Framework. Based on this assessment, management concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm who also audited the Company's financial statements, as stated in their report which appears herein.

(c) Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
DTE Energy Company

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of DTE Energy Company and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s report on internal control over financial reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
February 14, 2014

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DTE Energy Company

Consolidated Statements of Operations

	Year Ended December 31		
	2013	2012	2011
	(In millions, except per share amounts)		
Operating Revenues	$9,661	$8,791	$8,858
Operating Expenses			
Fuel, purchased power and gas	4,055	3,296	3,537
Operation and maintenance	2,978	2,892	2,612
Depreciation, depletion and amortization	1,094	995	977
Taxes other than income	340	332	310
Asset (gains) and losses, reserves and impairments, net	(9)	(3)	1
	8,458	7,512	7,437
Operating Income	1,203	1,279	1,421
Other (Income) and Deductions			
Interest expense	436	440	488
Interest income	(9)	(10)	(10)
Other income	(201)	(173)	(117)
Other expenses	55	62	69
	281	319	430
Income Before Income Taxes	922	960	991
Income Tax Expense	254	286	268
Income from Continuing Operations	668	674	723
Loss from Discontinued Operations, net of tax	—	(56)	(3)
Net Income	668	618	720
Less: Net Income Attributable to Noncontrolling Interest	7	8	9
Net Income Attributable to DTE Energy Company	$661	$610	$711
Basic Earnings per Common Share			
Income from continuing operations	$3.76	$3.89	$4.21
Loss from discontinued operations, net of tax	—	(0.33)	(0.02)
Total	$3.76	$3.56	$4.19
Diluted Earnings per Common Share			
Income from continuing operations	$3.76	$3.88	$4.20
Loss from discontinued operations, net of tax	—	(0.33)	(0.02)
Total	$3.76	$3.55	$4.18
Weighted Average Common Shares Outstanding			
Basic	175	171	169
Diluted	175	172	170
Dividends Declared per Common Share	$2.59	$2.42	$2.32

See Notes to Consolidated Financial Statements

DTE Energy Company

Consolidated Statements of Comprehensive Income

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Net income	$668	$618	$720
Other comprehensive income (loss), net of tax:			
Benefit obligations, net of taxes of $13, $(1) and $(5)	22	(2)	(9)
Net unrealized gains on investments during the period, net of taxes of $1, $1 and $—	2	1	—
Foreign currency translation, net of taxes of $(1), $— and $—	(2)	1	—
Other comprehensive income (loss)	22	—	(9)
Comprehensive income	690	618	711
Less comprehensive income attributable to noncontrolling interests	7	8	9
Comprehensive income attributable to DTE Energy Company	$683	$610	$702

See Notes to Consolidated Financial Statements

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DTE Energy Company

Consolidated Statements of Cash Flows

	Year Ended December 31		
	2013	2012	2011
	(In millions)		
Operating Activities			
Net income	$668	$618	$720
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	1,094	1,018	995
Nuclear fuel amortization	38	29	46
Allowance for equity funds used during construction	(15)	(13)	(6)
Deferred income taxes	164	47	220
Loss on sale of non-utility business	—	83	—
Asset (gains) and losses, reserves and impairments, net	(8)	1	(21)
Changes in assets and liabilities:			
Accounts receivable, net	(154)	52	71
Inventories	123	35	(129)
Accounts payable	14	40	(23)
Derivative assets and liabilities	107	53	(94)
Accrued pension obligation	(644)	280	432
Accrued postretirement obligation	(526)	(323)	209
Regulatory assets and liabilities	1,269	278	(662)
Other assets	(24)	55	44
Other liabilities	48	(44)	206
Net cash from operating activities	2,154	2,209	2,008
Investing Activities			
Plant and equipment expenditures — utility	(1,534)	(1,451)	(1,382)
Plant and equipment expenditures — non-utility	(342)	(369)	(102)
Proceeds from sale of non-utility business	—	255	—
Proceeds from sale of assets	36	38	18
Restricted cash for debt redemption, principally Securitization	(1)	2	(5)
Acquisition, net of cash acquired	—	(198)	—
Proceeds from sale of nuclear decommissioning trust fund assets	1,118	759	833
Investment in nuclear decommissioning trust funds	(1,134)	(764)	(850)
Other	(49)	(41)	(72)
Net cash used for investing activities	(1,906)	(1,769)	(1,560)
Financing Activities			
Issuance of long-term debt, net of issuance costs	1,234	759	1,179
Redemption of long-term debt	(961)	(639)	(1,455)
Short-term borrowings, net	(109)	(179)	269
Issuance of common stock	39	39	—
Repurchase of common stock	—	—	(18)
Dividends on common stock	(445)	(407)	(389)
Other	(19)	(16)	(31)
Net cash used for financing activities	(261)	(443)	(445)
Net Increase (Decrease) in Cash and Cash Equivalents	(13)	(3)	3
Cash and Cash Equivalents at Beginning of Period	65	68	65
Cash and Cash Equivalents at End of Period	$52	$65	$68

Supplemental disclosure of cash information			
Cash paid (received) for:			
Interest (net of interest capitalized)	$418	$438	$485
Income taxes	$121	$173	$(205)
Supplemental disclosure of non-cash information			
Common stock issued for employee benefit and compensation plans	$293	$155	$15
Plant and equipment expenditures in accounts payable	$329	$235	$212

See Notes to Consolidated Financial Statements

DTE Energy Company

Consolidated Statements of Financial Position

	December 31 2013	2012
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$52	$65
Restricted cash, principally Securitization	123	122
Accounts receivable (less allowance for doubtful accounts of $55 and $62, respectively)		
Customer	1,542	1,336
Other	127	126
Inventories		
Fuel and gas	363	527
Materials and supplies	265	234
Derivative assets	99	108
Regulatory assets	26	182
Other	209	215
	2,806	2,915
Investments		
Nuclear decommissioning trust funds	1,191	1,037
Other	603	554
	1,794	1,591
Property		
Property, plant and equipment	25,123	23,631
Less accumulated depreciation, depletion and amortization	(9,323)	(8,947)
	15,800	14,684
Other Assets		
Goodwill	2,018	2,018
Regulatory assets	2,837	4,235
Securitized regulatory assets	231	413
Intangible assets	122	135
Notes receivable	102	112
Derivative assets	27	39
Other	198	197
	5,535	7,149
Total Assets	$25,935	$26,339

See Notes to Consolidated Financial Statements

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DTE Energy Company

Consolidated Statements of Financial Position — (Continued)

	December 31 2013	2012
	(In millions, except shares)	
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$962	$848
Accrued interest	90	93
Dividends payable	116	107
Short-term borrowings	131	240
Current portion long-term debt, including capital leases	898	817
Derivative liabilities	195	125
Regulatory liabilities	302	89
Other	495	449
	3,189	2,768
Long-Term Debt (net of current portion)		
Mortgage bonds, notes and other	6,618	6,220
Securitization bonds	105	302
Junior subordinated debentures	480	480
Capital lease obligations	11	12
	7,214	7,014
Other Liabilities		
Deferred income taxes	3,321	3,191
Regulatory liabilities	862	1,031
Asset retirement obligations	1,827	1,719
Unamortized investment tax credit	47	56
Derivative liabilities	43	26
Accrued pension liability	653	1,498
Accrued postretirement liability	350	1,160
Nuclear decommissioning	178	159
Other	297	306
	7,578	9,146
Commitments and Contingencies (Notes 11 and 19)		
Equity		
Common stock, without par value, 400,000,000 shares authorized, 177,087,230 and 172,351,680 shares issued and outstanding, respectively	3,907	3,587
Retained earnings	4,150	3,944
Accumulated other comprehensive loss	(136)	(158)
Total DTE Energy Company Equity	7,921	7,373
Noncontrolling interests	33	38
Total Equity	7,954	7,411
Total Liabilities and Equity	$25,935	$26,339

See Notes to Consolidated Financial Statements

DTE Energy Company

Consolidated Statements of Changes in Equity

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interests	Total
	Shares	Amount				
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2010	169,428	$3,440	$3,431	$ (149)	$ 45	$6,767
Net income	—	—	711	—	9	720
Dividends declared on common stock	—	—	(392)	—	—	(392)
Repurchase of common stock	(1,184)	(58)	—	—	—	(58)
Benefit obligations, net of tax	—	—	—	(9)	—	(9)
Stock-based compensation, distributions to noncontrolling interests and other	1,003	35	—	—	(10)	25
Balance, December 31, 2011	169,247	$3,417	$3,750	$ (158)	$ 44	$7,053
Net Income	—	—	610	—	8	618
Dividends declared on common stock	—	—	(414)	—	—	(414)
Issuance of common stock	684	39	—	—	—	39
Contribution of common stock to pension plan	1,335	80	—	—	—	80
Foreign currency translation, net of tax	—	—	—	1	—	1
Benefit obligations, net of tax	—	—	—	(2)	—	(2)
Net change in unrealized losses on investments, net of tax	—	—	—	1	—	1
Stock-based compensation, distributions to noncontrolling interests and other	1,086	51	(2)	—	(14)	35
Balance, December 31, 2012	172,352	$3,587	$3,944	$ (158)	$ 38	$7,411
Net Income	—	—	661	—	7	668
Dividends declared on common stock	—	—	(454)	—	—	(454)
Issuance of common stock	589	39	—	—	—	39
Contribution of common stock to pension plan	3,026	200	—	—	—	200
Foreign currency translation, net of tax	—	—	—	(2)	—	(2)
Benefit obligations, net of tax	—	—	—	22	—	22
Net change in unrealized losses on investments, net of tax	—	—	—	2	—	2
Stock-based compensation, distributions to noncontrolling interests and other	1,120	81	(1)	—	(12)	68
Balance, December 31, 2013	177,087	$3,907	$4,150	$ (136)	$ 33	$7,954

See Notes to Consolidated Financial Statements

DTE Energy Company

Notes to Consolidated Financial Statements

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

- DTE Electric, an electric utility engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan;
- DTE Gas, 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 Company is regulated by other federal and state regulatory agencies including the NRC, the EPA, the MDEQ and CFTC.

References in this Report to “Company” or “DTE” are to DTE Energy and its subsidiaries, collectively.

Basis of Presentation

The accompanying Consolidated Financial Statements 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 Company’s estimates.

Certain prior year balances were reclassified to match the current year’s financial statement presentation. Such revisions included an increase in the Consolidated Statements of Cash Flows line items for (i) Proceeds from sale of nuclear decommissioning trust funds, and (ii) Investment in nuclear decommissioning trust funds by $662 million and $753 million for the years ended December 31, 2012 and 2011, respectively. These revisions were needed to properly state the gross purchases and sales activity in the nuclear decommissioning trust fund for the respective years. The totals of Net cash used in investing activities for both 2012 and 2011 were unchanged by these revisions. The revisions noted above are not deemed material, individually or in the aggregate, to the prior period consolidated financial statements.

Principles of Consolidation

The Company consolidates all majority-owned subsidiaries and investments in entities in which it has controlling influence. Non-majority owned investments are accounted for using the equity method when the Company is able to influence the operating policies of the investee. When the Company does not influence the operating policies of an investee, the cost method is used. These consolidated financial statements also reflect the Company's proportionate interests in certain jointly owned utility plant. The Company eliminates all intercompany balances and transactions.

The Company evaluates whether an entity is a VIE whenever reconsideration events occur. The Company consolidates VIEs for which it is the primary beneficiary. If the Company 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, the Company 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 Company performs ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

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

Legal entities within the Company'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 the Company retaining operational and customer default risk. These entities generally are VIEs and are consolidated when the Company is the primary beneficiary. In addition, we have interests in certain VIEs that we share control of all significant activities for those entities with our partners, and therefore are accounted for under the equity method.

The Company has variable interests in VIEs through certain of its long-term purchase contracts. As of December 31, 2013, the carrying amount of assets and liabilities in the Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase contracts are predominately related to working capital accounts and generally represent the amounts owed by the Company for the deliveries associated with the current billing cycle under the contracts. The Company has not provided any form of financial support associated with these long-term contracts. There is no significant potential exposure to loss as a result of its 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 performs servicing activities including billing and collecting surcharge revenue for Securitization. This entity is a VIE and is consolidated by the Company.

The maximum risk exposure for consolidated VIEs is reflected on the Company's 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.

The following table summarizes the major balance sheet items for consolidated VIEs as of December 31, 2013 and 2012. All assets and liabilities of a consolidated VIE are presented where it has been determined that a consolidated VIE has either (1) assets that can be used only to settle obligations of the VIE or (2) liabilities for which creditors do not have recourse to the general credit of the primary beneficiary. VIEs, in which the Company 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.

	December 31, 2013			December 31, 2012		
	Securitization	Other	Total	Securitization	Other	Total
	(In millions)					
ASSETS						
Cash and cash equivalents	$—	$12	$12	$—	$10	$10
Restricted cash	100	8	108	102	7	109
Accounts receivable	34	16	50	34	7	41
Inventories	—	118	118	—	141	141
Other current assets	—	1	1	—	1	1
Property, plant and equipment	—	99	99	—	93	93
Securitized regulatory assets	231	—	231	413	—	413
Other assets	4	8	12	7	11	18
	$369	$262	$631	$556	$270	$826
LIABILITIES						
Accounts payable and accrued current liabilities	$7	$23	$30	$11	$14	$25
	196	9	205	177	8	185

Current portion long-term debt, including capital leases						
Current regulatory liabilities	43	—	43	50	—	50
Other current liabilities	—	4	4	—	4	4
Mortgage bonds, notes and other	—	21	21	—	25	25
Securitization bonds	105	—	105	302	—	302
Capital lease obligations	—	7	7	—	11	11
Other long-term liabilities	8	2	10	7	2	9
	$359	$66	$425	$547	$64	$611

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

Amounts for non-consolidated VIEs as of December 31, 2013 and 2012 are as follows:

	December 31, 2013	December 31, 2012
	(In millions)	
Other investments	$141	$130
Notes receivable	$8	$6

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Revenues

Revenues from the sale and delivery of electricity, and the sale, delivery and storage of natural gas are recognized as services are provided. DTE Electric and DTE Gas record revenues for electricity and gas provided but unbilled at the end of each month. Rates for DTE Electric and DTE Gas include provisions to adjust billings for fluctuations in fuel and purchased power costs, cost of natural gas and certain other costs. Revenues are adjusted for differences between actual costs subject to reconciliation and the amounts billed in current rates. Under or over recovered revenues related to these cost recovery mechanisms are recorded on the Consolidated Statements of Financial Position and are recovered or returned to customers through adjustments to the billing factors.

See Note 11 for further discussion of recovery mechanisms authorized by the MPSC.

Non-utility businesses recognize revenues as services are provided and products are delivered. See Note 4 for discussion of derivative contracts.

Other Income

Other income is recognized for non-operating income such as equity earnings, interest and dividends, allowance for funds using during construction and contract services. Power & Industrial Projects 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 $81 million, $63 million, and $15 million of Other income for the years ended December 31, 2013, 2012, and 2011, respectively.

Accounting for ISO Transactions

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

Energy Trading participates in the energy markets through various independent system operators and regional transmission organizations (ISOs and RTOs). These markets require that Energy Trading submits hourly day-ahead, real-time bids and offers for energy at locations across each region. Energy Trading submits bids in the annual and monthly auction revenue rights and FTR auctions to the regional transmission organizations. Energy Trading accounts for these transactions on a net hourly basis for the day-ahead, real-time and FTR markets. These transactions are related to trading contracts which are presented on a net basis in Operating Revenues in the Consolidated Statements of Operations.

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

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

Comprehensive Income (Loss)

Comprehensive income (loss) is the change in common shareholders' equity during a period from transactions and events from non-owner sources, including net income. As shown in the following tables, amounts recorded to accumulated other comprehensive loss for the year ended December 31, 2013 include unrealized gains and losses from derivatives accounted for as cash flow hedges, unrealized gains and losses on available-for-sale securities, the Company's interest in other comprehensive income of equity investees, which comprise the net unrealized gains and losses on investments, changes in benefit obligations, consisting of deferred actuarial losses, prior service costs and transition amounts related to pension and other postretirement benefit plans, and foreign currency translation adjustments.

	Changes in Accumulated Other Comprehensive Loss by Component (a)				
	For The Year Ended December 31, 2013				
	Net Unrealized Gain/(Loss) on Derivatives	Net Unrealized Gain/(Loss) on Investments	Benefit Obligations (b)	Foreign Currency Translation	Total
	(In millions)				
Beginning balances December 31, 2012	$(4)	$(8)	$(148)	$2	$(158)
Other comprehensive income (loss) before reclassifications	—	2	13	(2)	13
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	9	—	9
Net current-period other comprehensive income (loss)	—	2	22	(2)	22
Ending balances December 31, 2013	$(4)	$(6)	$(126)	$—	$(136)

(a) All amounts are net of tax.
(b) The amounts reclassified from accumulated other comprehensive income (loss) are included in the computation of the net periodic pension and other postretirement benefit costs (see Note 20).

Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash on hand, cash in banks and temporary investments purchased with remaining maturities of three months or less. Restricted cash consists of funds held to satisfy requirements of certain debt, primarily Securitization bonds, and partnership operating agreements. Restricted cash designated for interest and principal payments within one year is classified as a current asset.

Receivables

Accounts receivable are primarily composed of trade receivables and unbilled revenue. Our accounts receivable are stated at net realizable value.

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

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

Unbilled revenues of $815 million and $686 million are included in customer accounts receivable at December 31, 2013 and 2012, respectively.

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

Notes Receivable

Notes receivable, or financing receivables, are primarily comprised of capital lease receivables and loans and are included in Notes receivable and Other current assets on the Company's Consolidated Statements of Financial Position.

Notes receivable are typically considered delinquent when payment is not received for periods ranging from 60 to 120 days. The Company ceases accruing interest (nonaccrual status), considers a note receivable impaired, and establishes an allowance for credit loss when it is probable that all principal and interest amounts due will not be collected in accordance with the contractual terms of the note receivable. Cash payments received on nonaccrual status notes receivable, that do not bring the account contractually current, are first applied to contractually owed past due interest, with any remainder applied to principal. Accrual of interest is generally resumed when the note receivable becomes contractually current.

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

Inventories

The Company generally values inventory at average cost.

Natural gas inventory of $4 million and $37 million as of December 31, 2013 and 2012, respectively, at DTE Gas is determined using the last-in, first-out (LIFO) method. At December 31, 2013, the replacement cost of gas remaining in storage exceeded the LIFO cost by $170 million. At December 31, 2012, the replacement cost of gas remaining in storage exceeded the LIFO cost by $113 million.

Property, Retirement and Maintenance, and Depreciation, Depletion and Amortization

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

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

Non-utility property is depreciated over its estimated useful life using the straight-line and units of production methods.

Depreciation, depletion and amortization expense also includes the amortization of certain regulatory assets.

Approximately $26 million and $12 million of expenses related to Fermi 2 refueling outages were accrued at December 31, 2013 and 2012, respectively. Amounts are accrued on a pro-rata basis, generally over an 18-month period, that coincides with scheduled refueling outages at Fermi 2. This accrual of outage costs matches the regulatory recovery of these costs in rates set by the MPSC. See Note 11.

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

Long-Lived Assets

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

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

Intangible Assets

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

	December 31, 2013	December 31, 2012
	(In millions)	
Emission allowances	$2	$6
Renewable energy credits	51	44
Contract intangible assets	126	139
	179	189
Less accumulated amortization	45	34
Intangible assets, net	134	155
Less current intangible assets	12	20
	$122	$135

Emission allowances and renewable energy credits are charged to expense, using average cost, as the allowances and credits are consumed in the operation of the business. The Company amortizes contract intangible assets on a straight-line basis over the expected period of benefit, ranging from 1 to 28 years. Intangible assets amortization expense was $14 million in 2013, $6 million in 2012 and $5 million in 2011.

The following table summarizes the estimated amortization expense expected to be recognized during each year through 2018:

Estimated amortization expense	(In millions)
2014	$13
2015	$12
2016	$11
2017	$8
2018	$8

Excise and Sales Taxes

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

Deferred Debt Costs

The costs related to the issuance of long-term debt are deferred and amortized over the life of each debt issue. In accordance with MPSC regulations applicable to the Company's electric and gas utilities, the unamortized discount, premium and expense related to utility debt redeemed with a refinancing are amortized over the life of the replacement issue. Discount, premium and expense on early redemptions of debt associated with non-utility operations are charged to earnings.

