DTE ENERGY CO
Form 10-Q
April 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2013
Commission file number 1-11607
DTE ENERGY COMPANY
(Exact name of registrant as specified in its charter)

Michigan	38-3217752
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Energy Plaza, Detroit, Michigan	48226-1279
(Address of principal executive offices)	(Zip Code)

313-235-4000
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
At March 31, 2013, 173,950,853 shares of DTE Energy's common stock were outstanding, substantially all of which were held by non-affiliates.

DTE Energy Company

Quarterly Report on Form 10-Q
Quarter Ended March 31, 2013

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DEFINITIONS

ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Citizens	Citizens Fuel Gas Company, which distributes natural gas in Adrian, Michigan
Company	DTE Energy Company and any subsidiary companies
Customer Choice	Michigan legislation giving customers the option to choose alternative suppliers for electricity and natural gas.
DTE Electric	DTE Electric Company (a direct wholly owned subsidiary of DTE Energy Company) and subsidiary companies. Formerly known as The Detroit Edison Company.
DTE Energy	DTE Energy Company, directly or indirectly the parent of DTE Electric, DTE Gas and numerous non-utility subsidiaries
DTE Gas	DTE Gas Company (an indirect wholly owned subsidiary of DTE Energy) and subsidiary companies. Formerly known as Michigan Consolidated Gas Company.
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FTRs	Financial transmission rights are financial instruments that entitle the holder to receive payments related to costs incurred for congestion on the transmission grid.
GCR	A Gas Cost Recovery mechanism authorized by the MPSC that allows DTE Gas to recover through rates its natural gas costs.
MCIT	Michigan Corporate Income Tax
MDEQ	Michigan Department of Environmental Quality
MISO	Midwest Independent System Operator is an Independent System Operator and the Regional Transmission Organization serving the Midwest United States and Manitoba, Canada.
MPSC	Michigan Public Service Commission
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services and other operating related matters are not directly regulated by the MPSC.
NRC	United States Nuclear Regulatory Commission
Production tax credits	

Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.

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PSCR	A Power Supply Cost Recovery mechanism authorized by the MPSC that allows DTE Electric to recover through rates its fuel, fuel-related and purchased power costs.
RDM	A Revenue Decoupling Mechanism authorized by the MPSC that is designed to minimize the impact on revenues of changes in average customer usage.
Securitization	DTE Electric financed specific stranded costs at lower interest rates through the sale of rate reduction bonds by a wholly-owned special purpose entity, The Detroit Edison Securitization Funding LLC.
Subsidiaries	The direct and indirect subsidiaries of DTE Energy Company
VIE	Variable Interest Entity
Units of Measurement	
Bcf	Billion cubic feet of natural gas
Bcfe	Conversion metric using a standard ratio of one barrel of oil and/or natural gas liquids to 6 Mcf of natural gas equivalents.
BTU	Heat value (energy content) of fuel
dth/d	Decatherms per day
kWh	Kilowatthour of electricity
Mcf	Thousand cubic feet of natural gas
MMcf	Million cubic feet of natural gas
MW	Megawatt of electricity
MWh	Megawatthour of electricity

FORWARD-LOOKING STATEMENTS

Certain information presented herein includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of DTE Energy. Words such as “anticipate,” “believe,” “expect,” “projected” and “goals” signify forward-looking statements. Forward-looking statements are not guarantees of future results and conditions, but rather are subject to numerous assumptions, risks and uncertainties that may cause actual future results to be materially different from those contemplated, projected, estimated or budgeted. Many factors may impact forward-looking statements including, but not limited to, the following:

- impact of regulation by the FERC, MPSC, NRC and other applicable governmental proceedings and regulations, including any associated impact on rate structures;
- the amount and timing of cost recovery allowed as a result of regulatory proceedings, related appeals or new legislation;
- impact of electric and natural gas utility restructuring in Michigan, including legislative amendments and Customer Choice programs;
- economic conditions and population changes in our geographic area resulting in changes in demand, customer conservation, increased thefts of electricity and natural gas and high levels of uncollectible accounts receivable;
- environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements;
- health, safety, financial, environmental and regulatory risks associated with ownership and operation of nuclear facilities;
- changes in the cost and availability of coal and other raw materials, purchased power and natural gas;
- the potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions;
- volatility in the short-term natural gas storage markets impacting third-party storage revenues;
- access to capital markets and the results of other financing efforts which can be affected by credit agency ratings;
- instability in capital markets which could impact availability of short and long-term financing;
- the timing and extent of changes in interest rates;
- the level of borrowings;
- the potential for increased costs or delays in completion of significant construction projects;
- changes in and application of federal, state and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings and audits;
- the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;
- unplanned outages;
- the cost of protecting assets against, or damage due to, terrorism or cyber attacks;
- employee relations and the impact of collective bargaining agreements;
- the availability, cost, coverage and terms of insurance and stability of insurance providers;
- cost reduction efforts and the maximization of plant and distribution system performance;
- the effects of competition;
- changes in and application of accounting standards and financial reporting regulations;
- changes in federal or state laws and their interpretation with respect to regulation, energy policy and other business issues;
- binding arbitration, litigation and related appeals; and
- the risks discussed in our public filings with the Securities and Exchange Commission.

