

**DTE Energy®**



PeopleEconomyEnvironment



The DTE Energy Corporate Responsibility Report  
*Our social, economic and environmental impacts*

Published April 2008

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PeopleEconomyEnvironment

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# Who We Are

## Our Principles of Corporate Responsibility

### We care.

It's a simple sentence, but it means a lot. It's both a request and a requirement. It is a reflection of need and generosity ... a balance of empathy and responsibility ... a sign of leadership.

It is also a statement of purpose. It means DTE Energy cares about minimizing its impact on the environment. We care about serving our customers. We care about treating our employees well. We care about supporting the communities we serve, and we care about delivering consistently strong shareholder returns.

### Here's why.

We've been a part of this community for more than a century – it's our home. We realize that our actions affect our neighbors, our employees and sometimes the rest of the planet. So, we constantly endeavor to thoughtfully balance our social, financial and environmental responsibilities. This strategic approach is endorsed at the highest levels of our company. It is integrated throughout our business operations and formalized in our corporate purpose:

### We energize the progress of society.

### We make dreams real.

### We are always here.

This purpose evolved from our long-standing commitments to our people, the environment and to our company. It states who we are, why we exist and underscores our ultimate goal – to create positive impacts in an ever-changing world.

## About this Report

This is DTE Energy's first comprehensive report regarding our corporate responsibility. It represents a continued expansion of our drive to address key challenges affecting our shareholders, our communities and the customers we serve.

This report provides a "snapshot" of where we are today and gives projections for our progress over the next two years.

This document was written in consideration of the Global Reporting Initiative (G3) guidelines which were developed to standardize the way companies report their corporate responsibility efforts and results.

We believe this report provides a clear, balanced and reasonable presentation of the company's plans and performance in the social, economic and environmental arenas.

This report identifies key areas of importance to DTE Energy and focuses on the issues we consider most vital to corporate responsibility.

## A Message from DTE Energy Chairman and CEO Anthony F. Earley Jr.



At the foundation of our corporate responsibility program is a straightforward commitment to do the right thing – always. At DTE Energy, that commitment is a vital part of who we are.

As an energy company, we have a unique position at the intersection of economic progress and social and environmental concerns. The criticality of our products to modern life is indisputable. Our customers depend on us to provide reliable, affordable energy, and we spend each day striving to better meet their needs. However, we must deliver on our promises with an understanding that the actions we take today have an enormous impact on generations to come.

This report is our first effort to bring all of our corporate responsibility activities together under one umbrella and report them externally. We are proud of our accomplishments in some areas and we recognize we have opportunities for improvements in others.

In this report, we strive to give you a balanced view of our company – to outline the progress we've made so far, to discuss the challenges ahead, and to hold ourselves accountable for improvement.

Our progress continues to evolve. It's an exciting journey and I look forward to sharing our achievements with you on the road ahead.

A handwritten signature in black ink that reads "Anthony F. Earley Jr." in a cursive style.

Anthony F. Earley Jr.  
Chairman and Chief Executive Officer



*Tony Earley, chairman and chief executive officer, with his Cornerstone Schools partner Jeturi Emon Brown. Earley is just one of many DTE Energy executives who volunteer at community-based organizations like Cornerstone Schools.*



## A Message from DTE Energy President and COO Gerard M. Anderson

At DTE Energy, six core values form the basis for our commitment to corporate responsibility. Our values are Respect, Integrity, Customer Service, Safety, Learning, and Business Success. *(You can read more about our values on Page 9).*

I believe that DTE Energy's future success will be defined by how we transform these core values into actions and results.

Our overall goals are simple:

- Provide outstanding service for our customers
- Deliver sustainable value to our shareholders
- Offer our employees a rewarding place to work
- Leave our children with the promise of a cleaner, greener world

Our corporate sustainability priorities reflect our commitment to consistently operate our business in concert with our values. Our priorities include:

### **Environmental protection, including addressing climate change**

As an energy company, we provide the light, warmth and energy that fuels every aspect of modern life. Yet, energy production creates environmental impacts that must be addressed. Climate change is among the most pressing issue we face today. We support a progressive approach to climate change, which assures we continue to grow the economy and address other social responsibilities. The information in this document shows that we are making progress and continuing to minimize the impact of our operations on air, water and the world that we share.



*As a result of our commitment to the environment, we have transformed a 200-foot expanse of concrete and metal at our River Rouge Power Plant into a naturally sloped haven for birds, animals and visitors.*

## Customer service/customer care

Access to reliable, affordable energy is a basic human need. Yet Michigan's economic downturn has made it difficult for many of our customers to pay their bills. We're dedicated to finding greater support for these customers – both inside and outside our company.

Additionally, we must work harder to ensure that great customer service is the focus of everything we do. We've dedicated ourselves to improving all aspects of our customer service and interface. We're revamping our processes, adjusting our policies and practices, investing in training, and increasing and improving our customer communications. We have a long road ahead of us and a lot to accomplish, but we're headed in the right direction.

## Building Michigan's energy future

According to a recent Michigan Public Service Commission (MPSC) report, Michigan will need additional baseload electrical power generation in the future. DTE Energy looks forward to fueling Michigan's future and supports and agrees with the MPSC's report. However, we can't become a vital part of the future unless we run our businesses better today. That effort starts with our own operational excellence and helping our customers with efficient use of the energy we provide to them.

Meeting these challenges is a journey, not a destination. Within this document we will discuss each of our priorities in greater detail and outline our plans for improving performance. Our commitment to exemplary corporate responsibility is unwavering; we will continue to report openly on our progress.



Gerard M. Anderson  
President and Chief Operating Officer



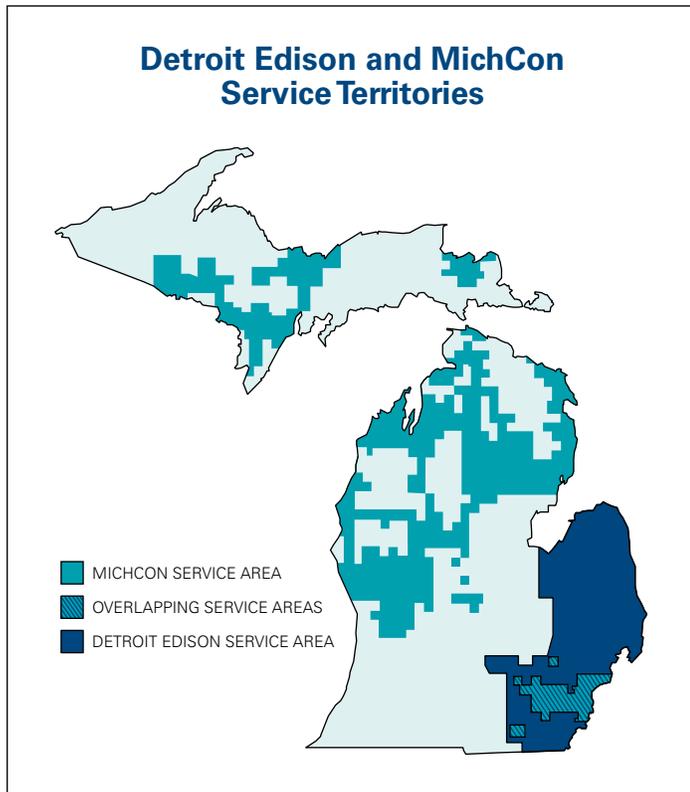
*Our commitment to improving customer service includes spending millions to improve the reliability of our electrical system.*

## 2007 Corporate Profile

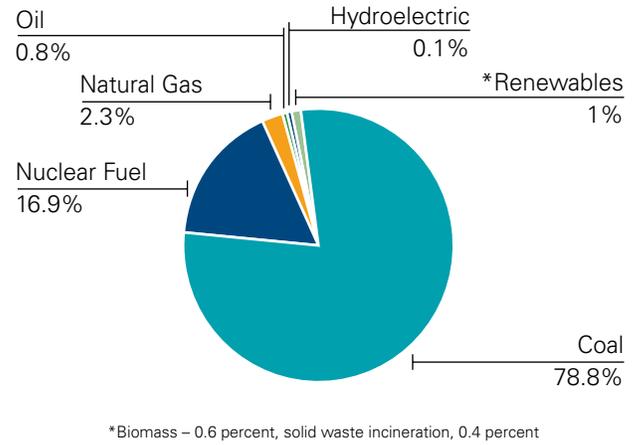
DTE Energy Co. (NYSE: DTE) is a diversified energy company headquartered in Detroit, Mich. We are involved in the development and management of energy-related businesses and services nationwide.

<b>Revenues</b>	\$8.5 Billion
<b>Net Income</b>	\$971 Million
<b>Market Cap</b>	\$7.17 Billion
<b>Assets</b>	\$24 Billion
<b>Employees</b>	approximately 10,600

## DTE Energy Principal Operating Subsidiaries



## Owned and Purchased Energy



## Detroit Edison – Regulated Electric Utility in Southeastern Michigan

<b>Customers</b>	2.2 Million
<b>Service Area Size</b>	7,600 Square Miles
<b>Utility Poles</b>	approximately 1 million
<b>Miles of Power Lines</b>	44,000
<b>Total Owned and Purchased Generation</b>	14,020 Megawatts

Unit/Type	Number of Generating Facilities	Number of Generating Units	Generating Capacity
Coal	6	18	7,083 MW
Nuclear	1	1	1,131 MW
Natural Gas/Oil	2	3	1,015 MW
Hydroelectric	1		918 MW
Peaking Units	Various		1,371 MW
<b>Total</b>			<b>11,518 MW</b>

## MichCon – Regulated Natural Gas Utility in Southeastern Michigan

<b>Customers</b>	1.3 million
<b>Service Area Size</b>	14,700 Square Miles
<b>Natural Gas Storage Capacity</b>	142 Billion Cubic Feet
<b>Miles of Pipeline</b>	2,471 Transmission and Gathering Lines, 18,390 Distribution Main Lines
<b>Transmission Capacity</b>	600 Billion Cubic Feet

## Non-Utility Businesses

We have also leveraged our wealth of experience and assets to develop a number of non-utility subsidiaries which provide energy-related services to businesses and industrial customers nationwide. These include:

### DTE Coal Services

DTE Coal Services is one of the largest marketers and transporters of coal to third-party customers in North America. DTE Coal Services provides a broad range of coal sourcing, marketing, transportation, rail management and trading services nationally to electric utilities, steel companies and other industries.

