RMG Financial Consulting

COMPANY REVIEW

10 October 2022

DTE Energy Company

("DTE" or the "Company")

RMG Implied Rating: BBB

Reviewed through YE 2021

Company Information

Detroit, MI

Sector

Investor Owned Utility

Fiscal Year End

December 31

Credit Ratings [1]

Standard & Poor's:
BBB / Stable

Moody's:
Baa2 / Stable

FitchRatings:
BBB / Stable

[1] *Ratings and outlook shown above reflect information as of the date of this report. Please see the ratings history section for a history of ratings.*

Subsidiary Information

DTE Electric
DTE Gas
Others

Parent Information

None applicable

Primary Contact

Rachel Reisenauer
509.532.8896
reisenauer@rmgfinancial.com

Summary

DTE is a rate-regulated utility engaged in the generation, transmission and distribution of electricity and the distribution of natural gas in Michigan. The Company has some non-regulated operations and briefly owned midstream operations that resulted in a one-notch ratings downgrade in 2020 due to the incurrence of debt and riskier business profile. DTE has since spun off this non-regulated operation. Historically, DTE has posted relatively stable profits that are indicative of a BBB rated utility; however, in 2021 and continuing into, the Company's Energy Trading segment has produced poor results as its structured gas deals have been negatively impacted by high gas prices, which has placed some downward pressure on earnings. Given a current cycle of large capital expenditures associated with the retiring of its extensive coal fleet, it is likely the Company will continue to see negative free cash flows over the next few years and debt will continue to climb. A supportive regulatory framework for recovery of these costs will be vital for the Company maintaining its current BBB ratings.

RMG Qualitative Indicators

	Poor [1]	Speculative	Lower	Medium	Upper	High
	Below Investment Grade		Investment Grade			
Overall Position			5.5 = BBB			
Quality of Earnings			5.0 = BBB+			
Quality of Equity			5.5 = BBB			
Quality of Assets			5.5 = BBB			
Quality of Cash Flows		6.5	= BB+			
Financial Liquidity			5.5 = BBB			
Physical Liquidity			5.5 = BBB			
Risk Management			5.5 = BBB			

[1] Extremely Speculative, Default Imminent, or Already In Default

Key Financial Highlights

in millions US $		**YE 2021**	YE 2020	YE 2019	YE 2018	YE 2017
Total Revenues	$	**14,964**	11,423	12,168	14,212	12,607
Operating Income	$	**1,495**	1,555	1,430	1,594	1,711
Net Income	$	**903**	1,371	1,172	1,118	1,112
Operating Cash Flow	$	**3,067**	3,697	2,649	2,680	2,117
Capital Expenditures	$	**3,772**	3,983	5,467	2,713	2,250
Dividends (Net)	$	**782**	776	852	1,243	871
Free Cash Flow	$	**(540)**	921	(1,617)	(1,276)	(1,004)
Total Assets	$	**39,719**	45,496	42,268	36,288	33,767
Cash & Equivalents	$	**28**	472	93	71	66
Total Debt	$	**18,251**	19,607	17,610	14,242	12,915
Total Equity	$	**8,705**	12,425	11,672	10,237	9,512
Tangible Net Worth	$	**5,427**	1,184	4,693	4,960	4,875
EBIT / Interest Covg		**2.23**	3.34	3.19	3.18	3.40
EBITDA / Interest Covg		**5.04**	5.49	5.25	5.19	5.32
Debt / Capital		**67.7%**	61.2%	60.1%	58.2%	57.6%
Return on Equity		**10.4%**	11.0%	10.0%	10.9%	11.7%

Credit strengths include the following:

> **Low Risk Operations:** DTE derives the bulk of its earnings and cash flows from regulated operations of electric and gas sales, which represent a relatively stable revenue base. The Company does not have a significant reliance on wholesale activities as part of its earnings profile, which is seen as a credit positive; however, in the past its Energy Trading segment has provided an upward lift to profits but have been marginalized by high gas prices in recent periods.

> **Regulatory Support:** Total revenues, gross margin, operating income and pre-tax earnings (absent one-time events) have been relatively stable if not modestly rising over the last five years as the Company has benefited from electric and natural gas rate increases and a growing customer base. While the Company has not always received its initial requests for rate increases, the MPSC has generally provided rates that have allowed the Company to make its authorized return on equity of 9.9%.

> **Spin-off of DT Midstream:** The acquisition of the midstream operations in 2019 represented a large departure from the Company's stable regulated utility operations, and resulted in a large increase in debt, an incurrence of high goodwill and riskier business profile that culminated in Moody's and Fitch lowering their ratings to BBB (from BBB+ level). We are encouraged by the fact that DTE has chosen to exit this line of business in order to return its focus on its core utility operations.

> **Adequate Liquidity:** Liquidity totaled $1.5 billion at Q2 2022, and was comprised of $67 million of cash and $1.4 billion of availability on the Company's multiple credit facilities. Liquidity may also benefit from investment grade credit ratings and ready access to the capital markets.

Constraints to credit quality include the following:

> **Negative Free Cash Flow and High Debt:** Over the last five years, free cash flow has been negative four out of the five years reviewed and collectively totaled a negative $3.5 billion. This has resulted in an increase in total debt, pushing the Company's on-balance sheet debt to capital ratio to over 67% as of year-end 2021. Based on DTE's future capital budget requirements, negative free cash flow is expected to continue to drive additional borrowings and put increased pressure on the Company's debt to capital ratio as well as interest expense ratios.

> **Elevated Capital Expenditures:** Capital expenditures have been climbing over the last five years which has contributed to negative free cash flow. Of concern is that DTE is planning on retiring a number of base coal facilities as it moves into renewables, which will require significant investment in new facilities. DTE is projecting its total capital investments to be over $19 billion over the 2022-2026 timeframe, potentially resulting in additional borrowings and rising interest expense profile. A supportive regulatory framework for recovery of these costs will be vital for the Company maintaining its current BBB ratings.

> **Operational Risk:** DTE currently is operating a fleet of aging coal-fired generation plants that may experience higher outages, either planned or unplanned, which could result in increased exposure to the wholesale power markets. In addition, environmental and political pressure has led the Company to announce it will be closing many of these plants over the next decade and a half, which has resulted in the need for a large capital investment over the next several years.

Company Overview and Profile

DTE Energy Company ("DTE" or the "Company") is an energy holding company incorporated in the state of Michigan and is engaged in both regulated and unregulated activities. Regulated activities are comprised of two segments, Electric and Gas which provided rate regulated power and natural gas to customers within the state of Michigan. Non-regulated segments include Power & Industrial Projects and Energy Trading, all of which are further described below.

