

# FINAL TRANSCRIPT

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## **DTE - Q1 2011 DTE Energy Co Earnings Conference Call**

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## CORPORATE PARTICIPANTS

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*DTE Energy Company - EVP, CFO*

**Peter Oleksiak**

*DTE Energy Company - VP, Controller*

**Nick Khouri**

*DTE Energy Company - VP and Treasurer*

**Anthony Earley**

*DTE Energy Company - Chairman, CEO*

## CONFERENCE CALL PARTICIPANTS

**Paul Ridzon**

*KeyBanc Capital Markets - Analyst*

**Daniel Eggers**

*Credit Suisse - Analyst*

**Steve Fleishman**

*BofA Merrill Lynch - Analyst*

**Mark Barnett**

*Morningstar - Analyst*

**Ashar Khan**

*Visium Asset Management - Analyst*

## PRESENTATION

**Operator**

Good day, ladies and gentlemen. Welcome to this DTE Energy first-quarter 2011 earnings release conference. Please note that today's call is being recorded. At this time I would like to turn things over to Mr. Dave Meador. Please go ahead, sir.

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**Dave Meador** - *DTE Energy Company - EVP, CFO*

Thank you, Lisa. Good morning and welcome to our first-quarter conference call. Before we get started, I encourage you to read the Safe Harbor statement on page two including the reference to forward-looking statements. With me this morning are Peter Oleksiak, Nick Khouri, and Mark Rolling. I also have members of the leadership team available for Q&A if necessary. Let me start with an overview on slide five.

We have plans that will provide 5% to 6% earnings growth and when coupled with our dividend of \$2.24 per share, that provides a very attractive total shareholder return of 9% to 10%. This is offset with a key priority of maintaining a strong balance sheet. Our utility growth is driven by federal and state mandates, which even after aggressive cost management and capital efficiency work, will still generate 5% to 6% earnings growth. The utility plants are supported by a constructive regulatory structure, and our cost savings are a tool to allow us to earn our authorized returns. We continue to focus on operational excellence and customer satisfaction. And as an example of that, our complaints to the Michigan Public Service Commissioner are down by another 1/3 this year. And our focus on procurement in Michigan has about 40% of our annual \$1.1 billion spend driven to Michigan as we focus on helping drive Michigan's economy forward.

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We also have meaningful growth opportunities in our non-utility businesses. The AGA financial conference is coming up here in May and Gerry Anderson will be there with updates on the power industrial business, including an update on the REF business line and on our midstream business. Now turning to slide six, here's an overview for the quarter. We earned \$1.11 per share on an operating earnings, and we are right where we want to be in order to deliver our guidance of \$3.40 to \$3.70 per share. The two utilities earned 11% return on equity last year, and they remain on track to do the same this year. Yesterday the Public Service Commission issued an order regarding Detroit Edison Self Implementation which was in-line with our expectations and our plans. We have proposed several options to the commission in our original case filing which would get you to the same interim economics of \$230 million. The commission chose the option of \$107 million in interim rates by not resetting the base rates for choice, and the continuation of the choice tracker. And when you put this together, it gets you back to the same outcome of \$230 million in economics. This was a result of a collaborative effort with the staff and we are pleased with the constructive outcome.

Both power, industrial and gas pipelines and storage are also right on plan for the year. And just a note on the development side, we have entered into a letter of intent with Southwestern Energy to construct a lateral pipe which we have referred to in our IR materials as our Bluestone Project. Bluestone will be a wholly owned DT pipeline connecting to both Millennium and to the Tennessee pipeline and will transport gas from Southwestern's Marcellus Shale acreage. Terms of this arrangement are being negotiated right now as we work out the definitive agreement, and Gerry Anderson will provide an update on this project at AGA.

Peter will take you through the details in a moment on energy trading, but energy trading is tracking economically to our guidance target. This quarter's accounting earnings reflect timing within the year, and we continue to be comfortable with our total year guidance for energy trading. So overall we are off to a very good start for the year. Our balance sheet is also right where we want it to be in cash from operations with \$700 million. We also have accelerated the timing of some of our wind projects with increases in our capital spending of about \$300 million for the year. Although this is an increase to our 2011 CapEx guidance, that we provided earlier in the year, it is within our renewable energy plan which has been approved by the Commission, and Nick will take you through the details of the wind projects on the capital slide. With that overview, now let me turn it over to Peter who will take you through the quarter.

