

Detroit Edison



10 CFR 50.71(b)

March 24, 2000
NRC-00-0027

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington DC 20555

Reference: Fermi 2
NRC Docket No. 50-341
NRC License No. NPF-43

Subject: Annual Financial Report

Pursuant to 10 CFR 50.71(b), please find attached the 1999 Annual Financial Report for the Detroit Edison Company.

If you have any questions or require additional information regarding this report, please contact me at (734) 586-4258.

Sincerely,

A handwritten signature in black ink, appearing to read 'N. Peterson'.

Norman K. Peterson
Director, Nuclear Licensing

Enclosure

cc: w/enclosure

J. E. Dyer
A. J. Kugler
M A. Ring
M. V. Yudasz, Jr.
NRC Residents Office
Region III
Wayne County Emergency Management Division

M004

DTE Energy



Sustaining *Growth* Through People, Process and Technology

1999
Annual Report

Overview

Generation, transmission and distribution of electricity throughout Southeastern Michigan.

Transports and delivers low-sulfur Western coal by rail and ship.

Coal sourcing and transportation.

Rail car maintenance and repair subsidiary of DTE Coal Services.

Rail car sourcing and fleet management services subsidiary of DTE Coal Services.

Marketing and trading of electricity and related fuels, and provision of risk management solutions.

Sale of electricity and natural gas.

Develops, owns, operates and maintains energy projects, including cogeneration, power generation, pulverized coal injection, coke oven batteries, synthetic fuels production and backup generation.

Steam, electricity and methane gas sales.

Distributed generation (Midwest distribution of Plug Power residential fuel cells), energy products and services, telecom systems and energy consulting.

Thirty-two percent ownership of Plug Power Inc. residential fuel cells. Venture capital investments in new energy technologies.

Customers

Serving 2.1 million residential, commercial and industrial customers in Southeastern Michigan.

Utilities and industrial customers in the Great Lakes and Canada that use low-sulfur Western coal, like LTV Steel, Consumers Energy and Ontario Hydro.

Industrial customers and utilities in North America, including General Motors, Ontario Hydro, FirstEnergy and NIPSCO.

Owners/operators of rail fleets and fleet owners.

Rail shippers.

Wholesale customers, other energy trading firms and DTE Energy retail marketing affiliates.

Medium and large commercial, institutional and industrial customers.

Steel, auto, heavy industrial, pulp and paper, food, health care, commercial, institutional, merchant power generation and other energy intensive industries.

Landfill owners and utilities, and industries located close to landfills.

Original equipment manufacturers (OEMs), retail, commercial, institutional, industrial and residential customers. Electric utilities, municipalities and cooperatives, and government agencies.

DTE Energy

Competitors

Other utilities like Consumers Energy as well as independent power producers including municipalities and cooperatives.

Regulated utility subsidiaries.

Other utility subsidiaries and independent companies.

Progress Rail, Trinity and other rail car leasing companies and fleet owners.

QTSI, AllTrans and other transportation service providers.

Power marketers, natural gas marketers and utilities.

Utility affiliates of competitive energy companies and consumer marketing companies.

Utility-affiliated developers, independent developers and energy companies.

Other landfill gas extraction companies.

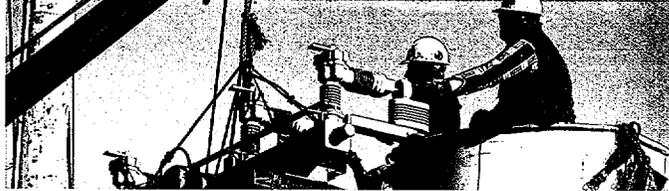
Other fuel cell developers and marketers, energy services companies, OEMs, data processing companies, utilities, construction and maintenance firms, engineering services firms and investment recovery firms.

Other venture investment companies.

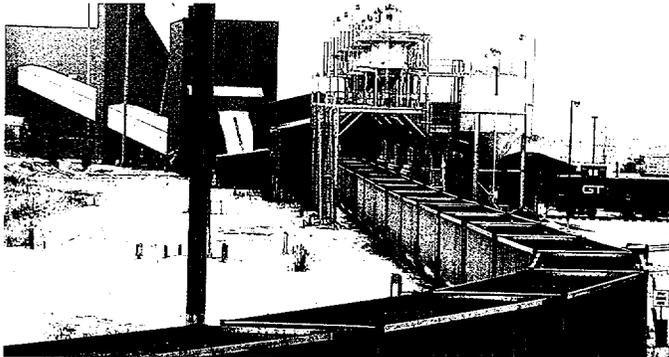
Much more than an electric company

Take a look

Electricity



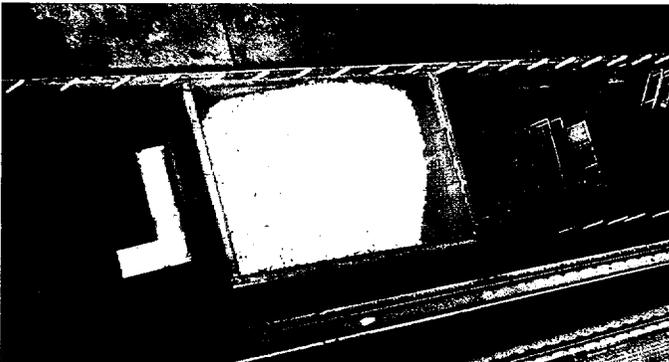
Fossil Fuels



Energy
Marketing
and Trading



Energy Projects,
Services and
Technology



Technology
Investments



Businesses

Detroit Edison

Midwest Energy Resources Co.

DTE Coal Services Inc.

DTE Rail Services Inc.

DTE Transportation Services Inc.

DTE Energy Trading Inc.

DTE Energy Marketing Inc.

DTE Energy Services Inc.

DTE Biomass Energy Inc.

DTE Energy Technologies Inc.

Edison Development Corporation

We're a premier energy provider

DTE Energy



DTE Energy is a leading energy provider in the Great Lakes region. We sell electricity, natural gas, coal, landfill gas and steam. We also are involved in many other energy-related businesses. Our company is one of the nation's largest purchasers, transporters and marketers of coal. We produce metallurgical coke and synthetic fuels from coal. We provide energy consulting and project management services. We are energy traders. And we are participating in emerging energy technologies that could transform the way you power your homes and businesses.

DTE Energy's major subsidiary is Detroit Edison, serving customers in Southeastern Michigan since 1903. Detroit Edison, today, is the nation's 10th largest electric-only utility, supplying energy to 2.1 million customers. It services an area measuring 7,600 square miles and owns more than 11,000 megawatts of coal, gas and nuclear generation capacity, delivering more than 50 billion kilowatt-hours of electricity.

Our mission is to be pre-eminent in providing energy solutions for customers. We are transforming DTE Energy into a fiercely competitive, growth-oriented company well positioned for opportunities the new century will bring.

At your service

Visit our Web site:
www.dteenergy.com

For investment professionals:
Investor Relations
313.235.8030

For individual shareholders:
Shareholder Services
800.551.5009

About the cover

A talented work force, innovative processes and investments in new technology are key components of our formula for success. They will provide the momentum we need for sustainable growth in the intensely competitive business environment of the 21st century.

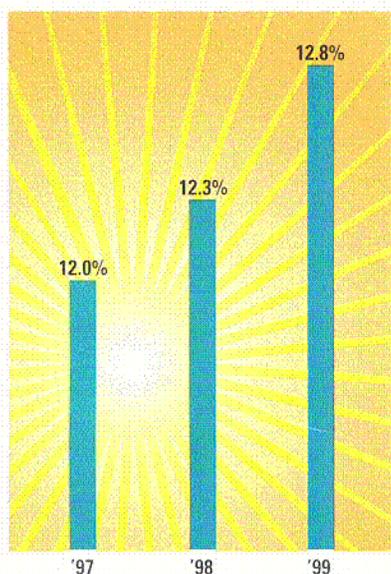
See how we're growing!

Another year of solid growth	1
Financial highlights reflect record earnings.	
Much more than an electric company	
See our fold-out grid providing an overview of who we are.	
Our businesses are strong and growing	
See the fold-out for an overview of our growth businesses.	
We're making good on our promises	
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DTE Energy's people are critical to our success.	
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Another year of solid growth

	1999	1998	% Change
Operating Revenues (Millions)	\$ 4,728	\$ 4,221	12.0%
Net Income (Millions)	\$ 483	\$ 443	9.0%
Earnings Per Common Share	\$ 3.33	\$ 3.05	9.2%
Dividends Declared Per Share	\$ 2.06	\$ 2.06	—
Dividend Yield	6.5%	4.8%	35.4%
Return on Common Equity	12.8%	12.3%	4.1%
Average Common Shares Outstanding (Millions)	145	145	—
Book Value Per Share	\$ 26.75	\$ 25.49	4.9%
Market Price	\$ 31.63	\$ 43.06	(26.5)%
Total Market Capitalization (Millions)	\$ 4,586	\$ 6,244	(26.6)%
Investments and Capital Expenditures (Millions)	\$ 768	\$ 997	(23.0)%
Total Assets (Millions)	\$12,316	\$12,088	1.9%
System Sales (Millions of kWh)	51,852	49,706	4.3%

Return on Common Equity



Return on common equity increased 0.3 percent in 1998 and 0.5 percent in 1999.

Earnings Per Share vs. Dividends Per Share



■ Dividends Per Share
■ Earnings Per Share

Dividends remained at \$2.06 per share from 1997 to 1999, while earnings per share steadily increased.

Earnings Per Share



■ Non-regulated
■ Regulated

Earnings per share steadily increased during the period 1997-1999 for both regulated and non-regulated businesses.

*Non-regulated earnings exclude financial services and holding company administrative charges.

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Evan J. O'Neil
President, DTE Coal
Services Inc.

Fossil Fuels

DTE Energy's coal services businesses increased 100 percent in 1999 over the previous year. DTE Coal Services and its subsidiaries, DTE Rail Services and DTE Transportation Services, provide a broad array of coal sourcing, marketing, transportation and rail

management services throughout the United States.

DTE Energy is the largest third-party shipper of coal in the U.S. electric industry. We manage the delivery of more than 40 million tons of coal annually by rail, ship and truck. Our annual shipping volume is growing at a rate of 15 to 20 percent.

With a fleet of more than 8,000 rail cars, we are the largest shipper of coal on Western railroads and a significant player on Eastern railroads. We also own and operate three rail car maintenance facilities with the capacity to service more than 20,000 cars a year. In addition, we control a fleet of freighters and are the largest coal shipper on the Great Lakes.

Our strength is developing unique transportation services packages that save our customers time and money. A good example is our new three-year agreement with Northern Indiana Public Service Co. (NIPSCO) and Norfolk Southern Corp. (NSC) to supply transportation and logistic services for two NIPSCO power stations. DTE Coal Services is coordinating delivery of 1 million tons of Eastern coal by NSC in our rail cars to the NIPSCO power stations each year.



Curtis T. Ranger
President, DTE
Biomass Energy Inc.

Biomass

We are a leader in environmentally friendly landfill gas recovery and utilization. Through our subsidiary, DTE Biomass Energy, we extract more than 86 million cubic feet per day of gas from landfills throughout the United States. Landfill gas is a byproduct of decomposing solid

waste. We capture this gas and turn it into steam or electricity for utilities and industrial facilities. Other end-users like asphalt plants and brick kilns use the gas directly as a fuel.

We evaluate landfill gas projects, locate potential customers and provide on-site construction, operation and management services, including the development of dedicated distribution pipelines to end-users and on-site generation facilities. Currently, we have more than 30 facilities operating or in various stages of development in 15 states across the country.

In 1999, we added six more projects in three states and were awarded four project opportunities in Florida and Arkansas.

Our newest project delivers gas from an Oklahoma City landfill to a nearby Georgia Gulf chemical manufacturing plant. Burning landfill gas helps Georgia Gulf lower its total fuel costs. At the same time, it helps the environment by reducing emissions of methane, a greenhouse gas.



Above, left: The Riverview, Mich., Land Preserve captures more than 4 million cubic feet of methane gas each day which is used to generate electricity.

Above: DTE Energy Technologies offers a broad range of products and services that help customers achieve significant energy or operating cost reductions. Its customers range from homeowners, schools and restaurants, to retail, hospitals and auto assembly plants.



G. Paul Horst
President, DTE Energy
Technologies Inc.

Energy Technology

We are investing for long-term growth in a variety of emerging technologies. Among our highest expectations are businesses related to distributed generation. Distributed generation allows individual homeowners and businesses to generate power at or near the point of use.

This provides benefits for remote customers and supports our environmental initiatives to reduce emissions and greenhouse gases. It also strengthens localized areas of our distribution network.

Through our subsidiary, DTE Energy Technologies, we are building businesses around technologies that could transform the way we do business. Our relationship with Plug Power, a developer of residential fuel cell systems, is a good example. Plug Power is currently field-testing units and has plans to bring its fuel cells to market in 2001. DTE Energy Technologies will be the exclusive distributor of the system in four Midwest states.

As a result of our technical and market research, we are pursuing other business opportunities related to distributed generation products, services, installation, interconnection systems and overall system and product integration. Additional activities include energy information systems operating over the Internet, and investments in telecommunications infrastructure and construction.

To Our Shareholders

We're making good on our promises The future has never looked brighter!

What a year! It was busy, but gratifying. Your company is building a strong foundation for the future. We're growing in exciting new ways. I'm pleased with our progress. You should be, too. DTE Energy had a very strong 1999.

We said we'd increase net income from non-regulated businesses to between \$65 million and \$70 million in 1999 from \$40 million in 1998. We earned \$69 million. We pledged to improve our core business and we did.

We said we'd get into at least one new line of business. The pending acquisition of MCN Energy will give us a premier position in natural gas. More about this later.

Nineteen ninety-nine was a good year for your company. Earnings exceeded our target growth rate of 6 percent. We improved our core operations and non-regulated businesses played a growing role in our success. We announced a major acquisition. I'm encouraged by the positive change that I see, but we won't sit still.



**Anthony F. Earley, Jr.,
chairman of the board
and chief executive officer.**

Net earnings were \$483 million, or \$3.33 per basic and diluted share in 1999. That's an increase of \$40 million (\$0.28 per share) or 9.2 percent from the prior year. Earnings in 1998 were \$443 million, or \$3.05 per share. Non-regulated businesses contributed \$69 million, or \$0.47 per share to 1999 earnings, an increase of 62 percent over 1998.

We delivered on our promises. That's how we'll continue to build credibility with our shareholders and the investment community. We set a goal of 6 percent average annual earnings growth. We met that goal in 1998 and exceeded it in 1999. We met our performance goals for our major subsidiary, Detroit Edison. It is the nation's 10th largest electric-only utility.

We said we'd leverage energy technologies into new businesses. It's happening through our partnership with Plug Power, a company developing residential fuel cells. We established a joint venture to create Plug Power in 1997 and in October 1999, the company went public. By Jan. 31, 2000, it had a market capitalization of more than \$4 billion and our investment was worth \$1.3 billion. DTE Energy owns 32 percent of Plug Power and we have the exclusive rights to distribute its systems in Illinois, Indiana, Michigan and Ohio when they go to market in 2001.

Our goal is to replicate the success of Plug Power with other investments in technologies that can help us generate profitable new businesses.

Our businesses are strong and growing



Barry G. Markowitz
President, DTE Energy
Services Inc.

Energy Services

Through our subsidiary, DTE Energy Services Inc., we develop, finance, build, own, operate and maintain energy projects for industrial, institutional and commercial customers. This includes project engineering, procurement, construction, management, operation and maintenance. DTE Energy Services also is penetrating the merchant power generation market and is completing a merchant peaker plant in Indiana.

In 1999, this business increased 54 percent from the prior year. DTE Energy Services is expected to contribute about 25 percent of DTE Energy's earnings over the next three to five years.

Currently, we operate or are constructing more than 25 major projects representing \$1.3 billion in assets. They include a pulverized coal injection facility at Bethlehem Steel Corporation's Sparrows Point Division in Maryland, a 240-megawatt peaker project in Indiana and three major coke batteries in the steel industry.

One major project recently completed is a heating and cooling system for General Motors' new global headquarters in downtown Detroit. Under the 20-year agreement, DTE Energy Services designed, built, owns, operates and maintains the heating and cooling facility for the multi-tower complex known as the Renaissance Center. We will provide up to 14,000 tons of chilled water for cooling and up to 200,000 pounds per hour of steam for heating the riverfront structure.



Samuel Snick Meyers
President, DTE Energy
Trading Inc.

Energy Marketing and Trading

We are a leader in power marketing. Through our subsidiary, DTE Energy Trading Inc., we buy and sell electricity, coal and natural gas on the open market. We also provide risk management and financial services to customers in the Midwest and northeastern United States as well as in Canada.

DTE Energy Trading ranks high in the upper quartile of power marketers and demonstrated solid profitability in 1999. DTE Energy Trading conducts approximately 900 transactions per month for 75 different clients ranging from utilities to other power marketers, municipalities and cooperatives. Revenues from this business increased 150 percent in 1999 over the previous year.

One of its strengths is integrating the business strategies of other DTE Energy subsidiaries to provide a total energy solution. For example, DTE Energy Trading took coal provided by DTE Energy Coal Services, processed it in a third-party-owned, out-of-state facility and then used the energy generated to fill DTE Energy Marketing retail contracts in Pennsylvania.

During a highly volatile year in the energy markets, DTE Energy Trading extended its commercial success and continued growing throughout 1999.

Below, left: Gregg Haneckow monitors the Renaissance Center's new heating and cooling system owned and operated by DTE Energy Services.

Below, middle: John Holt buys and sells electricity, coal and natural gas on the open market.

Below, right: DTE Coal Services manages the delivery of more than 40 million tons of coal annually. Ray Parker inspects rail cars at the Monroe Power Plant.



We did not, however, achieve one important target – creating a price/earnings multiple in the upper quartile of the Dow Jones Electric Utility Industry Group. Utilities, in general, took a big hit on the market in 1999, with the group index dropping 9 percent. During this same period, the value of our common stock dropped 27 percent. This is a huge disappointment, and frankly, these results are unacceptable.

A number of factors had an impact. Interest rate jitters, uncertainty surrounding electric deregulation legislation in Michigan and nervousness about our pending merger with MCN Energy each played a role in depressing our stock price.

We can't control investor sentiment or the short-term performance of our stock price. But we can make sure we're doing the right things to strengthen our company and improve our valuation over the longer term.

We're pursuing deregulation legislation that maximizes shareholder value and is good for our customers and employees. We're racing to complete the acquisition of MCN Energy and integrate the two companies smoothly and cost-efficiently. Most importantly, we're continuing to focus on improving our business fundamentals. In the long term, we think we'll be rewarded for these efforts.

Deregulation is here.

On Jan. 25, 2000, a bill to deregulate the state's electric utility industry was introduced in the Michigan Senate. The bill (SB 937) is a step in the right direction, however, we cannot support it in its current form. We are actively involved in discussions to amend language in the bill giving Detroit Edison a choice to retain its ownership of power plants after deregulation. If we are successful, the amended bill will create a pathway for strong, vibrant, Michigan-based companies to compete fairly both within and outside of our state. Strong competition will benefit electric customers, Michigan employees and our communities.

In the meantime, we're moving forward voluntarily with the Michigan Public Service Commission's Electric Choice program. Under the program, all Detroit Edison customers will be able to choose their electricity supplier by 2002.

We're ready for competition.

We took a number of steps to strengthen our utility business and improve reliability in 1999. Detroit Edison spent more than \$500 million in 1999, alone, to maintain and enhance its electrical system.

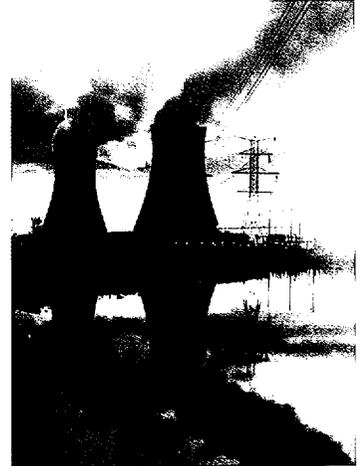
We met record electricity demand twice in one week last summer, and set a new winter peak record in December.

Our reliability was put to the test this past summer with a series of exceptionally fierce back-to-back storms that caused significant property damage and electrical outages. While our crews restored electricity in nearly all affected areas within two days, many customers were disappointed with our response time.

To help improve reliability and meet growing energy demands, in 1999 we added almost 1,000 megawatts (MW) of new or refurbished capacity to our system. Combined, that's enough electricity to power 300,000 homes.

We ramped up our program to clear trees from power lines. We spent \$45 million on this action in 1999 and will spend more than \$48 million in 2000. We trim an average of 780,000 trees each year and will trim 800,000 in 2000. We're also putting power lines underground and using alternative construction methods where appropriate to reduce tree-related outages.

