Fermi 2
6400 North Dixie Hwy., Newport, MI 48166

Detroit Edison

10CFR50.71(b)

April 8, 2002
NRC-02-0032

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington D C 20555-0001

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

Subject: Annual Financial Report

Pursuant to 10 CRF 50.71(b), please find attached the 2001 Annual Financial Report for the Detroit Edison Company.

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

Sincerely,

Norman K. Peterson
Manager – Nuclear Licensing

Enclosure

cc: w/enclosure

T. J. Kim
M. A. Ring
NRC Resident Office
Regional Administrator, Region III
Supervisor, Electric Operators,
Michigan Public Service Commission

M004

DTE Energy®

amid ®

2001 Annual Report

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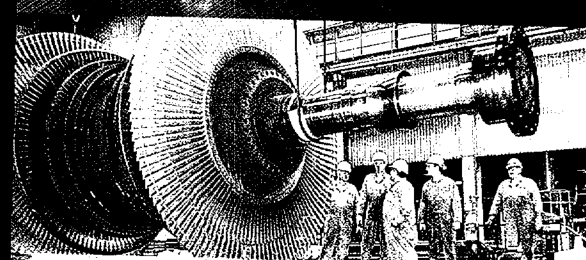
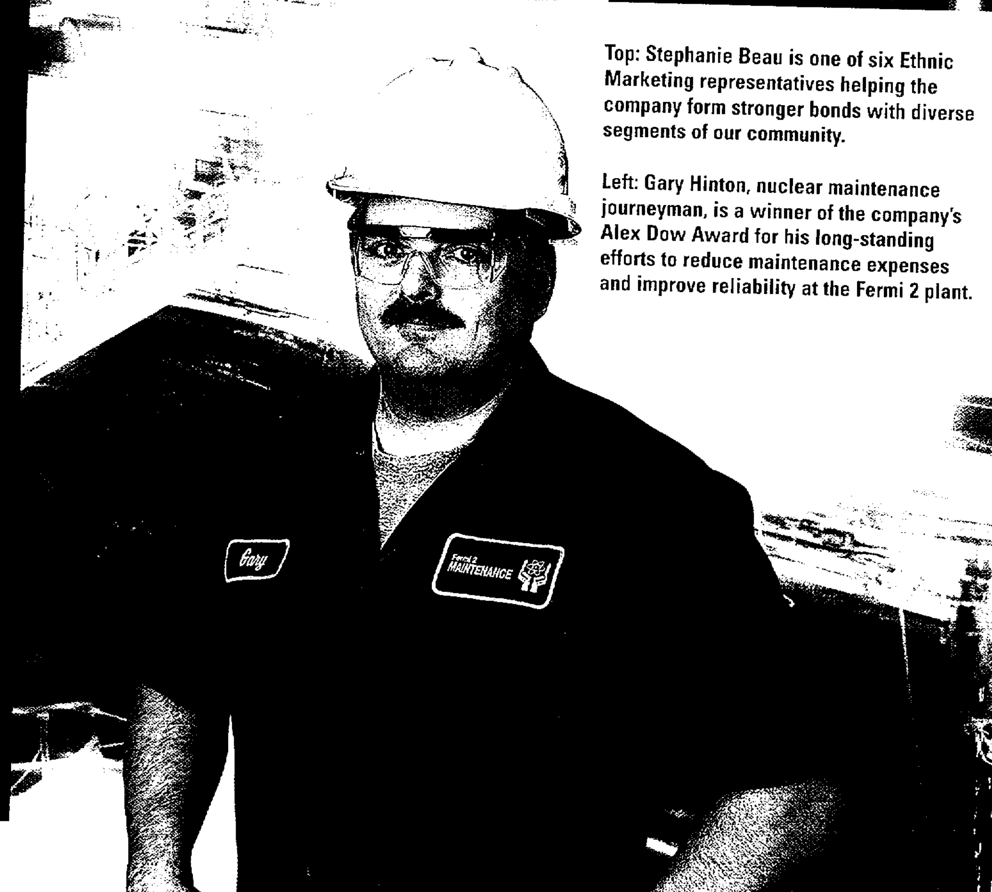




Top: Stephanie Beau is one of six Ethnic Marketing representatives helping the company form stronger bonds with diverse segments of our community.

Left: Gary Hinton, nuclear maintenance journeyman, is a winner of the company's Alex Dow Award for his long-standing efforts to reduce maintenance expenses and improve reliability at the Fermi 2 plant.

amid ®

The energy you can count on

DTE Energy delivers certainty in these uncertain times.

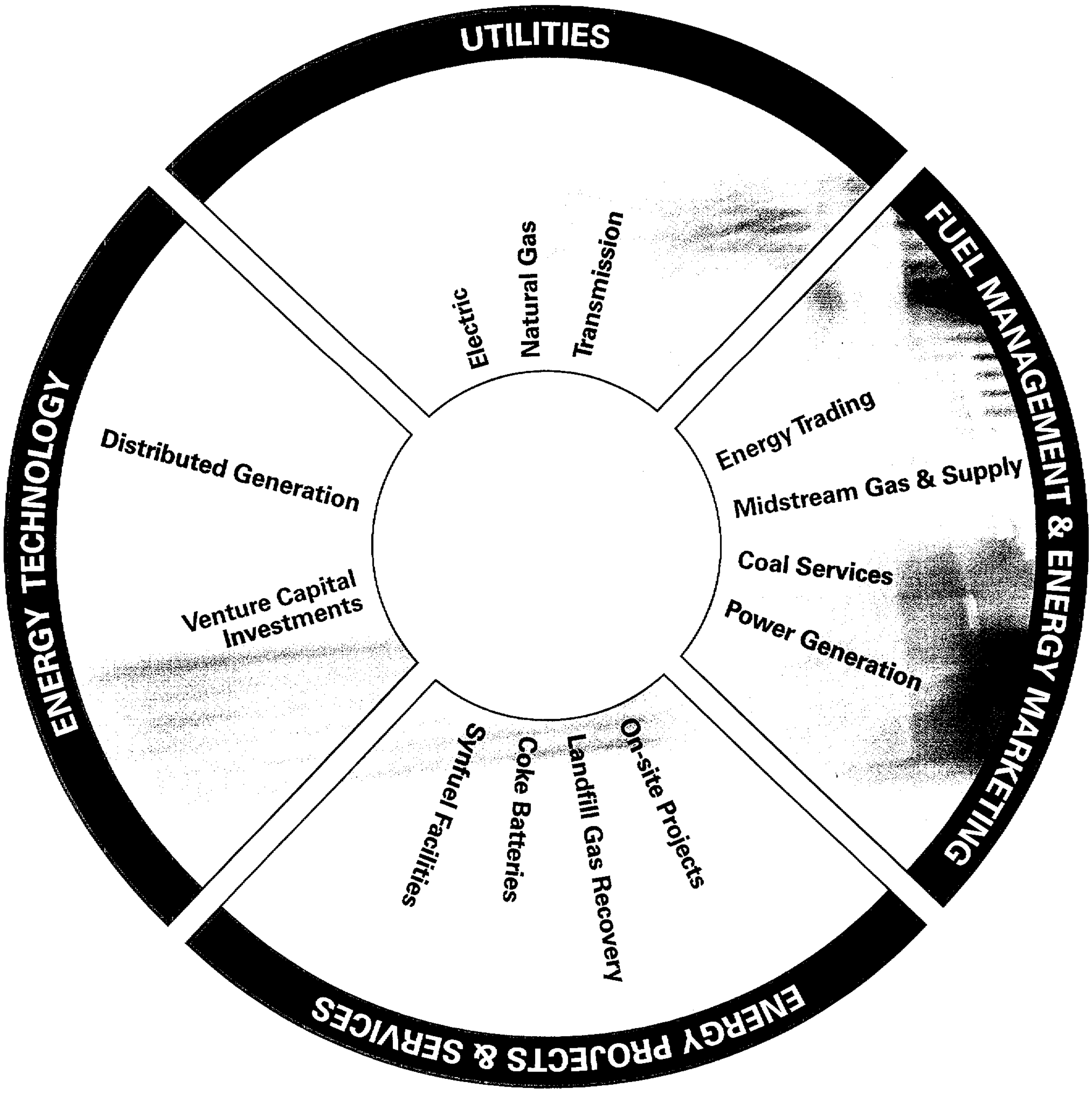
Our **industry** is undergoing a **revolution** of change. It's an environment where only the best companies provide year-in, year-out total shareholder returns – companies like DTE Energy that think smart and act smart. This is nothing new for us. The **evolution** of **DTE Energy** spans almost a century. We have a solid track record of making the right decisions at the right time. While we are transforming in exciting new ways, the fundamentals remain intact. When you invest in DTE Energy, you get results.

We provide **energy you can count on** – year after year.

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

DTE Energy

The whole is **GREATER** than the sum of its parts



evolution amid Ⓡevolution

Business	Overview	Customers
Electric (Detroit Edison)	Generates and distributes electricity throughout Southeastern Michigan.	2.1 million residential, commercial and industrial customers as well as retail marketers.
Natural Gas (MichCon)	Purchases, stores and distributes natural gas throughout Michigan.	1.2 million residential, commercial and industrial customers as well as retail marketers.
Transmission (International Transmission Company)	Transmits electricity as part of the Midwest Independent System Operator (MISO).	Detroit Edison, retail marketers and other transmission dependent companies.

Business	Overview	Customers
Energy Trading	Markets and trades electricity and natural gas.	Wholesale customers, retail suppliers and other energy trading firms.
Midstream Gas & Supply	Operates more than 1,100 Antrim gas wells; owns and operates extensive natural gas gathering, processing and storage facilities; owner in several strategic pipelines linking the Midwest, Northeast and Canada.	Gas wholesalers, marketers, utilities, aggregators, trading companies and pipeline customers who transport large volumes of gas on behalf of other customers.
Coal Services	Provides coal sourcing and transportation, coal tolling services; rail car maintenance, repair, sourcing and fleet management; coal and emissions trading.	Utilities, independent power producers and industrial customers in North America; owners and operators of rail fleets; rail shippers.
Power Generation	Owns and operates independent power plants that generate energy for sale on the open market and/or to energy traders under long-term contracts.	Utilities, independent power producers and energy-intensive businesses.

Business	Overview	Customers
On-site Projects	Develops, owns, operates and maintains on-site energy projects, including cogeneration, powerhouses, backup generation, heating and cooling services, waste water treatment, compressed air and other utility services.	Energy-intensive companies (industrial, commercial and institutional).
Landfill Gas Recovery	Recovers landfill gas to produce steam, electricity and pipeline quality gas.	Landfill owners, utilities and industries located close to landfills.
Coke Batteries	Owns and operates coke facilities.	Steel industry.
Synfuel Facilities	Owns and operates synfuel facilities.	Coke producers, utilities and independent power producers.

Business	Overview	Customers
Distributed Generation	Markets and distributes a broad portfolio of distributed generation products; provides application engineering; monitors and manages system operations.	Retail, commercial, institutional, industrial and residential customers; utilities, municipalities, cooperatives and government agencies.
Venture Capital Investments	Invests venture capital in new energy technologies.	DTE Energy Shareholders.

Earnings GROW as promised

(Dollars in Millions, except per share amounts)	2001	2000	% Change
Operating Revenues			
Electric Utility	$ 4,051	$ 4,129	(1.9)
Gas Utility	603	-	-
Non-regulated Operations	3,195	1,468	117.6
	$ 7,849	$ 5,597	40.2
Net Income			
Electric Utility	$ 369	$ 427	(13.6)
Gas Utility	23	-	-
Non-regulated Operations	162	84	92.9
Corporate & Other	(18)	(27)	33.3
	536	484	10.7
Merger and Restructuring Charges	(175)	(16)	-
MCN Energy Goodwill Amortization	(29)	-	-
	$ 332	$ 468	(29.1)
Diluted Earnings per Share			
Electric Utility	$ 2.40	$ 2.99	(19.7)
Gas Utility	0.15	-	-
Non-regulated Operations	1.05	0.59	78.0
Corporate & Other	(0.12)	(0.19)	36.8
	3.48	3.39	2.7
Merger and Restructuring Charges	(1.13)	(0.12)	-
MCN Energy Goodwill Amortization	(0.19)	-	-
	$ 2.16	$ 3.27	(33.9)
Dividends Declared per Share	$ 2.06	$ 2.06	-
Dividend Yield	4.9%	5.3%	(7.5)
Average Common Shares Outstanding (Millions)			
Basic	153	143	7.0
Diluted	154	143	7.7
Book Value per Share	$ 28.48	$ 28.14	1.2
Market Price at Year End	$ 41.94	$ 38.94	7.7
Total Market Capitalization	$ 6,758	$ 5,554	21.7
Capital Expenditures	$ 1,096	$ 749	46.3
Total Assets	$ 19,228	$ 12,656	51.9
System Sales (kWh-Millions)	50,248	52,408	(4.1)

Earnings Per Share

Non-regulated   Regulated

Non-regulated earnings increased due to growth and expansion of those businesses, while regulated earnings were impacted by economic conditions and weather.

*** Excludes merger and restructuring charges, and goodwill amortization.**

C-01

DTE Energy Chairman and Chief Executive Officer Tony Earley.

We are strategically and financially positioned for

Radical change. Constant motion. Turbulence. Transformation. Revolution. That's the world we live in. That's the energy industry today. Our job is to manage within that world and minimize the risk investors face.

Evolution implies steady improvement. Growth. The unfolding of something new. That's DTE Energy. Evolution amid revolution.

We have a solid track record of meeting our commitments to you. It is backed by more than a century of service, a disciplined growth strategy and a dynamic portfolio of businesses.

When you invest in DTE Energy, you get results – year after year. We worked extremely hard to reach our 2001 earnings target of $3.50 per share, excluding goodwill amortization and costs related to our merger with MCN Energy. And we ended the year just 2 cents short. That's a major achievement considering the tough conditions we faced throughout the year. Many factors were at play. New competition. Growing environmental pressures. Backlash from the California energy crisis. Merger integration challenges. An electric rate freeze. Volatile fuel prices. Recession and war. Still, we delivered on our promise to you.

We reported 2001 earnings of $536 million, or $3.48 per diluted share. This excludes the impact of merger and restructuring charges, and goodwill amortization. Earnings for the year 2000, excluding merger charges, were $484 million, or $3.39 per diluted share.

Including merger charges and goodwill amortization, DTE Energy reported 2001 earnings of $332 million, or $2.16 per diluted share. This compares to 2000 earnings of $468 million, or $3.27 per diluted share.

The weak economic climate and mild weather in the fourth quarter hurt both our electricity and gas sales. But as a result of targeted cost reduction programs throughout the company and increased earnings growth in our non-regulated subsidiaries, our company met its performance commitments.

For the year 2001, DTE Energy stock provided a total return of 13 percent. This ranking placed us second out of the 29 companies in the Standard & Poor's Electric Utility Index. DTE Energy and just four others in the index showed a positive stock return for the year.