Regulated:

- **Electric** segment consists of the operations of regulated utility subsidiary, **DTE Electric**, which is engaged in the generation, transmission, distribution and sale of electricity to residential, commercial and industrial customers in southeastern Michigan. Electricity is generated from a portfolio of thermal and renewable energy and is supplemented with long- and short-term purchases. The utility is regulated, in part, by the Michigan Public Service Commission ("MPSC") and the Federal Energy Regulatory Commission ("FERC").
- **Gas** segment consists of the operations of regulated utility subsidiary, **DTE Gas**, which is engaged in the purchase, storage, transportation, distribution and sale of natural gas to residential, commercial and industrial customers throughout Michigan. In addition, DTE Gas also is involved in the ownership and sale of gas storage and transportation capacity. The Company is also regulated by the MPSC and FERC.

	DTE Electric		DTE Gas	
	2021	**2020**	**2021**	**2020**
Retail Customers:	**2.3 million**	2.2 million	**1.3 million**	1.3 million
Retail Sales:	**41,482 GWh**	40,629 GWh	**781 Bcf**	783 Bcf
Revenues:	**$5,809 million**	$5,506 million	**$1,553 million**	$1,414 million

Non-regulated:

- **DTE Vantage (formerly Power and Industrial Projects)** is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial and institutional customers, produce reduced emissions fuel and sell electricity and gas from renewable energy projects. Project assets typically serve the steel, automotive, pulp and paper, airport, chemical and other industries and are typically located at or near the customer's location. Infrastructure in this segment is primarily comprised of coking facilities that currently produce up to 2.2 million tons per year. The segment also holds ownership interest in 5 renewable generation plants with a capacity of 139 MW that are sold under long-term purchase power agreements.
- **Energy Trading** focuses on physical and financial power and gas marketing and trading, structured transactions and optimization of their asset portfolio of contracted natural gas pipelines and storage positions. The segment 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. Customers typically include utilities, local distribution companies, pipelines, producers and generators and other wholesale marketing companies.

On July 1, 2021, DTE completed the separation of its natural gas pipeline, storage and gathering non-regulated, non-utility business (formerly known as DTE's **Gas Storage and Pipelines** Segment). Effective the separation, DTE retains no ownership in the new company, now known as DT Midstream (see below in Recent Events for more details of the separation agreement).

Ratings History

DTE's credit ratings have been mostly stable; however, the Company was downgraded by Moody's and Fitch early in 2020 after it had announced it was acquiring midstream assets for $2.65 million. In addition to incurring significant debt for the acquisition and resulting in a more leveraged business profile, both Moody's and Fitch expressed concerns that the Company would have higher business risk associated with the non-regulated operations and the Company had departed from the usual business risks of its regulated electric and gas utilities.

	YE 2021	YE 2020	YE 2019	YE 2018	YE 2017
Standard & Poor's [1]	BBB / Stable	BBB	BBB	BBB	BBB
Moody's [1]	Baa2 / Stable	Baa2	Baa2	Baa1	Baa1
FitchRatings [1]	BBB / Stable	BBB	BBB	BBB+	BBB+

[1] Senior Unsecured, Long-Term Rating

Recent and Subsequent Events

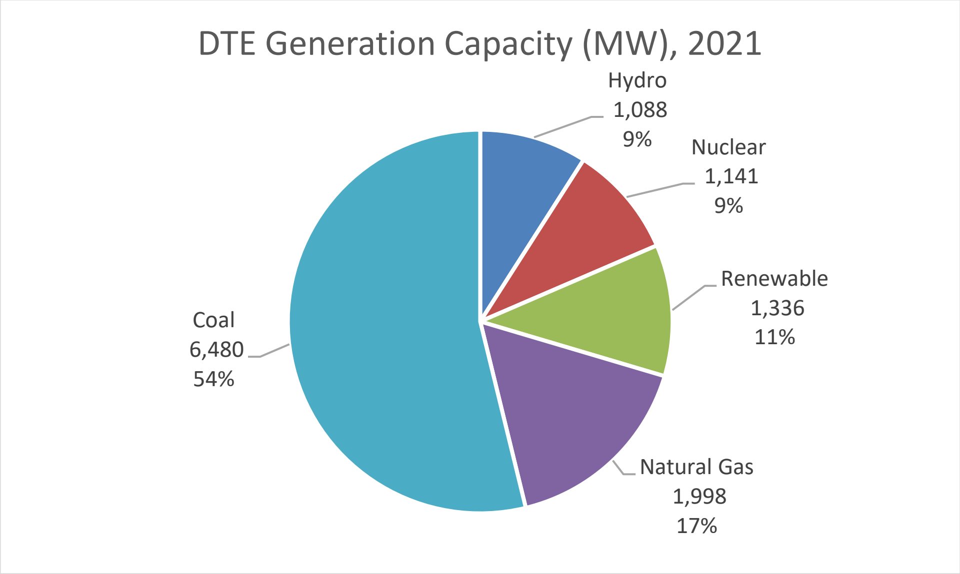
Separation of DT Midstream: In October 2020, DTE Energy announced that it intended to pursue a plan to spin off its natural gas pipeline, storage and gathering non-utility business. On July 1, 2021, DTE completed the separation of the new company, DT Midstream, through the distribution of 96,732,466 shares of DT Midstream common stock to DTE shareholders, reflecting 100% of the outstanding common stock of DT Midstream. DTE shareholders received one share of DT Midstream common stock for every two shares of DTE common stock. In June 2021, in order to facilitate the separation and settle intercompany balances with DTE, DT Midstream issued long-term debt in the form of $2.1 billion senior notes and a $1.0 billion term loan. Using the debt proceeds, net of discount and issuance costs of $53 million, DT Midstream made the following cash payments:

- Settled short-term borrowings due to DTE as of June 30, 2021 of $2.5 billion
- Settled affiliate accounts receivable due from DTE and affiliate accounts payable due to DTE as of June 30, 2021 for net cash paid to DTE of $9 million
- Provided a one-time special dividend to DTE Energy of $501 million

In October 2019, DTE had acquired the gathering system and gathering pipeline in the Haynesville shale formation of Louisiana for a purchase price of $2.25 billion in cash, plus a $400 million milestone payment upon completion of the gathering pipeline in the second half of 2020. In order to help finance the acquisition of midstream natural gas assets in December 2019, DTE issued equity units that will result in the issuance of $1.3 billion of common stock in November 2022, which represents DTE's only remaining obligation associated with the midstream operations.