Investments in Debt and Equity Securities

The Company generally classifies investments in debt and equity securities as either trading or available-for-sale and has recorded such investments at market value with unrealized gains or losses included in earnings or in other comprehensive income or loss, respectively. Changes in the fair value of Fermi 2 nuclear decommissioning investments are recorded as adjustments to regulatory assets or liabilities, due to a recovery mechanism from customers. The Company's equity investments are reviewed for impairment each reporting period. If the assessment indicates that the impairment is other than temporary, a loss is recognized resulting in the equity investment being written down to its estimated fair value. See Note 3.

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

Government Grants

Grants are recognized when there is reasonable assurance that the grant will be received and that any conditions associated with the grant will be met. When grants are received related to Property, Plant and Equipment, the Company reduces the cost of the assets on the Consolidated Statements of Financial Position, resulting in lower depreciation expense over the life of the associated asset. Grants received related to expenses are reflected as a reduction of the associated expense in the period in which the expense is incurred.

DTE Energy Foundation

Charitable contributions to the DTE Energy Foundation were $18 million, $21 million, and $21 million for the years ended December 31, 2013, 2012 and 2011, respectively. The DTE Energy Foundation is a non-consolidated not-for-profit private foundation, the purpose of which is to contribute to and assist charitable organizations and does not serve a direct business or political purpose of DTE.

Other Accounting Policies

See the following notes for other accounting policies impacting the Company's consolidated financial statements:

Note	Title
3	Fair Value
4	Financial and Other Derivative Instruments
10	Asset Retirement Obligations
11	Regulatory Matters
12	Income Taxes
21	Stock-based Compensation

NOTE 3 — 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 Company makes certain assumptions it believes 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 Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which was immaterial at December 31, 2013 and 2012. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

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 Company classifies 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 Company has 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.

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Notes to Consolidated Financial Statements — (Continued)

- 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.

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2013 and 2012:

	December 31, 2013					December 31, 2012				
	Level 1	Level 2	Level 3	Netting (a)	Net Balance	Level 1	Level 2	Level 3	Netting (a)	Net Balance
	(In millions)									
Assets:										
Cash equivalents (b)	$10	$115	$—	$—	$125	$—	$123	$—	$—	$123
Nuclear decommissioning trusts	779	412	—	—	1,191	694	343	—	—	1,037
Other investments (c) (d)	92	44	—	—	136	66	44	—	—	110
Derivative assets:										
Commodity Contracts:										
Natural Gas	273	89	34	(382)	14	555	66	24	(605)	40
Electricity	—	261	139	(291)	109	—	226	134	(258)	102
Other	33	1	3	(34)	3	6	3	2	(6)	5
Total derivative assets	306	351	176	(707)	126	561	295	160	(869)	147
Total	$1,187	$922	$176	$(707)	$1,578	$1,321	$805	$160	$(869)	$1,417
Liabilities:										
Derivative liabilities:										
Commodity Contracts:										
Natural Gas	$(277)	$(140)	$(86)	$395	$(108)	$(526)	$(73)	$(62)	$605	$(56)
Electricity	—	(272)	(126)	269	(129)	—	(240)	(111)	258	(93)
Other	(32)	(2)	—	34	—	(6)	(1)	—	6	(1)
Other derivative contracts (f)	—	(1)	—	—	(1)	—	(1)	—	—	(1)
Total derivative liabilities	(309)	(415)	(212)	698	(238)	(532)	(315)	(173)	869	(151)
Total	$(309)	$(415)	$(212)	$698	$(238)	$(532)	$(315)	$(173)	$869	$(151)
Net Assets (liabilities) at the end of the period	$878	$507	$(36)	$(9)	$1,340	$789	$490	$(13)	$—	$1,266
Assets:										
Current	$277	$400	$139	$(592)	$224	$493	$372	$120	$(754)	$231
Noncurrent (e)	910	522	37	(115)	1,354	828	433	40	(115)	1,186
Total Assets	$1,187	$922	$176	$(707)	$1,578	$1,321	$805	$160	$(869)	$1,417
Liabilities:										
Current	$(268)	$(328)	$(177)	$578	$(195)	$(466)	$(269)	$(144)	$754	$(125)
Noncurrent	(41)	(87)	(35)	120	(43)	(66)	(46)	(29)	115	(26)
Total Liabilities	$(309)	$(415)	$(212)	$698	$(238)	$(532)	$(315)	$(173)	$869	$(151)
Net Assets (liabilities) at the end of the period	$878	$507	$(36)	$(9)	$1,340	$789	$490	$(13)	$—	$1,266

(a)

Amounts represent the impact of master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

(b) At December 31, 2013, available-for-sale securities of $125 million included $109 million and $16 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial Position, respectively. At December 31, 2012, available-for-sale securities of $123 million, included $109 million and $14 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial Position, respectively.

(c) Excludes cash surrender value of life insurance investments.

(d) Available-for-sale equity securities of $7 million at December 31, 2013 and $5 million at December 31, 2012 are included in Other investments on the Consolidated Statements of Financial Position.

(e) Includes $136 million and $110 million of Other investments that are included in the Consolidated Statements of Financial Position in Other investments at December 31, 2013 and 2012, respectively.

(f) Includes Interest rate contracts and Foreign currency exchange contracts.

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

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. The fair values of the shares in these investments are based upon observable market prices for similar securities and, therefore, have been categorized as Level 2 in the fair value hierarchy.

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 which hold exchange-traded equity or debt securities are valued based on the underlying securities, using quoted prices in actively traded markets. 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. DTE Energy has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, DTE Energy selectively corroborates the fair value of securities by comparison of market-based price sources. Investment policies and procedures are determined by the Company's Trust Investments Department which reports to the Company's Vice President and Treasurer.

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. DTE Energy considers 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. DTE Energy monitors 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. DTE Energy has obtained an understanding of how these prices are derived. Additionally, DTE Energy selectively corroborates the fair value of its 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 Company has 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 our forward price curves has been assigned to our Risk Management Department, which is separate and distinct from the trading functions within the Company.

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

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of December 31	$(38)	$23	$2	$(13)	$6	$32	$6	$44
Transfers into Level 3	1	—	—	1	1	—	—	1
Total gains (losses):								
Included in earnings	(32)	75	—	43	(41)	101	—	60
Recorded in regulatory assets/liabilities	—	—	5	5	—	—	15	15
Purchases, issuances and settlements:								
Purchases	(8)	1	—	(7)	—	2	—	2
Issuances	—	(1)	—	(1)	—	—	—	—
Settlements	25	(85)	(4)	(64)	(4)	(112)	(19)	(135)
Net Assets (Liabilities) as of December 31	$(52)	$13	$3	$(36)	$(38)	$23	$2	$(13)
The amount of total gains (losses) included in net income attributed to the change in unrealized gains (losses) related to assets and liabilities held at December 31, 2013 and 2012 and reflected in Operating revenues and Fuel, purchased power and gas in the Consolidated Statements of Operations	$(49)	$48	$—	$(1)	$(33)	$91	$—	$58

Derivatives are transferred between levels primarily due to changes in the source data used to construct price curves as a result of changes in market liquidity. Transfers in and transfers out are reflected as if they had occurred at the beginning of the period. The following table shows transfers between the levels of the fair value hierarchy for the years ended December 31, 2013 and 2012:

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(In millions)					
Transfers into Level 1 from	$ N/A	$—	$—	$ N/A	$—	$—
Transfers into Level 2 from	—	N/A	—	—	N/A	—
Transfers into Level 3 from	—	1	N/A	—	1	N/A

The following table presents the unobservable inputs related to Level 3 assets and liabilities as of December 31, 2013 and 2012:

	December 31, 2013					
Commodity Contracts	Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range	Weighted Average
	(In millions)					
	$34	$(86)			$(0.88)—$5.07 /MMBtu	$(0.16)/MMBtu

Natural Gas			Discounted Cash Flow	Forward basis price (per MMBtu)				
Electricity	$139	$(126)	Discounted Cash Flow	Forward basis price (per MWh)	$(7)—$15	/MWh	$3	/MWh

Commodity Contracts	December 31, 2012 Derivative Assets (In millions)	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range		Weighted Average	
Natural Gas	$24	$(62)	Discounted Cash Flow	Forward basis price (per MMBtu)	$(0.63)—$1.95	/MMBtu	$0.03	/MMBtu
Electricity	$134	$(111)	Discounted Cash Flow	Forward basis price (per MWh)	$(2)—$16	/MWh	$3	/MWh

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

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

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

Fair Value of Financial Instruments

The fair value of financial instruments included in the table below is determined by using quoted market prices when available. When quoted prices are not available, pricing services may be used to determine the fair value with reference to observable interest rate indexes. DTE Energy has obtained an understanding of how the fair values are derived. DTE Energy also selectively corroborates the fair value of its transactions by comparison of market-based price sources. Discounted cash flow analyses based upon estimated current borrowing rates are also used to determine fair value when quoted market prices are not available. The fair values of notes receivable, excluding capital leases, are estimated using discounted cash flow techniques that incorporate market interest rates as well assumptions about the remaining life of the loans and credit risk. Depending on the information available, other valuation techniques may be used that rely on internal assumptions and models. Valuation policies and procedures are determined by DTE Energy's Treasury Department which reports to the Company's Vice President and Treasurer.

The following table presents the carrying amount and fair value of financial instruments as of December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
	Carrying	Fair Value			Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3
	(In millions)							
Notes receivable, excluding capital leases	$41	$—	$—	$41	$39	$—	$—	$39
Dividends payable	$116	$116	$—	$—	$107	$107	$—	$—
Short-term borrowings	$131	$—	$131	$—	$240	$—	$240	$—
Long-term debt	$8,094	$425	$7,551	$499	$7,813	$507	$7,453	$933

See Note 4 for further fair value information on financial and derivative instruments.

Nuclear Decommissioning Trust Funds

DTE Electric has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. This obligation is reflected as an asset retirement obligation on the Consolidated Statements of Financial Position. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. DTE Electric is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates. See Note 10.

The following table summarizes the fair value of the nuclear decommissioning trust fund assets:

	December 31,	December 31,

	2013	2012
	(In millions)	
Fermi 2	$1,172	$1,021
Fermi 1	3	3
Low level radioactive waste	16	13
Total	$1,191	$1,037

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

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

	Year Ended December 31		
	2013	2012	2011
	(In millions)		
Realized gains	$83	$37	$46
Realized losses	$(41)	$(31)	$(38)
Proceeds from sales of securities	$1,118	$759	$833

Realized gains and losses from the sale of securities for the Fermi 2 and the low level radioactive waste funds are recorded to the Regulatory asset and Nuclear decommissioning liability. The following table sets forth the fair value and unrealized gains for the nuclear decommissioning trust funds:

	December 31, 2013		December 31, 2012	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
	(In millions)			
Equity securities	$730	$201	$631	$122
Debt securities	442	12	399	27
Cash and cash equivalents	19	—	7	—
	$1,191	$213	$1,037	$149

At December 31, 2013, investments in the nuclear decommissioning trust funds consisted of approximately 61% in publicly traded equity securities, 37% in fixed debt instruments and 2% in cash equivalents. At December 31, 2012, investments in the nuclear decommissioning trust funds consisted of approximately 61% in publicly traded equity securities, 38% in fixed debt instruments and 1% in cash equivalents.

The debt securities at December 31, 2013 and 2012 had an average maturity of approximately 7 and 6 years, respectively. Securities held in the nuclear decommissioning trust funds are classified as available-for-sale. As DTE Electric does not have the ability to hold impaired investments for a period of time sufficient to allow for the anticipated recovery of market value, all unrealized losses are considered to be other than temporary impairments.

Unrealized losses incurred by the Fermi 2 trust are recognized as a Regulatory asset. DTE Electric recognized $31 million and $44 million of unrealized losses as Regulatory assets at December 31, 2013 and 2012, respectively. Since the decommissioning of Fermi 1 is funded by DTE Electric rather than through a regulatory recovery mechanism, there is no corresponding regulatory asset treatment. Therefore, unrealized losses incurred by the Fermi 1 trust are recognized in earnings immediately. There were no unrealized losses recognized in 2013, 2012 and 2011 for Fermi 1.

Other Securities

At December 31, 2013 and 2012, the securities were comprised primarily of money-market and equity securities. During the years ended December 31, 2013 and 2012, no amounts of unrealized losses on available-for-sale securities were reclassified out of other comprehensive income and realized into net income for the periods. Gains related to trading securities held at December 31, 2013, 2012, and 2011 were $22 million, $11 million and $4 million, respectively.

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

NOTE 4 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

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

The Company's primary market risk exposure is associated with commodity prices, credit and interest rates. The Company has risk management policies to monitor and manage market risks. The Company uses derivative instruments to manage some of the exposure. The Company uses derivative instruments for trading purposes in its Energy Trading segment. Contracts classified as derivative instruments include power, natural gas, oil and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items not classified as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits and natural gas storage assets.

Electric — DTE Electric generates, purchases, distributes and sells electricity. DTE Electric uses forward energy contracts to manage changes in the price of electricity and fuel. Substantially all of these contracts meet the normal purchases and sales exemption and are therefore accounted for under the accrual method. Other derivative contracts are recoverable through the PSCR mechanism when settled. This results in the deferral of unrealized gains and losses as Regulatory assets or liabilities until realized.

Gas — DTE Gas purchases, stores, transports, distributes and sells natural gas and sells storage and transportation capacity. DTE Gas has fixed-priced contracts for portions of its expected gas supply requirements through 2016. Substantially all of these contracts meet the normal purchases and sales exemption and are therefore accounted for under the accrual method. DTE Gas may also sell forward transportation and storage capacity contracts. Forward transportation and storage contracts are generally not derivatives and are therefore accounted for under the accrual method.

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

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

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

Energy Trading — Foreign Currency Exchange Risk — Energy Trading has foreign currency exchange forward contracts to economically hedge fixed Canadian dollar commitments existing under natural gas and power purchase and sale contracts and natural gas transportation contracts. The Company enters into these contracts to mitigate price volatility with respect to fluctuations of the Canadian dollar relative to the U.S. dollar. These derivatives are accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

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

Corporate and Other — Interest Rate Risk — The Company uses interest rate swaps, treasury locks and other derivatives to hedge the risk associated with interest rate market volatility. In 2004 and 2000, the Company entered into a series of interest rate derivatives to limit its sensitivity to market interest rate risk associated with the issuance of long-term debt. Such instruments were designated as cash flow hedges. The Company subsequently issued long-term debt and terminated these hedges at a cost that is included in Other comprehensive loss. Amounts recorded in Other comprehensive loss will be reclassified to interest expense through 2033. In 2014, the Company estimates reclassifying less than $1 million of losses to earnings.

Credit Risk — The utility and non-utility businesses are exposed to credit risk if customers or counterparties do not comply with their contractual obligations. The Company maintains credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees. The Company generally uses standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty. The Company maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends, and other information. Based on the Company's credit policies and its December 31, 2013 and 2012 provision for credit losses, the Company's exposure to counterparty nonperformance is not expected to have a material adverse effect on the Company's financial statements.

Derivative Activities

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

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

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

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

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

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

The following tables present the fair value of derivative instruments as of December 31, 2013 and 2012:

	December 31, 2013		December 31, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(In millions)			
Derivatives designated as hedging instruments:				
Interest rate contracts	$—	$—	$—	$(1)
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts	$—	$(1)	$—	$—
Commodity Contracts:				
Natural Gas	396	(503)	645	(661)
Electricity	400	(398)	360	(351)
Other	37	(34)	11	(7)
Total derivatives not designated as hedging instruments:	$833	$(936)	$1,016	$(1,019)
Total derivatives:				
Current	$691	$(773)	$862	$(879)
Noncurrent	142	(163)	154	(141)
Total derivatives	$833	$(936)	$1,016	$(1,020)

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

The Company also provides and receives collateral in the form of letters of credit which can be offset against net derivative assets and liabilities as well as accounts receivable and payable. The Company had issued letters of credit of approximately $19 million and $63 million at December 31, 2013 and 2012, respectively, which could be used to offset our net derivative liabilities. Letters of credit received from third parties which could be used to offset our net derivative assets were not material for the periods presented. Such balances of letters of credit are excluded from the tables below and are not netted with the recognized assets and liabilities in the Consolidated Statements of Financial Position.

For contracts with certain clearing agents the fair value of derivative instruments is netted against realized positions with the net balance reflected as either 1) a derivative asset or liability or 2) an account receivable or payable. Other than certain clearing agents, accounts receivable and accounts payable that are subject to netting arrangements have not been offset against the fair value of derivative assets and liabilities. Certain contracts that have netting arrangements have not been offset in the Consolidated Statements of Financial Position. The impact of netting these derivative instruments and cash collateral related to such contracts is not material. Only the gross amounts for these derivative instruments are included in the table below.

As of December 31, 2013, the total cash collateral posted, net of cash collateral received, was $12 million. As of December 31, 2012, the total cash collateral received, net of cash collateral posted, was $20 million. As of December 31, 2013, derivative assets and derivative liabilities are shown net of cash collateral of $26 million and $17 million, respectively. There was no cash collateral related to unrealized positions to net against derivative assets and liabilities as of December 31, 2012. The Company recorded cash collateral paid of $34 million and cash collateral received of $13 million not related to unrealized derivative positions as of December 31, 2013. The Company recorded cash collateral paid of $4 million and cash collateral received of $24 million not related to unrealized derivative positions as of December 31, 2012. These amounts are included in accounts receivable and accounts payable and are recorded net by counterparty.

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

The following table presents the netting offsets of derivative assets and liabilities at December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position
	(In millions)					
Derivative assets:						
Commodity Contracts:						
Natural Gas	$396	$(382)	$14	$645	$(605)	$40
Electricity	400	(291)	109	360	(258)	102
Other	37	(34)	3	11	(6)	5
Total derivative assets	$833	$(707)	$126	$1,016	$(869)	$147
Derivative liabilities:						
Commodity Contracts:						
Natural Gas	$(503)	$395	$(108)	$(661)	$605	$(56)
Electricity	(398)	269	(129)	(351)	258	(93)
Other	(34)	34	—	(7)	6	(1)
Other derivative liabilities	(1)	—	(1)	(1)	—	(1)
Total derivative liabilities	$(936)	$698	$(238)	$(1,020)	$869	$(151)

The following table presents the netting offsets of derivative assets and liabilities at December 31, 2013 and 2012:

	December 31, 2013				December 31, 2012			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
	(In millions)							
Reconciliation of derivative instruments to Consolidated Statements of Financial Position:								
Total fair value of derivatives	$691	$142	$(773)	$(163)	$862	$154	$(879)	$(141)
Counterparty netting	(566)	(115)	566	115	(754)	(115)	754	115
Collateral adjustment	(26)	—	12	5	—	—	—	—
Total derivatives as reported	$99	$27	$(195)	$(43)	$108	$39	$(125)	$(26)

The effect of derivatives not designated as hedging instruments on the Consolidated Statements of Operations for years ended December 31, 2013 and 2012 is as follows:

Location of Gain Gain (Loss)

Derivatives not Designated as Hedging Instruments	(Loss) Recognized in Income on Derivatives	Recognized in Income on Derivatives for Years Ended December 31 2013	2012
		(In millions)	
Foreign currency exchange contracts	Operating Revenue	$(1)	$—
Commodity Contracts:			
Natural Gas	Operating Revenue	(48)	(29)
Natural Gas	Fuel, purchased power and gas	(44)	25
Electricity	Operating Revenue	82	64
Other	Operating Revenue	—	5
Total		$(11)	$65

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

Revenues and energy costs related to trading contracts are presented on a net basis in the Consolidated Statements of Operations. Commodity derivatives used for trading purposes, and financial non-trading commodity derivatives, are accounted for using the mark-to-market method with unrealized and realized gains and losses recorded in Operating revenues. Non-trading physical commodity sale and purchase derivative contracts are generally accounted for using the mark-to-market method with unrealized and realized gains and losses for sales recorded in Operating revenue and purchases recorded in Fuel, purchased power and gas.

The effects of derivative instruments recoverable through the PSCR mechanism when realized on the Consolidated Statements of Financial Position were $5 million in unrealized gains related to FTRs recognized in Regulatory liabilities for the year ended December 31, 2013, and $15 million in unrealized gains related to FTRs recognized in Regulatory liabilities, for the year ended December 31, 2012.