### DTE Rail Services

DTE Rail Services provides rail car and fleet management, spare-car storage, repair and maintenance, car tracking and reporting, car trading and fleet-pooling operations to a variety of industries throughout the United States.

## Midwest Energy Resources Co.

As owner of the Midwest Energy Terminal in Superior, Wisc., MERC facilitates an innovative rail-vessel trans-shipment system that handles much of the Great Lakes market for low-sulfur western coal.

## DTE Pipelines, Processing and Gas Storage

Our non-utility gas businesses, DTE Gas Storage and DTE Pipelines own and manage a network of natural gas storage facilities and transmission pipelines serving the Midwest and Northeast markets. We are one of the leading operators of natural gas storage in North America. Our assets include:

- Ownership interest in the Vector Pipeline (40 percent)
- Ownership interest in the Millennium Pipeline (26.25 percent)
- Ownership and operation of 87 billion cubic feet (Bcf) of natural gas storage capacity in Michigan



*MichCon owns and maintains pipelines throughout Michigan.*

For more information on DTE Energy and its businesses, visit our Web site at [dteenergy.com](http://dteenergy.com).

# 120 billion cubic feet

of landfill gas has been recovered  
by DTE Biomass Energy.



*DTE Biomass Energy literally turns trash into treasure by capturing the methane gas produced by landfills and converting it into a renewable source of energy.*

## **DTE Energy Services**

DTE Energy Services owns and/or operates on-site energy projects throughout the country for automakers, steel companies, large commercial and industrial businesses, and the pulp and paper industry.

## **DTE Pet Coke**

DTE Pet Coke helps businesses in the pulp and paper industry significantly reduce energy costs by replacing natural gas and fuel oil energy sources with pulverized petroleum coke.

## **DTE Biomass Energy**

DTE Biomass Energy converts methane emitted from decomposing trash or waste wood into electricity, steam and pipeline-quality gas at more than 32 landfill recovery sites in 14 states. By collecting and turning harmful greenhouse gases into a renewable source of energy, we've recovered more than 120 billion cubic feet of landfill gas to date -- a positive environmental impact equivalent to planting more than 700 million trees.

## **DTE Methane Resources**

DTE Methane Resources is a niche operator in abandoned coal mine methane recovery with a unique blend of competencies. Methane, a potent greenhouse gas, is a byproduct of the geological process that transforms organic material into coal. DTE Methane Resources collect the methane gas in abandoned and operational coal mines.



**For more information on DTE Energy and its businesses, visit our Web site at [dteenergy.com](http://dteenergy.com).**

## DTE Energy Trading

DTE Energy Trading provides energy sourcing and management solutions for municipalities, electric cooperatives, independent power producers, investor-owned utilities and retail energy suppliers. DTE Energy Trading manages large power generation, gas storage and transportation assets.

## DTE Energy Ventures

DTE Energy Ventures is a technology investments subsidiary focused on identifying and developing emerging energy technologies.

## DTE Energy Board of Directors

DTE Energy is governed by a board of directors currently consisting of 13 members.

As a matter of policy, in accordance with New York Stock Exchange (NYSE) listing standards, we believe our board should consist of a majority of independent directors. To be classified as “independent,” the board must affirmatively determine that a director has no material relationship with the company. More specific information on the categorical standards for independence is available on line at <http://www.dteenergy.com/corporateGovernance/categoricalStandards.html>.

The board has established standing committees for Audit, Corporate Governance, Finance, Nuclear Review, Organization and Compensation, and Public Responsibility.

The board committees act in an advisory capacity to the full board, except that the Organization and Compensation Committee has direct responsibility for the CEO’s goals, performance and compensation, along with compensation of other executives. The Audit Committee has oversight responsibility for the independent registered public accounting firm.

## The DTE Energy Way

The DTE Energy Way is a living document that describes, in detail, the behavior we expect from each of our employees – from the board room to the meeting room to the service truck. It applies to all employees of DTE Energy and is supported by other policy documents and collective bargaining agreements. It provides a broad range of information and guidance about the standards of integrity and business conduct that employees have a responsibility to understand and follow.

It spells out our commitments to equal opportunity, to the health and safety of our employees, to zero tolerance and to many other ethical business practices.

## Our Core Values

DTE Energy’s core values guide its actions. These values resonate through our corporation. They explain who we are, how we behave and how we plan to excel.

### Integrity - Honor our values and commitments

- We act with honor and integrity
- We ensure that our actions are aligned with corporate values
- We actively contribute through open and honest communication
- We believe that how we achieve results is as important as the results themselves



The full text of The DTE Energy Way is available at [dteenergy.com/corporateGovernance/pdfs/dteEnergyWay.pdf](http://dteenergy.com/corporateGovernance/pdfs/dteEnergyWay.pdf)

### **Respect - Treat everyone with dignity**

- We respect the diversity and value of each person
- We recognize and develop others' capabilities
- We seek first to achieve understanding, and then we strive to be understood
- We give and receive honest feedback with respect and compassion

### **Customer Service - Deliver services and products that meet or exceed our customers' expectations**

- We understand and strive to anticipate our customers' needs, externally and internally
- We measure success by how well we meet and exceed our customers' expectations
- We improve the quality of life in the communities we serve
- We protect the environment

### **Safety - Commit to performing our jobs in the safest manner possible**

- We protect the safety of our customers, the general public and ourselves. This includes a commitment to minimize our environmental impact and create a cleaner world
- We work together to continuously improve safety processes
- We promote safety as a core value to others on and off the job
- We take responsibility for our own personal safety, follow all safety-related rules and procedures, and remain mindful of the safety of others

### **Learning - Build on our past and reach to the future**

- We drive for continuous improvement; we refuse to accept the status quo
- We strive to be innovative and creative
- We learn from each other; we teach each other
- We take prudent risks and learn from successes and mistakes

### **Business Success - Commit to the strength and vibrancy of the enterprise**

- We vigorously pursue sustained growth, profitability, and enhancement of shareholders' investment
- We establish and pursue clear, well-defined goals
- We invest in the near term with an eye toward long-term success
- We have an enterprisewide focus and live a commitment to DTE Energy's success, recognizing that our company is larger than any one group
- We will conduct our business in compliance with all applicable laws and regulations

### **Ethics and Compliance**

DTE Energy is committed to the highest standards of ethical conduct in all of its dealings with employees, customers, suppliers, shareholders and the communities we serve. Our business reputation is built upon the basic principles of honesty, integrity and fairness – principles that demonstrate a commitment to values-based behavior, and not just following the rules.

At the cornerstone of this commitment are codes of conduct, adopted for both our board of directors and our employees. These codes address inherent risk areas and provide guidance for behavior when these issues arise.

In addition to our codes of conduct, DTE Energy has two organizations that support ethical behavior and compliance with laws and regulations: the Enterprise Compliance Office and the Office of Assistant to the Chairman.

For more information on our core values, please refer to the DTE Energy Way, or visit our Web site at [dteenergy.com/dteenergyway](http://dteenergy.com/dteenergyway).

**Enterprise Compliance** is responsible for developing, implementing and monitoring a comprehensive legal and regulatory compliance program for DTE Energy and its subsidiaries. The compliance program is built on the foundation established by the *Federal Sentencing Guidelines* and is structured around leadership and oversight, risk assessment, auditing and monitoring, training and communication.

The mission of the DTE Energy Enterprise Compliance Office is to further the company's goal of establishing a culture that values compliance with all local, state and federal laws and regulations as a foundation of its corporate philosophy. In support of this mission, we provide tailored training to ensure everyone is capable of executing their role in achieving compliance with applicable laws and regulations. This includes board members, executive officers, senior leaders, managers, employees and, as appropriate, external agents.

**The Office of the Assistant to the Chairman – Ethics and Employee Issues** is responsible for providing guidance on integrating ethical business behaviors into all aspects of our business operations. "Ethics-in-Action – Taking the Right Road" is a program run by this office that offers employees an anonymous, confidential on-line or telephone-based service for reporting questionable ethical behaviors. Access to this service is available 24-hours a day, seven days a week. You can learn more about this service at <http://www.dteenergy.com/corporateGovernance/ethicalConcerns.html>.



*Dr. Len Marrella (right), a leading expert on business ethics, discusses "the power of character" with Ethics Council member Fouad Ashkar.*

Unique to this office is the Chairman's Ethics Council, a forum established in 1998 to provide ethical reviews of business and employment practices and programs. The council is chaired by the CEO and consists of a diverse cross-section of employees who meet regularly to review and discuss policies and programs that have ethical impacts on our operations.

Both of these offices are committed to fostering an environment of open communication with DTE Energy's stakeholders and have implemented mechanisms to increase our ability to identify and respond to ethics and compliance issues in a timely and purposeful manner. We're dedicated to helping both business units and employees understand their roles in modeling ethical behavior and compliance with laws and regulations in all of the work we do.

For more information on our Code of Ethics and Standards of Behavior, visit [dteenergy.com/corporateGovernance/dteaway-6V5](http://dteenergy.com/corporateGovernance/dteaway-6V5).

# People

Putting our values to work by putting people first



From the board room to the school room to the power plant control room, we believe in putting people first – those who work for us as well as those we serve.

So, we're putting our values to work by focusing on our customers with renewed energy, striving to create a model workplace, and fostering a corporate culture of community support and volunteerism.

## Workforce

Over time, the one factor that will differentiate DTE Energy from its competitors is the caliber of its employees.

