FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, and welcome to the DTE Energy year-end 2010 earnings release conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Dave Meador. Please go ahead, sir.

Dave Meador - *DTE Energy Company - CFO*

Thank you, and good morning to everybody and welcome to our year-end conference call. Before we get started, I would like to refer you to our Safe Harbor statement which is on page two, including the reference to forward-looking statements. With me this morning are Gerry Anderson, Peter Oleksiak, Nick Khouri, and Mark Rolling. We also have other members of the Management team that we can call on during the Q&A session if needed. With that brief introduction, let me turn it over to Gerry.

Gerry Anderson - *DTE Energy Company - CEO*

Thanks, Dave. Good morning, everyone. Thanks for being with us this morning. I'm going to cover two topics today.

First, I want to quickly review 2010 and some of our accomplishments last year. And now I'm going to move on to a look forward to 2011, and the few years beyond 2011. In that second topic, I think is especially important because as you will see later, 2011 for us is a bridge year, between what has been a period of very healthy earnings growth over the last three years, and a period in 2012 and beyond that we're confident we will resume that pattern of earnings growth. So more on that in a few minutes.

Moving on to slide five, we look back on 2010 as a really successful year for DTE Energy. On the earnings front, our EPS grew 9% year-over-year last year; and, in fact, grew at a 9% compound rate for the last three years. In addition, last year we had essentially11% ROE at both of our utilities, so we earned our authorized. And also had solid earnings in our non-utility businesses, where a strong year in our power and industrial business covered off for a weaker year in our energy trading business.

On the cash flow front, our metrics remain strong. We were upgraded by S&P late in the year, which was something we had been working hard at for several years, so that was gratifying. We also increased our dividends 6%. We also kept an intense focus as we have for the past five years on continuous improvement. And we continue to reap dividends from this effort within the company. So as I will talk in a few minutes, our absolute O&M is down over the past five years, and we continue to work hard on our costs.

But increasingly, we're turning this continuous improvement toward the customer front. You can see that our complaints, for example, at the Public Service Commission are down 50% over the past five years. And as I will talk further in a little bit, we undertook a big step last year essentially calling back every customer that we have an interaction with, using that to log defects where we've got things we need to fix, and then going after that with our CI.

We also undertook a lot of work on our growth agenda this past year. We announced our first major renewable energy project, a major wind project that I will talk about a little later. We began construction on a second scrubber at Monroe. And as you will see later, we've got a substantial investment program over the next three years, in emission controls. And we launched several new projects in our power and industrial business, particularly the reduced emissions fuel business line, which is a significant new business line that I will lay out some facts on here in a few minutes, as well as our waste wood renewables business line.

Moving on to slide six, talking a little bit more about continuous improvement, I mentioned that this continues to be an important focus for us at the Company. You can see from the graphic on the cost front that our CI initiatives have more than offset structural cost pressures over the last five years. So absolute utility O&M is down over $100 million, despite upward pressure in pension, health care, environmental additions at our power plants, general inflation and so forth. And our work here is to keep driving each area of the company to top quartile operating performance, and as we achieve that, push beyond that.

In addition to the cost savings, we're, as I said a minute ago, really focusing the CI effort more and more on the customer front -- outage frequency and proof fieldwork, options for low-income customers, and so forth. The reason for all of this is our belief that the companies that do the best during significant investment cycles, and we are in one of those, the companies that do best are those that aggressively manage affordability and maintain constructive regulatory relationships. And our belief is the best way to accomplish those two things is continuous improvement focused on cost and customer service.

Or put differently, to get constructive regulation, you need to deserve it, you need to earn it. And that's especially true when heavy investment is putting pressure on rates. And our job is to use this continuous improvement process to offset those rate pressures, manage affordability and improve service quality. And if we do that well, we believe the odds of constructive regulation and fair treatment are much higher.

Now, speaking of constructive regulation, on slide seven, one of the things that has certainly changed for the better in Michigan in recent years is our regulatory structure and our regulatory processes. You can see on slide six some of the highlights and important regulatory developments for our utilities this past year, starting with the final order we received at Detroit Edison early in the year, which we characterized and continued to understand as we went through the year as a constructive order.

We held off, as you can see further right on this slide, we held off on filing a new rate case at Detroit Edison, as long as we could, but did eventually file in October. And I think if you've taken a look at that filing, you will also see that we took some very creative steps within it to manage affordability in the amount that we'd need to increase rates for customers. That case, we would expect to self-implement under in April, and the case will go final in October.

On the MichCon front, we received a final order, as you can see in the middle of the slide, in June. We did file a rate case pretty quickly on the heels of that. But as the year went on and we continued to work on our costs and watched the behavior of things within the company, we eventually determined that we could forego the case. And we did that withdrawing the case in December, concluding that was the right thing to do from a customer affordability perspective.

Moving on to slide eight, another thing that has changed for the better in Michigan over the past year is the economy. And you can see on the left-hand side of the slide what is happening on the industrial front. The strong performance of the auto companies has been getting a lot of attention nationally. But the industrial turnaround that we're seeing has been pretty broad. So you can see we were up 21% this past year, which led to an overall growth in territory sales of 3%. That turnaround is translating into the employment of folks here in Michigan as well. You can see that the unemployment rate which peaked at about 14.5% was down to 11.7% by the end of the year. So that is a positive development.

Another indicator of health in the economy is our arrears. And you can see that we took a big step down in arrears this past year. Our uncollectible expense that is associated with that was down sharply last year as well. So I think a range of indicators that suggests that we have worked our way through the events of the recession, and we've got a nice recovery in the underlying economy here in Michigan.

Well, on to slide nine. I'm now going to turn from a look-back on 2010 to a look-forward to this year and the next few years. I mentioned earlier that the past three years have been a period of very healthy earnings for us for DTE. Earnings per share have grown 9% annually between 2007 and 2010. Our EPS guidance for this year, 2011, is roughly flat to 2010 levels. It is actually down a bit at the midpoint of our guidance, as you can see, from slide 10.