The following represents the cumulative gross volume of derivative contracts outstanding as of December 31, 2013:

Commodity	Number of Units
Natural Gas (MMBtu)	795,553,773
Electricity (MWh)	55,658,483
Foreign Currency Exchange ($ CAD)	65,074,206
FTR (MWh)	10,485,618

Various subsidiaries of the Company have entered into contracts which contain ratings triggers and are guaranteed by DTE Energy. These contracts contain provisions which allow the counterparties to request that the Company post cash or letters of credit as collateral in the event that DTE Energy’s credit rating is downgraded below investment grade. Certain of these provisions (known as “hard triggers”) state specific circumstances under which the Company can be asked to post collateral upon the occurrence of a credit downgrade, while other provisions (known as “soft triggers”) are not as specific. For contracts with soft triggers, it is difficult to estimate the amount of collateral which may be requested by counterparties and/or which the Company may ultimately be required to post. The amount of such collateral which could be requested fluctuates based on commodity prices (primarily natural gas, power and coal) and the provisions and maturities of the underlying transactions. As of December 31, 2013, DTE Energy's contractual obligation in the form of cash or letter of credit in the event of a downgrade to below investment grade, under both hard trigger and soft trigger provisions, was approximately $406 million.

As of December 31, 2013, the Company had approximately $1,176 million of derivatives in net liability positions, for which hard triggers exist. Collateral of approximately $25 million has been posted against such liabilities, including cash and letters of credit. Associated derivative net asset positions for which contractual offset exists were approximately $902 million. The net remaining amount of approximately $249 million is derived from the $406 million noted above.

NOTE 5 — GOODWILL

The Company has goodwill resulting from purchase business combinations.

The change in the carrying amount of goodwill for the fiscal years ended December 31, 2013 and 2012 is as follows:

	2013	2012	
	(In millions)		
Balance as of January 1	$2,018	$2,020	
Goodwill attributable to sale of Unconventional Gas Production business	—	(2	)

Balance at December 31	$2,018	$2,018

NOTE 6 — ACQUISITION

In the fourth quarter of 2012, the Company closed on the purchase of a portfolio of fourteen on-site energy projects from subsidiaries of Duke Energy Corporation and GDF Suez Energy North America, Inc. This acquisition provided a growth opportunity for the Company's Power and Industrial Projects segment that leverages its extensive energy-related operating experience and project management capabilities.

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

The purchase of equity interests ranged from 46 percent to 100 percent of the project companies for a total purchase price of approximately $294 million, which consisted of $220 million paid in cash and assumption of approximately $74 million of debt. The debt assumed related to two project companies which have been deemed variable interest entities. DTE, however, was determined not to be the primary beneficiary and thus the VIEs' assets and liabilities are not included in the Company's Consolidated Statements of Financial Position. Therefore, the assumed debt was not included in the purchase price allocation table below. There was no exposure to loss related to the debt assumed as the customer of the project companies is obligated to pay the loans in the event of default or termination. The following table summarizes the fair value of the assets acquired and liabilities assumed as of the closing date:

	(In millions)
Cash	$22
Accounts receivable	14
Other current assets	8
Property, plant and equipment	100
Intangible assets	75
Other noncurrent assets	9
Current liabilities	(7)
Non-controlling interest	(1)
Total purchase price	$220

The intangible assets recorded as a result of the acquisition pertained to existing contracts and agreements, which were valued at approximately $75 million as of the closing date. The intangible assets are amortized on a straight line basis over a weighted-average amortization period of approximately eight years. The Company did not record any goodwill due to the acquisition.

The Company's 2012 results of operations included revenue of $30 million and net income of $2 million associated with the acquired project companies for the approximate three-month period following the closing date. The pro forma results of operations have not been presented for DTE Energy because the effects of the acquisition were not material to our consolidated results of operations.

NOTE 7 — DISCONTINUED OPERATIONS

Sale of Unconventional Gas Production Business

In December 2012, the Company sold its 100% equity interest in its Unconventional Gas Production business which consisted of gas and oil production assets in the western Barnett and Marble Falls shale areas of Texas. The sale resulted in gross proceeds of approximately $255 million, which resulted in a pre-tax loss of approximately $83 million ($55 million after tax). The activity of the discontinued business is shown below. The amounts exclude general corporate overhead costs, and related tax effects, and no portion of corporate interest costs were allocated to discontinued operations.

	2012	2011
	(In millions)	
Operating Revenues	$55	$39
Operation and Maintenance	24	16
Depreciation, Depletion and Amortization	23	18

Taxes Other Than Income	4	3
Asset (Gains) and Losses, Net	83	—
	134	37
Operating Income (Loss)	(79)	2
Other (Income) and Deductions	6	6
Loss Before Income Taxes	(85)	(4)
Income Tax Expense (Benefit)	(29)	(1)
Net Loss Attributable to DTE Energy Company	$(56)	$(3)

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

NOTE 8 — PROPERTY, PLANT AND EQUIPMENT

Summary of property by classification as of December 31:

	2013	2012
Property, Plant and Equipment	(In millions)	
DTE Electric		
Generation	$11,127	$10,383
Distribution	7,603	7,306
Total DTE Electric	18,730	17,689
DTE Gas		
Distribution	2,834	2,704
Storage	431	426
Other	836	852
Total DTE Gas	4,101	3,982
Non-utility and other	2,292	1,960
Total	25,123	23,631
Less Accumulated Depreciation, Depletion and Amortization		
DTE Electric		
Generation	(4,004)	(3,880)
Distribution	(2,947)	(2,837)
Total DTE Electric	(6,951)	(6,717)
DTE Gas		
Distribution	(1,129)	(1,057)
Storage	(138)	(132)
Other	(338)	(365)
Total DTE Gas	(1,605)	(1,554)
Non-utility and other	(767)	(676)
Total	(9,323)	(8,947)
Net Property, Plant and Equipment	$15,800	$14,684

The Allowance for Funds used During Construction (AFUDC) capitalized was approximately $23 million and $20 million during 2013 and 2012, respectively.

The composite depreciation rate for DTE Electric was approximately 3.4% in 2013 and 3.3% in 2012 and 2011. The composite depreciation rate for DTE Gas was 2.4% in 2013 and 2012, and 2.3% in 2011.

The average estimated useful life for each major class of utility property, plant and equipment as of December 31, 2013 follows:

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

The estimated useful lives for major classes of non-utility assets and facilities ranges from 3 to 55 years.

Capitalized software costs are classified as Property, plant and equipment and the related amortization is included in Accumulated depreciation, depletion and amortization on the Consolidated Statements of Financial Position. The

Company capitalizes the costs associated with computer software it develops or obtains for use in its business. The Company amortizes capitalized software costs on a straight-line basis over the expected period of benefit, ranging from 3 to 15 years.

Capitalized software costs amortization expense was $71 million in 2013, $68 million in 2012 and $65 million in 2011. The gross carrying amount and accumulated amortization of capitalized software costs at December 31, 2013 were $668 million and $384 million, respectively. The gross carrying amount and accumulated amortization of capitalized software costs at December 31, 2012 were $608 million and $313 million, respectively.

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

Gross property under capital leases was $35 million and $32 million at December 31, 2013 and 2012, respectively. Accumulated amortization of property under capital leases was $21 million and $20 million at December 31, 2013 and 2012, respectively.

NOTE 9 — JOINTLY OWNED UTILITY PLANT

DTE Electric has joint ownership interest in two power plants, Belle River and Ludington Hydroelectric Pumped Storage. DTE Electric’s share of direct expenses of the jointly owned plants are included in Fuel, purchased power and gas and Operation and maintenance expenses in the Consolidated Statements of Operations. Ownership information of the two utility plants as of December 31, 2013 was as follows:

	Belle River		Ludington Hydroelectric Pumped Storage	
In-service date	1984-1985		1973	
Total plant capacity	1,270	MW	1,872	MW
Ownership interest	(a)		49	%
Investment in property, plant and equipment (in millions)	$1,702		$354	
Accumulated depreciation (in millions)	$969		$170	

(a) DTE Electric's ownership interest is 63% in Unit No. 1, 81% of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants and 75% in common facilities used at Unit No. 2.

Belle River

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

Ludington Hydroelectric Pumped Storage

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

NOTE 10 — ASSET RETIREMENT OBLIGATIONS

The Company has a legal retirement obligation for the decommissioning costs for its Fermi 1 and Fermi 2 nuclear plants, dismantlement of facilities located on leased property and various other operations. The Company has conditional retirement obligations for gas pipelines, asbestos and PCB removal at certain of its power plants and various distribution equipment. The Company recognizes such obligations as liabilities at fair market value when they are incurred, which generally is at the time the associated assets are placed in service. Fair value is measured using expected future cash outflows discounted at our credit-adjusted risk-free rate. In its regulated operations, the Company recognizes regulatory assets or liabilities for timing differences in expense recognition for legal asset retirement costs that are currently recovered in rates.

If a reasonable estimate of fair value cannot be made in the period in which the retirement obligation is incurred, such as for assets with indeterminate lives, the liability is recognized when a reasonable estimate of fair value can be made.

Natural gas storage system assets, substations, manholes and certain other distribution assets have an indeterminate life. Therefore, no liability has been recorded for these assets.

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

A reconciliation of the asset retirement obligations for 2013 follows:

	(In millions)
Asset retirement obligations at December 31, 2012	$1,719
Accretion	106
Liabilities incurred	5
Liabilities settled	(13)
Revision in estimated cash flows	10
Asset retirement obligations at December 31, 2013	$1,827

In 2001, DTE Electric began the final decommissioning of Fermi 1, with the goal of removing the remaining radioactive material and terminating the Fermi 1 license. In 2011, based on management decisions revising the timing and estimate of cash flows, DTE Electric accrued an additional $19 million with respect to the decommissioning of Fermi 1. Management has suspended decommissioning activities and placed the facility in safe storage status. The expense amount has been recorded in Asset (gains) and losses, reserves and impairments, net on the Consolidated Statements of Operations. In addition, in 2011, based on updated studies revising the timing and estimate of cash flows, a reduction of approximately $20 million was made to the DTE Electric asset retirement obligation for asbestos removal with approximately $6 million of the decrease associated with Fermi 1 recorded in Asset (gains) and losses, reserves and impairments, net on the Consolidated Statements of Operations.

In October 2011, the MPSC approved DTE Electric's request for a reduction to the nuclear decommissioning surcharge under the assumption that it would request an extension of the Fermi 2 license for an additional 20 years beyond the term of the existing license which expires in 2025. DTE Electric expects to request the license extension in 2014. This proposed extension of the license, including the associated impact on spent nuclear fuel, resulted in a revision in estimated cash flows for the Fermi 2 asset retirement obligation of approximately $22 million in 2011. It is estimated that the cost of decommissioning Fermi 2 is $1.6 billion in 2013 dollars and $10 billion in 2045 dollars, using a 6% inflation rate. Approximately $1.6 billion of the asset retirement obligations represent nuclear decommissioning liabilities that are funded through a surcharge to electric customers over the life of the Fermi 2 nuclear plant.

The NRC has jurisdiction over the decommissioning of nuclear power plants and requires minimum decommissioning funding based upon a formula. The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants and both require the use of external trust funds to finance the decommissioning of Fermi 2. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. DTE Electric is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates. The Company believes the MPSC and FERC collections will be adequate to fund the estimated cost of decommissioning. The decommissioning assets, anticipated earnings thereon and future revenues from decommissioning collections will be used to decommission Fermi 2. The Company expects the liabilities to be reduced to zero at the conclusion of the decommissioning activities. If amounts remain in the trust funds for Fermi 2 following the completion of the decommissioning activities, those amounts will be disbursed based on rulings by the MPSC and FERC.

A portion of the funds recovered through the Fermi 2 decommissioning surcharge and deposited in external trust accounts is designated for the removal of non-radioactive assets and returning the site to greenfield. This removal and greenfielding is not considered a legal liability. Therefore, it is not included in the asset retirement obligation, but is reflected as the nuclear decommissioning liability. The decommissioning of Fermi 1 is funded by DTE Electric. Contributions to the Fermi 1 trust are discretionary. See Note 3 for additional discussion of Nuclear decommissioning trust fund assets.

NOTE 11 — REGULATORY MATTERS

Regulation

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

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

The Company is unable to predict the outcome of the unresolved regulatory matters discussed herein. Resolution of these matters is dependent upon future MPSC orders and appeals, which may materially impact the financial position, results of operations and cash flows of the Company.

Regulatory Assets and Liabilities

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

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

	2013	2012
	(In millions)	
Assets		
Recoverable pension and other postretirement costs:		
Pension	$1,660	$2,420
Other postretirement costs	—	426
Asset retirement obligation	394	424
Recoverable Michigan income taxes	286	304
Recoverable income taxes related to securitized regulatory assets	126	226
Cost to achieve Performance Excellence Process	75	96
Other recoverable income taxes	71	76
Unamortized loss on reacquired debt	63	63
Deferred environmental costs	59	58
Enterprise Business Systems costs	13	16
Recoverable revenue decoupling	9	28
Choice incentive mechanism	3	66
Accrued PSCR/GCR revenue	—	87
Recoverable restoration expense	—	49
Other	104	78
	2,863	4,417
Less amount included in current assets	(26)	(182)
	$2,837	$4,235
Securitized regulatory assets	$231	$413

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

	2013	2012
	(In millions)	
Liabilities		
Asset removal costs	$351	$439
Renewable energy	277	230
Refundable revenue decoupling/deferred gain	127	127
Negative pension offset	84	105
Over recovery of Securitization	72	54
Refundable other postretirement costs	72	—
Accrued PSCR/GCR	65	16
Refundable income taxes	45	56
Energy optimization	31	34
Fermi 2 refueling outage	26	12
Refundable uncollectible expense	12	37
Other	2	10
	$1,164	$1,120
Less amount included current liabilities	(302)	(89)
	$862	$1,031

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

ASSETS

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

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

- Recoverable Michigan income taxes — In July 2007, the Michigan Business Tax (MBT) was enacted by the State of Michigan. State deferred tax liabilities were established for the Company's utilities, and offsetting regulatory assets were recorded as the impacts of the deferred tax liabilities will be reflected in rates as the related taxable temporary differences reverse and flow through current income tax expense. In May 2011, the MBT was repealed and the Michigan Corporate Income Tax (MCIT) was enacted. The regulatory asset was remeasured to reflect the impact of the MCIT tax rate. (a)

- Recoverable income taxes related to securitized regulatory assets — Receivable for the recovery of income taxes to be paid on the non-bypassable securitization bond surcharge. A non-bypassable securitization tax surcharge recovers the income tax over a fourteen-year period ending 2015. (a)

- Cost to achieve Performance Excellence Process (PEP) — The MPSC authorized the deferral of costs to implement the PEP. These costs consist of employee severance, project management and consultant support. These costs are amortized over a ten-year period beginning with the year subsequent to the year the costs were deferred.

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

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

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

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

- Enterprise Business Systems (EBS) costs — The MPSC approved the deferral and amortization over ten years beginning in January 2009 of EBS costs that would otherwise be expensed.

- Recoverable revenue decoupling — Amounts recoverable from DTE Gas customers for the change in revenue resulting from the difference in weather-adjusted average sales per customer compared to the base level of average sales per customer established by the MPSC. The December 2012 order in DTE Gas's rate case required the RDM be discontinued effective November 1, 2012. The order provided for a new RDM, which began in November 2013.

- Choice incentive mechanism (CIM) — DTE Electric receivable for non-fuel revenues lost as a result of fluctuations in electric Customer Choice sales. The CIM was terminated in the October 20, 2011 MPSC order issued to DTE Electric.

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

- Recoverable restoration expense — Receivable for the MPSC approved restoration expense tracking mechanism that tracked the difference between actual restoration expense and the amount provided for in base rates, recognized pursuant to the MPSC authorization. The restoration expense tracking mechanism was terminated in the October 20, 2011 MPSC order issued to DTE Electric.

- Securitized regulatory assets — The net book balance of the Fermi 2 nuclear plant was written off in 1998 and an equivalent regulatory asset was established. In 2001, the Fermi 2 regulatory asset and certain other regulatory assets were securitized pursuant to PA 142 and an MPSC order. A non-bypassable securitization bond surcharge recovers the securitized regulatory asset over a fourteen-year period ending in 2015.

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

LIABILITIES

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

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

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Refundable revenue decoupling / deferred gain — Amounts were originally accrued as refundable to DTE Electric customers for the change in revenue resulting from the difference between actual average sales per customer compared to the base level of average sales per customer established by the MPSC. In 2012, the Michigan Court of Appeals issued a decision reversing the MPSC's decision to authorize a RDM for DTE Electric. The revenue decoupling liability was reversed and, after receiving an order from the MPSC to defer the resulting gain for future amortization, DTE Electric created a regulatory liability representing its obligation to refund the gain. The deferred gain will be amortized into earnings in 2014.

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

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

- Over recovery of Securitization — Over recovery of securitization bond expenses.
- Refundable other postretirement costs — Accounting rules for other postretirement benefit costs require, among other things, the recognition in other comprehensive income of the actuarial gains or losses and the prior service costs or credits that arise during the period but that are not immediately recognized as components of net periodic benefit costs. DTE Electric and DTE Gas record the favorable impact of actuarial gains or losses and prior service credits as a regulatory liability since the impact will reduce expense in a future rate setting process as the deferred items are recognized as a component of net periodic benefit costs.
- Accrued PSCR/GCR refund — Liability for the temporary over-recovery of and a return on power supply costs and transmission costs incurred by DTE Electric which are recoverable through the PSCR mechanism and temporary over-recovery of and a return on gas costs incurred by DTE Gas which are recoverable through the GCR mechanism.
- Refundable income taxes — Income taxes refundable to DTE Gas's customers representing the difference in property-related deferred income taxes payable and amounts recognized pursuant to MPSC authorization.
- Energy optimization (EO) — Amounts collected in rates in excess of energy optimization expenditures.
- Fermi 2 refueling outage — Accrued liability for refueling outage at Fermi 2 pursuant to MPSC authorization.
- Refundable uncollectible expense (UETM) — DTE Electric and DTE Gas liability for the MPSC approved uncollectible expense tracking mechanism that tracks the difference in the fluctuation in uncollectible accounts and amounts recognized pursuant to the MPSC authorization. The UETM was terminated for DTE Electric in the October 20, 2011 MPSC rate case order and terminated for DTE Gas in the December 20, 2012 MPSC approval of the partial settlement agreement.

2009 Electric Rate Case Filing - Court of Appeals Decision

In April 2012, the Michigan Court of Appeals (COA) issued a decision relating to an appeal of the January 2010 MPSC rate order in DTE Electric's January 2009 rate case filing. The COA found that the record of evidence in the January 2010 rate order was insufficient to support the MPSC's authorization to recover costs for the advanced metering infrastructure (AMI) program and remanded this matter to the MPSC. On October 17, 2013, the MPSC issued an order affirming the approximately $8 million rate increase authorized in the MPSC's January 2010 rate order for the AMI program and further concluded that the evidence presented after remand supports the authorized cost recovery.

2010 Electric Rate Case Filing - Court of Appeals Decision

In July 2013, the COA issued a decision relating to an appeal of the October 2011 MPSC order in DTE Electric's October 2010 rate case filing. The COA found that the record of evidence in the 2010 rate case order was insufficient to support the MPSC's authorization to recover costs for the AMI program and remanded this matter to the MPSC. The MPSC had approved an approximately $11 million rate increase related to the AMI program in the October 2011 order. DTE Electric is currently operating its AMI program pursuant to the MPSC's approval set forth in the October 2011 order. On August 29, 2013, the MPSC reopened the 2010 electric rate case for the limited purpose of addressing the COA's opinion on AMI. The Company is unable to predict the outcome of this matter or the timing of its resolution.

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

Transition of the City of Detroit's Public Lighting Department's (PLD) Customers to DTE Electric's Distribution System

Accounting Authority
On June 28, 2013, DTE Electric filed an application for accounting authority to defer certain costs associated with the transition of the City of Detroit's PLD customers to the DTE Electric distribution system over a five to seven year system conversion period. The Company requested authority to defer as a regulatory asset, all net incremental revenue requirement associated with the transition. The net incremental revenue requirement includes costs to install meters and attach customers; system and customer facility upgrades and repairs; and the difference between DTE Electric's tariff rates and any transitional rates approved in the future. On July 11, 2013, the MPSC approved DTE Electric's request to defer, for accounting purposes, the net incremental revenue requirement.

The approval excludes the request to defer the difference between DTE Electric's tariff rates and any transitional rates that might be approved by the MPSC in the future. The MPSC will address proposed rates and recovery matters in a future contested proceeding. As the accounting order did not provide a regulatory recovery mechanism, a regulatory asset will not be recognized until a regulatory recovery mechanism is put into place and the recovery of the regulatory asset becomes probable.

Transitional Reconciliation Mechanism (TRM)
On July 19, 2013, DTE Electric filed its TRM application proposing a transitional tariff option for certain former PLD customers and a modified line extension provision. The application also proposed a recovery mechanism for the deferred net incremental revenue requirement described above. The application further discussed that DTE Electric will be requesting recovery, in subsequent PSCR cases, of PLD transmission delivery service costs incurred while DTE Electric is temporarily relying upon PLD to operate and maintain PLD's system during the system conversion period. If the MPSC determines that the transmission costs are not recoverable in the PSCR, the Company requested recovery as part of the TRM.