In recognition of this, we're focused on building a highly-engaged and high performing workforce with the commitment and skills needed for success. We're creating a workplace where:

- Everyone is treated with dignity, fairness and respect
- Employees are encouraged to set high goals, develop and perform to their fullest potential
- Personal responsibility and accountability are encouraged and rewarded
- We communicate directly with each other; we persistently seek to improve our performance

To make this happen, we must successfully manage job performance, retain and attract talented professionals, and create a corporate culture that values, rewards and cultivates those who strive for excellence.

## Transition and Knowledge Transfer

Over the next 10 years, we face the challenge of preparing for a workforce transition. Our workforce is aging. Essential skill sets and operational knowledge must be retained and leadership skills developed as our long-time employees retire and new employees enter the workforce. We are also challenged to ensure the development of new skills and capabilities that will be required to implement technological advancements and process improvements.

To that end, we've developed a competency-based performance management system that describes the skills and behaviors employees are expected to demonstrate. These critical skills are categorized into the six factors of our ENERGY Model: Executes with Edge, Navigates Change, Engages People, Reflects Shared Values, Generates Business Insights and Yields Results.

We are also moving forward on the development of a standardized knowledge transfer process that can be applied at various levels and in various settings as long-term employees retire from the organization.

We have a series of knowledge transfer processes and workbooks to help document critical process and position information. These assist in the transfer of information relating to processes, relationships, knowledge and general responsibilities.

## Learning and Development

In support of our employee development needs, we also offer a broad range of in-house employee development programs. Our course offerings include topics such as:

- Critical Thinking
- Customer Service Excellence
- Achieving Influence
- Crucial Conversations
- Effective Communication
- Effective Listening; Facilitating Teamwork
- Effective Internet Usage; Overview of the Energy Industry

In addition to a broad offering of internal employee training and leadership programs, we also provide other development opportunities for employees and leaders. These include:

- Educational Assistance Program
- Graduate Fellowship Program
- Community Leadership Program
- Women's Leadership Forum
- 360 Degree Surveys to Focus Development
- Individual Development Plans

Lastly, we offer classes that enhance our employees technical skills so that they feel safe and in compliance, doing the "hands on" work that is vital to our business. These course offerings link to the qualification requirements of their job positions. A brief sample of some includes:

- Safety courses
  - Hazard Awareness
  - Confined Space
  - Advanced Trenching and Shoring
- Operations courses
  - Environmental Awareness
  - Overhead Lines Circuit Evaluation
- Vehicle and Mobile Equipment courses
  - Mobile Cranes
  - Commercial Drivers License

## Employee Feedback

Annual data helps us measure the changing attitudes in our employee population. Each year, our employees participate in a Gallup Survey designed to measure employee engagement. For several years, the data reflected a steady increase in engagement. For 2006, our engagement ratings declined. Our evidence suggests that a primary cause of the reduction was employee reaction to actual and anticipated staffing reductions as well as other operationally-related changes.

We continue to be focused on building an engaged workforce. Many efforts have been implemented to aid in the engagement of our workforce including enhancing our performance management program to support role clarity and ensuring clear expectations for our employees. Several business-unit specific projects were also implemented that will continue to support further engagement of our workforce.

Gallup results did show meaningful improvement in 2007. During 2008, we will continue to place focus and dedication on creating an actively engaged workforce. We will continue our education of leadership through refresher training focused on enhancing workforce engagement. We will also be ensuring strong accountability on developing meaningful employee engagement action plans and ensuring plan implementation. We will continue to use our leadership talent planning process to monitor progress.

And, we understand the need to celebrate the positives – we will encourage departmental recognition awards for achieving successes and we will recognize our leaders who have achieved top quartile Gallup results for their efforts in helping shape our engaged workforce.

The leadership of the company views employee engagement as a priority and will continue to seek to identify areas of improvement and implement ways to build an actively engaged workforce.

### Employee Health and Well-Being

We have increased our efforts to provide our employees with the resources they need to lead healthier lifestyles at work and at home. Our Energize Your Life wellness program is a comprehensive program that provides employees with free preventive health services, health-risk management and disease management strategies.



*Kim McCrary, supervisor, Gas Operations, is a 17-year employee with DTE Energy.*

### Diversity at DTE Energy

Diversity at DTE Energy includes all the differences that define each of us as unique individuals. These differences include, but are not limited to: culture, ethnicity, race, gender, age, sexual orientation, disability, nationality, education, experience and beliefs.

### Diversity

DTE Energy values diversity – in all its forms.

We recognize that to succeed in a multicultural society, we must create an inclusive environment where a diverse group of ideas and life experiences is leveraged for future success.

Our diversity strategy reflects this emphasis and involves a wide range of programs and initiatives from strategic hiring to supplier diversity and beyond.

A recent study of best practices in diversity reveals that several of our programs, including our slate of formal policies and procedures (The DTE Energy Way, our core values and our code of conduct), are best in class. These documents reflect our strong commitment to ensuring that all hiring, promotion and other personnel decisions comply with Equal Opportunity laws and regulations.

DTE Energy is committed to a policy of affirmative action and maintains Affirmative Action Plans designed to facilitate the placement of qualified women, minorities, people with disabilities and veterans. Such efforts have enabled us to attain representation of females and minorities at many levels throughout the company.

The overall representation level of females and minorities in our workforce compares favorably to the national utility industry average:

Job Categories	Totals	Men	Women	Minorities
Executives, Senior Officials & Managers	1,641	1,348 82%	293 18%	308 19%
Professionals	2,294	1,498 65%	796 35%	578 25%
Technicians	1,122	929 83%	193 17%	295 26%
Administrative, Office & Clerical	1,427	362 25%	1,065 75%	696 49%
Craft Workers	2,116	2,042 97%	74 3%	406 19%
Operatives	1,832	1,642 90%	190 10%	512 28%
Laborers	56	49 88%	7 13%	9 16%
Service Workers	124	107 86%	17 14%	29 23%
<b>Total Workforce</b>	<b>10,612</b>	<b>7,977 75%</b>	<b>2,635 25%</b>	<b>2,833 27%</b>

(circa 9/1/07)

Category	DTE Energy	Last Reported Utility Average*
Women	25%	25%
Minorities	27%	21%

\* from EEOC Consolidated EEO-1 Reports - 2005

One component of our current diversity strategy is to understand and embrace unique differences within our workforce. We accomplish this through our diversity-training curriculum, which provides a wide range of course topics including gender, age differences, team dynamics, and managing diversity. In 2008, we will enhance our curriculum by introducing an enterprise wide web-based diversity course that will increase awareness and communicate a consistent message to all employees.

Despite our achievements in attracting and retaining a diverse work force, further strides can be made. We have minority and female placement goals in some sectors and we are continuously working to align our recruitment strategy with targeted, action-oriented programs aimed at meeting these goals.

Our efforts are focused on continuing to cultivate relationships with colleges and universities, both locally and nationally, that will build a diverse quality workforce. We have enhanced our strategic partnerships with a

number of professional organizations, including the National Society of Black Engineers, the Society of Women Engineers, the National Black MBA Association, the National Society of Hispanic MBAs and more.

In connection with recruitment for many of our entry level and union represented jobs, we engage in community outreach efforts aimed at building relationships through participation in local job fairs and visits to local high schools, technical schools and community-based support programs. In 2007, we enhanced our Web-based job posting and application process to include an interactive jobs tour that allows potential applicants to explore some of the entry-level jobs in our regulated utility businesses, learn about the skills required, the daily routine and job challenges.

Our workforce diversity focus isn't only about race or gender staffing levels. We understand that diversity in the workplace includes a wide variety of differences that define each of us as unique individuals – such as culture, ethnicity, religion, age, sexual orientation, disability, nationality, education, experience and beliefs.

Accordingly, our efforts to embrace and celebrate these unique differences, include the sponsorship of a Diversity Leadership Council that serves as a think tank for supporting diversity initiatives across the company. The Diversity Council's focus is to provide enterprise strategic leadership and direction for diversity matters, ensure alignment of diversity with other business initiatives, and serve as a link with employee groups.

DTE Energy also supports Employee Network Resource Groups formed around common bonds such as race, gender and sexual orientation. Our goals in supporting these groups are to increase employee engagement, build a reputation for our company as a workforce of choice, and build meaningful relationships between the leadership of our company and affinity groups. Our support of employee affinity groups also links to our business objectives by helping us develop consumer insight and customer relationships, build our corporate reputation in the community, and raise diversity awareness among our employees.

We also offer a substantial program of work-life balance initiatives such as on-site daycare, flexible work schedules, domestic partner benefits, nursing mother's rooms, an interfaith meditation room and more.

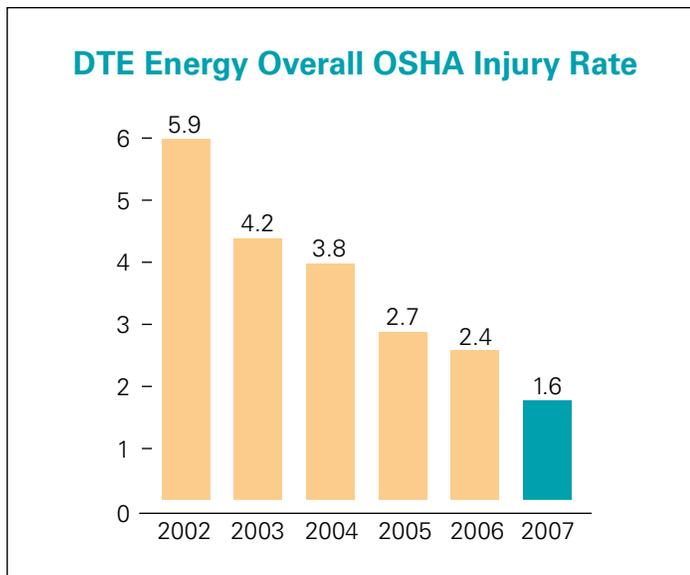
## Commitment to Safety

### Employee Safety

At DTE Energy, safety is a core value. This means we make every effort we can to protect the safety of every employee and contractor.