And at DTE, we are talking very explicitly with our employees about 2011 being a bridge year, a bridge between that period of healthy earnings growth from 2007 to 2010, and a period in 2012 and beyond that I'm confident is going to resume that pattern of healthy earnings growth. 5% to 6% a year is what we've been saying for a long time is our target, and that's what we foresee.

So one question might be why are we so confident that 2011 is this bridge, and we're going to see that resumption of earnings growth next year and beyond. That's one of the things we want to help you understand this morning. And I think to do that, you need to both look back and look forward. You need to look back to understand the dynamics that are shaping our earnings this year in 2011, and look forward at the investments that we're making this year and that we have under way that will play out over the next few years and beyond that will shape earnings in the future. So what I want to do is take that look back and look forward, and I will do that with our utilities and then turn to our non-utility businesses.

And on slide 11, I laid this out for Detroit Edison and MichCon. And from 2007 to 2010, in those two businesses, we saw combined utility earnings growth of 9%. We also used continuous improvement to bring the ROEs in those two businesses to their allowed levels. But during that period, of course, the economic crisis hit. And we pulled back investment pretty sharply, like a lot of people did, because of the capital market uncertainty, and to manage customer affordability. And the result of that pull-back is playing out this year.

So if you look in the middle of this slide, you will see that our combined utility earnings growth is projected at about 3% in 2011. That's less certainly than we've seen in recent years. And less than our long-term goal of 5% to 6%. But it is really a result of a lag impact from our reduction in investment in the heart of the crisis.

But as you will also see in a few minutes, this is the year, 2011, where we resume strong investments in the utilities, especially in renewable power and emission controls within Detroit Edison. And the result of that, on the right-hand portion of slide 11, is that we do expect to see a resumption of 5% to 6% annual growth in our utilities in 2012 and beyond. And, in addition, in that period, the renewable investments that were beginning to ramp back up in the environmental investments will be actually even heavier next year and the few years beyond that.

This is -- what I just described is, I think, even clearer on slide 12, where you can see our capital spending pattern. We had been planning for a period of quite heavy investment in 2009 and '10 when the crisis hit. You can see how we pulled back, especially sharply in 2009. And we really only stepped up capital a bit this past year. And this is what temporarily slowed the growth in our rate base and what is playing through with the lag here in 2011.

If you look at this year and the next two years, though, you can see in the light blue bars and the green bars that our emission control investments and renewable investments are going to step up materially. Total capital expenditures will be a $1 billion to a $1.2 billion in 2011. And as you can see, $2.4 billion to $2.8 billion over the two-year period, 2012 and '13. You also see a -- kind of a dotted green box on 2011 with a gray arrow. I will tell you a little bit more about that in a minute.

But there is a renewable energy project, a wind farm, that we're pursuing with a partner, and the arrangement we have with the partner is they're going to construct the project, and then we're going to buy in as that construction plays out. We're going to finish up the construction this year. So we may buy in our roughly $200 million portion of the project late this year or at the very beginning of next year. So that $200 million could swing into either late 2011 or early 2012.

You can also see that in the light blue here, the emission control expenditures ramp back up substantially as we prepare for requirements that are targeted in 2015. So this step-up in capital spending at Detroit Edison is further laid out on slide 13. The biggest piece of that investment is in our base infrastructure where we see $700 million to $800 million per year, $2.1 billion to $2.3 billion over the three-year period.

But the real growth in our earnings power and rate base is coming from the right two columns. Our environmental compliance expenditures, $800 million to $900 million over the three-year period, is really targeted at finishing two scrubbers and coming close to finishing one additional SCR at our Monroe power plant.

In addition to that, we see $500 million to $600 million of receive newable energy expenditures. The state for us has a requirement to have 300 megawatts in place for 2013, so within the next three years. And we have the right under law to own half of that. So our projected expenditures to make that play out are $500 million to $600 million over the next three years.

And the details of that renewable expenditure are laid out on slide 14. And the first thing I would focus you on is the red star there in the middle of the state. That's the project that I mentioned just a minute ago that we're pursuing jointly with Invenergy. It is a 200-megawatt wind farm. We are going to own 90 megawatts of that installation, about a $200 million capital investment.

And as I said a minute ago, the way this is playing out is that Invenergy is going to front the investment, and then we will buy in for our piece as the project gets close to ready to go commercial. So you can see the impact of that then at the bottom left of the slide that we get a substantial step-up in our earnings from renewable energy and energy optimization, as we go from 2011 to 2012. This is certainly one of the things that is driving a return to earnings growth at a higher level at Detroit Edison in 2012.

And if you look down the road, as I mentioned, we need to add to that project between 2012 and 2013. We would expect to do that using the 78,000 acres of easements that we have under contract in Huron county. That's designated there by the purple star. We're working on those. And we would expect those investments on the heels of this Invenergy investment to take earnings in this business line to about $50 million by 2015, and as you can see, we will have a significant portion of that in place by the middle of this period, 2013.

MichCon, moving on to slide 15, will also be investing substantial capital over the next three years, about $500 million to $600 million over that period, or about $175 million to $200 million a year. And MichCon's investment agenda is laid out on slide 15. The most significant element of MichCon's investments are in the gas distribution network. And, in particular, we have been working with the Michigan Public Service Commission on a multi-year main renewal and meter moveout program that steps up the capital that we will be committing to our distribution infrastructure.

In addition to that, we continue to find opportunities within our utility storage and transportation asset base to expand storage. Generally, what we find are customers who want us to expand that storage, we contract with those customers, and then often have pipeline investments that are needed to take that storage to market. That's been an area of investment in recent years, and we think that will continue here over the next few years.

So, in summary, for Detroit Edison and MichCon, we're coming off a two-year period, in 2009 and '10, where we reduced capital expenditures in the wake of the economic crisis, but our capital expenditures on renewables, emissions controls, gas main renewals, and meter moveouts, are going to drive our rate base investment up pretty sharply over the next three years. Our average capital spending in our utilities over the next three years will be about a third higher than it was last year, for example. And it is this investment that will enable us to bridge from about 3% utility earnings growth this year to a higher rate of 5 to 6% next year and beyond.