Physical Liquidity (Owned and Purchased Energy Resources)

At year-end 2021, the Electric segment owned or had interests in approximately 12,043 MW of capacity. Currently, the Company's owned generation production is heavily concentrated in coal, and DTE disclosed that one coal facility alone accounted for approximately 49% of all output. DTE's generation portfolio as of December 31, 2021 was comprised of the following fuel sources:



Many of the coal plants have been in service for over 50 years, with in-service dates that range from 1953 through 2019. From an operational perspective, with such an aging coal fleet (and some reliance on it as a source of power), unanticipated outages may expose the Company to the short-term spot market for power as well as resulting in higher capital expenditures to keep the its coal fleet running. Fuel supply is purchased from various sources and geographical regions. As of year-end 2021, DTE has disclosed that 100% of its supply requirements were under contract for 2022. Transportation is provided through a fleet of leased rail cars.

In May 2017, the Company announced it was seeking to reduce its carbon footprint and has since targeted reducing the carbon emissions of its electric utility operations by 32% by 2023, 50% by 2030 and 80% by 2040. It plans do so through the retirement of a number of its coal facilities as well as by adding additional renewable and natural gas generation. In the past few years, DTE Electric has retired a number of generation units and has announced plans to retire a number of facilities in 2021-2022. The Company has stated that at least 3,800 MW of remaining coal-fired generating units are expected to be remain in service until 2040. Over the next several years as the Company replaces the retired facilities with renewables and natural gas-fired generation, the Company is expecting a large capital investment to replace these units.

COAL FACILITIES RETIREMENT SCHEDULE

	Year Retired	In Service Dates	Amount Retired (MW)	Note
River Rouge	2020	1958	214	
River Rouge	2021	1958	58	
St Clair	2022	1953, 1954, 1961, 1969	1,065	
Trenton	2022	1968	495	
Belle River	2028	1984, 1985	1,034	Possible conversion
Monroe [1]	2040	1971, 1973, 1974	3,066	
[1] provided 39% of DTE's total production in 2021			**5,932**	

Natural gas generation is comprised of 1,988 MW of peaking capacity at year-end 2021; however, DTE completed the construction of an 1,150 MW natural gas facility that commenced operations in June 2022. Fuel and transportation agreements were not disclosed; however, we anticipate these requirements are satisfied through the Gas segment.

The remainder of owned capacity is comprised of nuclear generation, a hydroelectric pumped storage plant and several renewable energy projects (wind and solar). In addition to the owned renewable facilities shown above, DTE Electric has long-term contracts for 481 MW of renewable power generated from wind, solar, and biomass facilities.

While DTE did not disclose output from its electric generation assets, they did note that they are a net producer of power and will access the short-term wholesale market during periods of peak demand. Exposure to the wholesale market for power (and natural gas fuel) can be a concern for credit quality due to market volatility, which also may be heightened by the Company's aging coal fleet and its output concentration with the Monroe plant. However, some of this risk may be potentially mitigated by power and natural gas cost recovery mechanisms.

Regulatory Environment

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. Subject to approval, the utilities also have cost recovery mechanisms including a Gas Cost Recovery, Power Supply Cost Recovery and an Infrastructure Recovery Mechanism. Below we highlight the last few years of base rate requests and decisions:

Electric:

> In 2018 DTE Electric requested an increase in base rates of $248.6 million which in part was intended to recover investment made in net plant from upgrades and reliability improvement projects. The request also included an increase in the authorized ROE to 10.5% from 10.0% and an infrastructure recovery mechanism. In May of 2019, the MPSC approved a base rate increase of $125 million but denied the ROE increase and the infrastructure mechanism.

> In July 2019, DTE Electric requested an increase in base rates of $351 million, including increasing the authorized ROE to 10.5%. In May 2020, the MPSC approved an annual revenue increase of $188 million, disallowing $41 million in capital expenditures, and authorizing a return on equity of 9.9%.

> In January 2022, DTE Electric filed a rate case requesting an increase in base rates of $388 million, including increasing the authorized ROE to 10.25%. The requested increase in base rates is primarily due to an increase in net plant resulting from generation and distribution investments, as well as related increases to depreciation and property tax expenses. A final MPSC order in this case is expected in November 2022.

Gas:

> In November 2019, DTE Gas filed a rate case requesting an increase in base rates of $204 million and return on equity of 10.5%. In July 2020, a settlement agreement was reached that authorized the Company to increase base rates by $110 million, reflecting a 9.9% return on equity.

> In February 2021, DTE Gas filed a rate case requesting an increase in base rates of $195 million and requesting an increase on its authorized return on equity from 9.9% to 10.25%. A final ruling is expected in December 2021.

> In February 2021, DTE Gas filed a rate case requesting an increase in base rates of $195 million and an increase in return on equity from 9.9% to 10.25%. On December 9, 2021, the MPSC approved an annual revenue increase of $84 million – more than half the requested amount - commencing January 1, 2022 and a ROE of 9.9%.

Quality of Revenues / Earnings

GROSS MARGIN by SEGMENT

in millions US $			**YE 2021**	**YE 2020**	**YE 2019**	**YE 2018**	**YE 2017**
Utility - Electric	*74%*	$	4,278	4,120	3,837	3,746	3,648
Utility - Gas	*20%*	$	1,131	1,058	1,055	990	945
Total UTILITY	***94%***	**$**	**5,409**	**5,178**	**4,892**	**4,736**	**4,593**
DTE Vantage	*7%*	$	396	323	340	316	276
Energy Trading	*0%*	$	6	138	155	140	200
Other	*-1%*	$	(55)	(55)	(52)	(54)	(49)
TOTAL GROSS MARGIN [1]	***100%***	**$**	**5,756**	**5,584**	**5,335**	**5,138**	**5,020**

[1] Excludes gross margin from discontinued operations of DT Midstream

As highlighted in the table above, approximately 94% of DTE's gross margin is comprised of its Utility businesses; however, the percentages are slightly skewed by the fact that margins from the Company's energy trading segment were down significantly in 2021. Since year-end 2017, total Utility gross margin has climbed by $816 million, driven by modest growth in customers and rate increases to support additions to property and plant. While measures associated with COVID-19 pandemic protocols resulted in a decrease in the Company's industrial and commercial customer usage, residential demand increased in 2020 and mitigated the lower demand in the large load sectors. A return to more normal economic conditions in Michigan post-pandemic protocols resulted in improved commercial consumption in 2021 and helped to boost gross margin. We note that the relatively large concentration in gross margin from the Company's rate regulated utility businesses may be supportive for credit quality due to the normally stable nature of regulated businesses. The predictability of the utility operations can to some degree offset the Company's non-regulated businesses which may see more volatility from changes in demand and commodity prices.