Our Fermi 2 nuclear plant completed its most successful year ever in 1999. It operated at 100.3 percent capacity and generated a record 9.48 million megawatthours of electricity. Its capacity factor – the time the plant operates at

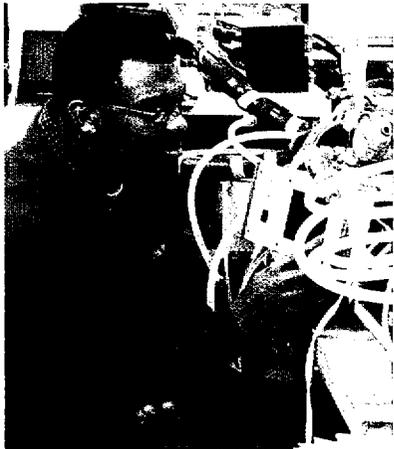


Above: Detroit Edison's Fermi 2 nuclear plant had its best year ever in 1999 – generating record amounts of electricity, lowering costs and improving safety.

full capacity – was the highest among all boiling water reactors (BWRs) in the country. At the same time, we brought production costs down to their lowest levels ever and achieved the best radiation safety record for any BWR in the United States.

We had a successful transition to Y2K. Our people worked tirelessly to ensure a seamless

The question and answer section that follows my letter provides you with more details on the merger. As this annual report was going to press, shareholders from both companies had approved the transaction and we were still working to obtain the necessary approvals. We are eager to complete the deal and anticipate meeting our target to close during the first half of 2000, which is very fast.



Above: Plug Power's David Graham conducts performance testing and analysis on the company's fuel cell systems.

Right: Bret St. John tests the concentration of methane landfill gas at the Riverview Land Preserve.



rollover. On New Year's Eve, almost 2,000 Detroit Edison employees stood ready to respond to power outages and other Y2K surprises. Our preparation paid off. It was "business as usual" with no significant incidents reported.

We expect the pending merger with MCN Energy Group to be a home run for our company.

MCN Energy is a diversified natural gas company with more than 1.2 million customers. This merger will enhance our core capabilities. It will provide additional growth opportunities. It will create a world-class energy company. It will position DTE Energy to successfully compete in the deregulated business environment ahead.

Non-regulated businesses are a growing contributor to our bottom line.

We're building a portfolio of growth businesses that are closely tied to power generation and fuel management. Some are already solid contributors. Others are just beginning to demonstrate their potential. We expect these businesses to represent close to 30 percent of our earnings by 2002.

We're leveraging our breadth and expertise in coal sourcing and transportation. In 1999, our subsidiary, DTE Coal Services, signed its first comprehensive supply agreement with another utility – FirstEnergy Corp. Under the five-year contract, we will supply up to 7 million tons of coal per year

to five of FirstEnergy's Lake Erie power stations. We're pursuing similar agreements elsewhere that could add 8 million tons of coal to our portfolio in the near future.

Through our subsidiary, DTE Energy Services, we operate or are constructing more than 25 major projects representing \$1.3 billion in assets. These include merchant power generation plants, coke battery and pulverized coal injection projects, powerhouse and backup power facilities.

One of our most recent projects is construction of a 240 MW gas-fired merchant electric power facility in partnership with Indianapolis Power and Light (IPL). The project is a win-win for both companies. IPL will own 80 MW of new generation capacity for its customers and DTE Energy Services will own 160 MW of additional generation capacity in a prime Midwest location.

Through our subsidiary, DTE Energy Trading, we buy and sell electricity, coal and natural gas on the open market. This provides a hedge against financial risks created by fluctuations in power demand and volatile fuel prices. We use a disciplined management system to minimize these market risks and maximize rewards. Energy Trading demonstrated significant net income growth, while revenues increased 150 percent and sales volumes increased 250 percent over the previous year.

DTE Biomass Energy, a leader in landfill gas recovery, continues to demonstrate steady, profitable growth and environmental stewardship. Each new project creates opportunities to help the environment by limiting emissions of greenhouse gases. We extract more than 86 million cubic feet per day of gas from the 25 landfill projects we currently operate. Over the life of these projects, that's equivalent to the environmental benefits of planting more than 500 million trees.

Our company is reinventing itself every day. We have a winning formula for success. In the year 2000 and beyond, DTE Energy will remain

focused on our strategy for sustainable growth. We will strengthen our core business. We will build a portfolio of related non-regulated businesses with strong earnings potential. And we will leverage emerging energy technologies.

People, not assets, will fuel our success in this new era of competition. We're working hard to improve communications at all levels throughout our work force, develop our employees, tap into their experience and expertise, and create a supportive and rewarding work environment. We have a people strategy in place to reaffirm the worth of individuals and the value of diversity.

We're building relationships with our unions based on trust and mutual respect. To nurture this partnership, we formed a team of represented and non-represented employees who serve as union-management consultants for our company.

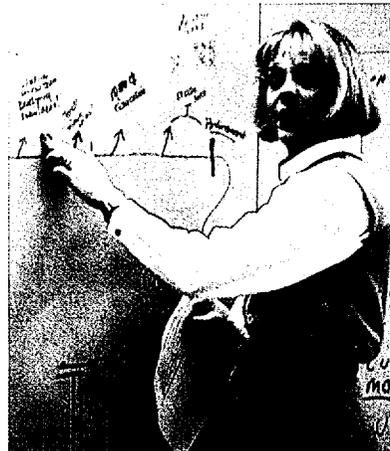
The end goal is empowered employees who understand our business and their critical role in our future. I'm encouraged by the positive change that I see. Our people are taking the lead in implementing a number of innovative improvements throughout the company. These initiatives – which you'll read about in the pages that follow – are helping us streamline processes, reduce costs and better serve our customers.

At DTE Energy, we are preparing for a bright future. We have a solid strategy, an entrepreneurial leadership team, a dedicated work force, and a growing offering of customer-focused products and services.

We believe we have what it takes to succeed. I look forward to demonstrating that to you in the year ahead.



Anthony F. Earley, Jr.
Chairman of the Board and
Chief Executive Officer
Jan. 31, 2000



Above: Laurie Roland helps develop a workshop to build teamwork and set objectives for the company's Mature Workers program.

Interview with CFO Larry Garberding

Merger creates premier energy provider

At separate special meetings on Dec. 20, shareholders of DTE Energy and MCN Energy Group voted to merge operations. The combined company will be the largest electric and gas utility in Michigan. Below, DTE Energy Chief Financial Officer Larry Garberding answers questions about the transaction.



Larry G. Garberding,
executive vice president
and chief financial officer.

Q *What is the agreement between DTE Energy and MCN Energy? Is this a merger or an acquisition?*

A It's both. From a financial perspective, it's an acquisition. DTE Energy is buying all the outstanding shares of MCN Energy for \$28.50 per share in cash (55 percent) and stock (45 percent) for a total of \$2.6 billion. But we view this transaction as a partnership – the merging of two great companies. Together we'll be stronger than either company individually. The expertise that MCN Energy has in natural gas complements our growth strategy and will help position us for long-term success.

Q *What can you tell me about MCN Energy?*

A It's an integrated energy company with assets of \$4.4 billion and revenue of \$2.1 billion. It has 3,000 employees. MCN Energy is the 10th largest natural gas local distribution company (LDC) in the United States. It's primarily involved in natural gas production, gathering, processing, transmission, storage and distribution, electric power generation, and energy marketing in the

This merger of two great Detroit companies creates an energy powerhouse with assets of more than \$17 billion and annual revenues exceeding \$6 billion. Our 11,500 employees will serve about 2.1 million electric customers and 1.2 million natural gas customers in Michigan.

Midwest-to-Northeast corridor. This region accounts for nearly one-third of U.S. natural gas consumption. MCN Energy's largest subsidiary is Michigan Consolidated Gas Company (MichCon), a natural gas utility serving 1.2 million customers in more than 500 Michigan communities.

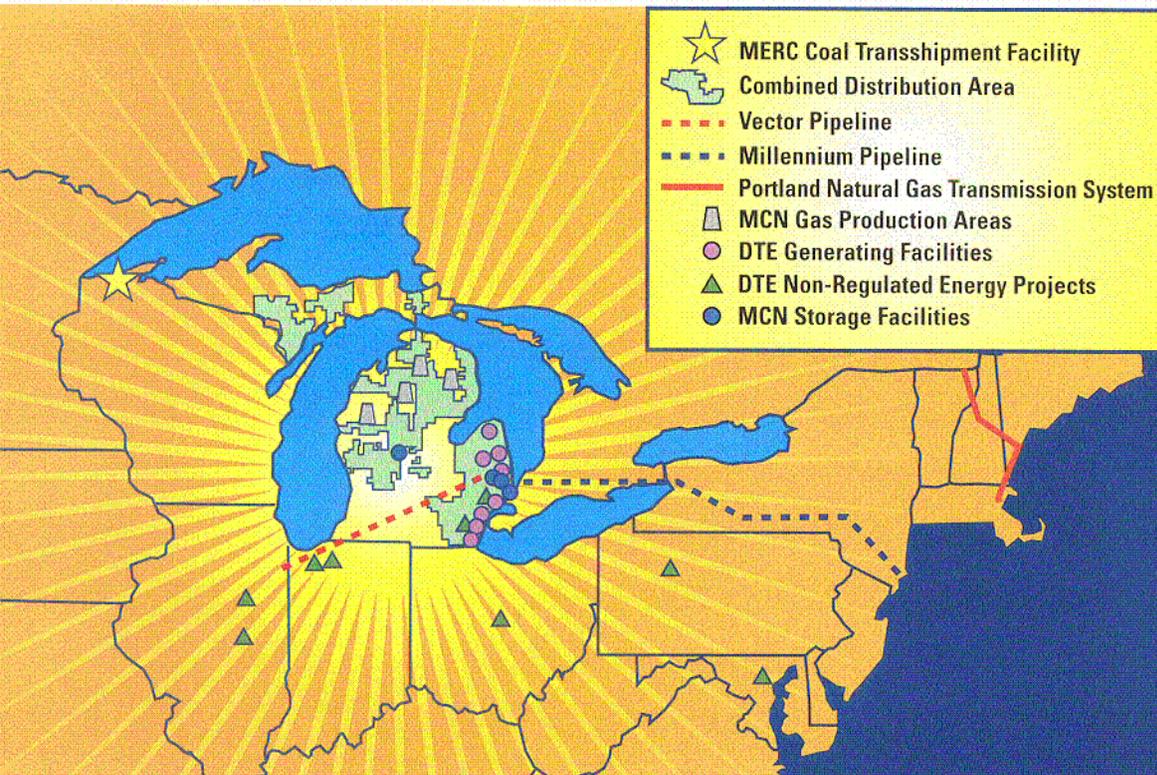
MCN Energy has 500 billion cubic feet of natural gas reserves. This includes 1,400 Antrim gas wells in northern Michigan. It has 185 billion cubic feet of gas storage. This represents one-third of all the storage in Michigan. It is well positioned as a major gas transporter through its Michigan pipeline and key investments in three interstate pipelines.

MCN Energy has 2,500 miles of transmission pipeline. It has more than 100,000 horsepower of compression. It has 16,500 miles of distribution main. The company makes 600 billion cubic feet per year of gas deliveries to customers – that's more than 8 percent of the gas consumed in its target region.

Q Why did DTE Energy look to MCN Energy as a partner?

MCN offers significant advantages as a business partner. We serve many of the same communities. This offers opportunities for improved customer service and cost savings. In addition, we both have strategies that focus on leveraging energy marketing, transportation and delivery in the Great Lakes region.

DTE Energy brings experience in power plant operations, coal management and marketing.

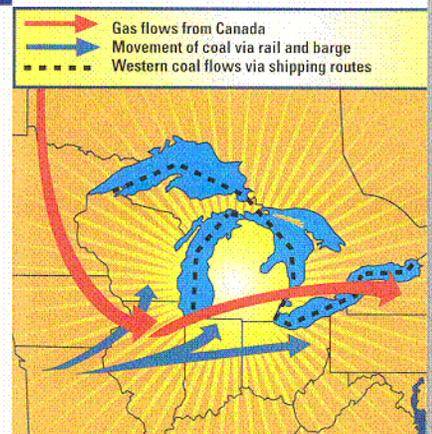


Left: The combined assets of DTE Energy and MCN Energy will create a company with a strong presence in the Midwest and Northeast regions of the United States.

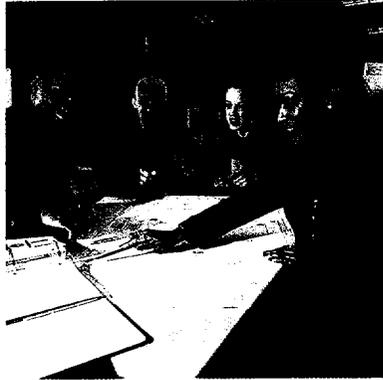
Below: The new company is strategically positioned to be a major player in cross continent coal and natural gas transportation. The red arrows show gas flow from Canada to the Midwest and Northeast. The blue arrows show the movement of Western coal via rail and barge. The dashed line indicates Western coal flows to Midwest customers via shipping routes.

A Natural gas will be an important part of our future business. Both the electric and gas industries are going through a period of consolidation and restructuring. Companies are becoming larger and offering a number of energy alternatives. Existing and future electric technologies focus on natural gas for fuel. New highly efficient combined cycle electric generating plants are fueled by natural gas. And the primary fuel for fuel cells, like Plug Power systems, will be natural gas.

MCN Energy brings experience in natural gas purchasing, transportation, storage and marketing. The combined company will become a leading regional player in marketing coal, gas and electricity from the Great Lakes to the northeastern United States. A substantial portion of the country's energy is consumed along this strategic corridor and a high concentration of large commercial and industrial customers are located here.



C-2



Above: Teams of employees from DTE Energy and MCN Energy are developing plans for the smooth integration of both companies. From left: Dwayne Price, Nick Yono, Julianne Phillips and Gail McKinney.

The combined company also will be able to compete more effectively in the development of new power plants and distributed generation.

Q *How do you intend to integrate the two companies? How long will it take?*

A We expect the merger to be completed sometime during the first half of 2000. The new combined company will be called DTE Energy.

Competition in our industry is accelerating at a fierce rate. The merger will give us the financial strength, asset mix and scale we need to grow and thrive in the fast-paced business environment of the 21st century.

Its headquarters will remain in Detroit. Detroit Edison and MichCon – both very powerful brands – will retain their names and operate as DTE Energy subsidiaries. A number of transition teams are guiding us through the integration process, identifying areas of overlap and opportunities for cost and operating efficiencies. We think we can achieve an average of \$60 million annually in after-tax savings over the next 10 years through these actions.

Q *How are you financing the deal?*

A The cash portion of the transaction will be funded through the sale of \$1.4 billion in bonds. The remainder will be financed through a stock swap of .775 shares of DTE Energy for each share of MCN Energy stock.

While this deal may look like it would tax our financial strength, we predict we'll be able to readjust our leverage to 1999 levels within three years by selling non-strategic assets and using operating cash flow to pay down debt.

Q *Will the company leadership change?*

A DTE Energy Chairman and Chief Executive Officer (CEO) Tony Earley will be chairman and CEO of the combined company. Upon completion

of the merger, MCN Energy Chairman and CEO Al Glancy will retire and join the Board of DTE Energy. Two additional directors from MCN Energy will serve on the DTE Energy Board along with its 12 existing members.

Stephen E. Ewing, current president and chief operating officer (COO) of MCN Energy, will join DTE Energy's senior leadership team as president and COO of its gas business. (See page 22 for his

biography.) H. Lee Dow, currently chief financial officer of MCN Energy, will serve as a DTE Energy senior vice president.

Q *How will the merger affect company earnings and my dividends?*

A Merger-related one-time costs will impact our 2000 earnings. But we expect this merger to improve our combined earnings in 2001, with strong upside potential thereafter. In the long term, this transaction will help us continue to meet our commitment of 6 percent average annual earnings growth. We plan to maintain our dividend of \$2.06 per share after the merger.

Q *How will the merger affect the company's growth potential?*

A This merger will make us a stronger regional competitor. It offers large and achievable operating and cost synergies. It positions the company to play a leading role in marketing and transporting coal, gas and electricity. It gives us the combined assets and skills we need to participate in the growing gas-fired generation market. It allows us to leverage our expertise in several tax-advantaged energy businesses like synthetic fuels facilities. And it creates a great platform for future regional expansion and growth in gas-fuel



Left: Yousef Quandeel (left) and Robert Stewart lead the project to install a new natural gas-fired turbine at the Trenton Channel Power Plant.

Below: Workers lay a natural gas pipeline for MichCon's largest customer, Dearborn Industrial Generation.

management, natural gas-fired power generation and distributed generation.

Q *Will there be other mergers/acquisitions?*

A Our immediate focus is on completing the merger with MCN Energy and ensuring a smooth transition to the new company. But acquisitions – both strategic and tactical – are an integral part of our growth strategy.

Q *What is your growth strategy?*

A It's a three-phase plan. Over the short-term, we're focusing on growing our core business – power generation and energy distribution. Beyond 2000, we'll grow through investments in non-regulated businesses closely tied to our core competencies. In fact, by 2002, we expect more than 30 percent of our earnings to come from non-regulated sources. Our long-term growth plan is to develop investments in renewable energy sources and potentially transforming

technologies like fuel cells. This will keep us on the leading edge of technologies that have the potential to develop into profitable new businesses for us. We believe this strategy will keep our company extremely competitive as the energy industry continues to restructure and consolidate.



A winning team and fresh ideas fuel our growth

It starts here. At DTE Energy, our people fuel our success. They're committed to customer service. They're a source of innovative ideas. They're focused on continuous improvement. They're a winning team.

customer's perspective into business and strategy decisions. The team is working to develop dynamic standards for delivering our products and services. This will demonstrate to our customers that we're concerned about the service we provide, and that we can meet and even exceed their expectations.

Customer service takes many forms. Most Detroit Edison employees hold two jobs – their

No business can survive and prosper without continuous improvement.

And continuous improvement can't take place without fresh ideas from our people — ideas that produce better quality, higher levels of customer satisfaction and meaningful cost reductions.

Core values of respect, integrity, learning and business success guide our company. Diverse, skilled, caring and dedicated employees drive our growth.

Our goal is exceptional safety, reliability and customer service. At the same time, we're striving to improve efficiency and lower costs. We're making good progress.

People like Jim Martin, Power Generation, are always looking for a better way. During his 25-year career, he's submitted more than 570 ideas for improving safety and cutting costs throughout the company. He's a five-time winner of the company's Innovator's Award that honors employees who have 10 or more awarded ideas during one year. In 1999, alone, 223 employee ideas have been implemented representing cost savings and productivity improvements of \$7.2 million, and estimated budget reductions of about \$1.2 million.

A Customer Relationship Management Process Team is looking at ways to incorporate the

normal job and a storm emergency assignment. By constantly monitoring the weather, we can begin mobilizing emergency response teams well before a severe storm hits our area. These teams focus on restoring service quickly and protecting the public from downed wires.

Today, we're restoring customers at a faster rate and at lower cost than ever before. When two consecutive storms hit our region in July this past year, each knocking down more than 2,100 wires and leaving more than 225,000 customers without power, service was restored at an average rate of 3,500 customers per hour. On average, Detroit Edison customers experience one electrical outage per year. This ranks the utility's service reliability in the top 25 percent of major electric utilities in the country.

A critical part of our formula for success is the strong partnership we're building with the Utility Workers Union of America, Local 223, and International Brotherhood of Electrical Workers, Local 17. These unions represent nearly 50 percent of our work force. Represented and



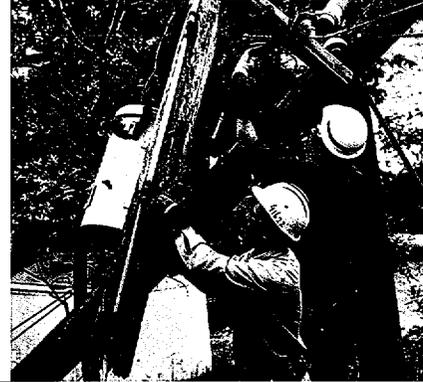
Above: Jim Martin (left) and Mark Green examine a battery rack improvement made at the Belle River Power Plant.

non-represented employees are joining to improve the company's performance.

Recent changes at the Trenton Channel Power Plant demonstrate the power of working together toward a common goal – survival. When the plant was identified as one of the company's highest cost and least efficient generation facilities, employees committed to making it more competitive.

Today, the facility is one of our lowest cost plants, well positioned for the highly competitive business environment we face.

With teamwork, everyone wins. It gives our employees a chance to redefine what they do in meaningful ways, promoting greater job satisfaction. It improves our work processes and fosters efficiency throughout the company. And it builds lasting customer relationships.



Above: Detroit Edison's service reliability ranks in the top 25 percent of major U.S. utilities.

Left: Represented and non-represented employees are working together to improve results. From left, Richard Snyder, Kent Rayford and Karl Kennaugh participate in union/management partnership team training.



