FINAL TRANSCRIPT

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DTE - Q2 2010 DTE Energy Company Earnings Conference Call

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PRESENTATION

Operator

Good day, everyone, and welcome to the DTE Energy second quarter 2010 earnings conference call. (Operator Instructions). At this time, I would like to turn the conference over to David Meador. Please go ahead, sir.

David Meador - *DTE Energy Company - EVP & CFO*

Thank you, and good morning to everybody, and welcome to our second 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 our Controller, Nick Khouri, our Treasurer, and Mark Rolling, who's our new Director of Investor Relations. Mark has recently taken over for Lisa Muschong, who was promoted to a corporate secretary. Before we get started, I'd just like to congratulate Lisa on her well deserved promotion and recognize her for the outstanding job she's done leading our Investor Relations group. She'll do great in this new assignment. I also have with me members of the management team that I might call on during the Q&A session.

So let me get started on Page five with an overview. We remain focused on the elements of our investment thesis, and believe that DTE Energy is a very attractive investment, driven by a solid plan for 5% to 6% long-term growth. Coupled with our increased dividend of $2.24 per share, which I'll talk about in a moment, we provide a very attractive total shareholder return. The growth plan for our utilities is driven by Federal and State mandated investments, and is not dependent on increases in demand for electric load or natural gas.

At Detroit Edison, there are four key areas of investment over the next three years. The first is renewable energy, where we will spend a total of $300 million to $400 million between now and 2012. Second is the environmental expenditures, where we plan to spend $500 million to $600 million over that timeframe. Our energy efficiency program calls for $100 million in investment. And finally, we will invest $2.1 billion to $2.3 billion in our base infrastructure in Detroit Edison over the next three years. At MichCon, we will invest $400 million to $500 million over that timeframe on base infrastructure and growth projects. So in total, when you put it together, we're planning on between $3.4 and $3.9 billion in CapEx for our two utilities over the next three years.

Performance of the two utilities is supported by a very constructive regulatory structure in the state here. Combined with our continued cost savings, this will enable us to earn our authorized return. We have successfully utilized the regulatory process that was legislated in 2008, and we received constructive rate orders at Detroit Edison in January of this year, and then at MichCon last month. And earlier this week, we filed a $51 million rate case at MichCon. To maintain this constructive regulatory environment, it's imperative that we focus on the needs of our customers, by ensuring lowest possible rates, and providing the highest level of customer service.

In the past, you've heard me talk about the strong continuous improvement culture we're creating at DTE Energy and how engaged our workforce has been in using continuous improvement tools to significantly reduce our O&M costs and improve operating performance. We're now applying those same tools to drive improvements in our customers' experience to realize more efficient capital spending. Combined, we believe this will help us to minimize future rate increases and drive higher customer satisfaction.

Our non-utility businesses continue to provide growth opportunities as well as diversify our earnings. From a growth perspective, we're focusing on opportunities in our Gas Storage and Pipelines, where we are well-situated to take advantage of the Marcellus shale gas flows. And in the Power and Industrial business where we see near-term growth, predominantly in the area of renewable energy. Where here, we're acquiring and converting small coal plants to waste wood. The Power and Industrial team is also working on some interesting mid and long-term projects that we're pretty excited about, and we look forward to talking more about that this fall.

Now turning to Slide 6, our earnings for the quarter came in at $0.39 per share, $0.17 below last year. The reduction in earnings is primarily the result of lower earnings at Energy Trading, and also at corporate and other, where we had one-time tax savings in 2009, as well as a number of one-time cost reductions we took in early 2009 in response to the economic crisis. Due to the lumpy timing that occurred in 2009, I think a better comparison of year-to-date actual results would be to our 2010 guidance.

Given the year-to-date results, we remain confident that we're or on track to meet our operating guidance for the year. In fact, when you look at the six months year-to-date over six months of the prior year, we're actually up over 9% year-over-year. The local economy continues to show signs of improvement. Temperature normalized, electric load is up 4% in the second quarter. This was led by the industrial sector, where we saw load increase over 29%, as manufacturing has ramped back up in Michigan after the swift auto bankruptcies of last year. The return of the steel sector, combined with some new projects, has allowed the Power and Industrial group to turn in a very strong second quarter and a first half of the year, and we expect the same for that to happen in the second half of the year, and we'll talk more about that.