We had a good year. It was marked by many highlights. Tops among them was our merger with MCN Energy. After two long years of planning and waiting, we completed the transaction on May 31, 2001. Then we began a sweeping effort to integrate both companies and realize the many synergies that made the transaction so appealing.

We began consolidating our infrastructure, combining overlapping organizations and streamlining operations. We also said goodbye to more than 1,200 employees who opted to take early retirement and voluntary separation packages.

As a result of recent electric restructuring legislation in Michigan, we issued $1.75 billion in securitized bonds to refinance existing financial obligations. Sale of these bonds gave us the resources to pass along savings to customers. By year end, all Detroit Edison residential and business customers were enjoying a 5-percent rate reduction.

At the same time, our plants continued to improve operations. Detroit Edison's Fermi 2 nuclear power plant remained a top industry performer operating 518 of 521 days between fueling outages.

Detroit Edison's fossil fleet reduced random outage rates during the summer months to a five-year low, a 30-percent improvement during that time period. This was the direct result of the company's long-term equipment reliability program. This is important because the lower our outage rate, the less we have to buy at spot power prices. Our subsidiary, Midwest Energy Resources Company (MERC), for the eighth consecutive year, moved a record amount of low-sulfur Western coal throughout the Great Lakes region.

On the energy distribution side of the business, we implemented new processes to manage operations more efficiently. We increased line clearance productivity 16 percent. This improves the impact major storms have on our wires and poles. We also improved the timeliness of new connections 12 percent.

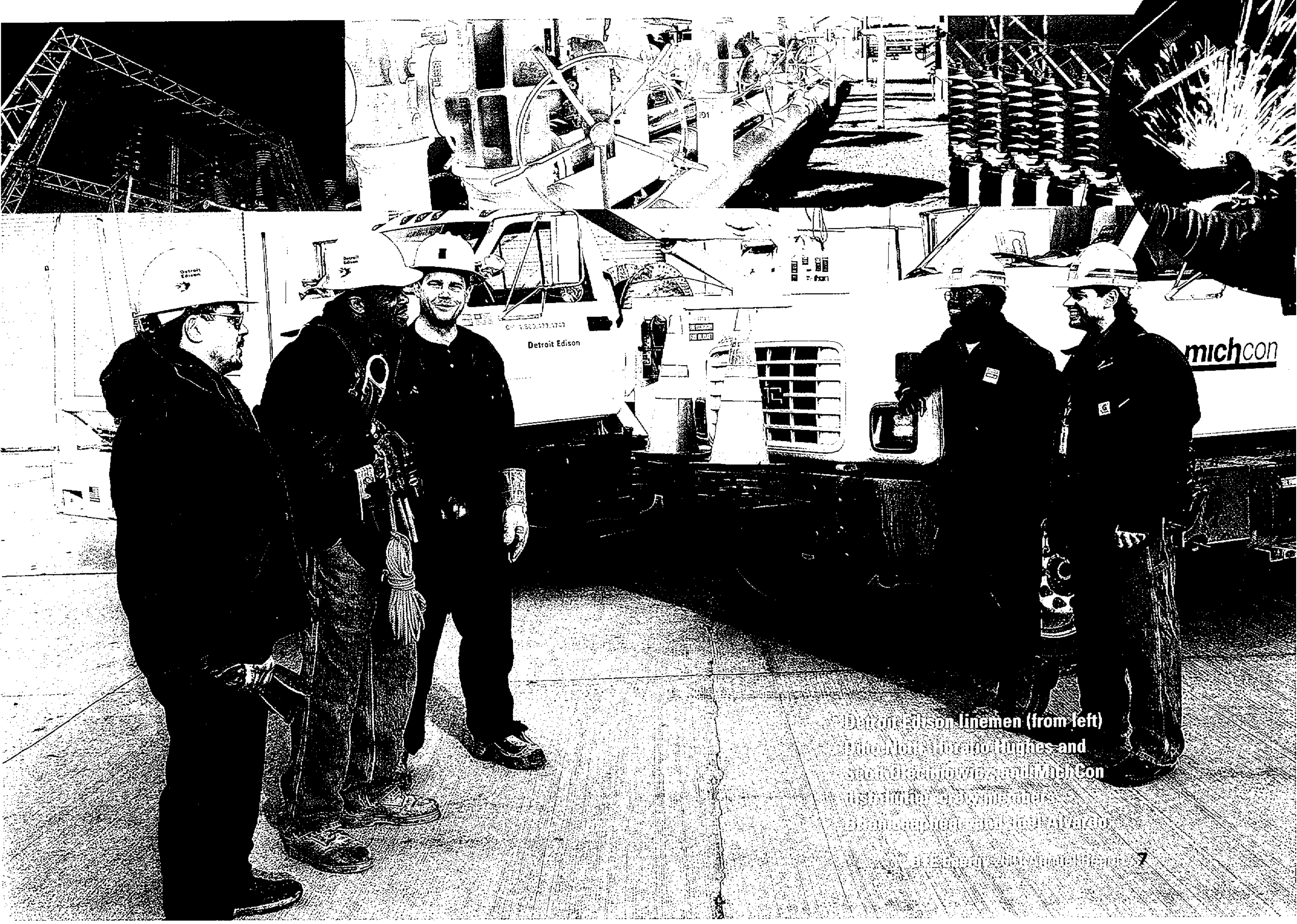
MichCon also ended the year with an impressive record of achievements, including a leak response time of 23 minutes, seven minutes faster than the industry standard. Operating efficiency remained a focus. Costs to operate MichCon's transmission pipelines, gate stations and meter stations were 10 percent lower in 2001 than the prior year.

During 2001, the company expanded its reach through agreements with three natural gas-fired independent power producers in Michigan and our own subsidiary, DTE Energy Resources, to provide gas storage and transportation services. In addition, we completed the final phase of construction of the 344-mile Vector Pipeline. The international pipeline, owned in part by DTE Energy Gas, transported 250 billion cubic feet of gas – or 98 percent of total capacity – during its first full year in operation.

Our non-regulated energy management businesses had a very strong showing in 2001. We expanded our synfuel program, processing 2.3 million tons of coal. We own a total of nine synfuel facilities, four of them under construction. We began construction of on-site energy projects at General Motors' engine plant in North Tonawanda, N.Y., and assembly plant in Moraine, Ohio. We nearly doubled our DTE Coal Services profits. We continued to grow our energy trading operation, including the addition of coal and emissions trading. And we successfully launched our 32nd biomass landfill gas recovery project.

A dynamic portfolio of businesses fuel our growth. Among our future expectations for growth is our non-regulated energy technology business focused on distributed generation (DG). DG allows individual homeowners and businesses to generate power at or near the point of use. Our DTE Energy Technologies subsidiary broadened its portfolio of DG products through partnerships with world class companies. It launched an operations center to monitor DG systems around the clock. It is also expanding its sales and distribution network worldwide to places such as Europe and Asia.

What makes our complete package of non-regulated businesses so exciting is how they complement each other and leverage our unique strengths as a company. DG is a good example. DTE Energy Technologies can leverage the fuel supply and expertise of DTE Energy



Detroit Edison linemen (from left) [illegible] Horatio Hughes and [illegible] and MichCon [illegible]

Trading and DTE Energy Gas to provide more complete energy solutions to our customers.

On-site energy projects also take advantage of our many capabilities across business lines. Using DTE Energy's power plant expertise, DTE Energy Services constructs or operates on-site energy projects for large industrial customers. Natural gas to fuel these projects is supplied by DTE Energy Trading or DTE Energy Gas.

Our energy management businesses are expected to fuel DTE Energy's growth in the near to midterm. Then distributed generation and other emerging technologies could become substantial contributors to our company's growth.

A disciplined strategy guides our growth.
Our goal is to provide sustained earnings growth in the 6 percent to 8 percent range.

Although the current economic downturn may impact the rate of new business growth, we will pursue four strategies to meet our target: 1) achieving core business excellence; 2) creating continued new business growth; 3) becoming the premier integrator of distributed generation technologies; and 4) creating a performance-focused culture.

Achieving core business excellence involves:
- Realizing our merger synergy targets and continuing to consolidate infrastructure.
- Developing and deploying the DTE Energy Operating System. This is an approach to running our businesses that borrows from the practices auto companies and others used to create highly efficient organizations. The DTE Energy Operating System will help us streamline operations and standardize processes to run more effectively. The system will be vigorously pursued in 2002.
- Continuing to manage the challenges arising from Electric Choice. We must find ways to profitably serve both customers seeking energy and delivery services, and those requiring only delivery services. We must also capture the profit potential of wholesale energy available as a result of reduced requirements to provide retail energy.
- Balancing customer service and regulatory performance goals. We must maintain the highest levels of service and performance to meet and exceed customer expectations.

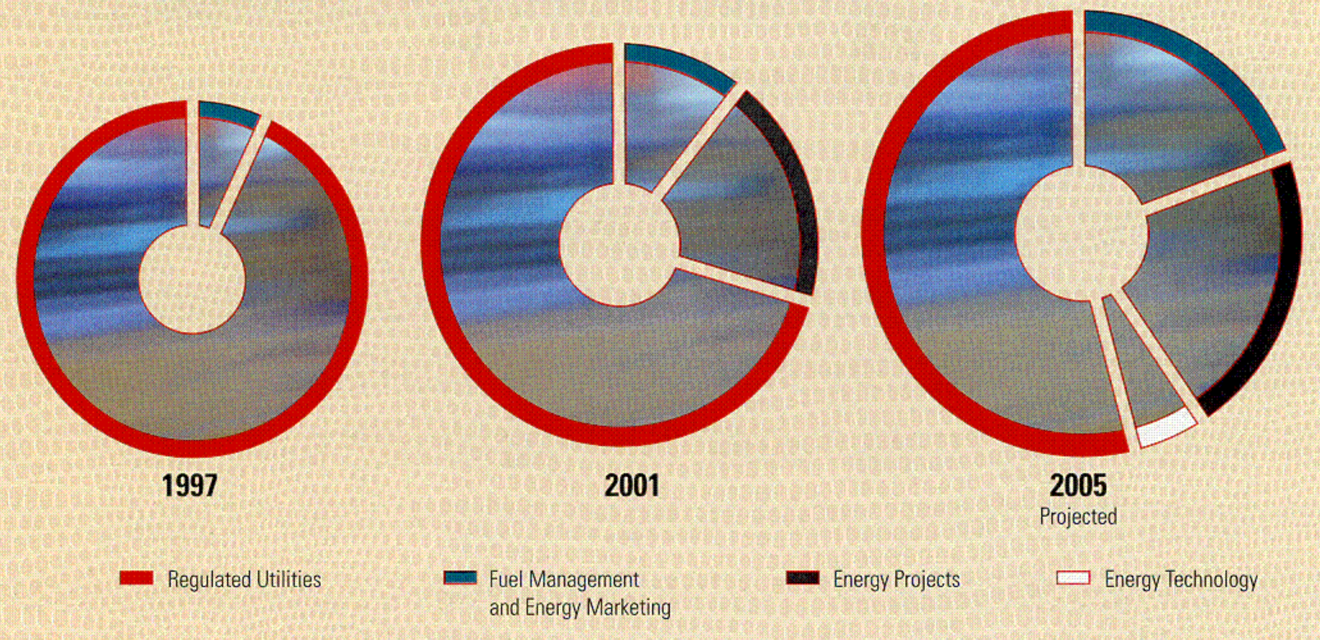
We must also create new opportunities for our company to grow. This involves:
- Implementing our plan to expand our energy management businesses across the board.
- Identifying growth prospects that leverage our integrated gas and electric capabilities.
- Identifying development investment opportunities.
- Profitably integrating our new gas trading operation into DTE Energy Trading.

A third growth strategy is becoming the premier integrator of DG. To get there we must:
- Meet product development and sales goals, and timetables.
- Provide the right mix of products and services to meet all of our customers' DG needs.
- Continue to build partnerships with world class companies.
- Meet all financial targets. This business, established in 1998, recorded 2001 sales of $19.3 million, with a goal to more than double sales in 2002. We expect it to be profitable in 2003.

Our fourth growth strategy is creating a performance-focused culture that supports our business goals. We want all our employees to view themselves as business partners in delivering results. That means sharing in the risks and rewards.

We face many challenges in 2002. One of the most difficult will be riding out the recession. We expect

DTE Energy's Diversified Business Portfolio



DTE Energy's non-regulated businesses represented $162 million, or 30 percent of net income in 2001, excluding the impact of merger and restructuring charges, and goodwill amortization. They are expected to represent more than 40 percent of net income by 2005.

continued weakness in the commercial and industrial segments of our electric utility business at least through the first half of the year. In addition, we must cope with the impact of customer choice in our electric and gas utilities.

But we also face many exciting opportunities to hasten the transformation of our company. We have a sound and proven strategy. We have a strong portfolio of businesses – diverse, but complementary. We have a healthy balance sheet. We have a dynamic leadership team. We have a creative and dedicated work force. And we have the passion, the fortitude and the resources to excel in the 21st century.

Watch us grow.

Anthony F. Earley, Jr.

Anthony F. Earley, Jr.
Chairman and Chief Executive Officer
January 31, 2002

C-02

Senior Vice President
and Chief Financial Officer
Dave Meador.

Why is DTE Energy a good investment? Senior Vice President and Chief Financial Officer Dave Meador explains what makes DTE Energy the right choice for you.