Previously, we became concerned that too many of our employees were getting hurt on the job. No job we do or service we perform is so urgent that we cannot take the time to perform each aspect of the job safely, so we've renewed our commitment to this important corporate value.

Our efforts are paying off.



### What is an OSHA Recordable?

One of the many measures we use to determine the safety of our work practices is the Occupational Health and Safety Administration (OSHA) injury rate. When a worker is injured and requires medical treatment more advanced than simple first aid, we must record this injury, according to OSHA regulations. That injury becomes an "OSHA recordable." One of our most important safety goals is to reduce our OSHA injury recordables.

To calculate a company's OSHA injury rate, OSHA uses total recordable incidences per 200,000 labor hours for the workforce being recorded.

Our Occupational Safety and Health Administration (OSHA) injury rates have decreased by more than 35 percent across our enterprise. We're now in the top 25 percent of safest companies as compared with our utility industry peers.

We're continuing to set high goals in the future and we're targeting further reductions in our OSHA injury rate so that we can be among the top 10 percent safest companies in our industry.

To accomplish this, we're focusing on work practices, monitoring our safety statistics and helping ensure that each and every one of our employees and contractors returns home safely at the end of the day.

We're also addressing our challenges which include bolstering leadership and employee involvement to help promote a sense of personal ownership, maintaining a corporatewide long-term focus on safety, and developing solid measurements linked to appropriate rewards. Additionally, we must continue to develop our safety program amidst ever-changing regulations and working conditions.

### MichCon: Making Safety a Way of Life

The reduction in injury rates at our natural gas business is a great example of DTE Energy's commitment to safety.

In 2007, our Gas Operations group recommitted to our safety value. The group established safety measures, refocused on safety meetings and required managers to monitor each of their employees on a monthly basis.

The 2007 OSHA recordable injury rate for our natural gas operations are down 60 percent over the previous year and our lost work days due to injury are down 80 percent.

The group plans to continue its commitment to safety and strives toward obtaining Michigan Occupational Safety and Health Administration Star status for all locations.

### Safety at Our Non-Utilities: Elite Status

Our commitment to safety also extends to our non-utility subsidiaries. In fact, one of our DTE Energy Services facilities recently earned the OSHA Star Award. The OSHA Star is the gold standard for safety excellence. It is the highest category of OSHA's Voluntary Protection Program. Nationwide, less than one-hundredth of 1 percent of 6 million work sites achieve this status.

Another critical aspect of our safety imperative is our commitment to the environment. We see our role as stewards of the environment and we work hard to minimize the impact of our operations on the land, air and water. *(For more information about our environmental efforts, see the Environment portion of this report on Page 36.)*

## Community

### DTE Energy Foundation

We believe that being a part of the community is a privilege – one we strive to earn by contributing time, resources and expertise to create a strong and more sustainable future for people and programs throughout our service territory.

The DTE Energy Foundation is a vital part of that effort. The Foundation's L.E.A.D themes (leadership, education, environment, achievement, development and diversity) provide the focus for its continuing legacy of community support, grants and sponsorships.

The Foundation's goals are simple: to improve the quality of life in the communities we serve, and to reflect our corporate values.



*Last year, Habitat for Humanity of Oakland County was selected as a recipient of a DTE Energy Foundation Achieving Excellence grant for its success in diversifying fundraising initiatives.*

### Contributions

To accomplish these goals, we maintain an impressive level of community involvement and philanthropic support. This includes our middle school math enrichment and Achieving Excellence programs – two of the largest corporate competitive grant programs in the state. These programs alternate annually.

In 2007, the Foundation awarded nearly \$400,000 in math grants to 20 middle school math programs throughout Michigan. This includes a \$50,000 grant to support math instruction at the St. Clair Regional Educational Service Agency in Marysville and a \$24,000 grant to Grand Rapids Public Schools *(see related story on page 18)*.

In 2008, the Foundation will once again award Achieving Excellence grants up to a total of \$400,000 to Michigan exemplary nonprofit organizations.

Successful applicants demonstrate excellence in areas that traditionally create the greatest challenges in nonprofit management. These include: collaboration, leadership (succession planning), innovation, mergers and sustainability. These significant grants help the organizations continue their important work.

Last year, Habitat for Humanity of Oakland County was selected for its success in diversifying fundraising initiatives. The Warren/Conner Development Coalition was also recognized for its ambitious succession plan.

## Why Math Grants in Middle School?

In the words of one local middle school math teacher, "Mathematics is the gatekeeper for almost anything kids want to do."

We couldn't agree more. That's why we initiated our Math Grant program. Math grant funds enable school districts to purchase materials and create programs that keep students interested in mathematics during a time when standardized math test scores traditionally drop.

Additionally, in order for the state of Michigan to compete in a global economy, we need students to be very successful in math. Math is the foundation for careers in engineering, technology and science. Young people who excel in this area create the kind of workforce Michigan needs to attract business and industry.

The bottom line is that students who excel in math will be more successful in school and have an easier time building a bright future.

Other major support includes a \$500,000 grant to The Nature Conservancy, \$115,000 to renew our tree-planting grant programs, and nearly \$500,000 to match employee contributions to nonprofit organizations throughout Michigan.

## DTE Energy Foundation Governance

The DTE Energy Foundation is governed by a board comprised of a diverse group of executives from units throughout our company. The board meets regularly to discuss strategic direction and approve significant grant requests.

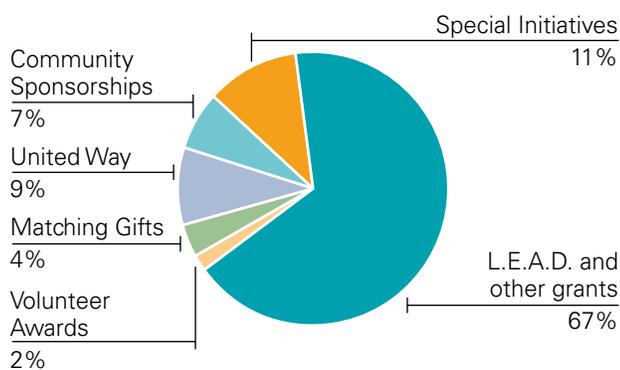
## Challenges

While the DTE Energy Foundation remains dedicated to its mission, we are also focusing on overcoming challenges. As a result of Michigan's economic downturn, requests for community support are now increasing, especially for companies like DTE Energy.

We must be increasingly diligent as we evaluate each grant application and its ability to improve the lives of our customers. We must also work to balance large grants, which provide recognition, with small grants, which are often important to help create a better future in the communities we serve.

As our grant-making options grow more complex, we have begun a series of impact measurement initiatives in education, environment and development. Our measures are intended to objectively assess how, and if, our grants are making a difference.

### 2007 DTE Energy Total Charitable Contributions



The Foundation contributed \$76 million in 2007 – about 1.3 percent of DTE Energy's pretax net income. This number does not include matching gifts.

For more information on the DTE Energy Foundation, please visit our Web site at [dteenergy.com/community/foundation](http://dteenergy.com/community/foundation).



*DTE Energy employees work to spruce up the local community as part of the United Way's "Days of Caring" company-sponsored event in Grand Rapids, Mich.*

## Thriving Communities, A Thriving Company

DTE Energy's employees are our best ambassadors. They are the face of our company. When they contribute positively to the community, it helps everyone better understand that giving back is an important part of our corporate culture.

In 2007, our employees and retirees pledged more than \$1.62 million to the United Way. The DTE Energy Foundation provided a contribution of \$750,000, bringing the total donation to nearly \$2.4 million.

"Over the years, I've asked many people why they solicit, why they volunteer, why they give so much. Often times, I get the same response ... 'it's just because it's the right thing to do.' "

– DTE Energy United Way coordinator Nancy Morelli

Additionally, employees voluntarily give thousands of dollars annually to a holiday matching fund charity drive. In 2006, employees donated \$105,000, which our Foundation matched with an additional \$95,000. The funds are distributed to a variety of worthwhile organizations including The Salvation Army, Gleaners Community Food Bank, and other food banks and shelters throughout Michigan.

Our Walter J. McCarthy Jr., Awards for Volunteer Leadership, named for a former chief executive officer, provide funds to community-based organizations in which employees and retirees are involved. In 2007, we awarded \$140,000 in McCarthy Awards, the highest amount ever.

Besides contributing resources, our employees also contribute their professional talents by serving on the boards of dozens of local charitable organizations including Cornerstone Schools and The Nature Conservancy. Our employees devote personal time and talents to community- and faith-based organizations they believe in and have an impact in their neighborhoods. We're proud to support these efforts.

## Public Policy Involvement

For more than 100 years, DTE Energy has participated in political debates that shape our public policy. That history continues today as energy issues dominate our nation's political landscape. We work in partnership with regulators, legislators and community leaders to look for new and creative ways to help our state and nation manage an array of energy issues. These range from helping low-income customers pay their bills to increasing domestic production of natural gas to policies concerning the structure of Michigan's electricity industry.

# 2,700 employees

contributed about \$450,000 to the Political Action Committee in 2007

Our opportunity – and our obligation – is to participate in the formulation of sound public policy that is good for our customers, our community and our company. Our overall goal is to ensure that we can meet our customers' energy needs – by providing and distributing energy safely and reliably to meet demand, and by supporting energy efficiency to foster sustainability.

However, unlike most businesses, local, state and federal laws, regulations and administrative rules impact that goal. Our ability to recover investments in energy efficiency, and the electricity and natural gas distribution system, to maintain a balanced environmental emissions program, and to run our nuclear plant effectively are all influenced by state and federal regulations. Additionally, regulators set a maximum rate of return on investments, together with our rates and the rules governing our relationships with customers.

We seek laws and regulations that enable us to fulfill our commitment to environmental sustainability while acting responsibly on behalf of our investors. That means we must be able to recover the cost of our investments and earn a reasonable rate of return. We must also help our customers manage their energy consumption and bills. Part of that effort includes working to increase the supplies of natural gas to cushion our customers' exposure to volatile energy prices.

