Global Power
U.S. and Canada
Credit Analysis

DTE Energy Co.

Ratings

Security Class	Current Rating
Issuer Default Rating	BBB
Senior Unsecured Debt	BBB
Preferred Stock	BBB–

Outlook

Negative

Financial Data

DTE Energy Co.
($ Mil.)

	12/31/08	12/31/07
Revenues	9,140	8,317
Gross Margin	4,834	4,764
Cash Flows from Operations	1,438	1,015
Operating EBITDA	1,836	1,515
Total Debt	7,566	7,136
Total Capitalization	13,821	13,225
Return on Equity (%)	11.3	16.6
Capex/Depreciation (%)	179.0	162.5

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Related Research

- *Detroit Edison Co., April 1, 2009*
- *Michigan Consolidated Gas Co., April 1, 2009*

Rating Rationale

- DTE Energy Co.'s (DTE) ratings reflect the company's ownership of two regulated utilities which provide stable cash flows and benefit from solid operating performances, a more conservative business strategy that is primarily focused on utility rate base growth and a constructive regulatory environment in Michigan.
- Credit-enhancing events in 2008 include the passage of supportive electric legislation in Michigan, which Fitch Ratings expects will increase certainty of cost recovery and reduce regulatory lag through the ability to self-implement rates six months after filing, and a statutory one-year timeframe for rate case decisions from the Michigan Public Service Commission (MPSC). Other factors that support the 'BBB' rating are management's cost containment efforts, reduced capital expenditures and planned equity issuances (with the proceeds used to pay down debt).
- Primary rating concerns facing the company relate to its exposure to the deteriorating economy in Michigan, as well as the renewal risk associated with $1.15 billion of credit facilities and bank loans at the parent and utilities that expire in 2009.
- Fitch's forecasted credit metrics for DTE, incorporating the company's forecasted 6% decline in sales in 2009 and flat growth thereafter, continue to be moderately weak for the 'BBB' category but are in line with parent company's utility peers.
- The Negative Outlook reflects the struggling economy in Michigan, financial distress of the automotive industry and reported January 2009 unemployment for the state of Michigan at 11.6%, compared with 7.6% nationally.

What Could Trigger a Downgrade?

- Lack of meaningful parent level debt reduction through additional asset sales and/or planned equity issuances.
- Decline in credit protection measures or increase in debt leverage.
- Deterioration of the regulatory environment in Michigan and/or an adverse outcome in Detroit Edison Co.'s (DECo) pending electric rate case.

Recent Events

Impact of Recession

DTE's service territory has been particularly affected by the economic recession. In 2008, DECo experienced a 3% overall decline in sales revenues in its service territory compared with 2007. The company expects this decline to continue in 2009. Management has forecasted a 6% decline in 2009, 0% growth in 2010 and another 1% decline in 2011. The assumed decline in load in 2008 and 2009 is more severe than any other two-year period in history. The breakdown is as follows: residential (1.4%), commercial (4.7%) and industrial (13.7%). Each 1% decline in load leads to reduced margins of $5 million for industrial customers, $13 million for commercial customers and $15 million for residential customers.

An immediate impact of the recession on DECo and Michigan Consolidated Gas Co. (MichCon) is the increasing levels of past due receivables. The uncollectible accounts expense for the two utilities increased to $213 million in 2008 from $135 million in 2007 and from $123 million in 2006. MichCon currently operates under an uncollectible true-up mechanism which enables the company to recover 90% of the difference between actual uncollectible expenses for each year and $37 million after an annual reconciliation proceeding before the MPSC. DECo has requested a similar uncollectibles tracker in its 2009 rate case. In the interim, the company believes it will receive additional monies from low-income relief funds at the federal and state level to keep uncollectibles from increasing at a faster pace.

Exposure to the Automotive Industry

DECo provides services to Ford Motor Co. (issuer default rating [IDR] 'CCC'/Negative Watch by Fitch), General Motors Corp. (IDR 'C') and Chrysler LLC (IDR 'C'). The automotive industry (including the suppliers) currently represents approximately 11% of the total load. Almost all of the exposure is at DECo. Fitch notes that DECo has reduced its exposure to industrial customers to 25%. In 1974 industrial customers represented 40% of load and 35% in 1980.

2009 Financial Projections

To offset the projected $160–$180 million loss of revenues, DTE has announced several programs to cut costs or increase equity funding:

- *Lower O&M in 2009.* DTE plans to further reduce O&M expenses by $100 million as well as use rate relief to minimize the financial impact on the company.
- *Reduction in capex in 2009.* Additionally, DTE has delayed capital spending at the operating subsidiaries, with 2009 combined utility capex projected to be at $950 million, a 20% reduction from 2008 levels. Total capex in 2008 was $1,476 million ($943 million at DECo, $239 million at MichCon and $294 million for non-utility). 2009's forecasted capex is $1,150 million ($800 million at DECo, $150 million at MichCon and $200 million for non-regulated). Additional capital spending reductions have been identified to offset unexpected challenges in the outlook.
- *Planned equity issuances.* Management also plans to issue equity in upcoming years. The amount of equity issuances will be determined by financial performance (earnings and cash flow), capital budgets and asset monetizations (if any). Management indicated it would be willing to accelerate equity plans to offset unforeseen events. Proceeds from the equity issuances will be used to pay down debt and to fund cash requirements.

Pension Contribution

DTE expects to make cash contributions to its pension of approximately $250 million in 2009. Funding for the contribution is expected to come from internally generated cash flows.

Passage of Michigan Legislation

In October 2008, Governor Jennifer Granholm signed into a law a bill that significantly impacted the electricity regulatory framework in the state of Michigan. Overall, Fitch considers the law to be supportive of the credit of investor-owned electric utilities operating within the state because it would increase certainty of cost recovery and reduce regulatory lag. Highlights of the new legislation include:

- *File and use tariffs.* A provision to streamline the regulatory process by generally allowing utilities to self-implement rate increases six months after filing and requiring the MPSC to issue an order 12 months after filing, or the rates, as filed, become permanent. Additionally, the legislation implemented a forward-looking test year.

- *Certificate of need process for capital projects costing more than $500 million.* Prior to the initiation of construction, the MPSC is now required to conduct a prudence review of proposed investments in new generation, acquisition of existing power plants, major upgrades of power plants (not including environmental upgrades) and long-term purchase power contracts. Utilities would be permitted to earn a cash return on construction work in progress (CWIP) for these facilities, and accrue and defer the allowance for funds used during construction related to equity capital, reducing lag and rate shock on completion.
- *A 10% cap on customer choice.* Once customers representing 10% of a utility's load have elected to receive their generation from an alternate energy supplier, remaining customers would be maintained on full, bundled utility service. Currently, Electric Choice represents approximately 3% of Detroit Edison Co.'s load. This provision will help utilities more accurately forecast capacity and energy required by customers.
- *Eliminate rate subsidies among customer classes.* The MPSC must now set rates based on cost of service for all customer classes, eliminating the current subsidy from large commercial and industrial customers to the benefit of residential customers. The legislation will shift rates higher for residential customers by 13%–15% over the next five years.
- *New programs and incentives.* These will encourage greater energy efficiency among customers, along with the requirement of the utility to prepare energy cost savings optimization plans.
- *A renewable portfolio standard of 10% by 2015.* The portfolio will have specific interim targets as well as an "off-ramp" should the costs of compliance become overwhelming for the utilities and customers.

DECo 2009 Rate Filing

On Jan. 26, 2009, DECo filed for a general rate case requesting a $378 million (8.1%) increase for the projected test year ended June 30, 2010. The rate increase request is primarily related to lower sales volume, increased costs associated with environmental compliance, O&M of the company's distribution system and generation plants, customer uncollectible accounts, inflation, the capital costs of plant additions. The company also requested an 11.5% ROE (vs. the current 11%), an uncollectible expense tracker and a revenue decoupling mechanism. Under the new legislation, the utility can self-implement new rates starting on July 26, and an MPSC decision required by Jan. 26, 2010. DECo's last rate case was in December 2008 when the MPSC granted the company an $83.6 million rate increase (versus a $284 million updated request) with an 11% ROE.

Liquidity and Debt Structure

DTE is actively engaged with its bankers to renew its credit facilities expiring in 2009 by the summer. While it is expected that the company will be successful at renewing its credit facilities with no significant changes to the covenants, Fitch notes that the current banking market is more costly, and conditions are more restrictive than in the past. The existing credit agreements require DTE, DECo and MichCon to maintain a total-debt-to-total-capitalization ratio of no more than 65%.

Parent Debt Structure

($ Mil., As of Dec. 31, 2008)

	Amount
Short-Term Debt	177
Long-Term Debt	1,500
Total Debt	**1,677**

Source: Company reports.

Liquidity Summary

($ Mil., As of Dec. 31, 2008)

	DTE	DECo	MichCon	Total
Unsecured Revolving Facility (exp. 10/10)	675	69	181	925
Unsecured Revolving Facility (exp. 10/09)	525	206	244	975
Unsecured Bank Loan Facility (exp. 7/09)	—	75	—	75
Unsecured Bank Loan Facility (exp. 6/09)	—	—	70	70
Unsecured LOC (exp. 12/09)	30	—	—	30
Total Credit Facilities	1,230	350	495	2,075
Amounts Outstanding (12/31/08)				
Commercial Paper	(77)	—	(272)	(349)
Borrowings	(100)	(75)	(220)	(395)
LOCs	(275)	—	—	(275)
Cash on Hand	53	30	3	86
Net Availability	831	305	6	1,142

Source: Company reports.

Parent-level debt maturities over the next several years are as follows: $200 million in 2009, $0 million in 2010, $600 million in 2011, $0 million in 2012 and $0 million in 2013. The company expects to fund maturing debt through a combination of internally generated cash flows and external debt refinancings.

Financial Summary — DTE Energy Co.