Energy Optimization (EO) Plans

The EO plan is designed to help customers reduce their electric usage by: 1) building customer awareness of energy efficiency options and 2) offering a diverse set of programs and participation options that result in energy savings for each customer class.

In May 2013, DTE Electric and DTE Gas filed separate applications for approval of their respective reconciliations of their 2012 EO plan expenses. DTE Electric’s EO reconciliation included a cumulative $26 million net over-recovery and DTE Gas’s EO reconciliation included a cumulative $7 million net over-recovery for their 2012 EO plans. DTE Electric and DTE Gas proposed that the calculated over-recoveries for 2012 be carried forward into 2013 and used as beginning balances for the 2013 reconciliations. On December 6, 2013, the MPSC approved settlement agreements of the DTE Electric and DTE Gas 2012 EO reconciliations that carried forward to 2013 the 2012 over-recoveries. In addition, the MPSC authorized performance incentive surcharges, over a 12-month period effective January 1, 2014, of approximately $10 million and $4 million for DTE Electric and DTE Gas, respectively.

In July 2013, DTE Electric and DTE Gas filed separate applications with the MPSC for the biennial review of their EO plans. On December 19, 2013, the MPSC approved settlement agreements for the EO plans of DTE Electric and DTE Gas.

DTE Electric Restoration Expense Tracker Mechanism (RETM) and Line Clearance Tracker (LCT) Reconciliation

In January 2012, DTE Electric filed an application with the MPSC for approval of the reconciliation of its 2011 RETM and LCT. The Company's 2011 restoration expenses were higher than the amount provided in rates. Accordingly, DTE Electric requested net recovery of approximately $44 million. On February 28, 2013, the MPSC approved a settlement agreement and authorized a $44 million net surcharge to recover the costs over a three-month period beginning April 1, 2013.

DTE Electric Uncollectible Expense True-Up Mechanism (UETM)

In February 2012, DTE Electric filed an application with the MPSC for approval of its UETM for 2011 requesting authority to refund approximately $9 million consisting of costs related to 2011 uncollectible expense. On February 28, 2013, the MPSC approved a settlement agreement and authorized a $9 million credit to refund the over-recovery over a one month period beginning April 1, 2013.

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

Low Income Energy Assistance Fund (LIEAF)

On July 1, 2013, Michigan Public Act 95 was signed into law and created the LIEAF. The legislation allows the use of a LIEAF funding factor to be determined by the MPSC and assessed on all customer classes of Michigan electric utilities to fund the LIEAF. On July 29, 2013, the MPSC adopted a funding factor of $0.99 per meter per month for all Michigan electric utilities that are participating in the program, including DTE Electric, effective with the September 2013 billing month. The surcharge billed by DTE Electric is remitted to the State of Michigan for subsequent distribution through a grant process to social service agencies and utilities to assist low income customers.

Renewable Energy Plan (REP)

In June 2013, DTE Electric filed an application for the biennial review and approval of its amended REP with the MPSC requesting authority to reduce its annual surcharge revenue recovery from approximately $100 million to $15 million. The proposed level is appropriate to continue to properly implement DTE Electric’s 20-year REP, designed to deliver cleaner, renewable electric generation to its customers, to further diversify DTE Electric’s and the State of Michigan’s sources of electric supply, and to address the state and national goals of increasing energy independence. On December 19, 2013, the MPSC approved DTE Electric’s amended REP.

Power Supply Cost Recovery Proceedings

The PSCR process is designed to allow DTE Electric to recover all of its power supply costs if incurred under reasonable and prudent policies and practices. DTE Electric's power supply costs include fuel and related transportation costs, purchased and net interchange power costs, nitrogen oxide and sulfur dioxide emission allowances costs, urea costs, transmission costs and MISO costs. The MPSC reviews these costs, policies and practices for prudence in annual plan and reconciliation filings.

2010 PSCR Year - On April 25, 2013, the MPSC approved the 2010 PSCR net under-recovery of $52.6 million and the recovery of this amount as part of the 2011 PSCR reconciliation. The order also approved DTE Electric's Pension Equalization Mechanism reconciliation and authorized a one month surcharge in June 2013 and approved the recovery of the over-refund of the self-implemented rate increase related to the 2009 electric rate case filing as part of the 2011 PSCR reconciliation.

2012 PSCR Year - In March 2013, DTE Electric filed the 2012 PSCR reconciliation calculating a net under-recovery of approximately $87 million that includes an under-recovery of approximately $148 million for the 2011 PSCR year. The reconciliation includes purchased power costs related to the manual shutdown of our Fermi 2 nuclear power plant in June 2012 caused by the failure of one of the plant's two non-safety related feed-water pumps. The plant was restarted on July 30, 2012, which restored production to nominal 68% of full capacity. In September 2013, the repair to the plant was completed and production was returned to full capacity. DTE Electric was able to purchase sufficient power from MISO to continue to provide uninterrupted service to our customers. Certain intervenors in the reconciliation case have challenged the recovery of up to $32 million of the Fermi-related purchased power costs. Resolution of this matter is expected in 2014.

2012 Gas Rate Case Filing

DTE Gas filed a rate case on April 20, 2012 based on a projected test year for the twelve-month period ending October 31, 2013. On December 20, 2012, the MPSC approved a partial settlement agreement and authorized the Company to increase its annual gas revenues by $19.9 million for service rendered on and after January 1, 2013. The partial settlement agreement did not resolve the proposal for an infrastructure recovery mechanism (IRM) designed to recover DTE Gas' projected costs over a five-year period related to its gas main renewal, pipeline integrity and meter move out programs. On April 16, 2013, the MPSC issued an order approving the IRM and authorized the recovery of the cost of service related to $77 million of annual investment in the programs beginning in May 2013. The IRM will adjust annually in July for the incremental investment each year, after a limited hearing on the reconciliation of the prior year capital expenditures. When DTE Gas files a rate case, all capital invested as part of the IRM will be rolled into rate base and recovery would continue through base rates as part of a base rate case filing. As part of any future rate case, DTE Gas may propose to implement an updated IRM to address the recovery of future infrastructure investments.

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

DTE Gas UETM

In March 2013, DTE Gas filed an application with the MPSC for approval of its UETM reconciliation for 2012 requesting authority to refund approximately $20 million. On September 10, 2013, the MPSC approved a settlement agreement approving the requested 2012 UETM refund over a twelve-month period beginning in October 2013.

DTE Gas Revenue Decoupling Mechanism (RDM)

In October 2012, DTE Gas filed an application with the MPSC for approval of its RDM reconciliation for the period July 1, 2011 through June 30, 2012. The application requests authority to adjust existing retail gas rates so as to collect a net amount of approximately $9 million, plus interest. On March 15, 2013, the MPSC approved a settlement agreement and authorized the implementation of surcharges during the billing months of April 2013 through March 2014.

In May 2013, DTE Gas filed an application with the MPSC for approval of its RDM reconciliation for the period July 1, 2012 through October 31, 2012. DTE Gas's RDM application proposed the recovery of a net under-recovery of approximately $5.2 million. On November 14, 2013, the MPSC approved a settlement agreement and authorized the implementation of surcharges during the billing months of December 2013 through March 2014.

The December 2012 order in DTE Gas's rate case required the RDM be discontinued effective November 1, 2012. The order also provided for a new RDM for the period November 1, 2013 through October 31, 2014. The new RDM decouples weather normalized distribution revenue inside caps. The caps are tied to expected conservation targets: 1.125% in the first reconciliation period and 2.25% for the second and future periods.

DTE Gas Depreciation Filing

In compliance with an MPSC order, DTE Gas filed a depreciation case in June 2012. On May 15, 2013, the MPSC approved a settlement agreement increasing DTE Gas’s composite depreciation rates from 2.29% to 2.51%, effective on the same date as the MPSC-approved rates are effective in DTE Gas’s next general rate case. The Company cannot predict when DTE Gas will file its next rate case.

NOTE 12 — INCOME TAXES

Income Tax Summary

The Company files a consolidated federal income tax return. Total income tax expense varied from the statutory federal income tax rate for the following reasons:

	2013		2012		2011	
	(In millions)					
Income before income taxes	$922		$960		$991	
Income tax expense at 35% statutory rate	$323		$336		$347	
Production tax credits	(68	)	(49	)	(6	)
Investment tax credits	(6	)	(6	)	(6	)
Depreciation	(4	)	(4	)	(4	)
AFUDC - Equity	(5	)	(4	)	(1	)
Employee Stock Ownership Plan dividends	(4	)	(4	)	(4	)
Domestic production activities deduction	(14	)	(14	)	(7	)

State and local income taxes, net of federal benefit	37	37	37
Enactment of Michigan Corporate Income Tax, net of federal expense	—	—	(87)
Other, net	(5)	(6)	(1)
Income tax expense	$254	$286	$268
Effective income tax rate	27.5 %	29.8 %	27.0 %

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

Components of income tax expense were as follows:

	2013	2012	2011
	(In millions)		
Current income tax expense (benefit)			
Federal	$74	$190	$27
State and other income tax	16	49	21
Total current income taxes	90	239	48
Deferred income tax expense (benefit)			
Federal	122	39	318
State and other income tax	42	8	(98)
Total deferred income taxes	164	47	220
Total income taxes from continuing operations	254	286	268
Discontinued operations	—	(29)	(1)
Total	$254	$257	$267

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts in the financial statements. Deferred tax assets and liabilities are classified as current or noncurrent according to the classification of the related assets or liabilities. Deferred tax assets and liabilities not related to assets or liabilities are classified according to the expected reversal date of the temporary differences. Consistent with rate making treatment, deferred taxes are offset in the table below for temporary differences which have related regulatory assets and liabilities.

Deferred tax assets (liabilities) were comprised of the following at December 31:

	2013	2012
	(In millions)	
Property, plant and equipment	$(3,372)	$(3,389)
Securitized regulatory assets	(127)	(256)
Alternative minimum tax credit carry-forwards	266	254
Merger basis differences	18	42
Pension and benefits	(30)	(33)
Other comprehensive loss	—	101
Derivative assets and liabilities	—	66
State net operating loss and credit carry-forwards	43	37
Other	(110)	41
	(3,312)	(3,137)
Less valuation allowance	(37)	(33)
	$(3,349)	$(3,170)
Current deferred income tax assets (liabilities)	$(28)	$21
Long-term deferred income tax liabilities	(3,321)	(3,191)
	$(3,349)	$(3,170)
Deferred income tax assets	$1,808	$1,038
Deferred income tax liabilities	(5,157)	(4,208)
	$(3,349)	$(3,170)

Production tax credits earned in prior years but not utilized totaled $266 million and are carried forward indefinitely as alternative minimum tax credits. The majority of the production tax credits earned in prior years but not utilized, including all of those from our synfuel projects, were generated from projects that had received a private letter ruling

(PLR) from the Internal Revenue Service (IRS). These PLRs provide assurance as to the appropriateness of using these credits to offset taxable income, however, these tax credits are subject to IRS audit and adjustment.

The above table excludes deferred tax liabilities associated with unamortized investment tax credits that are shown separately on the Consolidated Statements of Financial Position. Investment tax credits are deferred and amortized to income over the average life of the related property.

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

The Company has state deferred tax assets related to net operating loss and credit carry-forwards of $43 million and $37 million at December 31, 2013 and 2012, respectively. The state net operating loss and credit carry-forwards expire from 2014 through 2033. The Company has recorded valuation allowances at December 31, 2013 and 2012 of approximately $37 million and $33 million, respectively, with respect to these deferred tax assets. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

Uncertain Tax Positions

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

	2013	2012	2011
	(In millions)		
Balance at January 1	$11	$48	$28
Additions for tax positions of prior years	—	—	27
Reductions for tax positions of prior years	—	(2)	(4)
Additions for tax positions of current year	—	1	1
Settlements	—	(30)	(3)
Lapse of statute of limitations	(1)	(6)	(1)
Balance at December 31	$10	$11	$48

The Company had $2 million and $3 million of unrecognized tax benefits at December 31, 2013 and at 2012, respectively, that, if recognized, would favorably impact its effective tax rate. During the next twelve months, it is reasonably possible that the statute of limitation will expire on various state tax returns. As a result, the Company believes that it is possible that there will be a decrease in unrecognized tax benefits of up to $1 million within the next twelve months.

The Company recognizes interest and penalties pertaining to income taxes in Interest expense and Other expenses, respectively, on its Consolidated Statements of Operations. Accrued interest pertaining to income taxes totaled $1 million and $1 million at December 31, 2013 and 2012, respectively. The Company had no accrued penalties pertaining to income taxes. The Company recognized interest expense (income) related to income taxes of a nominal amount, $(1) million and $(2) million in 2013, 2012 and 2011, respectively.

In 2013, the Company settled a federal tax audit for the 2011 tax year, which resulted in the recognition of a nominal amount of unrecognized tax benefits. The Company's federal income tax returns for 2012 and subsequent years remain subject to examination by the IRS. The Company's Michigan Business Tax and Michigan Corporate Income Tax returns for the year 2008 and subsequent years remain subject to examination by the State of Michigan. The Company also files tax returns in numerous state and local jurisdictions with varying statutes of limitation.

Michigan Corporate Income Tax (MCIT)

In May 2011, the Michigan Business Tax (MBT) was repealed and the MCIT was enacted and became effective January 1, 2012. The MCIT subjects corporations with business activity in Michigan to a 6% tax rate on an apportioned income tax base and eliminates the modified gross receipts tax and nearly all credits available under the MBT. The MCIT also eliminated the future deductions allowed under MBT that enabled companies to establish a one-time deferred tax asset upon enactment of the MBT to offset deferred tax liabilities that resulted from enactment of the MBT.

As a result of the enactment of the MCIT, the net state deferred tax liability was remeasured to reflect the impact of the MCIT tax rate on cumulative temporary differences expected to reverse after the effective date. The net impact of this remeasurement was a reduction of the net deferred tax assets attributable to our regulated utilities, partially offset by a decrease in deferred tax liabilities attributable to our non-utilities of $87 million primarily due to a lower apportionment factor from inclusion of non-utility entities in DTE Energy's unitary Michigan tax return and was recognized as a reduction to income tax expense in 2011.

No recognition of these non-cash transactions have been reflected in the Consolidated Statements of Cash Flows.

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

NOTE 13 — COMMON STOCK

Common Stock

During 2013 and 2012, the Company contributed the following amounts of DTE Energy Common stock to the DTE Energy Company Affiliates Employee Benefit Plans Master Trust:

Date	Number of Shares	Price Per Share	Amount (In millions)
March 12, 2013	750,075	$66.66	$50
June 12, 2013	753,579	$66.35	50
September 12, 2013	1,522,301	$65.69	100
			$200
June 18, 2012	1,334,668	$59.94	$80

The shares for all the contributions were valued at the closing market price of DTE Energy common stock on the contribution dates in accordance with fair value measurement and accounting requirements.

Under the DTE Energy Company Long-Term Incentive Plan, the Company grants non-vested stock awards to key employees, primarily management. As a result of a stock award, a settlement of an award of performance shares, or by exercise of a participant's stock option, the Company may deliver common stock from the Company's authorized but unissued common stock and/or from outstanding common stock acquired by or on behalf of the Company in the name of the participant.

Dividends

Certain of the Company's credit facilities contain a provision requiring the Company to maintain a total funded debt to capitalization ratio, as defined in the agreements, of no more than 0.65 to 1, which has the effect of limiting the amount of dividends the Company can pay in order to maintain compliance with this provision. See Note 17 for a definition of this ratio. The effect of this provision was to restrict the payment of approximately $166 million at December 31, 2013 of total retained earnings of approximately $4 billion. There are no other effective limitations with respect to the Company's ability to pay dividends.

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

NOTE 14 — EARNINGS PER SHARE

The Company 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 as of December 31:

	2013	2012	2011
	(In millions, expect per share amounts)		
Basic Earnings per Share			
Net income attributable to DTE Energy Company	$661	$610	$711
Average number of common shares outstanding	175	171	169
Weighted average net restricted shares outstanding	1	1	1
Dividends declared — common shares	$453	$413	$392
Dividends declared — net restricted shares	1	1	1
Total distributed earnings	$454	$414	$393
Net income less distributed earnings	$207	$196	$318
Distributed (dividends per common share)	$2.59	$2.42	$2.32
Undistributed	1.17	1.14	1.87
Total Basic Earnings per Common Share	$3.76	$3.56	$4.19
Diluted Earnings per Share			
Net income attributable to DTE Energy Company	$661	$610	$711
Average number of common shares outstanding	175	171	169
Average incremental shares from assumed exercise of options	—	1	1
Common shares for dilutive calculation	175	172	170
Weighted average net restricted shares outstanding	1	1	1
Dividends declared — common shares	$453	$413	$392
Dividends declared — net restricted shares	1	1	1
Total distributed earnings	$454	$414	$393
Net income less distributed earnings	$207	$196	$318
Distributed (dividends per common share)	$2.59	$2.42	$2.32
Undistributed	1.17	1.13	1.86
Total Diluted Earnings per Common Share	$3.76	$3.55	$4.18

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

NOTE 15 — LONG-TERM DEBT

Long-Term Debt

The Company's long-term debt outstanding and weighted average interest rates (a) of debt outstanding at December 31 were:

	2013	2012
	(In millions)	
Mortgage bonds, notes, and other		
DTE Energy Debt, Unsecured		
6.1% due 2014 to 2033	$1,297	$1,298
DTE Electric Taxable Debt, Principally Secured		
4.7% due 2014 to 2043	4,286	3,777
DTE Electric Tax-Exempt Revenue Bonds (b)		
5.1% due 2014 to 2036	558	707
DTE Gas Taxable Debt, Principally Secured		
5.6% due 2014 to 2042	1,029	919
Other Long-Term Debt, Including Non-Recourse Debt	142	153
	7,312	6,854
Less amount due within one year	(694)	(634)
	$6,618	$6,220
Securitization bonds		
6.6% due 2015	$302	$479
Less amount due within one year	(197)	(177)
	$105	$302
Junior Subordinated Debentures		
6.5% due 2061	$280	$280
5.25% due 2062	200	200
	$480	$480

(a) Weighted average interest rates as of December 31, 2013 are shown below the description of each category of debt.
(b) DTE Electric Tax-Exempt Revenue Bonds are issued by a public body that loans the proceeds to DTE Electric on terms substantially mirroring the Revenue Bonds.

Debt Issuances

In 2013, the following debt was issued:

Company	Month Issued	Type	Interest Rate	Maturity	Amount
					(In millions)
DTE Electric	March	Mortgage Bonds (a)	4.00%	2043	$375
DTE Electric	August	Mortgage Bonds (a)	3.65%	2024	400
DTE Energy	November	Senior Notes (a)	3.85%	2023	300
DTE Gas	December	Mortgage Bonds (a)	3.64%	2023	50
DTE Gas	December	Mortgage Bonds (a)	3.74%	2025	70
DTE Gas	December	Mortgage Bonds (a)	3.94%	2028	50

$1,245

(a) Proceeds were used for the redemption of long-term debt, repayment of short-term borrowings and general corporate purposes.

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

Debt Redemptions

In 2013, the following debt was redeemed:

Company	Month	Type	Interest Rate		Maturity	Amount (In millions)
DTE Electric	March	Securitization Bonds	6.42	%	2013	$88
DTE Electric	March	Tax Exempt Revenue Bonds (a)	5.30	%	2030	51
DTE Electric	April	Other Long-Term Debt	Various		2013	13
DTE Gas	April	Senior Notes	5.26	%	2013	60
DTE Energy	June	Senior Notes	Variable		2013	300
DTE Electric	September	Securitization Bonds	6.62	%	2013	89
DTE Electric	September	Senior Notes	6.40	%	2013	250
DTE Electric	December	Tax Exempt Revenue Bonds (a)	5.50	%	2030	49
DTE Electric	December	Tax Exempt Revenue Bonds (a)	6.75	%	2038	50
DTE Energy	Various	Other Long-Term Debt	Various		2013	11
						$961

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

The following table shows the scheduled debt maturities:

	2014	2015	2016	2017	2018	2019 and Thereafter	Total
	(In millions)						
Amount to mature	$891	$476	$465	$9	$407	$5,846	$8,094

Junior Subordinated Debentures

At December 31, 2013, the Company had $280 million of 6.5% Junior Subordinated Debentures due 2061 and $200 million of 5.25% Junior Subordinated Debentures due 2062. The Company has the right to defer interest payments on the debt securities. Should the Company exercise this right, it cannot declare or pay dividends on, or redeem, purchase or acquire, any of its capital stock during the deferral period. Any deferred interest payments will bear additional interest at the rate associated with the related debt issue.

