

FINAL TRANSCRIPT

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DTE - Q2 2011 DTE Energy Co Earnings Conference Call

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CORPORATE PARTICIPANTS

David Meador

DTE Energy Co - EVP, CFO

Peter Oleksiak

DTE Energy Co - VP, Controller

Nick Khouri

DTE Energy Co - VP and Treasurer

CONFERENCE CALL PARTICIPANTS

Ashar Khan

Incremental Capital - Analyst

Paul Patterson

Glenrock Associates - Analyst

Dan Eggers

Credit Suisse - Analyst

Erica Piserchia

Wunderlich Securities - Analyst

Leslie Rich

JPMorgan - Analyst

Steve Fleishman

BofA Merrill Lynch - Analyst

Chris Bassett

Decade Capital - Analyst

Phyllis Gray

Dwight Asset Management - Analyst

Mark Sigal

Canaccord Genuity - Analyst

PRESENTATION

Operator

Good day, and welcome to the DTE Energy Second Quarter 2011 Earnings Release Conference Call. Today's call is being recorded. At this time, I would like to turn the conference over to Mr. David Meador. Please go ahead sir.

David Meador - DTE Energy Co - EVP, CFO

Thank you, Connie. Good morning and welcome to our second quarter conference call. Before we get started, I encourage you to read the Safe Harbor statement on page 2, including the reference to forward-looking statements.

With me this morning are Peter Oleksiak, Nick Khouri and Mark Rolling. I also have members of leadership team in the room and they are available in the Q&A session, if needed.

Before we get started I just wanted to mention that we ended up announcing our earnings call and CMS did at the same time, inadvertently. So, when we realize that, we adjusted our call a half hour here to allow as many of you as possible to listen to



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both. Since Us and CMS's call and going forward we'll try to avoid that so you can hear both of the Michigan Companies as we go through our quarterly earnings.

With that background let me start on slide 5. This is our investment thesis, and for those of you that follow the Company, you've seen this investment thesis many times. You know that it's constant and it serves as a North Star for us in positioning DTE Energy as an attractive investment for you.

In May, we announced a 5% increase in our dividend, which brings the annual dividend to \$2.35 per share. In addition to that solid dividend yield, we plan to deliver 5% to 6% long-term earnings per share growth. When you combine those two together, that provides an attractive total shareholder return of 9% to 10%.

Our utility growth is driven by mandates at the state and the federal level, and it's supported by a constructive regulatory environment. While the capital requirements to meet both the current and proposed environmental rules and renewable mandates are quite significant, we are applying our continuous improvement methodology to drive greater capital efficiency to ensure we manage the impact on our customers.

As we've talked about many times in the past, it's our continuous improvement capabilities which have enabled us to make significant reductions in O&M expense, and drive our utilities to earn their authorized returns, which they did last year and we're targeted to do again this year.

We continue to focus on operational excellence and customer service. As an example of those, I wanted to mention that we have driven many improvement initiatives. One of the things that we focused in on is providing appointment windows for our customers and then delivering on those appointments. So, we do that in both the gas and the electric utilities, in example, and right now we're at a 96% attainment of the windows when we give our customers appointments.

Another example in that area is our channel management strategy, where we're looking to shift customers from customer offices to the voice response system, to call centers, then to the Web, and then our new mobile applications that we are developing, and at the same time delighting those customers in every channel that we serve them in.

We also remain committed to being a force for growth and renewed prosperity in the communities we serve. We've recently announced a plan to boost our annual Michigan-based purchases of products and services by \$250 million by 2015. Approximately 60% of our non-fuel purchasers will be sourced in Michigan but then which is up from 44% today.

Another example is, this week we announced with other Detroit-based companies, an employee program called Live Detroit, which provides incentives for those to move into downtown Detroit or the midtown area just north of us.

We've also recently talked about some of the meaningful growth opportunities we have in our non-utility businesses, particularly at the power and industrial project, and also the gas mid-stream business. I'll give you an update on recent developments on those fronts in just a minute.

On slide 6 is an overview for the quarter. We strive to develop a reputation of putting out our plans and then delivering on those commitments. They are right where we want to be after 6 months, with solid results in the quarter where we earned \$0.65 in operating earnings per share.

