

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **DTE GAS**
COMPANY for authority to increase its rates,
amend its rate schedules and rules governing the Case No. **U-20940**
distribution and supply of natural gas, and for
miscellaneous accounting authority

MOTION OF THE
RESIDENTIAL CUSTOMER GROUP FOR OFFICIAL
ADMINISTRATIVE NOTICE OF SEC REPORTS AND ANALYSIS ARTICLE
CONCERNING DTE MIDSTREAM SPIN-OFF

The Residential Customer Group (RCG), by its undersigned counsel, pursuant to Rule 428 of the Commission’s Rules of Practice and Procedure, R 792.10428, files this Motion requesting the Administrative Law Judge (ALJ) and the Commission to take official administrative notice for purposes of the evidentiary record and case briefing of reports filed by DTE Energy or DT Midstream at the Securities and Exchange Commission (SEC) and of a July 2, 2021 analysis article concerning DTE Energy’s spin-off of its Midstream assets. In further support of this Motion, RCG states:

1. DTE Energy has recently completed a spin-off of its Midstream pipeline and storage facilities and assets to its shareholders, as confirmed by recent SEC reports filed on behalf of DTE Energy and DT Midstream, and by a press release issued by DTE, and by subsequent analysis articles such as that proposed as Exhibit RCG-2 for entry into the evidentiary record and for case briefing purposes.

2. DTE Energy has filed several SEC reports which include reference to the planned or completed Midstream asset spin-off as listed on pages 1 and 2 of Exhibit RCG-1, as supplemented by SEC filings made on behalf of DTE Energy and DT Midstream in SEC reports

filed on May 7, 2021, as amended on May 26, 2021 (Form 10 Registration Statements), and in potentially other SEC Reports. While said SEC Reports comprise many hundreds of pages, RCG's Motion requests the ALJ and the Commission to take official administrative notice of those portions of said SEC reports that may be relevant to the Midstream asset spin-off, and other issues relevant to DTE Gas, as may be cited or quoted in the initial briefs or reply briefs of RCG or any other party to this case.

3. This Motion also requests the ALJ and Commission to take official administrative notice for purposes of the evidentiary record and case briefing of the attached July 2, 2021 analysis report, entitled "DTE Energy Completes Tax-Free Spin-off of DT Midstream," published in *Forbes Magazine* on-line (<https://www.forbes.com/sites/joecornell/2021/07/02/dte-energy-completes-tax-free-spin-off-of-dt-midstream/>), submitted by RCG as Exhibit RCG-2. This analysis report provides a concise summary of essential factual matters relating to the Midstream asset spin-off.

WHEREFORE, the RCG requests the ALJ and Commission to take official administrative notice for purposes of the evidentiary record and for case briefing purposes of the SEC Reports and the attached Midstream spin-off analysis report as identified in this motion.

Respectfully submitted,

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Dated: July 8, 2021

DTE Energy Completes Tax-Free Spin-Off Of DT Midstream



Joe Cornell

Contributor

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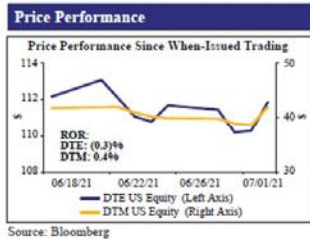
DETROIT - (Photo By Raymond Boyd/Getty Images)

On July 01, 2021, DTE Energy’s (NYSE: DTE, \$111.88, Market Capitalization: \$21.7 billion) stub unit DTE Energy (“DTE”) and spin entity DT Midstream (“DTM”) started regular-way trading. DTE opened at \$111.30, made intraday high of \$112.18 and low of \$110.56.00 and closed at \$111.88. On the other hand, DTM opened at \$38.65 and closed at \$42.02, with intraday high of \$42.50 and low of \$38.60. DTE Energy operates through two major business units, Utility operations and Non-Utility operations. Utility operations include DTE Electric and DTE Gas while Non-Utility operations include Gas Storage and Pipelines, Power and Industrial Projects and Energy Trading. Post separation of the Gas Storage and Pipelines business (DT Midstream), DTE Energy will comprise of the regulated electric and natural gas utility along with two segments belonging to the non-utility business; Power & Industrial Projects and Energy Trading business.