Slide 16 takes a similar multi-year look-back and look-forward for our non-utility businesses. From 2007 to 2010, our two principal non-utility businesses, gas storage and pipelines, and power industrial, both grew at a healthy rate, 20% compound annual growth for those two businesses over the three-year period.

Energy trading averaged earnings of about $45 million. Although, as you know, our last year in that three-year period was a low year for us. The other significant event during those three years was a $1.5 billion monetization of our unconventional gas assets.

2011 for these businesses is a bridge year, too. Our P&I earnings are going to be lower than last year. Our P&I earnings were very high last year, but we had some items as I will describe in a minute that aren't going to recur this year. But we are scaling up at power and industrial through investments in reduced emission fuels and our renewables, and we do continue to identify investment opportunities in our gas storage and pipelines business. And we are making progress on those.

In addition, we are working to rebound from reduced earnings levels and energy trading, in the last two months, as Dave Meador will describe, have been promising on that front. And we do continue to work this year to position for the monetization of earned conventional gas assets.

So, if I look forward to the next few years on the non-utility front, we see reduced emission fuels and renewable investments providing a very substantial growth within our power and industrial segment. We have investments that will produce earnings growth at gas storage and pipelines, and we think our energy trading will return to more normal historical levels. That will combine with a move to monetize unconventional gas assets, which we will use to fund growth, and this set of dynamics will also contribute to the 5% to 6% growth that we are describing in 2012 and beyond.

Now, one of the key elements of what I have just described is the projected growth in our power and industrial business, and that is laid out on slide 17. First, on the left-hand side of the slide -- and, actually, we first laid this out this past fall at EEI -- we saw a big stepup this past year in earnings. Earnings between 2009 and 2010 more than doubled, but some of the items were nonrecurring. So, for example, we saw high coke prices and we had some capacity open, and that played to our favor. That's not going to recur next year.

We also had the steel industry fuel tax credit. We actually did think that was going to recur right to the very end of the tax bill this past year, but it did get pulled, to our surprise, and to the steel industry's surprise. So those dynamics are producing a stepdown in earnings at P&I this year.

But, as you can see, from the light blue and dark blue bars here, we have two segments in this business that we expect to grow materially over the next number of years. One of those, in the light blue, is the reduced emission fuel segment. And just as a reminder, this is -- these are projects where we have a technology that can be used at coal plants to reduce mercury and NOx emissions. They also benefit from a federal tax credit.

We are making progress on developing this set of projects. We completed the sale of an interest in one of these projects and have it up and running. That was completed in January. And we are in negotiations with a number of other potential counterparties who run power plants a lot like Detroit Edison does and face the same emission control requirements that we do.

And our goal this year is to get several facilities with those counterparties cited and up and running so that we see the substantial step-up in earnings from this segment that is indicated here in 2012. And a little bit longer-term, we would expect to have our facilities pretty much fully placed by 2013, and that $40 million to $50 million largely in place by then.

On the renewable energy front, this past year we made significant progress in this arena. We purchased a majority ownership of a 44-megawatt plant in California late in the year. We will bring that online late this year. We also came to agreement on a 45-megawatt facility in California that we now have in the conversion process that we will bring online early in 2013.

Those two projects brought the total that we have in this segment of waste wood projects from small coal plants, brought the total to five. And so we're going to see growth just from that base of five projects that we've brought online or are bringing online, but we would expect to continue to find and invest in additional projects here. So the so what of all of this is we expect the P&I segment to be one of our significant growth areas over the next three years and contribute to the 5% to 6% that I described earlier.

We also see opportunities in our gas storage and pipeline business, and that's laid out on slide 18. Our strongest opportunities in this segment center on the Millennium Pipeline, which is shown there in dark blue, runs from upstate New York into the New York City area.

It also, as you can see, runs through the Marcellus Shale, and most of our development opportunities for that pipe center on gas that is emerging from the Marcellus Shale. And those opportunities come in the form of mainline pipe expansions, as well as laterals off of the pipeline and eventually connectors between Millennium and other pipelines. And we are making progress on this front as well.

In fact, I think the discussions went from pretty introductory and new early last year, to discussions that are getting quite promising and serious early this year. So I think the so what here is that over the next three years, we see this as the period that this gas storage and pipeline business, which grew a lot over the past five years, will make the investments that will fuel its next significant step-up in growth.

So, in summary, for the Company then, on slide 19, our investments in the top left are going to be up materially over the next three years. On average, if you compare the last three years to the next three years, we're up about, on the order of 25%, and that is tied to our investments in Detroit Edison renewable assets, our environmental investments, principally at the Monroe power plant, and the non-utility investments in P&I and our gas storage and pipeline that I just mentioned.

And I would also say that the utility investments we're taking with a strong eye on managing customer affordability, as I mentioned at the very outset of this discussion. But if you look at what that implies, in terms of an investment base in earnings for the next few years, our earnings this year, we have given guidance at $3.40 to $3.70, within that we do see utility earnings growth of about 3%.

But as you can see, we expect earnings at both the utilities and our non-utility businesses to pick up in 2012 and 2013, and we're projecting the 5% to 6% longer-term growth there that we've talked about for some time. So, with that, I'm going to turn things over to Dave Meador to take a little bit closer look at 2010 and our 2011 guidance. Dave, over to you.

Dave Meador - *DTE Energy Company - CFO*

Great, thanks, Gerry. And good morning, again, to everybody. I'm going to start on slide 21. For the year, our operating earnings are $607 million, or $3.60 per share, which is at the midpoint of our guidance. And as a reminder, there is a reconciliation to our GAAP reported earnings in the appendix, as well as there is there other information in the appendix that I hope you will find helpful.