($ Mil., Years Ended Dec. 31)

	2008	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations/Interest Expense	4.9	2.5	5.3	4.3	2.7	3.1
Cash Flow from Operations/Interest Expense	4.3	3.2	4.0	3.1	3.2	3.0
Debt/Funds from Operations	4.5	10.4	3.9	5.0	9.3	7.2
Operating EBIT/Interest Expense	2.4	1.5	1.9	2.0	1.8	1.5
Operating EBITDA/Interest Expense	4.2	3.3	4.0	3.8	3.3	2.8
Debt/Operating EBITDA	4.1	4.7	4.2	4.4	4.8	5.3
Common Dividend Payout (%)	63.0	37.5	84.3	67.0	82.1	66.4
Internal Cash/Capital Expenditures (%)	78.4	40.1	58.1	40.9	61.4	71.0
Capital Expenditures/Depreciation (%)	179.0	197.3	186.8	171.1	137.4	121.9
Profitability						
Adjusted Revenues	9,140	8,317	8,828	8,823	6,932	6,870
Net Revenues	4,834	4,764	5,772	5,293	4,925	4,629
Operating and Maintenance Expense	2,694	2,892	3,696	3,793	3,420	3,032
Operating EBITDA	1,836	1,515	1,755	1,616	1,408	1,263
Depreciation and Amortization Expense	780	822	903	760	658	616
Operating EBIT	1,056	693	852	856	750	647
Gross Interest Expense	435	454	443	429	422	446
Net Income for Common	546	971	433	537	431	521
Operating and Maintenance Expense % of Net Revenues	55.7	60.7	64.0	71.7	69.4	65.5
Operating EBIT % of Net Revenues	21.8	14.5	14.8	16.2	15.2	14.0
Cash Flow						
Cash Flow from Operations	1,438	1,015	1,345	892	909	879
Change in Working Capital	(253)	333	(574)	(519)	175	(63)
Funds from Operations	1,691	682	1,919	1,411	734	942
Dividends	(344)	(364)	(365)	(360)	(354)	(346)
Capital Expenditures	(1,396)	(1,622)	(1,687)	(1,300)	(904)	(751)
Free Cash Flow	(302)	(971)	(707)	(768)	(349)	(218)
Net Other Investment Cash Flow	(489)	(128)	(31)	(62)	(102)	3
Net Change in Debt	286	(390)	216	40	10	(734)
Net Change in Equity	(16)	(708)	(44)	159	41	41
Capital Structure						
Short-Term Debt	744	1,084	1,131	943	403	370
Long-Term Debt	6,822	6,023	6,316	6,155	6,407	6,373
Total Debt	**7,566**	**7,107**	**7,447**	**7,098**	**6,810**	**6,743**
Hybrid Equity	260	265	259	309	349	344
Common Equity	5,995	5,853	5,849	5,769	5,548	5,287
Total Capital	**13,821**	**13,225**	**13,555**	**13,176**	**12,707**	**12,374**
Total Debt/Total Capital (%)	54.7	53.7	54.9	53.9	53.6	54.5
Hybrid Equity/Total Capital (%)	1.9	2.0	1.9	2.3	2.7	2.8
Common Equity/Total Capital (%)	43.4	44.3	43.2	43.8	43.7	42.7

Note: Numbers may not add due to rounding.
Source: Company Reports and Fitch Ratings

Moody's Investors Service

Global Credit Research
Credit Opinion
29 MAY 2009

Credit Opinion: DTE Energy Company

DTE Energy Company

Detroit, Michigan, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Subordinate Shelf	(P)Baa3
Commercial Paper	P-2
Detroit Edison Company (The)	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A3
Senior Secured	A3
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured Shelf	(P)Baa1
Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Michigan Consolidated Gas Company	
Outlook	Stable
First Mortgage Bonds	A3
Senior Secured	A3
Sr Unsec Bank Credit Facility	Baa1
Commercial Paper	P-2

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Key Indicators

[1]
DTE Energy Company

ACTUALS	LTM 1Q09	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense [2]	3.0x	3.3x	3.7x	4.2x
(CFO Pre-W/C) / Debt [2][3]	12.8%	13.6%	17.0%	18.6%
(CFO Pre-W/C - Dividends) / Debt [2][3]	9.2%	10.2%	13.1%	14.8%
(CFO Pre-W/C - Dividends) / Capex [2]	63.4%	73.7%	90.6%	100.1%
Debt / Book Capitalization [3]	54.2%	55.9%	54.5%	57.1%
EBITA Margin	13.3%	13.1%	10.2%	14.6%

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard definitions and adjustments. [2] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items. [3] Moody's Adjusted Debt includes securitized debt as well as adjustments for pensions and leases.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Regulated operations are significant; exposure to non-regulated businesses is modest

Weak economic conditions in utility service territories

Supportive regulatory environment

Credit metrics appropriate for rating and operating risks

Corporate Profile

DTE Energy Company (DTE: Baa2 senior unsecured) is a holding company that owns two Michigan regulated utilities, The Detroit Edison Company (DECO: Baa1 senior unsecured) and Michigan Consolidated Gas Company (MichCon: Baa1 senior unsecured). DECO is an integrated electric utility in the greater Detroit area and MichCon is a local gas distribution company (LDC). DTE's other subsidiaries include pipelines, regulated by the Federal Energy Regulatory Commission (FERC), and non-regulated businesses including unconventional gas production, power marketing and trading and power along with industrial projects for large energy intensive customers.

SUMMARY RATING RATIONALE

DTE's Baa2 senior unsecured rating reflects the relatively stable cash flows from its regulated utility subsidiaries, cash flow credit metrics consistent with a mid-Baa rated utility holding company, limited non-utility operations and a relatively supportive regulatory environment amid a weak economic service territory. The rating also considers the significant capital spending programs at DTE's subsidiaries and assumes DTE will fund these investments in a manner that will maintain or improve its current financial strength and flexibility.

DETAILED RATING CONSIDERATIONS

Regulated utilities provide base of credit support

After divesting and discontinuing several non-regulated businesses in 2007 and 2008, DTE refocused primarily on its utility operations. As of year-end 2008, DECO and MichCon represented approximately 80% of total assets and going forward, approximately 80-90% of DTE's earnings are expected to come from the utility businesses. Non-utility operations are expected to contribute moderately to earnings, and will also require modest amounts of ongoing capital investment; they may also be a source of cash periodically as assets are sold.

Supportive Regulatory Environment

DTE's utility subsidiaries are regulated by the Michigan Public Service Commission (MPSC), within a regulatory environment that Moody's generally views as being above average among U.S. state regulatory environments in terms of supportiveness to credit quality. Utilities benefit from enhanced recovery mechanisms such as adjustment clauses for the cost of fuel and purchased power, transmission, and emissions. MichCon also benefits from an uncollectible receivables tracker.

Recently enacted state energy legislation provides the framework for additional regulatory supportiveness. The legislation includes such things as a one year time frame for rate case decisions, use of a forward test year, the ability to implement rates six months after filing, a surcharge for renewables and decoupling of gas revenues. The legislation also improves the certainty of cost recovery for large projects via a new certificate of need process and the limitation of customer choice.

Both DECO and MichCon are expected to file rate cases on a regular basis. See credit opinions on DECO and MichCon for additional details on recent or pending rate cases.

Significantly weakening economic outlook in utility service territories

Both DTE's electric and gas utilities operate in a service territory that has been impacted by the weak economic conditions of Detroit's auto sector. In 2008, sales to GM and Chrysler represented approximately 5% of DECO volumes, with contributions to gross margins estimated to be about 3%, or under $100 million. Economic weakness has negatively impacted electricity load and gas usage which has resulted in decreased revenue; however, to date much of the impact of reduced loads has been offset by cost cutting programs and a generally supportive regulatory treatment which has resulted in recent rate increases. GM and Chrysler have had an immaterial impact on MichCon's revenues.

Going forward, the recently authorized interim rate setting process and gas decoupling should provide additional support; however, in the event the economic downturn should last longer or be more severe than the company's forecasts, rate adjustments are likely to be more difficult to implement and DTE would likely need to adjust its utilities' investment plans.

Uncollectible receivables expense has been rising at both DECO and MichCon, a trend now seen in other areas of the U.S. MichCon, which has historically had a more significant challenge with uncollectibles, already benefits from an uncollectible expense tracker. DECO has requested an uncollectible tracker in its current rate case. DTE has only modest receivables exposure to the auto sector. DTE estimated that it has $10 million of pre-petition accounts receivable with Chrysler and may have approximately $30 million of accounts receivable at risk with GM as of April 30, 2009. Combined, these represent approximately 2.6% of total customer accounts receivables.

DTE's power and industrial segment has long-term contracts with GM to provide onsite energy services at certain of its facilities resulting in a net asset exposure of approximately $11 million to these projects. DTE also has an equity investment of approximately $52 million in an entity that provides similar services to several Chrysler facilities. Chrysler's performance under these contracts, including recovery of DTE's investment in the event of an early termination or default, is guaranteed by Daimer North America Corporation. To the extent these facilities continue to operate, DTE's exposure would be further reduced.

Significant Capital Expenditure Programs

In 2008, DTE invested $225 million in equity in DECO, MichCon and DTE's non-utility operations which had $190 million of capital expenditures. The rating considers the expectation of significant capital spending programs over the next few years primarily associated with reliability enhancement, renewable investment and emission control requirements at DECO. For the period 2009-2013, DTE is expected to invest approximately $6 billion in its electric utility and $750-800 million in its gas utility. Non-utility operations are expected to have annual capital spending of approximately $175-300 million. The rating incorporates the expectation that DTE will continue to refine its investment plans in light of market conditions and to prudently manage its balance sheet while making these investments.

Financial Metrics

DTE's credit metrics (calculated in accordance with Moody's standard analytical adjustments) are currently appropriate for its rating given DTE's non-utility exposure and stable regulated operations. Historically, DTE's metrics have been impacted by synfuel-related cash flows. Synfuel production was discontinued in 2007 due to the expiration of synfuel tax credits but partner payments continued into 2008. In 2007, DTE generated synfuel cash flow of approximately $129 million; in 2008, DTE had negative synfuel cash flow of $318 million due to final refund payments made to its synfuel partners. Excluding the synfuel impact, CFO pre-WC / Debt would have been 15.6% and 16.8% in 2007 and 2008, respectively. Going forward, Moody's expects CFO pre-WC interest coverage to generally be above 3.5x and CFO pre-WC to debt to be in the mid-to-high teens.

Liquidity Profile

DTE's liquidity profile is supported by a steady level of utility dividends as well as sufficient bank lines for liquidity support and a manageable level of maturing near-term debt obligations. In 2008, utility dividends of approximately $370 million covered approximately 82% of DTE's parent level interest expenses of approximately $105 million and common stock dividends of approximately $344 million. 2008 parent level liquidity was enhanced by the sale of a portion of DTE's Barnett shale properties for gross proceeds of approximately $260 million.

Additional sales of unconventional gas assets could continue to be an alternative source of liquidity for DTE; however, timing is uncertain and DTE may need to invest significantly more capital in those assets before they can be sold.

DTE's working capital requirements are driven principally by MichCon's ability/need to build gas inventory at prices that may be extremely volatile. Historically, peak funding needs, which occur in the third and forth quarters, have ranged from $300-$400 million, depending on gas prices; however, as of December 31, 2008, due to extremely high summer gas prices, MichCon's short-term debt increased to $520 million, including $30 million borrowed from DTE. Moody's expects that the availability under the company's various revolving credit facilities should be sufficient to meet these working capital funding requirements in 2009. In addition to the parent company's approximate $1.3 billion credit facilities, DECO has a total of $281 million in syndicated facilities and a $75 million bank loan facility while MichCon has $431 million in syndicated facilities and a $70 million short-term bilateral bank loan facility.