DTE Energy Company
Parent: DTE Energy Company (NYSE: DTE)
Sector: Utilities
Target Price: \$ 125.00 (Previously: \$127.00)
Share Price: \$111.88*
Recommendation: Buy
Upside: 12%

Spin-Off: DT Midstream, Inc. (NYSE: DTM)
Sector: Oil and Gas
Target Price: \$52.00
Share Price: \$42.02
Recommendation: Buy
Upside: 24%

*As of July 1, 2021



Spin-Off Details

Announcement	October 27, 2020
Initial Form 10 Filing	May 7, 2021
Latest Form 10 Filing	May 26, 2021
Record Date	June 18, 2021
When-Issued Trading	June 18, 2021
Distribution Date	July 1, 2021
Regular Way Trading	July 1, 2021
Spin-Off Ratio	1:2
Tax-Status	Tax-free
Index Impact	Part of S&P MidCap 400

DTE Energy Price Performance and Spin-Off Details

SPIN-OFF RESEARCH

On October 27, 2020, DTE Energy announced that the management has received unanimous authorization from the company’s Board of Directors to pursue a plan to spin-off its Non-Utility Gas Storage and Pipelines business into a new, independent, publicly traded company. On May 7, 2021, DTE filed initial Form-10 registration statement with the SEC in connection with the planned spin-off of DT Midstream. On May 26, 2021, DTE filed amended Form-10 with the SEC. Moreover, on June 4, 2021, DTE’s Board of Directors declared pro rata dividend of the outstanding shares of DT Midstream to be distributed to DTE shareholders. The spin-off ratio is 1:2, implying each DTE shareholder will receive one share of DT Midstream common stock for every two shares of DTE’s common stock. The transaction was tax-free to DTE Energy and its shareholders. The record date for the spin-off was June 18, 2021. DTE Energy and DT Midstream’s common stocks commenced when-issued trading on June 18, 2021 under the tickers “DTE WI” and “DTM WI”, respectively. The distribution date for the spinoff was July 1, 2021. DTE Energy continues to trade on NYSE under the symbol “DTE”, while DT

Midstream has been listed on NYSE under the symbol “DTM”. Both the stocks - commenced regular-way trading from July 1, 2021. Moreover, DTE continues to be part of the S&P 500 index and DTM has joined the S&P MidCap 400 Index.

We lower our target price on DTE Energy (DTE) to \$125.00 per share (Previously: \$127.00 per share), but reiterate our Buy rating as improved earnings visibility and lower leverage could lead to re-rating of the stock. We retain our target price of \$52.00 per share and Buy rating on DT Midstream (DTM) since it possesses integrated assets in key locations, which are vital for future growth prospects.

Top 5 Shareholders - DTE	Holding %
Capital Group Companies	19.10
Vanguard Group Inc	11.24
BlackRock	7.58
State Street Corp	4.85
Franklin Resources	3.18

Top 5 Shareholders - DTM	Holding %
State Street Corp	2.50
Invesco Ltd	0.54
First Trust	0.36
Victoria Capital Management, Inc	0.07
Goldman Sachs Group, Inc	0.05

Deal Overview

On October 27, 2020, DTE Energy (NYSE: DTE, \$111.88, Market Capitalization: \$21.7 billion) announced that the management has received unanimous authorization from the company’s Board of Directors to pursue a plan to spin-off its Non-Utility Gas Storage and Pipelines business into a new, independent, publicly traded company. The name of the new company to be spun-off is ‘DT Midstream, Inc’. DTE Energy operates through two major business units, Utility operations and Non-Utility operations. Utility operations include DTE Electric and DTE Gas while Non-Utility operations include Gas Storage and Pipelines, Power and Industrial Projects and Energy Trading. Post separation of the Gas Storage and Pipelines business (DT Midstream), DTE Energy will comprise of the regulated electric and natural gas utility along with two segments belonging to the non-utility business; Power & Industrial Projects and Energy Trading business.