Detroit Edison margin was up for the quarter, with self-implementation of new rates beginning in the spring, while the power and industrial earnings are down from a record level in 2010. That's mainly due to a number of non-recurring items last year.

The gas mid-stream business continues to provide good earnings for us, and energy trading earnings are up significantly from the loss we experienced in the second quarter of 2010.



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Our reported earnings include a one-time benefit from the change in the state of Michigan tax law. The impact of this change was neutral at the utilities and was incurred only at the non-utility businesses.

On the cash front, we've generated \$1.2 billion in cash from operations year-to-date, which is consistent from the strong levels that we achieved last year, and our balance sheet metrics are where we want them to be.

On the development side, we entered into a long-term agreement with Southwestern Energy earlier this month, to build and operate the Bluestone lateral pipeline and gathering system. The Bluestone lateral will be a wholly-owned DTE pipeline running between the Millennium pipeline and the Tennessee pipeline. Bluestone gathering assets will collect natural gas from Southwestern's Marcellus Shale acreage and move it to the lateral pipe. The investment for this lateral pipe and the initial gathering system will be \$150 million to \$200 million, with upside potential over time to expand that gathering system for a total investment of up to \$280 million.

We also announced the first two expansions in the Millennium main line, which will go into service in 2012 and 2013. For some time, we've talked about the fact that our assets are very strategically positioned relative to the Marcellus Shale, and what you're seeing now, is us stepping out to make investments which will support the growth in the mid-stream business there.

At the power and industrial business, we're seeing the reduced emission fuels business materializing into a significant growth opportunity. We have five REF machines in service and two more are being constructed, and we are in advanced discussions with a number of potential partners and expect that we'll build potentially additional facilities this year. We expect to be able to go into more detail on both of these investments at the fall EEI Financial Conference.

Now moving to slide 7, I want to give you a sense of where we are halfway through the year. Our performance for the first 6 months of 2011 continues to support our full-year guidance at midpoint. Being a former car guy, I would describe the first 6 months by saying we're firing on all eight cylinders, but now that I'm driving a Chevy Volt, I can't use that analogy any more. But I'd say in the electric world version here, the electric engines are all running and spinning throughout the Company here very well.

Both our utilities are on track to earn their authorized returns again, which is at 11%. And we're looking forward to a productive order at Detroit Edison, as that rate case plays out later this fall. Year-to-date operating earnings at both the non-utility businesses are in line with our full-year projections as well. Power and industrial will probably see a small lift in the second half of the year due to REF project starting to come online. And both Energy Trading and Corporate & Other are on track to hit their guidance for the year.

Overall, we had a very good first half of the year. With that overview, now let me turn it over to Peter, who will take you through more details on the second quarter.

Peter Oleksiak - DTE Energy Co - VP, Controller

Thanks Dave, and good morning, everyone. I'd like to start with slide 9 in the second quarter earnings results. For the quarter, DTE's operating earning was \$0.65. I'd like to remind everyone that a reconciliation to GAAP reported earnings is contained in the appendix.

Detroit Edison contributed \$0.59 and MichCon, which typically incurs an operating loss in second quarter combined, came in at a \$0.02 loss. The non-utility segments combined to earn \$0.18. The drivers for the non-utility second quarter results were gas storage and pipeline at \$0.09, trading at \$0.07, power and industrial projects at \$0.03, and non-commercial gas production at a \$0.01 loss. Finally, corporate and other had a loss of \$0.10 in the quarter.

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Let's move to slide 10 and a summary of the quarter-over-quarter performance by segment. I've simplified my presentation pages this quarter due to the straight-forward nature of the earnings variances at the utilities. I'll forgo separate earning walks on the utilities, and describe the quarter-over-quarter changes with slide 10.

Operating earnings for consolidated DTE Energy are up \$45 million for the quarter. Detroit Edison's operating earnings was \$100 million, up \$13 million from prior year. The favorability is driven by improved margin resulted from self-implemented rates in the second quarter of 2011.

Even though our electric utility is de-coupled, we closely monitor sales levels and the underlying economy for our region. Overall temperature of normal electric load in the territory was relatively flat for the quarter. Last year in the second quarter, the auto companies were ramping up production and inventory levels, with a strong quarter for industrial sales. This is playing out as we look at the quarter-over-quarter this year.