Capital expenditures at DTE's subsidiaries are substantial. In 2009, the utilities are expected to spend approximately $950 million; going forward, annual expenditures are expected to be in the range of $1.2 billion. DTE's non-regulated businesses are expected to spend an additional $200-300 million annually

DTE Energy has a $900 million commercial paper program at the parent company level which is supported by approximately $1.2 billion of parent level revolving credit facilities. The $1.2 billion is comprised of two credit facilities: a $675 million, five-year unsecured revolving credit facility that matures in October 2010; and a $538 million two-year unsecured credit facility that was put in place April 29, 2009. In conjunction with the execution of its new two-year facility, DTE terminated early its $525 million credit facility that was scheduled to expire in October

2009. These facilities do not require material adverse change representations for ongoing borrowings; however, the agreements require the company to maintain a debt to total capitalization ratio of less than 65%. As of March 31, 2009, the company was in compliance with this covenant with the ratio at 52% calculated in accordance with the terms of the credit agreements. In addition, DTE has a $30 million letter of credit facility expiring in November of 2009, as well as a $50 million two year revolving credit facility that was put in place May 1, 2009.

As of March 31, 2009, DTE had parent level cash of $35 million, $75 million of commercial paper issued, and $332 of letters of credit outstanding leaving availability under its credit facilities of $823 million. In April, 2009, DTE repaid $200 million of maturing long term debt via a combination of cash on hand and additional commercial paper issuance.

DTE's nearest long-term debt maturity is $500 million of DECO first mortgage bonds due October 2010. DECO also has $132 million of scheduled amortization on securitization bonds in 2009. DECO's $75 million bank loan facility expires in July 2009 and MichCon's $50 million bank loan facility expires in June 2009.

DTE's Prime-2 rating for short-term obligations assumes that the amount of commercial paper and other near term obligations outstanding will be managed within the limits of DTE's readily available sources of cash, including its committed bank credit facilities.

Rating Outlook

The stable outlook reflects the continued steady financial performance and improving cash flows at DECO and MichCon along with an improving regulatory environment partially offsetting a particularly weak economic environment. The stable outlook incorporates Moody's expectation that management will balance the financing of its unregulated and regulated investments to maintain consolidated credit metrics consistent with its Baa2 rating level.

What Could Change the Rating - Up

Although unlikely in the near term, a rating upgrade could be considered if there were to be an improvement in the overall economic conditions in Michigan along with a further reduction in non-utility operations. A rating upgrade could be considered if there were to be a reduction in leverage combined with the management of operating costs such that DTE's cash flow credit metrics continued to improve on a sustainable basis so that CFO pre-WC interest coverage would be in the range of approximately 4.5-5x and CFO pre-WC to Debt would be in the range of approximately 20-25% for an extended period.

What Could Change the Rating - Down

A downgrade in the rating could occur if there were to be greater emphasis on shareholder rewards from potential free cash flow at its gas distribution utility and/or non-regulated asset monetization proceeds such that the company has to increase its consolidated leverage to fund its sizable capital spending program. For example, a deterioration of its credit metrics such that the CFO pre-WC to Debt ratio falls below approximately 15% and CFO pre-WC interest coverage falls below 3.0x on a sustainable basis. In addition, a utility downgrade due to worsening regulation or credit metrics could also impact DTE's rating.

Rating Factors

DTE Energy Company

Select Key Ratios for Global Regulated Electric Utilities

Rating	**Aa**	**Aa**	**A**	**A**	**Baa**	**Baa**	**Ba**	**Ba**
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-70	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

STANDARD & POOR'S

Global Credit Portal
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January 27, 2010

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DTE Energy Co.

Major Rating Factors

Corporate Credit Rating

BBB/Stable/A-2

Strengths:
- Management's proactive efforts to decrease its regulatory risk;
- Improved financial measures; and
- Implementation of regulatory mechanisms that helps reduce the regulatory lag.

Weaknesses:
- Economic deterioration of its regulated service territory; and
- Increased risk exposure due to some of the non-utility activities.

Rationale

The ratings on DTE Energy Co. reflect its consolidated credit profile. The ratings also reflect DTE's 'strong' business risk profile and 'significant' financial risk profile. DTE's subsidiaries include the utility businesses of Detroit Edison Co. and Michigan Consolidated Gas Co. (MichCon) and the non-utility businesses of gas midstream, unconventional gas production, power and industrial projects, and energy trading. As of Sept. 30, 2009, DTE had about $8.2 billion of total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view DTE as about 75% utility and 25% non-utility.

The strong business risk profile reflects the company's reduced regulatory risk that's offset by the continuing deterioration of the Detroit area economy, and DTE's mix of non-utility businesses.

The recent Michigan Public Service Commission's order authorizing a $217 million rate case increase for Detroit Edison is evidence of DTE's decreasing regulatory risk. We view the regulatory mechanisms such as revenue decoupling, fuel adjustment clauses, an uncollectible tracker, and a choice incentive mechanism, as supportive of credit quality. Reduced regulatory lag will provide financial stability despite a destabilized service territory. In addition, MichCon's recent self-implemented interim rate increase of $170 million reinforces our opinion that the company's decreased regulatory risk is sustainable.

The company's decreased regulatory risk is the culmination of management's long-term efforts to engage legislators and regulators to initiate permanent reform of the regulatory process. Specifically, the 2008 legislatively approved 12-month deadline for rate cases, an optional six-month self-implementation, and an optional forward looking test year enhance the credit quality of the Michigan regulated utilities. We expect that the improved regulatory environment will remain for the long term because the reforms are institutional and are intended to be permanent.

DTE's regulated service territory has deteriorated during the recession. Detroit's unemployment rate is at a staggering 27% and Michigan's is 15%, considerably higher than the U.S. average unemployment rate of 10%. Detroit has been particularly affected by the bankruptcy of two of the three major U.S. car manufacturers. For the first nine months of 2009, Detroit Edison's total electric sales dropped 10% and industrial sales fell 25%. The severity of the global recession has exceedingly harmed Detroit Edison's service territory compared with other U.S. markets. We expect that the company's sales volumes will remain flat to negative in the near term and will likely take many years to return to its pre-recession sales levels. Although the company's regulatory risk has decreased, we presume that continued economic deterioration could over time increase the company's regulatory risk.

Also affecting DTE's business risk profile is the large mix of non-utility activities. The lack of long-term predictable and stable cash flows from the non-regulated businesses, particularly energy trading, pressures the business risk profile of the consolidated entity. Additionally, because some of the non-utility businesses expose the consolidated company to increased risks, we view the non-utility credit influence on DTE to be higher than their percentage of the consolidated cash flow.

The significant financial risk profile reflects the company's adjusted debt leverage of approximately 60%. Given the company's strong business risk profile and present credit rating, we expect adjusted funds from operations (FFO) to debt to exceed 19%, adjusted FFO interest coverage between 3.5x and 4.0x, and adjusted debt to total capital to approximate 60%. Partly due to the company's proactive reduction of O&M costs by about $150 million, the cash flow measures have moved closer to our expectations for the current rating. For the 12 months ended Sept. 30, 2009, adjusted FFO to total debt increased to 18.0% from 14.6% at the end of 2008 and adjusted FFO interest coverage also increased to 4.3x from 3.9x at the end of 2008.

Liquidity

The short-term rating is 'A-2' and reflects adequate cash flow and alternative sources to cover current liquidity needs, including ongoing capital requirements, dividend payments, and upcoming debt maturities. As of Sept. 30, 2009, DTE had cash and cash equivalents of $83 million. DTE also had about $1.6 billion available under its $2.1 billion credit facilities after outstanding borrowings, commercial paper, and letters of credit. In 2010, almost $1.0 billion of its existing credit facilities terminates and in 2011 its remaining capacity of $1.05 billion terminates. DTE's long-term debt maturities are considerable with $670 million, $914 million, and $452 million maturing between 2010 and 2012.

Outlook

The stable outlook on DTE reflects the company's decreasing regulatory risk that currently offsets the severe recession that has contracted its regulated service territory. A ratings upgrade is unlikely because it would necessitate a strengthening of the financial measures that would in turn partly require escalating investments and cash flows from the non-utility businesses, which would lead to a weaker business risk profile. We could lower the rating if the Detroit economy continues to deteriorate, the regulatory risk improvements are not lasting, the financial measures fail to improve on a consistent basis, or the non-utility businesses disproportionately grow.

Table 1.

DTE Energy Co. -- Peer Comparison*			
Industry Sector: Energy			
	DTE Energy Co.	**PEPCO Holdings Inc.**	**FirstEnergy Corp.**
Rating as of Jan. 22, 2010	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/--
	--Average of past three fiscal years--		
(Mil. $)			
Revenues	8,769.4	9,421.1	12,604.5
Net income from cont. oper.	583.3	294.2	1,303.0
Funds from operations (FFO)	1,220.1	845.8	2,292.6

Table 1.

DTE Energy Co. -- Peer Comparison* (cont.)			
Capital expenditures	1,357.2	647.9	2,405.7
Debt	9,215.7	6,014.1	15,103.9
Equity	6,087.8	3,952.4	8,765.0
Adjusted ratios			
Oper. income (bef. D&A)/revenues (%)	21.9	12.1	32.1
EBIT interest coverage (x)	2.2	2.4	3.0
EBITDA interest coverage (x)	3.9	3.3	4.1
Return on capital (%)	6.5	6.9	11.1
FFO/debt (%)	13.2	14.1	15.2
Debt/EBITDA (x)	4.8	5.3	3.8

*Fully adjusted (including postretirement obligations). N.M. - Not Meaningful.

Table 2.