Key Data - DTE	
Ticker	DTE
Primary Exchange	NYSE
Price (\$ as of July 1, 2021)	111.88
52 Week Range (\$)	88.66 - 123.74
Shares Outstanding (million)	193.7
Market Capitalization (\$ billion)	21.7
Net Debt (\$ billion)	19.2
Enterprise Value (\$ billion)	40.9
Market Float (%)	99.3
FY21 Est. P/E (x)	16.2
Fiscal Year Ending	December 31
FY20 Revenue (\$ billion)	12.2
Index Member	Part of S&P 500 Index

Key Data - DTM	
Ticker	DTM
Primary Exchange	NYSE
Price (\$ as of July 1, 2021)	42.05
52 Week Range (\$)	38.21 - 42.50
Shares Outstanding (million)	96.9
Market Capitalization (\$ billion)	4.1
Net Debt (\$ billion)	3.2
Enterprise Value (\$ billion)	7.3
Market Float (%)	100
Fiscal Year Ending	December 31
FY20 Revenue (\$ billion)	0.8
Index Member	Part of S&P MidCap 400

DTE Key Data and DTM Key Data

SPIN-OFF RESEARCH

On May 7, 2021, DTE filed initial Form-10 registration statement with the SEC in connection with the planned spin-off of DT Midstream. On May 26, 2021, DTE filed amended Form-10 with the SEC. Moreover, on June 4, 2021, DTE's Board of Directors declared pro rata dividend of the outstanding shares of DT Midstream to be distributed to DTE shareholders. The spin-off ratio was 1:2, implying each DTE shareholder received one share of DT Midstream common stock for every two shares of DTE's common stock. In line with the stated spin-off ratio, ~96,863,680 shares of DT Midstream's common stock have been issued immediately following the spin-off, based on ~193,727,361 shares of DTE's common stock. The record date for the spin-off was June 18, 2021. DTE Energy and DT Midstream's common stocks commenced when-issued trading on June 18, 2021 and continued till June 30, 2021 under the tickers "DTE WI" and "DTM WI", respectively. The distribution date for the spin-off was July 1, 2021. Post separation, DTE Energy continues to trade on NYSE under the symbol "DTE", while DT Midstream has been listed on NYSE under the symbol "DTM". The transaction was tax-free to DTE Energy and its

shareholders. Both the stocks commenced regular-way trading on July 1, 2021. DTM will set to join S&P MidCap 400 effective from July 2, 2021.

Both DTE Energy and DT Midstream will have their headquarters in Detroit, Michigan. Barclays and Lazard are serving as financial advisors and Cravath, Swaine & Moore LLP is acting as legal advisor to DTE Energy.

Post separation, DTE Energy would transform into pure play regulated utility company (~90% operating earnings from utility operations, currently ~70%) comprised of DTE Electric, DTE Gas, Power & Industrial projects and Energy trading. In FY21, the company is targeting 5%-7% long-term operating EPS growth on its original FY20 guidance. DTE Energy plans to invest ~\$17.5 billion in utility capital over FY21-25E.

DT Midstream expects to take on debt of ~\$3.1 billion (aggregate principal amount) in the form of senior notes and term loan. The net proceeds from the same will be distributed to DTE Energy prior to completion of the spinoff. On May 17, 2021, DT Midstream launched the syndication of secured credit facility that will provide for up to \$1 billion of term loans (7-year term loan facility) and up to \$750 million under a 5 year revolving credit facility to meet working capital and other cash flow needs. Moreover, on May 25, 2021, DT Midstream along with some of its subsidiaries entered into a Purchase Agreement with Barclays Capital Inc., pursuant to which the company issued senior notes offering of \$1.1 billion of 4.125% senior notes due 2029 and \$1.0 billion of 4.375% senior notes due 2031. The aforementioned senior notes offering was closed on June 9, 2021. As an independent company, in FY21 the unit is targeting Debt/Adjusted EBITDA of ~4x, dividend coverage ratio of ~2x and expects to generate Adjusted EBITDA of \$710-\$750 million. The unit's pipeline and storage assets are supported by long-term, fixed price revenue contracts (for FY20, ~70% revenue from firm revenue contracts with average tenor of 9 years).