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**Peter Oleksiak** - DTE Energy Company - VP, Controller

Thanks, Dave. Good morning to everyone. I'd like to start with slide eight and the first-quarter earnings results. For the quarter DTE's operating earnings was \$1.11. I'd like to remind everyone that a reconciliation to GAAP reported earnings is contained in the appendix. Detroit Edison contributed \$0.57, and MichCon, which typically has a strong first-quarter came in at \$0.49. The non-utility segments combined to earn \$0.15. The drivers for the non-utility first-quarter results were gas storage and pipelines at \$0.09, power industrial products at \$0.06 energy trading at \$0.01, not to mention gas production at \$0.01 loss, finally corporate and other loss of \$0.10 in the quarter. Let's move to slide nine and a summary of the quarter-over-quarter performance by segment.

Operating earnings for consolidated DT Energy are down \$41 million for the quarter. Together our core utilities Edison and MichCon, had \$10 million improvement in earnings over the prior year, and I will be providing additional details on the two utility companies later in the presentation. Our non-utility segments are down \$42 million primarily driven by our energy trading segment down \$36 million which had historically high income in the first-quarter last year. I will provide more color on the energy trading performance in a moment. Power and industrial projects was down \$8 million resulting from non-repeating earnings last year from the steel industry fuels tax credit and favorable coke pricing. Gas storage and pipelines and non-conventional gas production earnings are up slightly from the prior year.

Corporate and other was down \$9 million from last year due to a one time 2010 tax benefit. Before I move from this page, just a few more words on the energy trading's first-quarter performance. As you recall, we lowered the income range in our 2011 guidance for the trading business to a midpoint of \$25 million, down from a more historical average of \$40 million to \$50 million.



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We are on track to achieve this mid-point of guidance for the segment in 2011. The first-quarter is off to a strong start for new transactions. On page 21 of the appendix, we provided our standard page which shows both economic and accounting performance. On that page you will see we have \$22 million of economic income which is not recognized yet for accounting purposes. There are numerous transactions we entered into in the first-quarter that will not start recognizing income until the physical delivery of the power or gas. An example of this is a full requirement gas transaction where the gas is delivered starting in the fourth-quarter. We expect a good portion of this \$22 million of accounting to flow-through operating earnings in the fourth-quarter of this year. As a result, the next two quarters of accounting income could be relatively flat for energy trading business.

Now I'd like to go through some quarterly details of the utility companies beginning with Detroit Edison on slide 10. Operating earnings for Detroit Edison was \$97 million, up \$6 million from the prior year. Margin for the quarter was up \$8 million driven primarily from energy efficiency incentives recorded in the first-quarter 2011, after receiving a favorable order on our efficiency reconciliation related to achieving prior year incentives. Even though we have revenue decoupling with our electric utility we still closely monitor underlying electric load. Overall temperature normal electric load in the territory was up 1% in the quarter. We continue to see positive signs of economic improvement in Michigan translating into an increased sales. On the expense side, O&M was higher as the result of timing the power plant maintenance and one-time benefit savings realized in 2010. In addition, in 2011 we experienced lower interest expense and favorable first-quarter 2011 property tax settlement at Detroit Edison. Moving on to page 11 and reviewing of MichCon's performance. As mentioned earlier, the first-quarter's typically the strongest in the seasonal gas utility business. Operating earnings for MichCon was \$83 million, up \$4 million from the prior year. The primary driver was \$16 million of favorable weather impacts as the quarter saw 14% pickup in heating degree days compared to 2010.

Margin, other than weather was down \$9 million, primarily driven by the fact that the final rates in the June 2010 order, which carried into the first-quarter of 2011 are lower than the self-implementation rates executed in the first-quarter of 2010. In addition, maintenance expenses were up slightly this quarter due to an increase in scheduled and main service repairs. That concludes an update on the earnings for the quarter. I'd like to turn discussions over to Nick Khouri who will cover cash flow and capital expenditures.

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**Nick Khouri** - DTE Energy Company - VP and Treasurer

Thanks, Peter. And good morning, everyone. As always, improved cash flow and balance sheet strength remains a key priority for management and the Board of Directors. Through the first three months of this year, DT Energy's cash and balance sheet metrics are on track. In fact, nearly equal to the historically strong year we saw in 2010. Page 13 summarizes our balance sheet metrics. We expect to end this year within our targeted leverage and cash flow ranges. In addition, we have made significant progress towards our 2011 funding requirements.