As noted earlier, the Company's energy trading segment saw a precipitous decline in its reported margins going from $138 million as of year-end 2020 to $6 million as of year-end 2021. The decline was due to the impact that significantly higher gas prices had on its structured gas deals. The Company noted in its 2021 10-K that continued high commodity environment for gas will likely represent a challenge for this segment, and in fact in Q2 2022, DTE reported that Energy Trading experienced a gross margin of negative $124 million (which compares to negative $111 million for the same period one year prior).

For the Company's other non-utility segment, DTE Vantage, DTE reported higher gross margins in 2021 over 2020. The segment benefited from higher production post pandemic protocol, higher demand partially offset by lower prices in the Steel business and additional projects in the Renewables business. The Company continues to refine this segment, looking for opportunities for growth and in Q2 2022, DTE reported that DTE Vantage saw gross margin of $206 million (which compares to $176 million for the same period one year prior).

As shown in the table below, prior to the separation of DT Midstream, operating income and pre-tax net income had shown modest improvement over the 2017 through 2020 time period, benefiting from a curtailed growth in expenses. However, higher depreciation costs (the result of an escalated depreciation and amortization allowance by the MPSC), higher interest expense and higher property taxes as well as a $393 loss on the extinguishment of debt in 2021 (a one-time event related to DT Midstream) resulted in pre-tax earnings to fall from $1.4 billion as of year-end 2020 to $773 million. Despite this, pre-tax return on equity remained relatively good at 8.9% -- which we note is just 1% shy of its authorized return of 9.9%. Additionally, we note that that the Company has managed its EBIT and EBITDA interest coverage ratios, which have been have historically been within a range equivalent of a BBB rated company. However, as a result of higher interest expense and higher depreciation expense in 2021, these ratios fell to 2.23 and 4.41 times which places them more in a BBB- range.

OPERATING RESULTS

in millions US $		YE 2021	YE 2020	YE 2019	YE 2018	YE 2017
TOTAL GROSS MARGIN [1]	**$**	**5,756**	**5,584**	**5,335**	**5,138**	**5,020**
% Gross Margin		***38%***	***49%***	***44%***	***36%***	***40%***
Depreciation	$	1,377	1,292	1,169	1,124	1,030
Operating Expenses	$	4,261	4,029	3,905	4,007	3,732
OPERATING INCOME	**$**	**1,495**	**1,555**	**1,430**	**1,594**	**1,711**
Interest Expense	$	630	601	568	559	536
PRE-TAX NET INCOME	**$**	**773**	**1,408**	**1,243**	**1,216**	**1,287**
% Pre-tax Return on Equity		*8.9%*	*11.3%*	*10.6%*	*11.9%*	*13.5%*
NET INCOME	**$**	**903**	**1,371**	**1,172**	**1,118**	**1,112**
% Return on Equity		***10.4%***	***11.0%***	***10.0%***	***10.9%***	***11.7%***
EBIT / Interest Covg		2.23	3.34	3.19	3.18	3.40
EBITDA / Interest Covg		4.41	5.49	5.25	5.19	5.32

YTD Second Quarter 2022 Results:

For the second quarter-ended June 30, 2022, gross margin increased by $167 million while net income decreased by $145 million over the same period in 2021. Higher Utility margins related to rate increases and weather events as well as strong gross margin from its DTE Vantage segment helped the growth in gross margin; however, higher losses from its Energy Trading segment as noted earlier mitigated some of this growth. Higher operating expenses and depreciation expenses in the first six months of 2022 negatively impacted the Company's earnings and contributed to the decline in period-over-period earnings.

Quality of Equity / Tangible Net Worth

Many of our clients utilize tangible net worth (TNW) as a basis on which to determine open lines of credit. We have calculated the TNW for DTE as of December 31, 2021 to be $5.5 billion based upon total equity of $8.7 billion less the following adjustments:

ASSETS, EQUITY, TANGIBLE NET WORTH

in millions US $		YE 2021	YE 2020	YE 2019	YE 2018	YE 2017
TOTAL ASSETS	**$**	**39,719**	**45,496**	**42,268**	**36,288**	**33,767**
TOTAL EQUITY	**$**	**8,705**	**12,425**	**11,672**	**10,237**	**9,512**
Goodwill & Intangibles	$	(2,170)	(2,192)	(5,026)	(3,142)	(3,160)
Restricted Cash	$	(7)	(2)	-	(5)	(23)
Net Trading Assets, Long Term [1]	$	-	-	-	(31)	(51)
Prepaid Assets	$	(678)	(561)	(454)	-	-
Regulatory Assets, Long-Term (Net)	$	(320)	(1,296)	(1,499)	(2,099)	(1,403)
Posted Collateral	$	(103)	(49)	-	-	-
Discontinued Assets, Net	$	-	(7,141)	-	-	-
TANGIBLE NET WORTH (TNW)	**$**	**5,427**	**1,184**	**4,693**	**4,960**	**4,875**
TNW / Equity (%)		***62.3%***	***9.5%***	***40.2%***	***48.5%***	***51.3%***

Quality of equity appeared to be moderately impaired by adjustments to equity including a relatively high amount of goodwill and regulatory assets classified as long-term. We note that equity decreased as a result of the midstream spin-off, falling from $12.4 billion in 2020 to $8.7 billion in 2021; however, there was a large amount of goodwill on the Company's books associated with the midstream acquisition that is no longer a part of the Company's balance sheet. While adjustments reduced total equity by almost 48%, quality of equity appears to benefit from a diverse portfolio of assets including rate regulated electricity and natural gas distribution facilities, and a history of profitability.

Debt / Financial Liquidity / Quality of Cash Flow

At year-end 2021, DTE's on-balance sheet debt totaled over $18.2 billion, a decrease of almost $1.35 billion over 2020. This is largely the result of the spin-off of DT Midstream, and we note that prior to the spin-off total debt had climbed by over $6.7 billion due in part to acquisitions in 2019 and upgrades and improvements to the Company's infrastructure. As such, DTE's on-balance sheet debt to capital ratio has climbed from 57.6% at year-end 2017 to 67.7% at year-end 2021. The increase in debt has also resulted in higher interest expense, which has placed some pressure on the Company's earnings and on interest coverage metrics. The higher debt load was one of the reasons cited by Moody's in their 2020 downgrade to "Baa2". We note the Company has a significant amount of debt coming due in 2022 ($2.87 billion); however, according to DTE, $1.3 billion will be paid for by issuance of common stock in November 2022 as a result of financing arrangements associated with the acquisition of the midstream operations in 2019.