DTE Energy Co. -- Financial Summary*					
Industry Sector: Energy					
	--Fiscal year ended Dec. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
Rating history	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2	BBB/Stable/A-2
(Mil. $)					
Revenues	9,144.1	8,334.0	8,830.0	8,830.0	6,929.6
Net income from continuing operations	526.0	787.0	437.0	576.0	443.0
Funds from operations (FFO)	1,378.6	1,151.5	1,130.2	1,219.5	1,054.8
Capital expenditures	1,382.7	1,286.0	1,403.0	1,065.0	904.0
Cash and short-term investments	86.0	123.0	147.0	88.0	56.0
Debt	9,468.3	8,093.8	10,085.0	8,956.7	8,515.6
Preferred stock	144.5	144.5	144.5	144.5	144.5
Equity	6,182.5	6,045.5	6,035.5	5,180.0	5,051.7
Debt and equity	15,650.8	14,139.3	16,120.5	14,136.7	13,567.3
Adjusted ratios					
EBIT interest coverage (x)	2.5	1.9	2.2	1.6	1.7
FFO int. cov. (x)	3.9	3.3	3.0	3.7	3.3
FFO/debt (%)	14.6	14.2	11.2	13.6	12.4
Discretionary cash flow/debt (%)	(2.6)	(6.7)	(4.6)	(5.6)	(2.4)
Net Cash Flow / Capex (%)	74.0	60.4	53.7	79.7	76.3
Debt/debt and equity (%)	60.5	57.2	62.6	63.4	62.8
Return on common equity (%)	8.0	12.9	7.5	10.2	8.2
Common dividend payout ratio (un-adj.) (%)	65.8	46.3	83.5	62.5	79.9

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of DTE Energy Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*											
	--Fiscal year ended Dec. 31, 2008--										
DTE Energy Co. reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	8,847.0	5,995.0	9,329.0	2,025.0	2,025.0	1,124.0	503.0	1,539.0	1,539.0	344.0	1,373.0
Standard & Poor's adjustments											
Operating leases	184.6	--	--	40.0	11.1	11.1	11.1	28.9	28.9	--	30.7
Intermediate hybrids reported as debt	(144.5)	144.5	--	--	--	--	(11.1)	11.1	11.1	11.1	--
Postretirement benefit obligations	1,502.2	--	--	49.0	49.0	49.0	--	85.2	85.2	--	--
Additional items included in debt	300.0	--	--	--	--	--	--	--	--	--	--
Accrued interest not included in reported debt	119.0	--	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	--	21.0	(21.0)	(21.0)	--	(21.0)
Share-based compensation expense	--	--	--	--	38.0	--	--	--	--	--	--
Securitized utility cost recovery	(1,064.0)	--	(184.9)	(184.9)	(184.9)	(63.9)	(63.9)	(121.0)	(121.0)	--	--
Asset retirement obligations	91.0	--	--	8.8	8.8	8.8	8.8	(4.6)	(4.6)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	--	59.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	(116.0)	--	--
Minority interests	--	43.0	--	--	--	--	--	--	--	--	--
US decommissioning fund contributions	--	--	--	--	--	--	--	(23.0)	(23.0)	--	--
Other	(367.0)	--	--	--	--	--	--	--	--	--	--
Total adjustments	621.3	187.5	(184.9)	(87.1)	(78.0)	64.0	(34.2)	(44.4)	(160.4)	11.1	9.7

Table 3.

Reconciliation Of DTE Energy Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	9,468.3	6,182.5	9,144.1	1,937.9	1,947.0	1,188.0	468.8	1,494.6	1,378.6	355.1	1,382.7

*DTE Energy Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of January 27, 2010)*

DTE Energy Co.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (2 Issues)	BB+
Senior Unsecured (5 Issues)	BBB-
Senior Unsecured (1 Issue)	BBB-/Negative
Corporate Credit Ratings History	
15-Jan-2010	BBB/Stable/A-2
22-May-2009	BBB/Negative/A-3
01-Dec-2004	BBB/Stable/A-2
Business Risk Profile	Strong
Financial Risk Profile	Significant
Related Entities	
Michigan Consolidated Gas Co.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Secured (1 Issue)	A/Developing
Senior Secured (6 Issues)	BBB+
Senior Unsecured (1 Issue)	BBB

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

DTE Energy

DTE Energy Supply
414 South Main St., Suite 200
Ann Arbor, MI 48104
(734) 887-2000

February 9, 2010

Commonwealth Edison Company
Electric Supplier Services Department
1919 Swift Drive
Room 254
Oak Brook, IL 60523

Dear ComEd:

Please accept this notification that DTE Energy Supply, Inc. ("DTES") is currently seeking authorization from the Illinois Commerce Commission to serve retail customers as an Alternative Retail Electric Supplier. It is our intention to serve commercial and industrial customers with annual electrical consumption greater than 15,000 kWh in the service territories of Commonwealth Edison and the Ameren utilities.

DTES' Federal Employer Identification Number is 38-3405708.

If you have any questions regarding this notice, please contact me at (734)-887-2042.

Sincerely yours,

Marcia L. Hissong

Marcia L. Hissong
Assistant General Counsel

cc: Chief Clerk, Illinois Public Service Commission

DTE Energy

DTE Energy Supply

414 South Main St., Suite 200
Ann Arbor, MI 48104
(734) 887-2000

February 9, 2010

Mr. Patrick Eynon
Central Illinois Public Service Company d/b/a AmerenCIPS
c/o Ameren Transmission Services Business Center
Mail Code: 333
1901 Chouteau
St. Louis, MO 63103

Dear Mr. Eynon:

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Assistant General Counsel

cc: Chief Clerk, Illinois Public Service Commission

DTE Energy

DTE Energy Supply

414 South Main St., Suite 200
Ann Arbor, MI 48104
(734) 887-2000

February 9, 2010

Mr. Patrick Eynon
Illinois Power Company d/b/a AmerenIP
c/o Ameren Transmission Services Business Center
Mail Code: 333
1901 Chouteau
St. Louis, MO 63103

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cc: Chief Clerk, Illinois Public Service Commission

DTE Energy

DTE Energy Supply

414 South Main St., Suite 200
Ann Arbor, MI 48104
(734) 887-2000

February 9, 2010

Mr. Patrick Eynon
Central Illinois Light Company d/b/a AmerenCILCO
c/o Ameren Transmission Services Business Center
Mail Code: 333
1901 Chouteau
St. Louis, MO 63103

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Sincerely yours,

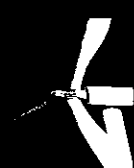
Marcia L. Hissong

Marcia L. Hissong
Assistant General Counsel

cc: Chief Clerk, Illinois Public Service Commission

DTE Energy

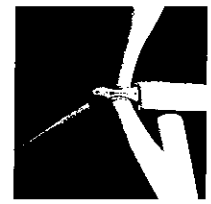
We get it . . .

. . . that tough times  can create transforming **opportunities** . . . that **clean**  **energy** is the energy of the **future** . . . that energy **efficiency** and **conservation** are part  of the  **solution** . . . that we need serve  our **customers** well

2008 Annual Report

DTE Energy (NYSE: DTE) is a diversified energy company. Our largest operating subsidiaries are Detroit Edison, an electric utility, and MichCon, a natural gas utility. They serve a combined 3.4 million residential, business and industrial customers in Michigan. We also operate a portfolio of non-utility subsidiaries which provide energy-related services to business and industry nationwide.

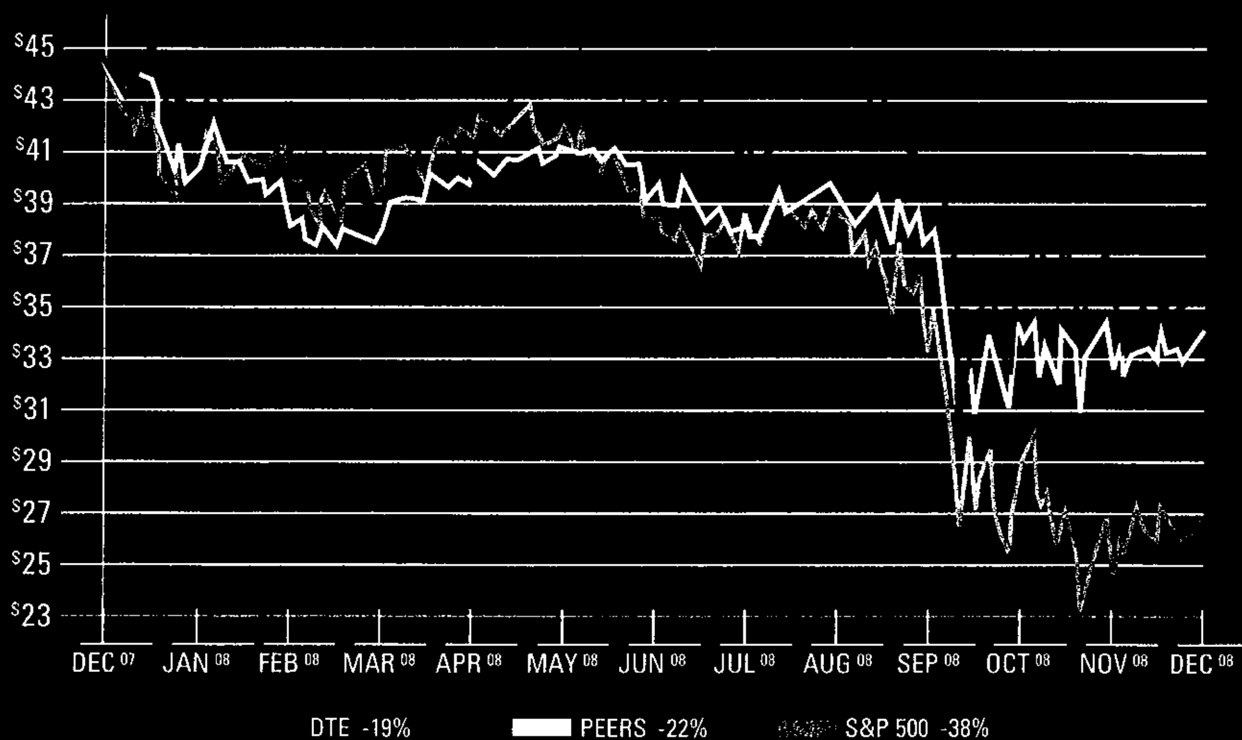
. . . here's what we're doing.



DTE Energy 2008 Stock Price Performance

December 31, 2007 to December 31, 2008

DTE Energy's stock price outperformed both its peer group, down 22 percent, and the S&P 500, down 38 percent. DTE Energy's stock price was down 19 percent from the previous year.



DTE Energy

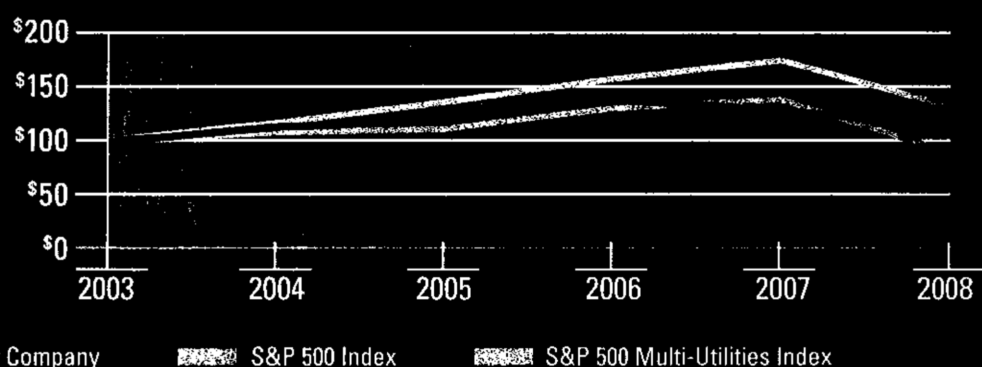
We energize the progress of society.
We make dreams real. We are always here.