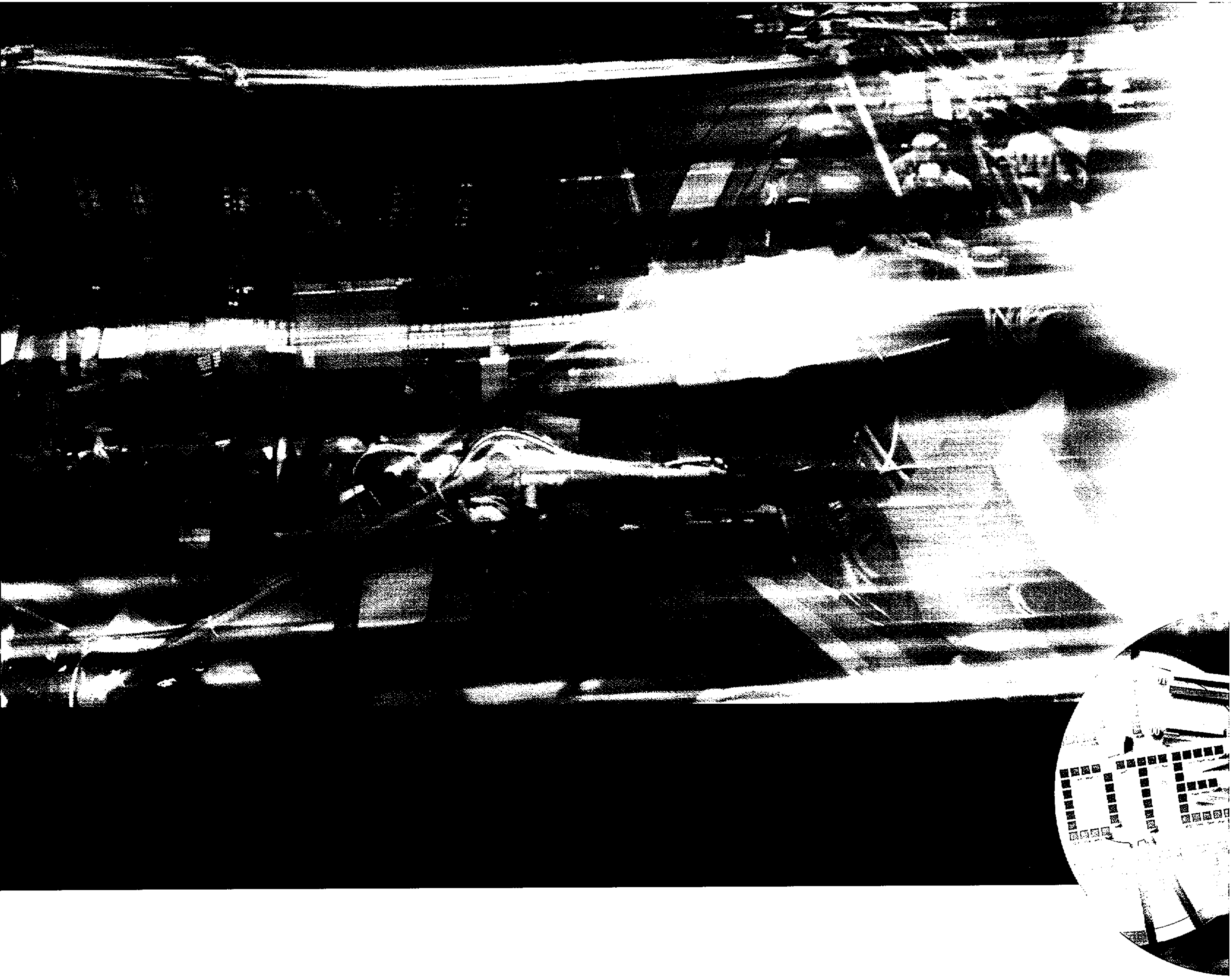
Q: What makes DTE Energy a better investment than other energy companies?

A: We believe we have a unique investment profile. The majority of our business consists of two utilities – our electric company, Detroit Edison, and our gas company, MichCon. These are well run, stable businesses that provide cash flow to fund our dividend. Our dividend yield, given our stock price today, is around 5 percent. If you add to that our growth rate (a range of 6 percent to 8 percent), we have a very attractive return – in the 11-12 percent range.

On the non-regulated side, we stick to our core competencies – energy project-based businesses – and grow in a controlled manner. We don't take excessive risk. In 2001, 30 percent of our operating net income (excluding merger and restructuring charges, and goodwill amortization) was non-regulated and that will grow to more than 40 percent by 2005.

The third area that makes us different is our energy technology work. We think that in the long term, our DTE Energy Technologies subsidiary will be a unique force in this industry.

Q: Is it realistic to target an 8-percent growth rate in today's economy?



A: This is a long-term objective and we believe the recession will be short term in nature. The key is aligning employee compensation with performance and putting other controls in place to help us pursue growth in a responsible manner. Another key is maintaining a strong balance sheet.

I think the whole industry went overboard on growth and the stock market went overboard on technology. Now people are beginning to understand that some of the higher growth companies brought an extreme amount of risk with them. We're not willing to do that. We think there's going to be a major recalibration of industry market expectations, with growth rates in the 4 percent to 10 percent range as opposed to 10 percent to 20 percent range.

Q: How has DTE Energy's stock performed over time compared to others in the industry?

A: We've done very well versus our peers in the two indices we track – the Dow Jones Electric Utility Index and the Standard & Poor's Index. Our stock price, combined with our dividend, provided a total return of 13 percent in 2001 and 29 percent in 2000.

Our performance over time is generating credibility. Investors are recognizing our stability and risk-adjusted growth.

Q: What are your earnings projections for 2002?

A: Our target for 2001 was $3.50 per share, excluding goodwill amortization and one-time merger-related costs. Building off that, we set a 2002 target of $4.10-$4.20, in line with our 6 percent to 8 percent long-term growth target.

These projections, however, were made before the recession hit. Since then, our electric load has dropped significantly and not fully recovered. Also, with the start of customer choice, it is difficult to predict how much load will be lost. As a result, we adjusted our target to a broader range of $3.70-$4.00 to reflect the economic uncertainty we expect in 2002. This target is predicated on a shorter recession with a rebound in the second half of 2002. We're still optimistic this will happen.

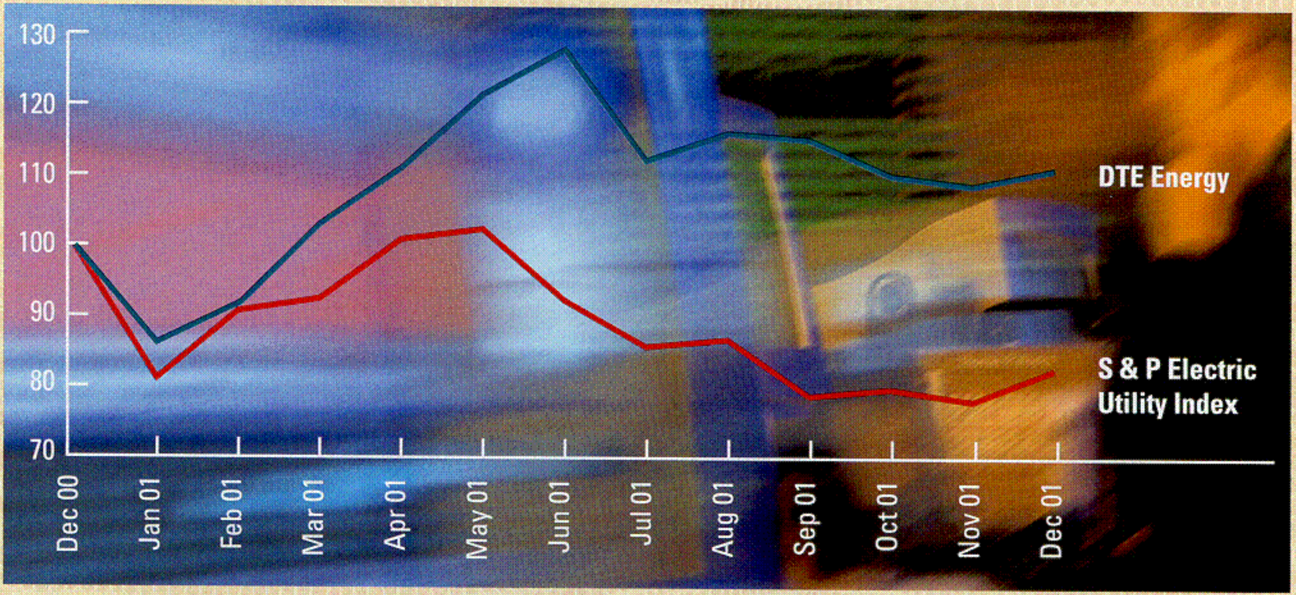
Five key variables, could affect our ability to meet this target: 1) achieving merger synergies; 2) growing non-regulated businesses to plan; 3) the length and depth of the recession; 4) the weather; and 5) the impact of customer choice.

Q: What will be the largest contributors to earnings growth?

A: Our non-regulated businesses are expected to ramp up to $170-$190 million in net income for 2002 from $162 million in 2001. The largest contributor is expected to be coal-based fuels, primarily our synfuel operations. We also have high expectations for our trading business. While our distributed generation business will not contribute earnings in 2002, it will produce enough revenue from products and services in 2002 to cover its field sales and distribution network expenses.

Value of $100 Invested

Total Return - Dividends Reinvested



The company's performance in 2001 outpaced the Standard & Poor's Electric Utility Index. DTE Energy's stock price, combined with its dividend, provided a total return of 13 percent for the year.

C-03

Our ability to grow these businesses as planned, and the length and depth of the recession – among other variables – could affect the results of these businesses.

Q: How do your utilities support your growth strategy?

A: In January 2002, MichCon returned to a fuel clause gas cost recovery mechanism. That means it passes the cost of gas to its customers and generates profit only from a delivery charge. MichCon's challenge in 2002 will be to maintain excellent levels of customer service and a safe environment for its employees, while streamlining operations to drive efficiencies.

On the electric side of the business, we are entering our first full year of rate freeze. It's also the first full year of customer choice. Our challenge and opportunity is closely managing fuel and purchased power costs, running our plants well, and maintaining high levels of customer satisfaction.

Operating as a commercial business in this rate freeze environment is no easy task, but we're not sitting still. We purchased, in advance and at favorable prices, virtually all of our peak electricity requirements for 2002, as well as most of our coal requirements for the year.

We are also focused on managing our plants well so they are available when we need them. In 2001, we proactively invested in those plants so that they are in a higher state of readiness.

Q: What is your investment strategy when it comes to new businesses?

A: We take a very disciplined approach to our investments. We look at three dimensions: return on investment, payback and risk.

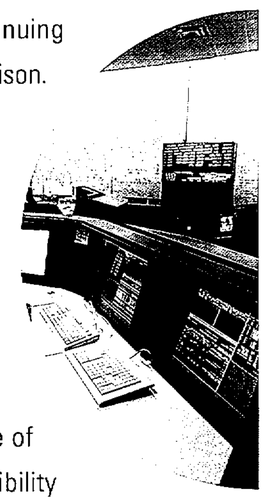
We're just as pleased about the opportunities we walk away from as we are the deals we close. We're very careful about the risks we assume as we grow earnings. This supports our investment thesis of growth at a reasonable risk. If we don't find investments that meet our very specific criteria, we won't spend the money. Instead, we may buy back stock or pay down debt to keep our balance sheet strong.

Q: What kinds of new investments fit your growth strategy?

A: They must be energy related, and complement our core competencies and skills. We're not going to buy a telecom or Internet business, for example. They don't play off our strengths as a company.

Q: What is your vision of the company in 2002/2003?

A: We will balance several priorities. One is continuing to integrate the operations of MichCon and Detroit Edison. Another is servicing our customers well. A third priority is growing our bottom line while maintaining a healthy balance sheet.

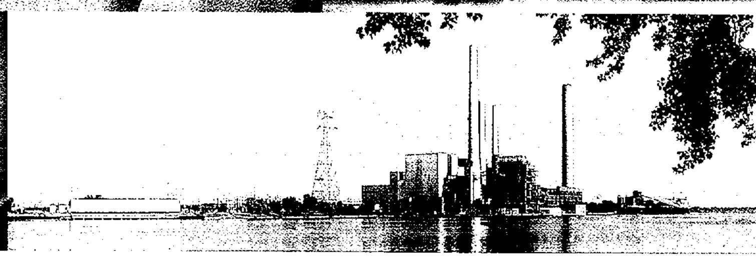


Q: What are your balance sheet targets?

A: We have an objective of remaining a solid investment grade rating with leverage in the range of 50 percent to 55 percent. This will give us the flexibility to access capital as we grow the business.

Q: Could what happened at Enron happen at DTE Energy?

A: No. In our view, what happened at Enron was at best a combination of investment failures masked by aggressive financial reporting. The final chapter will be written at the conclusion of the multiple investigations under way. At DTE Energy, we believe in strategy, discipline and sticking to what we know best. We have established growth targets that don't entail unreasonable risks. We also take integrity very seriously. It is one of the company's five corporate values that guide all of our business decisions.



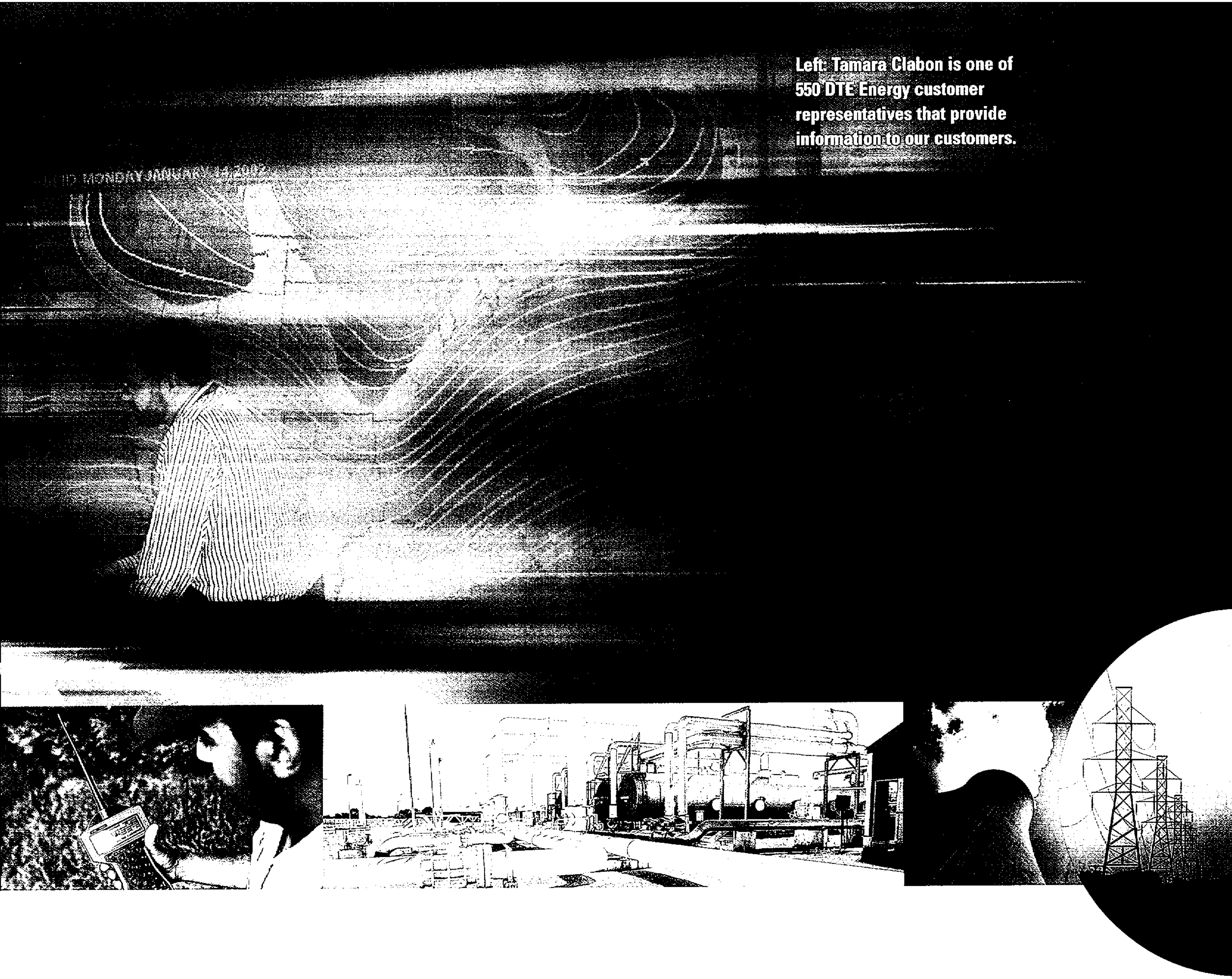
With integrated gas and electric operations, we will be an even **STRONGER** player

Our utilities provide a solid base upon which to grow. They are consistent performers over market cycles. They provide the cash we need to fund a healthy dividend and to invest in our future. They also provide the expertise and real-world experience we need to grow our non-regulated businesses.