New factors emerge from time to time. We cannot predict what factors may arise or how such factors may cause our results to differ materially from those contained in any forward-looking statement. Any forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

DTE Energy Company

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In millions, except per share amounts)	
Operating Revenues	$2,516	$2,239
Operating Expenses		
Fuel, purchased power and gas	1,024	889
Operation and maintenance	735	721
Depreciation, depletion and amortization	259	227
Taxes other than income	94	95
Asset (gains) and losses, reserves and impairments, net	(6)	(5)
	2,106	1,927
Operating Income	410	312
Other (Income) and Deductions		
Interest expense	109	113
Interest income	(2)	(2)
Other income	(44)	(37)
Other expenses	7	7
	70	81
Income Before Income Taxes	340	231
Income Tax Expense	105	73
Net Income	235	158
Less: Net Income Attributable to Noncontrolling Interest	1	2
Net Income Attributable to DTE Energy Company	$234	$156
Basic Earnings per Common Share		
Net Income Attributable to DTE Energy Company	$1.35	$0.91
Diluted Earnings per Common Share		
Net Income Attributable to DTE Energy Company	$1.34	$0.91
Weighted Average Common Shares Outstanding		
Basic	173	170
Diluted	173	170
Dividends Declared per Common Share	$0.62	$0.59

See Notes to Consolidated Financial Statements (Unaudited)

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DTE Energy Company

Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Net income	$235	$158
Other comprehensive income (loss), net of tax:		
Benefit obligations:		
Benefit obligations, net of taxes of $1 and $2	3	3
	3	3
Net unrealized gains on derivatives:		
Gains during the period, net of taxes of $— and $—	—	1
	—	1
Foreign currency translation, net of taxes of $— and $—	(1)	1
Other comprehensive income	2	5
Comprehensive income	237	163
Less comprehensive income attributable to noncontrolling interests	1	2
Comprehensive income attributable to DTE Energy Company	$236	$161

See Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Financial Position (Unaudited)

	March 31, 2013	December 31, 2012
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents	$218	$65
Restricted cash, principally Securitization	65	122
Accounts receivable (less allowance for doubtful accounts of $59 and $62, respectively)		
Customer	1,460	1,336
Other	89	126
Inventories		
Fuel and gas	301	527
Materials and supplies	239	234
Deferred income taxes	8	21
Derivative assets	56	108
Regulatory assets	175	182
Other	158	194
	2,769	2,915
Investments		
Nuclear decommissioning trust funds	1,083	1,037
Other	568	554
	1,651	1,591
Property		
Property, plant and equipment	23,936	23,631
Less accumulated depreciation, depletion and amortization	(9,070)	(8,947)
	14,866	14,684
Other Assets		
Goodwill	2,018	2,018
Regulatory assets	3,819	4,235
Securitized regulatory assets	369	413
Intangible assets	135	135
Notes receivable	109	112
Derivative assets	17	39
Other	196	197
	6,663	7,149
Total Assets	$25,949	$26,339

See Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Financial Position (Unaudited) — (Continued)

	March 31, 2013	December 31, 2012
	(In millions, except shares)	
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$711	$848
Accrued interest	123	93
Dividends payable	108	107
Short-term borrowings	—	240
Current portion long-term debt, including capital leases	840	817
Derivative liabilities	81	125
Gas inventory equalization	140	—
Other	473	538
	2,476	2,768
Long-Term Debt (net of current portion)		
Mortgage bonds, notes and other	6,528	6,220
Securitization bonds	201	302
Junior subordinated debentures	480	480
Capital lease obligations	9	12
	7,218	7,014
Other Liabilities		
Deferred income taxes	3,245	3,191
Regulatory liabilities	997	1,031
Asset retirement obligations	1,745	1,719
Unamortized investment tax credit	53	56
Derivative liabilities	14	26
Accrued pension liability	1,402	1,498
Accrued postretirement liability	721	1,160
Nuclear decommissioning	165	159
Other	281	306
	8,623	9,146
Commitments and Contingencies (Notes 7 and 12)		
Equity		
Common stock, without par value, 400,000,000 shares authorized, 173,950,853 and 172,351,680 shares issued and outstanding, respectively	3,683	3,587
Retained earnings	4,069	3,944
Accumulated other comprehensive loss	(156)	(158)
Total DTE Energy Company Equity	7,596	7,373
Noncontrolling interests	36	38
Total Equity	7,632	7,411
Total Liabilities and Equity	$25,949	$26,339

See Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Operating Activities		
Net income	$235	$158
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, depletion and amortization	259	232
Deferred income taxes	65	58
Asset (gains) and losses, reserves and impairments, net	(6)	(19)
Changes in assets and liabilities, exclusive of changes shown separately (Note 15)	44	191
Net cash from operating activities	597	620
Investing Activities		
Plant and equipment expenditures — utility	(309)	(331)
Plant and equipment expenditures — non-utility	(73)	(61)
Proceeds from sale of assets	4	11
Restricted cash for debt redemption, principally Securitization	57	63
Proceeds from sale of nuclear decommissioning trust fund assets	12	11
Investment in nuclear decommissioning trust funds	(16)	(15)
Other	(7)	(21)
Net cash used for investing activities	(332)	(343)
Financing Activities		
Issuance of long-term debt	372	—
Redemption of long-term debt	(141)	(86)
Short-term borrowings, net	(240)	(106)
Issuance of common stock	10	10
Dividends on common stock	(107)	(99)
Other	(6)	(7)
Net cash used for financing activities	(112)	(288)
Net Increase (Decrease) in Cash and Cash Equivalents	153	(11)
Cash and Cash Equivalents at Beginning of Period	65	68
Cash and Cash Equivalents at End of Period	$218	$57

See Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Consolidated Statements of Changes in Equity (Unaudited)

	Common Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total
	Shares	Amount				
	(Dollars in millions, shares in thousands)					
Balance, December 31, 2012	172,352	$3,587	$3,944	$ (158)	$ 38	$7,411
Net income	—	—	234	—	1	235
Dividends declared on common stock	—	—	(107)	—	—	(107)
Issuance of common stock	158	10	—	—	—	10
Contribution of common stock to pension plan	750	50	—	—	—	50
Foreign currency translation, net of tax	—	—	—	(1)	—	(1)
Benefit obligations, net of tax	—	—	—	3	—	3
Stock-based compensation, distributions to noncontrolling interests and other	691	36	(2)	—	(3)	31
Balance, March 31, 2013	173,951	$3,683	$4,069	$ (156)	$ 36	$7,632