Jerry Norcia, current president and CEO, and the current management team will continue to lead DTE Energy. Gerry Anderson will continue as executive chairman, and Ruth Shaw will continue as the company's lead independent director. Post separation, David Slater, currently president and COO of DTE Midstream, will become president and CEO of DT Midstream. Robert Skaggs Jr., a member of the DTE Energy Board, will serve as executive chairman of the DT Midstream Board and will continue to serve as a board member of the DTE Energy. Jeffrey Jewell, currently vice president, treasurer, and chief risk officer for DTE Energy, will serve as CFO for of DT Midstream. In October 2019, DTE Energy announced acquisition of gathering system and gathering

pipeline in the Haynesville shale formation, Louisiana from Momentum Midstream LLC for ~\$2.25 billion in cash and \$400 million milestone payment. The target M5 Midstream LLC, which was developed by Momentum Midstream, operates pipelines across Haynesville shale formation for transportation of gas and water used in shale exploration. In 2016, DTE acquired 100% of the Appalachia Gathering System (AGS), located in Pennsylvania, and 55% of the Stonewall Gas Gathering (SGG) located in West Virginia, respectively from Momentum Midstream for \$1.3 billion. The company also purchased an additional 30% stake in SGG for \$275 million in 2019; current holding in SGG is 85%. In 2018, the company also invested at least \$1 billion in the NEXUS pipeline, a 50-50 joint venture with Enbridge. In December 2019, the acquisition of Blue Union and LEAP added midstream natural gas assets. Separately, in February 2020, DTE Energy acquired an 8 MW heat and power generating facility from South Jersey Industries.

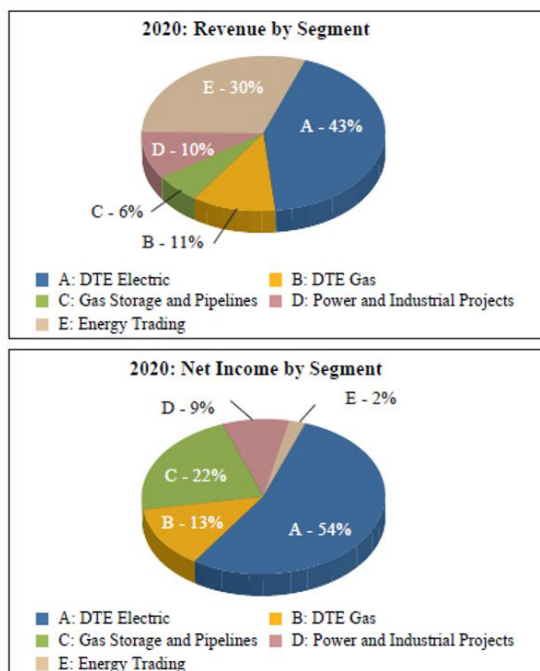
Deal Rationale

DTE is a diversified energy company comprising of regulated utility business and non utility business. In the recent past, DTE's peers such as CenterPoint Energy, PPL Corporation, Public Services Enterprise Group and Exelon Corporation were in the news for exploring options to divest their non-utility business. Since 2019, activist investor Elliott Management Corp. has been in discussions with DTE's management team to consider a spin-off or sale of the non-utility business. Post the spin-off announcement, Elliott disclosed significant equity ownership in DTE and announced support for the deal, amidst expectations of creation of two market-leading companies. According to sources, the transaction could unlock shareholder value in excess of \$5 billion.

The reduced economic activity in the wake of the COVID-19 pandemic led to a sharp fall in crude oil and natural gas prices, which impacted the financial performance of energy companies. The priority to maintain a strong balance sheet is likely prompting utility companies to consider divesting risky assets, which could narrow their discount to peers. Generally, utilities comprising of less risky, profitable assets attract higher valuations compared to diversified utilities. A spin-off will result in DTE becoming a pureplay electric and gas utility business, with operating earnings aligned with other pure-play peers, given expected higher contribution (~90%) from the regulated business (currently: ~70%). On the other hand, greenfield development and inorganic growth have expanded the scale, diversification and market reach of the midstream business, which generates ~85% of its revenue from fixed price contracts (remaining is exposed to counterparty credit risk). A separation will

help DTE Midstream unit to become an independent, natural gas company with assets in premium basins and connected to markets with high demand.