We have a long and proud history of serving Michigan electric and natural gas customers through our principal subsidiaries, Detroit Edison and MichCon. Both utilities are focused on making continuous improvements to operations and customer service, while at the same time reducing costs.

Immediately after completing our merger with MichCon on May 31, 2001, we began integrating operations. This involves widespread consolidation of our infrastructure, from billing systems to customer service operations to budgeting and benefits. This work will continue throughout 2002 to achieve the cost synergies we've targeted for the year.

Despite a year of many challenges, we remained focused on the customer. In 2001, we spent more than $500 million to maintain and improve the electrical system. We plan to do the same in 2002. This helps us provide energy to our customers whenever they need it.



Left: Tamara Clabon is one of 550 DTE Energy customer representatives that provide information to our customers.

Much progress was also made in restructuring our transmission operations into an independent and competitive business. Late in the year, our International Transmission Company (ITC) subsidiary began turning over certain operational functions to the Midwest Independent System Operator (MISO). MISO is now responsible for security coordination and monitoring of regional power flows to ensure electric system reliability.

MichCon continues to broaden its reach and capabilities. It recently completed construction of facilities to provide natural gas service to a 680-megawatt electric generating station in mid-Michigan. When the peaking plant begins operation in the summer of 2002, the MichCon facility will provide it with natural gas transmission, storage and load balancing services. This project demonstrates how traditional utilities can work together with independent energy merchants to help meet the energy needs of Michigan and surrounding states.

We believe partnerships like these will help Michigan move to an open energy market in which both residents and businesses benefit from competitive prices and economic development.

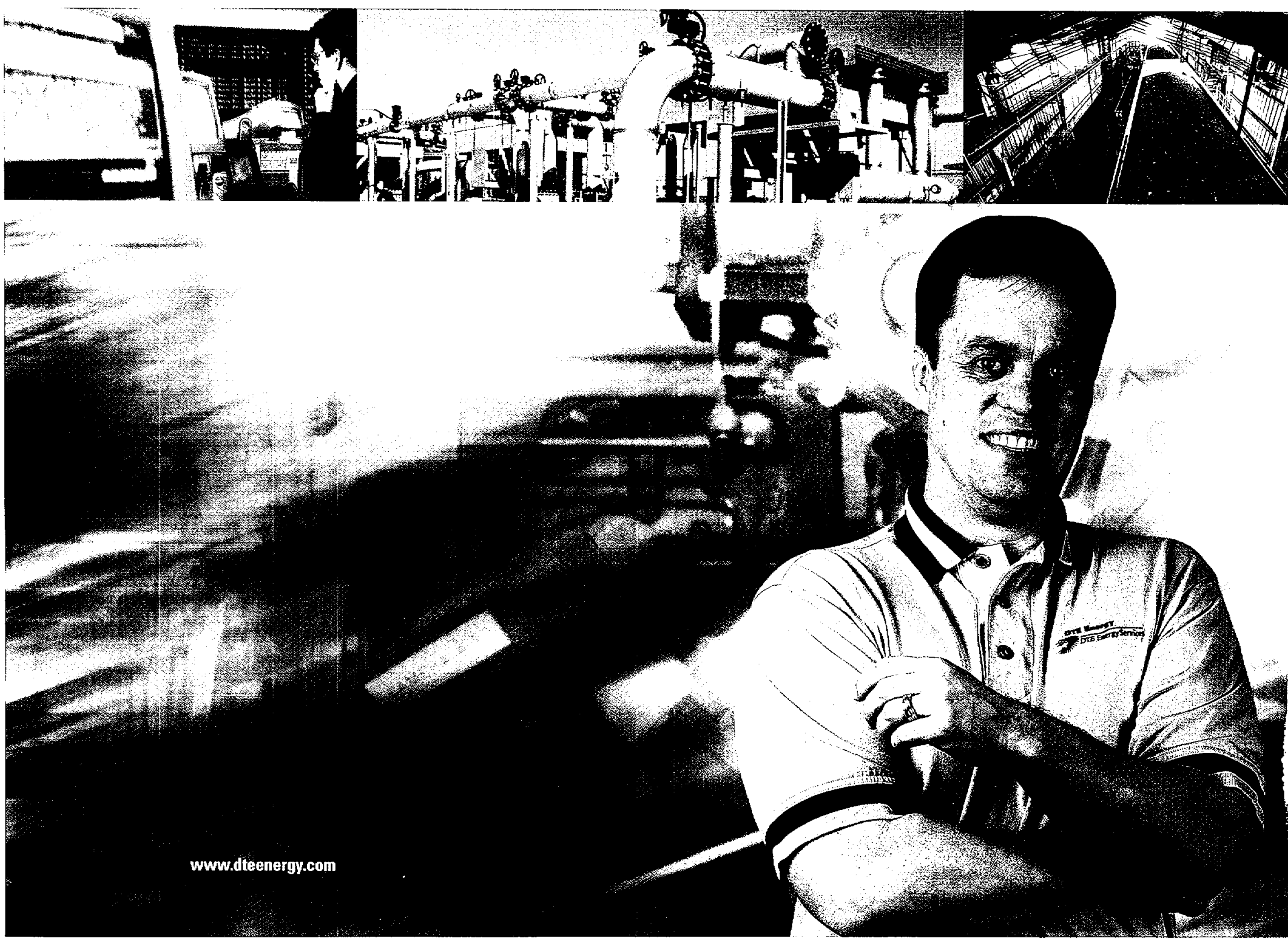
An integrated portfolio of energy management businesses will **SUSTAIN** our growth

Our energy management businesses are expected to drive the company's growth in the near to midterm. They include a wide range of non-regulated businesses spanning fossil fuels, natural gas, power generation, landfill gas recovery, energy trading and on-site energy services. This broad portfolio of assets and customers represents combined sales of approximately $3 billion and $162 million in net income, up 93 percent over the previous year.

We use a disciplined approach to investing that lowers our risk and raises our upside potential. It involves building a portfolio of complementary and inter-linked businesses that capitalize on our unique strengths.

Leveraging our power plant expertise, we are constructing two natural gas-fired power generation projects – one in Michigan and one in Illinois. When completed in 2002, they will generate a combined 480 megawatts of electricity.

We are increasing our emphasis on developing on-site energy projects for large industrial and commercial customers in 2002. Two major projects for General Motors are currently under construction. To support its

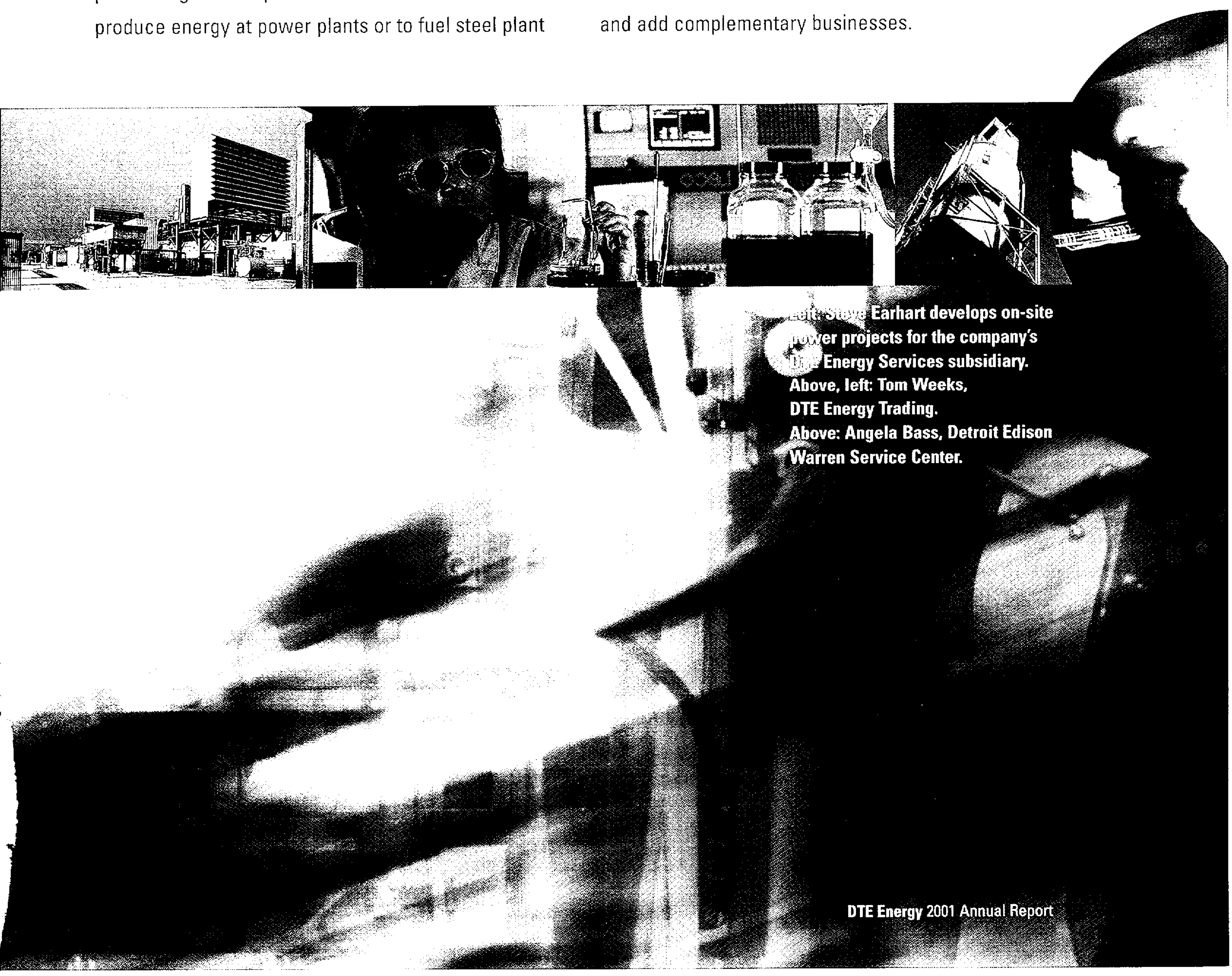


engine plant in North Tonawanda, N.Y., we will own and operate a chilled water and waste water treatment facility. We will support GM's Moraine, Ohio, assembly plant with a compressed air facility.

Our synfuel facilities are built around our leadership in the coal market. They provide strong earnings and cash flows, as well as tax credits that enable very efficient tax management.

Synfuel is made by capturing fine particles of coal, then processing it into a product that is burned either to produce energy at power plants or to fuel steel plant coke batteries. DTE Energy is a growing synfuel producer with nine facilities. Our synfuel operations leverage many of the skills and relationships our portfolio of non-regulated businesses offer – from developing and permitting, to coal and emissions trading and transportation, to project management and financing.

The coordination and synergies across our energy management businesses provide substantial growth opportunities. As we move forward, we will continue to look for new ways to strengthen our existing operations and add complementary businesses.



Left: Steve Earhart develops on-site power projects for the company's DTE Energy Services subsidiary.
Above, left: Tom Weeks, DTE Energy Trading.
Above: Angela Bass, Detroit Edison Warren Service Center.

Emerging technologies will REINVENT our future

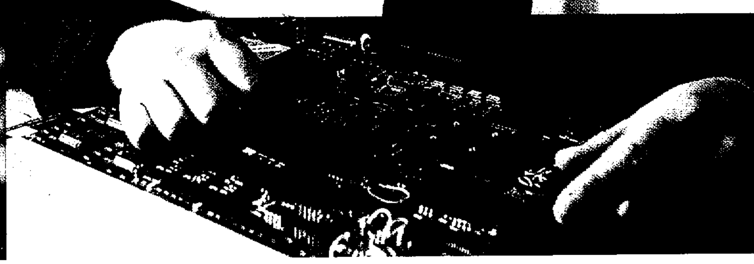
Staying ahead of the curve. That's our strategy when it comes to emerging technologies. First, we identify new technologies with strong earnings potential that complement our existing businesses. Next, we find innovative ways to participate. Then we build leadership.

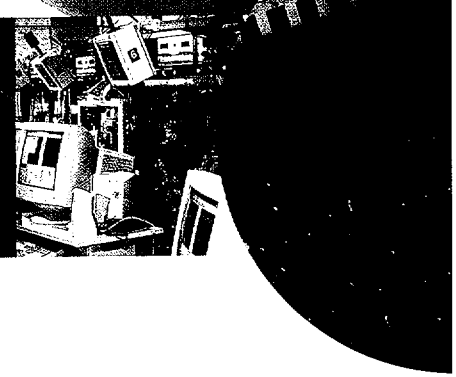
Our growing success with distributed generation (DG) is a classic example of the way we're implementing this strategy to reinvent our future. DG generates safe, clean, affordable, reliable, high-quality power at or near the point of use, rather than at large central power stations. We believe so strongly in the future of DG that we established a subsidiary to capitalize on it.

DTE Energy Technologies has a mission to become a dominant player in the DG market, providing one-stop shopping that fills customers' total energy needs.

Our DG products will use a wide range of technologies from standby generators to external combustion engines, to mini-turbines and fuel cells. Our target customers are as varied as our product offerings. They include utilities, retailers, data centers, Internet service providers, supermarket chains, subdivision developers, real estate managers and homeowners.

Left: Ed Henderson is part of the DTE Energy Technologies team developing distributed generation solutions for customers.
Below, left: Mike Faubert (left) DTE Energy Technologies, with financial analyst.
Below, right: Jim Gariepy (left), with ITS teammate.





We're using standby products as the initial platform for building our DG business, having profitably sold more than 350 units in 2001. At the same time, we are building the most complete portfolio of continuous DG products offered in the market by partnering with leading manufacturers such as Plug Power, iPower and TurboGenset. DTE Energy Technologies has exclusive worldwide distribution rights for many of these products. We currently have eight sales offices across North America and are expanding our international distribution network through relationships with strategic partners in Canada, South America, Europe and Asia.