Cross Default Provisions

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

NOTE 16 — PREFERRED AND PREFERENCE SECURITIES

As of December 31, 2013, the amount of authorized and unissued stock is as follows:

Company	Type of Stock

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

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

NOTE 17 — SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

DTE Energy and its wholly owned subsidiaries, DTE Electric and DTE Gas, have unsecured revolving credit agreements with a syndicate of 19 banks that can be used for general corporate borrowings, but are intended to provide liquidity support for each of the companies' commercial paper programs. No one bank provides more than 8.7% of the commitment in any facility. Borrowings under the facilities are available at prevailing short-term interest rates. Additionally, DTE Energy has other facilities to support letter of credit issuance.

The agreements require the Company to maintain a total funded debt to capitalization ratio of no more than 0.65 to 1. In the agreements, "total funded debt" means all indebtedness of the Company and its consolidated subsidiaries, including capital lease obligations, hedge agreements and guarantees of third parties' debt, but excluding contingent obligations, nonrecourse and junior subordinated debt and certain equity-linked securities and, except for calculations at the end of the second quarter, certain DTE Gas short-term debt. "Capitalization" means the sum of (a) total funded debt plus (b) "consolidated net worth," which is equal to consolidated total stockholders' equity of the Company and its consolidated subsidiaries (excluding pension effects under certain FASB statements), as determined in accordance with accounting principles generally accepted in the United States of America. At December 31, 2013, the total funded debt to total capitalization ratios for DTE Energy, DTE Electric and DTE Gas are 0.48 to 1, 0.50 to 1 and 0.48 to 1, respectively, and are in compliance with this financial covenant. The availability under the facilities in place at December 31, 2013 is shown in the following table:

	DTE Energy	DTE Electric	DTE Gas	Total
	(In millions)			
Unsecured letter of credit facility, expiring in May 2014	$50	$—	$—	$50
Unsecured letter of credit facility, expiring in August 2015	125	—	—	125
Unsecured revolving credit facility, expiring April 2018	1,200	300	300	1,800
	1,375	300	300	1,975
Amounts outstanding at December 31, 2013:				
Commercial paper issuances	35	—	96	131
Letters of credit	244	—	—	244
	279	—	96	375
Net availability at December 31, 2013	$1,096	$300	$204	$1,600

The Company has other outstanding letters of credit which are not included in the above described facilities totaling approximately $53 million which are used for various corporate purposes.

The weighted average interest rate for short-term borrowings was 0.2% and 0.4% at December 31, 2013 and 2012, respectively.

In conjunction with maintaining certain exchange traded risk management positions, the Company may be required to post cash collateral with its clearing agent. The Company has a demand financing agreement for up to $100 million with its clearing agent. The agreement, as amended, also allows for up to $50 million of additional margin financing provided that the Company posts a letter of credit for the incremental amount. At December 31, 2013, a $50 million letter of credit was in place, raising the capacity under this facility to $150 million. The $50 million letter of credit is included in the table above. The amount outstanding under this agreement was $138 million and $65 million at December 31, 2013 and 2012, respectively.

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

NOTE 18 — CAPITAL AND OPERATING LEASES

Lessee — The Company leases various assets under capital and operating leases, including coal railcars, office buildings, a warehouse, computers, vehicles and other equipment. The lease arrangements expire at various dates through 2046.

Future minimum lease payments under non-cancelable leases at December 31, 2013 were:

	Capital Leases	Operating Leases
	(In millions)	
2014	$8	$35
2015	8	31
2016	3	27
2017	—	25
2018	—	20
Thereafter	—	92
Total minimum lease payments	$19	$230
Less imputed interest	1	
Present value of net minimum lease payments	18	
Less current portion	7	
Non-current portion	$11	

Rental expense for operating leases was $34 million in 2013, $36 million in 2012, and $40 million in 2011.

Lessor - Capital Lease — The Company leases a portion of its pipeline system to the Vector Pipeline through a capital lease contract that expires in 2020, with renewal options extending for five years. The Company owns a 40% interest in the Vector Pipeline. In addition, the Company has an energy services agreement, a portion of which is accounted for as a capital lease. The agreement expires in 2019, with a three or five year renewal option. The components of the net investment in the capital leases at December 31, 2013, were as follows:

	(In millions)
2014	$12
2015	12
2016	12
2017	12
2018	12
Thereafter	19
Total minimum future lease receipts	79
Residual value of leased pipeline	40
Less unearned income	(40)
Net investment in capital lease	79
Less current portion	(5)
	$74

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

NOTE 19 — COMMITMENTS AND CONTINGENCIES

Environmental

Electric

Air - DTE Electric is subject to the EPA ozone and fine particulate transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. Since 2005, the EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze, mercury, and other air pollution. These rules have led to additional controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide, mercury and other emissions. To comply with these requirements, DTE Electric has spent approximately $2 billion through 2013. The Company estimates DTE Electric will make capital expenditures of approximately $280 million in 2014 and up to approximately $1.2 billion of additional capital expenditures through 2021 based on current regulations. Further, additional rulemakings are expected over the next few years which could require additional controls for sulfur dioxide, nitrogen oxides and other hazardous air pollutants. The Cross State Air Pollution Rule (CSAPR), finalized in July 2011, requires further reductions of sulfur dioxide and nitrogen oxides emissions beginning in 2012. On December 30, 2011, the U.S. Court of Appeals for the District of Columbia (D.C.) Circuit granted the motions to stay the rule, leaving DTE Electric temporarily subject to the previously existing Clean Air Interstate Rule (CAIR). On August 21, 2012, the Court issued its decision, vacating CSAPR and leaving CAIR in place. The EPA's petition seeking a rehearing of the U.S. Court of Appeals' decision regarding the CSAPR was denied on January 24, 2013. On June 24, 2013, the U.S. Supreme Court granted the EPA's petition asking the Court to review the D.C. Circuit Court's decision on CSAPR. A ruling by the Supreme Court is expected in 2014. Notwithstanding the appeal filed with the Supreme Court, the EPA and a number of states have started working on the framework of revised CSAPR regulations which we anticipate to be proposed in the next few years.

The Mercury and Air Toxics Standard (MATS) rule, formerly known as the Electric Generating Unit Maximum Achievable Control Technology (EGU MACT) Rule, was finalized on December 16, 2011. The MATS rule requires reductions of mercury and other hazardous air pollutants beginning in April 2015, with a potential extension to April 2016. DTE Electric has requested and been granted compliance date extensions for some units to April 2016. DTE Electric has tested technologies to determine technological and economic feasibility as MATS compliance alternatives to Flue Gas Desulfurization (FGD) systems. Implementation of Dry Sorbent Injection (DSI) and Activated Carbon Injection (ACI) technologies will allow several units that would not have been economical for FGD installations to continue operation in compliance with MATS.

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

In August 2010, the U.S. Department of Justice, at the request of the EPA, brought a civil suit in the U.S. District Court for the Eastern District of Michigan against DTE Energy and DTE Electric, related to the June 2010 NOV/FOV and the outage work performed at Unit 2 of the Monroe Power Plant, but not relating to the July 2009 NOV/FOV. Among other relief, the EPA requested the court to require DTE Electric to install and operate the best available control technology at Unit 2 of the Monroe Power Plant. Further, the EPA requested the court to issue a preliminary injunction to require DTE Electric to (i) begin the process of obtaining the necessary permits for the Monroe Unit 2 modification and (ii) offset the pollution from Monroe Unit 2 through emissions reductions from DTE Electric's fleet of coal-fired power plants until the new control equipment is operating. On August 23, 2011, the U.S. District Court judge granted DTE Energy's motion for summary judgment in the civil case, dismissing the case and entering judgment in favor of DTE Energy and DTE Electric. On October 20, 2011, the EPA caused to be filed a Notice of Appeal to the U.S. Court of Appeals for the Sixth Circuit. On March 28, 2013, the Court of Appeals remanded the case to the U.S. District Court for review of the procedural component of the New Source Review notification requirements. On September 3, 2013, the EPA caused to be filed a motion seeking leave to amend their complaint regarding the June 2010 NOV/FOV adding additional claims related to outage work performed at the Trenton Channel and Belle River power plants as well as additional claims related to work performed at the Monroe Power Plant. In addition, the Sierra Club caused to be filed a motion to add a claim regarding the River Rouge Power Plant. The EPA and Sierra Club motions are currently pending with the U.S. District Court Judge.

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Notes to Consolidated Financial Statements — (Continued)

DTE Energy and DTE Electric believe that the plants identified by the EPA, including Unit 2 of the Monroe Power Plant, have complied with all applicable federal environmental regulations. Depending upon the outcome of discussions with the EPA regarding the two NOVs/FOVs, DTE Electric could be required to install additional pollution control equipment at some or all of the power plants in question, implement early retirement of facilities where control equipment is not economical, engage in supplemental environmental programs, and/or pay fines. The Company cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

On March 13, 2013, the Sierra Club filed suit against DTE Energy and DTE Electric alleging violations of the Clean Air Act at four of DTE Electric's coal-fired power plants. The plaintiffs allege 1,499 6-minute periods of excess opacity of air emissions from 2007-2012 at those facilities. The suit asks that the court enjoin DTE Energy and DTE Electric from operating the power plants except in complete compliance with applicable laws and permit requirements, pay civil penalties, conduct beneficial environmental mitigation projects, pay attorney fees and require the installation of any necessary pollution controls or to convert and/or operate the plants' boilers on natural gas to avoid additional violations and to off-set historic unlawful emissions. In December 2013, a U.S. District Court judge issued an order dismissing, without prejudice, the plaintiff's complaint allowing them to file an amended complaint by January 17, 2014. The order dismissing the complaint resulted from a considerable number of plaintiff's claims being time barred based on the statute of limitations. On January 17, 2014, the plaintiffs filed an amended complaint for the period January 13, 2008 - June 30, 2012, reducing the total number of 6-minute periods from 1,499 to 1,139. DTE Energy and DTE Electric plan to file an answer to the amended complaint in the first quarter of 2014. The resolution of this matter is not expected to have a material effect on the Company's operations or financial statements.

Water - In response to an EPA regulation, DTE Electric would be required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of completed studies and expected future studies, DTE Electric may be required to install technologies to reduce the impacts of the water intake structures. The initial rule published in 2004 was subsequently remanded and a proposed rule published in 2011. The proposed rule specified an eight year compliance timeline. Final action on this rule has been delayed and is expected in 2014. Depending on final regulations, its requirements may require modifications to some existing intake structures and could impact the rates we charge our customers. It is not possible to quantify the impact of those expected rulemakings at this time.

On April 19, 2013, the EPA proposed revised steam electric effluent guidelines regulating wastewater streams from coal-fired power plants including multiple possible options for compliance. The rules are expected to be finalized by May 2014. DTE Electric has provided comments to the EPA. However, it is not possible at this time to quantify the impacts of these developing requirements.

Contaminated and Other Sites — Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. The facilities, which produced gas, have been designated as manufactured gas plant (MGP) sites. DTE Electric conducted remedial investigations at contaminated sites, including three former MGP sites. The investigations have revealed contamination related to the by-products of gas manufacturing at each site. In addition to the MGP sites, the Company is also in the process of cleaning up other contaminated sites, including the area surrounding an ash landfill, electrical distribution substations, electric generating power plants, and underground and aboveground storage tank locations. The findings of these investigations indicated that the estimated cost to remediate these sites is expected to be incurred over the next several years. At December 31, 2013 and 2012, the Company had $8 million and $9 million, respectively, accrued for remediation. Any change in assumptions, such as remediation techniques, nature and extent of contamination and regulatory requirements, could impact the estimate of remedial action costs for the sites and affect the Company’s financial position and cash flows. The Company believes that the likelihood of a materially greater liability than the accrued amount is remote based on current knowledge of the conditions at each site.

DTE Electric owns and operates three permitted engineered ash storage facilities to dispose of fly ash from coal fired power plants. The EPA has published proposed rules to regulate coal ash under the authority of the Resources Conservation and Recovery Act (RCRA). The proposed rule published in June 2010 contains two primary regulatory options to regulate coal ash residue. The EPA is currently considering either designating coal ash as a "Hazardous Waste" as defined by RCRA or regulating coal ash as non-hazardous waste under RCRA. Agencies and legislatures have urged the EPA to regulate coal ash as a non-hazardous waste. If the EPA designates coal ash as a hazardous waste, the agency could apply some, or all, of the disposal and reuse standards that have been applied to other existing hazardous wastes to disposal and reuse of coal ash. Some of the regulatory actions currently being contemplated could have a significant impact on our operations and financial position and the rates we charge our customers. It is not possible to quantify the impact of those expected rulemakings at this time.

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Notes to Consolidated Financial Statements — (Continued)

Gas

Contaminated Sites — Gas segment, owned or previously owned, 15 former MGP sites. Investigations have revealed contamination related to the by-products of gas manufacturing at each site. In addition to the MGP sites, the Company is also in the process of cleaning up other contaminated sites. Cleanup activities associated with these sites will be conducted over the next several years. The MPSC has established a cost deferral and rate recovery mechanism for investigation and remediation costs incurred at former MGP sites. As of December 31, 2013 and 2012, the Company had $28 million and $29 million, accrued for remediation, respectively. Any change in assumptions, such as remediation techniques, nature and extent of contamination and regulatory requirements, could impact the estimate of remedial action costs for the sites and affect the Company's financial position and cash flows. The Company anticipates the cost amortization methodology approved by the MPSC for DTE Gas, which allows DTE Gas to amortize the MGP costs over a ten-year period beginning with the year subsequent to the year the MGP costs were incurred and the cost deferral and rate recovery mechanism for Citizens approved by the City of Adrian, will prevent environmental costs from having a material adverse impact on the Company's results of operations.

Non-utility

The Company's non-utility businesses are subject to a number of environmental laws and regulations dealing with the protection of the environment from various pollutants.

The Michigan coke battery facility received and responded to information requests from the EPA that resulted in the issuance of a NOV in June 2007 alleging potential maximum achievable control technologies and new source review violations. The EPA is in the process of reviewing the Company's position of demonstrated compliance and has not initiated escalated enforcement. At this time, the Company cannot predict the impact of this issue. Furthermore, the Michigan coke battery facility is the subject of an investigation by the MDEQ concerning visible emissions readings that resulted from the Company self reporting to MDEQ questionable activities by an employee of a contractor hired by the Company to perform the visible emissions readings. At this time, the Company cannot predict the impact of this investigation.

The Company received two NOVs from the Pennsylvania Department of Environmental Protection (PADEP) in 2010 alleging violations of the permit for the Pennsylvania coke battery facility in connection with coal pile storm water runoff. The Company has implemented best management practices to address this issue. The Company recently received a permit to upgrade its existing waste water treatment system and is currently seeking a permit from the PADEP to upgrade its wastewater treatment technology to a biological treatment facility. The Company expects to spend less than $3 million on the existing waste water treatment system to comply with existing water discharge requirements and to upgrade its coal pile storm water runoff management program.

The Company believes that its non-utility businesses are substantially in compliance with all environmental requirements, other than as noted above.

Other

In March 2011, the EPA finalized a new set of regulations regarding the identification of non-hazardous secondary materials that are considered solid waste, industrial boiler and process heater maximum achievable control technologies (IBMACT) for major and area sources, and commercial/industrial solid waste incinerator new source performance standard and emission guidelines (CISWI). The effective dates of the major source IBMACT and CISWI regulations were stayed and a re-proposal was issued by the EPA in December 2011. Final IBMACT and CISWI were issued by the EPA in December 2012. The Company is developing compliance plans to upgrade or convert existing industrial boilers to natural gas and to perform required energy assessments in compliance with the applicable new standards. Capital costs for the boiler conversions and the expenses for the one-time energy assessments are not expected to be material.

In 2010, the EPA finalized a new 1-hour sulfur dioxide ambient air quality standard that requires states to submit plans for non-attainment areas to be in compliance by 2017. Michigan's non-attainment area includes DTE Energy facilities in southwest Detroit and areas of Wayne County. Preliminary modeling runs by the MDEQ suggest that emission reductions may be required by significant sources of sulfur dioxide emissions in these areas, including DTE Electric power plants and our Michigan coke battery. The state implementation plan process is in the gathering stage and any required emission reductions for DTE Energy sources to meet the standard cannot be estimated currently.

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

Nuclear Operations

Property Insurance

DTE Electric maintains property insurance policies specifically for the Fermi 2 plant. These policies cover such items as replacement power and property damage. The Nuclear Electric Insurance Limited (NEIL) is the primary supplier of the insurance policies.

DTE Electric maintains a policy for extra expenses, including replacement power costs necessitated by Fermi 2's unavailability due to an insured event. This policy has a 12-week waiting period and provides an aggregate $490 million of coverage over a three-year period.

DTE Electric has $500 million in primary coverage and $2.25 billion of excess coverage for stabilization, decontamination, debris removal, repair and/or replacement of property and decommissioning. The combined coverage limit for total property damage is $2.75 billion, subject to a $1 million deductible. As of April 1, 2013, the total limit for property damage for non-nuclear events is $1.8 billion and an aggregate of $327 million of coverage for extra expenses over a two-year period.

In 2007, the Terrorism Risk Insurance Extension Act of 2005 (TRIA) was extended through December 31, 2014. A major change in the extension is the inclusion of "domestic" acts of terrorism in the definition of covered or "certified" acts. For multiple terrorism losses caused by acts of terrorism not covered under the TRIA occurring within one year after the first loss from terrorism, the NEIL policies would make available to all insured entities up to $3.2 billion, plus any amounts recovered from reinsurance, government indemnity, or other sources to cover losses.

Under the NEIL policies, DTE Electric could be liable for maximum assessments of up to approximately $34 million per event if the loss associated with any one event at any nuclear plant should exceed the accumulated funds available to NEIL.

Public Liability Insurance

As required by federal law, DTE Electric maintains $375 million of public liability insurance for a nuclear incident. For liabilities arising from a terrorist act outside the scope of TRIA, the policy is subject to one industry aggregate limit of $300 million. Further, under the Price-Anderson Amendments Act of 2005, deferred premium charges up to $127.3 million could be levied against each licensed nuclear facility, but not more than $19 million per year per facility. Thus, deferred premium charges could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident at any of these facilities.

Nuclear Fuel Disposal Costs

In accordance with the Federal Nuclear Waste Policy Act of 1982, DTE Electric has a contract with the U.S. Department of Energy (DOE) for the future storage and disposal of spent nuclear fuel from Fermi 2. DTE Electric is obligated to pay the DOE a fee of 1 mill per kWh of Fermi 2 electricity generated and sold. The fee is a component of nuclear fuel expense. The DOE's Yucca Mountain Nuclear Waste Repository program for the acceptance and disposal of spent nuclear fuel was terminated in 2011. DTE Electric currently employs a spent nuclear fuel storage strategy utilizing a fuel pool. The Company continues to develop its on-site dry cask storage facility and has scheduled the initial offload from the spent fuel pool in 2014. The dry cask storage facility is expected to provide sufficient spent fuel storage capability for the life of the plant as defined by the original operating license.

DTE Electric is a party in the litigation against the DOE for both past and future costs associated with the DOE's failure to accept spent nuclear fuel under the timetable set forth in the Federal Nuclear Waste Policy Act of 1982. In July 2012, DTE Electric executed a settlement agreement with the federal government for costs associated with the DOE's delay in acceptance of spent nuclear fuel from Fermi 2 for permanent storage. The settlement provided for a payment of approximately $48 million, received in August 2012, for delay-related costs experienced by DTE Electric through 2010, and a claims process for submittal of delay-related costs from 2011 through 2013. DTE Electric has begun the claims process and claims are being settled on a timely basis. The settlement proceeds reduced the cost of the dry cask storage facility assets. In January 2014, the settlement agreement was extended through 2016. The federal government continues to maintain its legal obligation to accept spent nuclear fuel from Fermi 2 for permanent storage. Issues relating to long-term waste disposal policy and to the disposition of funds contributed by DTE Electric ratepayers to the federal waste fund await future governmental action.

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

In February 2013, the U.S. Court of Appeals for the District of Columbia (COA) granted a motion to reopen the fee adequacy litigation to review the DOE's latest fee adequacy report which was released in January 2013. In November 2013, the COA issued a decision ordering the DOE to submit a proposal to Congress to reduce the nuclear waste fee to zero until the DOE enacts an alternative nuclear waste management plan. In January 2014, the DOE submitted such a proposal to Congress that will take effect in 90 legislative calendar days, absent legislative action to the contrary. Simultaneously, the DOE filed a petition for rehearing of the November 2013 decision with the COA. DTE Electric continues to pay fees to the U.S. government's nuclear waste fund pending further developments in this proceeding.