The $3.60 per share is $0.05 higher than the midpoint of our original guidance for the year at $3.55, and is $0.30, or 9% higher, than our 2009 operating earning. Detroit Edison contributed $2.60 per share and MichCon came in at $0.63, both utilities did a great job. And, as Gerry mentioned, they earned their authorized returns of 2010.

We are seeing improvements in the local economy that we also outlined on the low chart, with Detroit Edison's temperature normal electric load up 3%, and that was driven predominantly by the industrial sector, which was up 21%. The non-utility businesses combined to earn $0.78, with power and industrial projects earning $85 million, or $0.50 per share, with a very strong year-over-year performance, and, as we indicated, this won't be repeated in 2011.

Gas storage and pipelines came in at 4% higher than 2009 at $51 million, or $0.30 per share. And energy trading had earnings of $0.04, and unconventional gas production had a $0.06 loss.

Finally, corporate and other had a loss of $0.41 for the year, and overall, 2010 was a very good year for us. The performance came in very strong, with the bulk of the earnings coming from the two utilities, which have returned to their full earnings power. And as Gerry outlined, the power and industrial business had very strong performance, almost offsetting the shortfall at energy trading.

Now, shifting to 2011 and our outlook for the year. On slide 22, we outline our 2011 earnings guidance for each of the segments. As I just said, both of our utility terms are authorized return on equity in 2010 and we expect to do the same this year in 2011. We have a rate case at Detroit Edison, which will be finalized by the fourth quarter, and we are doing everything we believe is necessary to ensure constructive order from the commission. And I will talk a little bit more about that case in a moment.

At MichCon, we plan to return to a normal weather year after a warmer-than-normal year in 2010, and lower mid-stream revenues. Also at the utilities, we will leverage our continuous improvement capabilities to partially offset O&M expense. Earnings at gas storage and pipelines will be up another 4% in 2011, as we continue to identify long-term expansion and development opportunities around the Millennium Pipeline.

In 2010, we impaired some non-strategic leases at our unconventional production business, and that won't recur in 2011. Also we're seeing more oil and natural gas liquids production in our Barnett Shale properties, which is driving higher earnings in 2011. We've included in the appendix some key operating metrics for the business, as well as a schedule which summarizes the valuation for the Barnett assets. And a couple points I want to point out here.

Given the nature of our property, we get a 50% to 60% lift in revenue from natural gas liquids, and we are also pursuing some wells that add oil to our performance. Currently the value derived from 1Mcf of gas is about $6.40, which is a nice premium over dry gas prices.

Once a year we update the reserve analysis for this business and we provide the valuation range, which is on slide 35. And even if you use the conservative low end of the valuation, our current reserves are worth at least $400 million, or $2.35 per share, and then the midpoint for that range obviously is much higher. Our plan is to still develop the properties for monetization with the focus on natural gas liquids and oil, and at the same time we're going to eliminate the drag on earnings this year.

The power and industrial team is coming off a very strong year, and we just talked about for 2010, which included some opportunities which won't reoccur going forward, such as the steel industry uel's tax credit and premium earnings on coke sales. As Gerry explained, the story with the P&I group is the potential earnings opportunity from the REF business line, and the coal-to-waste wood conversions. We will start to see some earnings from these businesses in 2011, but we really start to scale up those lines in 2012 and forward.

2010, as you know, was a challenging near for our energy trading business. After a strong first quarter, we saw the markets flatten out in the second half of the year with lower volatility and lower commodity prices. In the third quarter, the business struggled to find the market opportunities to generate sufficient gross margin. However, that began to change noticeably in November and December.

In January and so far in February this year, we have found trading opportunities returning in areas like power trading and full requirements contract with gross margins in those months similar to prior years. In fact, in January, we entered about 20% of the economic gross margin that we assume in our full-year guidance.

While we don't see this business getting back to historical levels of $40 million to $50 million of operating income this year, we do expect to make a significant step in that direction, and we set the midpoint of guidance at $25 million. Finally, we're expecting corporate and other to have improved results in 2011, primarily due to lower interest rate expense. So in total, we project DTE Energy to have operating earnings of $576 million to $631 million, or $3.40 to $3.70 per share.

On slide 23, we have an overview of the Detroit Edison rate case. We filed the case at the end of October with a total revenue requirement of $443 million. And as an example of how we are focusing on customer affordability, in this rate filing, we proposed some potential alternatives which could reduce the net rate request by nearly $200 million for a net rate request of $253 million. We're looking forward to working collaboratively with the commission on this rate case over the next coming months. Staff testimony is due at the beginning of April, and we plan to self-implement a rate increase in April. We will receive the final order in this case no later than the end of October.

Now, turning to cash flows on slide 24. In 2009, we had one of the strongest cash years in our history, with cash from operations of $1.8 billion. And I'm pleased to report that we achieved the same level of cash from operations in 2010. And we're looking at 2011 with expected even stronger cash results of $1.9 billion in cash from operations. If you looked at total cash after capital, and end-dividend and asset sales for 2009 and 2010 combined, we generated $850 million in total cash flow over two years.

As Gerry explained earlier, after slowing CapEx during the recession, we plan to ramp it back up in 2011. We've said in the past we expect to issue between $100 million and $200 million of new equity to fund our growth over the next several years. However, as a result of strong cash flows in 2010 and anticipated benefits from bonus depreciation, we're around $100 million to $200 million between 2011 and 2012, we're not expecting to issue any new equity this year, and we're working on reducing our equity needs for 2012.

On slide 25, we provide a breakdown for our 2011 capital plan. If you will look at our capital for the utilities, going back it was $960 million in 2009. It was $1 billion in 2010, ad we will be spending about $1.2 billion in 2011, which is nearly a 25% increase over 2009 levels.

At Detroit Edison, as we outlined, we're in the process of scrubbing the two remaining units in Monroe, and we expect to have a sharp stepup in our environmental capital for the year. And as we outlined in 2010, we began construction on a 200-megawatt wind farm and we will take ownership for 90 megawatts of that generation late this year or early next year, which will be about a $200 million investment for Detroit Edison.