In addition, DTE Energy Technologies recently launched a System Operations Center providing remote management and maintenance of customer generators anywhere in the world, 24 hours a day, seven days a week. We also provide application engineering that – along with operations support – makes designing, installing and operating DG systems essentially hassle-free for customers.

We intend to be the leading supplier of integrated distributed generation solutions for the 21st century. We are well on our way to achieving this goal.

The people of DTE Energy **DRIVE** our success

You can have good products and good service, but it takes good people to build great companies. We have that at DTE Energy.

A diverse and entrepreneurial leadership team guides our company. An experienced and high-performance work force fuels our success. We are building an employee base that views itself as a business partner in delivering results.

To create this mindset, we are developing leaders who support and live the culture. We are creating a learning organization that fosters continuous development. We are strengthening our work force planning efforts, and improving recruitment and retention of key talent. And we are redesigning our compensation and performance systems to more effectively manage for results.

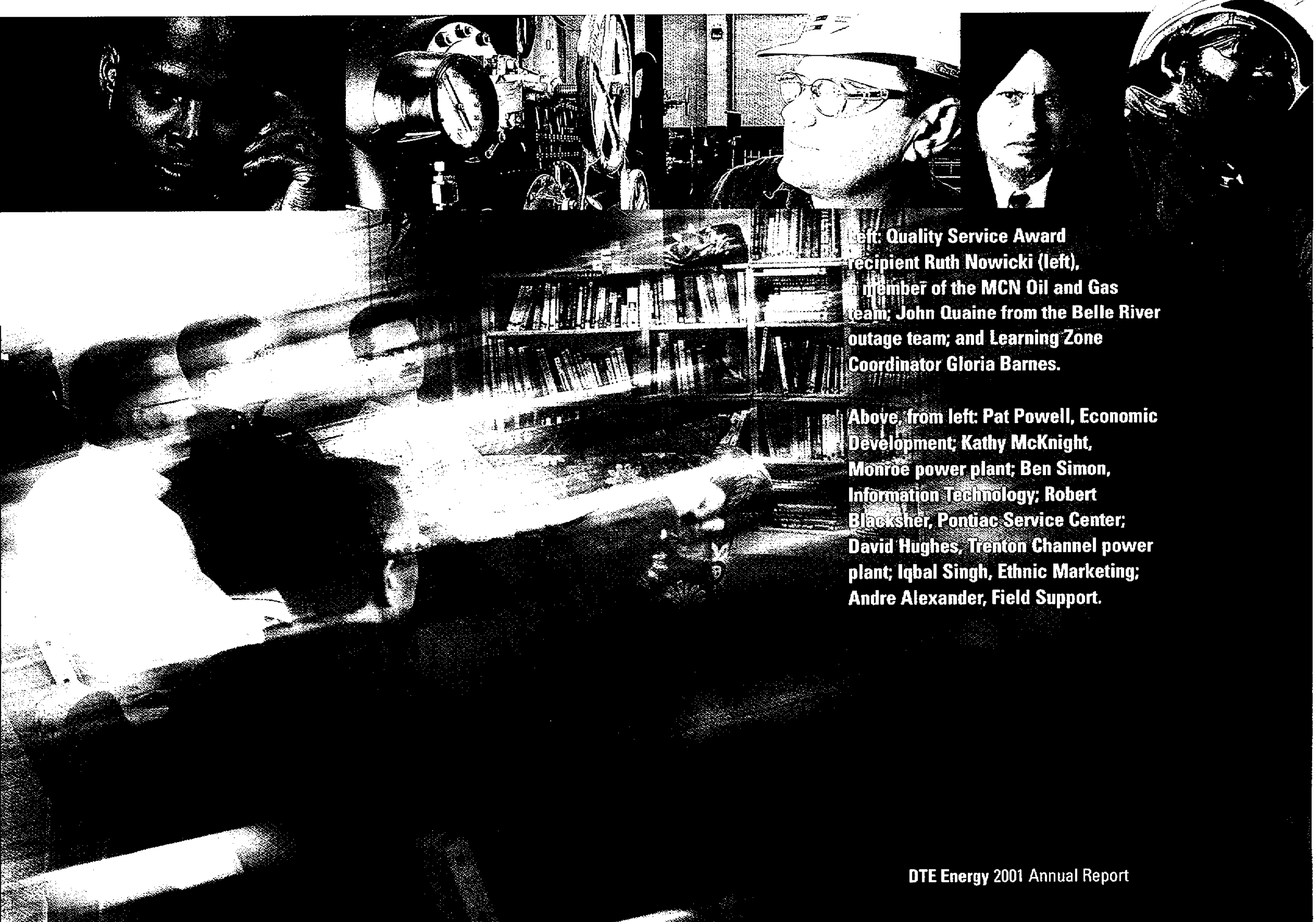
Every one of our employees plays a role in the success of our company. Their contributions are helping us achieve new levels of quality, service and performance. Take a look at one of the 2001 Quality Service Award recipients in our gas business. The MCN Oil and Gas team, suggested transforming the oil and gas well business from an investment company into the second largest well operator in Michigan. Today, this business runs more than 1,100 oil and gas wells and is one of Michigan's lowest cost oil and gas well operators.

This innovation significantly reduced lease operating expenses and administrative costs, resulting in net savings of $5.6 million.

Teamwork, at all levels, is a key to our ongoing success. Growing trust between labor and management plays a critical role. Thanks to the work of the Union-Management Partnership, all of our employees are learning to communicate candidly and problem-solve together.

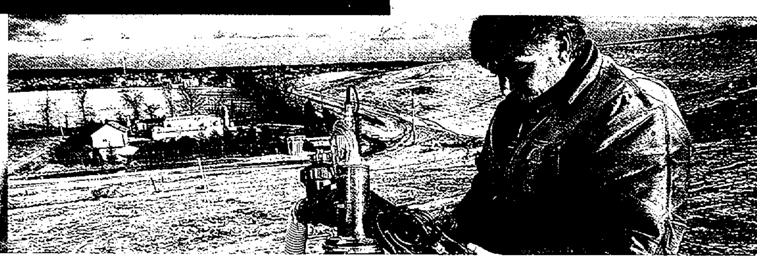
As the Belle River power plant prepares for an outage in early 2002, for example, a team of represented and non-represented employees gets ready to replace the plant's main control systems. The work includes installing more than 80 miles of new wiring. A dynamic team of in-house tradespeople is performing the work and assisting with leadership responsibilities. Their efforts are reducing project costs and strengthening work relationships. This project reflects the vision of the Partnership – to create a culture where all employees are fully engaged, collaborative decision-making is the norm, and represented employees are empowered to work as leaders to manage day-to-day activities.

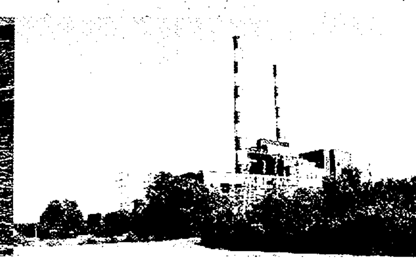
It is the people of DTE Energy who provide a competitive edge. We are working hard to create an environment where they can contribute to their potential.



Left: Quality Service Award recipient Ruth Nowicki (left), a member of the MCN Oil and Gas team; John Quaine from the Belle River outage team; and Learning Zone Coordinator Gloria Barnes.

Above, from left: Pat Powell, Economic Development; Kathy McKnight, Monroe power plant; Ben Simon, Information Technology; Robert Blacksher, Pontiac Service Center; David Hughes, Trenton Channel power plant; Iqbal Singh, Ethnic Marketing; Andre Alexander, Field Support.





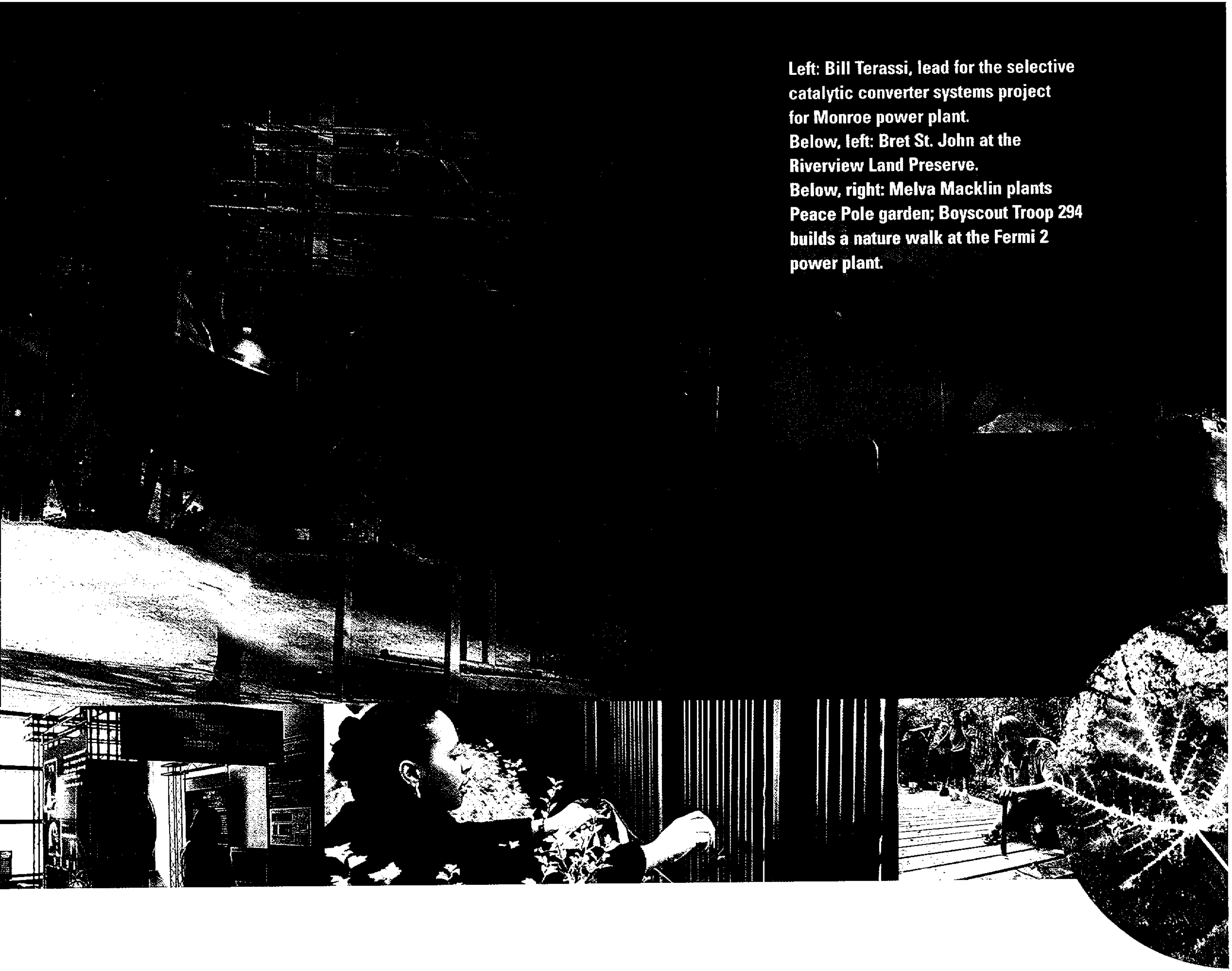
Keeping the environment clean is both a PRIORITY and a challenge

All of us share the same goal – a cleaner environment for our children ... and their children ... and their children. The challenge is creating a realistic plan to achieve this vision – one that balances environmental and economic concerns.

Our company has a strong tradition of meeting, and often exceeding, our environmental commitments.

We're proud of the inroads we've made. Yet pressure is mounting to do more. We are spending more than $625 million to comply with requirements established to address ozone concerns in the Northeast. The focus is Detroit Edison's Monroe power plant, one of the nation's largest fossil fuel operations. We are adding selective catalytic reduction systems to this plant and combustion controls and low nitrogen oxide (NOx) burners to additional units. These projects will reduce Detroit Edison's NOx emissions by 65 percent to 70 percent during the ozone season.

We have been a leader in demonstrating that energy production and environmental protection need not be competing priorities. Our Trenton Channel facility, for example, is the state's first power plant to earn ISO 14001 certification for its environmental efforts. We earned



Left: Bill Terassi, lead for the selective catalytic converter systems project for Monroe power plant.
Below, left: Bret St. John at the Riverview Land Preserve.
Below, right: Melva Macklin plants Peace Pole garden; Boyscout Troop 294 builds a nature walk at the Fermi 2 power plant.

this recognition through the strong relationships forged under our Union-Management Partnership. In addition, our St. Clair, Belle River, Monroe and Fermi 2 power plants were each honored by various organizations for their environmental stewardship in 2001.

Through 2001, our subsidiary, DTE Biomass Energy, has recovered more than 90 billion cubic feet of landfill gas – the equivalent to 20 million tons of carbon dioxide. The environmental benefits of recovering this gas – that would otherwise be released into the atmosphere – are equivalent to planting 650 million trees.

Six DTE Energy Green Teams of company employees, retirees and their families work on environmental projects on company property and in the communities we serve. They volunteer for a wide range of projects from picking up litter to installing and monitoring nest boxes for birds and ducks.

At DTE Energy, we believe that our obligation to serve goes beyond the delivery of safe, reliable and economical energy products and services. We also have an obligation to enhance the quality of life for today's society and for generations to come. Environmental stewardship is at the heart of this commitment.

A progressive team of **OFFICERS** leads our transformation

Anthony F. Earley, Jr., 52, is chairman, president, chief executive officer and chief operating officer (COO) of DTE Energy. He joined Detroit Edison in 1994 as president and COO and that same year was elected a company director. He was elected 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.

Gerard M. Anderson, 43, is president and chief operating officer of DTE Energy Resources Group. 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 McKinsey & Co., where he was a consultant in the energy and financial arenas.

Robert J. Buckler, 52, is president and chief operating officer of DTE Energy Distribution Group. He joined the company in 1974 and was named to his current post in 1998. He has held numerous positions throughout the organization including power plant engineering, construction and operation, fuel supply management, transmission and distribution operation, customer service, marketing and strategic planning.

Stephen E. Ewing, 57, is president and chief operating officer of DTE Energy Gas Group. He joined the company in 2001 from MCN Energy, where he served as its president and chief operating officer, and president and chief executive officer of its primary subsidiary, MichCon. Ewing joined MichCon in 1971, holding executive positions in corporate planning, personnel, administration and customer service.