Total Return To Shareholders
(Includes Reinvested Dividends)

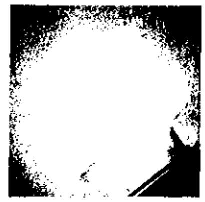
	Base Period	Indexed Returns Years Ending December				
Company / Index	2003	2004	2005	2006	2007	2008
DTE Energy Company	$ 100	$ 114.97	$ 120.46	$ 141.73	$ 134.60	$ 115.26
S&P 500 Index	$ 100	$ 110.88	$ 116.33	$ 134.70	$ 142.10	$ 89.53
S&P 500 Multi-Utilities Index	$ 100	$ 119.22	$ 139.53	$ 162.89	$ 180.58	$ 136.62

Value of $100 Invested December 31, 2003
(Includes Reinvested Dividends)

Comparison of Cumulative Five-Year Total Return



Financial Highlights



(Dollars in Millions, Except Per Share Amounts)	**2008**	2007	% Change
Operating Revenues			
Electric Utility	**$ 4,874**	$ 4,900	-0.5 %
Gas Utility	**2,152**	1,875	14.8 %
Non-utility	**2,494**	2,006	24.3 %
Corporate & Other	**(13)**	(15)	N/A
Eliminations	**(178)**	(291)	N/A
	$ 9,329	$ 8,475	10.1 %
Net Income			
Electric Utility	**$ 331**	$ 317	4.4 %
Gas Utility	**85**	70	21.4 %
Non-utility	**204**	(102)	N/A
Corporate & Other	**(94)**	502	N/A
	526	787	-33.2 %
Discontinued Operations	**20**	184	N/A
	$ 546	$ 971	-43.8 %
Diluted Earnings Per Share			
Electric Utility	**$ 2.03**	$ 1.86	9.1 %
Gas Utility	**0.52**	0.41	26.8 %
Non-utility	**1.26**	(0.60)	N/A
Corporate & Other	**(0.58)**	2.95	N/A
	3.23	4.62	-30.1 %
Discontinued Operations	**0.13**	1.08	N/A
	$ 3.36	$ 5.70	-41.1 %
Dividends Declared Per Share	**$ 2.12**	$ 2.12	N/A
Dividend Yield	**5.9 %**	4.8 %	22.9 %
Average Common Shares Outstanding (Millions)			
Basic	**162**	169	-4.1 %
Diluted	**163**	170	-4.1 %
Capital Expenditures	**$ 1,373**	$ 1,299	5.7 %
Total Assets	**$ 24,590**	$ 23,742	3.6 %

Tony Earley, chairman and chief executive officer.

Most of us will remember 2008 as a year of crises – for the housing market, the credit market, the stock market, the banking industry and the automotive industry. It was an agonizing year for most individuals, investors and corporations as we began working our way through one of the deepest downturns our nation has seen since the Great Depression.

For most CEOs, writing their 2008 shareholder letter will be a painful experience. And in any other year, the same would be true for me, having to report a total shareholder return of negative 14 percent. I suspect, however, that in 2008 DTE Energy was one of the better performers in your portfolio. We beat our industry peers and were well above the S&P 500. There was a reason for that.

Early in the year, our company's leadership team recognized that we were headed for troubling times. Well before the disastrous fourth quarter, we took aggressive action to reduce our costs, maximize our revenues and conserve cash. That hard work paid off. We finished the year with earnings of $3.36 a share. I am proud of the commitment of the DTE Energy team to superior performance. Despite the negative returns, I hope you recognize the significance of this accomplishment.

The current economic climate has created a number of short-term challenges for our company, but we are confident in our ability to work through them.

In addition to coping with the economic crisis, we had many notable achievements that will serve us well in the future. The most significant event of 2008 was passage of energy legislation in Michigan that includes a renewable energy portfolio standard, energy efficiency measures and changes to the state's Electric Choice law. This legislation will also be a catalyst for new construction and energy-related jobs in Michigan by providing the certainty necessary to construct new power plants for the state's future. It will be transforming for our company and the state of Michigan.

In September we filed with the U.S. Nuclear Regulatory Commission a license application for a possible new nuclear power plant at the site of our existing Fermi 2 nuclear plant near Newport, Mich. Today nuclear power is the cleanest and lowest cost source of baseload power, but we will continue to evaluate it against other resources and will commit to proceeding with construction only at the right time and at the right cost.

We continued to move ahead with expanding our renewable resources. Six meteorological towers in Michigan's "Thumb" area gathered wind data as part of a 24-month evaluation process. If site conditions continue to prove favorable, we could begin building wind turbines in 2010. We have already acquired easements on nearly 40,000 acres for potential wind farm development.

We signed agreements with four Michigan firms to provide renewable energy for our GreenCurrents℠ program. It's one of the fastest-growing voluntary renewable energy programs in the country, with more than 17,000 customers enrolled.

We joined the U.S. Department of Energy Freedom CAR Research Partnership. It is developing the components and fuel infrastructure needed for commercialization of a full range of affordable and energy-friendly vehicles including fuel cells, hybrids and plug-in hybrid vehicles. We are also working with GM and Ford on their plug-in electric hybrid vehicle programs. Plug-ins will help the U.S. enter a new era of clean transportation and greater energy independence.

We began operation of three new facilities that convert methane emitted from decomposing trash or waste wood into electricity, steam and pipeline quality gas.

We launched an advanced metering pilot program designed to provide customers with more accurate meter reads every month along with real-time information about their energy usage. It will also provide real-time power outage data. If the results of our pilot are successful, this will be the building block for the much talked about "smart grid."

We are partners in the Millennium Pipeline, which began service in December 2008, transporting natural gas across the southern tier of New York toward New York City. The natural gas supplies for Millennium customers can be sourced from many locations, including our storage fields in Michigan, and our Vector Pipeline. This new asset was a vital resource during the cold winter months. We have plans to expand our regional pipeline and storage business.

Despite the successes of 2008, we know 2009 will be a very challenging year. **We get it.** The economy in Michigan and across the U.S. is likely to erode before it improves.

We get it. Only by maintaining the sharp focus we had in 2008, can we continue to build the long-term financial viability of our company and the value of your stock.

On page 4, company President and Chief Operating Officer Gerry Anderson outlines our plans to address the challenges of the current recession. Then, on page 18, Executive Vice President and Chief Financial Officer Dave Meador describes in more detail our strategy to keep our balance sheet strong.

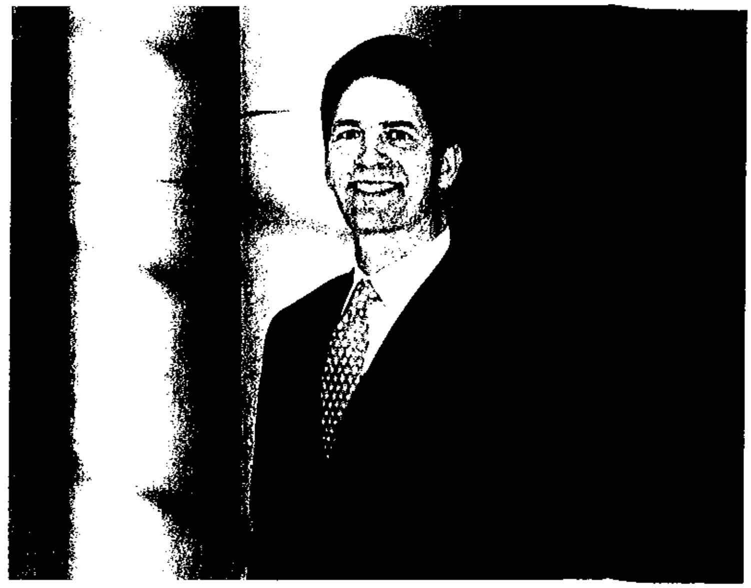
Working our way through the current economic crisis has taught me that it is a new game every day. We must be prepared to adjust our plans – quickly and often – as conditions change. I also recognize that change provides opportunities for our future.

I look forward to sharing more successes with you as we move through 2009. Thank you for your continued support.

Anthony F. Earley Jr.

Anthony F. Earley Jr.
Chairman and Chief Executive Officer
February 27, 2009

I believe that tough times define the character of people and companies. While we exited 2008 – and entered 2009 – in the midst of an economic crisis, I believe DTE Energy will come out of this crisis stronger and better for the experience. Be assured that as we work our way through these turbulent times, we are taking every step to keep our earnings and cash flow healthy, our credit rating and dividend solid, and our company strong.



Gerry Anderson, president and chief operating officer.

We reported 2008 earnings of $546 million, or $3.36 per diluted share. Both of our utilities turned in solid performances despite the emergence of economic weakness in the second half of the year and severe storms in June and December. Each of our non-utility business lines performed at or above plan.

Visit us online at
dteenergy.com

As we enter 2009, we have defined a number of key priorities:

- To preserve our company's financial strength in a turbulent economic environment;
- To sharply step up the pace and breadth of our continuous improvement efforts, accelerating our improvement in response to the economic crisis;
- To redouble our focus on serving our customers well, realizing that this is a challenging period for many of them;
- To position DTE Energy to emerge from 2009 with strong future growth vehicles in place, recognizing that distress always presents opportunities; and,
- To rally our employees to these causes, enabling each of them to play a role in putting our company and our country on stronger footing.

The phrase "continuous improvement" is often overused. We have been working at it for a number of years, attempting to bring a systematic, disciplined approach to our improvement efforts. However, my perception of our continuous improvement work changed sharply in late 2008, as I watched our leaders tackle the challenges that the economic environment served up with speed, intensity and discipline. I believe 2009 can be a year of transformation for DTE Energy, with the breakdown in the broader economy yielding a breakthrough in the way we operate our company.

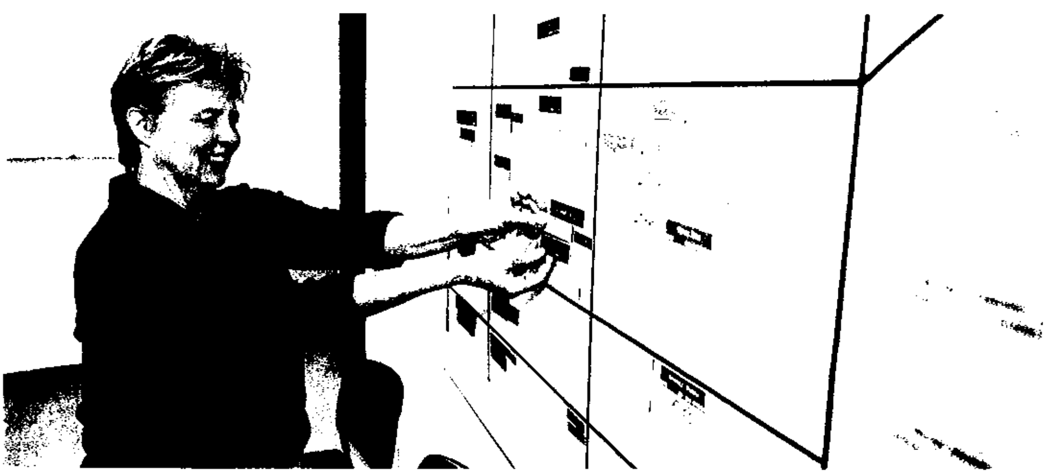
And though we are focused on financial stability and balance sheet strength in the near-term, longer-term our eyes remain focused on growth. We will plant the seeds for that growth in 2009 by:

- Laying the groundwork for – and beginning a multi-year, multi-billion dollar investment in – renewable power and energy efficiency in Michigan.
- Using our non-utility businesses to find opportunity amidst the current turmoil, using limited capital to put in place several premium-return, future-growth investments.