Another indication that things are improving here in Michigan is that all three domestic automakers have returned to profitability in 2010, with Ford having an extraordinary quarter that was reported a week ago, and both GM and Chrysler are moving forward with their IPOs. Our balance sheet metrics are strong, and right where we want them to be. We've generated $1.2 billion in cash from operations through the first six months of the year, and S&P has revised DTE Energy's outlook from stable to positive last month. And as we've indicated, our regulatory proceedings are working well under the 2008 legislation.

Now turning to Slide 7, I'm very pleased to announce that our Board of Directors have approved an increase to our dividend. A healthy balance sheet, combined with solid earnings performance, projected cash flows at both our utilities and our non-utility businesses allows us to confidently raise our dividend by 5.7% to an annualized rate of $2.24 per share. At the midpoint of the 2010 guidance, the dividend increase moves our annualized payout ratio to 62%, which is within our targeted range of 60% to 70%.

Now turning to Slide 8, this shows our year-to-date operating results by segment compared to our 2010 guidance. We are reaffirming our overall guidance of $3.63 per share at midpoint. Both our utilities are turning in results which are in line with our full-year projections. Gas Storage and Pipelines and non-conventional gas are also on track for the year. Through the first half of the year, as I mentioned, Power and Industrial is having a great year, delivering better than expected results from strong coke sales and new projects, which Peter will talk about in a moment, and we expect that they will end up near the top end of the guidance range.

Energy trading, which had a very strong first quarter as you know, had a loss in the second quarter. While it's disappointing when you give back some your first quarter profits, when you look at the year-to-date economic net income, it's on target and in line with our guidance, and that's how we manage that business, is really by looking at the economic performance there. But as a result of what happened in the second quarter, in addition to the timing of the accounting earnings -- and again, Peter will take you through this -- we're expecting the full-year operating earnings for Energy Trading to be near the low end of guidance. Due to some favorable tax items, corporate and other expenses will likely come in a little better than planned. So we expect DTE Energy to deliver a 10% increase in operating earnings, well above our 5% to 6% long-term growth. And overall, we are on track with the exceptional performance of Power and Industrial offsetting the soft performance of Energy Trading. So with that overview, now let me turn it over to Peter, who will take you through the quarter.

Peter Oleksiak - *DTE Energy Company - Controller*

Thanks, Dave, and good morning to everybody. Let's just start with Slide 10 and the first quarter earnings results. For the quarter, DTE's operating earnings per share is $0.39. I'd like to remind everyone that a reconciliation to GAAP reported earnings is contained in the appendix. Detroit Edison contributed $0.51; and MichCon, which typically incurs an operating loss in the second quarter, came in at a $0.01 loss. The non-utility segments combined to earn $0.03. The components of the non-utility quarter results were Power and Industrial projects at $0.13, Gas Storage and Pipelines at $0.06, Unconventional Gas Production at $0.01 loss, and Energy Trading at $0.15 loss. Finally, corporate and other had a loss of $0.14 in the quarter.

Let's move on to Slide 11, and a summary of the quarter-over-quarter performance by segment. Operating earnings for consolidated DTE Energy are down $26 million for the quarter. Both Edison and MichCon are meeting their growth objectives, and have higher earnings than in the prior year. In a few moments, I'll provide additional detail on the two utility companies. The non-utility segments were down $44 million. Power and Industrial projects is up $23 million, due primary to strong performance from our coke batteries. This increase is attributable to the rebound of the steel sector, translating into higher coke sales, which we have discussed on prior calls, and also to a new 2010 steel industry fuel tax credit related to reusing the by-products created in the coke production process. With a strong performance, we expect this segment to be at the top end of the guidance range. Our Gas Storage and Pipelines and Unconventional Gas Production results are consistent with prior year earnings.