Some utility companies which had expanded into midstream space in the past to drive growth, have started reversing course. In April 2020, Fitch Ratings had downgraded DTE’s long-term issuer default rating on risks associated with Haynesville acquisition. We opine that this could have contributed to the Board’s spin-off decision, thereby providing each management the freedom to form their own strategies, explore new markets and allocate capital they deem fit for growth. Each business will have an independent and experienced management team in their line of business, which could help them pursue their distinct strategic and financial objectives. According to management, the deal will also enhance returns to shareholders through receipt of a combined dividend amount greater than the pre-transaction amount. Further, as part of the transaction, the spin-off unit is expected to raise debt of ~\$3.1 billion and the company intends to distribute the net proceeds to parent unit. Hence, the debt reduction for the parent unit could help to deleverage the balance sheet to some extent and lower risk perception for investors.



Source: Company data

2020 DTE Energy Revenue by Segment and 2020 Net Income by Segment

SPIN-OFF RESEARCH

In 2020, DTE generated ~94% of its revenue (excluding corporate and eliminations) from utility operations (DTE Electric and DTE Gas), Power and

Industrial Projects and Energy trading business and ~6% from the midstream business. Moreover, DTE generated ~78% of its net income (excluding net losses on ‘Corporate and Other’) from the stub unit, reflecting its regulated nature and low volatility in profitability. Further, we believe that improved performance of the midstream unit (FY20: operating revenue growth: 50%, net income growth: 54%) could have prompted the management to proceed swiftly on the deal, before the economics turn unfavorable again. Separately, DTE’s midstream business is exposed to counterparty credit risks as 85% of the revenue is generated from fixed-charge contracts. Post separation of the midstream business, DTE would transform into a predominantly pure-play utility company and will be insulated from such risks, thereby giving investors a choice to invest according to their risk appetite.

Investment Thesis

Post separation, DTE Energy transformed into a predominantly pure-play regulated electric and natural gas utility company, comprising ~90% of operating earnings (~70% previously). DTE should be able to drive significant rate base on investments in growth opportunities. These factors should offer relatively lower earnings volatility and attract risk-averse investors seeking stable earnings growth. The stub unit can generate 5%-7% long-term operating EPS growth (up to 2025E) from 2020 original guidance. The growth will be supported by ~\$17.5 billion of planned utility capital investments over the next five years.

DTE Electric is a public utility engaged in the generation, purchase, distribution, and sale of electricity to ~2.2 million residential, commercial, and industrial customers in southeastern Michigan. Over the last 5 years, DTE Electric has consistently earned a higher ROE than authorized ROE (5 years average authorized ROE for 2016-2020: 10.1%). For 2021-2025, the unit envisages investment of \$14 billion in generation and distribution to replace aging infrastructure, upgrade substations for current and future load and provide cleaner and reliable energy to customers. Moreover, the segment is targeting 7-8% long term operating earnings growth from the original FY20 guidance mid-point. The unit has also announced commitment to build an extensive electric vehicle-charging network. On the other hand, DTE Gas is a public utility engaged in the purchase, storage, transportation, distribution, and sale of natural gas to ~1.3 million residential, commercial, and industrial customers throughout Michigan and the sale of storage and transportation capacity. The unit’s gas distribution system has planned maximum daily send-out capacity of 2.6 Bcf, with ~66% of volume supported by underground storage, and consists of 20,000 miles of distribution mains and ~1.3 million

service pipelines. The division intends to reduce operating costs and focus on delivery of energy waste reduction products and services to its customers, thus making natural gas an affordable fuel. Over the last 5 years, DTE Gas has consistently earned higher ROE than authorized ROE (5 years average authorized ROE for 2016-2020: 10.0%). For 2021-2025, total investment of \$3.5 billion should help in improving performance, cost and productivity by replacing aging infrastructure to reduce methane emissions, aiding DTE's carbon neutral target by 2050. Furthermore, DTE Gas is targeting 9% long-term operating earnings growth from the 2020 original guidance mid-point.

DTE issued \$1 billion in green bonds and has ample liquidity of \$4.1 billion as of end of 1Q21. Further, the spin-off transaction is credit enhancing, allowing FFO/Debt target to be lowered to ~16% from 18%. Post separation, the combined dividend paid by each company should be higher than DTE's current dividend. The dividend is expected to increase at 8%-10% from 2021 to 2022E vs. 6% growth prior to the spin. Moreover, the Stub unit is targeting payout ratio of 60% in 2022E, in line with other pure-play utility companies. By 2030E, DTE aims to increase the share of renewable energy contribution to overall generation mix to 25%-30% from 17% in 2023E, eventually leading to lower contribution from coal to 30% in 2030E from 45% in 2023E.