TOTAL DEBT

in millions US $		**YE 2021**	**YE 2020**	**YE 2019**	**YE 2018**	**YE 2017**
Short-term Debt	$	758	38	828	609	621
Current LTD	$	2,874	469	687	1,499	109
Long-term Debt (LTD)	$	14,531	19,001	15,935	12,134	12,185
Operating & Finance Lease Obligations	$	88	99	160	-	-
TOTAL DEBT	**$**	**18,251**	**19,607**	**17,610**	**14,242**	**12,915**
Debt / Capital (%)		***67.7%***	***61.2%***	***60.1%***	***58.2%***	***57.6%***
Letters of Credit	$	258	193	229	168	124
Surety Bonds & Guarantees	$	998	1,250	109	76	58
TOTAL DEBT, Adjusted	**$**	**19,507**	**21,050**	**17,948**	**14,486**	**13,097**
Adjusted Debt / Capital (%)		***69.1%***	***62.9%***	***60.6%***	***58.6%***	***57.9%***

The Company's off-balance sheet items were related to operating leases and letters of credit issued in part to support certain derivative positions. The Company may have additional take-or-pay purchase obligations that were not disclosed by the Company that may be included in an off-balance sheet debt calculation.

At June 30, 2022, liquidity appeared to be good as availability totaled $1.5 billion, including $67 million in cash and another $1.4 billion available under its various credit facilities as shown in table below. Liquidity also appears to be supported by a somewhat supportive regulatory environment for recovery of costs, investment grade ratings and ready access to the capital markets. However, it is also worth pointing out that free cash flow has been negative four out of the last five years and the Company has borrowed to fund its infrastructure programs.

AVAILABLE LIQUIDITY **as of: YE 2021**

in millions US $			**Total**	**Used**	**LC Issued**	**Available**	***% Available***
CASH & EQUIVALENTS, Unrestricted		**$**	**28**			**28**	***100%***
CREDIT FACILITIES:							
Revolving Credit Facility	Apr-25	$	1,500	320	-	1,180	*79%*
Unsecured Term Loan	Jun-22	$	400	-	-	400	*100%*
Canadian Revolving Credit Facility	May-23	$	87	75	-	12	*14%*
Various Letters of Credit Facilities	2023	$	270	-	258	12	*4%*
TOTAL CREDIT FACILITIES		**$**	**2,257**	**395**	**258**	**1,604**	***71%***
TOTAL AVAILABLE LIQUIDITY		**$**	**2,285**	**395**	**258**	**1,632**	

AVAILABLE LIQUIDITY **as of: Q2 2022**

in millions US $			**Total**	**Used**	**LC Issued**	**Available**	***% Available***
CASH & EQUIVALENTS, Unrestricted		**$**	**67**			**67**	***100%***
CREDIT FACILITIES:							
Revolving Credit Facility	Apr-26	$	1,500	366	-	1,134	*76%*
Canadian Revolving Credit Facility	May-23	$	85	85	-		
Various Letters of Credit Facilities	2023	$	575	-	272	303	*53%*
TOTAL CREDIT FACILITIES		**$**	**2,160**	**451**	**272**	**1,437**	***67%***
TOTAL AVAILABLE LIQUIDITY		**$**	**2,227**	**451**	**272**	**1,504**	

From the 2017 to 2020 time period, operating cash flows have been trending higher and was achieved through higher revenues from rate increases and by acquisition of new operations, including the midstream segment in 2019. However, absent the discontinued operations of midstream, operating cash flows fell slightly from $3.7 billion in 2020 to $3.1 billion in 2021, and going forward the Company anticipates that cash flows will likely be impacted by the loss of midstream operations. Over the past five years, cash flows have not been sufficient to fund the Company's investment needs, and growth in capital expenditures, coupled with rising dividends, has resulted in negative free cash flows four out of the past five years, which have collectively totaled a negative $3.5 billion since 2017.

OPERATING & FREE CASH FLOW

in millions US $			**YE 2021**	**YE 2020**	**YE 2019**	**YE 2018**	**YE 2017**
OPERATING CASH FLOW		**$**	**3,067**	**3,697**	**2,649**	**2,680**	**2,117**
Capital Expenditures		$	(3,772)	(3,983)	(5,467)	(2,713)	(2,250)
Dividend Payments		$	(791)	(760)	(692)	(620)	(592)
Other Dividends, Net Contributions		$	9	(16)	(160)	(623)	(279)
Issuance of Common Equity, Net		$	(66)	-	1,265	-	-
Proceeds from Sale of Assets		$	1,050	2,363	788	-	-
"Special Event" Cash Distribution	[2]	$	(37)	(380)	-	-	-
FREE CASH FLOW		**$**	**(540)**	**921**	**(1,617)**	**(1,276)**	**(1,004)**
FUNDS FROM OPERATIONS [1]		**$**	**2,280**	**2,663**	**2,341**	**2,242**	**2,142**

[1] defined as Net Income plus Depreciation

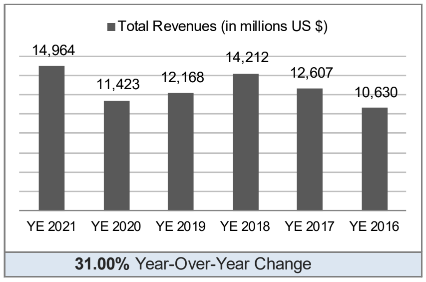
[2] includes $37M transfer of cash to DT Midstream at separation in 2021 and a $380M deferred acquisition payment made in 2020

DTE has disclosed that its aggregate capital investments over the 2022-2026 period for both its regulated and non-regulated operations are estimated to be over $19 billion, which are comprised of the following:

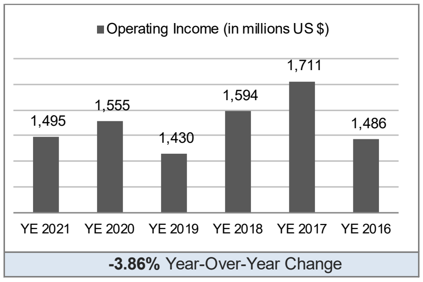
- DTE Electric: $15 billion, comprised of $8 billion for distribution infrastructure, $4 billion for base infrastructure, and $3 billion for cleaner generation including renewables.
- DTE Gas: $3.1 billion, comprised of $1.5 billion for base infrastructure and $1.6 billion for gas main renewal and pipeline integrity programs.
- DTE Vantage: $1 billion to $1.5 billion for renewable energy and industrial energy services projects.