Moving to MichCon, as noted earlier the second quarter is typically a loss for this seasonal gas utility business. MichCon had an operating loss of \$3 million, down \$2 for the prior year. The decrease in earnings were driven been by final order rates falling through this quarter versus self-implemented rates last year. We also saw lower storage revenues offset by favorable weather.

Our non-utility segments are up \$26 million, primarily driven by higher earnings at energy trading, partially offset by lower earnings at power and industrial projects. Power and industrial projects are down \$17 million, resulting from non-repeating earnings last year from the steel industry fuels tax credit, and favorable transportation contracts. Energy trading is up \$38 million, following a loss of \$26 million in the second quarter of 2010. The improvement is driven by favorable economic performance and favorable accounting-timing related earnings.

We have provided our standard year-to-date economic and accounting earnings walks for this segment in the appendix, and this quarter we've also included a quarter-over-quarter walk.

Lastly, corporate and other was up \$8 million must you do to lower interest and taxes in 2011.

That concludes an update on the earnings for the quarter. I want to turn discussion over to Nick Khouri, who will cover cash flow and capital expenditures.

Nick Khouri - DTE Energy Co - 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 6 months of this year, DTE Energy's cash and balance sheet metrics are on track. In fact, nearly equal to the historically strong year we saw in 2010.

Page 12 summarizes our balance sheet metrics. We expect to end this year within our targeted leverage and cash flow ranges. In addition, we've made significant progress towards our 2011 funding requirements. We 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 13 provides an overview of DTE Energy's cash flow in the first half of this year versus the same period last year. As Dave mentioned, cash from operations, at \$1.2 billion, was on par with the strong internal cash seen last year. As expected, capital was up compared to last year, which I will detail in a minute. All told, net cash reached a positive \$300 million in the first half 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.

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Page 14 details capital spending. As expected, capital spending is up from last year, capital is higher at Detroit Edison, reflecting an increase in both environmental spending and the acceleration of wind projects in Michigan. As we discussed on our last call, we have accelerated the timing of our wind investment in Michigan. Renewable capital in 2011 is now projected at \$350 million for the full year, up from 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 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 renewable portfolio for Detroit Edison. Now, let me turn it back over to Dave to wrap up.

David Meador - *DTE Energy Co - EVP, CFO*

Thanks, Nick. Let me wrap up on slide 16. We're off to a very good start in 2011, and we are confident in our guidance range of \$3.40 to \$3.70 operating earnings per share, and I'm very comfortable with our mid-point guidance. All businesses are on track as we laid out to deliver their targets.

As Nick just explained, our cash flow and balance sheet metrics are also on track for our 2011 targets. We have a very constructive regulatory environment in the state and we're looking forward to a reasonable outcome in the Detroit Edison rate case later this fall.

We're making significant investments that we've laid out for you at both our utility and our non-utility businesses, which will fuel our 5% to 6% long-term earnings per share growth.

And on the growth front, we are excited about the opportunities that we see at both the reduced emission fuels and the gas mid-stream business, and we will keep you updated on that, including a deeper dive at the fall EEI conference.

So, we are pleased with our performance through the second quarter and we believe that positions us very well to achieve our goals for this year and beyond. Thank you for joining us, and Connie, we will now open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator instructions)

We will take our first question from Ashar Khan from Visium Asset Management.

Ashar Khan - *Incremental Capital - Analyst*

Good morning. Dave, could I just ask you. You guys have mentioned regarding some monetization of certain properties towards the second half of the year. Is that still on plan or no?

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David Meador - *DTE Energy Co - EVP, CFO*

What we had laid out was that over time we were going to prove up our remaining properties in the Barnett. There might be some small monetizations this year, with larger monetizations next year. I still think as we play out this year there could be some small sales that we do in the Barnett Shale, as we continue to prove up those properties. They have some properties that are more mature than others, so we are looking at the possibility of some small sales this year. Most of that would be in 2012 and beyond.

Ashar Khan - *Incremental Capital - Analyst*

Okay. Even the ones this year are more towards later end of the year, I guess?

David Meador - *DTE Energy Co - EVP, CFO*

Yes.

Ashar Khan - *Incremental Capital - Analyst*

Okay. Thank you.

David Meador - *DTE Energy Co - EVP, CFO*

Thank you.

Operator

We will take our next question from Paul Patterson from Glenrock Associates.