Teams from throughout the plant – at all levels – worked together to identify waste and ways to improve. Through their efforts, efficiency increased nearly 20 percent with expenses being watched carefully. Earlier this year, the company installed a new turbine generator at Trenton Channel, adding almost 45 MW of capacity.

Process improvements provide tools to grow

We're implementing process changes to improve bottom-line performance. It's working. New processes are driving positive change in ways that will support and nurture our growth.

More than 500 employees participated in Kaizen continuous improvement workshops in 1999,

identifying \$18 million of potential cost savings for the company. We also trained 30 internal facilitators to conduct Kaizen sessions throughout the company. Kaizen is based on the Japanese business philosophy of improving everything all the time. Teams meet for one week of intensive problem-solving, looking for ways to reduce non-value-added work and quickly implement solutions.



Above: Nancy Hatcher participates in a workshop to improve communications.

Right: P.I.T. crew members, from left, Tim Kerry, Brian Rice and Kathy Allour look for ways to identify and reduce waste at the River Rouge Power Plant.



For example, represented and non-represented employees from the electrical shop at Detroit Edison's Warren Service Center participated in a Kaizen workshop to streamline the repair of pad-mounted transformers.

The original 42-step process took an average of 31 days to complete. Now it's being replaced with a 17-step process that takes 22 hours. Projected savings are approximately \$900,000 annually.

Competition and deregulation are changing the way we do business. We must learn and adapt quicker than our competitors. We need to work smarter, faster and more efficiently. Process improvements are helping us get there.

In addition, the service center is now generating revenue by providing its repair service to external customers.

A new After Action Review Process – borrowed from the U.S. Army – is another technique we use to promote continuous learning. It's a real-time review of past processes or events designed to improve future performance. The process gets participants to quickly and clearly define strengths and weaknesses, discuss lessons learned, document findings, develop an action plan and follow through.

A new cost-management system – unique in our industry – lets us look at our operational data from a financial perspective. The system identifies and tracks costs for processes, products, corporate support services and customers. This helps us understand what factors drive our costs. Then we can make better, faster business decisions.

All of our power plants use Process Improvement Teams, called P.I.T. crews, to analyze data from the cost management system and evaluate business operations. Through this process they identify waste, find ways to reduce cycle times

and create other efficiencies, then develop measures to track performance. Understanding how specific processes affect our bottom line helps us focus our resources where they'll have the greatest impact.

The River Rouge Power Plant, for example, used this system to evaluate its coal pulverizing operation. It studied its own costs and those of a sister power plant with similar equipment and

processes, then identified best practices at each location. When these best practices are implemented, we expect the coal mill operations at both sites to run more efficiently, at lower costs.

Centers of Excellence set up throughout our Energy Delivery organization focus on continuous learning, sharing best practices and increasing the use of new technology. By adopting new learning and thinking methods, and constantly sharpening our skills, these centers are helping us improve our business performance.

One of our newest learning and assessment tools for information technology is the Human Factors Center of Excellence Usability Lab. This is where we test new software applications and Web sites for use by employees, suppliers and customers. Before new software systems are implemented, users come to our labs to evaluate efficiency, usability and overall satisfaction with the product. Their responses are then cycled back to the application developers for further fine-tuning.

Processes like these are powerful tools we're using to sustain our growth.



Above: Craig Smith, of the Warren Service Center, prepares a transformer for service in the Detroit Edison system. A team of employees reduced the repair process from 42 to 17 steps.

Energy technologies drive our long-term growth

Intense competition for customers and growing environmental pressures are reshaping the energy industry. We're capitalizing on new energy technologies to stand out from the pack. We're providing real value to our customers and creating profitable new businesses for our company.

We're investing in renewable energy sources and other new energy technologies, especially those we consider transforming — like fuel cells.

This will increase our value in the long term.

We're building a portfolio of high-growth technology businesses that leverage our capabilities and support our long-term strategy.

Through our partnership with Plug Power, we're pioneering fuel cell technology for residential use. Its potential is getting recognized. On Oct. 29, Plug Power held an initial public offering of its common stock. Six million shares were issued on the NASDAQ under the ticker symbol, "PLUG." As of Jan. 31, 2000, Plug Power's market capitalization was more than \$4 billion. DTE Energy owns 32 percent of the company.

Plug Power expects to bring fuel cell systems to market in 2001 and is targeting sales of 100,000 units by 2003. The fuel cell system is a clean, reliable and safe way to meet the energy demands of a typical 3,000-square-foot home. A refrigerator-sized generator installed inside or outside the home converts natural gas or propane to electricity, without any form of combustion, reducing emissions to near zero.

DTE Energy Technologies has the exclusive rights to distribute Plug Power fuel cells in Illinois, Indiana, Michigan and Ohio. In addition to expanding our product offering to customers, fuel cell generation will reduce the need to upgrade existing transmission and distribution

infrastructure and generating capacity to meet future power demands.

Another technology that could transform our industry is the superconductor cable. DTE Energy has tremendous expertise in conventional underground power cables, but we believe superconductors could revolutionize power transmission and distribution. We want to be involved from ground zero. While we have no direct invest-

ments in this technology, we want to aggressively pursue it to improve our operations.

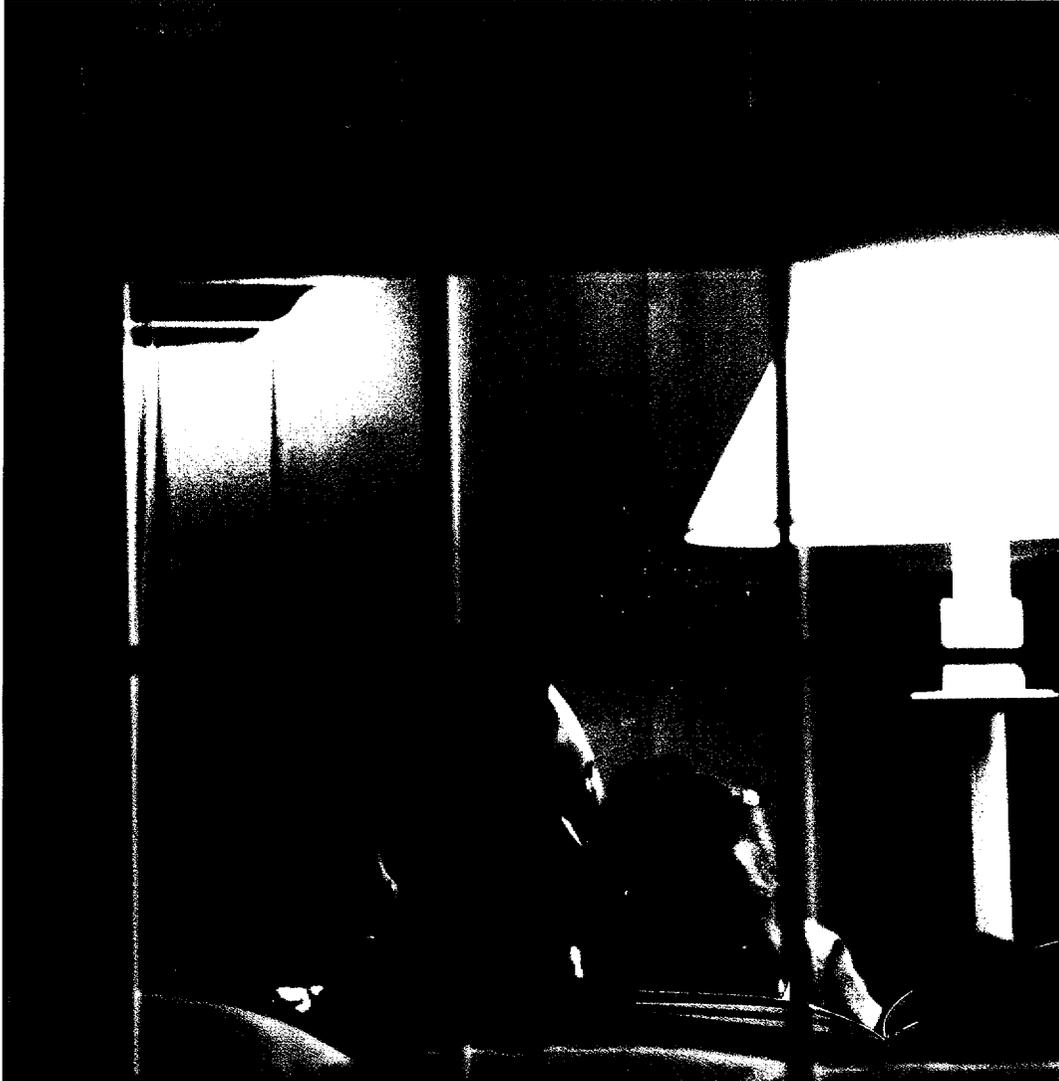
We're partners with the Department of Energy in the world's first high temperature superconductor (HTS) power cable that will be connected to a power grid. HTS electric cable can be retrofitted in existing underground duct systems, making it ideal for urban areas where the time and cost of digging new conduits or installing overhead transmission lines is often prohibitive. HTS cables can carry triple the load of traditional copper cable, for less cost. They're also more environmentally friendly.

Three HTS cables weighing about 250 pounds are replacing nine copper cables weighing 18,000 pounds in a field test in downtown Detroit. The test cables could provide enough power for 13,750 residential customers. The test cables will be monitored through 2001, then evaluated for future use.

Technology is providing our commercial and industrial customers with significant energy and operating cost reductions. The Electric Food Service Council recently named Detroit Edison best in the country for its dedication to developing innovative solutions for the food service industry and improving customers' bottom lines.



Above: Donna Russell and Dave Bogden review designs for a high temperature superconductor cable being installed as part of a field test in Detroit.



Above: Bob Heide of the Rocky Peanut Company uses our patented refrigeration technology to save energy at his 56,000-square-foot warehouse and office.

Left: Detroit Edison employee, David Ellis, and his family are part of a test program using Plug Power fuel cell systems to generate electricity for their home.

The Rocky Peanut Company in Detroit, for example, uses our patented liquid refrigeration pumping technology to cool its 56,000-square-foot warehouse and office. It takes less energy to cool this area than it does to cool the 7,000-square-foot retail store that does not use our technology. To date, more than 15,000 of our systems have been installed worldwide.

We offer customers a broad range of energy consulting services including a one-of-a-kind

technology for testing power cables without first shutting down the system. We offer consulting on lighting systems and controls, and we perform energy audits and upgrades for steel companies, automakers, hospitals and schools.

We're using technology to solve our customers' energy challenges, simplify their energy decision-making and save them money.

As we grow, so does our commitment to the community

We care. DTE Energy is committed to improving the quality of life in our communities.

Our support takes many forms – from monetary contributions, in-kind services and volunteer efforts, to environmental, safety and economic development initiatives.

of Michigan, Mexicantown Community Development Corporation, the Ann Arbor Hands-On Museum, Michigan Women's Foundation and many others.

The company donated more than 100 computers to nonprofit organizations in 1999. We hosted workshops for 50 middle and high school educators to help them develop curriculums on energy and the environment. We taught nearly 4,000

Right: Kristopher Kovach (third from left), his friends and classmates, plant trees in Detroit's Ryan Park. The trees were donated by Global ReLeaf with funding from the Detroit Edison Foundation.

Below: Bob Pettit, of the Erie Shores Birding Association, helps tally birds at Detroit Edison's Monroe Power Plant during the National Audubon Society's Annual Christmas Bird Count. In 1999, the plant was certified as a wildlife site by the Wildlife Habitat Council.



The Detroit Edison Foundation contributed \$3.8 million to hundreds of education, health, human services, civic, community and cultural organizations in 1999. It supports a wide range of organizations including the Food Bank Council

pre-school children in seven Michigan counties to "Play It Safe Around Electricity" through summer Safety Town programs. We planted more than 2 million trees, bringing our total number of trees planted in Michigan to 14 million since 1996.



Each of us has the power to make a difference in the lives of others. The people of DTE Energy demonstrate this every day.

The company gives special recognition annually to employees who give at least 80 hours of volunteer service to education-related organizations. Winners of the Walter J. McCarthy Jr. Award receive grants of up to \$1,000 each for the charity

Our support takes many forms. We're building stronger communities through our economic development activities. In 1999, our company's Economic Development Team – the state's largest privately owned economic development operation – helped nearly 82 businesses move into or expand in Southeastern Michigan. This business growth – representing \$482 million in capital investment – created nearly 5,400 jobs.

We demonstrate every single day that we care. It strengthens our reputation.

It builds customer loyalty. It makes a better world.

of their choice. Seventy-five employees – the most ever – were honored in 1999.

Mitchell Shamsud-Din, of Detroit Edison's Redford Service Center, was one of them. He devotes 160 hours per month to the Community Services Development Corp. As the organization's executive director, Shamsud-Din does everything from setting budgets to serving meals.

Another part of being a good corporate citizen is caring for the environment. We want to fuel society's growth today without compromising the quality of the environment tomorrow. That's why we were a major sponsor of the National Town Meeting for a Sustainable America held in Detroit in May 1999. Our learning session described the company's responsible use of fossil and nuclear fuels as well as innovative technologies with exciting potential. For more information about our environmental efforts, see our new Web site: www.dteenergy.com/environment.

Through our Supplier Diversity Initiative, Detroit Edison spent more than \$80 million with minority and women-owned businesses. Supplier diversity gives our company and top-notch minority and women-owned businesses an opportunity to prosper together.

In 1999, Detroit Edison received the Corporation of the Year Award for the commercial products sector of the Michigan Minority Business Development Council. The company was also honored by the Labor, Owner and Contractor Summit of Southeastern Michigan with an award for its minority recruitment efforts directed at the skilled trades.

Our Ethnic Marketing Team targets products, services and programs to business customers from specific ethnic groups. Account representatives from the African-American, Arab, Asian, Chaldean and Latino communities are strengthening relationships with these important customers to increase loyalty and satisfaction, initiate new relationships and create the potential for additional sales.

Our commitment to the community is an integral part of who we are as a company. We're proud of our actions, encouraged by their results and determined to keep doing more. We're working hard to energize the progress of society.



Above: Detroit Edison's Mitchell Shamsud-Din devotes 160 hours of volunteer time each month to the Community Services Development Corp. where he is executive director.

Below, left: Detroit Edison is strengthening relationships with ethnic business customers like the New Yasmeeen Bakery in Dearborn, where Hussein Bazzi bakes bread.



18 **An experienced board sets our course
for sustainable growth**



Terence E. Adderley, 66, is chairman, president and chief executive officer of Kelly Services Inc. He was named its president and CEO in 1967 and has served as the company's chairman since 1998. He was elected to the DTE Energy Board in 1987. (E, F, O)



Allan D. Gilmour, 65, is retired vice chairman of Ford Motor Company. He was elected to the DTE Energy Board in 1995. (C, E, F, O, P)



Lillian Bauder, 60, is vice president of Corporate Affairs for Masco Corporation and president of the Masco Charitable Trust since 1995. She joined DTE Energy's Board in 1986. (A, E, N, P)



Theodore S. Leipprandt, 66, is owner of Leipprandt Orchards and retired president and chief executive officer of Cooperative Elevator Co. He was elected to the DTE Energy Board in 1990. (A, N)



David Bing, 56, is chairman of the board of Bing Steel Inc., a position he has held since 1985, and chairman of Superb Manufacturing since 1987. Mr. Bing joined the DTE Energy Board in 1985. (A, O)



John E. Lobbia, 58, retired as chairman and chief executive officer of DTE Energy and Detroit Edison in 1998. He joined the company in 1965 and has served on the Board since 1988. (F, N)



William C. Brooks, 66, is chairman of The Brooks Group International Ltd. since 1998. He is a retired vice president of General Motors Corp. He was elected to the DTE Energy Board in 1997. (C, P)



Eugene A. Miller, 62, is chairman, president and chief executive officer of Comerica Incorporated and Comerica Bank, positions he has held since 1993. He joined the DTE Energy Board in 1989. (C, E, F, O)



Anthony F. Earley, Jr., 50, is chairman and chief executive officer of DTE Energy since 1998. He also serves as chairman and CEO of Detroit Edison. He joined DTE Energy in 1994 as president and chief operating officer. That same year he was appointed to the DTE Energy Board. (E)



Charles W. Pryor, Jr., 55, is president and chief executive officer of Westinghouse Electric, a position he has held since 1997. Mr. Pryor joined the DTE Energy Board in 1999. (N)



Larry G. Garberding, 61, is executive vice president and chief financial officer of DTE Energy and Detroit Edison, a position he has held since joining the company in 1990. He was elected to the DTE Energy Board that same year. (E, F)



Dean E. Richardson, 72, is retired chairman of Manufacturers National Corporation. He was elected a DTE Energy director in 1977. (A, E, F, O)

Committee Membership:

A - Audit
C - Corporate Governance
E - Executive
F - Finance

N - Nuclear Review
O - Organization and Compensation
P - Public Responsibility

A dynamic management team leads our growth



From left, Susan Beale, S. Martin Taylor and Tony Earley.

Anthony F. Earley, Jr., 50, is chairman and chief executive officer of DTE Energy and its largest subsidiary, Detroit Edison. He joined the company in 1994 as president and chief operating officer (COO) and that same year was elected a company director. He was named to his current position in 1998. Before joining DTE Energy, Earley served as president and COO of Long Island Lighting Company where he had worked since 1985. A native of Garden City, New York, Earley received bachelor, master and law degrees from the University of Notre Dame. He served in the U.S. Navy nuclear submarine program and was qualified as a chief engineer officer.

Gerard M. Anderson, 41, is president and chief operating officer of DTE Energy Resources, responsible for Detroit Edison's 10,000 megawatts of fossil and hydropower generation, and the associated fuel supply organization. He also is responsible for DTE Energy's non-regulated energy-related businesses for large energy users and energy trading. He was named to his present position in 1998. Previously, he was executive vice president of DTE Energy. Anderson joined the company in 1993 from the consulting firm of McKinsey & Co. He earned a bachelor's degree from the University of Notre Dame and two master degrees from the University of Michigan.

Robert J. Buckler, 50, is president and chief operating officer of DTE Energy Distribution. He is responsible for the organizations that serve as the primary contact for Detroit Edison's 2.1 million customers in Southeastern Michigan, plus mass market customers throughout the United States. He joined the company in 1974 and was named to his current post in 1998. During his tenure, he has held numerous positions throughout the corporation, including power plant engineering, construction and operation, fuel supply management, transmission and distribution operation, customer service, marketing management and strategic planning. Buckler holds bachelor and master degrees from the University of Michigan.

Larry G. Garberding, 61, is executive vice president and chief financial officer of DTE Energy since 1995, and Detroit Edison since 1990, when he joined the company. Before that, he held leadership positions with several natural gas companies as deregulation came to their industry. Those companies are NICOR Inc., Tenneco Gas Marketing Company, Tennessee Gas Transmission Company and K-N Energy. Garberding began his career in public accounting with Arthur Andersen & Co. He holds a bachelor's degree from Iowa State University.



Michael Porter (left) and Gerry Anderson.

Susan M. Beale, 51, is vice president and corporate secretary since 1995. She joined the company in 1982 after working as an attorney for Consumers Power and Southern California Edison. In her current position, Beale is responsible for shareholder services and numerous board of directors matters for both the company and its subsidiaries. She also is responsible for a number of special projects for the chairman. Beale earned a bachelor's degree from Michigan State University and a law degree from the University of Michigan.

Michael E. Champley, 51, is senior vice president of DTE Energy. He joined the company in 1977 and was named to his current position in 1997. He is responsible for the company's Customer Energy Solutions Group addressing the energy needs of large wholesale, industrial and commercial customers. He also oversees the company's growing bulk energy sales, marketing and trading activities. Previously, Champley had been vice president of marketing and sales since 1992. He earned a bachelor's degree from the University of Dayton and a master's degree from Indiana University.

***Douglas R. Gipson**, 52, is senior vice president of Nuclear Generation. He is responsible for the safe, efficient and reliable operation of the Fermi 2 nuclear power plant and the company's other nuclear-related activities. He was named to his current position in 1993. Gipson joined the company in 1987 with two decades of experience in the nuclear power industry, including training at Iowa State University's research reactor, and positions at Iowa Electric Light and Power's Duane Arnold nuclear plant and Gulf States Utilities' River Bend plant. Gipson has been certified as a senior reactor operator (SRO) by General Electric and licensed by the Nuclear Regulatory Commission as a SRO. He served as a sergeant in the U.S. Marine Corps. Gipson has two associate degrees from Kirkwood College in Iowa.

Leslie L. Loomans, 56, is vice president and treasurer since 1989. He joined the company in 1966 and has held a variety of marketing and financial management positions, including responsibility for planning and issuing more than \$10 billion of bonds and stocks. In his current position he is responsible for finance, banking and cash management, trust fund management, corporate insurance and the administration of employee and retiree benefits and payrolls. Loomans earned bachelor and master degrees from the University of Michigan. After more than three decades with the company, Loomans is retiring in 2000.