Energy Trading is down $53 million, driven by a combination of lower economic performance and accounting timing. I'll provide more details on the trading segment shortly, Lastly, corporate and other was down $14 million, primarily driven by one-time tax related items in 2009. Now I'd like to go through some details of the utility companies and Energy Trading, beginning first with Detroit Edison on Slide 12. Operating earnings for Detroit Edison were $87 million, up $4 million from the prior year. Total margin for the quarter was up $40 million, driven primarily by the final rate order we received in January of this year. Also in the $40 million is small amount of weather. With the new decoupling mechanism in place beginning in 2010, margin is weather normalized; but last year, we experienced cooler than normal weather. On the expense side, O&M was higher due to some one-time cost reduction actions taken in 2009, and higher benefit costs offset by continuous improvement actions. As you recall, we did take some one-time actions last year in response to the economic downtown. Depreciation is higher, consistent with the growth in asset base. Like O&M, taxes and other is driven by one-time benefits in 2009, principally a favorable property tax settlement.

Moving on to Page 13, review of MichCon's performance. As I mentioned earlier, the second quarter is typically a loss for the seasonal gas utility business. MichCon had an operating loss of $1 million, up $14 million from the prior year. This improvement in earnings was primarily due to the implementation of higher rates as part of the June 2010 rate order, partially offset by unfavorable weather. O&M expense is lower than prior year, driven by lower uncollectible expense and continuous improvement actions. In addition, MichCon benefits from a reduction in loss gas expense.

Let's move on to Page 14 to review the Energy Trading segment. Year-to-date, operating earnings for Energy Trading were $12 million, down $55 million from the prior year. As you can see in the chart, the decrease in earnings was impacted primarily by accounting timing. Year-to-date, we had more transactions in our marketing origination of full requirement service business lines, which often result in accounting that is deferred over multiple periods. For the $32 million of timing experienced year-to-date, approximately one-third will roll onto the second half of this year, which is additive to the $12 million year-to-date income, and the remainder will roll on in future years. Along with the timing accounting impact, there is a decline in economic performance year-to-date. This performance decline is mainly attributable to positions that were impacted by increasing gas prices, and also negative performance in our transmission portfolio. Page 23 in the appendix has our standard reconciliation, and that's just a good page for you to review to understand this timing impact. (Inaudible) the operating income and net income for the year. Another key point for this segment is that economic net income is $31 million year-to-date and on track to meet recent historical levels and 2010 objectives. Now, as a point of reference, 2009 total year economic income was actually $62 million. As Dave stated earlier, we are maintaining our prior guidance for Energy Trading, but most likely will be in the lower end of the range.

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

Nick Khouri - *DTE Energy Company - Treasurer*

Thank you, Peter. As always, improved cash flow and balance sheet strength remains a key priority for management and Board of Directors. Through the first half of this year, our cash and balance sheet metrics are on track; in fact, about equal to the historically strong year we saw in 2009.

Page 16 summarizes our progress. We are within our targeted leverage and cash flow ranges. We are nearly finished with our 2010 funding requirements. We have contributed $200 million to our pension plan with a combination of cash and DTE equity, issued additional equity through our employee compensation programs, and partially prefunded a Detroit Edison bond maturity at rates similar to pre-crisis levels. Both Fitch and S&P have improved DTE's credit outlook so far this year, with Fitch moving from negative to stable in the first quarter, and S&P improving from stable to positive in the second. Finally, we expect a successful renewal of DTE's nearly $2 billion of bank standby credit within the next couple of weeks.

Page 17 details cash flow and capital for the first half of 2010 compared to the same period in 2009. Cash from operations totaled $1.2 billion, in line with last year, while free cash flow before dividends totaled $700 million. As a result, outstanding net debt was reduced by approximately $400 million in the first half of 2010. So given the seasonal cycle of cash flows, we expect that paydown to reverse in the remaining quarters.