We remain focused on building a better future for our company and its shareholders. My confidence in our ability to succeed is based on the dedication of our people, the strength of our balance sheet, our commitment to continuous improvement and our persistent pursuit of disciplined growth. I appreciate your confidence in our company as we continue to prepare for the opportunities and challenges before us.

Gerry Anderson

Gerard M. Anderson
President and Chief Operating Officer
February 27, 2009



Judy Darolfi, operations analyst at MichCon's Michigan Avenue Service Center, updates a job tracking board created as part of the center's continuous improvement efforts to save time and cut costs.

help

We get it . . .

we
costs

New programs help customers better manage their energy use by teaching them how to weatherize their homes.

The current downturn in our economy is creating unprecedented challenges within our service territory. People and businesses are finding it difficult to pay their bills. Customers – both residential and commercial – want help managing their energy usage.

We get it. We're doing everything we can to keep customer costs affordable.

As the recession deepens, the number of our customers unable to pay their bills increases.

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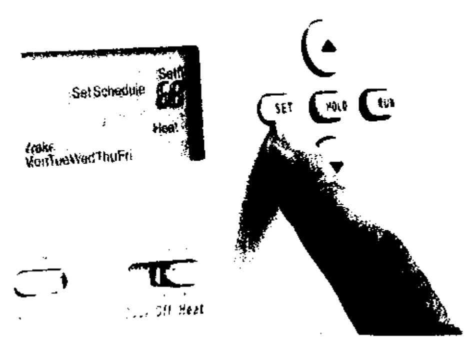
We've set the bar high in challenging ourselves to help low-income customers find a better way forward. We've developed innovative programs focused on reaching out to them *before* they become seriously delinquent.

On the road to better opportunities, we provide a partner and a plan to help customers in need find a way through their financial chaos.

For example, our Community Energy Solutions program reaches into neighborhoods by bringing experts on energy efficiency, payment assistance, tax and financial planning into local churches.

More than 500 people attended our first Community Energy Solutions forum last winter. DTE Energy Regional Manager Mark Jones said, "Over and over again, our customers tell us they realize we can't solve every problem, but they know we're trying to help. I really believe those statements echo through the church chambers and out into the community to provide hope."



We're empowering customers with the knowledge and technology to become smarter energy users.

Above: DTE Energy Regional Manager Mark Jones (left) and the Rev. Theodore K. Parker of St. Cecilia's Church in Detroit discuss community outreach initiatives. At right: DTE Energy Case Manager Janice Turner (right) with Sherrelyn McAboy.

We also develop programs to help customers better manage their energy use by teaching them how to weatherize their homes, and in some cases, providing financial incentives to do so. The Osborn Energy Savers Program is a collaborative effort with The Skillman Foundation and The Heat and Warmth Fund (THAW) that pairs home-energy educators with local residents to learn about conservation techniques and install weatherization materials.

The premise is that by providing energy-efficiency education, home-weatherization kits and home improvements, we can change behavior. More than 300 participating families tell us it's making a difference.

Beyond efforts in the community, we are working from the inside out to keep rates affordable. This means reducing operating costs. That strategy starts by asking a simple question – what can we do better tomorrow than we did today?

This focus brings groups of employees together each day to challenge assumptions, think creatively and ask how we can best serve our customers and shareholders.

One example is the effort to realign our meter reading routes to reduce mileage expenses. The group identified nearly 800 routes where savings could be realized. They reassigned routes to different meter reading stations and created a satellite meter reading office at one service center. The process of realigning the routes has already started and, once completed, we estimate savings of approximately $135,000 per year.

. . . here's what we're doing.

Another continuous improvement project resulted in a new reliability record by our Belle River Power Plant. Recently, the plant ran more than 200 days without stopping for a furnace cleaning. The extended run time is a direct result of frontline employee involvement challenging basic assumptions and devising new and innovative solutions.

DTE Energy Services employees John Burgan (left) and Paul Gohl help auto companies and other large industrial customers reduce their energy costs.

In the business world, we continue building on a heritage of expertise by offering a wide array of services to help large industrial customers manage energy consumption and costs. Detroit Edison's Energy Partnerships and Services group has saved its customers in excess of $1 billion over the last 12 years by recommending ways to conserve. Energy Partnerships has an annual run rate of more than $300 million in savings at facilities nationwide.

In our non-utility business, Onsite Energy group manages and operates utility systems for industrial customers. We worked with a major U.S. automotive manufacturer to reduce costs at one of its facilities by $3.5 million in 2008. We provide the same types of services to airports, universities, commercial buildings and pulp and paper companies nationwide.

At businesses, in the community and within our company, efforts like these are advancing our vision of becoming a leading energy provider in the eyes of our customers and shareholders.

Today the issues of energy and the environment are intersecting like never before.

We get it . . .

Today, the issues of energy and the environment are intersecting like never before. Climate change regulation is no longer a future scenario. Stricter requirements are coming – soon. We're preparing our company and our customers for this future.

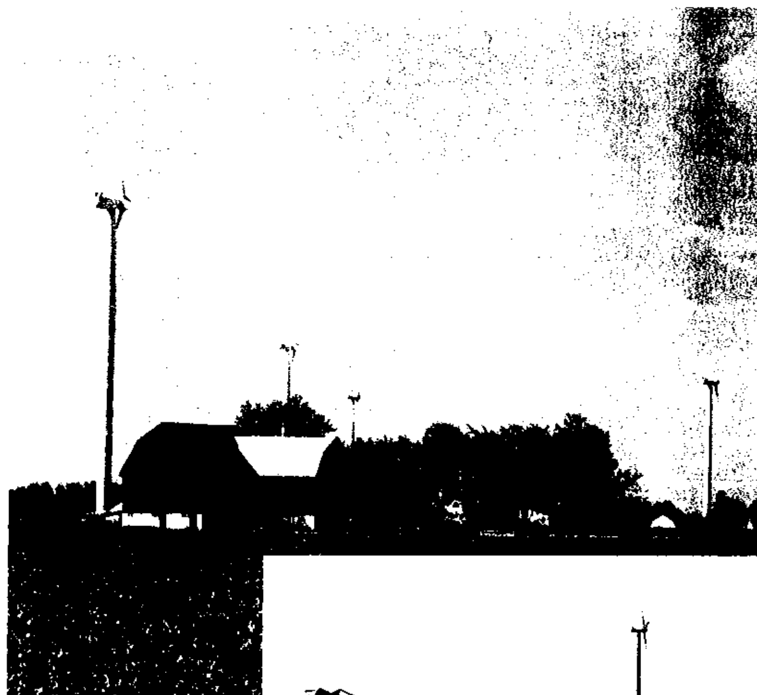
We get it. Our industry is focused on finding clean, cost-effective new sources of energy. We're embracing this shift and cultivating the opportunities it creates.

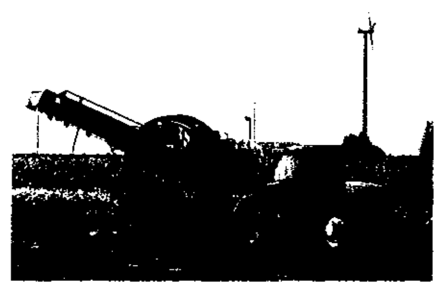
Amidst a rapidly changing industry and an evolving regulatory environment, no other trend has more profound implications for our business than climate change.

Encouraging our customers to become smarter energy users is one essential piece of the solution. Producing cleaner, more cost-effective energy is another.

But, this is only the beginning.

While we're growing our company, we're also focusing on shrinking our carbon footprint by investing in renewable energy sources and empowering customers with the information and technologies to become smarter energy users. Our approach is both high tech and low tech. For example, we've introduced MyEnergy Analyzer, a Web-based interactive tool to help customers analyze their personal energy use and find ways to reduce their energy costs each month. We're also reaching out to community groups and commercial customers with energy-efficiency seminars, teaching customers to consume less energy while accomplishing the same goals.





We are a leading advocate of wind power development within the state of Michigan.

We're actively involved in testing new solid-state lighting products – LED lights that use far less energy than traditional light bulbs. Getting affordable LED lights into the marketplace is one way we can meet Michigan's new standard of reducing energy use through energy efficiency by 5.5 percent by 2015.

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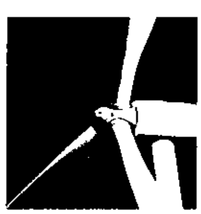


. . . here's what we're doing.

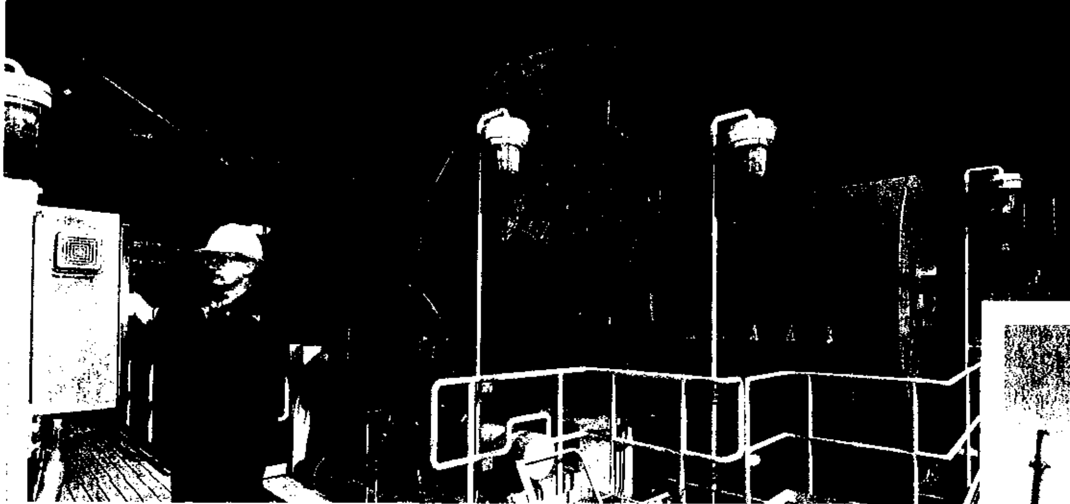
Many veteran industry observers believe that vehicles which run on alternative fuels will be the key to reducing our nation's dependence on foreign oil – and reducing carbon emissions in the transportation sector. Nearly every auto company in America is now showcasing a wide array of hybrid electric and plug-in hybrid electric cars.

Reducing the use of petroleum fuel in basic transportation means the job of powering the cars of the future falls increasingly to companies like DTE Energy. We'll be asked to invest in new renewable energy sources and perhaps other large-scale generating facilities to power the evolution of our country's auto industry.