We have completed our pension plan funding earlier this year than in past years and we do not foresee the need for new equity in 2011. Liquidity remains strong with no expiring credit facilities until 2012. Page 14 provides an overview of DTE's cash flow in the first-quarter of this year versus the same period last year. Cash from operations adjusted for the early pension contribution was about on par with a strong internal cash seen last year. As expected, capital was up a bit compared to last year, which I will detail in just a minute. All told, net cash reached approximately a positive \$300 million in the first-quarter of 2011. As in prior years, net cash is not equal across the four quarters of the year. Both working capital requirements and capital spending is back loaded towards the end of the year.

Page 15 details first-quarter capital spending. Year-to-date capital spending is about on par with last year for MichCon in the non-utility businesses. Capital is higher at Detroit Edison reflecting an expected increase in environmental spending and the timing of planned outages. Page 16 shows our revised guidance for 2011 cash and capital. The only change from the original guidance is higher renewable investments at Detroit Edison. As Dave mentioned, we were presented with an opportunity to accelerate the timing of our wind investment in Michigan. Renewable capital in 2011 is now projected at \$350 million, up from



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the original guidance of \$50 million. Since renewable investments at Detroit Edison are funded with a pre-existing surcharge, the new capital can be supported without an increase in customer rates while still maintaining our balance sheet targets. In summary, DTE's cash and balance sheet targets are on track with year-to-date actuals nearing the historically strong year we saw in 2010 allowing us to accelerate our investment in the renewable portfolio with Detroit Edison. Now let me turn it back to Dave to wrap up.

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**Dave Meador** - DTE Energy Company - EVP, CFO

Thanks, Nick. Let me wrap up on slide 18. We are off to a very good start in 2011. As we outlined for you, every group is on plan and we are targeting the mid-point of guidance for the year. As you can see, we are making significant investments in 2011 with our total capital budget now above \$1.7 billion. This spending coupled with a stream of investments going forward is the basis for our expected 5% to 6% growth rate while maintaining a strong balance sheet and an attractive dividend. As a reminder, Gerry Anderson's presentation at the AGA financial conference is on May 16, at 10.30 in the morning. And thank you. And we will now open up for questions, Lisa.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question today will come from Paul Ridzon, KeyBanc.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Can you clarify -- you said you expected trading to have 2Q and 3Q results flat. Is that flat with last year, or is that just minimal earnings? Is that what you're trying to say?

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**Dave Meador** - DTE Energy Company - EVP, CFO

Minimal earnings.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Got it. And then looks like industrial sales were off in the first-quarter. Can you give some flavor to what's driving that?

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**Dave Meador** - DTE Energy Company - EVP, CFO

We are actually for the entire year we are still expecting that to be up about 2%, so there's some anomalies in the first-quarter. That really doesn't translate to a full year forecast.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

There's some plant shutdowns or maintenance shutdowns or--?

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**Dave Meador** - DTE Energy Company - EVP, CFO

Some of that was just the billing cycles.

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**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Okay. And then for those of us who aren't going to be at AGA, could you maybe give a little more flavor as to kind of the subject matter that Gerry is going to talk about on the unregulated side?

**Dave Meador** - DTE Energy Company - EVP, CFO

Well, I could speak to the high-level of that. First of all, in our power and industrial business, we have outlined our growth projections to go out into 2015 where we are driving to get that business to a net income level of \$100 million. The two areas of growth, the renewable business line, which are the small coal plants that we are acquiring and converting to biomass that qualify for renewable energy credits. And we have five projects that are, either in construction or operating right now. And we will provide an update there. The other growth opportunity is coming out of the reduced emission fuels business line. This is, again, where we have licensed technology that when added to coal it is used in the production of electricity. Reduces NOx by 40% -- excuse me, 20% and mercury by 40%. And we are in the process right now of citing those plants and negotiating with counter-parties around tax credits.

And again, as this business line ramps up over the next several years, it will provide substantial earnings for us. It's a business line that qualifies for a tax credit that runs for 10 years. So he will just provide an update on the insights of there. And then on midstream, we've had tremendous growth over the last five years. And this year we are over \$50 million of net income. We have outlined our aspirations to get that to 2000 -- by 2015 to \$70 million of income. And I think people have been waiting to hear something on the development side, and in this Bluestone project now, we have had a significant step forward in terms of reaching a tentative agreement with a counter-party that would allow us to build out that lateral pipeline. And this could be a significant investment for the Company, and will -- it's also the driver that will help drive net income growth and midstream over the -- over the next several years.