Synthetic Fuel Guarantees

The Company discontinued the operations of its synthetic fuel production facilities throughout the United States as of December 31, 2007. The Company provided certain guarantees and indemnities in conjunction with the sales of interests in its synfuel facilities. The guarantees cover potential commercial, environmental, oil price and tax-related obligations and will survive until 90 days after expiration of all applicable statutes of limitations. The Company estimates that its maximum potential liability under these guarantees at December 31, 2013 is approximately $1.1 billion. Payment under these guarantees is considered remote.

Reduced Emissions Fuel Guarantees

The Company has provided certain guarantees and indemnities in conjunction with the sales of interests in its reduced emissions fuel facilities. The guarantees cover potential commercial, environmental, and tax-related obligations and will survive until 90 days after expiration of all applicable statutes of limitations. The Company estimates that its maximum potential liability under these guarantees at December 31, 2013 is approximately $144 million. Payment under these guarantees is considered remote.

Other Guarantees

In certain limited circumstances, the Company enters into contractual guarantees. The Company may guarantee another entity’s obligation in the event it fails to perform. The Company may provide guarantees in certain indemnification agreements. Finally, the Company may provide indirect guarantees for the indebtedness of others. The Company’s guarantees are not individually material with maximum potential payments totaling $60 million at December 31, 2013. Payment under these guarantees is considered remote.

The Company is periodically required to obtain performance surety bonds in support of obligations to various governmental entities and other companies in connection with its operations. As of December 31, 2013, the Company had approximately $41 million of performance bonds outstanding. In the event that such bonds are called for nonperformance, the Company would be obligated to reimburse the issuer of the performance bond. The Company is released from the performance bonds as the contractual performance is completed and does not believe that a material amount of any currently outstanding performance bonds will be called.

Labor Contracts

There are several bargaining units for the Company's approximately 4,900 represented employees. The majority of the represented employees are under contracts that expire in 2016 and 2017.

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

Purchase Commitments

As of December 31, 2013, the Company was party to numerous long-term purchase commitments relating to a variety of goods and services required for the Company’s business. These agreements primarily consist of fuel supply commitments, renewable energy contracts and energy trading contracts. The Company estimates that these commitments will be approximately $8.6 billion from 2014 through 2051 as detailed in the following table:

	(In millions)
2014	$2,617
2015	1,195
2016	643
2017	345
2018	311
2019 — 2051	3,487
	$8,598

The Company also estimates that 2014 capital expenditures will be approximately $2.3 billion. The Company has made certain commitments in connection with expected capital expenditures.

Bankruptcies

The Company purchases and sells electricity, natural gas, coal, coke and other energy products from and to governmental entities and numerous companies operating in the steel, automotive, energy, retail, financial and other industries. Certain of its customers have filed for bankruptcy protection under the U.S. Bankruptcy Code. The Company regularly reviews contingent matters relating to these customers and its purchase and sale contracts and records provisions for amounts considered at risk of probable loss. The Company believes its accrued amounts are adequate for probable loss.

The Company's utilities provide services to the city of Detroit, Michigan (Detroit). Detroit filed for Chapter 9 bankruptcy protection on July 18, 2013. The Company had pre-petition accounts receivable of approximately $20 million outstanding as of the bankruptcy filing date. Detroit has been paying amounts owed in a timely manner and its accounts are substantially current. The Company does not expect Detroit's bankruptcy filing to have a material impact on its financial results.

Other Contingencies

The Company is involved in certain other legal, regulatory, administrative and environmental proceedings before various courts, arbitration panels and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, additional environmental reviews and investigations, audits, inquiries from various regulators, and pending judicial matters. The Company cannot predict the final disposition of such proceedings. The Company regularly reviews legal matters and records provisions for claims that it can estimate and are considered probable of loss. The resolution of these pending proceedings is not expected to have a material effect on the Company’s operations or financial statements in the periods they are resolved.

See Notes 4 and 11 for a discussion of contingencies related to derivatives and regulatory matters.

NOTE 20 — RETIREMENT BENEFITS AND TRUSTEED ASSETS

Pension Plan Benefits

The Company has qualified defined benefit retirement plans for eligible represented and non-represented employees. The plans are noncontributory and cover most employees. The plans provide traditional retirement benefits based on the employees’ years of benefit service, average final compensation and age at retirement. In addition, certain represented and non-represented employees are covered under cash balance provisions that determine benefits on annual employer contributions and interest credits. The Company also maintains supplemental nonqualified, noncontributory, retirement benefit plans for selected management employees. These plans provide for benefits that supplement those provided by DTE Energy’s other retirement plans.

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

Effective January 1, 2012 for non-represented employees, and in June 2011 and March 2013 for the majority of represented employees, the Company discontinued offering a defined benefit retirement plan. In its place, the Company will annually contribute an amount equivalent to 4% (8% for certain DTE Gas represented employees) of an employee's eligible pay to the employee's defined contribution retirement savings plan.

The Company's policy is to fund pension costs by contributing amounts consistent with the provisions of the Pension Protection Act of 2006 and additional amounts when it deems appropriate. The Company contributed $277 million to its qualified pension plans in 2013. At the discretion of management, and depending upon financial market conditions, we anticipate making up to $345 million in contributions to the pension plans in 2014.

Net pension cost includes the following components:

	2013	2012	2011
	(In millions)		
Service cost	$94	$82	$69
Interest cost	192	204	202
Expected return on plan assets	(266)	(244)	(246)
Amortization of:			
Net loss	208	176	142
Prior service cost	—	—	3
Special termination benefits	—	2	2
Net pension cost	$228	$220	$172

	2013	2012
	(In millions)	
Other changes in plan assets and benefit obligations recognized in Regulatory assets and Other comprehensive income		
Net actuarial (gain) loss	$(581)	$395
Amortization of net actuarial loss	(208)	(178)
Total recognized Regulatory assets and Other comprehensive income	$(789)	$217
Total recognized in net periodic pension cost, Regulatory assets and Other comprehensive income	$(561)	$437
Estimated amounts to be amortized from Regulatory assets and Accumulated other comprehensive income into net periodic benefit cost during next fiscal year		
Net actuarial loss	$151	$202

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

The following table reconciles the obligations, assets and funded status of the plans as well as the amounts recognized as prepaid pension cost or pension liability in the Consolidated Statements of Financial Position at December 31:

	2013	2012
	(In millions)	
Accumulated benefit obligation, end of year	$4,068	$4,349
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	$4,729	$4,195
Service cost	94	82
Interest cost	192	204
Plan amendments	(3)	—
Actuarial (gain) loss	(400)	474
Special termination benefits	—	2
Benefits paid	(232)	(228)
Projected benefit obligation, end of year	$4,380	$4,729
Change in plan assets		
Plan assets at fair value, beginning of year	$3,223	$2,886
Actual return on plan assets	445	325
Company contributions	284	240
Benefits paid	(232)	(228)
Plan assets at fair value, end of year	$3,720	$3,223
Funded status of the plans	$(660)	$(1,506)
Amount recorded as:		
Current liabilities	$(7)	$(8)
Noncurrent liabilities	(653)	(1,498)
	$(660)	$(1,506)
Amounts recognized in Accumulated other comprehensive loss, pre-tax		
Net actuarial loss	$174	$205
Prior service (credit)	(1)	(2)
	$173	$203
Amounts recognized in Regulatory assets (see Note 11)		
Net actuarial loss	$1,654	$2,413
Prior service cost	6	7
	$1,660	$2,420

At December 31, 2013, the benefits related to the Company’s qualified and nonqualified pension plans expected to be paid in each of the next five years and in the aggregate for the five fiscal years thereafter are as follows:

	(In millions)
2014	$242
2015	250
2016	258
2017	268
2018	280
2019-2023	1,529
	$2,827

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

Assumptions used in determining the projected benefit obligation and net pension costs are listed below:

	2013		2012		2011	
Projected benefit obligation						
Discount rate	4.95	%	4.15	%	5.00	%
Rate of compensation increase	4.20	%	4.20	%	4.20	%
Net pension costs						
Discount rate	4.15	%	5.00	%	5.50	%
Rate of compensation increase	4.20	%	4.20	%	4.00	%
Expected long-term rate of return on plan assets	8.25	%	8.25	%	8.50	%

The Company employs a formal process in determining the long-term rate of return for various asset classes. Management reviews historic financial market risks and returns and long-term historic relationships between the asset classes of equities, fixed income and other assets, consistent with the widely accepted capital market principle that asset classes with higher volatility generate a greater return over the long-term. Current market factors such as inflation, interest rates, asset class risks and asset class returns are evaluated and considered before long-term capital market assumptions are determined. The long-term portfolio return is also established employing a consistent formal process, with due consideration of diversification, active investment management and rebalancing. Peer data is reviewed to check for reasonableness. As a result of this process, the Company has long-term rate of return assumptions for its pension plans of 7.75% and other postretirement benefit plans of 8.00%, for 2014. The Company believes these rates are a reasonable assumption for the long-term rate of return on its plan assets for 2014 given its investment strategy.

The Company employs a total return investment approach whereby a mix of equities, fixed income and other investments are used to maximize the long-term return on plan assets consistent with prudent levels of risk, with consideration given to the liquidity needs of the plan. Risk tolerance is established through consideration of future plan cash flows, plan funded status, and corporate financial considerations. The investment portfolio contains a diversified blend of equity, fixed income and other investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, growth and value stocks, and large and small market capitalizations. Fixed income securities generally include market and long duration bonds of companies from diversified industries, mortgage-backed securities, non-US securities, bank loans and U.S. Treasuries. Other assets such as private markets and hedge funds are used to enhance long-term returns while improving portfolio diversification. Derivatives may be utilized in a risk controlled manner, to potentially increase the portfolio beyond the market value of invested assets and/or reduce portfolio investment risk. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

Target allocations for pension plan assets as of December 31, 2013 are listed below:

U.S. Large Cap Equity Securities	22	%
U.S. Small Cap and Mid Cap Equity Securities	5	
Non U.S. Equity Securities	20	
Fixed Income Securities	25	
Hedge Funds and Similar Investments	20	
Private Equity and Other	8	
	100	%

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

Fair Value Measurements for pension plan assets at December 31, 2013 and 2012 (a):

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(In millions)							
Asset Category:								
Short-term investments (b)	$22	$—	$—	$22	$—	$24	$—	$24
Equity securities								
U.S. Large Cap (c)	896	—	—	896	688	44	—	732
U.S. Small/Mid Cap (d)	221	—	—	221	153	5	—	158
Non U.S. (e)	611	130	—	741	530	120	—	650
Fixed income securities (f)	16	921	—	937	87	765	—	852
Hedge Funds and Similar Investments (g)	268	70	395	733	209	80	339	628
Private Equity and Other (h)	—	—	170	170	—	—	179	179
Total	$2,034	$1,121	$565	$3,720	$1,667	$1,038	$518	$3,223

(a) See Note 3 — Fair Value for a description of levels within the fair value hierarchy.

(b) This category predominantly represents certain short-term fixed income securities and money market investments that are managed in separate accounts or commingled funds. Pricing for investments in this category are obtained from quoted prices in actively traded markets or valuations from brokers or pricing services.

(c) This category comprises both actively and not actively managed portfolios that track the S&P 500 low cost equity index funds. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(d) This category represents portfolios of small and medium capitalization domestic equities. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(e) This category primarily consists of portfolios of non-U.S. developed and emerging market equities. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(f) This category includes corporate bonds from diversified industries, U.S. Treasuries, and mortgage-backed securities. Pricing for investments in this category is obtained from quoted prices in actively traded markets and quotations from broker or pricing services. Non-exchange traded securities and exchange-traded securities held in commingled funds are classified as Level 2 assets.

(g) This category utilizes a diversified group of strategies that attempt to capture financial market inefficiencies and includes publicly traded debt and equity, publicly traded mutual funds, commingled and limited partnership funds and non-exchange traded securities. Pricing for Level 1 and Level 2 assets in this category is obtained from quoted prices in actively traded markets and quoted prices from broker or pricing services. Non-exchange traded securities held in commingled funds are classified as Level 2 assets. Valuations for some Level 3 assets in this category may be based on limited observable inputs as there may be little, if any, publicly available pricing.

(h) This category includes a diversified group of funds and strategies that primarily invests in private equity partnerships. This category also includes investments in timber and private mezzanine debt. Pricing for investments in this category is based on limited observable inputs as there is little, if any, publicly available pricing. Valuations for assets in this category may be based on discounted cash flow analyses, relevant publicly-traded comparables and comparable transactions.

The pension trust holds debt and equity securities directly and indirectly through commingled funds and institutional mutual funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. The commingled funds and institutional mutual funds hold exchange-traded equity or debt securities and are valued based on stated net asset values (NAV). Non-exchange traded fixed income securities are valued by the trustee 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 trustees challenge an assigned price and determine that another price source is considered to be preferable. DTE Energy has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, DTE Energy selectively corroborates the fair values of securities by comparison of market-based price sources.

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Hedge Funds and Similar Investments	Private Equity and Other	Total	Hedge Funds and Similar Investments	Private Equity and Other	Total
	(In millions)					
Beginning Balance at January 1	$339	$179	$518	$296	$168	$464
Total realized/unrealized gains (losses):						
Realized gains (losses)	—	18	18	18	(6)	12
Unrealized gains (losses)	40	(14)	26	(5)	12	7
Purchases, sales and settlements:						
Purchases	16	15	31	250	33	283
Sales	—	(28)	(28)	(220)	(28)	(248)
Ending Balance at December 31	$395	$170	$565	$339	$179	$518
The amount of total gains for the period attributable to the change in unrealized gains or losses related to assets still held at the end of the period	$38	$3	$41	$16	$6	$22

There were no transfers between Level 3 and Level 2 and there were no significant transfers between Level 2 and Level 1 in the years ended December 31, 2013 and 2012.

Other Postretirement Benefits

The Company provides certain other postretirement health care and life insurance benefits for employees who are eligible for these benefits. The Company's policy is to fund certain trusts to meet its other postretirement benefit obligations. Separate qualified Voluntary Employees Beneficiary Association (VEBA) and 401(h) trusts exist for represented and non-represented employees. The Company contributed $264 million to its other postretirement medical and life insurance benefit plans during 2013. At the discretion of management, we anticipate making up to $145 million of contributions to the VEBA trusts in 2014.

Starting in 2012, in lieu of offering future employees post-employment health care and life insurance benefits, the Company allocates a fixed amount per year to an account in a tax-exempt trust for each employee. These trusts are managed either by the Company (for non-represented and certain represented groups), or by the Utility Workers of America (UWUA) for Local 223 employees. The cost of these plans was $2 million in 2013 and less than $1 million in 2012.

Beginning in 2013, the Company replaced sponsored retiree medical, prescription drug and dental coverage with a Retiree Health Care Allowance (RHCA). This change applies to both current and future Medicare eligible non-represented retirees, spouses, surviving spouses or same sex domestic partners; as well as future Medicare eligible represented retirees, spouses, surviving spouses or same sex domestic partners. The 2013 RHCA allowance ranged between $3,250 and $3,500 depending on an employee's date of hire and will increase each year at the lower of the rate of medical inflation or 2%.

Net other postretirement cost includes the following components:

	2013	2012	2011
	(In millions)		
Service cost	$47	$68	$64
Interest cost	88	120	121
Expected return on plan assets	(110)	(92)	(94)
Amortization of:			
Net loss	64	80	55
Prior service credit	(131)	(27)	(26)
Net transition asset	—	2	2
Net other postretirement cost (benefit)	$(42)	$151	$122

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

	2013	2012
	(In millions)	
Other changes in plan assets and APBO recognized in Regulatory assets (liabilities) and Other comprehensive income		
Net actuarial gain	$(353)	$(34)
Amortization of net actuarial loss	(64)	(80)
Prior service credit	(218)	(264)
Amortization of prior service credit	131	27
Amortization of transition asset	—	(2)
Total recognized in Regulatory assets (liabilities) and Other comprehensive income	$(504)	$(353)
Total recognized in net periodic benefit cost, Regulatory assets (liabilities) and Other comprehensive income	$(546)	$(202)
Estimated amounts to be amortized from Regulatory assets (liabilities) and Accumulated other comprehensive income into net periodic benefit cost during next fiscal year		
Net actuarial loss	$21	$69
Prior service credit	$(144)	$(91)

The following table reconciles the obligations, assets and funded status of the plans including amounts recorded as Accrued postretirement liability in the Consolidated Statements of Financial Position at December 31:

	2013	2012
	(In millions)	
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation, beginning of year	$2,315	$2,470
Service cost	47	68
Interest cost	88	120
Plan amendments	(218)	(264)
Actuarial (gain) loss	(267)	5
Medicare Part D subsidy	1	6
Benefits paid	(88)	(90)
Accumulated postretirement benefit obligation, end of year	$1,878	$2,315
Change in plan assets		
Plan assets at fair value, beginning of year	$1,153	$985
Actual return on plan assets	196	131
Company contributions	264	140
Benefits paid	(86)	(103)
Plan assets at fair value, end of year	$1,527	$1,153
Funded status, end of year	$(351)	$(1,162)
Amount recorded as:		
Current liabilities	$(1)	$(2)
Noncurrent liabilities	(350)	(1,160)
	$(351)	$(1,162)
Amounts recognized in Accumulated other comprehensive loss, pre-tax		
Net actuarial loss	$29	$40
Prior service credit	(10)	(14)
Net transition asset	—	(1)
	$19	$25

Amounts recognized in Regulatory assets (liabilities) (See Note 11)		
Net actuarial loss	$321	$727
Prior service credit	(393)	(302)
Net transition obligation	—	1
	$(72)	$426

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Notes to Consolidated Financial Statements — (Continued)

At December 31, 2013, the benefits expected to be paid, including prescription drug benefits, in each of the next five years and in the aggregate for the five fiscal years thereafter are as follows:

	(In millions)
2014	$103
2015	110
2016	115
2017	123
2018	130
2019 — 2023	724
	$1,305

Assumptions used in determining the accumulated postretirement benefit obligation and net other postretirement benefit costs are listed below:

	2013		2012		2011	
Accumulated postretirement benefit obligation						
Discount rate	4.95	%	4.15	%	5.00	%
Health care trend rate pre- and post- 65	7.50	/ 6.50%	7.00	%	7.00	%
Ultimate health care trend rate	4.50	%	5.00	%	5.00	%
Year in which ultimate reached pre- and post- 65	2025 / 2024		2021		2020	
Other postretirement benefit costs						
Discount rate (prior to interim remeasurement)	4.15	%	5.00	%	5.50	%
Discount rate (post interim remeasurement)	4.30	%	N/A		N/A	
Expected long-term rate of return on plan assets	8.25	%	8.25	%	8.75	%
Health care trend rate pre- and post- 65	7.00	%	7.00	%	7.00	%
Ultimate health care trend rate	5.00	%	5.00	%	5.00	%
Year in which ultimate reached	2021		2020		2019	

A one percentage point increase in health care cost trend rates would have increased the total service cost and interest cost components of benefit costs by $9 million in 2013 and increased the accumulated benefit obligation by $124 million at December 31, 2013. A one percentage point decrease in the health care cost trend rates would have decreased the total service and interest cost components of benefit costs by $8 million in 2013 and would have decreased the accumulated benefit obligation by $108 million at December 31, 2013.

The process used in determining the long-term rate of return for assets and the investment approach for the Company's other postretirement benefits plans is similar to those previously described for its pension plans.

Target allocations for other postretirement benefit plan assets as of December 31, 2013 are listed below:

U.S. Large Cap Equity Securities	17	%
U.S. Small Cap and Mid Cap Equity Securities	4	
Non U.S. Equity Securities	20	
Fixed Income Securities	25	
Hedge Funds and Similar Investments	20	
Private Equity and Other	14	
	100	%

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

Fair Value Measurements for other postretirement benefit plan assets at December 31, 2013 and 2012 (a):

	December 31, 2013				December 31, 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Asset Category:	(In millions)							
Short-term investments (b)	$5	$—	$—	$5	$1	$2	$—	$3
Equity securities:								
U.S. Large Cap (c)	302	—	—	302	189	3	—	192
U.S. Small/Mid Cap (d)	147	—	—	147	105	—	—	105
Non U.S. (e)	282	9	—	291	230	7	—	237
Fixed income securities (f)	17	350	—	367	38	247	—	285
Hedge Funds and Similar Investments (g)	130	25	159	314	102	24	119	245
Private Equity and Other (h)	—	—	101	101	—	—	86	86
Total	$883	$384	$260	$1,527	$665	$283	$205	$1,153

(a) See Note 3 — Fair Value for a description of levels within the fair value hierarchy.