***Ron A. May**, 48, is vice president of Energy Delivery and Services. He is responsible for transmission and distribution activities and the Customer Service organization of DTE Energy Distribution. May joined the company in 1984 as director of planning and control of nuclear administration at the Fermi 2 nuclear power plant, then served in a variety of management positions before being named to his current post in 1998. Earlier in his career, he held senior management posts with two energy-related engineering firms. May earned a bachelor's degree from the University of Michigan.



Ron May (left) and Bob Buckler.



Dave Meador and Sandi Miller.

David E. Meador, 42, is vice president of Finance and Accounting. He is responsible for investor relations, and all financial and accounting matters for DTE Energy and its subsidiaries. Meador joined the company in 1997 as vice president and controller, and was named to his present post in 1999. A certified public accountant, he was a senior auditor for Coopers & Lybrand's Detroit Office early in his career. He also has many years of experience driving continuous improvement and waste reduction efforts in the automotive industry. Most recently, he was controller of Chrysler Corporation's MOPAR auto parts division. Meador holds bachelor and master degrees from Wayne State University.

***Sandra J. Miller, 56**, is vice president of Human Resources. Since joining the company in 1967, she has served in a variety of positions including directing the Equal Employment Opportunity and Compensation groups, ensuring the continued growth of the Union/Management Partnership and facilitating culture change throughout the work force. Miller holds a bachelor's degree from Baker University and a master's degree from the University of Michigan.



Chris Nern (left) and Les Loomans.

Christopher C. Nern, 55, is vice president and general counsel of DTE Energy and Detroit Edison. In his current position, which he has held since 1993, Nern has overall responsibility for the management, direction and control of the legal affairs of DTE Energy and its subsidiaries. He joined the company in 1973 and developed its internal legal function, including the use of internal resources for litigation and regulatory support. Previously, Nern was assistant attorney general for the State of Michigan Consumer Protection Division. He holds a bachelor's degree from Michigan State University and a law degree from Wayne State University. After 27 years with the company, Nern is retiring in 2000.

***Michael C. Porter, 46**, is vice president of Corporate Communications. His responsibilities include corporate branding and advertising, communication services, marketing promotions, customer service and reliability communications, employee communications and media relations. Porter joined the company in 1997 with more than two decades of experience in marketing and advertising with McCann-Erickson, where he served as a senior vice president; The Stroh Brewery, where he was vice president of marketing; and American Motors Corporation. Porter has a bachelor's degree from the University of Michigan-Dearborn and a master's degree from the University of Detroit.

*An officer of Detroit Edison, only.



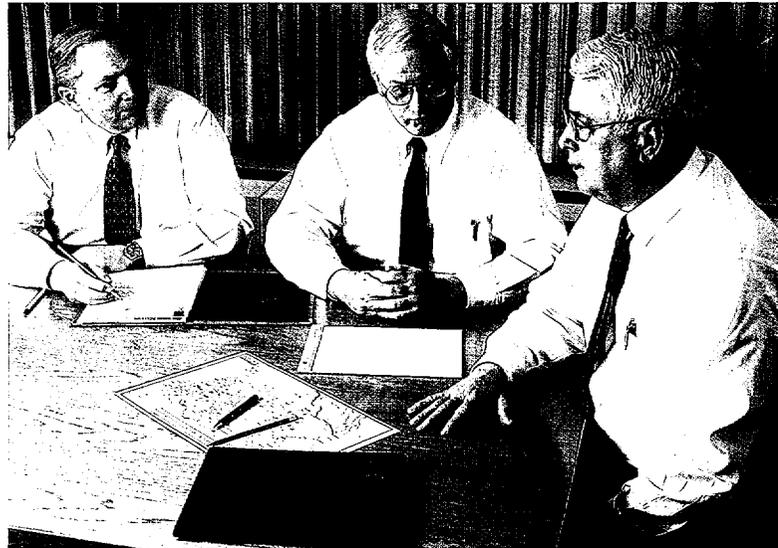
Bill Roller (left) and Doug Gipson.

***William R. Roller**, 54, is vice president of Power Generation. He joined the company in 1965 and was named to his current position in 1996. He is responsible for the operation and maintenance of Detroit Edison's fossil fuel power plants and environmental compliance. During his more than three decades with the company, Roller has held a variety of assignments in the Power Generation organization, including eight years as manager of the Monroe Power Plant. He holds a bachelor's degree from the University of Detroit.

Albert J. Tack, 57, is general auditor of DTE Energy and Detroit Edison since 1997. He is responsible for evaluating the effectiveness of the company's internal controls, assisting the audit committee of the board of directors, and supporting management in reaching its goals. Most recently he served as the company's assistant controller and director of corporate support and consolidations.

Tack joined the company in 1963 and during his career has held a variety of management positions, primarily in the Controller's Office. Tack was also responsible for implementing the company's financial management systems. He earned a bachelor's degree from Wayne State University and is a certified internal auditor.

S. Martin Taylor, 59, is senior vice president of Corporate and Public Affairs since 1999. He is responsible for carrying out the company's public, community and governmental relations, and helping to develop and implement company policies regarding federal, state and local issues. He also supports the company's environmental, charitable and governmental initiatives. Taylor joined the company in 1989 with an extensive political background. He served in the cabinets of two Michigan governors and early in his career, worked as a corporate attorney in Chicago. He earned a bachelor's degree from Western Michigan University and a law degree from the Detroit College of Law.



From left: Al Tack, Mike Champley and Larry Garberding.

Meet Steve Ewing

Pending completion of the merger with MCN Energy, **Stephen E. Ewing**, 55, will join DTE Energy's senior management team as president and chief operating officer of DTE Energy Gas. He currently serves as president and chief operating officer of MCN Energy and president and CEO of its primary subsidiary, Michigan Consolidated Gas Company (MichCon). Ewing joined MichCon in 1971 and held executive positions in the areas of corporate planning, personnel, administration and customer service. He holds a bachelor's degree from DePauw University and a master's degree from Michigan State University. He served as a captain in the U.S. Air Force.

Steve Ewing

*An officer of Detroit Edison, only.



DTE Energy Company

Management's Discussion and Analysis of Financial Condition and Results of Operations

GROWTH

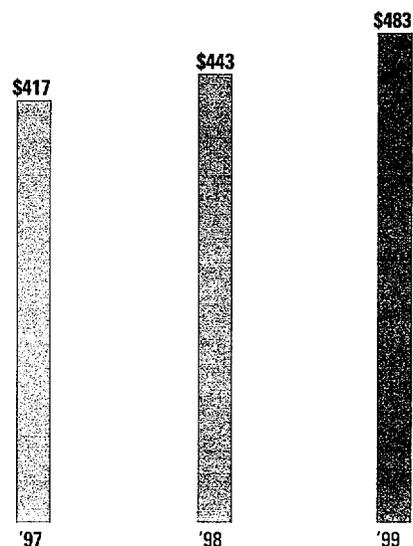
To sustain long-term earnings growth of 6% annually, DTE Energy Company (Company) has developed a business strategy focused on its core competencies, consisting of expertise in developing, managing and operating energy assets, including coal sourcing, blending and transportation skills. As part of this strategy, it was expected that one new line of business would be developed in 1999 through acquisition or start-up.

As discussed in Note 2, the Company and MCN Energy Group Inc. (MCN) have entered into a merger agreement. Subject to the receipt of all regulatory approvals, and the satisfaction of other agreed upon conditions, the merger is expected to be completed in the first half of 2000. The Company expects that completion of the merger will result in the issuance of approximately 30 million additional shares of its common stock and approximately \$1.4 billion in external financing. The merger is expected to create a fully integrated electric and natural gas company that would be able to achieve an average of \$60 million in after-tax cost savings per year during the first 10 years of the merger due to anticipated cost reductions. This business combination is also expected to be accretive by \$0.05 to the Company's earnings per share for the year 2001, and is expected to strongly support the Company's commitment to a long-term earnings growth rate of 6%. The merger is expected to permit the Company to be responsive to competitive pressures. The external financing needs of the merger may create a sensitivity to interest rate changes; and the Company will need to successfully integrate the two operations in order to be able to service the expected debt requirements and achieve aggregate operating cost reductions.

The Company is building a portfolio of growth businesses that leverage its skills and build upon key customer relationships. These growth businesses include on-site energy projects and services, coal transportation and processing, and energy marketing and trading. These businesses contributed \$69 million to Company earnings in 1999; the earnings contribution is expected to increase in the future.

The Company's long-term growth strategy recognizes the fact that competition, new technologies and environmental concerns will have a significant impact on reshaping the

Consolidated Net Income
(Millions)



electric utility industry. As a result, the Company is investing in new energy-related technologies such as distributed generation, including fuel cells, and renewable sources of energy.

The Company believes that its financial and technological resources, experience in the energy field and strategic growth plan position it well to compete in the changing energy markets, as competition is introduced in Michigan and across the United States.

ELECTRIC INDUSTRY RESTRUCTURING

The Detroit Edison Company (Detroit Edison), the principal operating subsidiary of the Company, is subject to regulation by the Michigan Public Service Commission (MPSC) and the Federal Energy Regulatory Commission (FERC). Michigan legislators and regulators have focused on competition and Electric Choice in the Michigan electric public utility industry. Electric Choice would give all retail customers the opportunity to access competitive generation resources. The MPSC is committed to opening the electric generation market in Michigan to competition and as a result has issued several Orders relating to restructuring and competition.

Various bills have been introduced and proposed for introduction at the federal level and in the Michigan

Legislature addressing competition in the electric markets. The Company and Detroit Edison are reviewing these bills and continue to work with the parties involved to develop proposals that are fair for the Company and its shareholders. While the impacts of the adoption and implementation of one or more of these legislative proposals are unknown, they may include generation divestiture, securitization, and possible reductions in earnings. In the meantime, Detroit Edison is voluntarily proceeding with the implementation of Electric Choice as provided for in MPSC Orders and pursuing the recovery of stranded costs.

Michigan Public Service Commission Background

Details on restructuring the electric generation market began to emerge in 1996 with the issuance of a MPSC Staff Report on Electric Industry Restructuring. MPSC Orders issued since that time have stated that Michigan utilities should recover stranded costs during a transition period ending December 31, 2007.

Restructuring Orders

MPSC Orders issued in 1997 facilitated restructuring, but left several issues unresolved. Due to the uncertainty regarding the future price of electricity, the MPSC indicated a true-up mechanism should be established to ensure that Detroit Edison did not over-recover its stranded costs. The MPSC also established that during the transition period, affiliates of out-of-state utilities could not be alternative suppliers without reciprocal arrangements, but unaffiliated marketers could be an alternative supplier without providing reciprocal service in another service territory.

MPSC Orders issued in 1998 identified a phased-in approach to restructuring, whereby Detroit Edison would implement Electric Choice in 225 megawatt (MW) blocks of power through the transition period, with 1,125 MW, or approximately 12.5% of total load, made available at the end of the transition period, with all remaining load available for direct access on January 1, 2002. Detroit Edison has received MPSC approval of accelerated amortization of the Fermi 2 nuclear plant. As discussed in Note 3, the December 28, 1998 MPSC Order, while granting Detroit Edison's request, imposed several conditions for the recovery of Fermi 2 costs.

In March 1999, Detroit Edison filed an application with the MPSC for a review of its stranded costs, including Electric Choice implementation costs. MPSC staff and intervenors have made filings in opposition to certain of Detroit Edison's proposals for the recovery of stranded costs. A final order is not expected before the end of the first quarter of 2000.

While uncertainties exist regarding the ultimate amount of costs to be recovered, including potential disallowances for the recovery of recorded regulatory assets, recovery of costs to be incurred to implement Electric Choice, and recovery of other stranded costs, the MPSC has ruled that stranded costs are recoverable.

In July 1999, the Association of Businesses Advocating Tariff Equity (ABATE) made a filing with the MPSC indicating that Detroit Edison's retail rates produce approximately \$333 million of excess revenues. Of this amount, approximately \$202 million is related to ABATE's proposed reversal of the December 28, 1998 MPSC Order authorizing the accelerated amortization of Fermi 2. Detroit Edison supports a revenue deficiency of \$33 million. The MPSC staff concluded that no revenue sufficiency exists when Detroit Edison's pending required review of its depreciation rates is taken into account. Detroit Edison requested an increase of \$66 million in annual depreciation expense with no corresponding increase in rates. The Michigan Attorney General proposes the reversal of the December 28, 1998 Fermi 2 Amortization Order. A final MPSC order is not expected until the end of the first quarter of 2000. Detroit Edison is unable to predict the outcome of this proceeding.

Electric Choice

On June 29, 1999, the Michigan Supreme Court, on a 4-3 vote, issued an opinion determining that the MPSC lacked authority to order experimental retail wheeling in the context of an Electric Choice program. The court reversed an earlier Michigan Court of Appeals opinion finding such authority and vacated two MPSC orders directing implementation of the experimental program. The court held that the MPSC possesses no common law powers and may only exercise authority clearly conferred upon it by the Legislature. It stated that retail wheeling issues involve many policy concerns and stated that the Legislature, not the court, is the body that must consider and weigh the economic and social costs, and benefits of electric restructuring.

In September 1999, Detroit Edison filed a letter with the MPSC reaffirming the decision to expeditiously move ahead with the voluntary implementation of Electric Choice. In September 1999, the bidding on 225 MW was fully subscribed. The second and third bid periods that ended in November 1999 and January 2000 respectively, were also fully subscribed. Two additional bidding phases are contemplated, with 225 MW each closing in March and November 2000.

The Electric Choice Program began in December 1999, when Detroit Edison delivered energy from an alternate supplier in the 90 MW portion of the program. However, several technical

issues still remain to be resolved before Electric Choice can be fully implemented. Detroit Edison has spent approximately \$29 million through December 31, 1999 and estimates that expenditures of up to \$120 million may be required through 2001 to fully implement the program, and is currently deferring the costs as a regulatory asset.

Detroit Edison anticipates that Electric Choice will result in a decrease in annual sales as well as a decrease in peak demand over the next five years. These decreases are not expected to have a significant impact on the Company's net income due to the opportunity for non-regulated sales outside of Detroit Edison's service territory.

Federal Energy Regulatory Commission

Detroit Edison is regulated at the federal level by the FERC with respect to accounting, sales for resale in interstate commerce, certain transmission services, issuances of securities, licensing of hydro and pumping stations and other matters. The FERC, as a policy matter, believes that transmission should be made available on a non-discriminatory basis.

In a Final Rule issued in December 1999, the FERC required that all public utilities that own, operate or control interstate transmission file by October 15, 2000, a proposal for a Regional Transmission Organization (RTO) or, alternatively, a description of any efforts made by the utility to participate in an existing RTO or the reasons for not participating and any obstacles to such participation, and any plans for further work toward participation. Any proposed RTO is to be operational by December 15, 2001. The FERC said it wants RTOs in place nationwide to facilitate the development of an open and more competitive market in bulk power sales of electricity. A public utility that is a member of an existing transmission entity that conforms to Independent System Operator (ISO) principles identified by the FERC would have until January 15, 2001 to explain the extent to which the organization meets the minimum standards for a RTO.

In June 1999, Detroit Edison, along with Consumers Energy Co., the American Electric Power Service Corp., FirstEnergy Corp., and Virginia Electric and Power Co., filed applications with FERC requesting approval of the Alliance RTO (Alliance). If approved by the FERC, the Alliance would operate over 43,000 miles of transmission lines in nine states. The Alliance companies hope to have the RTO begin operations in about 12 to 18 months after FERC approval.

The Alliance indicated it will ensure independent and nondiscriminatory operation of the regional grid, and provide

flexibility to current and potential future members to allow them to divest their transmission assets if they so desire. The Alliance indicated that a separate for-profit transmission company, or transco, is a possible end-state and could be an attractive business model for independent management of transmission assets.

On December 20, 1999, the FERC issued an order conditionally approving the Alliance proposal, but indicated that certain elements needed modification or further development. The FERC also indicated that it would address the proposed tariff in a future order, but indicated in this order that the existing tariff included inappropriate multiple rates unacceptable to the FERC. It also indicated concerns with the governance structure and the regional configuration, believing that it may have created a potential barrier to east-west power transactions.

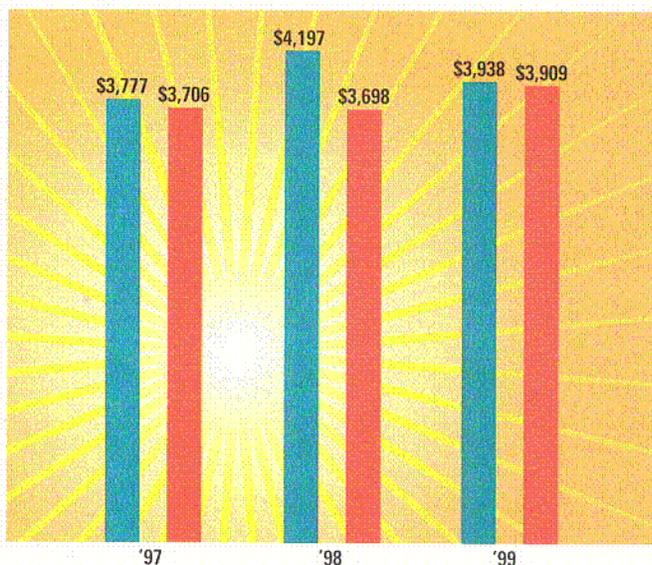
The FERC directed the Alliance to make a compliance filing, but did not include a deadline for this filing.

LIQUIDITY AND CAPITAL RESOURCES

Cash From Operating Activities

Net cash from operating activities, which is the Company's primary source of liquidity, was \$1,097 million in 1999, \$834 million in 1998 and \$905 million in 1997. Net cash from operating activities increased in 1999 due primarily to higher net income and non-cash items and lower cash used for

Capitalization (Millions)



■ Long-Term Debt
■ Equity

Long-Term Debt Ratio	
'97	50%
'98	53%
'99	50%

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current assets and liabilities. Net cash from operating activities decreased in 1998 compared to 1997 due primarily to increased accounts receivable and other non-cash items.

Cash Used for Investing Activities

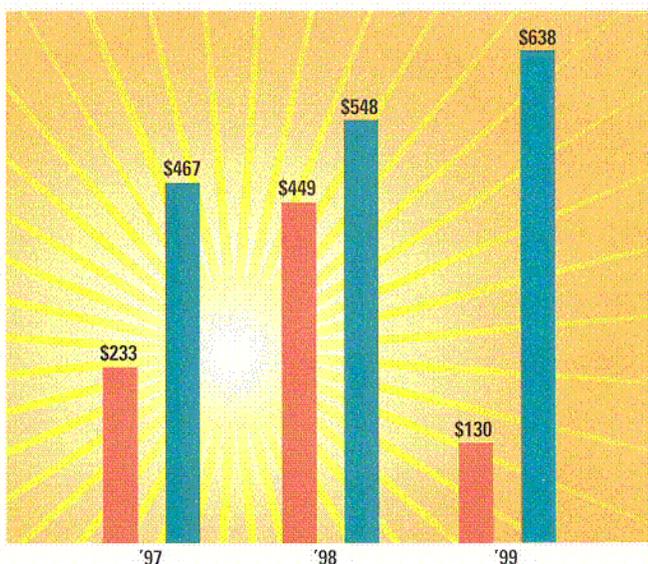
Net cash used for investing activities was lower in 1999 due to lower investments in non-regulated businesses partially offset by increased plant and equipment expenditures by Detroit Edison. Net cash used for investing activities was higher in 1998 due to increased plant and equipment expenditures and non-regulated investments in coke oven batteries.

Cash requirements for 1999 Detroit Edison capital expenditures were \$638 million. Detroit Edison's cash requirements for capital expenditures are expected to be approximately \$2.5 billion for the period 2000 through 2004, and are expected to be financed from operating cash flows.

Cash requirements for 1999 non-regulated investments and capital expenditures were \$130 million. Excluding the effects of the planned merger with MCN, cash requirements for non-regulated investments and capital expenditures are expected to be approximately \$1.1 billion for the period 2000 through 2004. Significant non-regulated investments are expected to be externally financed.

In February 2000 the Company's board of directors authorized the repurchase of up to 10 million common shares. Stock purchases will be made from time to time on the open market or through negotiated transactions. The current program's

Investments and Capital Expenditures (Millions)



■ Non-regulated
■ Regulated

timeframe will depend on market conditions and is tentatively set to not exceed \$100 million. Consistent with prior Company commitments to repurchase shares when funds were available, the Company has reduced its 2000 capital commitment by \$100 million.

Cash (Used for) From Financing Activities

Net cash used for Company financing activities was \$426 million in 1999 due to higher redemptions and reduced issuances of long-term debt.

Net cash from Company financing activities was higher in 1998 due to increases in long- and short-term borrowings, partially offset by redemptions of preferred stock and long-term debt.