Paul Patterson - *Glenrock Associates - Analyst*

Good morning.

David Meador - *DTE Energy Co - EVP, CFO*

Good morning, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

I just wanted to touch base on a couple items. First of all, the tax benefit that you got. I know that's a one-time item, but is there any impact on the future, or is there any benefit or what-have-you going forward from this small change?

David Meador - *DTE Energy Co - EVP, CFO*

No. When you change a law like this they restructure -- one of the several things the governor has done in his first six months, they changed business tax law in Michigan to make it more favorable for businesses. You have to re-value your deferred tax assets and liabilities, and it's just the net of that basically flows through your income statement as a one-time benefit at the

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parent. And it's not -- there's no cash immediately related to that, so it's just an accounting adjustment that is a one-time adjustment.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. But this effort to improve the business climate -- that doesn't help you guys at all in terms of anything directly on the income statement, going forward?

David Meador - *DTE Energy Co - EVP, CFO*

Going forward, actually the way it plays out for us is a slight tax increase. It's small. \$10 million to \$15 million, but that--

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Second thing is that there was a ruling I guess in appeals court regarding low-income assistance that the commission had granted. I generally think of that as being something that's sort of passed through to rate-payers anyway. Is there any implications either associated with that, or any other wider implications that came out because of that?

David Meador - *DTE Energy Co - EVP, CFO*

No. That item's material. The one thing that we continue to watch is lye heap dollars at the federal level and concerns that lye heap could be reduced over time and the impact on our customers. But that's something that we continue to advocate, to look to get our customers that cannot afford our product, to get them as much assistance as possible and work with them.

Paul Patterson - *Glenrock Associates - Analyst*

Okay, great. Thanks a lot.

David Meador - *DTE Energy Co - EVP, CFO*

Okay.

Operator

We will take our next question from Daniel Eggers from Credit Suisse.

Dan Eggers - *Credit Suisse - Analyst*

Wow, exciting. Good morning guys.

David Meador - *DTE Energy Co - EVP, CFO*

(laughter) I didn't do that. Good morning, Dan.

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Dan Eggers - *Credit Suisse - Analyst*

Can you give a little more color on what you're seeing, economic-recovery and power-demand-wise for the electric utility. I think that the numbers were maybe a little wider than we would've expected, given some of the trends we've heard elsewhere. Can you shed some light on what you are seeing?

David Meador - *DTE Energy Co - EVP, CFO*

I will let Peter talk to that, but we are seeing economic recovery in Michigan. We had always said there was going to be a tail on this. Unemployment took a sharp step down, and now is just slightly up. But it's what we expected. You're seeing a lot of the factories in Michigan come back to life here slowly. But Peter, why don't you give a little bit more commentary on that?

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

Dan, the best way to look at this is on a year-to-date basis. There's some quarterly noise that we're seeing, so year-to-date, we're up about 1%. As we look at our total-year forecast, we think overall though it's going to 1%, maybe 1% to 2%. We are seeing some good recovery in the residential and commercial segments.

I did mention the industrial in my speaking notes. They had a very strong first half of the year. Actually the second quarter of last year they were up close to 30% on a quarter-over-quarter basis, so we did see some of that taper off this first half, but we're actually on that segment looking at around flat earnings year-over-year. So overall 1%, industrial will probably be flat, good recovery in our residential and commercial segments.

Dan Eggers - *Credit Suisse - Analyst*

Okay. Dave, can you talk a little bit more about the trading contribution in the quarter. I think last quarter you guys thought it was going to be not until year-end that you saw some reversal of position, but pretty sharp recovery this quarter. Can you just talk about what changed from last quarter to this quarter, and maybe what the underlying economic or new business contribution was for the quarter?

David Meador - *DTE Energy Co - EVP, CFO*

I'll let Peter speak to that.

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

Dan I know the last quarter we mentioned that we thought the next two quarters would be relatively flat fourth quarter, we had some positive accounting timing. Two things happened. First, we did see some positive economic contribution in the quarter from energy trading. Actually, you look at the reconciliation page, it's around \$2 million of economic net income. So that actually is a little bit more than we thought and anticipated, not a lot, but a little. We did see some of the shift where we thought we were going to get positive timing in the fourth quarter. Some of it came in this quarter as well. But overall, we believe energy trading is on track and we're comfortable with the guidance for that segment.