Capital expenditure detail is shown on Page 18. DTE capital spending totaled $521 million in the first half of 2010, down from about $110 million from the prior year. Most of the year-over-year decline was at Detroit Edison, due entirely to the timing of projects within the year compared to 2009. MichCon's year-over-year capital decline is due to the completion last year of a major expansion project on the west side of the state. On the non-utility side, capital is about flat on a year-to-year basis. For the full year, DTE capital is still targeted to reach about $1.4 billion, a 30% increase from 2009.

In summary, DTE's cash and balance sheet targets are on track, with the year-to-date actuals equaling the historically strong year we saw in 2009. Now, let me turn it back over to Dave to wrap up.

David Meador - *DTE Energy Company - EVP & CFO*

Thanks, Nick. Let me wrap up on slide 20. Through the first half of the year, we remain on the track on our plan, and expect full-year earnings to meet our guidance. As Nick just took you through, our balance sheet is solid and our cash flows remain strong, which has given us the confidence to increase our dividend by $0.12 a share, which we expect would be favorably received.

For our utility growth plan to work, we need to continuously earn the very constructive regulatory environment that's been created here in the state, and we understand that we have to earn that every day. We'll continue to do this by expanding our continuous improvement efforts within the Company, and we expect that we'll receive positive results in both cost control and operational excellence, which will translate to our top quartile customer satisfaction.

We continue to leverage our attractive investment opportunities in both the midstream business, Gas Storage and Pipelines, and our Power and Industrial businesses, and we remain committed to providing an attractive total shareholder return with a combination of our 5% to 6% long-term growth, and an attractive dividend. And with that, we'll wrap up, and we'd be happy to take your questions. Operator, will you poll for questions now?

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). Our first question comes from Dan Eggers from Credit Suisse.

Unidentified Audience Participant - *CSFB - Analyst*

Hello, good morning, guys. This is actually Kevin. When looking at -- when comparing Slide 18 to Slide 25 -- so that's the year-to-date CapEx versus guidance -- it looks like you guys are a little bit behind pace in Detroit Edison, specifically the renewables; you currently have $11 million, versus your guide at $125 million. Where should we see that CapEx filling in for the rest of the year? And then as well with the non-utility, it looks like you're at $54 million versus $300 million. Just the same question -- when should we see that fill in for the rest of the year?

David Meador - *DTE Energy Company - EVP & CFO*

Yes, I'll let Nick answer that question.

Nick Khouri - *DTE Energy Company - Treasurer*

Sure. Let's start with Detroit Edison. You do see that year-to-date, capital at Detroit Edison is backloaded in 2010, which is what we expected. A large part is driven by operational capital, which is just having more outages in the later part of the year. Also for renewables in EO, we do see part of that will be backloaded into 2010 and then part of it will flow over into 2011, depending on timing. So generally, we see at Detroit Edison -- although we're less in the first half of the year than for the total year -- we do think we'll end up pretty close to the total Detroit Edison capital by year end. On the non-utility, what we do on the non-utility, as we've talked about in the past. It is more project-dependent, so we target about 300 million a year in non-utility capital. We'll just have to see how it plays out in the later half of the year, whether we hit that $300 million this year or whether it be a little short of that this year.

Unidentified Audience Participant - *CSFB - Analyst*

Okay. Is meeting the $300 million dependent upon the Unconventional Gas Production, or any segment more specific?

Nick Khouri - *DTE Energy Company - Treasurer*

No, all three segments. We target about $300 million against all the non-utility segments, so it will be both Projects and Power and Industrial, and Unconventional Gas.

Unidentified Audience Participant - *CSFB - Analyst*

Okay. And then, can you remind me where you expect O&M to fall off for the year, and just the overall near-term trajectory for the growth?

Peter Oleksiak - *DTE Energy Company - Controller*

Yes, this is Peter Oleksiak. We've indicated that we expect to experience about a 2% overall inflation. We know we have continuous improvement of approximately $60 million baked in the plan, and we do have increases related to environmental O&M. As we put some of the environmental projects in service, we do have experience in O&M, as well as benefits. The best way to look at O&M is on a year-to-date basis, and we do have some quarterly timing outages, storms et cetera. So at this point, we feel we are on track with our O&M plans for the year.

