

Rating Action: Moody's places DTE Energy on review for downgrade

Global Credit Research - 27 Sep 2016

Approximately \$3.7 billion of debt securities affected

New York, September 27, 2016 -- Moody's Investors Service (Moody's) today placed the ratings of DTE Energy Company (DTE, A3) under review for downgrade. The action follows DTE's announcement that it will purchase midstream pipeline and gathering assets in the southwest Marcellus / Utica shale regions for about \$1.3 billion. The ratings of DTE's utility subsidiaries, DTE Electric Company (DTE Electric, A2) and DTE Gas Company (DTE Gas, Aa3 senior secured) are not under review and their outlooks are stable.

RATINGS RATIONALE

The review for downgrade is prompted by DTE's plans to increase its exposure to gas midstream assets which, by their nature, have more volatile earnings and cash flow streams than DTE's primary electric and gas utility, pipeline, and gas storage assets. The review will focus on DTE's acquisition financing plan that will initially result in approximately \$1.3 billion of additional parent company debt. As a result, the percentage of parent company debt within DTE's capital structure will increase to over 30% versus around 22% as of year-end 2015. The review will consider the additional operating and financial risk that will result from the transaction, as well as the increase in structural subordination risk at the parent company vis-à-vis its utility subsidiaries. To the extent the transaction closes as anticipated, we would expect the long-term ratings of DTE to be downgraded by no more than one notch.

The transaction will significantly increase DTE's midstream presence in the Appalachian basin. Although the asset purchase is consistent with DTE's growth strategy and existing expertise in managing natural gas assets, the revenues associated with the assets are predominately generated by volume based contracts with natural gas producers, which tend to be of lower credit quality. As result, we view DTE's midstream activities as having greater overall business risk than its regulated utility, pipeline and storage businesses.

On September 26, DTE announced an agreement to purchase 100% of the Appalachia Gathering System (AGS) located in Pennsylvania and West Virginia, and 40% of Stonewall Gas Gathering (SGG) in West Virginia, from Momentum Midstream. In addition, DTE will purchase 15% of SGG from Vega Energy Partners. The assets gather natural gas produced in the southwest Marcellus / Utica regions, and provide access to markets in the Midwest, Ontario and Northeast through interconnections with Columbia Gas Transmission, Texas Eastern Transmission and the NEXUS Gas Transmission project currently being developed by DTE and Spectra Energy. The transaction is expected to be completed in October 2016.

Rating Outlook

The ratings of DTE are under review for downgrade.

Factors that Could Lead to an Upgrade

Given the review for possible downgrade, the ratings are unlikely to move upward in the near-to-medium term.

Factors that Could Lead to a Downgrade

Completion of DTE's pending gas midstream asset acquisition would likely cause its ratings to be downgraded by no more than one notch. In addition, an adverse change in Michigan's supportive regulatory environment, or a decline in DTE's ratio of cash flow from operations excluding changes in working capital to debt to below the high-teens range would also put downward pressure on the ratings.

DTE is a holding company that owns two Michigan regulated utilities, DTE Electric Company (DTE Electric) and DTE Gas Company (DTE Gas), as well as investments in regulated natural gas pipelines and storage, non-utility power and energy projects, and energy trading. DTE generates approximately 85% of its cash flow pre working capital (CFO pre WC) from its two regulated utilities.

On Review for Downgrade:

..Issuer: DTE Energy Company

....Junior Subordinated Regular Bond/Debenture, Placed on Review for Downgrade, currently Baa1

....Senior Unsecured Shelf, Placed on Review for Downgrade, currently (P)A3

....Subordinate Shelf, Placed on Review for Downgrade, currently (P)Baa1

....Senior Unsecured Bank Credit Facility, Placed on Review for Downgrade, currently A3

....Senior Unsecured Commercial Paper, Placed on Review for Downgrade, currently P-2

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Downgrade, currently A3

The principal methodology used in these ratings was Regulated Electric and Gas Utilities published in December 2013. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

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