See Notes to Consolidated Financial Statements (Unaudited)

DTE Energy Company

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Corporate Structure

DTE Energy owns the following businesses:

- DTE Electric, an electric utility engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan;
- DTE Gas, a natural gas utility engaged in the purchase, storage, transportation, distribution and sale of natural gas to approximately 1.2 million customers throughout Michigan and the sale of storage and transportation capacity; and
- Other businesses involved in 1) natural gas pipelines, gathering and storage; 2) power and industrial projects; and 3) energy marketing and trading operations.

DTE Electric and DTE Gas are regulated by the MPSC. Certain activities of DTE Electric and DTE Gas, as well as various other aspects of businesses under DTE Energy are regulated by the FERC. In addition, the Company is regulated by other federal and state regulatory agencies including the NRC, the EPA and the MDEQ.

References in this Report to "Company" or "DTE" are to DTE Energy and its subsidiaries, collectively.

Basis of Presentation

These Consolidated Financial Statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the 2012 Annual Report on Form 10-K.

The accompanying Consolidated Financial Statements are prepared using accounting principles generally accepted in the United States of America. These accounting principles require management to use estimates and assumptions that impact reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from the Company's estimates.

The Consolidated Financial Statements are unaudited, but in the Company's opinion include all adjustments necessary to a fair statement of the results for the interim periods. All adjustments are of a normal recurring nature, except as otherwise disclosed in these Consolidated Financial Statements and Notes to Consolidated Financial Statements. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2013.

Certain prior year balances were reclassified to match the current year's financial statement presentation.

Principles of Consolidation

The Company consolidates all majority-owned subsidiaries and investments in entities in which it has controlling influence. Non-majority owned investments are accounted for using the equity method when the Company is able to influence the operating policies of the investee. Non-majority owned investments include investments in limited liability companies, partnerships or joint ventures. When the Company does not influence the operating policies of an investee, the cost method is used. These consolidated financial statements also reflect the Company's proportionate interests in certain jointly owned utility plant. The Company eliminates all intercompany balances and transactions.

The Company evaluates whether an entity is a VIE whenever reconsideration events occur. The Company consolidates VIEs for which it is the primary beneficiary. If the Company is not the primary beneficiary and an ownership interest is held, the VIE is accounted for under the equity method of accounting. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including: the power, through voting or similar rights, to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb the expected losses and/or the right to receive the expected returns of the VIE. The Company performs ongoing reassessments of all VIEs to determine if the primary beneficiary status has changed.

Legal entities within the Company's Power and Industrial Projects segment enter into long-term contractual arrangements with customers to supply energy-related products or services. The entities are generally designed to pass-through the commodity risk associated with these contracts to the customers, with the Company retaining operational and customer default risk. These entities generally are VIEs. In addition, we have interests in certain VIEs that we share control of all significant activities for those entities with our partners, and therefore are accounted for under the equity method.

The Company has variable interests in VIEs through certain of its long-term purchase contracts. As of March 31, 2013, the carrying amount of assets and liabilities in the Consolidated Statements of Financial Position that relate to its variable interests under long-term purchase contracts are predominately related to working capital accounts and generally represent the amounts owed by the Company for the deliveries associated with the current billing cycle under the contracts. The Company has not provided any form of financial support associated with these long-term contracts. There is no significant potential exposure to loss as a result of its variable interests through these long-term purchase contracts.

In 2001, DTE Electric financed a regulatory asset related to Fermi 2 and certain other regulatory assets through the sale of rate reduction bonds by a wholly-owned special purpose entity, Securitization. DTE Electric performs servicing activities including billing and collecting surcharge revenue for Securitization. This entity is a VIE, and is consolidated by the Company.

The maximum risk exposure for consolidated VIEs is reflected on the Company's Consolidated Statements of Financial Position. For non-consolidated VIEs, the maximum risk exposure is generally limited to its investment and amounts which it has guaranteed.

The following table summarizes the major balance sheet items for consolidated VIEs as of March 31, 2013 and December 31, 2012. Amounts at March 31, 2013 and December 31, 2012 for consolidated VIEs that are either (1) assets that can be used only to settle obligations of the VIE or (2) liabilities for which creditors do not have recourse to the general credit of the primary beneficiary are segregated in the restricted amounts column. VIEs, in which the Company holds a majority voting interest and is the primary beneficiary, that meet the definition of a business and whose assets can be used for purposes other than the settlement of the VIE's obligations have been excluded from the table below.

DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

	March 31, 2013				December 31, 2012			
	Securitization	Other	Total	Restricted Amounts	Securitization	Other	Total	Restricted Amounts
	(In millions)							
ASSETS								
Cash and cash equivalents	$—	$8	$8	$6	$—	$10	$10	$8
Restricted cash	45	6	51	51	102	7	109	109
Accounts receivable	35	6	41	38	34	7	41	38
Inventories	—	63	63	3	—	141	141	3
Other current assets	—	1	1	—	—	1	1	1
Property, plant and equipment	—	90	90	47	—	93	93	49
Securitized regulatory assets	369	—	369	369	413	—	413	413
Other assets	7	10	17	17	7	11	18	18
	$456	$184	$640	$531	$556	$270	$826	$639
LIABILITIES								
Accounts payable and accrued current liabilities	$2	$14	$16	$3	$11	$14	$25	$12
Current portion long-term debt, including capital leases	189	8	197	197	177	8	185	185
Current regulatory liabilities	46	—	46	46	50	—	50	50
Other current liabilities	—	4	4	4	—	4	4	3
Mortgage bonds, notes and other	—	24	24	24	—	25	25	25
Securitization bonds	201	—	201	201	302	—	302	302
Capital lease obligations	—	8	8	8	—	11	11	11
Other long-term liabilities	8	2	10	8	7	2	9	8
	$446	$60	$506	$491	$547	$64	$611	$596