Should the Company follow through with its proposed capital plan, we anticipate negative free cash may continue resulting in higher debt totals and rising interest expense. Of some concern is that higher debt, if not mitigated by additional equity, higher debt ratios and reduced interest coverage ratios may put some pressure on the Company’s ratings.

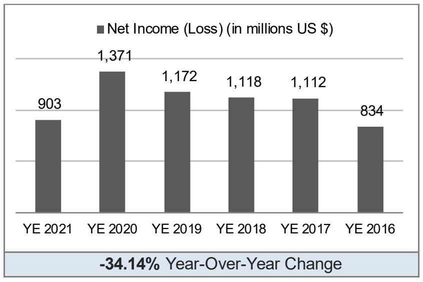
Key Financial Graphs



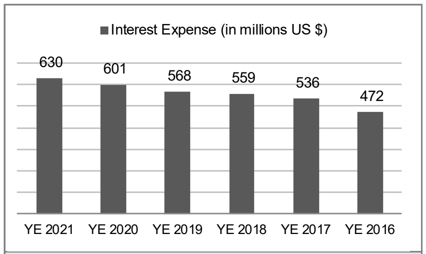
31.00% Year-Over-Year Change



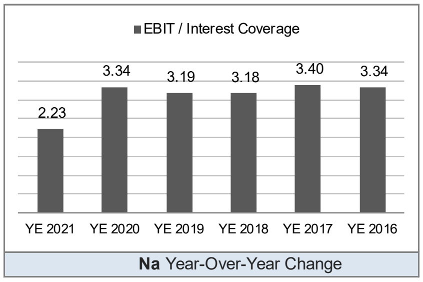
-3.86% Year-Over-Year Change



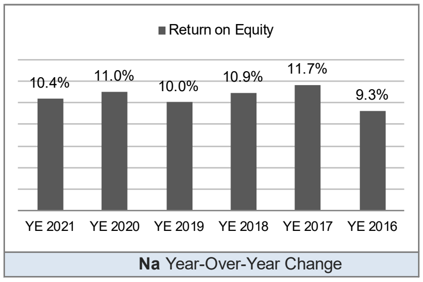
-34.14% Year-Over-Year Change



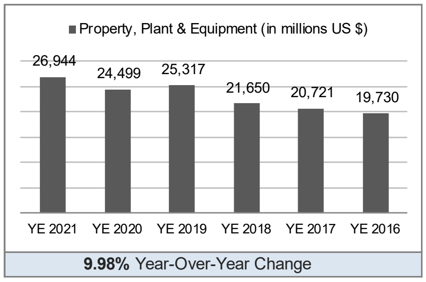
4.83% Year-Over-Year Change



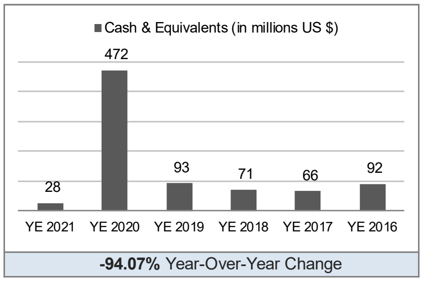
Na Year-Over-Year Change



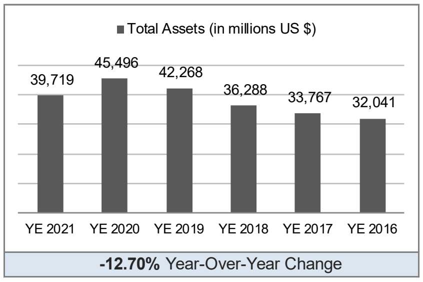
Na Year-Over-Year Change



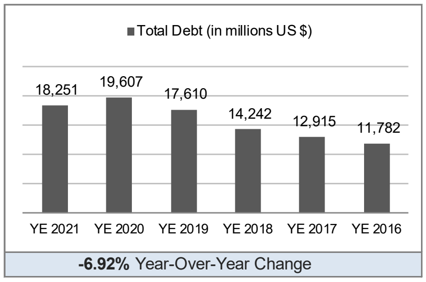
9.98% Year-Over-Year Change



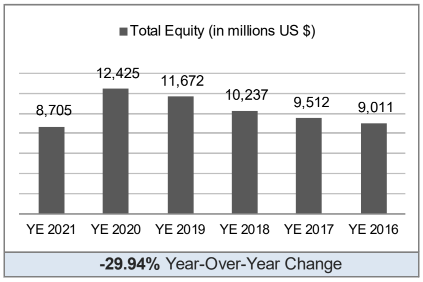
-94.07% Year-Over-Year Change



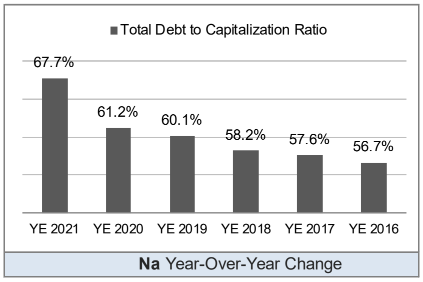
-12.70% Year-Over-Year Change



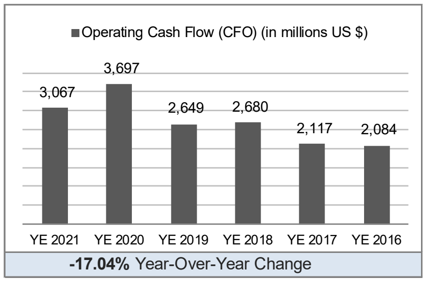
-6.92% Year-Over-Year Change



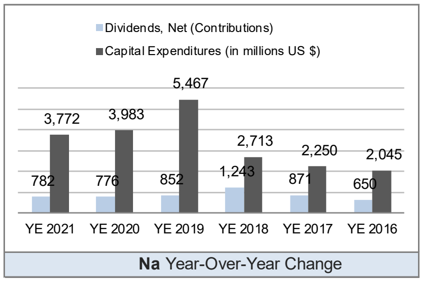
-29.94% Year-Over-Year Change



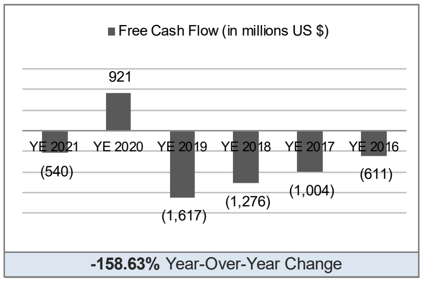
Na Year-Over-Year Change



-17.04% Year-Over-Year Change



Na Year-Over-Year Change



-158.63% Year-Over-Year Change

Summary of Financial Statements

DTE Energy Company		**Year End**	**Year End**	**Year End**	**Year End**	**Year End**	**Year End**
in millions US $		12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
Number of Months in Period		*12*	*12*	*12*	*12*	*12*	*12*
Currency Exchange Rate to US Dollars at Period End		*1.0000*	*1.0000*	*1.0000*	*1.0000*	*1.0000*	*1.0000*
STATEMENT OF EARNINGS / INCOME:							
Utility Operations	$	7,288	6,845	6,638	6,670	6,434	6,497
Non-Utility Operations	$	7,676	4,578	5,530	7,542	6,173	4,133
TOTAL REVENUES	**$**	**14,964**	**11,423**	**12,168**	**14,212**	**12,607**	**10,630**
Utility - Fuel, Purchased Power & Gas	$	1,904	1,719	1,798	1,981	1,881	1,968
Non-Utility - Fuel, Purchased Power & Gas	$	7,304	4,120	5,035	6,630	5,283	3,562
TOTAL COST OF GOODS	**$**	**9,208**	**5,839**	**6,833**	**8,611**	**7,164**	**5,530**
GROSS MARGIN	**$**	**5,756**	**5,584**	**5,335**	**5,601**	**5,443**	**5,100**
Depreciation & Amortization	$	1,377	1,292	1,169	1,124	1,030	976
Operation & Maintenance Expense	$	2,420	2,305	2,316	2,451	2,270	2,261
Taxes Other Than Income	$	431	395	406	405	391	370
Impairments	**$**	**33**	**37**	**14**	**27**	**41**	**7**
TOTAL OPERATING EXPENSES	**$**	**4,261**	**4,029**	**3,905**	**4,007**	**3,732**	**3,614**
OPERATING INCOME	$	**1,495**	**1,555**	**1,430**	**1,594**	**1,711**	**1,486**
Interest Expense	$	630	601	568	559	536	472
(Interest Income) & Allowance for Funds	$	(22)	(29)	(9)	(12)	(12)	(20)
Other Expense (Income)	$	231	(99)	(142)	(169)	(100)	(71)
Loss (Income) from Discontinued Operations	$	(117)	(326)	(230)			
INCOME (LOSS) BEFORE INCOME TAXES	**$**	**773**	**1,408**	**1,243**	**1,216**	**1,287**	**1,105**
Income Taxes (Benefit)	$	(130)	37	71	98	175	271
NET INCOME (LOSS)	$	**903**	**1,371**	**1,172**	**1,118**	**1,112**	**834**
MEMO ITEMS TO EARNINGS:							
Net Income / (Loss) of	$	903	1,371	1,172	1,118	1,112	834
Loss (Income) from Noncontrolling Interests	$	(4)	3	3	(2)	(22)	(34)
NET INCOME ATTRIB. TO COMMON STOCK	**$**	**907**	**1,368**	**1,169**	**1,120**	**1,134**	**868**
STATEMENTS OF CASH FLOW:							
Cash Flow from Operating Activities (CFO)	**$**	**3,067**	**3,697**	**2,649**	**2,680**	**2,117**	**2,084**
Cash Flow from Investing Activities	$	(3,863)	(4,070)	(5,732)	(3,347)	(2,562)	(3,390)
Cash Flow from Financing Activities	$	315	796	3,100	654	421	1,359