The following securities were issued and redeemed in 1999:

Securities Issued	(Millions)
Mortgage Bonds	
1999 Series A 5.55% issued in September	\$118
1999 Series B 4.7% (variable) issued in August	40
1999 Series C 4.73% issued in September	67
1999 Series D floating rate issued in August	40
Total Issued	\$265
Securities Redeemed	
Mandatory Redemptions	
Mortgage Bonds	
1990 Series A, B, C 7.9%-8.4% redeemed in March	\$ 19
1992 Series D 8.3% redeemed in April	100
1993 Series B 6.83% redeemed in December	50
1993 Series E 6.83% redeemed in December	50
Non-Recourse Debt	80
Early Redemptions	
Mortgage Bonds	
Series KKP 7.3%-7.5% redeemed in September	40
1992 Series D 8.3% redeemed in November	24
1989 Series CC 7.5% redeemed in December	67
Unsecured Installment Sales Contracts	
Series A 1989 7.75% redeemed in December	100
Series A 1989B 7.875% redeemed in December	18
Total Redeemed	\$548

YEAR 2000

The Company spent approximately \$85 million on the Year 2000 program through December 31, 1999. Year 2000 modification costs had no material impact on operating results or cash flows. No significant additional spending is anticipated since the Company and Detroit Edison experienced no Year 2000 related failures of mission critical systems during the rollover to the new millennium. Though there can be no

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assurances that Year 2000 issues can be totally eliminated, the Company and Detroit Edison anticipate no further impact on financial position, liquidity or results of operations resulting from Year 2000 issues. In addition, no assurances can be given that the systems of vendors, interconnected utilities and customers will not result in Year 2000 problems.

ENVIRONMENTAL MATTERS

Protecting the environment from damage, as well as correcting past environmental damage, continues to be a focus of state and federal regulators. Legislation and/or rulemaking could further impact the electric utility industry including Detroit Edison. The U.S. Environmental Protection Agency (EPA) and the Michigan Department of Environmental Quality have aggressive programs regarding the clean-up of contaminated property. Detroit Edison anticipates that it will be periodically included in these types of environmental proceedings.

The EPA has issued ozone transport regulations and final new air quality standards relating to ozone and particulate air pollution. In September 1998, the EPA issued a State Implementation Plan (SIP) call, giving states a year to develop new regulations to limit nitrogen oxide emissions because of their contribution to ozone formation. The EPA draft proposal suggests most emission reductions should come from utilities. If Michigan follows the EPA's recommendations, it is estimated that Detroit Edison will incur \$300 million of capital expenditures to comply. Both the ozone transport regulations and the new air quality standards have been upheld in legal challenges in the U.S. Court of Appeals. Michigan has proposed regulations to address the ozone transport issue that would result in capital expenditures of approximately \$100 million less than the EPA's recommendations. Until the legal issues are resolved and the state issues its regulations, it is impossible to predict the full impact of the SIP call. Detroit Edison is unable to predict what effect, if any, restructuring of the electric utility industry would have on recoverability of such environmental costs.

MARKET RISK

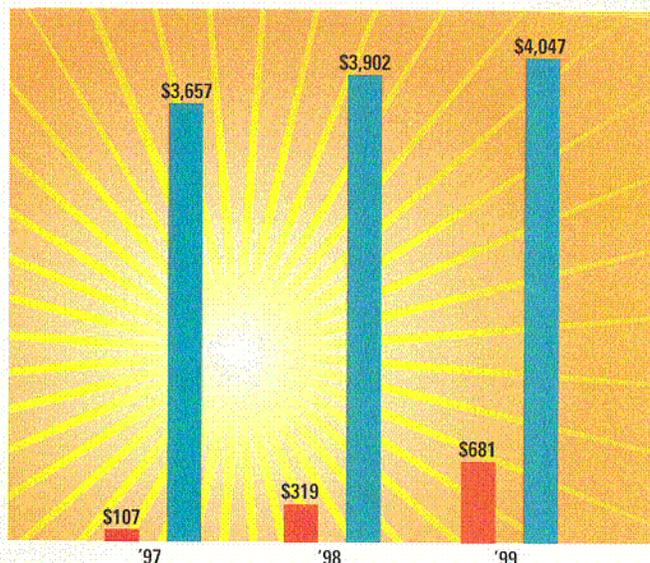
Detroit Edison had investments valued at market of \$361 million and \$309 million in three nuclear decommissioning trust funds at December 31, 1999 and 1998, respectively. At December 31, 1999, these investments consisted of approximately 37% in fixed debt instruments, 59% in publicly traded equity securities and 4% in cash equivalents. At December 31, 1998, these investments consisted of approximately 33% in fixed debt instruments, 63% in publicly traded equity securities and 4% in cash

equivalents. A hypothetical 10% increase in interest rates and a 10% decrease in equity prices quoted by stock exchanges would result in an \$11 million and \$9 million reduction in the fair value of debt and a \$21 million and \$20 million reduction in the fair value of equity securities held by the trusts at December 31, 1999 and 1998, respectively.

A hypothetical 10% decrease in interest rates would increase the fair value of long-term debt from \$4 billion to \$4.5 billion at December 31, 1999 and from \$4.8 billion to \$5.3 billion at December 31, 1998.

DTE Energy Trading, Inc. (DTE ET), an indirect wholly owned subsidiary of the Company, provides price risk management services utilizing energy commodity derivative instruments. The Company measures the risk inherent in DTE ET's portfolio utilizing Value at Risk (VaR) analysis and other methodologies, which simulate forward price curves in electric power markets to quantify estimates of the magnitude and probability of potential future losses related to open contract positions. The Company reports VaR as a percentage of its earnings, based on a 95% confidence interval, utilizing 10-day holding periods. At December 31, 1999 and 1998, DTE ET's VaR from its power marketing and trading activities was less than 1% of the Company's consolidated "Income Before Income Taxes" for the years ended December 31, 1999 and 1998. The VaR model uses the variance-covariance statistical modeling technique, and implied and historical volatilities and correlations over

Operating Revenues
(Millions)



■ Non-regulated
■ Regulated

Total Operating Revenues	
'97	\$3,764
'98	\$4,221
'99	\$4,728

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the past 20-day period. The estimated market prices used to value these transactions for VaR purposes reflect the use of established pricing models and various factors including quotations from exchanges and over-the-counter markets, price volatility factors, the time value of money, and location differentials. For further information, see Notes 1 and 11.

RESULTS OF OPERATIONS

Net income for 1999 was up \$40 million over 1998 earnings due primarily to lower income taxes resulting from tax credits generated by non-regulated businesses and the effects of the end of the Fermi 2 phase-in plan in 1998.

Net income for 1998 was up \$26 million over 1997 earnings due to lower income taxes resulting from tax credits generated by non-regulated businesses.

Operating Revenues

Operating revenue was \$4.7 billion, up 12% from 1998 operating revenue of \$4.2 billion. Operating revenues increased (decreased) due to the following:

(Millions)	1999	1998
Detroit Edison		
Rate change	\$ (25)	\$ (8)
System sales volume and mix	151	220
Wholesale sales	(19)	51
Fermi 2 performance disallowances	34	(11)
Other – net	4	(7)
Total Detroit Edison	145	245
Non-Regulated		
DTE Energy Resources	147	163
DTE Energy Trading	209	43
Other – net	6	6
Total Non-Regulated	362	212
Total	\$507	\$457

Detroit Edison kilowatthour (kWh) sales for 1999 and the percentage change by year were as follows:

	1999	1999	1998
	(Billions of kWh)		
Sales			
Residential	14.1	2.3%	6.6%
Commercial	19.5	3.4	5.0
Industrial	15.6	6.4	2.5
Other (primarily sales for resale)	2.6	10.1	27.1
Total System	51.8	4.3	5.5
Wholesale sales	3.7	(29.5)	46.8
Total	55.5	1.1	8.4

In 1999, residential sales increased due to more heating demand, increased usage, and growth in the customer base. Commercial and industrial sales increased due to favorable economic conditions. In addition, industrial sales increased due to sales of replacement energy to the Ford Rouge plant. Wholesale sales decreased due to lower demand for energy and decreased availability of energy for sale over native load.

In 1998, residential sales increased due to more cooling demand and growth in the customer base. Commercial sales increased due to more cooling demand and favorable economic conditions. Industrial sales increased due to higher usage. Wholesale sales increased due to greater demand for energy and increased availability of energy for sale.

Non-regulated revenues were higher due to an increased level of operations, primarily DTE Energy Trading, and the addition of new businesses.

Operating Expenses Fuel and Purchased Power

Net system output and average fuel and purchased power unit costs per megawatthour (MWh) for Detroit Edison were as follows:

(Thousands of MWh)	1999	1998	1997
Power plant generation			
Fossil	43,016	44,091	42,162
Nuclear	9,484	7,130	5,523
Purchased power	6,959	7,216	6,146
Net system output	59,459	58,437	53,831
Average unit cost (\$/MWh)			
Generation	\$12.51	\$12.76	\$12.94
Purchased Power	\$54.80	\$42.26	\$26.98

In 1999, fuel and purchased power expense increased due to higher purchased power unit costs and a 1.7% increase in net system output. The increase was partially offset by lower fuel unit costs primarily resulting from increased usage of low-cost nuclear fuel.

In 1998, fuel and purchased power expense increased for Detroit Edison due to higher purchased power unit costs as a result of price volatility during periods of unseasonably warm summer weather and an 8.6% increase in system output. These increases were partially offset by lower unit costs as a result of increased usage of low-cost nuclear fuel.

In 1999 and 1998, non-regulated purchased power expense increased due to the operations of DTE Energy Trading.

Operation and Maintenance

In 1999, operation and maintenance expenses increased \$192 million. Higher non-regulated expenses of \$162 million were due to an increased level of operations and the addition of new businesses. Higher Detroit Edison expenses of \$30 million were due to increased system and customer enhancements (\$22 million), higher Year 2000 expenses (\$10 million), higher employee benefit costs (\$9 million), and generation reliability and maintenance work to address unplanned outages (\$8 million), partially offset by lower storm expense (\$19 million).

In 1998, operation and maintenance expenses increased \$287 million. Higher non-regulated subsidiary expenses of \$184 million were due to the increased level of non-regulated operations and the addition of new businesses. Higher Detroit Edison expenses of \$103 million were due to higher Year 2000 expenses (\$32 million), the 1997 storm expense deferral (\$30 million), 1998 storm expense (\$21 million), a 1997 insurance recovery (\$15 million), 1997 storm amortization (\$14 million), and the Conners Creek Power Plant restart (\$13 million), partially offset by cost reductions (\$22 million).

Depreciation and Amortization

In 1999, depreciation and amortization expense was higher due to higher levels of plant in service, the accelerated amortization of unamortized nuclear costs, the adjustment recording one-half of utility earnings in excess of the allowed 11.6% return on equity sharing threshold as additional nuclear cost amortization, and increased Fermi 2 decommissioning funding due to higher revenues.

In 1998, depreciation and amortization expense increased due primarily to increases in property, plant and equipment. These increases were almost entirely offset by lower Detroit Edison amortization of regulatory assets.

Interest Expense

In 1999, interest expense increased due to the write-off of unamortized bond issuance expense for early redemption of securities and higher short-term borrowing costs.

Interest expense increased in 1998 due primarily to the issuance of debt to finance asset acquisitions of non-regulated subsidiaries and the issuance of debt to redeem Detroit Edison's preferred stock.

Income Taxes

Income tax expense for the Company decreased in 1999 and 1998 due primarily to increased utilization of alternate fuel credits generated from non-regulated businesses. The majority of alternate fuel credits are available through 2002, while others have been extended through 2007. The end of the Fermi 2 phase-in plan also contributed to the decrease in income tax expense for 1999.

FORWARD-LOOKING STATEMENTS

Certain information presented herein is based on the expectations of the Company and Detroit Edison, and, as such, is forward-looking. The Private Securities Litigation Reform Act of 1995 encourages reporting companies to provide analyses and estimates of future prospects and also permits reporting companies to point out that actual results may differ from those anticipated.

Actual results for the Company and Detroit Edison may differ from those expected due to a number of variables including, but not limited to, interest rates, the level of borrowings, weather, actual sales, the effects of competition and the phased-in implementation of Electric Choice, the implementation of utility restructuring in Michigan (which involves pending and proposed regulatory and legislative proceedings, the recovery of stranded costs, and possible reductions in earnings), environmental and nuclear requirements, the impact of FERC proceedings and regulations, and the success of non-regulated lines of business. In addition, expected results will be affected by the Company's pending merger with MCN. While the Company and Detroit Edison believe that estimates given accurately measure the expected outcome, actual results could vary materially due to the variables mentioned, as well as others.

DTE Energy Company**Report of Management's Responsibility
for Financial Statements**

The consolidated financial statements of DTE Energy Company and subsidiary companies have been prepared by management in conformity with generally accepted accounting principles, based upon currently available facts and circumstances and management's best estimates and judgments of known conditions. It is the responsibility of management to assure the integrity and objectivity of such financial statements and to assure that these statements fairly report the Company's financial position and the results of its operations.

To meet this responsibility, management maintains a high standard of record keeping and an effective system of internal controls, including an extensive program of internal audits, written administrative policies and procedures, and programs to assure the selection and training of qualified personnel.

These financial statements have been audited by the Company's independent auditors, Deloitte & Touche LLP, whose report appears on this page. Its audit was conducted in accordance with generally accepted auditing standards. Such standards include the evaluation of internal controls to establish a basis for developing the scope of the audit, as well as such other procedures they deem necessary for expressing an opinion as to whether the financial statements are presented fairly.

The Board of Directors, through its Audit Committee consisting solely of outside directors, meets with Deloitte & Touche LLP, representatives of management and the Company's internal auditors to review the activities of each and to discuss accounting, auditing and financial matters and the carrying out of responsibilities and duties of each group. Deloitte & Touche LLP has full and free access to meet with the Audit Committee to discuss its audit results and opinions, without management representatives present, to allow for complete independence.



Larry G. Garberding
Executive Vice President and Chief Financial Officer



Anthony F. Earley, Jr.
Chairman of the Board and Chief Executive Officer

Independent Auditors' Report

Suite 900
600 Renaissance Center
Detroit, Michigan 48243-1704

To the Board of Directors and Shareholders of
DTE Energy Company

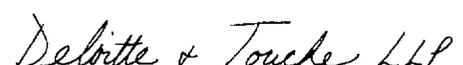
January 26, 2000

We have audited the consolidated balance sheets of DTE Energy Company and subsidiaries (the Company) as of December 31, 1999 and 1998, and the related consolidated statements of income, cash flows, and changes in shareholders' equity for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of DTE Energy Company and subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.



DTE Energy Company**Consolidated Statement of Income***(In Millions, Except per Share Amounts)*

	Year Ended December 31		
	1999	1998	1997
Operating Revenues	\$4,728	\$ 4,221	\$ 3,764
Operating Expenses			
Fuel and purchased power	1,335	1,063	837
Operation and maintenance	1,480	1,288	1,001
Depreciation and amortization	735	661	660
Taxes other than income	277	272	265
Total Operating Expenses	3,827	3,284	2,763
Operating Income	901	937	1,001
Interest Expense and Other			
Interest expense	340	319	297
Preferred stock dividends of subsidiary	—	6	12
Other – net	18	15	18
Total Interest Expense and Other	358	340	327
Income Before Income Taxes	543	597	674
Income Taxes	60	154	257
Net Income	\$ 483	\$ 443	\$ 417
Average Common Shares Outstanding	145	145	145
Earnings per Common Share – Basic and Diluted	\$ 3.33	\$ 3.05	\$ 2.88

(See Notes to Consolidated Financial Statements.)

DTE Energy Company**Consolidated Balance Sheet***(Millions, Except per Share Amounts and Shares)*

	December 31	
	1999	1998
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 33	\$ 130
Restricted cash	131	121
Accounts receivable		
Customer (less allowance for doubtful accounts of \$21 and \$20, respectively)	388	320
Accrued unbilled revenues	166	153
Other	144	131
Inventories (at average cost)		
Fuel	175	171
Materials and supplies	168	167
Other	105	39
	1,310	1,232
Investments		
Nuclear decommissioning trust funds	361	309
Other	274	261
	635	570
Property		
Property, plant and equipment	11,755	11,121
Property under capital leases	222	242
Nuclear fuel under capital lease	663	659
Construction work in progress	106	156
	12,746	12,178
Less accumulated depreciation and amortization	5,598	5,235
	7,148	6,943
Regulatory Assets	2,935	3,091
Other Assets	288	252
Total Assets	\$12,316	\$12,088

(See Notes to Consolidated Financial Statements.)

	December 31	
	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 273	\$ 239
Accrued interest	57	57
Dividends payable	75	75
Accrued payroll	97	101
Short-term borrowings	387	231
Income taxes	61	69
Current portion long-term debt	270	294
Current portion capital leases	75	118
Other	309	208
	1,604	1,392
Other Liabilities		
Deferred income taxes	1,925	1,888
Capital leases	114	126
Regulatory liabilities	262	294
Other	564	493
	2,865	2,801
Long-Term Debt	3,938	4,197
Shareholders' Equity		
Common Stock, without par value, 400,000,000 shares authorized, 145,041,324 and 145,071,317 issued and outstanding, respectively	1,950	1,951
Retained earnings	1,959	1,747
	3,909	3,698
Commitments and Contingencies (Notes 1, 2, 3, 4, 10, 11, 12 and 13)		
Total Liabilities and Shareholders' Equity	\$12,316	\$12,088

(See Notes to Consolidated Financial Statements.)

DTE Energy Company**Consolidated Statement of Cash Flows***(Millions)*

	Year Ended December 31		
	1999	1998	1997
Operating Activities			
Net Income	\$ 483	\$ 443	\$ 417
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	735	661	660
Other	(90)	(146)	(75)
Changes in current assets and liabilities:			
Restricted cash	(10)	(67)	(54)
Accounts receivable	(94)	(84)	(36)
Inventories	(5)	(35)	(39)
Payables	30	99	(3)
Other	48	(37)	35
Net cash from operating activities	1,097	834	905
Investing Activities			
Plant and equipment expenditures	(739)	(589)	(484)
Investment in non-regulated businesses	(29)	(408)	(216)
Net cash used for investing activities	(768)	(997)	(700)
Financing Activities			
Issuance of long-term debt	265	763	250
Increase in short-term borrowings	156	189	32
Redemption of long-term debt	(548)	(255)	(196)
Redemption of preferred stock	-	(150)	-
Dividends on common stock	(299)	(299)	(299)
Net cash (used for) from financing activities	(426)	248	(213)
Net (Decrease) Increase in Cash and Cash Equivalents	(97)	85	(8)
Cash and Cash Equivalents at Beginning of the Year	130	45	53
Cash and Cash Equivalents at End of the Year	\$ 33	\$ 130	\$ 45
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 340	\$ 309	\$ 290
Income taxes paid	152	160	243
New capital lease obligations	3	52	34

(See Notes to Consolidated Financial Statements.)

DTE Energy Company**Consolidated Statement of Changes in Shareholders' Equity***(Millions, Except per Share Amounts; Shares in Thousands)*

	1999		1998		1997	
	Shares	Amount	Shares	Amount	Shares	Amount
Detroit Edison Cumulative Preferred Stock						
Balance at beginning of year	—	\$ —	1,501	\$ 144	1,501	\$ 144
Redemption of Cumulative Preferred Stock	—	—	(1,501)	(150)	—	—
Preferred stock expense	—	—	—	6	—	—
Balance at end of year	—	\$ —	—	\$ —	1,501	\$ 144
Common Stock						
Balance at beginning of year	145,071	\$1,951	145,098	\$1,951	145,120	\$1,951
Repurchase and retirement of common stock	(30)	(1)	(27)	—	(22)	—
Balance at end of year	145,041	\$1,950	145,071	\$1,951	145,098	\$1,951
Retained Earnings						
Balance at beginning of year		\$1,747		\$1,611		\$1,493
Net income		483		443		417
Dividends declared on common stock (\$2.06 per share)		(299)		(299)		(299)
Preferred stock expense		—		(6)		—
Other		28		(2)		—
Balance at end of year		\$1,959		\$1,747		\$1,611
Total Shareholders' Equity		\$3,909		\$3,698		\$3,706

(See Notes to Consolidated Financial Statements.)

DTE Energy Company**Notes to Consolidated Financial Statements****NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES
Corporate Structure and Principles of Consolidation**

DTE Energy Company (Company), a Michigan corporation incorporated in 1995, is an exempt holding company under the Public Utility Holding Company Act. The Company has no significant operations of its own, holding instead the stock of its principal operating subsidiary, The Detroit Edison Company (Detroit Edison), an electric public utility regulated by the Michigan Public Service Commission (MPSC) and the Federal Energy Regulatory Commission (FERC), and other energy-related businesses.

All majority owned subsidiaries are consolidated. Non-majority owned investments, including investments in limited liability companies, partnerships and joint ventures are accounted for using the equity method. All significant inter-company balances and transactions have been eliminated.