Susan M. Beale
Vice President
Corporate Secretary

Pamela A. Biesecker
Vice President
Tax

Daniel G. Brudzynski
Vice President and
Controller

Michael E. Champley
Senior Vice President
Energy Marketing and
Trading

Howard L. Dow III
Senior Vice President
Strategic Planning
and Development

Lynne Ellyn
Senior Vice President
and Chief Information
Officer

Harold Gardner
Senior Vice President
Corporate Services

Douglas R. Gipson
Executive Vice
President and Chief
Nuclear Officer
Detroit Edison

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

Thomas A. Hughes
Vice President and
General Counsel
Detroit Edison and
MichCon

Nick A. Khouri
Vice President and
Treasurer

Steven E. Kurmas
Senior Vice President
Midstream & Supply
DTE Energy Gas
MichCon

Ron A. May
Senior Vice President
Energy Distribution
Detroit Edison

David E. Meador
Senior Vice President
and Chief Financial
Officer

William T. O'Connor
Vice President
Nuclear Generation
Detroit Edison

Sharon E. O'Niel
Vice President
Information
Technology Services

Eric H. Peterson
Senior Vice President
and General Counsel

Michael C. Porter
Vice President
Corporate
Communications

William R. Roller
Vice President
Fossil Generation
Detroit Edison

Wayne H. Schafer
Vice President
Gas Distribution
DTE Energy Gas
MichCon

Frederick E. Shell
Vice President
Corporate and
Governmental Affairs

Larry E. Steward
Vice President
Human Resources

S. Martin Taylor
Senior Vice President
Human Resources
and Corporate Affairs

Laura A. Winiarski
General Auditor

Select Subsidiary Presidents

Randall D. Balhorn
President
DTE Energy Trading

G. Paul Horst
President
DTE Energy
Technologies

Barry G. Markowitz
President
DTE Energy Services

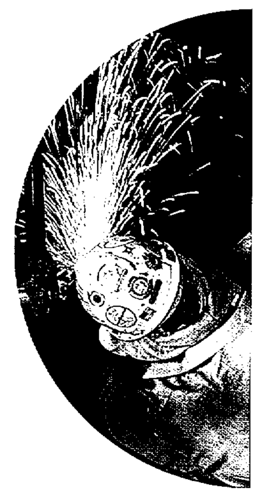
Evan J. O'Neil
President
DTE Coal
Services

Curtis T. Ranger
President
DTE Biomass
Energy

Richard L. Redmond
President
MCN Oil & Gas

Fred L. Shusterich
President
Midwest Energy
Resources (MERC)

Joseph L. Welch
President
International
Transmission Company



A dynamic **BOARD** empowers our growth

Terence E. Adderley, 68, is chairman, president and chief executive officer of Kelly Services Inc. He was appointed 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)

Lillian Bauder, 62, is vice president of Corporate Affairs for Masco Corporation and president of the Masco Corporation Foundation since 1995. She joined DTE Energy's Board in 1986. (A, E, N, P)

David Bing, 58, is chairman of the board of Bing Group 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, S)

Anthony F. Earley, Jr., 52, is chairman, president, chief executive officer and chief operating officer of DTE Energy since 1998. He joined DTE Energy in 1994 as president and chief operating officer, the same year he was elected to the DTE Energy Board. (E)

Allan D. Gilmour, 67, is retired vice chairman of Ford Motor Company. He was elected to the DTE Energy Board in 1995. (C, E, F, O, S)

Alfred R. Glancy III, 63, former chairman and chief executive officer of MCN Energy Group, served in that position from 1988 until 2001. He was chairman of MichCon from 1984-2001 and served as its CEO from 1984-1992. He joined DTE Energy's Board in 2001. (F)

Frank M. Hennessey, 63, is chairman of EMCO Limited. Prior to that he served as vice chairman and chief executive officer of MascoTech. He served on the Board of MCN Energy since 1988 and joined the DTE Energy Board in 2001. (A)

Theodore S. Leipprandt, 68, 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, P)

John E. Lobbia, 60, 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 DTE Energy Board since 1988. (F, N)

Eugene A. Miller, 64, is chairman of Comerica Incorporated and Comerica Bank. He retired as president and chief executive officer at the end of 2001. Mr. Miller joined the DTE Energy Board in 1989. (C, E, F, O)

Charles W. Pryor, Jr., 57, 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)

Howard F. Sims, 68, is chairman and chief executive officer of Sims Design Group Inc. He also serves as chairman of The SVA Group and SV Associates LLC. He served on the Board of MCN Energy since 1988 and joined the DTE Energy Board in 2001. (C)

Committee Membership:
A - Audit, C - Corporate Governance, E - Executive, F - Finance, N - Nuclear Review, O - Organization and Compensation, P - Public Responsibility, S - Special Committee on Compensation

MANAGEMENT'S DISCUSSION AND ANALYSIS of Financial Condition and Results of Operations

Merger Completed – On May 31, 2001, DTE Energy Company (DTE Energy or the Company) completed the acquisition of MCN Energy Group Inc. (MCN Energy). As discussed further in Note 2, MCN Energy merged with DTE Enterprises Inc., (Enterprises), a wholly owned subsidiary of the Company, with Enterprises being the surviving corporation. The operations of Enterprises are included in the Company's consolidated results from the date of acquisition. Enterprises, a Michigan corporation, is an exempt holding company under the Public Utility Holding Company Act of 1935. Enterprises is primarily involved in natural gas production, gathering, processing, transmission, storage, distribution and energy marketing. Enterprises' largest subsidiary, Michigan Consolidated Gas Company (MichCon), is a natural gas utility serving 1.2 million customers in a 14,700 square-mile area in Michigan.

RESULTS OF OPERATIONS

DTE Energy's earnings in 2001 were $332 million or $2.16 per diluted share, compared to earnings of $468 million, or $3.27 per diluted share in 2000. As subsequently discussed, the comparability of earnings was affected by merger and restructuring charges and goodwill amortization associated with the MCN Energy merger that reduced after-tax earnings by $204 million, or $1.32 per diluted share in 2001. The Company also recorded merger-related charges in 2000 that reduced earnings by $16 million, or $.12 per diluted share. See Note 3 – Merger and Restructuring Charges included herein for additional information. Excluding the merger and restructuring charges and goodwill amortization, DTE Energy had 2001 earnings of $536 million, or $3.48 per diluted share, compared to 2000 earnings of $484 million, or $3.39 per diluted share. The significant improvement in earnings primarily reflects contributions from gas operations acquired in the MCN Energy merger and lower income taxes resulting from the generation of additional alternate fuels tax credits by non-regulated businesses. Partially offsetting these improvements were increased interest on long-term debt that was incurred to finance the merger and lower margins from regulated electricity operations.

DTE Energy's earnings in 2000, before merger-related charges, were up $1 million or $.06 per share from 1999 earnings of $483 million, or $3.33 per share. The slight increase was due to additional tax credits partially offset by a 5% residential rate reduction provided for in the June 2000 Michigan electric industry restructuring legislation (Note 4).

(in Millions, except per share data)	2001	2000	1999
Net Income (Loss)			
Before Reconciling Items:			
Regulated Operations			
Electric Utility	$ 369	$ 427	$ 434
Gas Utility	23	–	–
	392	427	434
Non-regulated Operations			
Wholesale Marketing & Trading	44	10	8
Energy Services	124	109	84
Other	(6)	(35)	(23)
	162	84	69
Corporate & Other	(18)	(27)	(20)
	536	484	483
Merger and Restructuring Charges	(175)	(16)	–
MCN Energy Goodwill Amortization	(29)	–	–
	$ 332	$ 468	$ 483
Diluted Earnings (Loss) Per Share			
Before Reconciling Items:			
Regulated Operations			
Electric Utility	$ 2.40	$ 2.99	$ 2.99
Gas Utility	.15	–	–
	2.55	2.99	2.99
Non-regulated Operations			
Wholesale Marketing & Trading	.29	.07	.06
Energy Services	.80	.76	.58
Other	(.04)	(.24)	(.16)
	1.05	.59	.48
Corporate & Other	(.12)	(.19)	(.14)
	3.48	3.39	3.33
Merger and Restructuring Charges	(1.13)	(.12)	–
MCN Energy Goodwill Amortization	(.19)	–	–
	$ 2.16	$ 3.27	$ 3.33

Strategic direction – The Company remains committed to increasing its earnings growth rate from the current 6% annual level to 8% by 2005. The growth strategy continues to be focused on strengthening the Company's core electric and gas utilities, building its portfolio of non-regulated businesses and leveraging investments in energy technology. There is no assurance that the level of earnings growth will be achieved for 2002 and later years as the growth projections assume, among other things, the realization of anticipated cost savings related to the MCN Energy acquisition, continued growth in non-regulated earnings and a midyear 2002 economic recovery. The Company expects the acquisition to provide pretax cost savings of over $100 million annually, totaling more than $650 million in savings over the next five years, primarily in the electric and gas utilities.

Non-regulated growth is expected to shift over the next few years from DTE Energy's current reliance on profits from coal-based fuel businesses that generate alternate fuels tax credits to growth from energy technologies, on-site energy projects, merchant generation and energy trading.

The Company currently operates its businesses through six segments: Electric Utility; Gas Utility; Wholesale Marketing & Trading; Energy Services; Other Non-regulated Operations; and Corporate & Other.

Electric Utility is comprised of the operations of Detroit Edison and the International Transmission Company. Detroit Edison generates and distributes electricity throughout Southeastern Michigan to 2.1 million residential, commercial and industrial customers. The International Transmission Company owns transmission assets that are operated by the Midwest Independent System Operator, a regional transmission operator. Prior to June 2001, Detroit Edison owned these transmission assets.

Gas Utility represents the operations of MichCon, which purchases, stores and distributes natural gas throughout Michigan to 1.2 million residential, commercial and industrial customers.

Wholesale Marketing & Trading consists primarily of the electric, gas and coal trading and marketing operations of DTE Energy Trading Company and the natural gas trading and marketing operations of Enterprises. Wholesale Marketing & Trading enters into forwards, futures, swaps and option contracts as part of its trading strategy. Wholesale Marketing & Trading also purchases and sells electricity and gas to marketers and brokerage companies.

Energy Services is comprised of various businesses that develop and manage energy-related assets and services. Such projects include coke production, synfuels production, independent power plants, on-site powerhouses and cogeneration facilities, coal services and landfill gas recovery. The economic viability of synfuels projects is tied to their generation of alternate fuels tax credits.

Other Non-regulated Operations represents the operations of energy businesses primarily involved in emerging technologies, and various other energy operations acquired with the MCN Energy merger, including the exploration and production of gas, the gathering, processing and storing of gas, and the production of methanol. Certain pipeline and storage assets are used to support the Wholesale Marketing & Trading segment.

Corporate & Other includes administrative and general expenses, and interest cost of DTE Energy corporate that have not been allocated to the regulated and non-regulated businesses.

Electric Utility

Electric Utility net income before merger and restructuring charges decreased $58 million in 2001 and decreased $7 million in 2000, compared to the prior year. As subsequently discussed, the decline in 2001 is primarily attributable to lower commercial and industrial sales reflecting the impact of the current economic recession and customers participating in the Electric Choice Program, as well as higher operation and maintenance costs and the impact of securitization (Note 4).

(in Millions)	2001	2000
Electric Utility		
Increase (Decrease) in Income		
Compared to Prior Year		
Operating revenues		
Rate reduction	$ (116)	$ (43)
PSCR rate change	–	82
System sales volume and mix	(69)	24
Wholesale sales	66	–
Other - net	41	19
	(78)	82
Fuel and purchased power	30	(165)
Operation and maintenance	(96)	76
Depreciation and amortization	75	(16)
Taxes, other than income	15	(14)
Interest expense and other	(24)	–
Income taxes	23	30
Cumulative effect of accounting change, net of tax	(3)	–
Total change before merger and restructuring charges	$ (58)	$ (7)

Operating revenues decreased $78 million in 2001 due to a decline in sales rates and electric sales for commercial and industrial customers. Sales rates for commercial and industrial customers were lowered by a 5% legislatively mandated rate reduction that began in April 2001. Commercial sales decreased primarily due to increased participation of customers in the Electric Choice Program. Under this program, participating customers choose to purchase their electricity from suppliers other than Detroit Edison. However, the Electric Utility continues to provide transmission and distribution services for these customers retaining margins from such services. Industrial sales reflect reduced auto and steel production, the impact of Electric Choice participation and the end of a special energy sales agreement with a large steel manufacturer in March of 2001. Partially offsetting these declines were increased revenues from residential and wholesale customers as well as higher revenues from providing other energy related services. Residential customer revenues reflect higher demand resulting from weather, partially offset by the impact of a 5% rate reduction that began in June 2000. Revenues from wholesale customers increased due to gains from settling forward sales contracts. The sales contracts were entered into to effectively close forward purchase contracts that hedged Detroit Edison's power supply costs. Accordingly, the gains from forward sales contracts were substantially offset by losses from forward purchase contracts which are recorded as part of fuel and purchased power costs.

Operating revenues in 2000 increased $82 million over 1999 due to higher sales to commercial and industrial customers, partially offset by lower residential customer sales. Additionally, under the Power Supply Cost Recovery (PSCR) mechanism which was in effect through June 2000, Detroit Edison increased rates in January 2000 to recover higher power costs. The increased commercial and industrial sales reflected favorable economic conditions in Michigan. Industrial sales also increased due to the special sales agreement with a large steel manufacturer. The decline in residential revenues reflects reduced demand resulting from a cooler summer in 2000 and the impact of the 5% rate reduction. Wholesale sales decreased due to lower demand for energy and less availability of energy for sale. Also impacting revenues in 2000 were higher revenues from other energy-related services.

Revenue and sales data follow:

(in Millions)	2001	2000	1999
Residential	$ 1,298	$ 1,265	$ 1,300
Commercial	1,533	1,670	1,629
Industrial	773	848	809
Wholesale	196	130	130
Other	251	216	179
	$ 4,051	$ 4,129	$ 4,047

(in Thousands of MWh)			
Residential	14,503	13,903	14,064
Commercial	18,777	19,762	19,546
Industrial	14,430	16,090	15,647
Wholesale	868	2,592	3,672
Other	2,538	2,653	2,595
	51,116	55,000	55,524

Fuel and purchased power expense decreased $30 million in 2001 and increased $165 million in 2000. The decline in 2001 is due to lower system output resulting from reduced electric sales, as well as the result of using a more favorable power supply mix reflecting increased usage of lower-cost power from the Company's generating plants and reduced usage of higher-cost purchased power. Also favorably impacting the 2001 comparison was an adjustment of a reserve associated with a contract to purchase steam at above market prices (Note 14). Additionally, losses on the settlement of forward and option contracts to hedge purchase power prices increased purchased power expense in 2001. The 2000 fuel and purchased power expense increase resulted primarily from greater reliance on higher-cost purchased power and higher purchase power prices.