## Political Involvement

Decisions made in the halls of government deeply affect the future of our company, our customers, our shareholders and our employees. For that reason, it is imperative that key decision-makers understand DTE Energy's point of view.

Thirty years ago, we developed a political action committee (PAC) designed to provide our employees with an effective, convenient way to make financial contributions to candidates and to participate in the democratic process. The guiding philosophy of the DTE Energy PAC is that the government's role is to develop policies that promote business, in general, and a healthy investor-owned utility industry, specifically.

Employees have the choice of earmarking their voluntary contributions to the State PAC fund or the Federal PAC fund or both. Employees may also instruct that their contributions be directed only to candidates of a specific party. They may also elect to have the PAC steering committee, which governs the PAC, allocate their contributions.

The steering committee is comprised of a diverse group of PAC members from across the enterprise. In concert with the company's lobbyists and Corporate and Government Affairs senior management, the steering committee reviews and approves the DTE Energy PAC's annual budget and contributions strategy.



*Director of Federal Government Affairs Renze Hoeksema discusses the benefits of DTE Energy PAC membership with fellow employees.*

In 2007, roughly 2,700 employees contributed about \$450,000 to the PAC.

Additionally, since 2006 the DTE Energy PAC and Corporate and Government Affairs are required annually to brief the Public Responsibility Committee of the board of directors about the scope of its activities in the public policy and political arenas.

## Customers

At the heart of our business is the trust our customers place in us. Our customers rightly expect the light and warmth we provide to be readily available when they turn on a light switch or dial up their thermostat. They expect us to be there – without question.

## Customer Satisfaction

When our customers have difficulty with the vital services we provide, they expect a friendly helping hand. So in 2007 we intensified our focus on customer service by launching a comprehensive initiative with aggressive improvement goals.

Overall, our customer satisfaction numbers are improving. Our 2007 overall customer satisfaction improved significantly from 2006 and was better than industry average compared to Midwest/Northeast region peer utilities. Our goal is to be among the top performers – so we still have work to do.

Satisfaction among our business customers remains top quartile. We have years of experience serving large and mid-sized industrial and business customers and we're continuing to build upon that expertise with initiatives like our Energy Partnership and Services program (*discussed on Page 26*).

Our largest challenge remains increasing satisfaction among residential customers. To address that challenge we have made a number of improvements.



*Credit and Collections specialist Daderriel Warren (seated), and Alesia Smith, manager of collections operations.*

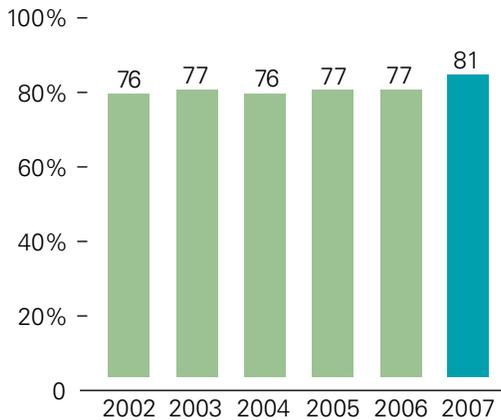
This includes overhauling our processes so that we consistently meet customer commitments. Our research tells us the majority of our customers call us to:

- Explain a high bill
- Make payment arrangements
- Turn on or disconnect power
- Report an outage
- Ask a question regarding our Home Protection Plus program

We're driving changes starting with these customer transactions. We're empowering our customer representatives to solve problems within one telephone call – eliminating the need for repeat contact. We're also modifying our policies and procedures, leaving more room for the "grey areas" that sometimes exist in complex customer service issues, and helping our customer representatives find dedicated blocks of time to research and solve difficult billing problems.

We've assigned a team of technical experts to analyze customer complaints so we can change policies and processes that get in the way of resolving concerns.

## 2007 Overall Customer Satisfaction (Index)



Outside of our call center, we're improving our outage estimates and instituting new policies that facilitate better communication between our customers and our gas and electricity operations personnel. We're also creating new levels of accountability for each and every DTE Energy employee. From the legal secretary to the lineman, we believe everyone is responsible and accountable for customer service.

We can't build a sustainable future without the support of our customers. So, we're focusing on meeting – and exceeding – customer expectations. We're not there yet. But, we've accepted the challenge and we're passionate about improvement.

### Low-Income Customer Assistance

Over the past several years, Michigan's economic downturn has created new challenges for many of the families within our service territory.

Many of our customers are now facing serious financial hardships, and energy prices are on the rise. The Department of Energy estimates that natural gas customers can expect to pay about 10 percent more this winter. Propane costs will rise about 20 percent, and heating oil costs will increase about 26 percent.

What's more, help is becoming harder to find. Auxiliary sources of assistance are drying up. Charities face difficulties in raising money amid increasing demand for their services.

While the economic road to recovery may be lengthy, our state – and our customers – are resilient. In good times and in bad, DTE Energy remains committed to serving the needs of our low-income customers by providing new and better solutions.

Our actions include:

- Working to increase funding for low-income assistance from all available sources
- Providing better tools to manage energy usage
- Supporting programs that allow low-income families to move to further self-sufficiency

We successfully advocated for increased funding for low-income programs by more than \$30 million over the same period last year and we're working to develop more flexible payment options for our low-income customers. We're also revising our shut-off policy by developing tiered payment guidelines to meet the needs of low-income customers.

For more information on customer service and low-income assistance, visit [my.dteenergy.com](http://my.dteenergy.com).

Externally, we're involved in multiple joint pilot ventures to assist low-income families in managing their energy usage and bill payment issues. This includes the Osborn Energy Savers Initiative and the Community Energy Solutions program (*see stories at right*).

Still, we face a record shortfall in funding and we cannot afford to leave our crisis customers' service on without improved state and federal financial support.

Low Income Home Energy Assistance Program (LIHEAP) funding is \$2.6 billion for 2008 – that's a \$400 million increase over last year, but 23 percent less than two years ago. At current funding levels, it's only enough to help a small fraction of eligible households.

Our representatives are working to increase both state and federal funding to help low-income customers pay their energy bills. We are advocating the use of current funding levels as a base to build from in the future – rather than a one-year emergency investment in energy assistance. We recently urged our colleagues to voice their support for LIHEAP and share concerns about funding levels.

Our main goal is that our most vulnerable families feel the ongoing and tangible results of these efforts even on the coldest or hottest Michigan day. We have better business solutions than disconnecting and reconnecting the same customers over and over. By taking on these challenges, educating ourselves and others, and seeking positive options, we are focused on making real change happen.

## Programs Aim to Break Debt Cycle

DTE Energy is in the process of launching three pilot programs to teach low-income customers the basics of energy conservation so they can take control of their energy costs.

**The Osborn Energy Savers Initiative** is a collaborative effort between DTE Energy, the United Way, the Skillman Foundation and our fuel fund THAW (The Heat and Warmth Fund).

Osborn is targeted at a specific Detroit neighborhood. Participants work with Osborn staff members to change their energy usage patterns and lower their bills. They must be willing to learn and practice weatherization and conversion techniques with assistance from a home energy educator. They must be willing to participate in various home energy audits. And they must be willing to discuss their bill status with a DTE Energy caseworker.

The recruitment of households into the program has been slow, but our enrollment numbers continue to grow.

**Community Energy Solutions** is a partnership between DTE Energy and neighborhood churches focused on educating customers about energy efficiency and conservation. The teams include a DTE Energy case manager, a representative from THAW, a credit and budget counselor and a tax preparer.

We're also in the process of launching a third outreach effort called "**Energy Makeover.**" We're partnering with a local human service agency to forgive arrears and provide participants with information and tools to lower their utility bills. Energy Makeover customers must apply for and participate in our weatherization program and a two-hour energy education class. They must also participate in a financial management series on budgeting, credit repair, banking, and savings and investment.

Arrearages are placed on hold until successful completion of the program at which time they are forgiven – up to a maximum of \$3,000.

While each of these programs promises new hope for our low-income customers, our challenge remains finding the funding to continue to grow these programs and others like them amidst tough economic conditions.

# \$76 million

is allocated to improve our storage fields so that we can keep gas rates down

## MichCon Improves Belle River Mills and West Columbus Storage Fields

MichCon is using Michigan's extensive natural gas storage system to stabilize natural gas prices and help customers save money on their heating bills this winter.

Michigan has the largest underground natural gas storage capacity in North America. This massive storage capability allows us to buy gas during the year when market prices are low, store the gas, and provide it to customers in the winter. Then we pass those savings on to our customers.

MichCon customer bills are divided into two components:

- A charge for the actual gas customers use
- Another charge for the delivery of the gas

Because we make zero profit on the charge for the gas (our customers pay what we pay), buying gas at lower prices results in savings for our customers.

For example, the Michigan Public Service Commission (MPSC) recently authorized us to sell excess natural gas from our storage fields and deliver some of that gas to our customers at prices significantly below the market.

As a result, a typical residential customer can expect to save about \$45 over the course of this heating season.

We've also agreed to keep our gas delivery rates at the same level until 2010, which will help keep customer costs stable.

To capitalize on our storage capabilities and cushion our customers' exposure to volatile natural gas prices, we're spending \$76 million to improve our Belle River Mills and West Columbus storage fields. Improvements include additional horsepower and compression, equipment, wells and interconnections.



*Our Belle River Mills facility is part of a \$76 million project designed to capitalize on our storage capabilities and ultimately reduce our customers' exposure to volatile natural gas prices.*

## Our Partnership with THAW

DTE Energy's long-standing relationship with THAW, (The Heat and Warmth Fund) is a vital part of our commitment to low-income customers.

Each year, our customers receive a THAW solicitation form enclosed with their bills. We match those contributions dollar-for-dollar. We also underwrite THAW administrative efforts and raise funds for THAW by hosting philanthropic special events.