In October 1999, the Company's investee, Plug Power, Inc., completed its initial public offering (IPO) of shares of common stock at \$15 per share. After the IPO, the Company owned approximately 32% of Plug Power's outstanding common stock. As a result of Plug Power's IPO, the Company recognized its proportionate share of Plug Power's net assets immediately after the IPO and recorded an increase of \$44 million in its investment and an after-tax increase of \$28 million to retained earnings with no earnings impact in 1999.

**Use of Estimates in the Preparation of
Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulation and Regulatory Assets and Liabilities

Detroit Edison's transmission and distribution business meets the criteria of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting standard recognizes the cost based ratemaking process which results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. SFAS No. 71

requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as revenue and expense in non-regulated businesses. Detroit Edison's regulatory assets and liabilities are being amortized to revenue and expense as they are included in rates. Continued applicability of SFAS No. 71 requires that rates be designed to recover specific costs of providing regulated services and products, and that it be reasonable to assume that rates are set at levels that will recover a utility's costs and can be charged to and collected from customers.

MPSC Orders issued in 1997 and 1998 altered the regulatory process in Michigan and provided a plan for transition to competition for the generation business of Detroit Edison. Therefore, effective December 31, 1998, Detroit Edison's generation business no longer met the criteria of SFAS No. 71. Detroit Edison did not write off any regulatory assets as a result of the discontinuation of SFAS No. 71 for its generation business, since accounting guidance issued by the Financial Accounting Standards Board and its Emerging Issues Task Force permits the recording of regulatory assets which are expected to be recovered through regulated rates. A December 1998 MPSC Order authorized the recovery of an additional regulatory asset equal to the net book value of Fermi 2 at December 31, 1998, which includes recoverable income taxes, deferred tax credits and deferred amortization. See the following table of regulatory assets and liabilities, and Note 3 for further details.

Detroit Edison has recorded the following regulatory assets and liabilities at December 31:

<i>(Millions)</i>	1999	1998
Assets		
Unamortized nuclear costs	\$2,570	\$2,808
Unamortized loss on reacquired debt	85	94
Recoverable income taxes	201	107
Power supply cost recovery	39	49
1997 storm damage costs	—	15
Electric Choice implementation costs	29	7
Other	11	11
Total Assets	\$2,935	\$3,091
Liabilities		
Unamortized deferred investment tax credits	\$ 177	\$ 188
Fermi 2 capacity factor performance standard	63	86
Other	22	20
Total Liabilities	\$ 262	\$ 294

Unamortized nuclear costs – See Note 3.

Unamortized loss on reacquired debt

In accordance with MPSC regulations applicable to Detroit Edison, the discount, premium and expense related to debt redeemed with a refinancing are amortized over the life of the replacement issue, or if related to the generation business, beginning in 2002 they will be amortized through 2007. See Note 3. Discount, premium and expense on early redemptions of debt subsequent to December 31, 1998 are charged to earnings if they relate to the generation business of Detroit Edison.

Recoverable income taxes

In 1993, the Company was required to adopt SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires that deferred income taxes be recorded at the current income tax rate for all temporary differences between the book and tax basis of assets and liabilities. Prior to 1993, only those deferred taxes that were authorized by the MPSC were recorded. Upon adoption of SFAS No. 109, the MPSC authorized the Company to record a regulatory asset providing assurance of future revenue recovery from customers for all deferred income taxes.

Power supply cost recovery (PSCR)

State legislation provides Detroit Edison a mechanism for recovery of changes in power supply costs for purchased power and generation based on a reconciliation of actual costs and usage which is subject to MPSC approval.

1997 storm damage costs

The costs of major storms in 1997 were deferred, as authorized by the MPSC, and were amortized into expense in 1998 and 1999 as they were recovered through rates.

Electric Choice implementation costs

Costs incurred to implement the Electric Choice program are being deferred, with amortization planned to begin coincident with full implementation of the program.

Unamortized deferred investment tax credits

Investment tax credits utilized, which relate to utility property, were deferred and are amortized over the estimated composite service life of the related property.

Fermi 2 capacity factor performance standard

The MPSC has established a mechanism which provides for the disallowance of net incremental replacement power cost if Fermi 2 does not perform to certain operating criteria. A disallowance is imposed for the amount by which the Fermi 2 three-year rolling average capacity factor is less than the greater of either the average of the top 50% of U.S. boiling water reactors or 50%. An estimate of the incremental cost of replacement power is required in computing the reserve for amounts due customers under this performance standard.

Cash Equivalents

For purposes of the Consolidated Statement of Cash Flows, the Company considers investments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Cash maintained for debt service requirements and other contractual obligations is classified as restricted cash.

Revenues

Detroit Edison records unbilled revenues for electric and steam heating services provided after cycle billings through month-end.

Property, Retirement and Maintenance, Depreciation and Amortization

A summary of property by classification at December 31 is as follows:

<i>(Millions)</i>	1999	1998
Transmission and distribution		
Property	\$ 5,598	\$ 5,354
Construction work in progress	1	3
Property under capital leases	4	5
Less accumulated depreciation	(2,180)	(2,063)
	<u>3,423</u>	<u>3,299</u>
Generation		
Property	5,606	5,256
Construction work in progress	3	115
Property under capital leases	217	237
Less accumulated depreciation	(2,747)	(2,587)
	<u>3,079</u>	<u>3,021</u>
Nuclear fuel under capital lease	663	659
Less accumulated amortization	(599)	(551)
	<u>64</u>	<u>108</u>
Non-utility		
Property	551	511
Construction work in progress	102	38
Property under capital leases	1	-
Less accumulated depreciation	(72)	(34)
	<u>582</u>	<u>515</u>
Total property	<u>\$ 7,148</u>	<u>\$ 6,943</u>

Utility properties are stated at original cost less regulatory disallowances and impairment losses. In general, the cost of properties retired in the normal course of business is charged to accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred, and the cost of new property installed, which replaces property retired, is charged to property accounts. Detroit Edison recognizes a provision for incremental costs of Fermi 2 refueling outages, including maintenance activities, anticipated to be incurred during the next scheduled Fermi 2 refueling outage. The annual provision for utility property depreciation is calculated on the straight-line remaining life method by applying annual rates approved by the MPSC to the average of year-beginning and year-ending balances of depreciable property by primary plant accounts. Provision for depreciation of utility plant, as a

DTE Energy Company**Notes to Consolidated Financial Statements**

percent of average depreciable property, was 3.33%, 3.32% and 3.29% for 1999, 1998 and 1997, respectively.

Non-utility property is stated at original cost. Depreciation is computed over the estimated useful lives using straight-line and declining-balance methods.

Long-Lived Assets

Long-lived assets held and used by the Company are reviewed based on market factors and operational considerations for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Software Costs

The Company capitalizes the cost of software developed for internal use. These costs are amortized on a straight-line basis over a five-year period beginning with the project's completion.

Debt Issue Costs

The costs related to the issuance of long-term debt are amortized over the life of each issue.

Stock-Based Compensation

The Company accounts for stock-based compensation using the intrinsic value method. Compensation expense is not recorded for stock options granted with an exercise price equal to the fair market value at the date of grant. For grants of restricted stock, compensation equal to the market value of the shares at the date of grant is deferred and amortized to expense over the vesting period.

Accounting for Risk Management Activities

Trading activities of DTE Energy Trading, Inc. (DTE ET), an indirect wholly owned subsidiary of the Company, are accounted for using the mark-to-market method of accounting. Under such method, DTE ET's energy trading contracts, including both transactions for physical delivery and financial instruments, are recorded at market value. The resulting unrealized gains and losses from changes in market value of open positions are recorded as other current assets or liabilities. Current period changes in the trading assets or liabilities are recognized as net gains or losses in operating revenues. The market prices used to value these transactions reflect management's best estimate considering various factors, including closing exchange and over-the-counter quotations, time value and volatility factors underlying the commitments.

Realized gains and losses from transactions settled with cash are also recognized in operating revenues. Transactions settled by physical delivery of power are recorded gross in operating revenues and fuel and purchased power expense.

Detroit Edison continues to account for its forward purchase and sale commitments and over-the-counter options on a settlement basis.

New Accounting Standard

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires companies to record derivatives on the balance sheet as assets and liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. In June 1999, SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133" was issued. SFAS No. 137 amends the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000, with earlier adoption encouraged. The Company will adopt this accounting standard as required by January 1, 2001, but has not yet determined the impact of this new pronouncement on the consolidated financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the 1999 presentation.

NOTE 2 – MERGER AGREEMENT

On October 4, 1999, the Company entered into a definitive merger agreement with MCN Energy Group Inc. (MCN). MCN, a Michigan corporation, is primarily involved in natural gas production, gathering, processing, transmission, storage and distribution, electric power generation and energy marketing. MCN's largest subsidiary is Michigan Consolidated Gas Company, a natural gas utility serving 1.2 million customers in more than 500 communities throughout Michigan. Shareholders of the Company have approved the issuance of the necessary shares of common stock to complete the merger and shareholders of MCN have approved the Agreement and Plan of Merger. The merger, which is also subject to a number

of regulatory approvals and other agreed upon conditions, is expected to be completed in the first half of 2000. The merger agreement provides that the Company will acquire all outstanding shares of MCN for \$28.50 per share in cash or 0.775 shares of Company common stock for each share of MCN common stock, subject to certain allocation procedures requiring that the aggregate number of shares of MCN common stock that will be converted into cash and the Company's common stock will be equal to 55% and 45%, respectively, of the total number of shares of MCN common stock outstanding immediately prior to the merger. The transaction was preliminarily valued at \$4.6 billion, which includes the assumption of approximately \$2 billion of MCN's debt. The Company expects to continue as an exempt public utility holding company after the completion of the merger.

NOTE 3 – REGULATORY MATTERS

Detroit Edison is subject to the primary regulatory jurisdiction of the MPSC, which, from time to time, issues its Orders pertaining to Detroit Edison's conditions of service, rates and recovery of certain costs including the costs of generating facilities. MPSC Orders issued December 1988, January 1994, November 1997, December 1998 and March 1999, are currently in effect with respect to Detroit Edison's rates and certain other revenue, accounting and operating-related matters.

Electric Industry Restructuring

There are ongoing proceedings for the restructuring of the Michigan electric public utility industry and the implementation of Electric Choice. During the period from 1997 through 1999, the MPSC issued several Orders relating to Electric Choice and competition.

In a December 28, 1998 Order, as clarified March 8, 1999, the MPSC authorized the accelerated amortization of the remaining net book balances (as of December 31, 1998) of Fermi 2 and its associated regulatory assets in a manner that will provide an opportunity for full recovery under current rates from bundled customers and through transition surcharges from future retail access customers, taking into account the related tax consequences of those assets, by December 31, 2007.

The December 28, 1998 Order, as clarified March 8, 1999, imposed conditions for the recovery by Detroit Edison of accelerated amortization of Fermi 2 and on March 8, 1999, the MPSC issued Orders clarifying several issues related to Electric Choice. As a result of this order, as clarified, Detroit Edison:

- Reduced its base rates by approximately \$94 million annually, effective January 1, 1999 and effective January 1,

2000, by an additional \$15 million to reflect the expiration of the two-year extraordinary storm damage surcharge;

- Indicated it will reduce its jurisdictional retail rates by removing the Fermi 2 regulatory asset, referred to in Note 1 as unamortized nuclear costs, from rate base on a pro rata jurisdictional rate basis when such asset reaches zero, which is currently anticipated to occur January 1, 2008;
- Indicated that while it has no plans to sell Fermi 2, should such a sale occur, it will return to customers the difference between Fermi 2's net book value (currently recorded as a regulatory asset) at the time of sale and the actual sale price; and the MPSC will be advised of a purchase of Detroit Edison during the accelerated amortization period so that the MPSC may determine whether the proposed transaction is in the public interest and properly balances the interests of investors and customers;
- Agreed that should Detroit Edison seek to abandon Fermi 2 (which Detroit Edison has no plans to do) during the accelerated amortization period, and only if electric generation has not been deregulated by either Michigan state or federal action, Detroit Edison will initiate a contested case proceeding before the MPSC seeking approval of the abandonment;
- Indicated that if its earned rate of return exceeds its authorized rate of return during the period of time that amortization of Fermi 2 is being accelerated, it will apply 50% of the excess earnings to reduce its stranded investment in Fermi 2;
- Indicated it will implement a 90 megawatt (MW) Electric Choice pilot program and will also begin the phase-in of full Electric Choice commencing in 1999, with full Electric Choice effective January 1, 2002; and
- Indicated it will use its "best efforts" to provide standby service to Electric Choice customers. Best efforts means that Detroit Edison must make the service available to Electric Choice customers who request it, but Detroit Edison does not have to build or purchase new capacity or interrupt firm customers to provide the service. Standby service is to be priced at Detroit Edison's top incremental cost plus 1 cent.

Several parties have filed petitions for rehearing or clarification; the MPSC has not ruled on these petitions. The Association of Businesses Advocating Tariff Equity in Michigan (ABATE) has also filed an appeal with the Michigan Court of Appeals. Detroit Edison is unable to determine the timing or outcome of these proceedings.

DTE Energy Company**Notes to Consolidated Financial Statements****Accounting Implications**

Detroit Edison accounts for its transmission and distribution business in accordance with SFAS No. 71. Continued application of SFAS No. 71 by Detroit Edison requires:

1) third party regulation of rates, 2) cost-based rates, and 3) a reasonable assumption that all costs will be recoverable from customers through rates.

Due to the restructuring orders which provided sufficient details regarding the transition to competition for its electric generation business, effective December 31, 1998, Detroit Edison adopted the provisions of SFAS No. 101, "Regulated Enterprises-Accounting for the Discontinuation of Application of FASB Statement No. 71," for its electric generation business. SFAS No. 101 requires an evaluation to be performed to determine whether or not indications of impairment exist for plant assets under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the elimination of certain effects of rate regulation that have been recognized as assets or liabilities pursuant to SFAS No. 71.

At December 31, 1998, Detroit Edison performed an impairment test of its Fermi 2 nuclear generation plant and related regulatory assets pursuant to SFAS No. 121. The impairment test for Fermi 2 indicated that it was fully impaired. Therefore, the Fermi 2 plant asset and its related regulatory assets were written off. At December 31, 1998, the accumulation of future regulatory recovery for Fermi 2 assets from bundled customers and transition surcharges from future retail access customers was calculated. Since the December 28, 1998 MPSC Order provides for full recovery of Fermi 2 through the regulated transmission and distribution business, a regulatory asset was established which will be amortized through December 31, 2007. There was no impact on income from the write off of the Fermi 2 plant assets and subsequent recording of the regulatory asset for unamortized nuclear costs.

1988 Settlement Agreement

The December 1988 MPSC Order established for the period January 1989 through December 2003: 1) a cap on Fermi 2 capital additions of \$25 million per year, in 1988 dollars adjusted by the Consumers Price Index (CPI), cumulative, 2) a cap on Fermi 2 non-fuel operation and maintenance expenses adjusted by the CPI, and 3) a capacity factor performance standard based on a three-year rolling average

commencing in 1991. For a capital investment of \$200 million or more (in 1988 dollars adjusted by the CPI), Detroit Edison must obtain prior MPSC approval to include the investment in rate base. Under the cap on Fermi 2 capital expenditures, the cumulative amount available totals \$76 million (in 1999 dollars) at December 31, 1999. In a 1999 filing on the true-up of stranded costs, Detroit Edison requested continued recovery of Fermi 2 capital additions through 2007, which is the end of the transition period for stranded cost recovery as ordered by the MPSC. The 1999 Fermi 2 capital additions of \$27 million are recorded as a regulatory asset. Under the cap on Fermi 2 non-fuel operation and maintenance expenses, the cumulative amount available totals \$143 million (in 1999 dollars) at December 31, 1999.

Under the December 1988 Order, if nuclear operations at Fermi 2 permanently cease, amortization in rates of a \$513 million investment in Fermi 2 would continue and the remaining net rate base investment amount would be removed from rate base and amortized in rates, without return, over 10 years with such amortization not to exceed \$290 million per year. The December 1988 and January 1994 Orders do not address the costs of decommissioning if the operations at Fermi 2 prematurely cease.

In accordance with a November 1997 MPSC Order, Detroit Edison reduced revenues by \$53 million to reflect the scheduled reduction in the revenue requirement for Fermi 2, in accordance with the 1988 settlement agreement. The \$53 million decrease is included in the \$94 million decrease effective January 1, 1999. In addition, the November 1997 MPSC Order authorized the deferral of \$30 million of 1997 storm damage costs and amortization and recovery of the costs over a 24-month period commencing January 1998. In December 1997, ABATE and the Residential Ratepayer Consortium filed a lawsuit in Ingham County Circuit Court contending that Detroit Edison and the MPSC breached the December 1988 MPSC Order but the lawsuit was subsequently dismissed. The Michigan Attorney General has filed an appeal of the November 1997 Order in the Michigan Court of Appeals. In June 1999, in an unpublished opinion, the Michigan Court of Appeals remanded back to the MPSC for hearing the November 1997 Order. Detroit Edison filed a motion for rehearing with the Michigan Court of Appeals in July 1999, but the motion was subsequently dismissed. Detroit Edison is unable to determine the timing or the outcome of the remand.

NOTE 4 – FERMI 2

General

Fermi 2, a nuclear generating unit, began commercial operation in January 1988. The Nuclear Regulatory Commission (NRC) maintains jurisdiction over the licensing and operation of Fermi 2. Fermi 2 has a design electrical rating (net) of 1,150 MW. This unit represents approximately 11% of total operation and maintenance expenses and 10% of summer net rated capability. The net book balance of the Fermi 2 plant was written off at December 31, 1998 and an equivalent regulatory asset was established.

Ownership of an operating nuclear generating unit subjects Detroit Edison to significant additional risks. Fermi 2 is regulated by a number of different governmental agencies concerned with public health, safety and environmental protection. Consequently, Fermi 2 is subjected to greater scrutiny than a conventional fossil-fueled plant. See Note 3.

Insurance

Detroit Edison insures Fermi 2 with property damage insurance provided by Nuclear Electric Insurance Limited (NEIL). The NEIL insurance policies provide \$500 million of composite primary coverage (with a \$1 million deductible) and \$2.25 billion of excess coverage, respectively, for stabilization, decontamination and debris removal costs, repair and/or replacement of property and decommissioning. Accordingly, the combined limits provide total property damage insurance of \$2.75 billion.

Detroit Edison maintains insurance policies with NEIL providing for extra expenses, including certain replacement power costs necessitated by Fermi 2's unavailability due to an insured event. These policies have a 12-week waiting period and provide for three years of coverage.

Under the NEIL policies, Detroit Edison could be liable for maximum retrospective assessments of up to approximately \$20 million per loss if any one loss should exceed the accumulated funds available to NEIL.

As required by federal law, Detroit Edison maintains \$200 million of public liability insurance for a nuclear incident. Further, under the Price-Anderson Amendments Act of 1988, deferred premium charges of \$84 million could be levied against each licensed nuclear facility, but not more than \$10 million per year per facility. On December 31, 1999, there were 106 licensed nuclear facilities in the United States. Thus, deferred premium charges in the aggregate amount of approximately \$8.89 billion could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident at any of these facilities.

Decommissioning

The NRC has jurisdiction over the decommissioning of nuclear power plants and requires decommissioning funding based upon a formula. The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants and both require the use of external trust funds to finance the decommissioning of Fermi 2. Base rates approved by the MPSC provide for the decommissioning costs of Fermi 2. Detroit Edison is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates. Detroit Edison believes that the MPSC and FERC collections will be adequate to fund the estimated cost of decommissioning using the NRC formula.

Detroit Edison has established external trust funds to hold decommissioning and low-level radioactive waste disposal funds collected from customers. During 1999, 1998 and 1997 Detroit Edison collected \$38 million, \$36 million and \$36 million, respectively, from customers for decommissioning and low-level radioactive waste disposal. Such amounts were recorded as components of depreciation and amortization expense and in other liabilities. Net unrealized gains of \$4 million and \$37 million in 1999 and 1998, respectively, were recorded as increases to the nuclear decommissioning trust funds and other liabilities. Investments in debt and equity securities held within the external trust funds are classified as "available for sale."

At December 31, 1999, Detroit Edison had a reserve of \$314 million for the future decommissioning of Fermi 2, \$12 million for low-level radioactive waste disposal costs, and \$35 million for the future decommissioning of Fermi 1, an experimental nuclear unit on the Fermi 2 site that has been shut down since 1972. These reserves are included in other liabilities, with a like amount deposited in external trust funds. It is estimated that the cost of decommissioning Fermi 2 when its license expires in the year 2025 will be \$688 million in 1999 dollars and \$3 billion in 2025 dollars using a 6% inflation rate, and the cost of decommissioning Fermi 1 in 2025 is \$34 million in 1999 dollars and \$161 million in 2025 dollars using a 6% inflation rate.