System output and average fuel and purchased power costs for Detroit Edison were as follows:

(in Thousands of MWh)	2001	2000	1999
Power generated and purchased			
Power plant generation			
Fossil	39,711	42,100	43,016
Nuclear	8,555	8,239	9,484
Purchased power	7,482	8,877	6,959
System output	55,748	59,216	59,459
Average unit cost ($/MWh)			
Generation (1)	$ 12.31	$ 12.78	$ 12.51
Purchased power (2)	$ 78.24	$ 62.57	$ 54.80

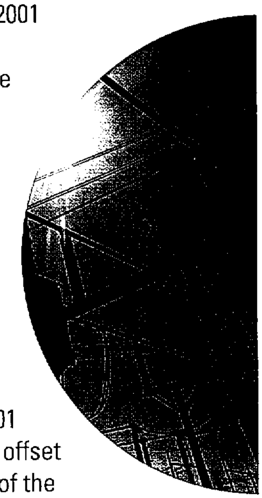
(1) Represents fuel costs associated with power plants. (2) The average purchased power amounts include gains and losses from hedging activities.

Operating and maintenance expenses increased $96 million in 2001 and decreased $76 million in 2000. The increase in 2001 was primarily due to expenses related to maintenance and reliability work for power generation facilities, which reduces random outages at power plants and Detroit Edison's reliance on purchased power. Additionally, the higher 2001 expenses include the cost of funding the low income and energy efficiency fund required by Michigan legislation which is recovered in current sales rates and costs allocated from DTE Energy corporate for various corporate support services. The increase was partially offset by synergy cost savings related to the MCN Energy merger.

The decrease in 2000 operation and maintenance expenses resulted primarily from lower costs associated with restoring power to customers who lost service during severe storms, as well as the elimination of computer system related costs associated with year 2000 (Y2K) initiatives.

Depreciation and amortization expense decreased $75 million in 2001 and increased $16 million in 2000. The 2001 decline reflects the extension of the amortization period from seven years to 15 years for certain regulatory assets that were securitized in March 2001 (Note 4), partially offset by depreciation on higher levels of plant in service. The increase in 2000 was due to increased levels of plant in service and the accelerated amortization of unamortized nuclear costs.

Taxes other than income decreased $15 million in 2001 and increased $14 million in 2000. The improvement in 2001 is attributed to an adjustment in property tax expense reflecting a change in method of calculating the taxable value of personal property subject to taxation by local taxing jurisdictions. New valuation tables approved by the Michigan State Tax Commission more accurately recognize the impact of regulation on the value of a utility's personal property based on the property's age. Partially offsetting the 2001 decline and resulting in the 2000 increase were property taxes associated with higher property balances. Lower Michigan Single Business Taxes also affected both years.



Interest expense and other increased $24 million in 2001 due primarily to debt issued for securitization, partially offset by redemptions of higher cost debt with the proceeds of the securitization bonds (Note 10). Detroit Edison completed the redemption of debt with securitization proceeds in 2001.

Outlook – The Electric Utility segment expects electric system sales to remain relatively flat in 2002 due to the current economic recession and to grow modestly beginning in 2003. The state of Michigan continues its initiatives to restructure the electric industry by increasing competition among alternative suppliers of electric generation services. Effective January 1, 2002, the Electric Choice Program was expanded whereby all electric customers can choose to purchase their electricity from suppliers other than their local utility (Note 4). Prior to January 2002, electric restructuring legislation limited customer participation in the Electric Choice Program.

Detroit Edison does not earn generation margins on electricity sales to customers who choose to participate in the Electric Choice Program. However, the Electric Utility segment will continue to earn margins from providing transmission and distribution delivery services to participating customers. Detroit Edison expects to lose 5% to 8% of its sales as a result of customers choosing to participate in Electric Choice during 2002. As subsequently discussed, Michigan Public Service Commission (MPSC) orders issued in December 2001 could result in higher numbers of retail customers being lost to Electric Choice. Detroit Edison expects to sell more electricity in the wholesale market as a result of the available capacity left by customers participating in Electric Choice. The additional wholesale revenues are expected to partially offset any decline in revenues from retail customers.

The MPSC issued orders in December 2001 which are designed to increase customer participation in the Electric Choice Program and allow Detroit Edison to recover costs related to its generation operations that may not otherwise be recoverable (stranded costs) due to Electric Choice related lost sales and margins. The MPSC essentially determined that Electric Choice customers should not pay a securitization and tax surcharge that other customers are required to pay and will continue to be credited with an additional 5% rate reduction which is funded by savings from securitization. These provisions will likely result in Detroit Edison's power costs being higher than that of alternative suppliers, encouraging additional customer participation in the Electric Choice Program.

As a result of the MPSC orders, Detroit Edison would recover the net stranded costs associated with its electric generation operations. Specifically there would be an annual filing with the MPSC comparing actual revenues from generation services to the revenue requirements, including an allowance for the cost of capital, to recover the costs of generation operations. The MPSC in its orders determined that Detroit Edison had no stranded costs using 2000 data, established a zero 2002 transition charge and deferred the issues of refining the net stranded costs methodology and the recalculating of net stranded costs to 2002. Detroit Edison has substantive issues with the MPSC's methodology of calculating stranded costs and has asked for rehearing, clarification and substantial changes on certain aspects of the order. For further information concerning the Electric Choice Program and industry restructuring, see Note 4 – Regulatory Matters – Electric Industry Restructuring – Michigan Legislation.

Electric Utility future operating results will also vary with a variety of other external factors such as weather, the cost of fuel and purchased power, and changes in economic conditions. The current economic recession has lowered margins from commercial and industrial customers in the latter half of 2001 and is expected to unfavorably impact margins through the first half of 2002.

Management expects to meet the challenges of the recession, Electric Choice and the imposed retail rate freezes by, among other actions, reducing costs at Detroit Edison as a result of the acquisition of MCN Energy and its wholly owned gas utility, MichCon. Approximately 35% of Detroit Edison's 2.1 million customers are also customers of MichCon. Detroit Edison and MichCon have begun and expect to continue realizing synergies from integrated common, duplicative functions.

Gas Utility

The Gas Utility, before merger and restructuring charges, had net income of $23 million for the seven months in 2001. As previously discussed, DTE Energy acquired MichCon on May 31, 2001, as part of the MCN Energy merger. Accordingly, the operating results of MichCon are included in the Company's consolidated results from the acquisition date. The pro forma impact of MCN Energy on the Company is included in Note 2 – MCN Energy Acquisition.

	2001	
(Dollars in Millions)	$	Bcf
Gas Statistics		
Operating Revenues		
Gas sales	491	95
End user transportation	50	81
Intermediate transportation	26	304
Other	36	–
	603	480
Cost of Gas Sold	296	n/a
Gross Margin – Actual	307	n/a
Impact of weather – warmer than normal	20	14
Gross Margin – Weather Normalized	327	494

Gas sales and end user transportation services generated 80% of total gross margins for the Gas Utility segment. Margins from providing gas sales and end user transportation services are seasonal and weather dependent with the majority of profits generated in the colder first and fourth quarters. Mild weather, which was 20% warmer than normal in the fourth quarter of 2001, reduced gross margins by $20 million ($13 million after taxes) and reduced gas sales by 14 billion cubic feet (Bcf).

Gas sales represent the sale and delivery of natural gas primarily to residential and small-volume commercial and industrial customers. Through December 2001, MichCon operated under a Gas Sales Program in which its sales rates included a gas commodity component that was fixed at $2.95 per thousand cubic feet (Mcf). Under this program, MichCon had commodity price risk associated with its ability to secure gas supplies at prices less than $2.95 per Mcf. As discussed in the "Outlook" section that follows, MichCon returned to a Gas Cost Recovery (GCR) mechanism in January 2002 and no longer has commodity price risk. End user transportation represents a gas delivery service for customers, including customer choice customers, who purchase natural gas directly from producers or brokerage companies and contract with MichCon to deliver that gas to their premises.

Intermediate transportation services represents a gas delivery service for producers, brokers and other gas companies that own the natural gas but are not the ultimate consumers. Although intermediate transportation volumes are a significant part of total deliveries, profit margins on this service are considerably less than margins on gas sales and end user transportation services. Intermediate transportation deliveries include volumes associated with fixed-fee customers. Transportation volumes for fixed-fee customers may fluctuate, however revenues from such customers are not affected.

Other operating revenues include late payment fees, appliance maintenance services and other gas-related services.

Cost of gas is affected by variations in gas sales volumes, cost of purchased gas and related transportation costs, and the effects of any permanent liquidation of inventory gas which is accounted for under the "last-in first-out" (LIFO) method. The 2001 results benefited from a 2.1 Bcf liquidation in inventory gas that was priced at $0.39 per Mcf. The Gas Utility's 2001 average gas purchase rate was $2.83 per Mcf higher than the average LIFO liquidation rate.

Outlook – The Gas Utility segment's objective is to expand its role as the preferred provider of natural gas and high-value energy services within Michigan. Management expects to improve the Gas Utility's cost competitiveness as a result of the merger. Approximately 60% of MichCon's 1.2 million customers are also customers of Detroit Edison. Contributions from the Gas Utility segment are expected to increase significantly in 2002 when the financial results reflect a full 12 months of DTE Energy owning MichCon.

The MPSC is continuing its initiatives designed to give all of Michigan's natural gas customers added choices and the opportunity to benefit from lower gas costs resulting from competition. In December 2001, the MPSC issued an order that continues the Gas Choice Program on a permanent and expanding basis beginning with the conclusion of the three-year temporary program on March 31, 2002. Under the expanded program, beginning April 1, 2002, up to approximately 40% of customers could elect to purchase gas from suppliers other than MichCon. Beginning in April 2003, up to approximately 60% of customers could participate and beginning April 2004, all 1.2 million of MichCon's gas customers could choose to participate. MichCon will continue to transport and deliver the gas to the participating customers' premises at prices that generate favorable margins. As of December 2001, approximately 30,000 customers were participating in the temporary Gas Choice Program.

Under the MPSC order, MichCon returned to a GCR mechanism upon termination of its three-year experimental Gas Sales Program in December 2001. MichCon's gas sales rates will now include a gas commodity component designed to recover its actual gas costs. For further information concerning the Gas Choice and Gas Sales Programs, see Note 4 – Regulatory Matters – Gas Industry Restructuring.

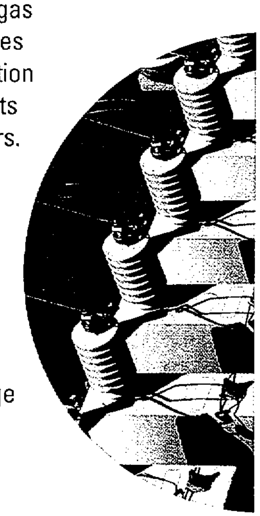
Gas Utility future operating results will vary as a result of weather and changes in economic conditions. The current economic recession and the significantly warmer 2001-2002 winter lowered margins from residential, commercial and industrial customers in the latter half of 2001.

Wholesale Marketing & Trading

Wholesale Marketing & Trading's income totaled $44 million in 2001, an increase of $34 million from 2000. Income in 2000 increased a slight $2 million from 1999. The electric marketing and trading portion of the segment contributed $8 million in 2001, representing realized margins primarily associated with short-term, back-to-back, physical power purchases and sales.The gas portion of the segment contributed the remaining $36 million, representing mark-to-market gains on long-term gas sales contracts with several cogeneration facilities.

Commodity price risk of the Wholesale Marketing & Trading segment are managed by utilizing derivative financial contracts to offset the risk inherent in its portfolio of electric and gas supply and sales agreements. The segment's objective is to enter into new transactions that are hedgeable and profitable from an economic standpoint. Wholesale Marketing & Trading accounts for this risk minimization strategy by marking to market its commodity forwards, financial derivatives, and corresponding physical positions so there are substantial offsetting amounts. This fair value accounting better aligns financial reporting for the segment with the way management manages the business and measures its performance.

In 2001, Wholesale Marketing & Trading experienced earnings volatility as a result of its production-related gas supply as well as from open positions related to its long-term gas transportation and storage assets. The segment receives gas produced from DTE Energy's exploration & production (E&P) operations which is used to meet its commitments under long-term contracts with cogeneration customers. The E&P gas does not qualify for mark-to-market accounting. Wholesale Marketing & Trading recorded a gain in 2001 totaling approximately $50 million, net of taxes, primarily attributable to marking to market sales contracts with power generation customers without recording an offsetting loss from marking to market the production-related gas supply. In December 2001, Wholesale Marketing & Trading entered into hedge transactions that substantially mitigate the earnings volatility related to the gas contracts with power generation customers.



Wholesale Marketing & Trading operates a storage trading strategy primarily utilizing the facilities owned and operated by DTE Energy. Employing a combination of physical and financial contracts, in conjunction with the injection and withdrawal capabilities of the storage fields, the segment is able to capture seasonal price spreads. As forward prices change, the timing of the physical flow of gas is optimized to obtain the highest margin. Trades under this strategy are marked to market against the forward curve. Physical gas in storage, however, is marked to the current spot price under fair value accounting rules. This difference in accounting for forward trades and gas in storage occasionally results in earnings volatility when price changes in the spot month do not correspond with those in future delivery months. Gas in storage in December 2001 was priced at a spot market rate of $2.77 per Mcf, compared to a May 31, 2001, merger date rate of $5.28 per Mcf. Significantly smaller changes in forward prices occurred during these same periods. As a result, the mark-to-market losses on gas inventory were only partially offset by mark-to-market gains on the storage-related derivatives.

Outlook – Wholesale Marketing & Trading will focus on expanding its coverage within existing markets in the northeast and midwest United States and eastern Canada. Gas storage and transportation capacity enhances its ability to provide reliable and custom-tailored, bundled services to large-volume end users and utilities. This capacity, coupled with the synergies from DTE Energy's other businesses, positions the segment to capitalize on opportunities for expansion of its market base.

Wholesale Marketing & Trading manages commodity price risk by utilizing derivative financial contracts to more fully balance its portfolio of gas and electric supply and sales agreements. Wholesale Marketing & Trading attempts to maintain a balanced or flat book from an economic standpoint. However, Wholesale Marketing & Trading will experience earnings volatility as a result of open positions related to long-term gas transportation contracts with third parties and due to fluctuations in inventory valuations. The Company is currently evaluating various hedge strategies related to these assets.

Energy Services

Net income increased $15 million in 2001 and $25 million in 2000. The improvement in both periods is attributed to an increased generation of alternate fuels tax credits which totaled $165 million in 2001, compared to $130 million in 2000 and $116 million in 1999. The higher tax credits reflect an increased level of operations, and the addition of three new synfuels projects in 2001. Additionally, results reflect increased contributions from the coal services business and the biomass landfill gas recovery operation. Gains on the sale of minority interests in two coke battery projects in 2001 were offset by reduced levels of income generated by the projects. The improved earnings were partially offset by increased new project development costs.

Outlook – The Energy Services segment's objective is to continue developing and relocating synfuel projects and to focus on on-site energy projects and independent power projects. Management expects three new synfuel sites, two electric generation projects and two industrial on-site energy projects to become operational in 2002. Contributions from new synfuel projects will be partially offset by reduced earnings from coke battery projects due to the expiration of related alternate fuels tax credits at the end of 2002. Additionally, tax credits from synfuel projects will expire at the end of 2007 with the possibility of being extended. The focus of this business, which had primarily been to develop, construct, own and operate projects, will shift for the near term to acquiring operating assets or existing projects under construction.