(b) This category predominantly represents certain short-term fixed income securities and money market investments that are managed in separate accounts or commingled funds. Pricing for investments in this category are obtained from quoted prices in actively traded markets or valuations from brokers or pricing services.

(c) This category comprises both actively and not actively managed portfolios that track the S&P 500 low cost equity index funds. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(d) This category represents portfolios of small and medium capitalization domestic equities. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(e) This category primarily consists of portfolios of non-U.S. developed and emerging market equities. Investments in this category are exchange-traded securities whereby unadjusted quote prices can be obtained. Exchange-traded securities held in a commingled fund are classified as Level 2 assets.

(f) This category includes corporate bonds from diversified industries, U.S. Treasuries, bank loans and mortgage backed securities. Pricing for investments in this category is obtained from quoted prices in actively traded markets and quotations from broker or pricing services. Non-exchange traded securities and exchange-traded securities held in commingled funds are classified as Level 2 assets.

(g) This category utilizes a diversified group of strategies that attempt to capture financial market inefficiencies and includes publicly traded debt and equity, publicly traded mutual funds, commingled and limited partnership funds and non-exchange traded securities. Pricing for Level 1 and Level 2 assets in this category is obtained from quoted prices in actively traded markets and quoted prices from broker or pricing services. Non-exchange traded securities held in commingled funds are classified as Level 2 assets. Valuations for some Level 3 assets in this category may be based on limited observable inputs as there may be little, if any, publicly available pricing.

(h) This category includes a diversified group of funds and strategies that primarily invests in private equity partnerships. This category also includes investments in timber and private mezzanine debt. Pricing for investments in this category is based on limited observable inputs as there is little, if any, publicly available pricing. Valuations for assets in this category may be based on discounted cash flow analyses, relevant publicly-traded comparables and comparable transactions.

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

The VEBA trusts hold debt and equity securities directly and indirectly through commingled funds and institutional mutual funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. The commingled funds and institutional mutual funds hold exchange-traded equity or debt securities and are valued based on net asset values (NAV). Non-exchange traded fixed income securities are valued by the trustee 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 trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the trustees challenge an assigned price and determine that another price source is considered to be preferable. DTE Energy has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, DTE Energy selectively corroborates the fair values of securities by comparison of market-based price sources.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3):

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Hedge Funds and Similar Investments	Private Equity and Other	Total	Hedge Funds and Similar Investments	Private Equity and Other	Total
	(In millions)					
Beginning Balance at January 1	$119	$86	$205	$95	$60	$155
Total realized/unrealized gains (losses):						
Realized gains (losses)	—	2	2	6	(11)	(5)
Unrealized gains	14	7	21	—	14	14
Purchases, sales and settlements:						
Purchases	26	15	41	86	36	122
Sales	—	(9)	(9)	(68)	(13)	(81)
Ending Balance at December 31	$159	$101	$260	$119	$86	$205
The amount of total gains for the period attributable to the change in unrealized gains or losses related to assets still held at the end of the period	$14	$9	$23	$6	$2	$8

There were no transfers between Level 3 and Level 2 and there were no significant transfers between Level 2 and Level 1 in the years ended December 31, 2013 and 2012.

Interim Re-Measurement of Other Postretirement Benefit Obligation

In March 2013, the Company reached agreements on new four-year labor contracts with certain represented employees under several bargaining units. As a term of the agreements, the Company replaced sponsored retiree medical, prescription drug and dental coverage for future Medicare eligible retirees with a Retiree Health Care Allowance (RHCA) account of $3,250 per year. The modification in retiree health coverage will reduce future other postretirement benefit costs.

Based on the impact of such benefit cost savings on the consolidated financial statements, the Company re-measured its retiree health plan as of March 31, 2013. In performing the re-measurement, the Company updated its significant actuarial assumptions, including an adjustment to the discount rate from 4.15% at December 31, 2012 to 4.30% at March 31, 2013. Plan assets were also updated to reflect fair value as of the re-measurement date. Beginning April

2013, net other postretirement benefit costs were recorded based on the updated actuarial assumptions and benefit changes resulting from the new labor contracts.

Healthcare Legislation

In December 2003, the Medicare Act was signed into law which provides for a non-taxable federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least “actuarially equivalent” to the benefit established by law. The effects of the subsidy reduced net periodic other postretirement benefit costs by $1 million in 2013, $6 million in 2012 and $6 million in 2011.

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

Grantor Trust

DTE Gas maintains a Grantor Trust to fund other postretirement benefit obligations that invests in life insurance contracts and income securities. Employees and retirees have no right, title or interest in the assets of the Grantor Trust, and DTE Gas can revoke the trust subject to providing the MPSC with prior notification. The Company accounts for its investment at fair value, approximately $17 million and $14 million at December 31, 2013 and 2012, respectively, with unrealized gains and losses recorded to earnings. The Grantor Trust investment is included in Other investments on the Consolidated Statements of Financial Position.

Defined Contribution Plans

The Company also sponsors defined contribution retirement savings plans. Participation in one of these plans is available to substantially all represented and non-represented employees. The Company matches employee contributions up to certain predefined limits based upon eligible compensation, the employee’s contribution rate and, in some cases, years of credited service. The cost of these plans was $41 million, $37 million, and $35 million in each of the years 2013, 2012, and 2011, respectively.

NOTE 21 — STOCK-BASED COMPENSATION

The Company’s stock incentive program permits the grant of incentive stock options, non-qualifying stock options, stock awards, performance shares and performance units to employees and members of its Board of Directors. Key provisions of the stock incentive program are:

- Authorized limit is 11,500,000 shares of common stock;
- Prohibits the grant of a stock option with an exercise price that is less than the fair market value of the Company’s stock on the date of the grant; and
- Imposes the following award limits to a single participant in a single calendar year, (1) options for more than 500,000 shares of common stock; (2) stock awards for more than 150,000 shares of common stock; (3) performance share awards for more than 300,000 shares of common stock (based on the maximum payout under the award); or (4) more than 1,000,000 performance units, which have a face amount of $1.00 each.

The Company records compensation expense at fair value over the vesting period for all awards it grants.

Stock-based compensation for the reporting periods is as follows:

	2013	2012	2011
	(In millions)		
Stock-based compensation expense	$99	$83	$66
Tax benefit	38	33	25
Stock-based compensation cost capitalized in property, plant and equipment	15	5	4

Stock Options

Options are exercisable according to the terms of the individual stock option award agreements and expire 10 years after the date of the grant. The option exercise price equals the fair value of the stock on the date that the option was granted. Stock options vest ratably over a 3-year period.

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Notes to Consolidated Financial Statements — (Continued)

Stock option activity was as follows:

	Number of Options	Weighted Average Exercise Price	Aggregate Intrinsic Value (In millions)
Options outstanding at December 31, 2012	1,192,670	$41.86	
Granted	—	$—	
Exercised	(458,603)	$40.71	
Forfeited or expired	(10,370)	$41.46	
Options outstanding and exercisable at December 31, 2013	723,697	$42.60	$18

As of December 31, 2013, the weighted average remaining contractual life for the exercisable shares is 3.83 years. As of December 31, 2013, all options were vested. During 2013, 200,844 options vested.

There were no options granted during 2013, 2012 or 2011. The intrinsic value of options exercised for the years ended December 31, 2013, 2012 and 2011 was $12 million, $25 million, and $20 million, respectively. Total option expense recognized during 2013, 2012 and 2011 was zero, $0.7 million and $2 million, respectively.

The number, weighted average exercise price and weighted average remaining contractual life of options outstanding were as follows:

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$27.00 — $38.00	67,257	$28.30	5.15
$38.01 — $42.00	167,447	$41.23	3.21
$42.01 — $45.00	351,893	$44.02	4.16
$45.01 — $50.00	137,100	$47.67	3.08
	723,697	$42.60	3.83

Restricted Stock Awards

Stock awards granted under the plan are restricted for varying periods, generally for three years. Participants have all rights of a shareholder with respect to a stock award, including the right to receive dividends and vote the shares. Prior to vesting in stock awards, the participant: (i) may not sell, transfer, pledge, exchange or otherwise dispose of shares; (ii) shall not retain custody of the share certificates; and (iii) will deliver to the Company a stock power with respect to each stock award upon request.

The stock awards are recorded at cost that approximates fair value on the date of grant. The cost is amortized to compensation expense over the vesting period.

Stock award activity for the years ended December 31 was:

	2013	2012	2011
Fair value of awards vested (in millions)	$8	$9	$13
Restricted common shares awarded	127,785	167,320	381,840
Weighted average market price of shares awarded	$64.72	$53.71	$47.98
Compensation cost charged against income (in millions)	$23	$12	$12

The following table summarizes the Company's stock awards activity for the period ended December 31, 2013:

	Restricted Stock	Weighted Average Grant Date Fair Value
Balance at December 31, 2012	597,648	$48.33
Grants	127,785	$64.72
Forfeitures	(7,155)	$54.61
Vested and issued	(225,949)	$45.54
Balance at December 31, 2013	492,329	$53.76

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Notes to Consolidated Financial Statements — (Continued)

Performance Share Awards

Performance shares awarded under the plan are for a specified number of shares of common stock that entitle the holder to receive a cash payment, shares of common stock or a combination thereof. The final value of the award is determined by the achievement of certain performance objectives and market conditions. The awards vest at the end of a specified period, usually three years. The Company accounts for performance share awards by accruing compensation expense over the vesting period based on: (i) the number of shares expected to be paid which is based on the probable achievement of performance objectives; and (ii) the closing stock price market value. The settlement of the award is based on the closing price at the settlement date.

The Company recorded compensation expense for performance share awards as follows:

	2013	2012	2011
	(In millions)		
Compensation expense	$77	$71	$53
Cash settlements (a)	$9	$4	$3
Stock settlements (a)	$56	$41	$25

(a) Sum of cash and stock settlements approximates the intrinsic value of the liability.

During the vesting period, the recipient of a performance share award has no shareholder rights. During the period beginning on the date the performance shares are awarded and ending on the certification date of the performance objectives, the number of performance shares awarded will be increased, assuming full dividend reinvestment at the fair market value on the dividend payment date. The cumulative number of performance shares will be adjusted to determine the final payment based on the performance objectives achieved. Performance share awards are nontransferable and are subject to risk of forfeiture.

The following table summarizes the Company’s performance share activity for the period ended December 31, 2013:

	Performance Shares
Balance at December 31, 2012	1,634,364
Grants	564,561
Forfeitures	(41,512)
Payouts	(548,624)
Balance at December 31, 2013	1,608,789

Unrecognized Compensation Costs

As of December 31, 2013, there was $55 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 0.93 years.

	Unrecognized Compensation Cost	Weighted Average to be Recognized
	(In millions)	(In years)
Stock awards	$10	0.93
Performance shares	45	0.93

	$55	0.93

NOTE 22 — SEGMENT AND RELATED INFORMATION

The Company sets strategic goals, allocates resources and evaluates performance based on the following structure:

Electric segment consists principally of DTE Electric, which is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million residential, commercial and industrial customers in southeastern Michigan.

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Notes to Consolidated Financial Statements — (Continued)

Gas segment consists of DTE Gas and Citizens. DTE Gas is engaged in the purchase, storage, transportation, distribution and sale of natural gas to approximately 1.2 million residential, commercial and industrial customers throughout Michigan and the sale of storage and transportation capacity. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

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

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

Energy Trading consists of energy marketing and trading operations.

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

The federal income tax provisions or benefits of DTE Energy's subsidiaries are determined on an individual company basis and recognize the tax benefit of production tax credits and net operating losses if applicable. The state and local income tax provisions of the utility subsidiaries is determined on an individual company basis and recognizes the tax benefit of various tax credits and net operating losses if applicable. The subsidiaries record federal, state and local income taxes payable to or receivable from DTE Energy based on the federal, state and local tax provisions of each company.

Inter-segment billing for goods and services exchanged between segments is based upon tariffed or market-based prices of the provider and primarily consists of the sale of reduced emissions fuel, power sales and natural gas sales in the following segments:

	2013	2012	2011
	(In millions)		
Electric	$26	$29	$33
Gas	4	4	2
Gas Storage and Pipelines	3	6	8
Power and Industrial Projects	816	801	238
Energy Trading	43	43	70
Corporate and Other	(24)	(37)	(50)
Discontinued Operations	—	2	—
	$868	$848	$301

Financial data of the business segments follows:

	Operating Revenue	Depreciation, Depletion & Amortization	Interest Income	Interest Expense	Income Taxes	Net Income (Loss) Attributable to DTE Energy Company	Total Assets	Goodwill	Capital Expenditures
	(In millions)								
2013									

Electric	$5,199	$ 902	$(1)	$268	$252	$ 484	$17,508	$ 1,208	$ 1,325
Gas	1,474	95	(7)	58	77	143	3,938	743	209
Gas Storage and Pipelines	132	23	(7)	18	45	70	824	24	245
Power and Industrial Projects	1,950	72	(6)	27	(45)	66	1,067	26	93
Energy Trading	1,771	1	—	8	(38)	(58)	623	17	3
Corporate and Other	3	1	(51)	120	(37)	(44)	2,945	—	1
Reclassifications and Eliminations	(868)	—	63	(63)	—	—	(970)	—	—
Total	$9,661	$ 1,094	$(9)	$436	$254	$ 661	$25,935	$ 2,018	$ 1,876

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

	Operating Revenue	Depreciation, Depletion & Amortization	Interest Income	Interest Expense	Income Taxes	Net Income (Loss) Attributable to DTE Energy Company	Total Assets	Goodwill	Capital Expenditures
	(In millions)								
2012									
Electric	$5,293	$ 827	$(1)	$272	$280	$ 483	$17,755	$ 1,208	$ 1,230
Gas	1,315	92	(7)	59	50	115	4,059	745	221
Gas Storage and Pipelines	96	8	(8)	8	39	61	668	22	233
Power and Industrial Projects	1,823	65	(7)	37	(44)	42	991	26	83
Energy Trading	1,109	2	—	8	7	12	629	17	1
Corporate and Other	3	1	(52)	121	(46)	(47)	3,074	—	3
Reclassifications and Eliminations	(848)	—	65	(65)	—	—	(837)	—	—
Total from Continuing Operations	$8,791	$ 995	$(10)	$440	$286	$ 666	$26,339	$ 2,018	$ 1,771
Discontinued Operations (Note 7)						(56)	—	—	49
Total						$ 610	$26,339	$ 2,018	$ 1,820

	Operating Revenue	Depreciation, Depletion & Amortization	Interest Income	Interest Expense	Income Taxes	Net Income (Loss) Attributable to DTE Energy Company	Total Assets	Goodwill	Capital Expenditures
	(In millions)								
2011									
Electric	$5,154	$ 818	$(1)	$ 289	$265	$ 434	$17,567	$ 1,208	$ 1,203
Gas	1,505	89	(7)	64	60	110	4,065	745	179
Gas Storage and Pipelines	91	6	(5)	7	35	57	538	22	16
Power and Industrial Projects	1,129	60	(8)	32	11	38	789	26	56
Energy Trading	1,276	3	—	9	34	52	612	17	1
Corporate & Other	4	1	(47)	145	(136)	23	2,605	—	—
Reclassifications and Eliminations	(301)	—	58	(58)	(1)	—	(485)	—	—
Total from Continuing Operations	$8,858	$ 977	$(10)	$ 488	$268	$ 714	$25,691	$ 2,018	$ 1,455
Discontinued Operations (Note 7)						(3)	318	2	29

Total	$ 711	$26,009	$ 2,020	$ 1,484

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

NOTE 23 — SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly earnings per share may not equal full year totals, since quarterly computations are based on weighted average common shares outstanding during each quarter.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	(In millions, except per share amounts)				
2013					
Operating Revenues	$2,516	$2,225	$2,387	$2,533	$9,661
Operating Income	$410	$223	$329	$241	$1,203
Net Income Attributable to DTE Energy Company	$234	$105	$198	$124	$661
Basic Earnings per Share	$1.35	$0.60	$1.13	$0.70	$3.76
Diluted Earnings per Share	$1.34	$0.60	$1.13	$0.70	$3.76
2012					
Operating Revenues	$2,239	$2,013	$2,190	$2,349	$8,791
Operating Income	$312	$294	$406	$267	$1,279
Net Income Attributable to DTE Energy Company					
Continuing Operations	$156	$147	$226	$137	$666
Discontinued Operations	—	(1)	1	(56)	(56)
Net Income Attributable to DTE Energy Company	$156	$146	$227	$81	$610
Basic Earnings per Share					
Continuing Operations	$0.91	$0.87	$1.31	$0.79	$3.89
Discontinued Operations	—	(0.01)	0.01	(0.32)	(0.33)
Total	$0.91	$0.86	$1.32	$0.47	$3.56
Diluted Earnings per Share					
Continuing Operations	$0.91	$0.87	$1.30	$0.79	$3.88
Discontinued Operations	—	(0.01)	0.01	(0.32)	(0.33)
Total	$0.91	$0.86	$1.31	$0.47	$3.55

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

See Item 8. Financial Statements and Supplementary Data for management's evaluation of disclosure controls and procedures, its report on internal control over financial reporting, and its conclusion on changes in internal control over financial reporting.

Item 9B. Other Information

None.

Part III
Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13. Certain Relationships and Related Transactions, and Director Independence

Item 14. Principal Accountant Fees and Services

Information required by Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K is incorporated by reference from DTE Energy's definitive Proxy Statement for its 2014 Annual Meeting of Shareholders to be held May 1, 2014. The Proxy Statement will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of our fiscal year covered by this report on Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K.

Part IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K.

(1) Consolidated financial statements. See “Item 8 — Financial Statements and Supplementary Data.”

(2) Financial statement schedule. See “Item 8 — Financial Statements and Supplementary Data.”

(3) Exhibits.

	(i) Exhibits filed herewith:
4-282	Supplemental Indenture, dated as of December 1, 2013, between DTE Energy Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee. (2013 Series F Senior Notes due 2023)
4-283	Forty-Fourth Supplemental Indenture, dated as of December 1, 2013 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between DTE Gas Company and Citibank, N.A. (2013 Series C, D, and E)
12-56	Computation of Ratio of Earnings to Fixed Charges
21-9	Subsidiaries of the Company
23-27	Consent of PricewaterhouseCoopers LLP
31-87	Chief Executive Officer Section 302 Form 10-K Certification of Periodic Report
31-88	Chief Financial Officer Section 302 Form 10-K Certification of Periodic Report
99-55	First Amendment to the Amendment and Restatement of Master Trust Agreement for the DTE Energy Company Master Plan Trust between DTE Energy Corporate Services, LLC and DTE Energy Investment Committee and JP Morgan Chase Bank, N.A., dated as of March 13, 2013.
99-56	Second Amendment to the Amendment and Restatement of Master Trust Agreement for the DTE Energy Company Master Plan Trust between DTE Energy Corporate Services, LLC and DTE Energy Investment Committee and JP Morgan Chase Bank, N.A., dated as of September 30, 2013.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Database
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
	(ii) Exhibits incorporated herein by reference: Certain exhibits listed below refer to "The Detroit Edison Company" and "Michigan Consolidated Gas Company" and were effective prior to the change to DTE Electric Company and DTE Gas Company, respectively, effective January 1, 2013.