Amounts for non-consolidated VIEs as of March 31, 2013 and December 31, 2012 are as follows:

	March 31, 2013	December 31, 2012
	(In millions)	
Other investments	$134	$130
Notes receivable	6	6

NOTE 2 — SIGNIFICANT ACCOUNTING POLICIES

Comprehensive Income

Comprehensive income is the change in common shareholders' equity during a period from transactions and events from non-owner sources, including net income. As shown in the following table, amounts recorded to accumulated other comprehensive loss for the three months ended March 31, 2013 include unrealized gains and losses from derivatives accounted for as cash flow hedges, unrealized gains and losses on available for sale securities and the Company's interest in comprehensive income of equity investees, which comprise the net unrealized gain/(loss) on investments, changes in benefit obligations, consisting of deferred actuarial losses, prior service costs and transition amounts related to pension and other postretirement benefit plans, and foreign currency translation adjustments.

DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Changes in Accumulated Other Comprehensive Loss by Component (a)
For The Three Months Ended March 31, 2013

	Net Unrealized Gain/(Loss) on Derivatives	Net Unrealized Gain/(Loss) on Investments	Benefit Obligations (b)	Foreign Currency Translation	Total
	(In millions)				
Beginning balance, January 1, 2013	$(4)	$(29)	$(127)	$2	$(158)
Other comprehensive income before reclassifications	—	—	—	(1)	(1)
Amounts reclassified from accumulated other comprehensive income	—	—	3	—	3
Net current-period other comprehensive income	—	—	3	(1)	2
Ending balance, March 31, 2013	$(4)	$(29)	$(124)	$1	$(156)

(a) All amounts are net of tax.
(b) The amounts reclassified from accumulated other comprehensive income are included in the computation of the net periodic pension cost (see Retirement Benefits and Trusteed Assets Note 13).

Intangible Assets

The Company has certain intangible assets relating to emission allowances, renewable energy credits and non-utility contracts as shown below:

	March 31, 2013	December 31, 2012
	(In millions)	
Emission allowances	$5	$6
Renewable energy credits	46	44
Contract intangible assets	140	139
	191	189
Less accumulated amortization	37	34
Intangible assets, net	154	155
Less current intangible assets	19	20
	$135	$135

Emission allowances and renewable energy credits are charged to expense, using average cost, as the allowances and credits are consumed in the operation of the business. The Company amortizes contract intangible assets on a straight-line basis over the expected period of benefit, ranging from 3 to 28 years.

Income Taxes

The Company's effective tax rate from continuing operations for the three months ended March 31, 2013 is 31 percent as compared to 32 percent for the three months ended March 31, 2012.

The Company had $3 million of unrecognized tax benefits at March 31, 2013, that, if recognized, would favorably impact its effective tax rate. The Company believes that it is possible that there will be a decrease in the unrecognized tax benefits of up to $1 million in the next twelve months.

NOTE 3 — FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company makes certain assumptions it believes that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. Credit risk of the Company and its counterparties is incorporated in the valuation of assets and liabilities through the use of credit reserves, the impact of which

DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

was immaterial at March 31, 2013 and December 31, 2012. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, that prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. All assets and liabilities are required to be classified in their entirety based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Company classifies fair value balances based on the fair value hierarchy defined as follows:

- Level 1 — Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.
- Level 2 — Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.
- Level 3 — Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of March 31, 2013 and December 31, 2012:

	March 31, 2013					December 31, 2012				
	Level 1	Level 2	Level 3	Netting (a)	Net Balance	Level 1	Level 2	Level 3	Netting (a)	Net Balance
	(In millions)									
Assets:										
Cash equivalents (b)	$—	$65	$—	$—	$65	$—	$123	$—	$—	$123
Nuclear decommissioning trusts	743	340	—	—	1,083	694	343	—	—	1,037
Other investments (c) (d)	69	48	—	—	117	66	44	—	—	110
Derivative assets:										
Commodity Contracts:										
Natural Gas	435	84	20	(531)	8	555	66	24	(605)	40
Electricity	—	223	85	(247)	61	—	226	134	(258)	102
Other	18	3	2	(19)	4	6	3	2	(6)	5
Total derivative assets	453	310	107	(797)	73	561	295	160	(869)	147
Total	$1,265	$763	$107	$(797)	$1,338	$1,321	$805	$160	$(869)	$1,417
Liabilities:										
Derivative liabilities:										
Interest rate contracts	$—	$(1)	$—	$—	$(1)	$—	$(1)	$—	$—	$(1)
Commodity Contracts:										
Natural Gas	(497)	(66)	(54)	577	(40)	(526)	(73)	(62)	605	(56)
Electricity	—	(213)	(94)	254	(53)	—	(240)	(111)	258	(93)
Other	(17)	(2)	—	18	(1)	(6)	(1)	—	6	(1)
Total derivative liabilities	(514)	(282)	(148)	849	(95)	(532)	(315)	(173)	869	(151)
Total	$(514)	$(282)	$(148)	$849	$(95)	$(532)	$(315)	$(173)	$869	$(151)
Net Assets (Liabilities) at the end of the period	$751	$481	$(41)	$52	$1,243	$789	$490	$(13)	$—	$1,266
Assets:										
Current	$426	$327	$87	$(719)	$121	$493	$372	$120	$(754)	$231
Noncurrent (e)	839	436	20	(78)	1,217	828	433	40	(115)	1,186
Total Assets	$1,265	$763	$107	$(797)	$1,338	$1,321	$805	$160	$(869)	$1,417
Liabilities:										
Current	$(483)	$(248)	$(125)	$775	$(81)	$(466)	$(269)	$(144)	$754	$(125)
Noncurrent	(31)	(34)	(23)	74	(14)	(66)	(46)	(29)	115	(26)
Total Liabilities	$(514)	$(282)	$(148)	$849	$(95)	$(532)	$(315)	$(173)	$869	$(151)
Net Assets (Liabilities) at the end of the period	$751	$481	$(41)	$52	$1,243	$789	$490	$(13)	$—	$1,266