Recently, our efforts were recognized by the National Fuel Funds Network (NFFN). The NFFN selected MichCon as the recipient of the 2007 Corporate Excellence Award. The award is given to individuals or utilities that demonstrate outstanding support for low-income customers.

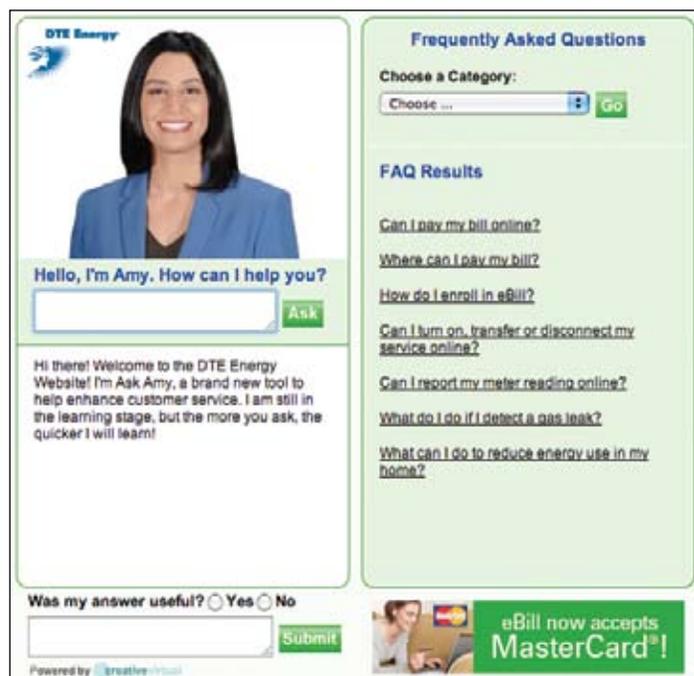
The NFFN recognized MichCon for its long-standing dedication to low-income customers through internal programs and philanthropic support, Low Income Home Energy Assistance Program (LIHEAP) advocacy work, and support of innovative community-based projects that benefit low-income customers.

Additionally, our vice president of customer service was recently asked to speak at an industrywide workshop on best practices in low-income customer support.

## Using Technology to Meet Customer Needs

John Smith is hypothetical, but an average DTE Energy customer with a common problem. He's moving into a new house and he needs to transfer his electrical service.

But John has a family, a busy job and just a few minutes to handle this transaction. He'd prefer not to spend time on the telephone. So, he turns on his computer, logs onto [my.dteenergy.com](http://my.dteenergy.com) and asks "Amy" about the best way to handle this issue.



Ask Amy, DTE Energy's virtual customer representative, is a new feature designed to make our Web site more customer friendly.

"Amy" is DTE Energy's new virtual customer representative. She's available to answer questions at the click of a mouse and she provides quick and effective instructions that allow customers to easily access the numerous features available on our Web site.

Amy is just one way that DTE Energy is using technology to help meet customer needs.

My Energy Analyzer is another. The Energy Analyzer offers customers the opportunity to analyze their energy bills based on personal use. They can find out why bills may have increased and look for ways to save money. Cost calculators and customized energy savings tips are also offered. Both Ask Amy and The Energy Analyzer are available at [dteenergy.com/home](http://dteenergy.com/home).

On a larger scale, we are involved in a pilot program regarding Advanced Metering Infrastructure (AMI). AMI replaces traditional on-site meter reading with radio frequency-enabled digital meters that can transmit readings directly back to us.

AMI technology provides two-way communication using a combination of power lines, radio networks and telephone lines to exchange information between customers and our company.

We believe AMI has the potential to eliminate the need for manual meter reading. Along the way, it may also increase the accuracy and accessibility of our meters, improve the quality and reliability of our energy delivery, and support timely and accurate customer care.

## MichCon Relocates Meters Outside Homes

To help improve customer service and safety, MichCon has embarked on a project to relocate thousands of natural gas meters. Currently, these meters are located inside our customers' homes (most commonly in the basement). Our new pilot project will relocate 480,000 meters outside.

Once the meters are relocated, our employees won't have to enter customer homes to read them. In the event of a fire, public safety workers would be able to shut off the natural gas without entering a home and we won't need to schedule an appointment to perform routine maintenance to check for leaks at the meter.

Once the project is completed, MichCon will use the results to quantify the benefits of relocating the meters and decide whether to expand the project to a larger area.

We're also using this opportunity to educate our customers about energy conservation and other customer assistance programs.

## Partnering for Success

By helping to save energy and money, our Energy Partnerships program provides a win/win situation for our business and industrial customers and the world around us.

Our Energy Partnership team includes more than 60 engineers; nearly all of them are located at major manufacturing and commercial facilities in automotive, steel and other industries. Their role is to survey industrial lighting, heating, ventilation, air conditioning and water processing systems with an eye toward increasing energy efficiency and lowering costs for our business and industrial customers.

Along the way, they produce environmental benefits by reducing energy usage at some of our area's largest manufacturing facilities.

In fact, our data shows the average Energy Partnerships customer reduces their energy usage by up to 35 percent over time. In the future, we look forward to fostering these partnerships, generating greater cost savings for our customers and continuing our commitment to energy efficiency and environmental preservation.

## Customer Public Safety

While our products and services are vital to everyday life in the communities we serve, they can also be dangerous when used unsafely. That's why we take every precaution to protect our customers.

When weather, accidents or other unexpected events cause our wires to fall, we dispatch our employees to protect the public as soon as possible. When a storm hits, our employees know the safety of our customers is first priority no matter what.



*We conduct safety inspections on more than 400 million miles of pipeline annually.*

On the natural gas side of our business, we're voluntarily installing excess flow valves on residential service lines. If a natural gas service line is suddenly severed, these valves are designed to shut off the flow of natural gas to a home, protecting our customers from gas leakage. Our high pressure transmission pipes are inspected regularly to check for corrosion and address any other damage and we use highly sensitive, high-tech equipment to check for small leaks and conduct visual inspections to look for encroachment to our utility right of ways.

Our challenge in this arena is reaching our goals concerning public awareness. We're working to better help the public understand the purpose of our pipelines and how to prevent and respond to pipeline emergencies.

We particularly need to communicate with local public officials, members of the construction industry and customers living close by our pipelines. So, we've developed a comprehensive program using newsletters, brochures and other information to help customers and others understand the location, purpose and potential hazards associated with our pipelines.

These efforts include a campaign to introduce the Statewide Call Center available by dialing 8-1-1. 8-1-1 connects customers throughout Michigan with the MISS DIG construction safety and utility damage prevention line.

## Copper Theft Prevention

Over the past several years, copper prices have increased dramatically, and theft of this now "precious" metal has evolved into a dangerous international epidemic.

Metro Detroit is no exception.

The theft of high voltage wires containing copper has increased steadily over the past year. Since the beginning of 2007, there have been nearly 250 copper theft incidents at Detroit Edison.

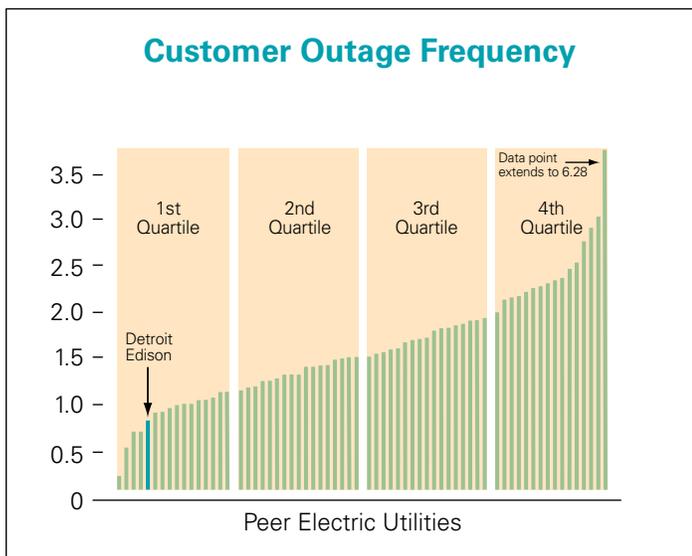
This is a dangerous and expensive trend. First, copper theft brings the thieves into close contact with high voltage wires, greatly increasing the chance of personal injury. Second, the damage left behind puts others at risk of electrocution. Copper theft can also cause power outages and surges.

Metro Detroit utilities lose millions of dollars annually from copper theft. The cost of these losses is reflected in service interruptions, equipment repairs and in the rates we pay as utility customers.

To combat this trend, we created a public safety awareness campaign and offer cash rewards for any information concerning copper thefts. We're also educating local law enforcement officials about this serious and growing problem.

Additionally, the company has adopted a zero tolerance policy toward all energy theft.

## Customer Outage Frequency



## Energy Reliability – Working to Meet Michigan’s Energy Needs Tomorrow and Today

At its foundation, our electric utility business is about keeping the lights on for our customers. Part of our corporate purpose says “we are always here.” This refers to the constant nature of the demand for our products. Electricity is a basic human need – our customers depend on it. So, we commit time, resources and expertise to creating a better, more reliable electricity infrastructure which will enable us to better meet and manage demand.

We measure system reliability using two factors:

- The number of outages each of our customers experience yearly
- The duration of each outage

Our studies show that these two factors play a key role in determining whether or not our customers are pleased with our service. In short, nobody likes to be left in the dark – especially more often than necessary.

System reliability – the frequency of customer outages – is one of our strengths. We’re consistently a top performer among our industry peers. In a 2006 benchmark survey, only two out of 95 companies in the United States and Canada had a better customer outage index rating. We also had fewer customers with repetitive outages than many of the utilities surveyed.

DTE Energy takes a two-fold approach in managing reliability. We spend time and resources on overall system maintenance, and also focus on upgrading equipment and infrastructure in areas where our customers experience more outages than usual. This dual approach is necessary, both to provide systemwide upgrades and to attend to those “pockets” of equipment that need extra attention.