Dan Eggers - *Credit Suisse - Analyst*

Do we think that it's going to be more routable over the rest of the year so that if you thought about trying to get toward target, the third and fourth quarter would see a pickup, or is it still going to be more fourth quarter weighted?

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Peter Oleksiak - DTE Energy Co - VP, Controller

You're still seeing more fourth quarter. A lot of this is tied to leasing reserves related to either power or gas delivery, which will happen in the fourth quarter.

Dan Eggers - Credit Suisse - Analyst

Okay. I guess on the reduced emissions fuel, David you made comments about the idea that there could be more projects above and beyond what you have and what are under construction. What is going to be, or how do you guys think about approaching the decision to build more of these facilities? Do you need to have a off-take agreement in place to start construction of another one? Do you need to get through the backlog of what you already have built before you decide to build more?

David Meador - DTE Energy Co - EVP, CFO

There is a slide in the appendix, which is slide we've been using for a while. We had just -- back up a little bit, this is an additive. It's a pre-combustion process that reduces 20% of NOx and 40% of mercury. We have five machines right now and we have two under construction. It's possible that we could have additional machines. We would only build additional machines beyond the seven, to the extent that we have a host site and contracts.

We're not going to speculate and build machines which -- any additional machine has to be in service by the end of the year. We would only do that if we basically had contracts lined up to be able to do that. We're working that right now. So it's possible that there could be an additional couple machines beyond the seven that we are talking about right now.

Dan Eggers - Credit Suisse - Analyst

Just to refresh me, how much does one of the machines cost, capital-wise?

David Meador - DTE Energy Co - EVP, CFO

It's \$15 million to \$20 million. Some of these might have a working capital component that comes with it. Then the five original machines -- again just a backup, as a reminder, those five had to be in service by the end of 2009, and that tax credit runs for 10 years. Now, any additional machine that we put in service this year would have a 10-year life on it also.

We're looking right now to get potentially additional machines in place and that by the end of the year we'll know how many machines we have, and then the next question you should have is, how many tons would you be pushing through these machines. And we will be in a much better positioned to give you some insight into that, especially when we start talking about an early outlook for 2012.

Overall, when we got into this, we gave you a wide range. And you can see on slide 20 in terms of the forward-year net income, everything we're doing right now is giving us a real sense of comfort around that base case line, which up until now we were tentative, we had to wait and see. It's possible we could go beyond that base case over time, but that would play out over time, predominantly from the relocation of the original five machines.

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Dan Eggers - *Credit Suisse - Analyst*

So Dave, to make sure the baseline is based on the idea that the seven units that are either in service or under construction go into service, and do we assume you have a mid-point of between the one and 10? So you see like a 5-million-ton run rate through each machine and on a utilized basis? Is that the right way to think about what you get to the base case?

David Meador - *DTE Energy Co - EVP, CFO*

I think that's fair. I'm not sure I would assume any tonnage right now, because as we get the machines in place, there's a wide range of how many tons would go through each machine. Again, I think by the time I get to EEI, I'll know, first of all, how many machines I will have, and I'll have a sense of all the host sites and what the range of potential tons are, and we will be in a position then I think to give you a little bit more insight into the range of tonnage that will run through these machines for the next eight to 10 years.

Dan Eggers - *Credit Suisse - Analyst*

Not to belabor this, but to understand timing. How long does it take you guys to get from an agreement or an order to get something in service? Right - so you decide you want to -- you have somebody say we'll take one of these for a new project. In order to get it in service by the end of the year to qualify for credits, how much time do you guys need?

David Meador - *DTE Energy Co - EVP, CFO*

It is about three to four months.

Dan Eggers - *Credit Suisse - Analyst*

Three to four months? So we'll know in the next month or two, we'll know what the total number is going to be, effectively?

David Meador - *DTE Energy Co - EVP, CFO*

EEI, I think, is when I'm going to be -- it's the next time I think we will be in a public position where I can talk to you about how many machines there are going to be in total, because by then they are all contracted and in construction and some of them would actually start to be starting to ramp up. And then we can talk to the second wave of activity for this business, will be activity that will play out next year, which will be focused on potential relocations of some of the original five, as we really try to optimize this by getting things sighted where we can get the most tons through them.