Unidentified Audience Participant - *CSFB - Analyst*

Okay. Then lastly, where do you expect Detroit's expansion to end up?

David Meador - *DTE Energy Company - EVP & CFO*

I'm sorry. When you say the word "expansion" what are you referring to?

Unidentified Audience Participant - *CSFB - Analyst*

Sure, the likeliness of Detroit's being expanded beyond 10%?

David Meador - *DTE Energy Company - EVP & CFO*

I see that as unlikely. It really rests in a bigger question around the legislation that was passed in 2008, and as we've described that legislation in the past, this was collaborative legislation that had a lot of pieces in there that were negotiated, that included, as you know, de-skewing, and choice, and renewable energy. And we know that there's a small subset of folks that would be interested in expanding that, but we don't think that's going to get a lot of traction.

Unidentified Audience Participant - *CSFB - Analyst*

Great, thank you.

THOMSON REUTERS

Operator

(Operator Instructions). We'll take our next question from Reza Hatefi from Decade Capital.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

Thank you. Just a couple of quick questions. I think earlier you might have said you raised the P&I guidance due to a steel industry tax credit? Could you expand on that? And does that continue after 2010, or it's a 2010 only item?

David Meador - *DTE Energy Company - EVP & CFO*

Let me -- this is Dave. Let me start, and Peter might join in. So we're not changing our guidance. What we wanted to do was to direct you to say because of the one-time tax credit that's coming through in 2010, it's -- we see Power and Industrial moving towards the top end of guidance there. There's a certain set of circumstances that if they line up, they could actually go higher than the $75 million, but we think for right now, where we want to guide people is to the high end of guidance.

So this was a one-year tax credit that was basically dealing with by-products in the coke batteries that we owned, and it's a one-year credit -- it's a Section 45 tax credit -- and it basically gives us a one-year lift in earnings in the Power and Industrial business. And what this is showing out for us again is, the diversity of our portfolio of businesses has worked out really well, so at a time when we have softness at the trading company, this one-time lift in earnings in Power and Industrial is offsetting that. And if you recall, the opposite happened last year. The Power and Industrial was down because of the coke batteries and broader economic issues, and the trading company had a great year last year and basically offset that, so just reversing positions a little bit this year.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

And how many million dollars is this credit?

David Meador - *DTE Energy Company - EVP & CFO*

Peter, do you want to --

Peter Oleksiak - *DTE Energy Company - Controller*

Yes. I'd like to first talk about the total opportunity. It's up to $30 million, we believe, we can get from this credit now. It's really dependent on the volume of production, as well as the volume of the by-products, so we do have a lower amount within guidance at this point, but we're feeling comfortable six months in that we're probably going to be hitting the upper end of the guidance for that segment. Now, if it does come in at the $30 million level, actually we probably have the chance of exceeding guidance for that segment.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

Okay.

Peter Oleksiak - *DTE Energy Company - Controller*

And that will give us some cushion if there's softness in other segments.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

Okay. And then, I guess on Slide 8, there's a green uptick for corporate as well, and that was -- is this related to the same tax credit, or is that something different?

Nick Khouri - *DTE Energy Company - Treasurer*

No, it was a different corporate tax credit that there was a ruling in Michigan relative to another corporation, and we had booked a reserve for that, that we were able to release, and it's not related to the steel industry fuel credit at all.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

And how much was this credit?

Nick Khouri - *DTE Energy Company - Treasurer*

It was not a credit. It was a release of a reserve.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

I'm sorry, release.

Nick Khouri - *DTE Energy Company - Treasurer*

It was $5 million.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

Okay.

Peter Oleksiak - *DTE Energy Company - Controller*

We haven't changed the guidance for that, but we're saying there is a possibility we will, (inaudible) $80 million loss.

Reza Hatefi - *Decade Capital Management, LLC - Analyst*

Okay. Great, thank you very much.