Our approach is working.

### Infrastructure Upgrades

Detroit Edison plans to invest more than \$600 million over the next 10 years on infrastructure upgrades. Part of this annual investment includes clearing tree limbs from 5,900 miles of distribution lines and 800 miles of subtransmission lines.

For more information on DTE Energy’s work to increase reliability for customers, visit our Web site [my.dteenergy.com/products/electricity/reliability.html](http://my.dteenergy.com/products/electricity/reliability.html).

# 2.1 million electric customers

are served by 2,800 distribution circuits –  
an average of 750 customers per circuit

In 2006, our customers' power was interrupted an average of 0.81 times – a rate of one outage per customer every 15 months. More than half of our customers had no sustained outages in 2006. Another 27 percent had only one sustained outage. A "sustained outage" is defined as one that lasts more than five minutes.

We also began a new program focused on problem "pockets" within the service territory where our reliability needed improvement. We pinpointed areas where customers experience more than five outages each year; there is a 96 percent correlation between customer complaints and the outages in these areas (see story at right).

While our outage restoration times (the duration of our outages) are improving, we still have work to do. We've reduced the average customer outage duration by nearly 120 minutes since 2002. In 2006, our average outage duration was 158 minutes, compared with 276 minutes in 2002. However, we lag behind our peer utilities in this area and so we're continuing to implement changes to improve our restoration speed.

We remain committed to continuously evaluating our system to improve and maintain reliability and provide better service to our customers.

## Problem Pocket Approach Eliminates Repetitive Outages

DTE Energy has dedicated \$26 million to eliminate repetitive electrical outages. Our approach involves targeting small "problem pockets" throughout our service territory.

DTE Energy's 2.1 million electric customers are served by 2,800 distribution circuits – an average of 750 customers per circuit. In 2006, there were 8,600 customers in problem pockets – less than one-half of 1 percent of all customers. The average pocket contains less than 50 customers. When reliability statistics are reported for a substation or circuit, these are the customers whose poor reliability gets masked by the average.

To identify these customers, each month all outages are plotted and color-coded on circuit maps. The engineers use these maps and outage reports to "walk down" these troubled circuits, using their expertise to pinpoint the root causes and locations of the problems. The solutions implemented are tailored to the problem. Solutions might include: supplemental line clearance or installing tree-resistant conductors, upgrading transformers and adding animal guards, lightning protection, voltage regulation or other measures.

Once these solutions are implemented, it is rare that the same customers fall into a pocket again. In addition, the pocket solutions typically benefit other customers by improving overall circuit reliability. On average, five additional customers outside the pocket will also experience improved reliability.

## MichCon's Role in Liquefied Natural Gas

In recent years, demand for natural gas has increased across our nation while production from existing reserves has decreased. Many experts believe that soon, our nation's demand for natural gas will outpace our domestically-available supply. This creates the need for the U.S. to depend on other sources of natural gas.

Liquefied natural gas, (LNG), is becoming an increasing supply source for the U.S. LNG is natural gas converted to liquid for ease of storage or transportation.

LNG is simply natural gas in its liquid form – it is the same natural gas more than 64 million American homeowners use everyday.

Natural gas is converted to LNG by cooling it to -260° F, at which point it becomes a liquid. This process reduces its volume by a factor of more than 600 – similar to reducing the volume of a beach ball to the volume of a ping-pong ball. This allows natural gas to be transported efficiently by sea.

Most LNG is imported from other countries. Once it reaches the United States, LNG is unloaded from ships at import terminals where it is stored as a liquid until it is vaporized back to a gas. As a result of increasing demand, construction of LNG import terminals has gone up. Over the past few years, more than 21 new import facilities have been approved by regulatory agencies and four are actively under construction.

Once the natural gas has been imported and regasified, it is sent through pipelines for distribution to businesses and homeowners.

DTE Energy and MichCon have a role to play in helping to transport and store this emerging commodity once it reaches our shores and is delivered into our pipelines. Upgrades to our existing fields and storage capacity will enable us to deliver regasified LNG to other parts of the nation. For LNG imports coming into the U.S. Gulf coast region, there is also potential for additional transportation services of supplies after they reach Michigan storage to east coast markets via the Millennium and Vector pipeline systems.

## Laying the Foundation for Michigan's Future Energy Needs

We take our responsibility to provide energy for our customers very seriously. We understand this responsibility includes looking to the future to ensure that we're ready to provide affordable energy for our customers.

Clearly, this takes planning and investment. That's especially true in an era of growing electricity demand. According to the 21st Century Energy Plan released by the Michigan Public Service Commission, Michigan will require at least one new power plant (assumed to be 800 megawatts or larger) by 2015, and additional plants in the following years.

That's why we're keeping our options open regarding building a new nuclear plant in the future. Nuclear power is emission free, meaning it doesn't emit greenhouse gases or controlled air pollutants. It's among our top choice for a large generating plant in the future.

We're currently preparing a license for application for construction and operation of a new nuclear plant on the site of our existing nuclear plant, Fermi 2. We haven't yet made the final decision to build. However, we continue to support the use of nuclear energy as an emission-free energy source.

## Listening and Learning

At its core, outreach is about building strong relationships. Conversations with customers and other stakeholders can be powerful tools, but only if we focus on listening, learning and understanding what our stakeholders need. The best case scenarios occur when these conversations help us learn, grow and meet customer demand.

Our work on the Jamestown Pipeline is a great example. Jamestown is a 16.9 mile, \$70 million natural gas pipeline being constructed in Western Michigan. The project is necessary to provide customers in this fast-growing area with the additional natural gas they need – especially on the coldest Michigan day.

Before we formally announced this project, we began meeting with local community stakeholders. We knew that the project would raise concerns about safety, security, the inconvenience of construction, and the need for such a large project in this area. We spent months meeting with officials in five affected communities to address their concerns, engage in productive dialogue, and build on pre-existing relationships.

We constructed the pipeline in existing right of ways in order to minimize customer concerns. This decreased the need to interfere with traffic. We also took every step to ensure the safety of our customers and workers in the area.

As a result of our efforts, our stakeholders wrote letters of support to the Michigan Public Service Commission during the comment period. Today, thanks to these partnerships, the pipeline is under construction and our customers in Western Michigan are on their way to better, higher quality service.



*Construction on the Jamestown Pipeline in Western Michigan.*

**You can learn more about the Jamestown Pipeline project by visiting our Web site at [dteenergy.mediaroom.com/index.php?s=43&item=182](http://dteenergy.mediaroom.com/index.php?s=43&item=182).**

# Economy

Making investments that strengthen our utility and focus on our customers



## DTE Energy's Financial Strategy

As a corporation, our purpose is to earn a fair return for our shareholders. That's been our focus for more than a century. Along the way, we've provided competitive salaries for our employees, fueled economic growth, contributed significantly to the tax base, and provided our shareholders with sustainable earnings growth as well as a stable and attractive dividend.

Today, we're continuing that legacy with a business model that focuses on growing our two utilities – Detroit Edison and MichCon.

We expect both utilities to produce 5 percent to 6 percent average annual earnings growth through 2012. Our growth will come primarily from investments in our utilities. By investing capital in our utilities, we are strengthening our utility system and also increasing our rate base.

Our planned investments will focus on projects that:

- Increase the reliability of Detroit Edison's electrical system
- Enable us to comply with environmental laws and regulations (mostly targeted toward emissions reductions at our power plants)
- Enhance the capability and efficiency of MichCon's natural gas storage and pipeline system
- Support our commitment to renewable energy sources

We will also focus on lowering our operations costs to minimize customer rate increases while providing excellent customer service. We believe that well run, customer-focused utility operations promote a constructive regulatory environment as well as strong financial performance.

Our 2008 utility earnings profile targets our 11 percent authorized rate of return on equity. We expect our utilities to represent about 80 percent to 90 percent of our earnings.

For more information on DTE Energy's business strategy, please visit our Web site at [dteenergy.com/investors](http://dteenergy.com/investors)

We continue to look for opportunities to increase shareholder value within our non-utility businesses (for more information on our non-utility businesses, see our corporate profile on Page 7).

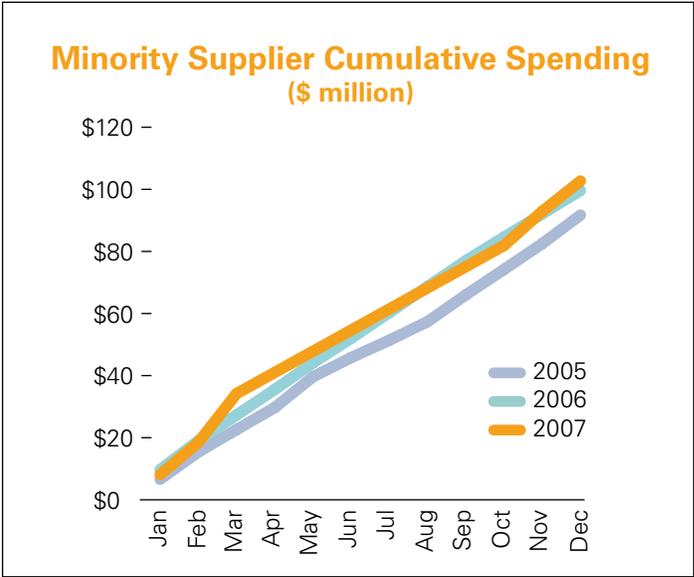
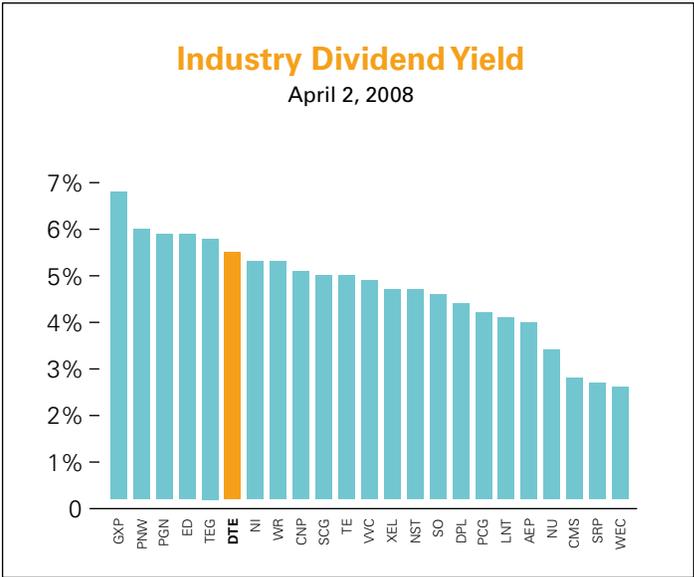
While these businesses are a relatively smaller piece of our story, they complement our utility growth going forward. In 2007, we shifted our business model by selling some of our non-utility assets to create value for our shareholders. We're using the cash proceeds of these sales to fund a portion of our utility growth, repurchase common shares and reduce outstanding debt. In the future, we plan to selectively invest in the non-utility businesses we've retained and continue to create value for shareholders which will help strengthen our statewide and local economy.