This includes the possibility of new nuclear plants. To reduce carbon emissions and meet long-term demand growth, nuclear power will play an important role in our portfolio. Although we haven't yet decided to build a new nuclear plant, we're pursuing a license for a new nuclear unit now. We're doing this so that we can maintain eligibility for Federal Production Tax credits if we were to build and because the application, review and building process could take 10 years or more to complete.

Shorter term, we're continuing to invest billions of dollars in advanced technology to drastically reduce emissions at our existing coal-fired plants. Investments at

DTE Energy is partnering with General Motors and Ford on their plug-in electric hybrid vehicle programs, which include the hybrid plug-in Ford Escape, pictured above.



Above: Monroe Power Plant Reliability supervisor Dennis Metty works alongside equipment that pulverizes limestone and is part of our significant investment in emission control at our power plants. Our current portfolio also includes wood-to-waste energy facilities like the one in Woodland, Calif., pictured at right.

our Monroe, Mich., power plant will reduce 90 percent of its nitrogen oxide emissions, 95 percent of its sulfur dioxide emissions and approximately 80 percent of its mercury emissions.

We're also increasing our investments in green energy sources. Since 1995, we've used a greenhouse-gas reducing process to convert trash to cash at more than 34 landfill-gas-to-energy facilities nationwide. Recently, DTE Energy Services acquired The EJ Stoneman coal-fired power plant in Wisconsin, and work is underway to convert it to an environmentally-friendly renewable-energy facility fueled by recycled wood waste and other biomass waste material.

DTE Energy will invest as much as $1 billion in biomass, solar, wind and other "green" energy sources as we strive to meet Michigan's new standards that require 10 percent of our electricity to come from renewables by the end of 2015. Along the way, we're preparing for federal renewable standards that may set the bar even higher.

With a focus on cultivating Michigan-based green energy, we continue to be a leading advocate of wind power in our state. Four Michigan-based wind farms and stations that use decomposing landfill and animal waste to generate electricity are among the suppliers to our GreenCurrents[SM] renewable energy program. GreenCurrents[SM] provides our customers the option of "greening up" their power with renewable energy created from wind, biomass and other environmentally-friendly sources.

We're also partnering with governmental agencies and Midwestern colleges and universities to investigate and research new clean-energy technology. This includes our participation in a demonstration project near Gaylord, Mich., to test the feasibility of injecting carbon dioxide into underground rock formations for permanent storage. Our venture capital operation, DTE Energy Ventures, is partnering with the University of Michigan to sponsor a prize competition to help move clean energy technologies from the laboratory to commercial production. The competition is geared to reward clean-energy business ideas and provide tomorrow's green energy leaders with valuable feedback.

The bottom line is that finding ways to produce and use energy sustainably is the most important global challenge of the next 50 to 100 years. We see a future where DTE Energy plays a vital part in this global trend.

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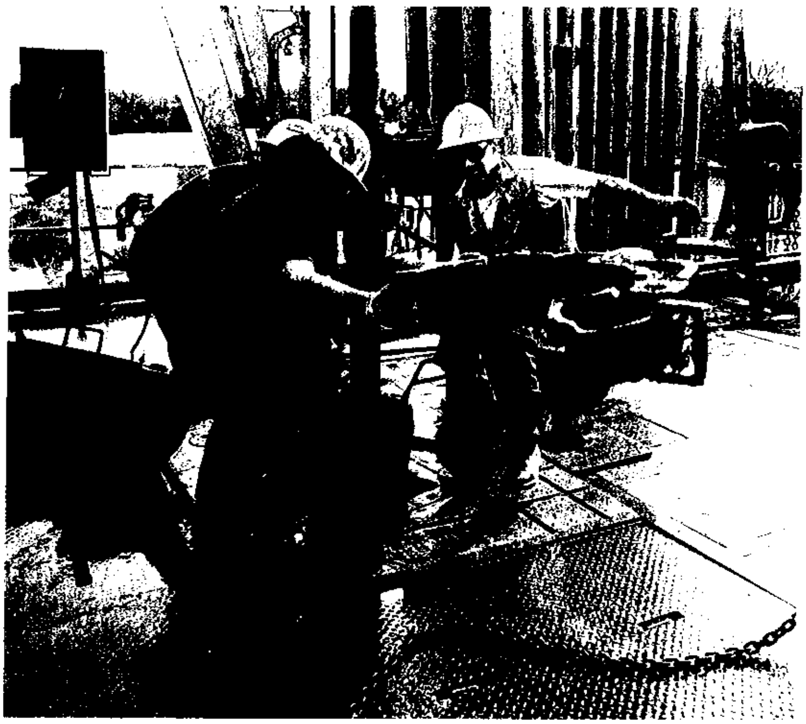
ion's
will **help**

We get it . . .



We are continuing involvement in unconventional gas production like Barnett Shale, pictured above.

Dependence on foreign oil threatens our nation's security and economy. Producing domestic oil and gas will help us prevent energy prices from climbing.

We get it. We are capitalizing on the value of gas supplies that flow through our pipelines and storage infrastructure.

Natural gas has become one of the fastest growing sectors of the energy marketplace. Demand for this clean-burning fuel is rising at record levels as our country clamors for more domestically-available energy. This rise in demand has also given way to a search for new sources of natural gas, called unconventional natural gas, which is stored in rock formations deep beneath the surface of the earth.

In a journey that spans our nation from Texas to New York City, DTE Energy is using its natural gas capabilities and storage assets to create value from market dynamics in this emerging industry.

That journey begins with a newly-completed network of pipelines running from the Midwest to the northeast that is well positioned to serve the fastest growing markets on the continent.

DTE Energy's subsidiary, DTE Pipeline Company, owns a 40 percent share in the Vector Pipeline, which begins in Chicago. From Chicago, natural gas is transported eastward where the Vector Pipeline intersects with DTE Energy's MichCon transmission

The Washington 10 natural gas storage fields are part of our profitable natural gas infrastructure.

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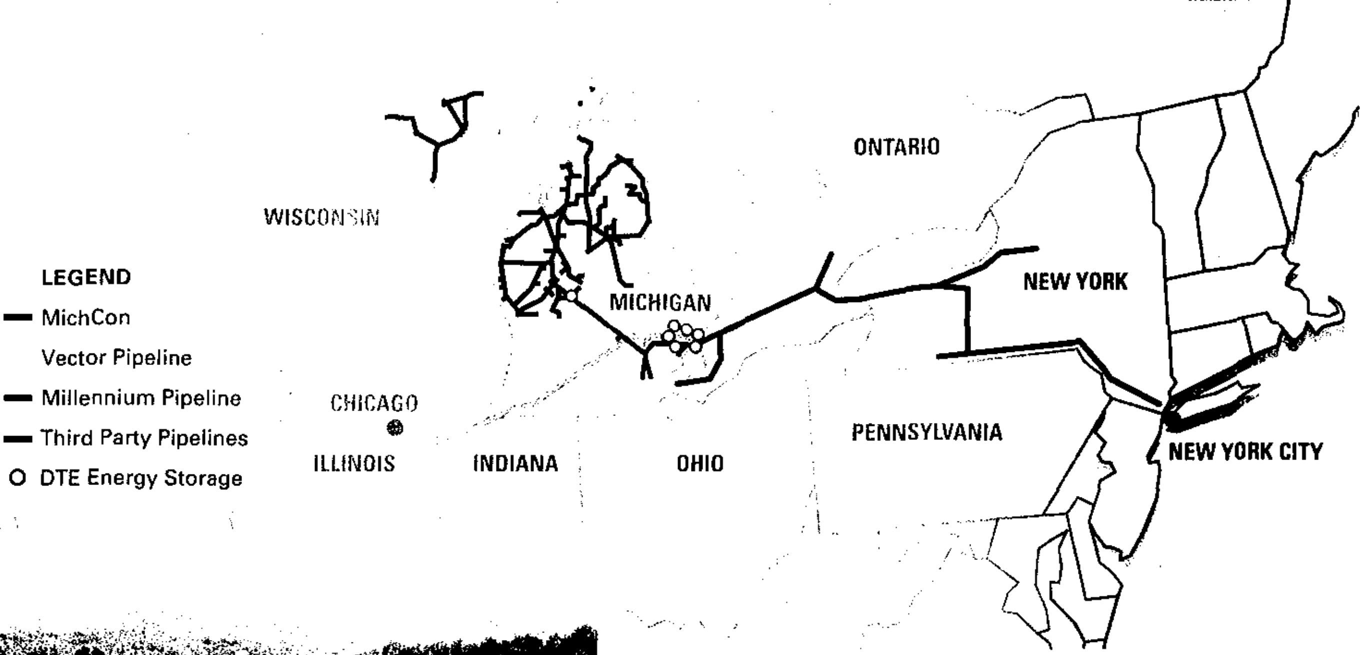

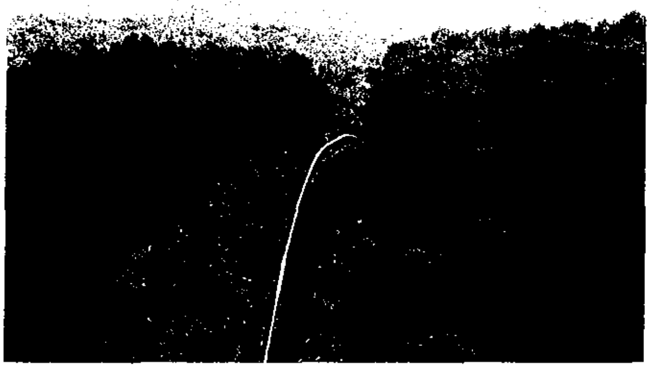

The completion of the Millennium Pipeline, pictured above, allows our customers to cushion their exposure to price volatility.

system and the Washington 10 natural gas storage fields owned by another subsidiary, DTE Gas Storage Company.

From Michigan, the Vector Pipeline connects with the market hub at Dawn, Ontario in Canada, and then indirectly ties into the newly-completed Millennium Pipeline which traverses New York from Corning in the western part of the state to Ramapo, just outside New York City. Our equity interest in Millennium is 26.25 percent.

The completion of the Millennium Pipeline allows our customers to cushion their exposure to natural gas seasonal price volatility by buying gas when prices are low, using our Michigan infrastructure to store the gas, and then easily transporting it to growing markets in the east. This benefits our natural gas storage and pipeline business which already has seen net income grow from $17 million in 2004 to $38 million in 2008.

Our entire Midwest asset base benefits from the completion of Millennium, which also provides access to higher value markets and to new unconventional gas supplies in the Appalachian region.

We're also working to provide another path from our storage facilities to the Dawn Hub in Ontario, Canada, via the Dawn Gateway Pipeline. This will create value for our customers by giving them greater access to the Dawn market and markets further east.

Out in the field, we continue to develop unconventional gas production with a focus on replicating our successes in the Barnett Shale. Unconventional gas is replacing declining U.S. conventional gas and imports from Canada. Our work in the Barnett Shale basin, near Fort Worth, Texas, is an example of how we are building value from unconventional gas production.