Other Non-regulated Operations

Net losses from Other Non-regulated Operations declined $29 million in 2001 and increased $12 million in 2000. Results reflect losses in 2000 from an electric marketing company that was participating in a Pennsylvania customer choice program. The Company has discontinued the operations of the electric marketing company.

Outlook – The Company will continue to invest in emerging technologies, and various other energy operations. Growth in future years is expected from the successful development and marketing of various distributed generation products, including standby generators, external combustion engines, mini-turbines and fuel cells. Additionally, the Company will consider further developing its gas production properties in northern Michigan and its pipelines, processing and storage assets. Non-strategic operations acquired with the MCN Energy merger will be sold to partially fund non-regulated growth.

Corporate & Other

Results from Corporate & Other improved by $9 million in 2001 and declined by $7 million in 2000. The improvement in 2001 reflects the allocation of corporate support expenses to regulated and non-regulated operations as well as reduced interest expense resulting from the repayment of debt with proceeds received from Detroit Edison. Upon issuing $1.75 billion of securitization bonds, Detroit Edison distributed approximately 50% of such proceeds to DTE Energy corporate. DTE Energy used such proceeds to retire debt and repurchase common shares. The Corporate & Other decrease in 2000 reflects higher interest expense and corporate support expenses.

CAPITAL RESOURCES AND LIQUIDITY

(in Millions)	2001	2000	1999
Cash and Cash Equivalents			
Cash Flow From (Used For)			
Operating activities	$ 811	$ 1,015	$ 1,084
Investing activities	(2,286)	(674)	(712)
Financing activities	1,679	(310)	(469)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 204	$ 31	$ (97)

Operating Activities

DTE Energy's consolidated net cash from operating activities decreased $204 million in 2001 and $69 million in 2000. The decline in 2001 resulted primarily from higher working capital requirements partially offset by higher net income, after adjusting for noncash items (depreciation, amortization, deferred taxes and certain restructuring charges). The higher working capital primarily reflects the seasonal requirements in the second half of 2001 of the gas business where cash is used to finance increases in gas inventories and customer accounts receivable. The Company uses its cash derived from operating activities primarily to maintain and expand its core electric and gas utility businesses and to build non-regulated businesses. In addition, the Company uses cash from operations to retire long-term debt and to pay dividends. The decline in 2000 resulted from lower net income, after adjusting for noncash items, partially offset by lower working capital requirements.

Investing Activities

DTE Energy's consolidated net cash used for investing activities increased $1.6 billion in 2001 and decreased $38 million in 2000. The increase in 2001 was due primarily to the acquisition of MCN Energy in May 2001 and the capital expenditures in regulated and non-regulated businesses, partially offset by proceeds from the sale of non-strategic assets. The higher regulated capital expenditures at Detroit Edison are attributable to new air quality regulations, which require the reduction in nitrogen oxide levels as discussed in the "Environmental Matters" section that follows. The decline in 2000 is attributable to a reduction in restricted cash.

Financing Activities

DTE Energy's consolidated net cash related to financing activities increased $2 billion in 2001 and decreased $159 million in 2000. The increase in 2001 was due primarily to the issuance of $1.75 billion of securitization bonds and the issuance of $1.35 billion of long-term debt to finance the cash consideration portion of the acquisition of MCN Energy. Proceeds from the securitization bonds were used to repay debt and repurchase approximately $424 million of DTE Energy common stock. In addition, Detroit Edison issued $840 million of long-term debt. These proceeds, coupled with proceeds from securitization, were used for general corporate purposes including the redemption of $1.27 billion of higher cost debt, of which $1.11 billion represented unscheduled redemptions. MichCon issued $200 million of long-term debt and used the proceeds for general corporate purposes, including the redemption of $40 million of unscheduled debt. Net cash used for financing activities was lower in 2000 due to decreased redemptions of long-term debt, partially offset by repurchases of common stock.

During 2001, the Company, Detroit Edison and MichCon entered into a bank facility arrangement used to support commercial paper in the amounts of $800 million, $300 million and $300 million, respectively. Commercial paper is usually issued in lieu of an equivalent amount of borrowings under these lines of credit. Amounts outstanding under this facility at December 31, 2001, were $423 million at the Company and $254 million at MichCon.

Outlook – DTE Energy's strategic direction will result in capital investments and expenditures in 2002 totaling approximately $950 million, of which approximately $200 million will be in non-regulated businesses and the remaining $750 million in regulated electric and gas operations. Approximately $200 million of the regulated capital expenditures will be incurred by Detroit Edison to comply with new ozone and air quality regulations.

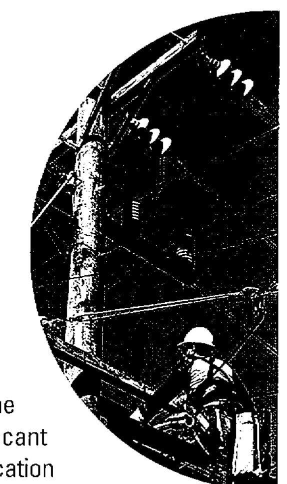
The proposed level of investments and expenditures in future years is expected to be financed primarily with internally generated funds, proceeds from the sale of non-strategic assets and debt. DTE Energy's capitalization objective is to maintain its strong credit ratings through a strong balance sheet. Its capitalization objective is a 50%-55% leverage target. Management believes that the Company and its subsidiaries will have sufficient capital resources to meet anticipated capital requirements.

CRITICAL ACCOUNTING POLICIES

DTE Energy has operations within six business segments. There are three key types of transactions presented in the consolidated financial statements that require considerable judgment and estimation. Such transactions relate to regulatory assets and liabilities, risk management and trading activities and alternate fuels tax credits.

Regulation

A significant portion of the Company's business is subject to regulation. Detroit Edison's electric distribution operations, MichCon's gas distribution and transportation operations and the transmission operations of International Transmission Company (ITC) currently meet the criteria of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," 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. Future regulatory changes or changes in the competitive environment could result in the Company discontinuing the application of SFAS No. 71 for some or all of its businesses and require the write-off of the portion of any regulatory asset or liability that was no longer probable of recovery or refund. If Detroit Edison (excluding its subsidiary, The Detroit Edison Securitization Funding LLC) were to have discontinued the application of SFAS No. 71 for all of its operations as of December 31, 2001, it would have had an extraordinary noncash charge to income of approximately $58 million. If MichCon were to have discontinued the application of SFAS No. 71, it would have had an extraordinary noncash increase to income of approximately $60 million. There would be no significant impact to earnings if ITC were to discontinue its application of SFAS No. 71. Management believes that currently available facts support the continued application of SFAS No. 71 and that all regulatory assets and liabilities are recoverable or refundable through the current rate environment.



Risk Management and Trading Activities

All derivatives are recorded at fair value and shown as "Assets or liabilities from risk management and trading activities" in the consolidated statement of financial position. Risk management activities are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Trading activities are accounted for in accordance with Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities." Except for the activities of the Wholesale Marketing & Trading segment, the Company does not hold or issue derivative instruments for trading purposes.

The offsetting entry to "Assets or liabilities from risk management and trading activities" is to other comprehensive income or earnings depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. The fair values of derivative contracts are adjusted each accounting period for changes in the market and are derived from: i) published exchange traded market data; ii) prices from external sources; and iii) prices based on valuation models. Market quotes are more readily available for short duration contracts. The Company has derivative contracts extending to 2016.

Alternate Fuels Tax Credits

DTE Energy generated $165 million in alternate fuels tax credits in 2001, up from $130 million in 2000 and $116 million in 1999. Outside firms assist the Company in calculating the tax credits and evaluating their realizability.

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. The EPA initiated enforcement actions against several major electric utilities citing violations of new source provisions of the Clean Air Act. Detroit Edison received and responded to information requests from the EPA on this subject. The EPA has not initiated proceedings against Detroit Edison. The National Energy Policy Development Group has undertaken a review of the EPA's interpretation of regulations applying to new source review requirements. The Company expects this review to focus on the ability of fossil-fueled plant owners to perform plant maintenance without additional significant environmentally related modifications. While the Company anticipates a continued ability to economically maintain its plants, the outcome of this governmental review cannot be predicted.

EPA ozone transport regulations and final new air quality standards relating to ozone and particulate air pollution will impact the Company. Detroit Edison has spent approximately $221 million through December 2001 and estimates that it will incur approximately $400 million to $500 million of future capital expenditures over the next three years to comply.

FORWARD-LOOKING STATEMENTS

Certain information presented herein includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve certain risks and uncertainties that may cause actual future results to differ materially from those contemplated, projected, estimated or budgeted in such forward-looking statements. Factors that may impact forward-looking statements include, but are not limited to, interest rates, access to the capital markets, the level of borrowings, weather, actual sales, changes in the cost of fuel and purchased power due to the suspension of the Power Supply Cost Recovery mechanism, changes in the cost of natural gas, the effects of competition and the implementation of Electric and Gas Choice Programs, the implementation of electric and gas utility restructuring in Michigan, environmental and nuclear requirements, the impact of FERC proceedings and regulations, the timing of the accretive effects of DTE Energy's merger with MCN Energy, and the contributions to earnings by non-regulated businesses.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." The most significant change made by SFAS No. 141 requires that the purchase method of accounting be used for all business combinations. The most significant changes made by SFAS No. 142 are that the amortization of goodwill will cease, and goodwill and indefinite-lived intangible assets will be tested for impairment at least annually. In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement establishes a single accounting model for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired.

See Note 1 – Significant Accounting Policies for a further discussion of these pronouncements.

CONTRACTUAL OBLIGATIONS

The following table reflects the payments due by period for the Company's contractual obligations existing at December 31, 2001:

(in Millions)		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-Term Debt:					
Mortgage bonds, notes and other	$ 6,321	$ 429	$ 668	$ 930	$ 4,294
Securitization bonds	1,746	73	177	201	1,295
Capital Lease Obligations	147	21	27	25	74
Operating Leases	102	19	34	22	27
Unconditional Purchase Obligations	2,405	552	753	315	785
Other Long-Term Obligations	671	15	293	29	334
Total Obligations	$ 11,392	$ 1,109	$ 1,952	$ 1,522	$ 6,809

The Company expects that its 2002 capital expenditures will approximate $950 million. Certain commitments have been made in connection with such capital expenditures and are excluded from the above table.

FAIR VALUE OF CONTRACTS

The following table reflects the maturity and sources of the net fair value gain (loss) of contracts at December 31, 2001:

(in Millions)	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity Exceeding 5 Years	Total Fair Value
Trading Activities					
Prices From:					
Quotes	$ 32	$ 5	$ 4	$ –	$ 41
External sources	14	–	–	–	14
Other sources	–	3	1	–	4
	$ 46	$ 8	$ 5	$ –	59
Risk Management Activities					(248)
Total Assets & Liabilities from Risk Management and Trading Activities					$(189)

The "Prices from quotes" category represents the Company's positions for which forward price curves were developed using published NYMEX exchange prices and over the counter (OTC) gas and power quotes. The NYMEX currently publishes gas futures prices for the next six years.

The "Prices from external sources" category represents the Company's forward positions in power at points for which OTC broker quotes are not always directly available. The Company values these positions against internally developed forward market price curves that are constantly validated and recalibrated against OTC broker quotes for closely correlated points. This category also includes "strip" transactions whose prices are obtained from external sources and then modeled to daily or monthly prices as appropriate.

The "Prices from other sources" category contains the value of transactions for which an internally developed price curve was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point.

A reconciliation of the Company's estimated net fair value of trading contracts follows:

(in Millions)	
Fair value at January 1, 2001	$ 17
Plus: contracts acquired upon acquisition of MCN Energy	12
Less: contracts realized during 2001	(33)
Other changes in fair value	63
Fair value at December 31, 2001	$ 59

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

Risk Management Activities

Detroit Edison is subject to commodity price risk in conjunction with the anticipated purchase of electricity to meet reliability obligations during times of peak customer demand. Detroit Edison's exposure to commodity price risk arises from market fluctuations in commodity prices.

To limit the sensitivity to commodity price fluctuations, Detroit Edison has entered into a series of forward electricity contracts and option contracts. See Note 13 – Financial and Other Derivative Instruments herein for a further discussion of these derivative instruments.

The Company is exposed to the risk of market price fluctuations on gas sale and purchase contracts, gas production and gas inventories. To manage this risk, the Company uses natural gas futures, options, forwards and swap agreements.

The Company performed a sensitivity analysis to calculate the impact of changes in fair values utilizing applicable forward commodity rates in effect at December 31, 2001. The Company estimates that if commodity prices were 10% higher or lower, the net fair value of commodity contracts would increase $24 million and decrease $35 million, respectively.

Trading Activities

Wholesale Marketing & Trading markets and trades electricity, gas and related fuels, in addition to providing price risk management services using energy commodity derivatives. Wholesale Marketing & Trading performed a sensitivity analysis to calculate the impact of changes in fair values utilizing applicable forward commodity rates in effect at December 31, 2001. The Company estimates that if commodity prices were 10% higher or lower, the fair value of commodity contracts would decrease $8.4 million and increase $8.0 million, respectively.

Credit Risk

Electricity and gas is purchased from and sold to numerous companies operating in the steel, automotive, energy and retail industries. A number of customers have filed for bankruptcy in 2001, including certain Enron Corporation affiliates. Certain DTE Energy subsidiaries had open transactions under a variety of agreements with bankrupt Enron affiliates and such subsidiaries had an aggregate net liability of $24 million to Enron. There are various netting agreements with Enron affiliates. Internal and external counsel are working to determine the Company's rights within these agreements. The Company has not reserved for any of its exposure, in addition to the net liabilities already recorded, as management cannot estimate a probable loss exposure and currently does not believe the resolution of this matter will have a material impact to the Company.

Interest Rate Risk

The Company estimates that if interest rates were 10% higher or lower, the fair value of long-term debt at December 31, 2001 would decrease $234 million and increase $217 million, respectively.

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 accounting principles generally accepted in the United States of America, based on available facts and management's best estimates and judgment 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. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America. Such standards include the evaluation of internal controls to establish a basis for developing the scope of the audit, as well as 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 their audit results and opinions, without management representatives present, to allow for complete independence.

David E. Meador

David E. Meador
Senior Vice President and Chief Financial Officer

Anthony F. Earley, Jr.

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

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche

Suite 900
600 Renaissance Center
Detroit, Michigan 48243-1704

February 26, 2002

To the Board of Directors and Shareholders
of DTE Energy Company

We have audited the consolidated statements of financial position of DTE Energy Company and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows, and changes in shareholders' equity for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. 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 present fairly, in all material respects, the financial position of DTE Energy Company and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

Deloitte & Touche LLP

Deloitte & Touche LLP