And at MichCon, we're planning on increasing our capital spending by over 20% in 2011, and this is driven primarily by our pipeline integrity and meter relocation work. And then at the non-utility businesses, we're targeting capital investments of $200 million to $300 million.

Slide 26 summarizes our balance sheet metrics. We ended the year with our targeted leverage range, and we expect to be within that range for 2011. As a result of one-time deferred tax items in 2010, we realized FFO-to-debt of 28%, which is well above our targeted range. We expect that to return to targeted levels in 2011.

And as a result of our strong balance sheet and cash flows, we secured a credit uprate from S&P at DTE Energy and at both of the utilities in December of last year. Also Fitch revised Detroit Edison's rating outlook to positive last month. And in both cases, the agencies noted the economic conditions that are improving in Michigan and the very positive regulatory environment that we have here.

Let me wrap up on slide 27. As we've outlined for you, we have a plan that we're confident in that will provide 5% to 6% long-term operating growth, and, at the same time, provide an attractive dividend, which provided a very attractive total shareholder return; and, at the same time, doing all of that while maintaining a very strong balance sheet.

As Gerry laid out, our utility growth plan is primarily driven by mandated investments, and all of this is set in a very constructive regulatory structure that we understand that we have to continue to earn every day by doing things -- by driving cost savings, which will enable our utilities to earn their authorized return, and continuing to focus on our operational excellence, including customer satisfaction, which we believe over time will create a distinctive capability in this Company compared to others in the industry with a real focus on affordability.

And to compliment the utilities, we have meaningful low-risk growth opportunities in our non-utility businesses that will continue to provide diversity, both in earnings and geographic reach. With that, that wraps up our presentation, and we would be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Paul Ridzon with Keybanc.

David Meador - *DTE Energy Company - CFO*

Good morning, Paul.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Good morning, how are you Dave?

David Meador - *DTE Energy Company - CFO*

Great.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Can you give a little more timing on the monetization of the unconventional and what that could imply as far as your ongoing equity needs?

David Meador - *DTE Energy Company - CFO*

I will start and then I'm sure Gerry will join me. If you remember back all the way to our analyst meeting a year-and-a-half ago, we said to fund our growth we would need a certain amount of capital, and -- or excuse me, to support our capital growth, we'd need to issue equity and/or asset sales. And subsequently we translated that into about $100 million or $200 million of equity per year. And through our strong cash flow sales, as we indicated, there will be no equity this year and we are going to drive that down next year.

One of the levers would have here going forward is monetization of the remaining profits in the Barnett Shale. So we are currently, as indicated, we're proving up the properties with a real focus on what I would describe as the wet nature of the gas, which is giving us an uplift in our prices. We're currently evaluating when we would start monetizing either small parcels of property or larger parcels over the next several years.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

So the $100 million to $200 million is kind of what you need, but that could be capped down a little bit by selling some Barnett?

David Meador - *DTE Energy Company - CFO*

Yes.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Then of the, I think you said $100 million to $200 million of bonus depreciation benefit, how much of that is at the regulated utility and that what is the impact on rate base? And is that baked into your 5% to 6% growth?

David Meador - *DTE Energy Company - CFO*

First of all, it is baked into our 5% to 6% growth. And I don't have the breakout on utility/non-utility. We have been taking some of the 50% depreciation across the Company, and some of this does apply to our non-utility businesses. So for example, you've heard us talk about our Mount Poso project, which is our renewable energy project, that qualifies for 100% bonus depreciation. So some of this is in our non-utility businesses. We see the bonus depreciation modest enough that the modest amount, in combination with our increased capital spending, will not impact the growth rate of the utilities.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Can we just ballpark by saying look at your non-utility CapEx, your utility CapEx, you think it is roughly the same proportion?

David Meador - *DTE Energy Company - CFO*

Yes, I think roughly. That's a good ballpark number.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

And then just anything happening on the political front with the new governor in place?

Gerry Anderson - *DTE Energy Company - CEO*

This is Gerry, Paul. I guess I would just say that the new governor has got, like most new governors do, a whole slate of challenges out in front of him, principally focused on state budget and reform of the cost structure of the state. We know him very well. I know him well personally, and he is a good guy, straightforward ethical guy, but I think his focus is going to be squarely on that. Energy really hasn't risen on the agenda of the new administration because they've got so much on their plate on other fronts, and I think that is likely to remain that way. Does that answer your question?

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Yes, it does. Just as a follow-up, are the choice advocates getting any traction at all?

Gerry Anderson - *DTE Energy Company - CEO*

No. I think you could probably look at some things that have come out in state, political regulatory rags here in the state over the past few days, that there has been some commentary on that. We also know the leadership of the House and the Senate, and the energy committees in both quite well. We know what their priorities are, and I think you will say -- they've said themselves, and I think if you talk to them, they say this is not one of their priorities for the energy agenda.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

On the list of things that worry you, Gerry, how much is ROE deterioration, or how does that stack on the list?

Gerry Anderson - *DTE Energy Company - CEO*

I think our philosophy on the utility front is you've got to give to receive, and you've got to earn the quality of your regulation. And so the posture we've been striking with our regulators is we're going to work our tails off to manage customer affordability. I think you see that, for example, in our Detroit Edison rate filing, where we worked hundreds of millions of dollars out of what the ask might have been, all with an eye to reducing the impact on customers. The MichCon case being pulled was another case in point.

So, the approach we're trying to take with the regulators is to work jointly on the big things, and not spend a lot of time on things like our ROE reduction. I frankly feel that if we do a really good job on the big things, that we will get fair treatment on that on other fronts.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Thank you very much.

Gerry Anderson - *DTE Energy Company - CEO*

You're welcome.

Operator

We will take our next question from Steve Fleishman with Bank of America Merrill Lynch.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Just one follow-up question from what Paul just asked, just from a sensitivity standpoint, what is the impact of the 100 BPS sensitivity on ROE for the utilities? In BPS or however you have it.