INCREASE (DECREASE) IN CASH	$	**(481)**	**423**	**17**	**(13)**	**(24)**	**53**
MEMO ITEMS TO CFO:							
Capital Expenditures	$	(3,772)	(3,983)	(5,467)	(2,713)	(2,250)	(2,045)
Dividend Payments	$	(791)	(760)	(692)	(620)	(592)	(531)
Other Dividends, Net Contributions	$	9	(16)	(160)	(623)	(279)	(119)
Issuance of Common Equity, Net	$	(66)	-	1,265			
Proceeds from Sale of Assets	$	1,050	2,363	788			
"Special Event" Cash Distribution	$	(37)	(380)	-			

Summary of Financial Statements (continued)

STATEMENTS OF BALANCE SHEET:		Year End 12/31/2021	Year End 12/31/2020	Year End 12/31/2019	Year End 12/31/2018	Year End 12/31/2017	Year End 12/31/2016
Cash & Cash Equivalents	$	28	472	93	71	66	92
Restricted Cash	$	7	2	-	5	23	21
Accounts Receivable, Trade	$	1,695	1,542	1,642	1,789	1,758	1,522
Accounts Receivable, Affiliates & Other	$	135	127	245	108	98	71
Derivative Assets, Current	$	181	116	133	102	103	47
Inventories	$	858	708	759	811	779	772
Regulatory Assets, Current	$	195	129	5	-	-	-
Current Assets of Discontinued Operation	$	-	217	-	-	-	-
Other Current Assets	$	218	185	209	374	254	237
TOTAL CURRENT ASSETS	**$**	**3,317**	**3,498**	**3,086**	**3,260**	**3,081**	**2,762**
Property, Plant & Equipment, Net	$	26,944	24,499	25,317	21,650	20,721	19,730
Investments & Operating Leases	$	2,549	2,335	3,788	3,368	2,797	2,273
Goodwill & Other Intangibles	$	1,993	1,993	2,464	2,293	2,293	2,286
Other Intangibles	$	177	199	2,562	849	867	842
Derivative Assets, Non-Current	$	90	40	41	31	51	34
Regulatory Assets, Non-Current	$	3,482	4,125	4,171	4,568	3,723	3,871
Notes Receivable	$	310	261	202	-	-	-
Prepaid Expenses	$	678	561	454	-	-	-
Assets of Discontinued Operations	$	-	7,859	-	-	-	-
Other Assets	$	179	126	183	269	234	243
TOTAL NON-CURRENT ASSETS	**$**	**36,402**	**41,998**	**39,182**	**33,028**	**30,686**	**29,279**
TOTAL ASSETS	$	**39,719**	**45,496**	**42,268**	**36,288**	**33,767**	**32,041**
Accounts Payable, Trade	$	1,414	1,000	1,076	1,329	1,171	1,079
Short Term Borrowings	$	758	38	828	609	621	499
Current Portion of Long Term Debt	$	2,874	469	687	1,499	109	14
Current Portion of Operating Lease Obligations	$	14	16	33			
Derivative Liabilities, Current	$	238	68	83	67	99	69
Regulatory Liabilities, Current	$	156	39	65	-	-	-
Accrued Expenses	$	311	368	342	127	158	96
Current Liabilities of Discontinued Operations	$	-	99	-	-	-	-
Other Current Liabilities	$	581	594	883	807	654	680
TOTAL CURRENT LIABILITIES	**$**	**6,346**	**2,691**	**3,997**	**4,438**	**2,812**	**2,437**
Long Term Debt	$	14,531	19,001	15,935	12,134	12,185	11,269
Operating Lease Obligations	$	74	83	127	-	-	-
Finance Lease Obligations	$						
Derivative Liabilities, Non-Current	$	192	60	86	-	-	-
Deferred Income Taxes	$	2,163	2,069	2,315	1,975	1,888	4,162
Regulatory Liabilities, Non-Current	$	3,106	3,363	3,264	2,922	2,875	555
Asset Retirement Obligations	$	3,162	2,829	2,672	2,469	2,320	2,197
Accrued Pension Liability	$	697	1,204	1,193	837	924	1,188
Nuclear Decommissioning	$	321	283	249	-	-	-
Liabilities of Discontinued Operations	$	-	836	-	-	-	-
Other Non-Current Liabilities	$	414	488	594	796	773	734
TOTAL NON-CURRENT LIABILITIES	**$**	**24,660**	**30,216**	**26,435**	**21,133**	**20,965**	**20,105**
TOTAL LIABILITIES	**$**	**31,006**	**32,907**	**30,432**	**25,571**	**23,777**	**22,542**
Common Shares / Stock	$	5,379	5,406	5,233	4,245	3,989	4,030
Retained Earnings	$	3,438	7,156	6,587	6,112	5,643	5,114
Accumulated Other Comprehensive Income	$	(112)	(137)	(148)	(120)	(120)	(133)
TOTAL EQUITY	**$**	**8,705**	**12,425**	**11,672**	**10,237**	**9,512**	**9,011**
Non-Controlling Interests	$	8	164	164	480	478	488
TOTAL EQUITY (INCLUDING INTERESTS)	**$**	**8,713**	**12,589**	**11,836**	**10,717**	**9,990**	**9,499**