**Paul Ridzon** - KeyBanc Capital Markets - Analyst

And you mentioned no equity in '11. When do you foresee the potential need to tap the equity markets?

**Dave Meador** - DTE Energy Company - EVP, CFO

What we have outlined is that going forward because of the capital that we are investing for our growth, that we would see needs in the \$100 million to \$200 million range each year. We were able to drive that down this year, and we are working hard on next year and the forward years. And one of the offsets to that over the next several years will be monetizing the Barnett Properties. So as we have kind of referred to that, think of that as kind of a bank account that over time as we monetize Barnett, that will reduce the need to issue equity. And we still believe when we issue equity, going forward, it wouldn't be a public issue as that we would be doing this through our DRIP or small contributions for the pension plan.

**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Okay. Thank you very much.

**Operator**

Next up we will take a question from Daniel Eggers, Credit Suisse.

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**Daniel Eggers** - *Credit Suisse - Analyst*

Hi, good morning guys. Can I just -- on the wind CapEx--?

**Operator**

We'll go to Steve Fleishman with Bank of America.

**Steve Fleishman** - *BofA Merrill Lynch - Analyst*

Okay, great. A couple questions. First, can you just maybe give some color. As you mentioned, the interim order was -- you are pleased with, it is exactly what you generally expected. But when you read the order, the tone of it is -- from the Commission is I guess a little more -- very different than what you just said. So, could you just kind of clarify maybe the differential there? Should we just kind of ignore that tone?

**Dave Meador** - *DTE Energy Company - EVP, CFO*

I would at a high-level, first of all, say that not only the law that we have that we are operating in Michigan but also our relationship and interaction with the Commission. That would be commissioners and staff is very, very constructive. And we have one of the better relationships than we have had since I've worked here for 15 years, so we work very collaboratively through these issues. We have some complexities and as we go through these interim rate increases, one of the complexities is dealing with some of these trackers that are in place, and it could be the choice tracker. It could be the issue of trackers being reset or trackers that go away. And the clarity that you might need during that as you are going through interim rates. So, when we filed this case, we had filed the case and provided some options that we believe were viable options that could benefit customers during this time. And one of those options, as an example, was not to reset the choice tracker but basically to continue it. So, this ended up with one of the options, and the economics are exactly what we had planned on. And in terms of the tone of what you see in the order, I would just say that everyone has got different stakeholders that they are writing documents to and I would not read too much into that. Our relationship is good. That doesn't mean we agree on everything, but I think the fact that we got through this self implementation and the economics are in line and we are able to stand by our guidance is a very positive signal.

**Steve Fleishman** - *BofA Merrill Lynch - Analyst*

Okay. And then one other question. Just could you just for a minute go through how the choice tracker works exactly? And there is mention of kind of a dead band, and just how does that dead band work?

**Dave Meador** - *DTE Energy Company - EVP, CFO*

Yes. Right now what's in rates, is roughly 3% choice levels. That's when we had the last rate order, choice is at 3%. So we do have a dead band of a few hundred gigawatt hours around that choice, that 3%, that basically, we need to eat. Once we pass at band, we are essentially made whole on 90%. So really the difference right now is that we have 10% choice versus the 3% or an incremental 7% margin. We are able to book roughly about 90% of that as a regulatory asset.

**Steve Fleishman** - *BofA Merrill Lynch - Analyst*

Okay. And do you get the cash as well?



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**Dave Meador** - DTE Energy Company - EVP, CFO

We get the cash in a future proceeding. There's a reconciliation. So, it's usually about an 18 month type of cycle time of cash.

**Steve Fleishman** - BofA Merrill Lynch - Analyst

Okay. So I guess the one difference is that the cash of getting the interim versus the choice tracker is just the cash would've come quicker?

**Dave Meador** - DTE Energy Company - EVP, CFO

Right.

**Steve Fleishman** - BofA Merrill Lynch - Analyst

But it has nothing -- okay. Now I understand the differentials now.

**Dave Meador** - DTE Energy Company - EVP, CFO

Steve, that's the example of something that we proposed, and we want to be flexible because we can book the regulatory asset and we can collect the cash. A year down the road. And that is it. That's an enabler for us to hit our earnings target, but it minimizes the immediate impact on customers, as that won't be reset at the base rates until a future date.

**Steve Fleishman** - BofA Merrill Lynch - Analyst

Great. Thanks so much.

**Operator**

Our next question will go back to Daniel Eggers. Sir, your line is open.