David Meador - *DTE Energy Company - CFO*

For Edison it's about $40 million, 41% and for MichCon, it will be about $10 million.

Gerry Anderson - *DTE Energy Company - CEO*

So, 10 BPS would be $4 million.

David Meador - *DTE Energy Company - CFO*

$4 million.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Okay.

David Meador - *DTE Energy Company - CFO*

And MichCon, about a quarter of that. So combined, $5 million for the two.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Alright. And then one other question on the choice cap, which sounds like it is not an issue, but how much request is there really for people wanting choice beyond the cap that is there? Like is it a 10% cap, is it only another few percent that want choice?

Gerry Anderson - *DTE Energy Company - CEO*

No, I think in this market, there would be more than a few percent. I think what the policy makers realize is that if you go back just a couple of years ago, there were zero requests, and choice was falling to zero. Now, there is a request for more than 10%. The whole point of a cap is that commodity markets are volatile and if you set policy tied to volatile commodity markets, you don't have a policy . I think our regulators and legislators understand that. So, the reason I think it isn't high on their agenda is for that reason.

I think one person in particular who understands it is our governor. It didn't take him long. He is an ex-businessman, and in particular, a high-tech businessman with a financial background. It took him about five minutes to come to the conclusion that, oh, well what people are looking for here is just a free option, right? And the answer was yes. And he said, well, that is not a policy. So, I think that he understands the issue, and as do the leaders in the House and

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Steve Fleishman - *BofA Merrill Lynch - Analyst*

Okay. And one last technical question on the slide, I guess it is page 17 on the P&I projects out to 2015. At the bottom of that, you have this corporate allocations interest in overhead, I assume that's for 2015? The $60 million to $70 million.

David Meador - *DTE Energy Company - CFO*

Yes.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

What would that number be for your 2011 guidance?

Gerry Anderson - *DTE Energy Company - CEO*

I'm looking at Peter Oleksiak here, our Controller.

Peter Oleksiak - *DTE Energy Company - Controller*

It is pretty similar. We are not anticipating a growth in those allocations throughout this time period.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Okay. Does that imply that you can grow the earnings without having to grow investment though? Like there is no more interest?

Peter Oleksiak - *DTE Energy Company - Controller*

Probably the interest would be growing, that's probably the one piece. The allocations overheads would stay pretty flat. I mean we sat our non-utilities at a 50/50 structure.

Steve Fleishman - *BofA Merrill Lynch - Analyst*

Okay, thank you.

David Meador - *DTE Energy Company - CFO*

Thank you.

Operator

We will take our next question from han Reza Hatefi with Decade Capital.

Gerry Anderson - *DTE Energy Company - CEO*

Good morning.

Reza Hatefi - *Decade Capital - Analyst*

Good morning. Thank you very much. I guess I just got a little confused earlier on the Barnett discussion. The sale of the property, is that something that is probably going to happen in 2011? Or is it going to be multi-year? Or how is that going to work?

Gerry Anderson - *DTE Energy Company - CEO*

Let me take a crack at that. So I think what Dave was saying is that the highest prices in the marketplace right now are for oil and natural gas liquids. We do have those in our properties, and we're making progress in continuing to improve our ability to get those and get them economically. So it is really the timing of that that will define the timing of sales. If you were to look at this year versus next year, we may see some modest monetizations this year, but we would expect that something larger would likely play out next year or beyond.

Reza Hatefi - *Decade Capital - Analyst*

Okay. And then just a second question, on the trading business, I guess part of your long-term 5% to 6% CAGR assumes trading returns back to normal levels. What are those normal levels? And what is-- comment maybe on driver, to get it back up there?

Gerry Anderson - *DTE Energy Company - CEO*

If you look over the past five years, both our cash flow and our earnings there are $40 million to $50 million a year. And so we talk about normal, $40 million to $50 million is what we mean. We've said pretty consistently, we're not looking to grow that business. It provides us intelligence and cash, and that is its role.

It was $75 million two years ago and $6 million last year. We had a long period in 2010 where the markets just went dead, not only for us, but everybody, about an eight-month period. But in December, and January and so far in February, we have seen the markets return to much more normal behavior within our operation. So, that is a positive sign. It is not something you can project has to continue or will continue, but it certainly is a reversion back to more normal behavior from that eight-month dead period last year.

And as Dave said, what we have this year is a range of $10 million to $40 million. It is just in line with what we saw this past year at the low-end, and kind of the low end of normal, at the high end, so the midpoint is $25 million. We would expect over time that we would be able to achieve what we've seen over the past five years or so, that $40 million to $50 million performance.

Reza Hatefi - *Decade Capital - Analyst*

Great. Thank you.

Gerry Anderson - *DTE Energy Company - CEO*

You're welcome.

Operator

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

Gerry Anderson - *DTE Energy Company - CEO*

Good morning, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

Good morning. I wanted to just follow-up on the rate impact, because you guys mentioned that there is a lot of investment but it seems that there's a considerable of renewables and energy conservation and you guys have been doing a lot of cost savings and what have you. You obviously mentioned affordability and what have you, so how should we think about how much rate relief you will actually be seeking with this rather large capital investment?

Gerry Anderson - *DTE Energy Company - CEO*

Well, one element you pointed out, which is our renewable investments, which are, as you can see on one of the slides, is a significant piece of growth at Detroit Edison. That increase in rates happened as part of the legislation, and is done. So, there won't be increases for that. So, that is a good thing.

The second would be as we continue to invest, one of the questions people might ask is, how can you grow at 5% to 6% in your utility if you're not growing at 5% to 6% in your rate structure?What we're trying to do, first of all, the renewables help with that because of the way the legislature structured them. Secondly, we're fighting hard on the continuous improvement front to manage our operating costs to a lower growth profile than that. And the combination of the two are what we hope will allow us to moderate the rate increase profile.

Paul Patterson - *Glenrock Associates - Analyst*

So when we're thinking about you going in for rate cases, should we think about them as still being an annual thing? You pulled the last one, like you mentioned, I'm wondering how should we think about just how much their regulatory relief we're going to be looking at?