Although we still maintain an involvement in Barnett production, we successfully sold a portion of our gas properties in 2008 for approximately $260 million, a return of over 100 percent. We remain focused on leveraging our natural gas assets and expertise to build value and create a better, more secure energy future for our nation.

We get it . . .

We are privileged to serve millions of customers. In return, we give back to these communities by supporting worthwhile charitable causes.

Strong connections with our communities are a natural extension of the strong relationships we are building with our customers. That's why we donate time and charitable dollars to support causes that reflect our corporate citizenship values and priorities.

DTE Energy Gas Operations – Traverse City employees Joseph Haines (left) and Mike Leigeb work on a float for the DTE Energy Cherry Royale Parade in Traverse City, Mich.

Employees and their families were featured in our 2008 United Way campaign. From left: Mark King, from Regulated Marketing, and his daughter Lauren; and Karen Costley, from Customer Service, and her grandson, Avery.

In addition to awarding nearly $7 million to Michigan non-profit organizations last year, DTE Energy employees and retirees dug deep into their pockets to contribute $1.95 million to the United Way and other non-profit organizations. The DTE Energy Foundation matched those donations with an additional $1.06 million for a total of more than $3 million contributed last year.

Employees and the DTE Energy Foundation gave more than $207,000 during a holiday fund-raising drive for groups that provide food and shelter to those in need. An additional $184,500 was contributed to non-profit organizations to recognize the efforts of individual employees and retirees who volunteer in their communities.

Our efforts are a part of our greater commitment to forge partnerships that support the growth and vibrancy of the diverse places where we work and live.

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*Tony Earley, Chairman and Chief Executive Officer, DTE Energy

*Gerry Anderson, President and Chief Operating Officer, DTE Energy

Skiles Boyd, Vice President, Environmental Management and Resources, Detroit Edison

Dan Brudzynski, Vice President, Regulatory Affairs, DTE Energy

JoAnn Chavez, Vice President and Chief Tax Officer, DTE Energy

Peter Cianci, President, DTE Gas Storage Company and DTE Pipeline Company

Mark Cousino, President, DTE Biomass Energy

Jack Davis, Senior Vice President and Chief Nuclear Officer, Detroit Edison

Vince Dow, Vice President, Distribution Operations, Detroit Edison

*Lynne Ellyn, Senior Vice President and Chief Information Officer, DTE Energy

*Sandy Ennis, Corporate Secretary and Chief of Staff, DTE Energy

Paul Fessler, Vice President, Fossil Generation, Detroit Edison

Harold Gardner, Senior Vice President and Assistant to the Chairman, DTE Energy

Joyce Hayes-Giles, Senior Vice President, Customer Service, Detroit Edison and MichCon

*Paul Hillegonds, Senior Vice President, Corporate Affairs, DTE Energy

Nick Khouri, Vice President and Treasurer, DTE Energy

*Steve Kurmas, President and Chief Operating Officer, Detroit Edison, and Group President, DTE Energy

Trevor Lauer, Vice President, Retail Marketing, Detroit Edison and MichCon

Steve Mabry, President, DTE Energy Trading

Ron May, Senior Vice President, Major Enterprise Projects, DTE Energy

*Dave Meador, Executive Vice President and Chief Financial Officer, DTE Energy

*Jerry Norcia, President and Chief Operating Officer, MichCon, and Group President, DTE Energy

*Peter Oleksiak, Vice President and Controller, DTE Energy

Matt Paul, President, DTE Coal Services

*Bruce Peterson, Senior Vice President and General Counsel, DTE Energy

Michael Porter, Vice President, Corporate Communications, DTE Energy

Steven Prelipp, President, DTE Gas Resources

Bob Richard, Senior Vice President, Gas Operations, MichCon

David Ruud, President, DTE Energy Services, and Executive Vice President, DTE Energy Resources

Fred Shell, Vice President, Corporate and Government Affairs, DTE Energy

Knut Simonsen, Senior Vice President, DTE Energy Resources

*Larry Steward, Vice President, Human Resources, DTE Energy

Mark Stiers, Vice President, Gas Sales and Supply, MichCon

Jim Tompkins, General Auditor, DTE Energy

* Denotes executive officers

DTE Energy's Board of Directors is committed to creating long-term value for its shareholders while operating in an ethical, legal, environmentally sensitive and socially responsible manner. Toward that goal, the board performs a number of functions for the company, including:

- *Selection of company leaders.*
- *Oversight of company management.*
- *Regular assessment of the effectiveness of management policies and decisions, including management's development and execution of the company's strategies.*

Lillian Bauder, 69, is the retired vice president of Masco Corporation. From 1996 through December 2005, she served as vice president of corporate affairs, Masco Corporation, and as vice president, Masco Corporation, from January 2005 through December 2006. Bauder was elected to the DTE Energy Board in 1986. (C, N)

Anthony F. Earley Jr., 59, has been chairman of the board and chief executive officer since 1998 and was also DTE Energy's president and chief operating officer from 1994 to 2004. He joined the company in 1994, and that same year was elected to the board.

Committee membership:
A - Audit
C - Corporate Governance
F - Finance
N - Nuclear Review
O - Organization and Compensation
P - Public Responsibility

W. Frank Fountain Jr., 64, is the senior vice president of external affairs and public policy at Chrysler LLC. He joined Chrysler Corporation in 1973 and has held top leadership positions in the company's corporate controller's office, treasurer's office and government affairs office in Washington, D.C. and at Corporate Headquarters in Auburn Hills, Mich. He was elected to the DTE Energy Board in 2007. (A,P)

Allan D. Gilmour, 74, is the retired vice chairman of Ford Motor Company. He served as vice chairman from 1992 to 1995, and then again from 2002 until his retirement from Ford Motor Company in 2005. He was elected to the DTE Energy Board in 1995. Mr. Gilmour is currently the DTE Energy Board presiding director. (C, F, O)

Alfred R. Glancy III, 71, has been the director of Unico Investment Company since 1974 and its chairman since 2000. He has been chairman, Unico Investment Group LLC, since January 2007. He was appointed executive chairman of both organizations in January 2009. He is the retired chairman and chief executive officer of MCN Energy Group Inc., serving from 1988 through 2001. He joined the DTE Energy Board in 2001. (F, P)

Frank M. Hennessey, 71, has been chairman and chief executive officer of Hennessey Capital LLC since 2002. He is the former chairman of Emco Limited and vice chairman and chief executive officer of MascoTech, Inc. He joined the DTE Energy Board in 2001. (A, O)

Pictured from top left are: W. Frank Fountain, Allan Gilmour, Frank Hennessey, Alfred Glancy, John Lobbia, Lillian Bauder, Josue Robles, James Vandenberghe. Bottom row: Tony Earley, Ruth Shaw, Eugene Miller, Charles Pryor and Gail McGovern.

John E. Lobbia, 67, is the former chairman and chief executive officer of DTE Energy. He retired in 1998. He joined the company in 1965 and has served on the DTE Energy Board since 1988. (F, N)

Gail J. McGovern, 57, is the president and chief executive officer of the American Red Cross. Prior to that, she was a professor at the Harvard Business School, president of Fidelity Personal Investments and executive vice president of Consumer Markets a division of AT&T. She was elected to the DTE Energy Board in 2003. (F, P)

Eugene A. Miller, 71, is the retired chairman, president and chief executive officer, Comerica Inc. and Comerica Bank. He retired in 2002. Miller has served on the DTE Energy Board since 1989. (C, F, O)

Charles W. Pryor Jr., 64, has been chairman, Urenco Investments, Inc., since January 2007 and was the president and chief executive officer of Urenco Investments and Urenco Inc. from 2003 to 2006. Prior to that, he was the chief executive officer of the Utility Services Business Group of BNFL and the former chief executive officer of Westinghouse Electric Company. He has served on the DTE Energy Board since 1999. (F, N)

Josue Robles Jr., 63, is the president and chief executive officer of USAA and its former executive vice president, chief financial officer and corporate treasurer. A retired U.S. Army Major General, Robles served more than 28 years in the military, including assignments as director of the Army budget and Commanding General, 1st Infantry Division (The Big Red One). He was elected to the DTE Energy Board in 2003. (A, P)

Ruth G. Shaw, 61, is a former executive of Duke Energy, and is currently serving as executive advisor to the company's chairman, president and chief executive officer. Shaw joined Duke Energy in 1992, and held a number of executive positions, including president of the Duke Energy Foundation, president and chief executive officer of Duke Power Company and president of Duke Nuclear. Prior to joining Duke Power, Shaw served as president of Central Piedmont Community College in Charlotte, N.C., and president of El Centro College in Dallas, Texas. Shaw joined the DTE Energy Board in 2008. (N,O)

James H. Vandenberghe, 59, is the retired vice chairman, Lear Corporation (1998-2008). He retired in 2008. He was the chief financial officer for Lear Corporation from 2006 to 2007. He was elected to the DTE Energy Board in 2006. (A, C)

We continue to monitor the economy and credit markets very closely and adapt quickly to conditions as they change. We are working through this tough period from a position of strength. We know how to operate in a slow growth/no growth environment because we've done it before.

Our strategy is to stick to the fundamentals.

We are committed to a strong balance sheet, solid liquidity and an attractive dividend. Through a tumultuous year, I am very proud that we maintained solid investment grade ratings for both of our utilities. We managed the crisis and had sufficient bank facilities to ensure we weathered a period of unprecedented disruption in the capital markets.

Heading into 2009, we are building additional flexibility into our financial plan to ensure sound liquidity and access to capital in all scenarios. We have approximately $2 billion in bank credit lines to cover our cash flow needs. In the fourth quarter of 2008, we issued $300 million in long-term debt to improve our liquidity.

Our ongoing pursuit of continuous improvement initiatives along with one-time cost-reduction projects helped us achieve our financial targets for 2008. We will use this same strategy to remain on track in 2009. Our goal is to generate approximately

Dave Meador, executive vice president and chief financial officer.

80 percent of our net income from our utilities and 20 percent from our non-utility businesses.

Access to capital will be very important as we move forward with our utility growth plan. While 2008 and 2009 present unique economic challenges, long term we expect to realize earnings growth of 5-6 percent per year through significant environmental and infrastructure investments, and a sharp focus on customer satisfaction. Our cost-reduction initiatives will help offset the effects of these investments and the uncertainty of the recession, and will help minimize future rate increases.

Our non-utility plan calls for creating long-term value and premium returns on our investments in three areas: natural gas storage and transportation, power and industrial projects, and unconventional gas production. Long term, we expect to invest $200-$300 million annually in these businesses, though we will maintain flexibility in the near term.

As we implement our strategy, we are intent on sustaining a competitive dividend yield. At 6 percent, DTE Energy ranked among the best in our industry at year end.

As always, we remain focused on delivering value to our customers and shareholders.

David E. Meador
Executive Vice President and
Chief Financial Officer