3(a)	Amended and Restated Articles of Incorporation of DTE Energy Company, dated December 13, 1995 and as amended from time to time (Exhibit 3-1 to Form 8-K dated May 6, 2010).
3(b)	Amended Bylaws of DTE Energy Company, as amended through May 5, 2011 (Exhibit 3-11 to Form 10-Q for the quarter ended September 30, 2011).
4(a)	Amended and Restated Indenture, dated as of April 9, 2001, between DTE Energy Company and The Bank of New York, as trustee (Exhibit 4.1 to Registration Statement on Form S-3 (File No. 333-58834)) and indentures supplemental thereto, dated as of dates indicated below, and filed as exhibits to the filings set forth below:
	Supplemental Indenture, dated as of April 1, 2003, between DTE Energy Company and The Bank of New York, as trustee (Exhibit 4(o) to Form 10-Q for the quarter ended March 31, 2003). (2003 Series A $6^{3}/8$% Senior Notes due 2033)

Supplemental Indenture, dated as of May 15, 2006, between DTE Energy Company and The Bank of New York, as trustee (Exhibit 4-239 to Form 10-Q for the quarter ended June 30, 2006). (2006 Series B 6.35% Senior Notes due 2016)

Supplemental Indenture, dated as of May 1, 2009, between DTE Energy Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-1 to Form 8-K dated May 13, 2009). (2009 Series A 7.625% Senior Notes due 2014)

Supplemental Indenture, dated as of December 1, 2011, between DTE Energy Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-274 to Form 8-K dated December 7, 2011). (2011 Series I 6.50% Junior Subordinated Debentures due 2061)

Supplemental Indenture, dated as of September 1, 2012, between DTE Energy Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-275 to Form 8-K dated October 1, 2012) (2012 Series C 5.25% Junior Subordinated Debentures due 2062)

4(b) Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit B-1 to Detroit Edison's Registration Statement on Form A-2 (File No. 2-1630)) and indentures supplemental thereto, dated as of dates indicated below, and filed as exhibits to the filings set forth below:

Supplemental Indenture, dated as of December 1, 1940, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit B-14 to Detroit Edison's Registration Statement on Form A-2 (File No. 2-4609)). (amendment)

Supplemental Indenture, dated as of September 1, 1947, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit B-20 to Detroit Edison's Registration Statement on Form S-1 (File No. 2-7136)). (amendment)

Supplemental Indenture, dated as of March 1, 1950, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit B-22 to Detroit Edison's Registration Statement on Form S-1 (File No. 2-8290)). (amendment)

Supplemental Indenture, dated as of November 15, 1951, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit B-23 to Detroit Edison's Registration Statement on Form S-1 (File No. 2-9226)). (amendment)

Supplemental Indenture, dated as of August 15, 1957, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 3-B-30 to Detroit Edison's Form 8-K dated September 11, 1957). (amendment)

Supplemental Indenture, dated as of December 1, 1966, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 2-B-32 to Detroit Edison's Registration Statement on Form S-9 (File No. 2-25664)). (amendment)

Supplemental Indenture, dated as of February 15, 1990, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-212 to Detroit Edison's Form 10-K for the year ended December 31, 2000). (1990 Series B and C)

Supplemental Indenture, dated as of May 1, 1991, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-178 to Detroit Edison's Form 10-K for the year ended December 31, 1996). (1991 Series CP)

Supplemental Indenture, dated as of May 15, 1991, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-179 to Detroit Edison's Form 10-K for the year ended December 31, 1996). (1991 Series DP)

Supplemental Indenture, dated as of February 29, 1992, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-187 to Detroit Edison's Form 10-Q for the quarter ended March 31, 1998). (1992 Series AP)

Supplemental Indenture, dated as of April 26, 1993, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-215 to Detroit Edison's Form 10-K for the year ended December 31, 2000). (amendment)

Supplemental Indenture, dated as of August 1, 2000, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-210 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2000). (2000 Series BP)

Supplemental Indenture, dated as of September 17, 2002, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.1 to Detroit Edison's Registration Statement on Form S-3 (File No. 333-100000)). (amendment and successor trustee)

Supplemental Indenture, dated as of October 15, 2002, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-230 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2002). (2002 Series B)

Supplemental Indenture, dated as of March 15, 2004, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-238 to Detroit Edison's Form 10-Q for the quarter ended March 31, 2004). (2004 Series A and B)

Supplemental Indenture, dated as of July 1, 2004, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-240 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2004). (2004 Series D)

Supplemental Indenture, dated as of April 1, 2005, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between Detroit Edison and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.3 to Detroit Edison's Registration Statement on Form S-4 (File No. 333-123926)). (2005 Series AR and BR)

Supplemental Indenture, dated as of September 15, 2005, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.2 to Detroit Edison's Form 8-K dated September 29, 2005). (2005 Series C)

Supplemental Indenture, dated as of September 30, 2005, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between Detroit Edison and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-248 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2005). (2005 Series E)

Supplemental Indenture, dated as of May 15, 2006, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-250 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2006). (2006 Series A)

Supplemental Indenture, dated as of May 1, 2008 to Mortgage and Deed of Trust, dated as of October 1, 1924 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-253 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series ET)

Supplemental Indenture, dated as of June 1, 2008 to Mortgage and Deed of Trust, dated as of October 1, 1924 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-255 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series G)

Supplemental Indenture, dated as of July 1, 2008 to Mortgage and Deed of Trust, dated as of October 1, 1924 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-257 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series KT)

Supplemental Indenture, dated as of March 15, 2009 to Mortgage and Deed of Trust, dated as of October 1, 1924 between The Detroit Edison Company and The Bank of New York Mellon Trust Company N.A., as successor trustee (Exhibit 4-263 to Detroit Edison's Form 10-Q for the quarter ended March 31, 2009). (2009 Series BT)

Supplemental Indenture, dated as of August 1, 2010, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-269 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2010). (2010 Series B)

Supplemental Indenture, dated as of September 1, 2010, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-271 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2010). (2010 Series A)

Supplemental Indenture, dated as of December 1, 2010, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-273 to Detroit Edison's Form 10-K for the year ended December 31, 2010). (2010 Series CT)

Supplemental Indenture, dated as of March 1, 2011, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-274 to Detroit Edison's Form 10-Q for the quarter ended March 31, 2011). (2011 Series AT)

Supplemental Indenture, dated as of May 15, 2011, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-275 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2011). (2011 Series B)

Supplemental Indenture, dated as of August 1, 2011, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-276 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2011). (2011 Series GT)

Supplemental Indenture, dated as of August 15, 2011, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-277 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2011). (2011 Series D, 2011 Series E, 2011 Series F)

Supplemental Indenture, dated as of September 1, 2011, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-278 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2011). (2011 Series H)

Supplemental Indenture dated as of June 20, 2012, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-279 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2012). (2012 Series A and B)

Supplemental Indenture, dated as of March 15, 2013, to the Mortgage and Deed of Trust dated as of October 1, 1924, between DTE Electric Company and The Bank of New York Mellon, N.A., as successor trustee (Exhibit 4-280 to DTE Electric Form 10-Q for the quarter ended March 31, 2013). (2013 Series A)

	Supplemental Indenture, dated as of August 1, 2013, to the Mortgage and Deed of Trust, dated as of October 1, 1924, between DTE Electric Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-281 to DTE Electric Form 10-Q for the quarter ended September 30, 2013). (2013 Series B)
4(c)	Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-152 to Detroit Edison's Registration Statement (File No. 33-50325)) and indentures supplemental thereto, dated as of dates indicated below, and filed as exhibits to the filings set forth below:
	Tenth Supplemental Indenture, dated as of October 23, 2002, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-231 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2002). (6.35% Senior Notes due 2032)
	Thirteenth Supplemental Indenture, dated as of April 1, 2004, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-237 to Detroit Edison's Form 10-Q for the quarter ended March 31, 2004). (4.875% Senior Notes Due 2029 and 4.65% Senior Notes due 2028)
	Fourteenth Supplemental Indenture, dated as of July 15, 2004, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-239 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2004). (2004 Series D 5.40% Senior Notes due 2014)

Sixteenth Supplemental Indenture, dated as of April 1, 2005, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.1 to Detroit Edison's Registration Statement on Form S-4 (File No. 333-123926)). (2005 Series AR 4.80% Senior Notes due 2015 and 2005 Series BR 5.45% Senior Notes due 2035)

Eighteenth Supplemental Indenture, dated as of September 15, 2005, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.1 to Detroit Edison's Form 8-K dated September 29, 2005). (2005 Series C 5.19% Senior Notes due October 1, 2023)

Nineteenth Supplemental Indenture, dated as of September 30, 2005, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-247 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2005). (2005 Series E 5.70% Senior Notes due 2037)

Twentieth Supplemental Indenture, dated as of May 15, 2006, to the Collateral Trust Indenture dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-249 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2006). (2006 Series A Senior Notes due 2036)

Twenty-second Supplemental Indenture, dated as of December 1, 2007, to the Collateral Trust Indenture, dated as of June 30, 1993, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4.1 to Detroit Edison's Form 8-K dated December 18, 2007). (2007 Series A Senior Notes due 2038)

Twenty-fourth Supplemental Indenture, dated as of May 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-254 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series ET Variable Rate Senior Notes due 2029)

Amendment dated June 1, 2009 to the Twenty-fourth Supplemental Indenture, dated as of May 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A. as successor trustee (Exhibit 4-265 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2009) (2008 Series ET Variable Rate Senior Notes due 2029)

Twenty-fifth Supplemental Indenture, dated as of June 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-256 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series G 5.60% Senior Notes due 2018)

Twenty-sixth Supplemental Indenture, dated as of July 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-258 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2008). (2008 Series KT Variable Rate Senior Notes due 2020)

Amendment dated June 1, 2009 to the Twenty-sixth Supplemental Indenture, dated as of July 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The

Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-266 to Detroit Edison's Form 10-Q for the quarter ended June 30, 2009) (2008 Series KT Variable Rate Senior Notes due 2020)

Twenty-ninth Supplemental Indenture, dated as of March 15, 2009, to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-264 to Detroit Edison's Form 10-Q for the quarter ended March 31, 2009). (2009 Series BT 6.00% Senior Notes due 2036)

Thirty-first Supplemental Indenture, dated as of August 1, 2010 to the Collateral Trust Indenture, dated as of June 1, 1993 between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-270 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2010). (2010 Series B 3.45% Senior Notes due 2020)

Thirty-second Supplemental Indenture, dated as of September 1, 2010, between The Detroit Edison Company and The Bank of New York Mellon Trust Company, N.A., as successor trustee (Exhibit 4-272 to Detroit Edison's Form 10-Q for the quarter ended September 30, 2010). (2010 Series A 4.89% Senior Notes due 2020)

4(d) Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., as trustee, related to Senior Debt Securities (Exhibit 4-1 to Michigan Consolidated Gas Company Registration Statement on Form S-3 (File No. 333-63370)) and indentures supplemental thereto, dated as of dates indicated below, and filed as exhibits to the filings set forth below:

Fourth Supplemental Indenture dated as of February 15, 2003, to the Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-3 to Michigan Consolidated Gas Company Form 10-Q for the quarter ended March 31, 2003). (5.70% Senior Notes, 2003 Series A due 2033)

Fifth Supplemental Indenture dated as of October 1, 2004, to the Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-6 to Michigan Consolidated Gas Company Form 10-Q for the quarter ended September 31, 2004). (5.00% Senior Notes, 2004 Series E due 2019)

Sixth Supplemental Indenture dated as of April 1, 2008, to the Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-241 to Form 10-Q for the quarter ended March 31, 2008). (5.26% Senior Notes, 2008 Series A due 2013, 6.04% Senior Notes, 2008 Series B due 2018 and 6.44% Senior Notes, 2008 Series C due 2023)

Seventh Supplemental Indenture, dated as of June 1, 2008 to Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-243 to Form 10-Q for the quarter ended June 30, 2008). (6.78% Senior Notes, 2008 Series F due 2028)

Eighth Supplemental Indenture, dated as of August 1, 2008 to Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-251 to Form 10-Q for the quarter ended September 30, 2008). (5.94% Senior Notes, 2008 Series H due 2015 and 6.36% Senior Notes, 2008 Series I due 2020)

4(e) Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 (Exhibit 7-D to Michigan Consolidated Gas Company Registration Statement No. 2-5252) and indentures supplemental thereto, dated as of dates indicated below, and filed as exhibits to the filings set forth below:

Thirty-second Supplemental Indenture dated as of January 5, 1993 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-1 to Michigan Consolidated Gas Company Form 10-K for the year ended December 31, 1992). (First Mortgage Bonds Designated Secured Term Notes, Series B)

Thirty-seventh Supplemental Indenture dated as of February 15, 2003 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-4 to Michigan Consolidated Gas Company Form 10-Q for the quarter ended March 31, 2003). (5.70% collateral bonds due 2033)

Thirty-eighth Supplemental Indenture dated as of October 1, 2004 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-5 to Michigan Consolidated Gas Company Form 10-Q for the quarter ended September 31, 2004). (2004 Series E collateral bonds)

Thirty-ninth Supplemental Indenture, dated as of April 1, 2008 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-240 to Form 10-Q for the quarter ended March 31, 2008). (2008 Series B and C Collateral Bonds)

	Fortieth Supplemental Indenture, dated as of June 1, 2008 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-242 to Form 10-Q for the quarter ended June 30, 2008). (2008 Series F Collateral Bonds)
	Forty-first Supplemental Indenture, dated as of August 1, 2008 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-250 to Form 10-Q for the quarter ended September 30, 2008). (2008 Series H and I Collateral Bonds)
	Forty-third Supplemental Indenture, dated as of December 1, 2012 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., trustee (Exhibit 4-279 to Form 10-K for the year ended December 31, 2012). (2012 Series D Collateral Bonds)
10(a)	Form of Indemnification Agreement between DTE Energy Company and each of Gerard M. Anderson, Steven E. Kurmas, David E. Meador, Gerardo Norcia, Peter B. Oleksiak, Bruce D. Peterson, and non-employee Directors (Exhibit 10-1 to Form 8-K dated December 6, 2007).
10(b)	Certain arrangements pertaining to the employment of Gerard M. Anderson with The Detroit Edison Company, dated October 6, 1993 (Exhibit 10-48 to The Detroit Edison Company's Form 10-K for the year ended December 31, 1993).
10(c)	Certain arrangements pertaining to the employment of David E. Meador with The Detroit Edison Company, dated January 14, 1997 (Exhibit 10-5 to Form 10-K for the year ended December 31, 1996).

10(d)	Certain arrangements pertaining to the employment of Bruce D. Peterson, dated May 22, 2002 (Exhibit 10-48 to Form 10-Q for the quarter ended June 30, 2002).
10(e)	DTE Energy Company Annual Incentive Plan (Exhibit 10-44 to Form 10-Q for the quarter ended March 31, 2001).
10(f)	Amended and Restated DTE Energy Company 2006 Long-Term Incentive Plan (as Amended and Restated effective as of May 6, 2010 and as Amended May 3, 2012) (Exhibit A to DTE Energy's Definitive Proxy Statement dated March 15, 2012).
10(g)	DTE Energy Company Retirement Plan for Non-Employee Directors' Fees (as Amended and Restated effective as of December 31, 1998) (Exhibit 10-31 to Form 10-K for the year ended December 31, 1998).
10(h)	The Detroit Edison Company Supplemental Long-Term Disability Plan, dated January 27, 1997 (Exhibit 10-4 to Form 10-K for the year ended December 31, 1996).
10(i)	Description of Executive Life Insurance Plan (Exhibit 10-47 to Form 10-Q for the quarter ended June 30, 2002).
10(j)	DTE Energy Affiliates Nonqualified Plans Master Trust, effective as of August 15, 2013 (Exhibit 10-87 to Form 10-Q for the quarter ended September 30, 2013).
10(k)	Form of Director Restricted Stock Agreement (Exhibit 10.1 to Form 8-K dated June 23, 2005).
10(l)	Form of Director Restricted Stock Agreement pursuant to the DTE Energy Company Long-Term Incentive Plan (Exhibit 10.1 to Form 8-K dated June 29, 2006).
10(m)	DTE Energy Company Executive Supplemental Retirement Plan as Amended and Restated, effective as of January 1, 2005 (Exhibit 10.75 to Form 10-K for the year ended December 31, 2008).
	First Amendment to the DTE Energy Company Executive Supplemental Retirement Plan (Amended and Restated Effective January 1, 2005) dated as of December 2, 2009 (Exhibit 10.1 to Form 8-K dated December 8, 2009).
	Second Amendment to the DTE Energy Company Executive Supplemental Retirement Plan (Amended and Restated Effective January 1, 2005) dated as of May 5, 2011 (Exhibit 10.80 to Form 10-Q for the quarter ended March 31, 2012).
10(n)	DTE Energy Company Supplemental Retirement Plan as Amended and Restated, effective as of January 1, 2005 (Exhibit 10.76 to Form 10-K for the year ended December 31, 2008).
10(o)	DTE Energy Company Supplemental Savings Plan as Amended and Restated, effective as of January 1, 2005 (Exhibit 10.77 to Form 10-K for the year ended December 31, 2008).
	Second Amendment to the DTE Energy Supplemental Savings Plan dated as of November 13, 2012 (Exhibit 10.81 to the Form 10-K for the year ended December 31, 2012).
10(p)	

	DTE Energy Company Executive Deferred Compensation Plan as Amended and Restated, effective as of January 1, 2005 (Exhibit 10.78 to Form 10-K for the year ended December 31, 2008).
10(q)	DTE Energy Company Plan for Deferring the Payment of Directors' Fees as Amended and Restated, effective as of January 1, 2005 (Exhibit 10.79 to Form 10-K for the year ended December 31, 2008).
10(r)	DTE Energy Company Deferred Stock Compensation Plan for Non-Employee Directors as Amended and Restated, effective January 1, 2005 (Exhibit 10.80 to Form 10-K for the year ended December 31, 2008).
10(s)	Form of Second Amended and Restated DTE Energy Company Five-Year Credit Agreement, dated as of October 21, 2011 and amended and restated as of April 5, 2013, by and among DTE Energy Company, the lenders party thereto, Citibank, N.A., as Administrative Agent, and Barclays Bank PLC, The Bank of Nova Scotia and JPMorgan Chase Bank, N.A. as Co-Syndication Agents (Exhibit 10.01 to Form 8-K filed on April 9, 2013).
10(t)	Form of Second Amended and Restated DTE Gas Company Five-Year Credit Agreement, dated as of October 21, 2011 and amended and restated as of April 5, 2013, by and among DTE Gas Company, the lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and Barclays Bank PLC, Citibank, N.A., and Bank of America, N.A., as Co-Syndication Agents (Exhibit 10.02 to Form 8-K filed on April 9, 2013).
10(u)	Form of Second Amended and Restated DTE Electric Company Five-Year Credit Agreement, dated as of October 21, 2011 and amended and restated as of April 5, 2013, by and among DTE Electric Company, the lenders party thereto, Barclays Bank PLC, as Administrative Agent, and Citibank, N.A., JPMorgan Chase Bank, N.A., and The Royal Bank of Scotland plc as Co-Syndication Agents (Exhibit 10.01 to DTE Energy Company's and DTE Electric Company's Form 8-K filed on April 9, 2013).
10(v)	Form of Change-in-Control Agreement, dated as of November 8, 2007, between DTE Energy Company and each of Gerard M. Anderson, Steven E. Kurmas, David E. Meador, Gerardo Norcia and Bruce D. Peterson (Exhibit 10-71 to Form 10-Q for the quarter ended September 30, 2007).

99(a)	Amendment and Restatement of Master Trust Agreement for the DTE Energy Company Master Plan Trust between DTE Energy Corporate Services, LLC and DTE Energy Investment Committee and JP Morgan Chase Bank, N.A., dated as of October 15, 2010.
	(iii) Exhibits furnished herewith:
32-87	Chief Executive Officer Section 906 Form 10-K Certification of Periodic Report
32-88	Chief Financial Officer Section 906 Form 10-K Certification of Periodic Report

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DTE Energy Company

Schedule II — Valuation and Qualifying Accounts

	Year Ending December 31,		
	2013	2012	2011
	(In millions)		
Allowance for Doubtful Accounts (shown as deduction from Accounts Receivable in the Consolidated Statements of Financial Position)			
Balance at Beginning of Period	$62	$162	$196
Additions:			
Charged to costs and expenses	94	79	94
Charged to other accounts (a)	23	16	18
Deductions (b)	(124)	(195)	(146)
Balance at End of Period	$55	$62	$162

(a) Collection of accounts previously written off.
(b) Uncollectible accounts written off.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DTE ENERGY COMPANY
(Registrant)

By /s/ GERARD M. ANDERSON
Gerard M. Anderson
Chairman of the Board and
Chief Executive Officer

Date: February 14, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

By	/s/ GERARD M. ANDERSON Gerard M. Anderson Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	By	/s/ PETER B. OLEKSIAK Peter B. Oleksiak Senior Vice President and Chief Financial Officer (Principal Financial Officer)
By	/s/ DONNA M. ENGLAND Donna M. England Chief Accounting Officer (Principal Accounting Officer)	By	/s/ JAMES B. NICHOLSON James B. Nicholson, Director
By	/s/ LILLIAN BAUDER Lillian Bauder, Director	By	/s/ CHARLES W. PRYOR, JR. Charles W. Pryor, Jr., Director
By	/s/ DAVID A. BRANDON David A. Brandon, Director	By	/s/ JOSUE ROBLES, JR. Josue Robles, Jr., Director
By	/s/ W. FRANK FOUNTAIN, JR. W. Frank Fountain, Jr., Director	By	/s/ RUTH G. SHAW Ruth G. Shaw, Director
By	/s/ CHARLES G. MCCLURE JR. Charles G. McClure Jr., Director	By	/s/ DAVID A. THOMAS David A. Thomas, Director
By	/s/ GAIL J. MCGOVERN Gail J. McGovern, Director	By	/s/ JAMES H. VANDENBERGHE James H. Vandenberghe, Director
By	/s/ MARK A. MURRAY Mark A. Murray, Director		

Date: February 14, 2014