Dan Eggers - *Credit Suisse - Analyst*

Okay. Perfect. Thank you guys.

David Meador - *DTE Energy Co - EVP, CFO*

Okay, thank you.

Operator

And we will take our next question from Erica Piserchia from Wunderlich Securities.



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Erica Piserchia - *Wunderlich Securities - Analyst*

Hi, most of my questions have been asked and answered. I guess just any update on the appointment of the new commissioner at the NPSC, or what's kind of the latest with that?

David Meador - *DTE Energy Co - EVP, CFO*

They are working on it. The one comment that I would have is that the governor, the new governor in the state of Michigan, has been focused on other things. As we indicated, they completely restructured business taxes here. They were also working on a budget process that kept them pretty busy through June. At the same time, one of the things that we've observed of this administration is their knack for selecting talent. So they really have been focused on getting the right people in the right jobs. I think they are working on this right now and we would expect an appointment hopefully in August, and I'm not concerned about this at all.

We have nothing imminent right now, and the Edison rate case doesn't really play out until later in the fall. We look forward to the appointment and the new commissioner and doing what we have always done, which is building a constructive relationship, not only with the new commissioner, but continuing that with the current staff and commissioners.

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay, so in the interim, the existing commissioner will continue to serve in that role until a new appointment is made?

David Meador - *DTE Energy Co - EVP, CFO*

Right. Commissioner Martinez has been extended until the appointment takes place.

Erica Piserchia - *Wunderlich Securities - Analyst*

Okay. Thanks.

Operator

(Operator Instructions)

We'll go next to Leslie Rich from JPMorgan.

Leslie Rich - *JPMorgan - Analyst*

Hi, could you remind me how big the self-implementation was in May?

David Meador - *DTE Energy Co - EVP, CFO*

Self-implemented to \$107 million.

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Leslie Rich - JPMorgan - Analyst

\$107 million?

David Meador - DTE Energy Co - EVP, CFO

Yes.

Leslie Rich - JPMorgan - Analyst

And you did talk about the industrial sales and the year-over-year comparison, but I just wondered if you could also talk about Choice? How the Choice volumes went up, and sort of any trends that you're seeing there?

David Meador - DTE Energy Co - EVP, CFO

In Choice we have the 10% cap so we were at the cap. There is a little bit increase in Choice from some organic sales growth from those Choice customers, but essentially year-over-year, we're the same.

Leslie Rich - JPMorgan - Analyst

Okay, great. Thank you.

David Meador - DTE Energy Co - EVP, CFO

Thanks Leslie.

Operator

And we will take our next question from Steve Fleishman from the BOA.

Steve Fleishman - BofA Merrill Lynch - Analyst

Hi, good morning. Hi, Dave. Two questions. First, does the REF process allow for any reduction in SOx as well as NOx and mercury?

David Meador - DTE Energy Co - EVP, CFO

No. There might be some marginal, but it is really NOx and mercury.

Steve Fleishman - BofA Merrill Lynch - Analyst

Okay. And just on the rate case, can you just update us on kind of key data points from here until October, in the process?

David Meador - DTE Energy Co - EVP, CFO

The PFD date is August 12. And then the MPSC order has to happen by the end of October, the 28th. And what we've seen in the past is a pattern where it's usually the rate cases are being finalized several weeks before that, which gives us the time to

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work through the tariffs, and also do the programming for billing. So even though the order date has to be the end of October, we are expecting something hopefully in mid-October, and we will have to wait and see how that plays out.

My other comment I just wanted to make. We've seen this in the last couple cases, where we have several moving pieces. An example would be de-coupling and whether the de-coupling mechanism changes. How customer choice and the tracker around that is handled and other trackers. So when this case comes out, it's very possible on day one the press release from the NPSC and the economics are slightly different than how it might really play out through our income statement. As soon as that order comes out, we will get out to you all as soon as possible to kind of take you through the various pieces. It's a little bit more complex than just a straightforward rate case.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Okay. Thank you.

David Meador - *DTE Energy Co - EVP, CFO*

Thank you.

Operator

We will take our next question from Chris Basset from Decade Capital.

Chris Bassett - *Decade Capital - Analyst*

Thanks, guys. Wondering if you could just comment on the 60% increase in oil production, the Barnett year-over-year, and whether that changes your view of valuation in the shale assets?