Fermi 2 Phase-In Plan

SFAS No. 92, "Regulated Enterprises – Accounting for Phase-in Plans," permits the capitalization of costs deferred for future recovery under a phase-in plan. Based on a MPSC-authorized phase-in plan, Detroit Edison recorded a receivable totaling \$506.5 million from 1988 through 1992. Beginning in 1993 and ending in 1998, these amounts were amortized to operating expense as they were included in rates. Amortization of these amounts totaled \$84 million and \$112 million in 1998 and 1997, respectively.

Notes to Consolidated Financial Statements

Capacity Factor Performance Standard

The capacity factor disallowances for 1998 and 1999 have not yet been determined by the MPSC. At December 31, 1999 and 1998, Detroit Edison had accruals of \$63 million and \$86 million, respectively, for the Fermi 2 capacity factor performance standard disallowances that are expected to be imposed by the MPSC for 1998 and 1999, and for the estimated impact on the 2000 capacity factor disallowance resulting from Fermi 2's lower than expected capacity utilization in 1998.

Nuclear Fuel Disposal Costs

In accordance with the Federal Nuclear Waste Policy Act of 1982, Detroit Edison has a contract with the United States Department of Energy (DOE) for the future storage and disposal of spent nuclear fuel from Fermi 2. Detroit Edison is obligated to pay DOE a fee of one mill per net kilowatthour of Fermi 2 electricity generated and sold. The fee is a component of nuclear fuel expense. Delays have occurred in the DOE's program for the acceptance and disposal of spent nuclear fuel at a permanent repository. Until the DOE is able to fulfill its obligation under the contract, Detroit Edison is responsible for the spent nuclear fuel storage and estimates that existing storage capacity will be sufficient until 2001, or until 2015 with expansion of such storage capacity. Plans are currently under way to complete the expansion project by 2001.

NOTE 5 – JOINTLY-OWNED UTILITY PLANT

Detroit Edison's portion of jointly-owned utility plant is as follows:

	Belle River	Ludington Pumped Storage
In-service date	1984-1985	1973
Ownership interest	*	49%
Investment (Millions)	\$1,031	\$190
Accumulated depreciation (Millions)	\$ 417	\$ 90

* Detroit Edison's ownership interest is 62.78% in Unit No. 1, 81.39% of the portion of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants, 49.59% in certain transmission lines and, at December 31, 1999, 75% in facilities used in common with Unit No. 2.

Belle River

The Michigan Public Power Agency (MPPA) has an ownership interest in Belle River Unit No. 1 and certain other related facilities. MPPA is entitled to 18.61% of the capacity and energy of the entire plant and is responsible for the same percentage of the plant's operation and maintenance expenses and capital improvements.

Ludington Pumped Storage

Operation, maintenance and other expenses of the Ludington Pumped Storage Plant are shared by Detroit Edison and Consumers Energy Company in proportion to their respective ownership interests in the plant.

NOTE 6 – INCOME TAXES

Total income tax expense as a percent of income before tax varied from the statutory federal income tax rate for the following reasons:

	1999	1998	1997
Statutory income tax rate	35.0%	35.0%	35.0%
Deferred Fermi 2 depreciation and return	—	3.9	4.6
Investment tax credit	(1.9)	(2.5)	(2.1)
Depreciation	1.5	5.1	4.6
Removal costs	(2.3)	(1.9)	(1.5)
Alternate fuels credit	(21.3)	(13.1)	(3.5)
Other-net	0.1	(1.0)	0.4
Effective income tax rate	11.1%	25.5%	37.5%

Components of income tax expense were as follows:

(Millions)	1999	1998	1997
Current federal income tax expense	\$144	\$143	\$267
Deferred federal income tax expense – net	(73)	26	5
Investment tax credit	(11)	(15)	(15)
Total	\$ 60	\$154	\$257

Internal Revenue Code Section 29 provides a tax credit (alternate fuels credit) for qualified fuels produced and sold by a taxpayer to an unrelated person during the taxable year. The alternate fuels credit reduced current federal income tax expense \$116 million, \$79 million and \$24 million for 1999, 1998 and 1997 respectively.

Deferred income tax assets (liabilities) were comprised of the following at December 31:

(Millions)	1999	1998
Property	\$ (1,209)	\$ (1,139)
Unamortized nuclear costs	(899)	(983)
Property taxes	(66)	(66)
Investment tax credit	96	154
Reacquired debt losses	(30)	(32)
Contributions in aid of construction	73	63
Other	51	55
	\$ (1,984)	\$ (1,948)
Deferred income tax liabilities	\$ (2,463)	\$ (2,447)
Deferred income tax assets	479	499
	\$ (1,984)	\$ (1,948)

The federal income tax returns of the Company are settled through the year 1992. The Company believes that adequate provisions for federal income taxes have been made through December 31, 1999.

NOTE 7 – SHAREHOLDERS' EQUITY

At December 31, 1999, the Company had 5 million shares of Cumulative Preferred Stock, without par value, authorized with no shares issued. At December 31, 1999, 1.5 million shares of preferred stock are reserved for issuance in accordance with the Shareholders Rights Agreement.

At December 31, 1999, Detroit Edison had 30 million shares of Cumulative Preference Stock of \$1 par value and 6.75 million shares of Cumulative Preferred Stock of \$100 par value authorized, with no shares issued. All of Detroit Edison's 7.75% Series and 7.74% Series Cumulative Preferred Stock were redeemed in 1998.

In September 1997, the Board of Directors of the Company declared a dividend distribution of one right (Right) for each share of Company common stock outstanding. Under certain circumstances, each Right entitles the shareholder to purchase one one-hundredth of a share of Company Series A Junior Participating Preferred Stock at a price of \$90. If the acquiring person or group acquires 10% or more of the Company common stock, and the Company survives, each Right (other than those held by the acquirer) will entitle its holder to buy Company common stock having a value of \$180 for \$90. If the acquiring person or group acquires 10% or more of the Company common stock, and the Company does not survive, each Right (other than those held by the surviving or acquiring company) will entitle its holder to buy shares of common stock of the surviving or acquiring company having a value of \$180 for \$90. The Rights will expire on October 6, 2007, unless redeemed by the Company at \$0.01 per Right at any time prior to an event which would permit the Rights to be exercised. The Company may amend the Rights agreement without the approval of the holders of the Rights Certificates, except that the redemption price may not be less than \$0.01 per Right.

NOTE 8 – LONG-TERM DEBT

The Company's long-term debt outstanding at December 31 was:

<i>(Millions)</i>	1999	1998
Mortgage Bonds		
5.6% to 8.4% due 2000 to 2023	\$1,539	\$1,742
Remarketed Notes		
6.0% to 6.4% due 2028 to 2034 (a)	410	410
6.2% and 7.1% due 2038	400	400
Tax Exempt Revenue Bonds		
Secured by Mortgage Bonds		
Installment Sales Contracts		
6.9% due 2004 to 2024 (b)	176	282
Loan Agreements		
6.3% due 2008 to 2029 (b)	831	607
Unsecured		
Installment Sales Contracts		
6.4% due 2004	24	142
Loan Agreements		
3.6% due 2024 to 2030 (a)	113	113
QUIDS		
7.4% to 7.6% due 2026 to 2028	385	385
Non-Recourse Debt		
7.5% due 2000 to 2009 (b)	330	410
Less amount due within one year	(270)	(294)
Total Long-Term Debt	\$3,938	\$4,197

(a) Variable rate at December 31, 1999.

(b) Weighted average interest rate at December 31, 1999.

In the years 2000 - 2004, the Company's long-term debt maturities are \$270 million, \$234 million, \$275 million, \$238 million and \$64 million, respectively.

Detroit Edison's 1924 Mortgage and Deed of Trust (Mortgage), the lien of which covers substantially all of Detroit Edison's properties, provides for the issuance of additional General and Refunding Mortgage Bonds (Mortgage Bonds). At December 31, 1999, approximately \$4.1 billion principal amount of Mortgage Bonds could have been issued on the basis of property additions, combined with an earnings test provision, assuming an interest rate of 8% on any such additional Mortgage Bonds. An additional \$1.9 billion principal amount of Mortgage Bonds could have been issued on the basis of bond retirements.

Unless an event of default has occurred, and is continuing, each series of Quarterly Income Debt Securities (QUIDS) provides that interest will be paid quarterly. However, Detroit Edison also has the right to extend the interest payment period on the QUIDS for up to 20 consecutive interest payment periods. Interest would continue to accrue during the deferral period. If this right is exercised, Detroit Edison may not declare or pay dividends on, or redeem, purchase or acquire, any of its capital stock during the deferral period.

DTE Energy Company

Notes to Consolidated Financial Statements

Detroit Edison may redeem any series of capital stock pursuant to the terms of any sinking fund provisions during the deferral period. Additionally, during any deferral period, Detroit Edison may not enter into any inter-company transactions with any affiliate of Detroit Edison, including the Company, to enable the payment of dividends on any equity securities of the Company.

At December 31, 1999, \$273 million of notes and bonds were subject to periodic remarketings within one year. Remarketing agents remarket these securities at the lowest interest rate necessary to produce a par bid. In the event that a remarketing fails, Standby Note Purchase Agreements and/or Letters of Credit provide that banks will purchase the securities and, after the conclusion of all necessary proceedings, remarket the bonds. In the event the banks' obligations under the Standby Note Purchase Agreements and/or Letters of Credit are not honored, then Detroit Edison would be required to purchase any securities subject to a failed remarketing.

NOTE 9 – SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

At December 31, 1999, Detroit Edison had total short-term credit arrangements of approximately \$524 million, under which \$162 million was outstanding. At December 31, 1998, \$231 million was outstanding. The weighted average interest rates for short-term borrowings at December 31, 1999 and 1998 were 6.9% and 6.2%, respectively.

Detroit Edison had bank lines of credit of \$201 million, all of which had commitment fees in lieu of compensating balances. Detroit Edison uses bank lines of credit and other credit facilities to support the issuance of commercial paper and bank loans. Detroit Edison had \$162 million and \$231 million of commercial paper outstanding at December 31, 1999 and 1998, respectively.

Detroit Edison had a nuclear fuel financing arrangement with Renaissance Energy Company (Renaissance), an unaffiliated company. Renaissance may issue commercial paper or borrow from participating banks on the basis of promissory notes. To the extent the maximum amount of funds available to Renaissance (currently \$400 million) is not needed by Renaissance to purchase nuclear fuel, such funds may be loaned to Detroit Edison for general

corporate purposes pursuant to a separate Loan Agreement. At December 31, 1999, approximately \$323 million was available to Detroit Edison under such Loan Agreement.

Detroit Edison had a \$200 million short-term financing agreement secured by its customer accounts receivable and unbilled revenues portfolio under which \$200 million was outstanding at December 31, 1999 at a weighted average interest rate of 6.1%. At December 31, 1998, there were no amounts outstanding.

At December 31, 1999, DTE Capital Corporation (DTE Capital), a Company subsidiary, had short-term credit arrangements of \$400 million backed by a Support Agreement from the Company, under which \$25 million was outstanding. The credit agreement provides support for DTE Capital's commercial paper. At December 31, 1998, there was no commercial paper outstanding. In addition, the Company has entered into a total of \$550 million of Support Agreements with DTE Capital for the purpose of DTE Capital's credit enhancing activities on behalf of DTE Energy non-regulated affiliates.

NOTE 10 – LEASES

Future minimum lease payments under capital leases, consisting of nuclear fuel (\$72 million computed on a projected units of production basis), lake vessels (\$19 million), locomotives and coal cars (\$157 million), office space (\$11 million), and computers, vehicles and other equipment (\$2 million) at December 31, 1999 are as follows:

<i>(Millions)</i>						Remaining	Total
2000	2001	2002	2003	2004	Years		
\$48	\$42	\$35	\$21	\$14	\$101	\$261	

Future minimum lease payments for an operating lease for rail cars are as follows:

<i>(Millions)</i>						Remaining	Total
2000	2001	2002	2003	2004	Years		
\$9	\$9	\$9	\$8	\$8	\$40	\$83	

Rental expenses for both capital and operating leases were \$107 million (including \$52 million for nuclear fuel), \$96 million (including \$49 million for nuclear fuel) and \$72 million (including \$42 million for nuclear fuel) for 1999, 1998 and 1997, respectively.

Detroit Edison has a contract with Renaissance which provides for the purchase by Renaissance for Detroit Edison of up to \$400 million of nuclear fuel, subject to the continued availability of funds to Renaissance to purchase such fuel. Title to the nuclear fuel is held by Renaissance. Detroit Edison makes quarterly payments under the contract based on the consumption of nuclear fuel for the generation of electricity.

NOTE 11 – FINANCIAL INSTRUMENTS

Trading Activities

DTE ET markets and trades electricity and natural gas physical products and financial instruments, and provides risk management services utilizing energy commodity derivative instruments which include futures, exchange traded and over-the-counter options, and forward purchase and sale commitments. The notional amounts and terms of DTE ET's outstanding energy trading financial instruments and the fair values of DTE ET's energy commodity derivative instruments were not material at December 31, 1999.

Market Risk

DTE ET manages, on a portfolio basis, the market risks inherent in its activities subject to parameters established by the Company's Risk Management Committee (RMC), which is authorized by its Board of Directors. Market risks are monitored by the RMC to ensure compliance with the Company's stated risk management policies. DTE ET marks its portfolio to market and measures its risk on a daily basis in accordance with Value at Risk (VaR) and other risk methodologies. The quantification of market risk using VaR provides a consistent measure of risk across diverse energy markets and products.

Credit Risk

DTE ET is exposed to credit risk in the event of nonperformance by customers or counterparties of its contractual obligations. The concentration of customers and/or counterparties may impact overall exposure to credit risk, either positively or negatively, in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions. However, DTE ET maintains credit policies with regard to its customers and counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition and credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees, and the use of standardized agreements which allow for the netting or offsetting of positive

and negative exposures associated with a single counterparty. Based on these policies, the Company does not anticipate a materially adverse effect on financial position or results of operations as a result of customer or counterparty nonperformance. Those futures and option contracts which are traded on the New York Mercantile Exchange are financially guaranteed by the Exchange and have nominal credit risk.

Non-Trading Activities

Interest Rate Swaps

In October 1996, Detroit Edison entered into a three-year interest rate swap agreement based on a notional amount of \$25 million, which was nominally linked to the Detroit Edison 1993 Series B Remarketed Notes. In 1999 and 1998, the average rate received was 5.12% and 5.68%, respectively, and the average rate paid was 4.71% and 5.02%, respectively. The net of interest received and interest paid on the swap was accrued as a component of interest expense in the current period.

PCI Enterprises Company (PCI), a coal pulverizing subsidiary, entered into a seven-year interest rate swap agreement beginning June 30, 1997, with the intent of reducing the impact of changes in interest rates on its variable rate non-recourse debt. The initial notional amount was \$30 million which was based on 60% of its term loan of \$50 million. The notional amount outstanding at December 31, 1999 and 1998, was \$24 million and \$27 million, respectively, and will decline throughout the term of the loan based on amortization of principal amounts. PCI pays a fixed interest rate of 6.96% on the notional amount and receives a variable interest rate based on LIBOR. In 1999 and 1998, the average rate received was 5.28% and 5.65%, respectively. The net of interest received and interest paid on the swap is accrued as a component of interest expense in the current period.

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The carrying amount of financial instruments, except for long-term debt, approximates fair value. The estimated fair value of total long-term debt at December 31, 1999 and 1998 was \$4 billion and \$4.8 billion, respectively, compared to the carrying amount of \$4.2 billion and \$4.5 billion, respectively.

DTE Energy Company**Notes to Consolidated Financial Statements****NOTE 12 – COMMITMENTS AND CONTINGENCIES**
Commitments

Detroit Edison has outstanding purchase commitments of approximately \$850 million at December 31, 1999, which includes, among other things, line construction and clearance costs and equipment purchases. The Company and Detroit Edison have also entered into long-term fuel supply commitments of approximately \$621 million.

Detroit Edison has an Energy Purchase Agreement (Agreement) for the purchase of steam and electricity from the Detroit Resource Recovery Facility. Under the Agreement, Detroit Edison will purchase steam through 2008 and electricity through June 2024. In 1996, a special charge to net income of \$149 million (\$97 million after-tax) or \$0.67 cents per share was recorded. The special charge included a reserve for steam purchase commitments from 1997 through 2008 and expenditures for closure of a portion of the steam heating system. The reserve for steam purchase commitments was recorded at its present value, therefore Detroit Edison will record non-cash accretion expense through 2008. In addition, amortization of the reserve for steam purchase commitments is netted against losses on steam heating purchases recorded in fuel and purchased power expense. Purchases of steam and electricity were \$35 million, \$31 million and \$34 million for 1999, 1998 and 1997, respectively. Annual steam purchase commitments are approximately \$38 million, \$39 million, \$40 million, \$42 million and \$43 million for 2000, 2001, 2002, 2003 and 2004, respectively.

In October 1995, the MPSC issued an Order approving Detroit Edison's six-year capacity and energy purchase agreement with Ontario Hydro. Ontario Hydro agreed to sell Detroit Edison 300 MW of capacity from mid-May through mid-September. This purchase will offset a concurrent agreement to lease approximately a third of Detroit Edison's Ludington 917 MW capacity to FirstEnergy for the same time period. The net economic effect of Ludington lease and the Ontario Hydro purchase is an estimated reduction in PSCR expense of \$74 million.

Contingencies**Legal Proceedings**

Detroit Edison and plaintiffs in a class action pending in the Circuit Court for Wayne County, Michigan (Gilford, et al v. Detroit Edison), as well as plaintiffs in two other pending actions which make class claims (Sanchez, et al v. Detroit

Edison, Circuit Court for Wayne County, Michigan; and Frazier v. Detroit Edison, United States District Court, Eastern District of Michigan), agreed to binding arbitration to settle these matters. A Consent Judgment received preliminary Court approval. On October 28, 1999, a panel of arbitrators awarded the plaintiffs \$45.15 million. As a result of sufficient prior accruals and anticipated insurance coverage, Detroit Edison did not incur a material 1999 earnings impact due to this award. Detroit Edison anticipates that the insurance claims process will conclude favorably. While Detroit Edison can give no assurances as to the final resolution of the claims process, it does not believe that an unfavorable earnings impact will result.

Other

In addition to the matters reported herein, the Company and its subsidiaries are involved in litigation and environmental matters dealing with the numerous aspects of their business operations. The Company believes that such litigation and the matters discussed above will not have a material effect on its financial position, results of operations and cash flows.

See Notes 3 and 4 for a discussion of contingencies related to Regulatory Matters and Fermi 2.

NOTE 13 – EMPLOYEE BENEFITS
Retirement Plan

Detroit Edison has a trustee and non-contributory defined benefit retirement plan (Plan) covering all eligible employees who have completed six months of service. The Plan provides retirement benefits based on the employees' years of benefit service, average final compensation and age at retirement. Detroit Edison's policy is to fund pension cost calculated under the projected unit credit actuarial cost method.

Net pension cost included the following components:

(Millions)	1999	1998	1997
Service cost – benefits earned during period	\$ 35	\$ 31	\$ 27
Interest cost on projected benefit obligation	92	88	86
Expected return on Plan assets	(124)	(118)	(104)
Amortization of unrecognized prior service cost	5	5	5
Amortization of unrecognized net asset resulting from initial application	(4)	(4)	(4)
Net pension cost	\$ 4	\$ 2	\$ 10

The following reconciles the funded status of the Plan to the amount recorded in the Consolidated Balance Sheet at

December 31:

(Millions)	1999	1998
Projected benefit obligation at beginning of year	\$1,400	\$1,294
Service cost – benefits earned during period	35	31
Interest cost on projected benefit obligation	92	88
Net (gain) loss	(49)	61
Benefits paid to participants	(77)	(74)
Plan amendments	56	–
Projected benefit obligation at end of year	1,457	1,400
Fair value of Plan assets (primarily equity and debt securities) at beginning of year	1,416	1,347
Actual return on Plan assets	246	143
Benefits paid to participants	(77)	(74)
Fair value of Plan assets at end of year	1,585	1,416
Plan assets in excess of projected benefit obligation	128	16
Unrecognized net (asset) resulting from initial application	(11)	(15)
Unrecognized net (gain) loss	(136)	31
Unrecognized prior service cost	94	47
Asset recorded in the Consolidated Balance Sheet	\$ 75	\$ 79

Assumptions used in determining the projected benefit obligation at December 31 were as follows:

	1999	1998
Discount rate	7.5%	6.5%
Annual increase in future compensation levels	4.0	4.0
Expected long-term rate of return on Plan assets	9.5	9.0

The unrecognized net asset at date of initial application is being amortized over approximately 15.4 years, which was the average remaining service period of employees at January 1, 1987.

In addition to the Plan, there are several supplemental non-qualified, non-contributory, retirement benefit plans for certain management employees.

Savings and Investment Plans

Detroit Edison has voluntary defined contribution plans qualified under Section 401 (a) and (k) of the Internal Revenue Code for all eligible employees. Detroit Edison contributes up to 6% of base compensation for non-represented employees and up to 4% for represented employees. Matching contributions were \$21 million, \$21 million and \$20 million for 1999, 1998 and 1997, respectively.