David Meador - *DTE Energy Company - EVP & CFO*

Okay, thank you.

Operator

And moving on, our next question is from Jim von Riesemann from UBS.

Jim von Riesemann - *UBS - Analyst*

Good morning, Dave.

David Meador - *DTE Energy Company - EVP & CFO*

Good morning, Jim.

Jim von Riesemann - *UBS - Analyst*

Couple of questions. The first one is on the growth expectations. Can you refresh our memories? You said 10% year-over-year, but how does the 5% to 6% look? What's the timeframe that's involved?

David Meador - *DTE Energy Company - EVP & CFO*

I'd take you back to the analyst meeting last fall, what we said is if you look at the amount of capital we're deploying, not only in the utilities, but the non-utilities that we saw, over time that we would grow earnings 5% to 6%. We also knew that our earnings were suppressed in 2009, so we saw a pretty significant lift in 2010 over 2009, and basically, that's just playing out as we had described it last fall. This year, we're returning to what I would describe as a new normal in many of our businesses where the utilities -- this year, both utilities are on track to -- and we're targeting our authorized return. And Power and Industrial, which was really suppressed last year, is back to full earnings again, so that's why we're seeing that lift in year-over-year, but sticking by our long-term guidance of 5% to 6% growth.

Jim von Riesemann - *UBS - Analyst*

Okay. On the question on cash flows, you have a considerable amount of parent debt. Can you just refresh our memories as to how you're going to start to pay some of that down?

David Meador - *DTE Energy Company - EVP & CFO*

I'll let Nick speak to that.

Nick Khouri - *DTE Energy Company - Treasurer*

We have -- the maturity for parent debt of next year, 2011, we have about $600 million coming due. We've been planning for years to pay off most of that debt through internal cash flows, and we think we're on target to do that. Do you want more detail, Jim? Or --

Jim von Riesemann - *UBS - Analyst*

No -- and then that would leave you what? About $900 million at the parent, if you do that?

Nick Khouri - *DTE Energy Company - Treasurer*

Little bit more than that, but about $1 billion. Let's say roughly about $1 billion at the parent.

Jim von Riesemann - *UBS - Analyst*

Okay. But --

David Meador - *DTE Energy Company - EVP & CFO*

If you went back over some time frame, that's significantly down, and we keep chipping away at that over time.

Peter Oleksiak - *DTE Energy Company - Controller*

Another way to look at it is, we allocate some of that debt down to the non-utilities, because the non-utilities are funded at the parent, and we think most of the remaining debt will be allocated down to the non-utilities in some form.

Jim von Riesemann - *UBS - Analyst*

Okay. And then just as a follow-up to that, how do you -- how should I think about cash flows that are being up-streamed from both the regulated utilities and the non-regulated businesses to the parent? MichCon and DTE will still essentially cover the common dividend, and then the unregulateds will take care of the interest expense and other corporate overhead? Is that the way to think about it?

Peter Oleksiak - *DTE Energy Company - Controller*

Generally, yes. We have explicit targets -- payout targets -- for the two utilities at offstream, and they cover, depending on the year, a good portion of the dividend. The non-utilities, as you know, Jim, tend to be more lumpy in cash.

Jim von Riesemann - *UBS - Analyst*

Right.

Peter Oleksiak - *DTE Energy Company - Controller*

They'll have investment opportunities and they may be free cash flow negative for a year or two, and then we'll have something like the monetizations of a few years ago, where we get a big infusion of cash, or synfuels a few years before that, where we had a net cash of about $1.3 billion. So I view it as on a more year-to-year basis, the dividend is supported mostly by the utilities, but then you get this irregular infusion of cash from the non-utilities.

Jim von Riesemann - *UBS - Analyst*

Okay, and then just one final question is on the $600 million that you're going to pay off next year, what sort of average interest rate should I think about that's on that debt that will be coming out.

Peter Oleksiak - *DTE Energy Company - Controller*

A little above 6%.

THOMSON REUTERS

Jim von Riesemann - *UBS - Analyst*

Okay. Super. Thank you.