(a) Amounts represent the impact of master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.
(b) At March 31, 2013, available for sale securities of $65 million included $51 million and $14 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial

Position, respectively. At December 31, 2012, available for sale securities of $123 million, included $109 million and $14 million of cash equivalents included in Restricted cash and Other investments on the Consolidated Statements of Financial Position, respectively.

(c) Excludes cash surrender value of life insurance investments.

(d) Available for sale equity securities of $6 million at March 31, 2013 and $5 million at December 31, 2012, respectively, are included in Other investments on the Consolidated Statements of Financial Position.

(e) Includes $117 million and $110 million of Other investments that are included in the Consolidated Statements of Financial Position in Other investments at March 31, 2013 and December 31, 2012, respectively.

Cash Equivalents

Cash equivalents include investments with maturities of three months or less when purchased. The cash equivalents shown in the fair value table are comprised of short-term investments and money market funds. The fair values of the shares in these investments are based upon observable market prices for similar securities and, therefore, have been categorized as Level 2 in the fair value hierarchy.

DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Nuclear Decommissioning Trusts and Other Investments

The nuclear decommissioning trusts and other investments hold debt and equity securities directly and indirectly through institutional mutual funds. Exchange-traded debt and equity securities held directly are valued using quoted market prices in actively traded markets. The institutional mutual funds which hold exchange-traded equity or debt securities are valued based on the underlying securities, using quoted prices in actively traded markets. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services. A primary price source is identified by asset type, class or issue for each security. The trustees monitor prices supplied by pricing services and may use a supplemental price source or change the primary price source of a given security if the trustees determine that another price source is considered to be preferable. DTE Energy has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in deriving such prices. Additionally, DTE Energy selectively corroborates the fair values of securities by comparison of market-based price sources. Investment policies and procedures are determined by the Company's Trust Investments Department which reports to the Company's Vice President and Treasurer.

Derivative Assets and Liabilities

Derivative assets and liabilities are comprised of physical and financial derivative contracts, including futures, forwards, options and swaps that are both exchange-traded and over-the-counter traded contracts. Various inputs are used to value derivatives depending on the type of contract and availability of market data. Exchange-traded derivative contracts are valued using quoted prices in active markets. DTE Energy considers the following criteria in determining whether a market is considered active: frequency in which pricing information is updated, variability in pricing between sources or over time and the availability of public information. Other derivative contracts are valued based upon a variety of inputs including commodity market prices, broker quotes, interest rates, credit ratings, default rates, market-based seasonality and basis differential factors. DTE Energy monitors the prices that are supplied by brokers and pricing services and may use a supplemental price source or change the primary price source of an index if prices become unavailable or another price source is determined to be more representative of fair value. DTE Energy has obtained an understanding of how these prices are derived. Additionally, DTE Energy selectively corroborates the fair value of its transactions by comparison of market-based price sources. Mathematical valuation models are used for derivatives for which external market data is not readily observable, such as contracts which extend beyond the actively traded reporting period. The Company has established a Risk Management Committee whose responsibilities include directly or indirectly ensuring all valuation methods are applied in accordance with predefined policies. The development and maintenance of our forward price curves has been assigned to our Risk Management Department, which is separate and distinct from the trading functions within the Company.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013				Three Months Ended March 31, 2012			
	Natural Gas	Electricity	Other	Total	Natural Gas	Electricity	Other	Total
	(In millions)							
Net Assets (Liabilities) as of January 1	$(38)	$ 23	$2	$(13)	$6	$ 32	$6	$44
Transfers into Level 3	—	—	—	—	—	27	—	27
Transfers out of Level 3	(2)	—	—	(2)	(2)	—	—	(2)
Total gains (losses):								
Included in earnings	(8)	8	—	—	6	(14)	1	(7)

Recorded in regulatory assets/liabilities	—	—	1	1	—	—	1	1
Purchases, issuances and settlements:								
Settlements	14	(40)	(1)	(27)	(4)	(20)	(2)	(26)
Net Assets (Liabilities) as of March 31	$(34)	$(9)	$2	$(41)	$6	$25	$6	$37
The amount of total gains (losses) included in net income attributed to the change in unrealized gains (losses) related to assets and liabilities held at March 31, 2013 and 2012 and reflected in Operating revenues and Fuel, purchased power and gas in the Consolidated Statements of Operations	$(5)	$(6)	$—	$(11)	$6	$1	$1	$8

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DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited) — (Continued)

Derivatives are transferred between levels primarily due to changes in the source data used to construct price curves as a result of changes in market liquidity. Transfers in and transfers out are reflected as if they had occurred at the beginning of the period. The following table shows transfers between the levels of the fair value hierarchy for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(In millions)					
Transfers into Level 1 from	N/A	$—	$—	N/A	$—	$—
Transfers into Level 2 from	$—	N/A	2	$—	N/A	2
Transfers into Level 3 from	—	—	N/A	—	27	N/A