**Daniel Eggers** - Credit Suisse - Analyst

Sorry about that. I just wanted to ask this question, real quick if you think about kind of the deferral on the choice revenues plus maybe the other deferral that have been proposed, in this case kind of things you guys put off from this filing. How much revenue increase or rate increase is in the pipe from a cash perspective? If you look out past this rate case to the next rate case before incremental capital for rate base revenue?

**Dave Meador** - DTE Energy Company - EVP, CFO

Well, when we project going forward, so when we do our five year modeling right now, we view rate increases is one of the constraints that we are trying to manage to. So, when we go out over five years, our rate increase -- for example, the residential customers is on average under 5%. What is playing out this year is actually pretty low. It's just over 2%. And really, the way to think about it is this choice reset could play out next year, but we have also not made any decision yet on when we will file our next case at Edison. We are trying to manage our costs in a way to stay out of rate cases as long as possible because that's the right thing for customers. So you could have that choice tracker reset independent of a rate case independent of reconciliation





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and then we could file a subsequent rate case at a later date. And again, we have not made any decision on rate cases in 2012. It is too early right now.

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**Daniel Eggers** - *Credit Suisse - Analyst*

Okay, I got it. Thank you. And then, I guess, just, on the increase for wind CapEx this year, why has that not translated into more earnings out of Edison for this year? Is it a timing issue that will have more of an impact for next year?

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**Dave Meador** - *DTE Energy Company - EVP, CFO*

That is correct. Most of that is going to be at the back half of the year. We are going to start to see some ramp-up in spend in the second-quarter. Put primarily it's the second half of the year, so we will get a full year impact next year.

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**Daniel Eggers** - *Credit Suisse - Analyst*

There will be some -- relative to where we started the year, there is probably some--?

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**Dave Meador** - *DTE Energy Company - EVP, CFO*

It's modest. Guidance range. There's some modest income that's within guidance.

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**Anthony Earley** - *DTE Energy Company - Chairman, CEO*

It's low single digits, millions of dollars. And it was already contemplated in guidance.

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**Daniel Eggers** - *Credit Suisse - Analyst*

Okay. And so for next year, if we're thinking about supporting that 5% growth rate, is there a meaningful impact of the timing of the coming in late this year, where was it expected to come in early '12 so it is kind of a wash?

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**Dave Meador** - *DTE Energy Company - EVP, CFO*

It's pretty much a wash for the '12.

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**Daniel Eggers** - *Credit Suisse - Analyst*

Okay. And then I guess on the economic earnings issue on trading, the money that is in the pipe, is that firmly locked as margin today where it is just a time issue, or is there still an open position where that number can move around even with the contracts in place?

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**Dave Meador** - *DTE Energy Company - EVP, CFO*

It's really is an accounting reserve. So these reserves were put on the balance sheet release when actually the physical delivery occurs. So, it is basically kind of programmed in with those full requirement service contracts.



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**Daniel Eggers** - *Credit Suisse - Analyst*

So both sides are locked, so the sale is done and the purchase is done so it's really just a delivery issue?

**Dave Meador** - *DTE Energy Company - EVP, CFO*

Yes, for the most part, yes.

**Daniel Eggers** - *Credit Suisse - Analyst*

Okay. All right. And I guess one last question. On the Mercury technology and Mercury movement technology at P&I, when you guys look at the new (inaudible) rule, the EPA put out, the draft rule, what sort of performance -- what grouping of equipment or other inputs would you need to use your equipment plus other things to get to kind of this 91% removal rate? Is this a technology that bridges the gap if you use a couple other lower-cost options?

**Dave Meador** - *DTE Energy Company - EVP, CFO*

Well, it doesn't necessarily bridge the gap, but I would say it would be an enabler to get to the 90%. 90% we are also working in Michigan because Michigan has a 90% standard that we have to hit by 2015. So, we were on track on that anyways, but what we and others are learning is consistently hitting 90% is difficult even with other technologies, so when this is supplemented with other technology, it is an enabler to consistently hit 90% or slightly above 90%, which has been the proposed new rule.

**Daniel Eggers** - *Credit Suisse - Analyst*

So really, the way we should think about this technology is you are able to offer to help people -- make sure that people with traditional controls they will always hit their numbers so, the kind of the standalone piece of equipment, it's not of great value against the toxins rule, but it's a good supplement to make sure you perform. Is that a fair interpretation?