David Meador - *DTE Energy Company - EVP & CFO*

Great, thank you.

Operator

And our next question today comes from Michael Worms from BMO.

Michael Worms - *BMO Capital Markets - Analyst*

Thank you, and good morning.

David Meador - *DTE Energy Company - EVP & CFO*

Good morning, Mike.

Michael Worms - *BMO Capital Markets - Analyst*

Thanks. Hello, how are you?

David Meador - *DTE Energy Company - EVP & CFO*

Good.

Michael Worms - *BMO Capital Markets - Analyst*

I have a question on the Power and Industrial Projects group. The $0.14 swing in the quarter, can you kind of break that out between that tax credit that you got, the higher sales, and then the contribution of the new project? Is that possible?

David Meador - *DTE Energy Company - EVP & CFO*

We have not historically given a breakout within all the projects in the business. The majority of the economics of that business is coming from coke batteries, so it's either coke sales. And then this credit that we described -- this steel industry fuels credit -- is also coke batteries. So if you were looking at quarter-over-quarter, year-over-year, all of the lift right now is coming from the coke batteries. And what you will see down the road then -- and that's what we want it to talk about in the fall -- is we do have projects that are starting to come online. So as we do these coal plant to wood conversions, the biomass conversions, those projects are in construction right now, and we'll -- there's one that will come online later this year and another one next year. And that's what we want to start laying out from you, but in the talking points -- when we talk about higher profitability from new projects, it's really -- the new project that really drove profitability here is that steel industry fuel credit.

Michael Worms - *BMO Capital Markets - Analyst*

Thank you very much.

David Meador - *DTE Energy Company - EVP & CFO*

Okay.

Operator

(Operator Instructions). Our next question will come from Daniele Seitz from Dudack Research.

Daniele Seitz - *Dudack Research - Analyst*

Thank you. Actually, piggybacking on the last question, what is the schedule of these coal to wood conversion? I know there's one at the end of this year, and the other one was much later, like three years from now. Can you -- has there been any new scheduled construction?

David Meador - *DTE Energy Company - EVP & CFO*

The one project I think we've talked about is a project called Stoneman, and that comes online at the end of this year. There's a second project in California called Stockton that comes online next year, and then there's a third one that we're actually negotiating right now. We've not finalized that contract.

But one of the things that we anticipate doing in the fall for the Power and Industrial business, we have several things that are going to phase out, and one of them would be the steel industry fuel credit. There is a possibility, by the way, that that can be extended in the tax extender bill, but we're not counting on that. So there's some things that go away, and then we have new projects phasing in, and we want to lay out and provide a little bit more transparency on the Power and Industrial business, and we'll do that this fall.

Daniele Seitz - *Dudack Research - Analyst*

And is the steel fuel credit a significant number?

Peter Oleksiak - *DTE Energy Company - Controller*

As I indicated, it could be up to $30 million of income.

Daniele Seitz - *Dudack Research - Analyst*

Okay. And on the regulated side, when do you think that your rate requirements will be such that you will need additional rate relief?

David Meador - *DTE Energy Company - EVP & CFO*

Well, the -- on MichCon, at the gas LDC, we filed a case this week --

Daniele Seitz - *Dudack Research - Analyst*

Right.

David Meador - *DTE Energy Company - EVP & CFO*

-- for $51 million. On Detroit Edison, we're continuing to monitor that and evaluate that, and it's likely that we'll file a case later this year.

Daniele Seitz - *Dudack Research - Analyst*

Thank you very much.

David Meador - *DTE Energy Company - EVP & CFO*

Thank you.

Operator

And that's all the questions we have today. Gentlemen, I'll turn the conference back over to you for additional or closing remarks.

David Meador - *DTE Energy Company - EVP & CFO*

Thank you for joining us, and I hope everyone has a great remainder of the summer here, and we look forward to seeing you. We have a whole series of conferences that we start in the fall right after Labor Day. Thanks again.

Operator

And that does concludes our conference call today. Thank you all for your participation.