The following table presents the unobservable inputs related to Level 3 assets and liabilities as of March 31, 2013:

Commodity Contracts	March 31, 2013 Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range		Weighted Average	
	(In millions)							
Natural Gas	$20	$(54)	Discounted Cash Flow	Forward basis price (per MMBtu)	$(0.26)—$1	/MMBtu	$0.03	/MMBtu
Electricity	$85	$(94)	Discounted Cash Flow	Forward basis price (per MWh)	$(2)—$10	/MWh	$2	/MWh

The following table presents the unobservable inputs related to Level 3 assets and liabilities as of December 31, 2012:

Commodity Contracts	December 31, 2012 Derivative Assets	Derivative Liabilities	Valuation Techniques	Unobservable Input	Range		Weighted Average	
	(In millions)							
Natural Gas	$24	$(62)	Discounted Cash Flow	Forward basis price (per MMBtu)	$(0.63)—$1.95	/MMBtu	$0.03	/MMBtu
Electricity	134	(111)	Discounted Cash Flow	Forward basis price (per MWh)	$(2)—$16	/MWh	$3	/MWh

The unobservable inputs used in the fair value measurement of the electricity and natural gas commodity types consist of inputs that are less observable due in part to lack of available broker quotes, supported by little, if any, market activity at the measurement date or are based on internally developed models. Certain forward market and/or basis prices (i.e. the difference in pricing between two locations) that were included in the valuation of natural gas and electricity contracts were deemed unobservable.

The inputs listed above would have a direct impact on the fair values of the above security types if they were adjusted. A significant increase (decrease) in the forward market or basis price would result in a higher (lower) fair value for long positions, with offsetting impacts to short positions.

Fair Value of Financial Instruments

The fair value of financial instruments included in the table below is determined by using quoted market prices when available. When quoted prices are not available, pricing services may be used to determine the fair value with reference to observable interest rate indexes. DTE Energy has obtained an understanding of how the fair values are derived. DTE Energy also selectively corroborates the fair value of its transactions by comparison of market-based price sources. Discounted cash flow analyses based upon estimated current borrowing rates are also used to determine fair value when quoted market prices are not available. The fair values of notes receivable, excluding capital leases, are estimated using discounted cash flow techniques that incorporate market interest rates as well as assumptions about the remaining life of the loans and credit risk. Depending on the information available, other valuation techniques may be used that rely on internal assumptions and models. Valuation policies and procedures are determined by DTE Energy's Treasury Department which reports to the Company's Vice President and Treasurer.

The following table presents the carrying amount and fair value of financial instruments as of March 31, 2013 and December 31, 2012:

	March 31, 2013				December 31, 2012			
	Carrying	Fair Value			Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3	Amount	Level 1	Level 2	Level 3
	(In millions)							
Notes receivable, excluding capital leases	$37	$—	$—	$37	$39	$—	$—	$39
Dividends payable	108	108	—	—	107	107	—	—
Short-term borrowings	—	—	—	—	240	—	240	—
Long-term debt	8,046	513	7,441	1,089	7,813	507	7,453	933

See Note 4 for further fair value information on financial and derivative instruments.

Nuclear Decommissioning Trust Funds

DTE Electric has a legal obligation to decommission its nuclear power plants following the expiration of their operating licenses. This obligation is reflected as an asset retirement obligation on the Consolidated Statements of Financial Position. Rates approved by the MPSC provide for the recovery of decommissioning costs of Fermi 2 and the disposal of low-level radioactive waste. DTE Electric is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates.

The following table summarizes the fair value of the nuclear decommissioning trust fund assets:

	March 31, 2013	December 31, 2012
	(In millions)	
Fermi 2	$1,066	$1,021
Fermi 1	3	3
Low level radioactive waste	14	13
Total	$1,083	$1,037

The debt securities at both March 31, 2013 and December 31, 2012 had an average maturity of approximately 6 years. Securities held in the nuclear decommissioning trust funds are classified as available-for-sale. As DTE Electric does not have the ability to hold impaired investments for a period of time sufficient to allow for the anticipated recovery of market value, all unrealized losses are considered to be other than temporary impairments.

The costs of securities sold are determined on the basis of specific identification. The following table sets forth the gains and losses and proceeds from the sale of securities by the nuclear decommissioning trust funds:

	Three Months Ended March 31,	
	2013	2012
	(In millions)	
Realized gains	$8	$6
Realized losses	$(7)	$(4)
Proceeds from sales of securities	$12	$11

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Realized gains and losses from the sale of securities for the Fermi 2 and the low level radioactive waste funds are recorded to the Regulatory asset and Nuclear decommissioning liability. The following table sets forth the fair value and unrealized gains for the nuclear decommissioning trust funds:

	March 31, 2013		December 31, 2012	
	Fair Value	Unrealized Gains	Fair Value	Unrealized Gains
	(In millions)			
Equity securities	$674	$158	$631	$122
Debt securities	400	24	399	27
Cash and cash equivalents	9	—	7	—
	$1,083	$182	$1,037	$149

Unrealized losses incurred by the Fermi 2 trust are recognized as a Regulatory asset. DTE Electric recognized $42 million and $44 million of unrealized losses as Regulatory assets at March 31, 2013 and December 31, 2012, respectively. Since the decommissioning of Fermi 1 is funded by DTE Electric rather than through a regulatory recovery mechanism, there is no corresponding regulatory asset treatment. Therefore, unrealized losses incurred by the Fermi 1 trust are recognized in earnings immediately. There were no unrealized losses recognized in the three months ended March 31, 2013 and March 31, 2012 for Fermi 1.