DT Midstream (DTM) owns, operates and develops integrated portfolio of natural gas interstate pipelines, intrastate pipelines, storage systems, gathering systems, treatment plants and compression and surface facilities. Post separation, the company will be positioned as a premier natural gas midstream company with strategically located high quality assets. DTM has assets in the premium Marcellus / Utica and Haynesville basins with connectivity to major demand markets in the Midwestern US, Eastern Canada, Northeastern US and Gulf Coast regions. The company's integrated asset portfolio includes 900 miles of Federal Energy Regulatory Commission (FERC) regulated interstate gas pipelines, 290 miles of intrastate lateral pipelines, and over 1,000 miles of gathering lines. DTM owns and operates 94 Bcf of regulated gas storage capacity in Michigan. According to the December 2020 EIA Drilling Productivity Report, the Marcellus/Utica and Haynesville formations are two of the most productive and active dry natural gas formations in the US, based on total gas production and rig count. Further, in 2020, these basins have witnessed lowest YOY rig count decline amongst major US oil and gas basins, thereby showcasing its resiliency during difficult times in the pandemic.

The company's pipeline and storage assets are supported by long-term, fixed price revenue contracts (~70% revenue from firm revenue contracts with

average tenor of 9 years). Moreover, the company generated ~18% of revenue from proved developed and producing reserves connected to assets, referred to as flowing gas. These long-term firm revenue contracts minimize the risk of revenue fluctuations; ensure stability of cash flows and limit exposure to commodity risks. Going forward, the company intends to leverage its current asset footprint and increase the utilization of existing facilities by providing additional services to existing customers, establishing relationships with new customers and optimizing usage of integrated operating assets.

For 2008-20, DTM's operating revenue has grown at 22% CAGR (Compounded Annual Growth Rate) to \$754 million and Adjusted EBITDA has grown at 20% CAGR to \$710 million. The unit is well-positioned to continue on its growth path, and expects FY21E Adjusted EBITDA of \$710-\$750 million, followed by 5-7% YOY growth in FY22E. As an independent company, the midstream unit is expected to have strong capital structure (target Debt/ Adj. EBITDA cap of 4x), dividend policy (dividend coverage ratio floor of 2x in 2021E) and flexibility to invest in accretive growth projects. The company's track record of strong financial results coupled with strong balance sheet with no significant debt maturities for seven years presents investors with an opportunity to invest in midstream natural gas company with unique and high quality assets. Further, the company plans to keep the dividend growing, initially in line with midstream peers. However, DTM is dependent on three key customers, namely Indigo Natural Resources (37% of FY20 revenue), Southwestern Energy Company (31%) and Antero Resources Corporation (11%). Separately, both the units have announced net zero greenhouse gas emissions target by 2050, as they embark on a journey to meet stringent ESG (Environmental, Social and Governance) criteria. We conclude that the spin-off provides an opportunity to unlock the potential of each business unit and provides investors an opportunity to invest in a high-growth, pure play regulated utility as well as a midstream company with assets in premium basins.

Valuation

We opine that the strong market position of both entities underpins compelling opportunities for the respective units. Moreover, the prospect of creating two distinct entities with separate risk profiles could generate significant shareholder value creation in the near-term.

DTE Energy (DTE)

We value DTE Energy (DTE) on a relative basis (EV/Sales and EV/EBITDA) based on our 2021E Sales and EBITDA. For DTE, we compare the unit with peer companies engaged in electricity and gas business including WEC Energy Group Inc., CMS Energy Corp., PNM Resource Inc., American Electric Power, Entergy Corp., Duke Energy Corp., Center point Energy Inc., OGE Energy Corp. and AES Corp. We adjust DTE's 2021E Sales and EBITDA to reflect the corresponding figures for the standalone entity. Our 2021E Sales and EBITDA are based on the company's cost reduction measures and rise in rate base (DTE Electric and DTE Gas). DTE is poised to deliver long-term profitability as a pure-play utility with 90% of operating earnings generated from utility operations post separation, which is reflected in our valuation multiples. We arrive at investments in associates of \$173 million and non-controlling interest of \$11 million after adjustments to the previously available data on the consolidated entity. Furthermore, we account for net debt of \$18.9 billion and proceeds from the spin-off unit of \$3.0 billion in our valuation and arrive at an implied equity value of \$24.3 billion. Considering the diluted share count of 194 million, we lower our target price to \$125.00 per share (Previously: \$127.00 per share), but reiterate our Buy rating on the stock.