David Meador - *DTE Energy Co - EVP, CFO*

So we talked before, first of all, on our properties that we are getting wetter gas than other areas, so we get a lot of natural gas liquids. We are also pursuing basically what is known as the oil play there. And we are actually drilling predominantly to focus on what gas and oil. We believe with very high oil prices that's going to help us in terms of our exit point. But I wouldn't comment or speculate on valuation right now, other than to say this is going to be very helpful to us as we try to monetize this over time in an environment where you have low gas prices. Right now, what you see basically from producing wells is we get about a \$2 an MCF lift out of a combination of NGLs and oil.

Chris Bassett - *Decade Capital - Analyst*

Thank you. Then just one follow-up. We had Sunco got IPO in July and it's trading at a valuation of approximate \$400 a ton for their coking facilities. Is there any plan on your end to look at monetization of your facilities, given that implies a value per share of those facilities of about \$5?

David Meador - *DTE Energy Co - EVP, CFO*

No. We don't have any plans. I'm aware of what they're doing, and it's interesting to watch this play out in terms of implied value, but we have no plans right now to enter that business.

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Chris Bassett - *Decade Capital - Analyst*

Okay great. Thank you.

David Meador - *DTE Energy Co - EVP, CFO*

Okay, thank you.

Operator

(Operator instructions)

Phyllis Gray, Dwight Asset Management.

Phyllis Gray - *Dwight Asset Management - Analyst*

Good morning.

David Meador - *DTE Energy Co - EVP, CFO*

Good morning, Phyllis.

Phyllis Gray - *Dwight Asset Management - Analyst*

Would you please let me know what the status is of efforts to increase the customer choice cap?

David Meador - *DTE Energy Co - EVP, CFO*

Right now, what we've seen is that there is not a lot of appetite to look at this in the current administration, or in the legislature. The view is that we're very early into the new law right now. Even the Michigan business chamber has come out to say we're only a couple years into this and there's really not a lot of energy in terms of exploring this.

We are aware that there are out-of-state marketers that come in Michigan and propose that the cap should be lifted, but there's not much energy around this issue at all. The governor and his administration and the legislature are focused on much more important issues as they try to drive Michigan's economy here back to a healthy state.

Phyllis Gray - *Dwight Asset Management - Analyst*

Very good. Thank you.

David Meador - *DTE Energy Co - EVP, CFO*

Thank you.

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Operator

We will take our next question from Mark Sigal from Canaccord Genuity.

Mark Sigal - *Canaccord Genuity - Analyst*

Hi, good morning. Can you provide an update on the smart meter project, and what's the appetite for extending the technology to the remainder of the territory and one might look to have visibility on that decision timing? Thanks.

David Meador - *DTE Energy Co - EVP, CFO*

As you know, we have a pilot program going right now. The pilot was expanded because of the DOE grant. We're doing between 600,000 and 800,000 meters and when we are done with that DOE grant we are going to stop and take a pause. We are seeing very positive benefits from this in terms of reductions in O&M. But at the end of the day we need to evaluate this to say is it the right thing for customers? Sometime next year we will take a pause and we will evaluate the program and announce at a future date whether we would expand beyond the current deployment that we are doing right now.

Mark Sigal - *Canaccord Genuity - Analyst*

Okay. And that pause or evaluation timeframe, I would assume, might bring you into the 2013 timeframe when you might revisit the project again?

David Meador - *DTE Energy Co - EVP, CFO*

No, sometime in 2012, I think, we will make a decision as to what we are going to do over the next several years.

Mark Sigal - *Canaccord Genuity - Analyst*

Okay. Great. Thanks a lot.

David Meador - *DTE Energy Co - EVP, CFO*

Okay.

Operator

With no further questions in the queue, I'd like to turn the conference back to your speakers for any additional or closing remarks.

David Meador - *DTE Energy Co - EVP, CFO*

I just wanted to thank everybody again for joining us. We appreciate your questions and we look forward to seeing you all at the fall events. Our next public event that we'll be out speaking will be at the Barclay's conference in the second week of September. Then as we've indicated, at the fall EEI is where we will be giving you some insights into 2012, and then the two projects that we talked, the RAF projects and the Bluestone project. Thank you.

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Operator

And this concludes today's conference. We thank you for your participation.

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