Gerry Anderson - *DTE Energy Company - CEO*

How regular and how much? Here is how we talk about it internally. We very explicitly are telling our people, from an affordability standpoint, hold off as long as we can, but we also don't want to hold off so long that the cases become complex or large. For us, the regulators are our customers.

So, it is striking that balance between regularity and health for us, and workload and impact on our customers. This past year, that meant that we held off from a case in January until a filing in October. If you look forward, this is a heavy period of investment, particularly in emission controls, where we've got almost $1 billion dollars over the next three years. And that's going to imply that our rate base is going to be growing and we're going to need to get returns on that to stay healthy. So, I expect to see us going in each year, but we will use the philosophy I just described.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. There is another utility in Michigan that sort of had their self-implementation situation. I know that is specific thing to them. Any flavor or change with respect to the Commission at all, in terms of concerns about rates or what have you?

Gerry Anderson - *DTE Energy Company - CEO*

Yes, well you're right on-- the specifics on that one you should talk to CMS on. We make a habit not to say anything specific about them. I have read the orders and there was information that came in late, so I think the Commission was saying we've got some late information, we want some time to digest it. If you take it more broadly and our feel for things, I don't think it has any precedent. If you ask, am I concerned about self-implementation, or the structure generally? I'm not. I personally and other senior people have been up to talk to the commissioners recently. I think they remain committed to playing out that legislation in the right way. So, I'm not concerned in terms of precedent or tone or feel of things.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Great. And then just finally, there is a lot of talk in Congress about tax expenditures as being a means of budget discipline, so to speak. I don't know how to put it, but whatever. Do you see any exposure? You mentioned how the steel thing didn't work out as you had expected. Should we be concerned about any specific tax situation that you see being potentially under assault or being changed perhaps with the new Congress and the new budget discipline that is showing up there?

Gerry Anderson - *DTE Energy Company - CEO*

Well, the way those things play out is forward-looking. So they're always working on forward-year budgets, and doing impact studies on forward years. If they change policy, whether it is on renewables or things like REF, to my knowledge, they've never done it backward-looking. Now they always have the right to come in and audit things to make sure it played out according to the law and so forth, but they have never -- one of the real principals of tax policy is you set it and people need to be able to rely on it and invest against it. So, the changes are forward-looking.

I do expect that there is going to be a lot of debate around energy tax provisions, renewable tax provisions for example. It will be something that people will talk about. I think they will remain, but just how large they are and so forth, it will get plenty of discussion.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. Thanks so much.

Gerry Anderson - *DTE Energy Company - CEO*

Thank you.

Operator

We will take our next question from John Quealy with Canaccord Genuity.

Mark Seigel - *Canaccord Genuity - Analyst*

Hi, good morning, it is Mark Siegel for John. Just wondering if you guys could talk a little bit about the smart meter program, your assessment of how that is going so far, and perhaps talk about the process for evaluating, expanding beyond your initial commitment through next year.

Gerry Anderson - *DTE Energy Company - CEO*

We're making good progress on it. It is ahead of schedule, on budget. We've got about 130,000 meters completed at the end of this past year, expect to have 300,000 in by the end of this year, and that's of a total of 600,000. What we've talked to the Commission about is that we want to take a stop at the end of 600,000 meters, evaluate benefits. We had a projected list of savings. We want to step back and make sure that we're getting those.

The other thing that is true in this round of investments for us is that we got a stimulus grant, so that brought down our net investment and it brought down the cost to customers. What we want to do then is evaluate, based upon the savings that we're seeing. Do we see savings to customers without help from the federal government? In other words, if we need to carry the full load, do these things pay for themselves and lower customer rates? And that is what we -- we'll take a pause to do that evaluation.

The other thing that we want to evaluate is the service improvements. These meters are going to allow us to do some things for customers that we've never been able to do, like know before they know when they're out of power. A typical example, people are off at work, come home to find their power out. We will know that, and can get them back up and running before they ever knew they were out of power. So, there will be service improvements, too, but general philosophy, we're going to take a stop and evaluate and see if we should go on.

Mark Seigel - *Canaccord Genuity - Analyst*

Okay. And does the stimulus money -- is there an imbedded provision in that, that says when you've got to make that decision or have your funds allocated by?

Gerry Anderson - *DTE Energy Company - CEO*

No. We're fully using the-- if I got your question right, we are on an investment path to utilize those funds that was described by the federal government and that is all working fine. There is no contingency related to what we do in the future.

Mark Seigel - *Canaccord Genuity - Analyst*

Okay. Perfect. Thank you.

Gerry Anderson - *DTE Energy Company - CEO*

You bet. Thank you.

Operator

We will take our next question from Mark Barnett with Morning Star.

Mark Barnett - *Morning Star - Analyst*

A couple of questions here. I'll hit first on the sales side. I know decoupling is taking care of the earnings and cash flow there, but can you give me just a little bit of commentary on commercial and residential sales obviously weren't as strong as industrial, and maybe what is going on there, a little color around that?

Gerry Anderson - *DTE Energy Company - CEO*

I think it is two things. Post-crisis, I think there was a stronger mindset about use of energy in homes and commercial businesses. The other thing is that we're investing pretty heavily around conservation. I think there is an impact to that, and frankly, we want that impact.

The other conversation we have in the Company is managing customer bills, with a focus on bill size. So, we are looking at the combined residential gas and electric bill and trying to manage it down, because we feel if we manage it down, the investments we're making will be received a lot better. So, that decline in residential average use, we welcome, and are working to make happen.

Mark Barnett - *Morning Star - Analyst*

Okay. So you don't see a lot of -- I mean, what is the housing situation in your service territory? I'm not really up to date with that information.

Gerry Anderson - *DTE Energy Company - CEO*

Housing or population? I guess the best way to do it is probably customers. We saw a slight decline in customer count during the heart of the crisis. I don't have a trend on that now. As the economy picks back up and so forth, we would expect to see probably that reverse and trend the other way.