\$ million	Sales	EBITDA
2021E	12,724	2,951
Enterprise Multiple (x)	3.6	11.8
Indicative Enterprise Value	45,172	34,822
Average Enterprise Value		39,997
Add: Investments		173
Less: Net Debt		(18,944)
Add: Proceeds from spin-off unit		3,048
Less: Non Controlling Interest		(11)
Implied Equity Value		24,263
DTE Shares (million)		194
Target Price per share (\$)		125.00

Source: Company data

DTE Energy EBITDA

SPIN-OFF RESEARCH

Sensitivity Analysis for DTE Energy Using Blended EV/Sales and EV/EBITDA multiples

Target Sensitivity		2021E EV/Sales Multiple				
		2.5x	3.0x	3.6x	4.0x	4.5x
<i>2021E EV/ Adj. EBITDA Multiple</i>	9.0x	69.00	86.00	104.00	119.00	135.00
	10.0x	77.00	93.00	111.00	126.00	143.00
	11.8x	91.00	107.00	125.00	140.00	156.00
	12.0x	92.00	109.00	127.00	141.00	158.00
	13.0x	100.00	116.00	134.00	149.00	165.00

DTE Sensitivity Analysis using blended EV Sales and EV EBITDA multiples

SPIN-OFF RESEARCH

DT Midstream (DTM)

We value DT Midstream (DTM) on a relative basis (EV/Sales and EV/Adj. EBITDA) based on our 2021E Sales and Adj. EBITDA. For DTM, the operations will comprise of Gas Pipelines, Storage and Gathering and Lateral Business. We compare this unit with listed companies engaged primarily in Midstream business including Dominion Energy Inc., Sempra Energy, Black Hills Corp., National Fuel Gas Co. and UGI Group. Our 2021E Sales and Adjusted EBITDA account for the rising demand for gas storage and pipeline assets. We retain our multiples to reflect the robust scale and asset location in low-cost production areas and arrive at average enterprise value of \$6.5 billion. We consider investments in equity associates of \$1.7 billion, coupled with estimated pro-forma net debt of \$3.0 billion and non-controlling interest of \$151 million at the time of separation. Accordingly, we arrive at an unchanged implied equity value of \$5.0 billion. Considering pro forma shares outstanding of 97 million for DT Midstream, we reiterate our target price of \$52.00 per share and Buy rating on the stock.

\$ million	Sales	Adj. EBITDA
2021E	794	730
Enterprise Multiple (x)	4.8	12.5
Indicative Enterprise Value	3,818	9,142
Average Enterprise Value		6,480
Add: Investments		1,683
Less: Net Debt		(3,019)
Less: Non Controlling Interest		(151)
Implied Equity Value		4,993
DTM Shares (million)		97
Target Price per share (\$)		52.00

Source: Company data

Sensitivity Analysis for DT Midstream Using Blended EV/Sales and EV/EBITDA multiples

Target Sensitivity	2021E EV/Sales Multiple				
	4.3x	4.5x	4.8x	5.0x	5.3x
10.5x	42.00	43.00	44.00	45.00	46.00
11.5x	45.00	46.00	48.00	48.00	50.00
12.5x	49.00	50.00	52.00	52.00	53.00
13.5x	53.00	54.00	55.00	56.00	57.00
14.5x	57.00	58.00	59.00	60.00	61.00

DT Midstream Value and Sensitivity Analysis using blended EV Sales and EV EBITDA multiples

SPIN-OFF RESEARCH

Company Description

DTE Energy Company (Parent)