**Dave Meador** - *DTE Energy Company - EVP, CFO*

Yes, but I would say it adds value too. So, on the whole combustion process, this is first in line. So this takes out the NOx and mercury up-front and then the other equipment is downstream. And it just gives you a more predictable outcome.

**Daniel Eggers** - *Credit Suisse - Analyst*

Okay. Thank you guys.

**Operator**

(Operator Instructions) Up next is Mark Barnett with Morningstar.

**Mark Barnett** - *Morningstar - Analyst*

Most of my questions have been pretty thoroughly answered already. Just a couple of questions on the Barnett I guess. So, you'd acquired some acreage, it looks like in the quarter. I'm just wondering now what the mix of sort of the oil and liquids versus gas looks like?

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**Dave Meador** - DTE Energy Company - EVP, CFO

Well, part of what you are seeing there is we were reshaping our acreage really around the NGLs and now what is being discovered is the oil play there. So we actually shed some acreage that we thought there was less attractive, and now I think we are up over 80,000 acres. We are getting a \$2.00 to \$3.00 lift per MCF because of NGLs and oil, and this is part of our strategy as we exit here to really optimize by proving up what is now known as the wet side of the gas play. So we are drilling specifically to prove up that thesis, and then it will provide us an exit ramp that will provide what we are describing here, which is a significant improvement in dollars per MCF produced.

**Mark Barnett** - Morningstar - Analyst

Yes, it looks like things are moving in a positive direction. Have you had any increased interest in that acreage, I mean, given where oil prices have been, or?

**Dave Meador** - DTE Energy Company - EVP, CFO

Yes, but I would describe it as we have proved and unproven acreage in the mix, so there are some producing properties that there is more interest in, there's also some transactions that we expect to happen in the region really around this whole oil play thesis. And it's something that we continue to monitor. And in the meantime, we are investing modest amounts of capital, but it's really being focused on this area of oil and NGLs.

**Mark Barnett** - Morningstar - Analyst

Okay, thanks a lot. Thanks for the color. Appreciate it.

**Operator**

Next up we will take a question from Ashar Kahn, Visium Asset Management.

**Ashar Khan** - Visium Asset Management - Analyst

Most of my questions have been answered, but have you changed your cash flow forecast, Dave, after this interim order? I didn't see any meaningful cash flow forecast change, or was there?

**Dave Meador** - DTE Energy Company - EVP, CFO

No, no. There is no cash flow change out of this. I think as we went into this as we described in our original filing, we had proposed some options, and we anticipated that this choice tracker would be continued, and that was embedded in our original cash forecast.

**Ashar Khan** - Visium Asset Management - Analyst

Okay. Okay. Thank you.

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**Operator**

(Operator Instructions) We will take a follow-up from Paul Ridzon, KeyBanc.

**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Can you just kind of give your position on the HAPs rule that came out and kind of where you are on the spectrum of views of how achievable this is?

**Dave Meador** - DTE Energy Company - EVP, CFO

Just on what's happening with the EPA, that we believe are consistent with our expectation, but as you know, we and others have taken a position on it, we think the timing is unrealistic, and it's very aggressive. Tony Earley testified on April 15 before the US House Committee on Energy and Commerce, and his testimony is on our website. We encourage you to go out and look at it. But we anticipated a lot of where this is going right now. I also thought that it's appropriate to remind folks that MISO reserve margins are currently at 24% versus the required 12%. We also were on a path already to pursue 90% Mercury reduction in Michigan, so what we have outlined for you is that we are going to continue to build our scrubbers and FCR at Monroe.

And down the road we anticipate putting additional environmental controls in some of the other larger and newer units, but there will be smaller and older coal plants that will be closed. And someday somewhere we will be adding new generation that would be likely to be gas load generation. So, what you are hearing from the industry and from us also is that we think the timetables are way too aggressive, and if not changed, it will have impacts not only on customer rates but could impact local communities with jobs and property taxes and we will continue to advocate to get this slowed down all little

**Paul Ridzon** - KeyBanc Capital Markets - Analyst

Okay. Thank you.

**Operator**

And at this time there are no further questions. I will turn things back over to Mr. Meador for any additional or closing remarks.

**Dave Meador** - DTE Energy Company - EVP, CFO

Thanks, Lisa, and thanks, again, everybody for joining us this morning. And we look forward to seeing you at AGA. And again Gerry Anderson is talking on May 16, at 10.30. Take care and have a good day.

**Operator**

Ladies and gentlemen, that does conclude today's conference. We would like to thank you all for your participation.

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