Available-for-sale Securities

At March 31, 2013 and December 31, 2012, these securities are comprised primarily of money market and equity securities. During the three months ended March 31, 2013 and March 31, 2012, no amounts of unrealized losses on available for sale securities were reclassified out of other comprehensive income into net income for the periods. Gains related to available for sale securities held at March 31, 2013 and March 31, 2012 were $7 million for each period.

NOTE 4 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

The Company recognizes all derivatives at their fair value as Derivative Assets or Liabilities on the Consolidated Statements of Financial Position unless they qualify for certain scope exceptions, including the normal purchases and normal sales exception. Further, derivatives that qualify and are designated for hedge accounting are classified as either hedges of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge), or as hedges of the fair value of a recognized asset or liability or of an unrecognized firm commitment (fair value hedge). For cash flow hedges, the portion of the derivative gain or loss that is effective in offsetting the change in the value of the underlying exposure is deferred in Accumulated other comprehensive income and later reclassified into earnings when the underlying transaction occurs. Gains or losses from the ineffective portion of cash flow hedges are recognized in earnings immediately. For fair value hedges, changes in fair values for the derivative and hedged item are recognized in earnings each period. For derivatives that do not qualify or are not designated for hedge accounting, changes in the fair value are recognized in earnings each period.

The Company's primary market risk exposure is associated with commodity prices, credit, and interest rates. The Company has risk management policies to monitor and manage market risks. The Company uses derivative instruments to manage some of the exposure. The Company uses derivative instruments for trading purposes in its Energy Trading segment. Contracts classified as derivative instruments include power, natural gas, oil and certain coal forwards, futures, options and swaps, and foreign currency exchange contracts. Items not classified as derivatives include natural gas inventory, pipeline transportation contracts, renewable energy credits and natural gas storage assets.

Electric — DTE Electric generates, purchases, distributes and sells electricity. DTE Electric uses forward energy contracts to manage changes in the price of electricity and fuel. Substantially all of these contracts meet the normal purchases and sales exemption and are therefore accounted for under the accrual method. Other derivative contracts are recoverable through the PSCR mechanism when settled. This results in the deferral of unrealized gains and losses as Regulatory assets or liabilities until realized.

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Gas — DTE Gas purchases, stores, transports, distributes and sells natural gas and sells storage and transportation capacity. DTE Gas has fixed-priced contracts for portions of its expected natural gas supply requirements through 2016. Substantially all of these contracts meet the normal purchases and sales exemption and are therefore accounted for under the accrual method. DTE Gas may also sell forward transportation and storage capacity contracts. Forward transportation and storage contracts are generally not derivatives and are therefore accounted for under the accrual method.

Gas Storage and Pipelines — This segment is primarily engaged in services related to the transportation and storage of natural gas. Primarily fixed-priced contracts are used in the marketing and management of transportation and storage services. Generally these contracts are not derivatives and are therefore accounted for under the accrual method.

Power and Industrial Projects — Business units within this segment manage and operate onsite energy and pulverized coal projects, coke batteries, landfill gas recovery and power generation assets. These businesses utilize fixed-priced contracts in the marketing and management of their assets. These contracts are generally not derivatives and are therefore accounted for under the accrual method.

Energy Trading — Commodity Price Risk — Energy Trading markets and trades electricity, coal, natural gas physical products and energy financial instruments, and provides energy and asset management services utilizing energy commodity derivative instruments. Forwards, futures, options and swap agreements are used to manage exposure to the risk of market price and volume fluctuations in its operations. These derivatives are accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

Energy Trading — Foreign Currency Exchange Risk — Energy Trading has foreign currency exchange forward contracts to economically hedge fixed Canadian dollar commitments existing under natural gas and power purchase and sale contracts and natural gas transportation contracts. The Company enters into these contracts to mitigate price volatility with respect to fluctuations of the Canadian dollar relative to the U.S. dollar. These derivatives are accounted for by recording changes in fair value to earnings unless hedge accounting criteria are met.

Corporate and Other — Interest Rate Risk — The Company uses interest rate swaps, treasury locks and other derivatives to hedge the risk associated with interest rate market volatility. In 2004 and 2000, the Company entered into a series of interest rate derivatives to limit its sensitivity to market interest rate risk associated with the issuance of long-term debt. Such instruments were designated as cash flow hedges. The Company subsequently issued long-term debt and terminated these hedges at a cost that is included in Other comprehensive loss. Amounts recorded in Other comprehensive loss will be reclassified to interest expense through 2033. In 2013, the Company estimates reclassifying less than $1 million of losses to earnings.

Credit Risk — The utility and non-utility businesses are exposed to credit risk if customers or counterparties do not comply with their contractual obligations. The Company maintains credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees. The Company generally uses standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty. The Company maintains a provision for credit losses based on factors surrounding the credit risk of its customers, historical trends, and other information. Based on the Company's credit policies and its March 31, 2013 provision for credit losses, the Company's exposure to counterparty nonperformance is not expected to have a material adverse effect on the Company's financial statements.

Derivative Activities

The Company manages its mark-to-market (MTM) risk on a portfolio basis based upon the delivery period of its contracts and the individual components of the risks within each contract. Accordingly, it records and manages the energy purchase and sale obligations under its contracts in separate components based on the commodity (e.g. electricity or natural gas), the product (e.g. electricity for delivery during peak or off-peak hours), the delivery location (e.g. by region), the risk profile (e.g. forward or option), and the delivery period (e.g. by month and year). The following describes the categories of activities represented by their operating characteristics and key risks:

- Asset Optimization — Represents derivative activity associated with assets owned and contracted by DTE Energy, including forward natural gas purchases and sales, natural gas transportation and storage capacity. Changes in the value of derivatives in this category typically economically offset changes in the value of underlying non-derivative

DTE Energy Company
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positions, which do not qualify for fair value accounting. The difference in accounting treatment of derivatives in this category and the underlying non-derivative positions can result in significant earnings volatility.