Mark Barnett - *Morning Star - Analyst*

Okay. I may have missed it, and apologies if I did, but was there a plan this year for the MichCon filing to replace what you delayed last year?

Gerry Anderson - *DTE Energy Company - CEO*

We don't have any plan that we've announced, so we don't have anything specific on that yet.

Mark Barnett - *Morning Star - Analyst*

Okay. I guess just one more quick question, this is more general big picture. A couple of infrastructure pipeline companies, around the Marcellus, have been talking about the opportunity to ship gas back west, and north and onwards eventually to Canada, what with the higher gas prices up there. I'm wondering, where you guys sit at the pipe, you might have some insight on that. Whether that makes sense and how that might affect your gas purchases going forward?

Gerry Anderson - *DTE Energy Company - CEO*

Well, we sit in an interesting position relative to what you described, because Michigan is a big storage market. So, we actually have seen this change in gas flow dynamics impacting pipes that you thought were going to flow one way, people are talking about flowing the other direction. Or mixed flows, one direction one part of the year, another direction another part of the year as we sell storage, for example. So yes, what people are talking about is real.

If you ask, is that all figured out yet, no. It is still pretty dynamic. End users are trying to take stock of the significant change that these shale basins have created and what that means for pipe flows and storage utilization. We really do, if you look at our Millennium Pipeline for example, and the connection of that back through Canada to a big storage base in Michigan, we're one of the players that would potentially see that sort of impact. That can be a good impact, but the market is still working all that out.

Mark Barnett - *Morning Star - Analyst*

Alright. Great. Thanks a lot.

Gerry Anderson - *DTE Energy Company - CEO*

Thank you.

Operator

We will take our next question from Danielle Seitz with Dudad Research.

Danielle Seitz - *Dudad Research - Analyst*

Thank you. Most of my questions have been answered. Just one on the equity issuance. You are still using a DRIP program? How much that provide and do you anticipate the new equity issue to be in 2013 for sure?

David Meador - *DTE Energy Company - CFO*

This is Dave, Danielle. The first answer would be, when we originally said $100 million to $200 million a year, that never involved public issuance. That was always going to be through DRIP or pension plans. And, as we said, now that has all turned off because the number is zero this year. We're going to work hard to see if we can drive that number down to zero next year. I have no plans right now for 2013, because as we've indicated, we're not only working on cash flows, but we still have that --. You get out into that 2013 timeframe, that now circles back to when do we see monetization starting to happen in the Barnett. So it is very possible 2013 could be zero, also. We will have to wait and see how that plays out.

Danielle Seitz - *Dudad Research - Analyst*

Okay. Great. Thank you.

Gerry Anderson - *DTE Energy Company - CEO*

Thank you.

Operator

We will take our next question from Leon Dubov with Catapult Capital Management.

Leon Dubov - *Catapult Capital Management - Analyst*

I was wondering if you could give me a little bit of metrics around your coke batteries business, in terms of what kind of volumes you guy do there? As a follow-up to that, with the robust pricing we're seeing for Medco, is this an asset that could potentially also be monetized?

Gerry Anderson - *DTE Energy Company - CEO*

So on the first question, essentially all of our coke volume now is contracted. We have a little bit available in the spot market, but not much. We've been working to get those fully contracted, so the earnings stability is there. And in terms of total tons, I don't have that at my fingertips, but it is on the order of I think a couple million tons by the time you put our total position together. But if you need that, we could get that for you.

In terms of being monetized, we haven't looked at it. It could be something, for example that a steel company that wanted to manage their coke prices and coke availability, and so forth, could have an interest in. If down the road that turned out to be the right value decision, would we look at it? Sure. Have we had anybody approach us on it or had discussions on it? No.

Leon Dubov - *Catapult Capital Management - Analyst*

Okay. Thank you.

Gerry Anderson - *DTE Energy Company - CEO*

You're welcome.

Operator

(Operator Instructions)We will take our next question from Ashar Khan with Visium.

Gerry Anderson - *DTE Energy Company - CEO*

Good morning.

Ashar Kahn - *Visium Asset Management - Analyst*

Hi. Good morning. I think you answered most of the questions. I just had a query.Is there an ROE concern? Dave, you mentioned a little bit in your remarks that that's one of the reasons you took off the gas case. Is there a concern that you have that this is not sustainable? Just trying to get a better context of your remarks earlier on.

David Meador - *DTE Energy Company - CFO*

No, I actually, I'm not sure exactly what you're referring to, because pulling that gas case had nothing to do with concerns about return on equity. We filed the case, and, as any other case over time, after we filed it some of the assumptions started to change, and the factors we looked at said the amount of money that we would need in a rate increase to hit our targeted earnings was much smaller. We stood back and looked at it and said, we could actually pull this case and go after cost reductions and hit our objectives. At the same time it is one less case for us in the Commission and it is the right thing for customers to do. Then, we can put our energy and focus together on the Detroit Edison case where there is a lot more economics.

So this is more about, over time, the number got small enough we started asking ourselves the question, why are we pursuing a case versus just going back to doing what we do really well, which is work on continuous improvement and costs. I think Gerry addressed, overall our ROE view right now is that in the Edison case we filed for 11 and 1/8. We believe our position on that is supportable and we're going to pursue that in the case. We think there is other much larger value drivers for customers that we will be talking to the Commission about in the way that we filed that case that can make it a win-win for us and for customers, and ROE isn't one of them.

Ashar Kahn - *Visium Asset Management - Analyst*

Okay. Thank you.

Operator

That concludes the question-and-answer session. At this time I will turn the conference back over to our presenters today for any additional or closing remarks.

Gerry Anderson - *DTE Energy Company - CEO*

Well, no closing remarks. I just want to thank you all for your time and interest this morning. We look forward to keeping you posted on progress as things go on this year. Thanks very much.

Operator

That concludes today's conference. Thank you for your participation.