Other Postretirement Benefits

Detroit Edison provides certain postretirement health care and life insurance benefits for retired employees. Substantially all of Detroit Edison's employees will become eligible for such benefits if they reach retirement age while working for Detroit Edison. These benefits are provided principally through insurance companies and other organizations.

Net other postretirement benefits cost included the following components:

(Millions)	1999	1998	1997
Service cost – benefits earned during period	\$ 23	\$ 19	\$ 19
Interest cost on accumulated benefit obligation	41	38	39
Expected return on assets	(39)	(30)	(20)
Amortization of unrecognized transition obligation	21	21	21
Net other postretirement benefits cost	\$ 46	\$ 48	\$ 59

The following reconciles the funded status to the amount recorded in the Consolidated Balance Sheet at December 31:

(Millions)	1999	1998
Postretirement benefit obligation at beginning of year	\$ 625	\$ 580
Service cost – benefits earned during period	23	19
Interest cost on accumulated benefit obligation	43	38
Benefit payments	(29)	(27)
Net (gain) loss	(55)	15
Postretirement benefit obligation at end of year	607	625
Fair value of assets (primarily equity and debt securities) at beginning of year	422	309
Detroit Edison contributions	26	57
Benefit payments	(8)	–
Actual return on assets	61	56
Fair value of assets at end of year	501	422
Postretirement benefit obligation in (excess) of assets	(106)	(203)
Unrecognized transition obligation	267	287
Unrecognized net (gain)	(105)	(28)
Asset recorded in the Consolidated Balance Sheet	\$ 56	\$ 56

Assumptions used in determining the postretirement benefit obligation at December 31 were as follows:

	1999	1998
Discount rate	7.5%	6.5%
Annual increase in future compensation levels	4.0	4.0
Expected long-term rate of return on assets	9.0	8.5

Benefit costs were calculated assuming health care cost trend rates beginning at 8% for 2000 and decreasing to 5% in 2007 and thereafter for persons under age 65 and decreasing from 5.8% to 5% for persons age 65 and over. A one-percentage-point increase in health care cost trend rates would increase the aggregate of the service cost and interest cost components of benefit costs by \$11 million for 1999 and increase the accumulated benefit obligation by \$86 million at December 31, 1999. A one-percentage-point decrease in the health care cost trend rates would decrease the aggregate of the service cost and interest cost components of benefit costs by \$9 million for 1999 and decrease the accumulated benefit obligation by \$70 million at December 31, 1999.

DTE Energy Company

Notes to Consolidated Financial Statements

NOTE 14 – STOCK-BASED COMPENSATION

The Company adopted a Long-Term Incentive Plan (LTIP) in 1995. Under the LTIP, certain key employees may be granted restricted common stock, stock options, stock appreciation rights, performance shares and performance units. Common stock granted under the LTIP may not exceed 7.2 million shares. Performance units (which have a face amount of \$1) granted under the LTIP may not exceed 25 million in the aggregate. As of December 31, 1999, no stock appreciation rights, performance shares or performance units have been granted under the LTIP.

Under the LTIP, shares of restricted common stock were awarded and are restricted for a period not exceeding four years. All shares are subject to forfeiture if specified performance measures are not met. During the applicable restriction period, the recipient has all the voting, dividend and other rights of a record holder except that the shares are nontransferable, and non-cash distributions paid upon the shares would be subject to transfer restrictions and risk of forfeiture to the same extent as the shares themselves.

The shares were recorded at the market value on the date of grant and amortized to expense based on the award that was expected to vest and the period during which the related employee services were to be rendered. Restricted common stock activity for the year ended December 31 was:

	1999	1998	1997
Restricted common shares awarded	99,500	74,000	68,500
Weighted average market price of shares awarded	\$ 40.99	\$ 38.77	\$ 28.38
Compensation cost charged against income (Thousands)	\$ 945	\$ 976	\$ 222

Stock options were also issued under the LTIP. Options are exercisable at a rate of 25% per year during the four years following the date of grant. The options will expire 10 years after the date of the grant. The option exercise price equals

the fair market value of the stock on the date that the option was granted. Stock option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 1997	—	—
Granted	310,500	\$28.38
Outstanding at December 31, 1997 (none exercisable)	310,500	28.38
Granted	319,500	38.38
Exercised	(22,625)	28.50
Outstanding at December 31, 1998 (58,750 exercisable)	607,375	33.70
Granted	428,000	41.30
Exercised	(11,675)	30.99
Canceled	(24,625)	31.96
Outstanding at December 31, 1999 (194,371 exercisable at a weighted exercise price of \$32.25)	999,075	37.03

The range of exercise prices for options outstanding at December 31, 1999 was \$28.50 to \$43.85. The number, weighted average exercise price and weighted average remaining contractual life of options outstanding was as follows:

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
\$28.50–\$34.75	282,825	\$28.68	7.2 years
\$38.04–\$43.85	716,250	\$40.32	8.9 years
	999,075	\$37.03	8.4 years

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recorded for options granted. As required by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has determined the pro forma information as if the Company had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a modified Black/Scholes option pricing model – American style and the following weighted average assumptions:

	1999	1998	1997
Risk-free interest rate	5.64%	5.84%	6.83%
Dividend yield	4.95%	5.39%	7.26%
Expected volatility	17.28%	17.48%	18.31%
Expected life	10 years	10 years	10 years
Fair value per option	\$7.18	\$6.43	\$4.15

The pro forma effect of these options would be to reduce net income by \$1,289,000, \$695,000 and \$244,000 for the years ended December 31, 1999, 1998 and 1997, respectively, and to reduce earnings per share by \$0.01 for the year-ended December 31, 1999. There was no pro forma effect on earnings per share for the years ended December 31, 1998 and 1997.

NOTE 15 – SEGMENT AND RELATED INFORMATION

The Company's reportable business segment is its regulated electric utility, Detroit Edison, which is engaged in the generation, purchase, transmission, distribution and sale of electric energy in a 7,600 square mile area in Southeastern Michigan. All other includes non-regulated energy-related businesses and services, which develop and manage electricity and other energy-related projects, and engage in domestic energy trading and marketing. Inter-segment revenues are not material. Income taxes are allocated based on intercompany tax sharing agreements, which generally allocate the tax benefit of alternative fuels tax credits and accelerated depreciation to the respective subsidiary, without regard to the subsidiary's own net income or whether such tax benefits are realized by the Company. Financial data for business segments are as follows:

<i>(Millions)</i>	Regulated		Reconciliations	
	Electric Utility	All Other	and Eliminations	Consolidated
1999				
Operating revenues	\$ 4,047	\$ 681	\$ –	\$ 4,728
Depreciation and amortization	703	32	–	735
Interest expense net	284	26	30	340
Income tax expense (benefit)	211	(140)	(11)	60
Net income	434	69	(20)	483
Total assets	11,051	1,160	105	12,316
Capital expenditures	638	130	–	768
1998				
Operating revenues	\$ 3,902	\$ 319	\$ –	\$ 4,221
Depreciation and amortization	643	18	–	661
Interest expense net	277	34	8	319
Income tax expense (benefit)	260	(100)	(6)	154
Net income	412	42	(11)	443
Total assets	10,987	937	164	12,088
Capital expenditures	548	449	–	997
1997				
Operating revenues	\$ 3,657	\$ 107	\$ –	\$ 3,764
Depreciation and amortization	658	2	–	660
Interest expense net	282	16	(1)	297
Income tax expense (benefit)	288	(30)	(1)	257
Net income	405	14	(2)	417
Total assets	10,745	448	30	11,223
Capital expenditures	467	233	–	700

NOTE 16 – SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<i>(Millions, except per share amounts)</i>	1999 Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Operating revenues	\$1,024	\$1,150	\$1,440	\$1,114
Operating income	215	211	281	194
Net income	115	110	161	97
Earnings per common share	0.79	0.76	1.11	0.67

<i>(Millions, except per share amounts)</i>	1998 Quarter Ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
Operating revenues	\$945	\$1,064	\$1,199	\$1,013
Operating income	233	248	266	190
Net income	104	101	132	106
Earnings per common share	0.72	0.69	0.91	0.73

DTE Energy Company

Statistical Review

(Millions, except Electric Customers and Common Share Data)

	1999	1998	1997	1996
Operating Revenues				
Residential	\$ 1,300	\$ 1,253	\$ 1,179	\$ 1,198
Commercial	1,629	1,553	1,501	1,506
Industrial	809	753	726	731
Other	309	343	251	207
Non-regulated	681	319	107	3
Total	\$ 4,728	\$ 4,221	\$ 3,764	\$ 3,645
Net Income	\$ 483	\$ 443	\$ 417	\$ 309
Electric Sales (Millions of kWh)				
Residential	14,064	13,752	12,898	12,949
Commercial	19,546	18,897	17,997	17,706
Industrial	15,647	14,700	14,345	14,062
Other	2,595	2,357	1,855	1,690
Total system	51,852	49,706	47,095	46,407
Interconnection	3,672	5,207	3,547	2,046
Total	55,524	54,913	50,642	48,453
Electric Customers at Year End (Thousands)				
Residential	1,904	1,884	1,870	1,847
Commercial	182	181	178	175
Industrial	1	1	1	1
Other	2	2	2	2
Total	2,089	2,068	2,051	2,025
Financial Position at Year End				
Net property	\$ 7,148	\$ 6,943	\$ 8,934	\$ 8,833
Total assets	12,316	12,088	11,223	11,015
Long-term debt	3,938	4,197	3,777	3,779
Total shareholders' equity	3,909	3,698	3,706	3,588
Common Share Data				
Earnings per common share	\$ 3.33	\$ 3.05	\$ 2.88	\$ 2.13
Dividend payout ratio	62%	68%	72%	97%
Dividends declared	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06
Dividends paid	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06
Average common shares outstanding at year end (Millions)	145	145	145	145
Return on average common equity	12.75%	12.25%	12.03%	8.87%
Book value per share	\$ 26.75	\$ 25.49	\$ 24.51	\$ 23.69
Market value per share (Year end)	31%	43 ¹ / ₁₆	34 ¹ / ₁₆	32%
Market price: High	44 ¹ / ₁₆	49%	34%	37 ¹ / ₄
Low	31 ¹ / ₁₆	33 ¹ / ₂	26%	27 ¹ / ₂
Miscellaneous Financial Data				
Cash flow from operations	\$ 1,097	\$ 834	\$ 905	\$ 1,079
Investments and capital expenditures	768	997	700	531
Average cost rate long-term debt (Year end)	7.1%	7.3%	7.3%	7.1%
Miscellaneous Operating Data				
System peak demand (MW)	11,018	10,704	10,305	10,337
Employees at year end	8,886	8,781	8,732	8,526

1995	1994	1993	1992	1991	1990	1989
\$ 1,211	\$ 1,136	\$ 1,126	\$ 1,098	\$ 1,155	\$ 1,045	\$ 1,014
1,496	1,473	1,428	1,438	1,411	1,328	1,260
728	736	720	749	724	740	740
199	174	281	273	302	463	392
2	-	-	-	-	-	-
\$ 3,636	\$ 3,519	\$ 3,555	\$ 3,558	\$ 3,592	\$ 3,576	\$ 3,406
\$ 406	\$ 390	\$ 491	\$ 558	\$ 535	\$ 479	\$ 389
13,006	12,170	12,033	11,309	12,222	11,513	11,524
17,471	17,042	15,996	15,384	15,571	15,145	14,816
13,825	13,356	12,618	11,827	11,564	12,250	12,498
1,671	1,586	2,318	2,177	1,692	1,596	1,846
45,973	44,154	42,965	40,697	41,049	40,504	40,684
2,969	1,978	3,611	3,204	5,534	11,887	9,301
48,942	46,132	46,576	43,901	46,583	52,391	49,985
1,825	1,805	1,790	1,778	1,771	1,758	1,738
174	172	171	169	168	166	164
1	1	1	1	1	1	1
2	2	2	2	2	2	2
2,002	1,980	1,964	1,950	1,942	1,927	1,905
\$ 8,823	\$ 8,925	\$ 8,900	\$ 9,024	\$ 9,002	\$ 9,062	\$ 8,688
11,131	10,993	11,135	10,309	10,464	10,573	9,950
3,756	3,825	3,831	3,973	4,218	4,924	4,561
3,763	3,706	3,677	3,448	3,201	2,965	2,769
\$ 2.80	\$ 2.67	\$ 3.34	\$ 3.79	\$ 3.64	\$ 3.26	\$ 2.65
74%	77%	61%	52%	51%	54%	63%
\$ 2.06	\$ 2.06	\$ 2.06	\$ 1.98	\$ 1.88	\$ 1.78	\$ 1.68
\$ 2.06	\$ 2.06	\$ 2.04	\$ 1.955	\$ 1.855	\$ 1.755	\$ 1.68
145	146	147	147	147	147	147
11.85%	11.64%	15.23%	18.56%	19.55%	19.11%	16.75%
\$ 23.62	\$ 22.89	\$ 22.34	\$ 21.13	\$ 19.32	\$ 17.56	\$ 16.07
34½	26½	30	32¼	34¼	28¼	25½
34¾	30¼	37%	35¼	35½	30¼	25½
25¼	24¼	29%	30¼	27¼	23½	17%
\$ 913	\$ 923	\$ 1,110	\$ 1,063	\$ 952	\$ 923	\$ 916
454	366	396	416	272	230	243
7.1%	7.2%	7.4%	8.6%	9.1%	9.2%	9.5%
10,049	9,684	9,362	8,704	8,980	9,032	8,704
8,340	8,494	8,919	9,183	9,357	9,669	10,254

This is what we mean

Biomass

Landfill waste contains a variety of organic fuel sources that produce methane and carbon dioxide. Instead of allowing the gas to escape into the air, DTE Energy Biomass captures the methane, which is burned to produce steam or electricity.

Coal Fines

Particles of coal that are a byproduct of the coal mining process. Coal fines plants chemically process this byproduct, creating briquettes of synthetic fuel.

Coal Pulverizing

The first step in the process of generating electricity from coal. A pulverizer grinds coal to powder. The powder is then fed to a furnace where it mixes with hot air to burn more efficiently.

Coke and Coke Battery Ovens

Raw coal is heated to high temperatures in ovens to drive off impurities, leaving a carbon residue called coke. Coke is combined with iron ore to create a high metallic iron that is used to produce steel. A continuous number of ovens configured in a module are referred to as a battery.

Core Business

Our facilities, infrastructure and operational processes that make electricity and deliver it to customers.

Distributed Generation

Also referred to as distributed resources, this activity and related products allow electrical energy to be produced at or closer to the point of use, in contrast to central station generation which is the production of electricity at large power plants. These resources may be owned by the utility or by individual customers, and may include fuel cells, small gas turbine engines, called micro-turbines, and other devices capable of producing 2 kW to 1 MW of power.

Distribution System

Low-voltage electrical system used to deliver electricity from the wholesale transmission system to the end-user customer. Detroit Edison is the distribution utility for Southeastern Michigan.

Generating Capacity

The amount of energy we can produce using all of our power generation facilities.

Kilowatt (kW)

One thousand watts of power. A light bulb is often 100 watts.

Marketer

An entity that takes title to and sells power and has Federal Energy Regulatory Commission approval to market energy services. The marketer role also may be assumed by utilities that sell power outside their own service areas.

Megawatt (MW)

One million watts of power.

Merchant Power Generation

Generation of energy for resale on the open market, typically during peak demand periods.

Peak Demand/Peak Load

Electric load (in kilowatts) that corresponds to the maximum level of electric demand in a specified period of time.

Retail Access

Ability of a customer to purchase electricity from a retailer other than the local utility and have it delivered over the local utility's transmission and distribution system. Michigan's retail access program is known as Electric Choice.

Retail Markets

Markets in which energy is directly sold and delivered to the ultimate end users of that energy.

Risk-Adjusted Rate of Return

The amount of money returned to investors on their investments adjusted for the risk of the investment.

Stranded Costs

Michigan Public Service Commission approved costs such as generation, power contract and regulatory assets currently paid by customers, but which may not be recoverable by the utility if customers switch to other suppliers.

Synthetic Fuels

Fuel made by capturing coal fines and processing them into briquettes that are burned either to produce energy or make steel.

Tax-Advantaged Businesses

Businesses formed to use alternate energy sources, such as biomass and synthetic fuels produced from coal. To encourage the development of these resources and ultimately reduce dependence on imported energy, these businesses receive federal tax benefits.

Third-Party Owned

Assets owned by parties other than DTE Energy or its subsidiaries.

Transformer

Equipment that increases or decreases the voltage of electricity, depending on how far it must travel and how much electricity must be delivered.

Transmission System

High-voltage wires that connect generation facilities with distribution facilities. Detroit Edison builds, maintains, owns and operates a transmission system throughout Southeastern Michigan.

Wholesale Markets

Markets in which relatively large amounts of energy are sold to institutional customers who may then sell it in retail markets or, in the case of large industrial customers, use it.

Other information about **DTE Energy**

Market for the Company's Common Equity and Related Shareholder Matters

DTE Energy's common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange (symbol DTE). The following table indicates the reported high and low sales prices of DTE Energy common stock on the composite tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Calendar	Quarter	High	Low	Dividends Paid Per Share
1998	First	39 ⁵ / ₁₆	33 ¹ / ₂	\$0.515
	Second	42	37 ¹ / ₁₆	0.515
	Third	45 ⁵ / ₁₆	39 ³ / ₁₆	0.515
	Fourth	49 ¹ / ₄	41 ¹ / ₁₆	0.515
1999	First	43 ³ / ₄	37 ¹⁵ / ₁₆	\$0.515
	Second	44 ¹ / ₁₆	38 ¹ / ₄	0.515
	Third	41 ¹ / ₈	35 ³ / ₁₆	0.515
	Fourth	37 ⁵ / ₁₆	31 ¹ / ₁₆	0.515

As of Jan. 1, 2000, 145,041,324 shares of the company's common stock were outstanding. These shares were held by a total of 103,858 shareholders.

The amount of future dividends will depend on the company's earnings, financial condition and other factors, including the effects of utility restructuring and the transition to competition, and the successful completion of the pending merger with MCN.

Distribution of Ownership of DTE Energy Common Stock as of Jan. 1, 2000:

Type of Owner	Owners	Shares
Individuals	51,196	11,444,094
Joint Accounts	42,080	13,539,430
Trust Accounts	9,920	6,017,549
Nominees	24	99,160,055
Institutions & Foundations	166	48,365
Brokers & Security Dealers	10	14,320
Others	462	14,817,511
Total	103,858	145,041,324

State and Country	Owners	Shares
Michigan	52,409	30,832,905
Florida	6,773	2,668,725
California	5,522	1,646,853
New York	4,359	100,292,894
Illinois	4,213	1,207,627
Ohio	3,401	920,053
44 Other States	26,771	7,344,916
Foreign Countries	410	127,351
Total	103,858	145,041,324

Annual Meeting of Shareholders

The 2000 Annual Meeting of DTE Energy Shareholders will be held at 10 a.m., Detroit time, Friday, April 14, 2000, at the DTE Energy Building, 660 Plaza Drive, Detroit. Shareholders will be asked to elect members of the Board of Directors and ratify the appointment of independent auditors.

At the 1999 DTE Energy Annual Meeting of Shareholders, three directors were elected and the appointment of independent auditors was ratified.

Corporate Address

DTE Energy Company
2000 2nd Ave., Detroit, MI 48226-1279
Telephone: 313.235.4000
Web site: www.dteenergy.com

Independent Auditors

Deloitte & Touche LLP
600 Renaissance Center, Suite 900, Detroit, MI 48243-1704

Form 10-K

Copies of Form 10-K, Securities and Exchange Commission Annual Report, are available. Requests should be directed to:

Susan M. Beale
Vice President and Corporate Secretary
DTE Energy Company
2000 2nd Ave., Detroit, MI 48226-1279

Transfer Agent

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
Shareholder Services: 800.551.5009

Registrar of Stock

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
DTE Energy common stock

Other Shareholder Information

Shareholders who hold stock in street form may request quarterly reports by writing to the address below.

Shareholders of record automatically receive quarterly reports. As a service to shareholders of record, DTE Energy offers direct deposit of dividend payments. Payments can be electronically transferred directly to the bank or savings and loan account of choice on the payment date. Please write to the address below, or call 800.551.5009 to receive an authorization form to request direct deposit of dividend payments.

DTE Energy Company
c/o Detroit Edison, Shareholder Services, 434 W.C.B.
2000 2nd Ave., Detroit, MI 48226-1279

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based upon the company's best estimates. Actual results may differ materially.

Our **Growth** Strategy:

- Strengthen core business
- Build portfolio of profitable non-regulated businesses
- Leverage energy technologies into new businesses

DTE Energy Company
2000 2nd Ave., Detroit, MI 48226-1279

DTE Energy



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