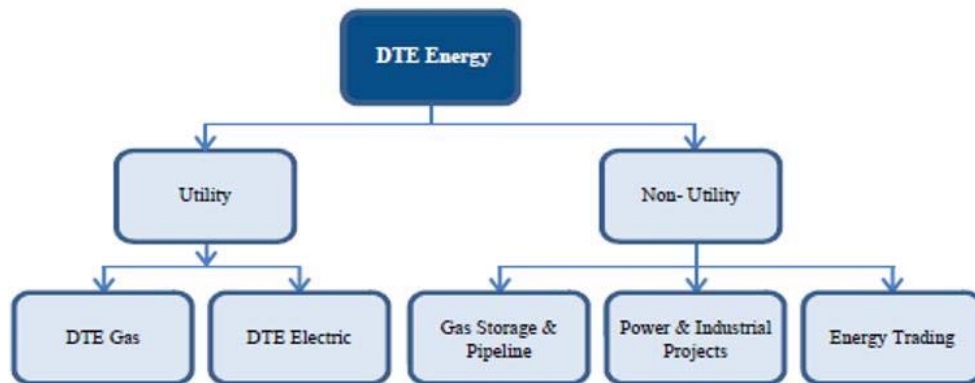
Incorporated in 1995 in the State of Michigan, DTE Energy is an energy company that develops and manages energy related business and services. It has two operating units, Utility and Non-Utility. The Utility unit (forms 70-75% of total company) operates under two subsidiaries, DTE Electric and DTE Gas. Through DTE Electric, it generates, purchases, distributes and sells electricity to ~2.2 million customers in southeastern Michigan. DTE Gas is involved in the purchase, storage, transportation, distribution and sale of natural gas to ~1.3 million customers. DTE's Non-Utility portfolio (forms 25-30% of total company) operates other businesses such as Gas Storage and Pipeline (GSP), Power and Industrial Projects (P&I) and Energy Trading.

DT Midstream, Inc. (Spin-Off)

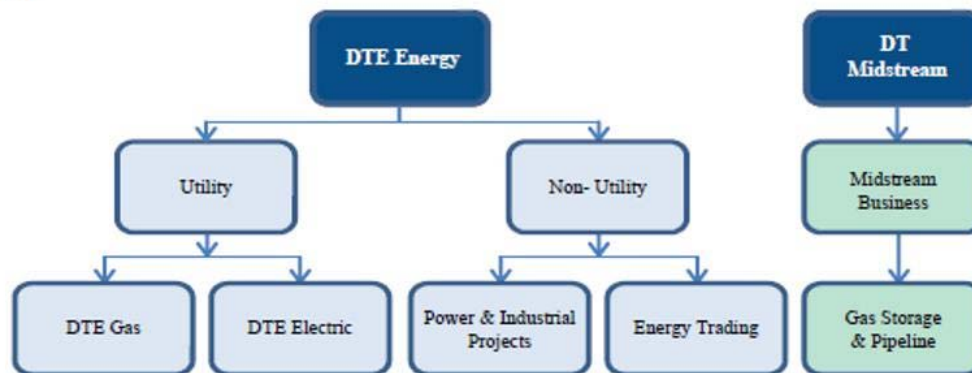
DT Midstream, Inc. comprises of DTE's non-utility natural gas pipeline, storage and gathering business. The company is an owner, operator and developer of an integrated portfolio of natural gas pipelines (interstate and intrastate), storage systems and gathering systems. Two primary segments of DT Midstream are Pipeline and Other and Gathering. Apart from its wholly owned pipelines and gathering assets, the company also holds interest in joint venture pipeline assets including the Millennium Pipeline, the Vector Pipeline and the NEXUS Gas Transmission Pipeline.

Organization Structure

Pre Spin-Off



Post Spin-Off



Source: Company data

Organization Structure

SPIN-OFF RESEARCH

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Joe Cornell

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I am the founding principal and publisher of [Spin-Off Research](#), an independent advisory report featuring analysis of spin-off situations. I am the author of the book [Spin](#)

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of **DTE GAS**
COMPANY for authority to increase its rates,
amend its rate schedules and rules governing the
distribution and supply of natural gas, and for
miscellaneous accounting authority

Case No. **U-20940**

ELECTRONIC SERVICE LIST

On **July 8, 2021** an electronic copy of **Motion of the Residential Customer Group for Official Administrative Notice of SEC Reports and Analysis article concerning DT Midstream Spin-off** was served on the following via e-mail upon:

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The statements above are true to the best of my knowledge, information and belief.

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Dated: July 8, 2021