- Marketing and Origination — Represents derivative activity transacted by originating substantially hedged positions with wholesale energy marketers, producers, end users, utilities, retail aggregators and alternative energy suppliers.

- Fundamentals Based Trading — Represents derivative activity transacted with the intent of taking a view, capturing market price changes, or putting capital at risk. This activity is speculative in nature as opposed to hedging an existing exposure.

- Other — Includes derivative activity at DTE Electric related to FTRs. Changes in the value of derivative contracts at DTE Electric are recorded as Derivative Assets or Liabilities, with an offset to Regulatory Assets or Liabilities as the settlement value of these contracts will be included in the PSCR mechanism when realized.

The following tables present the fair value of derivative instruments as of March 31, 2013 and December 31, 2012:

	March 31, 2013		December 31, 2012	
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
	(In millions)			
Derivatives designated as hedging instruments:				
Interest rate contracts	$—	$(1)	$—	$(1)
Derivatives not designated as hedging instruments:				
Commodity Contracts:				
Natural Gas	539	(617)	645	(661)
Electricity	308	(307)	360	(351)
Other	23	(19)	11	(7)
Total derivatives not designated as hedging instruments:	$870	$(943)	$1,016	$(1,019)
Total derivatives:				
Current	$775	$(856)	$862	$(879)
Noncurrent	95	(88)	154	(141)
Total derivatives	$870	$(944)	$1,016	$(1,020)

Certain of the Company's derivative positions are subject to netting arrangements which provide for offsetting of asset and liability positions as well as related cash collateral. Such netting arrangements generally do not have restrictions. Under such netting arrangements, the Company offsets the fair value of derivative instruments with cash collateral received or paid for those contracts executed with the same counterparty, which reduces the Company's total assets and liabilities. Cash collateral is allocated between the fair value of derivative instruments and customer accounts receivable and payable with the same counterparty on a pro rata basis to the extent there is exposure. Any cash collateral remaining after exposure is netted to zero is reflected in accounts receivable and accounts payable as collateral paid or received, respectively.

The Company also provides and receives collateral in the form of letters of credit which can be offset against net derivative assets and liabilities as well as accounts receivable and payable. The Company had issued letters of credit of approximately $9 million and $63 million at March 31, 2013 and December 31, 2012, respectively, which could be used to offset our net derivative liabilities. Letters of credit received from third parties which could be used to offset our net derivative assets were not material for the periods presented. Such balances of letters of credit are excluded from the tables below and are not netted with the recognized assets and liabilities in the Consolidated Statements of Financial Position.

For contracts with certain clearing agents the fair value of derivative instruments is netted against realized positions with the net balance reflected as either 1) a derivative asset or liability or 2) an account receivable or payable. Other than certain clearing agents, accounts receivable and accounts payable that are subject to netting arrangements have not been offset against the fair value of derivative assets and liabilities. Certain contracts that have netting arrangements have not been offset in the Consolidated Statements of Financial Position. The associated fair value of derivative instruments and cash collateral related to such contracts are not material and have been excluded from the table below.

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As of March 31, 2013, the total cash collateral posted, net of cash collateral received, was $53 million. As of December 31, 2012, the total cash collateral received, net of cash collateral posted, was $20 million. As of March 31, 2013, derivative assets and derivative liabilities are shown net of collateral of $4 million and $56 million, respectively. There was no collateral related to unrealized positions to net against derivative assets and liabilities as of December 31, 2012. The Company recorded cash collateral paid of $4 million and cash collateral received of $3 million not related to unrealized derivative positions as of March 31, 2013. The Company recorded cash collateral paid of $4 million and cash collateral received of $24 million not related to unrealized derivative positions, as of December 31, 2012. These amounts are included in accounts receivable and accounts payable and are recorded net by counterparty.

The following table presents the netting offsets of derivative assets and liabilities at March 31, 2013 and December 31, 2012:

	March 31, 2013			December 31, 2012		
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in the Consolidated Statements of Financial Position	Net Amounts of Assets (Liabilities) Presented in the Consolidated Statements of Financial Position
	(In millions)					
Derivative assets:						
Commodity Contracts:						
Natural Gas	$539	$(531)	$8	$645	$(605)	$40
Electricity	308	(247)	61	360	(258)	102
Other	23	(19)	4	11	(6)	5
Total derivative assets	$870	$(797)	$73	$1,016	$(869)	$147
Derivative liabilities:						
Interest rate contracts	$(1)	$—	$(1)	$(1)	$—	$(1)
Commodity Contracts:						
Natural Gas	(617)	577	(40)	(661)	605	(56)
Electricity	(307)	254	(53)	(351)	258	(93)
Other	(19)	18	(1)	(7)	6	(1)
Total derivative liabilities	$(944)	$849	$(95)	$(1,020)	$869	$(151)

The following table presents the netting offsets of derivative assets and liabilities at March 31, 2013 and December 31, 2012:

	March 31, 2013				December 31, 2012			
	Derivative Assets		Derivative Liabilities		Derivative Assets		Derivative Liabilities	
	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent	Current	Noncurrent
	(In millions)							
Reconciliation of derivative instruments to Consolidated Statements of Financial								

Position:								
Total fair value of derivatives	$775	$95	$(856)	$(88)	$862	$154	$(879)	$(141)
Counterparty netting	(719)	(74)	719	74	(754)	(115)	754	115
Collateral adjustment	—	(4)	56	—	—	—	—	—
Total derivatives as reported	$56	$17	$(81)	$(14)				