Summary of Financial Statements (continued)

FINANCIAL SUMMARY ITEMS		Year End 12/31/2021	Year End 12/31/2020	Year End 12/31/2019	Year End 12/31/2018	Year End 12/31/2017	Year End 12/31/2016
Total Revenues	$	14,964	11,423	12,168	14,212	12,607	10,630
Gross Margin	$	5,756	5,584	5,335	5,601	5,443	5,100
Depreciation & Amortization	$	1,377	1,292	1,169	1,124	1,030	976
Operating Income	$	1,495	1,555	1,430	1,594	1,711	1,486
Interest Expense	$	630	601	568	559	536	472
Income Taxes	$	(130)	37	71	98	175	271
Earnings Before Taxes	$	773	1,408	1,243	1,216	1,287	1,105
EBIT	$	1,403	2,009	1,811	1,775	1,823	1,577
EBIT / Interest Coverage		2.23	3.34	3.19	3.18	3.40	3.34
EBITDA	$	2,780	3,301	2,980	2,899	2,853	2,553
Net Income (Loss)	$	903	1,371	1,172	1,118	1,112	834
Return on Equity		10.37%	11.03%	10.04%	10.92%	11.69%	9.26%
Funds From Operations (FFO)	$	2,280	2,663	2,341	2,242	2,142	1,810
Cash & Equivalents	$	28	472	93	71	66	92
Accounts Receivable	$	1,830	1,669	1,887	1,897	1,856	1,593
Property, Plant & Equipment	$	26,944	24,499	25,317	21,650	20,721	19,730
Goodwill & Intangibles	$	2,170	2,192	5,026	3,142	3,160	3,128
Total Assets	$	39,719	45,496	42,268	36,288	33,767	32,041
Working Capital (WC)	$	(3,029)	807	(911)	(1,178)	269	325
Accounts Payable	$	1,414	1,000	1,076	1,329	1,171	1,079
Short Term Debt & Current Maturities	$	3,646	523	1,548	2,108	730	513
Long Term Debt	$	14,605	19,084	16,062	12,134	12,185	11,269
Debt Service Calculation	$	4,276	1,124	2,116	2,667	1,266	985
Total Debt	$	18,251	19,607	17,610	14,242	12,915	11,782
Total Equity	$	8,705	12,425	11,672	10,237	9,512	9,011
Tangible Net Worth	$	5,427	1,184	4,693	4,960	4,875	4,154
Total Capitalization	$	26,956	32,032	29,282	24,479	22,427	20,793
Total Debt to Capitalization Ratio		67.71%	61.21%	60.14%	58.18%	57.59%	56.66%
Total Debt to Assets Ratio		45.95%	43.10%	41.66%	39.25%	38.25%	36.77%
Operating Cash Flow (CFO)	$	3,067	3,697	2,649	2,680	2,117	2,084
Capital Expenditures	$	3,772	3,983	5,467	2,713	2,250	2,045
Dividends, Net (Contributions)	$	782	776	852	1,243	871	650
Repurchase (Issuance) of Common Equity	$	66	-	(1,265)	-	-	-
(Proceeds) from Assets Sales & Other Transfers (In)	$	(1,013)	(1,983)	(788)	-	-	-
Free Cash Flow	$	(540)	921	(1,617)	(1,276)	(1,004)	(611)

Disclaimer & Terms of Use

Copyright © 2022 RMG Financial Consulting, Inc., 1724 S. Southeast Blvd, Spokane, WA 99203. Subscriber services: 509.532.8896 The information provided by RMG Financial Consulting, Inc. is owned and / or licensed by RMG Financial Consulting, Inc. Reproduction or distribution in whole or in part is prohibited except by permission. All rights reserved. Information has been obtained by RMG Financial Consulting, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources as well as other factors, RMG Financial Consulting, Inc. or others, RMG Financial Consulting, Inc. does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Under no circumstance shall RMG Financial Consulting, Inc. have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance or contingency within or outside the control of RMG Financial Consulting, Inc. or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if RMG Financial Consulting, Inc. is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information. Credit Reviews are statements of opinion, and should not be deemed to be recommendations to allow or disallow open lines of credit to any entity. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH CREDIT REVIEWS OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY RMG FINANCIAL CONSULTING, INC. IN ANY FORM OR MANNER WHATSOEVER.

Note on Information: Not all information is available on all companies. Fields left blank were not available. Calculations that do not make sense for the company's situation or specific company type, values that cannot be calculated or values where negative earnings or negative stockholder's equity invalidate a calculation have been labeled "Na".

Example – Not for Resale

About RMG Financial Consulting, Inc

For more information about the services and products provided by RMG Financial Consulting, Inc., please contact us: 509.532.8896 or visit us at: www.rmgfinancial.com