Our balance sheet remains strong. We have the flexibility to execute our growth plan and maintain an attractive dividend. As utility earnings increase, our dividend payout ratio will improve, and we will continue to evaluate periodic dividend increases. A strong financial position provides the stable economic force that allows our communities to thrive.

### Supplier Diversity

Because we believe our supplier base should reflect the cultural diversity of the communities we serve, DTE Energy maintains a robust supplier diversity program.

Our supplier diversity programs provide advocacy and developmental support to enhance the growth and opportunity of minority and women-owned businesses. In turn, our diverse supplier base has brought us new perspectives, efficiencies and ideas.





*Our Economic Development organization offers site selection assistance for businesses looking to locate, or relocate in Michigan.*

To continue and expand these relationships, we are conducting seminars, working to increase awareness of our programs, and networking with local minority and women-owned companies interested in establishing a business relationship with us. Our efforts have been recognized by local and state supplier diversity organizations. In 2006, DTE Energy was nominated by the Michigan Minority Business Development Council for Supplier of the Year, Consumer Sector. DTE Energy and its employees also support the Detroit Economic Growth Corporation and Detroit Renaissance.

Our commitment to supplier diversity is about inclusion, meaningful business partnerships, and fostering sustainable economic growth for small businesses – the sector that creates most of the nation’s jobs.

Through supplier diversity we are prospering in partnership with some of our region’s top-notch minority and women-owned firms. As a result, our company gets better and our communities get stronger.

## Economic Development

We believe that part of our role as a hometown energy company is to help bolster Michigan’s economy by creating jobs and capital investment through business expansion, retention and attraction.

That’s because when small and medium businesses thrive – so does our state. So, we’ve assembled a team of economic development experts with specialties in business, real estate and energy.

Our Economic Development organization partners with businesses, economic development councils, and governments towards this goal and offers a wide variety of services at no cost. These services include:

- Confidential building and site selection assistance
- Community and economic development partnerships
- Business climate information and energy usage advice
- Proactive calling programs to retain existing industry
- Business climate information analysis

We also offer an award-winning site-selection Internet site, [misitenet.org](http://misitenet.org). We developed this site in collaboration with the Michigan Economic Development Corporation and the Michigan Economic Developers Association to make it easier for businesses to find the right home and build their future right here in Michigan.

For more information on economic development at DTE Energy, visit our Web site at [dteenergy.com/community/economicDevelopment.html](http://dteenergy.com/community/economicDevelopment.html).

# \$350,000

was contributed to ethnic business organizations and events in 2007

## Ethnic Marketing

Part of our challenge as a large corporation serving millions of customers is to build bridges between our company and the vibrant and growing ethnic communities it serves.

However, we understand that developing relationships takes time and requires one-on-one interaction. That's the role of our Ethnic Marketing organization, which focuses on serving the African-American, Asian (Pacific and South), Middle Eastern (Arabic and Chaldean) and Hispanic ethnic groups.

The role of Ethnic Marketing representatives is to:

- Develop and maintain relationships with ethnic businesses, and community and faith-based organizations
- Communicate with leaders of ethnic groups to determine how DTE Energy can best support their goals
- Serve on boards and planning committees for a wide variety of community-based and ethnic business organizations
- Promote DTE Energy as a good corporate citizen
- Increase customer satisfaction in ethnic markets
- Facilitate the publication of advertisements/brochures and other materials targeted toward our ethnic customers

We also allocate resources to support our commitment. In the last year, we contributed \$350,000 to ethnic business organizations and events throughout our service territory.



*At DTE Energy, our Ethnic Marketing organization is a huge part of our effort to better serve our diverse group of business, industrial and residential customers.*

# Environment

Working toward a cleaner future, with customers in mind



Climate change is one of the most widely-discussed topics in our society. Everyone everywhere, has become part of the national debate on this issue. While we all realize the magnitude of the challenges, there are no easy answers. However, one thing is certain. The time for debating whether or not to act has passed.

DTE Energy is keenly aware that the energy we produce impacts the environment. While it's imperative that we maintain a diverse fuel mix for our customers and the communities we serve, we're dedicated to taking action now to preserve our natural resources. Our approach to environmental management focuses on making smart choices to minimize these impacts – on the world around us as well as on our customers.

Our environmental commitment takes many forms, from investing in emission control equipment at our plants to fostering renewable energy forms and helping to write effective policies and legislation. We're working hard toward a cleaner, greener future – but we're doing it with our customers in mind. Our approach is high-tech, using new ideas and cutting-edge innovation, and low-tech – planting trees and cleaning shorelines.

Our strategy is working.

## DTE Energy's environmental mission

At DTE Energy, we believe that our obligation to serve our customers and the community goes beyond the delivery of safe, reliable and economical energy products and services. We are committed to enhancing the quality of life for today's society and future generations. Environmental stewardship and conservation of the earth's natural resources is at the heart of that commitment. For DTE Energy, environmental stewardship starts with managing our facilities, land and equipment in a manner that complies with or exceeds governmental standards and is protective of our employees, customers and surrounding communities.

During the last 30 years, the company has reduced its particulate emissions 87 percent, sulfur dioxide emissions 64 percent and nitrogen oxide emissions 63 percent. Even with our increase in generation, CO<sub>2</sub> emissions are near or at 1990 levels. As a result of our aggressive move to low-sulfur Western coal and our supplier's actions to better clean eastern coals, total power plant mercury emissions have remained relatively stable over the last 20 years despite a 6 percent increase in coal consumption.

Armed with this proven progress, we are moving forward on a path paved with ingenuity, hard work and a genuine desire to create a better tomorrow for our children – and theirs.

## Preparing for Climate Change

DTE Energy has positioned itself to be a key player in shaping and influencing climate change policy and legislation.

Both Houses of Congress are actively working on climate change legislation and a number of climate change bills have already been introduced.

At the state and regional level, governors from six midwestern states – Minnesota, Illinois, Iowa, Kansas, Michigan and Wisconsin – and the Canadian province of Manitoba signed the “Midwestern Greenhouse Gas Accord.” These governors agreed to create a regional cap-and-trade program by 2010 to reduce greenhouse gas emissions by 60 percent to 80 percent by 2050.

The agreement also calls for the states to generate 10 percent of their electricity from renewable sources by 2015 and to reduce energy consumption 2 percent per year starting in 2015.

Mandatory greenhouse gas reductions will fundamentally change the structure of the electric power generating sector. In anticipation of a mandatory climate change program, DTE Energy has proactively prepared for operating in a future carbon-constrained world.

- Since 1996, we have achieved a steady decline in CO<sub>2</sub> emissions per megawatt-hour for both fossil fuel generation and our total system generation, and our net carbon emissions today are near 1990 levels. That is the goal established by the U.S. Department of Energy Climate Challenge program, which Detroit Edison joined in 1995. If we factor in the impact of landfill gas recovery and biological sequestration (tree planting), our net emissions are 10 percent below 1990 levels.
- We continue to meet that goal by concentrating our actions in the following areas:
  - Increasing nuclear energy usage
  - Energy efficiency projects
  - Landfill methane recovery projects
  - Forest carbon sequestration
- Detroit Edison made a voluntary commitment, in response to the 2002 Bush Administration industry challenge, to reduce the CO<sub>2</sub> emission intensity (tons/megawatt-hour) of electricity generation 3 percent to 5 percent by 2012.
- Detroit Edison has been a leader in forest carbon sequestration activities to develop CO<sub>2</sub> emission offsets. The company has planted more than 20 million trees in Michigan since 1995. In addition, we have invested almost \$8 million in forest carbon sequestration projects, including a new partnership with the Shiawassee National Wildlife Refuge near Saginaw, Mich. These projects have the potential to offset more than 11 million tons of carbon dioxide, or about 25 percent of 2005 emissions.
- The company is supporting numerous research and development projects in the areas of carbon capture and storage and emission offset creation, including:
  - Pilot Carbon Capture Project with the Electric Power Research Institute (EPRI)
  - Ionic liquids (for carbon capture) project with the University of Notre Dame
  - Oxy-combustion project (concentrates CO<sub>2</sub> in flue gas for easier capture) with Southern Research Institute
  - Tree planting projects in the lower Mississippi River valley with PowerTree Carbon Company
  - Agricultural nitrous oxide emission reduction demonstration project (reduced fertilizer use with no loss of crop production) at Michigan State University, also with EPRI.

We also maintain memberships in several climate change organizations, including:

- The Business Environmental Leadership Council of the Pew Center on Global Climate Change. We have been active in the development of policy on this issue for many years.

- The Michigan Climate Action Council that is responsible for developing recommendations for meeting state and regional goals for reducing greenhouse gas emissions as agreed to under the Midwestern Greenhouse Gas Accord.
- The Midwest Regional Carbon Sequestration Project, which will test the viability of a deep underground geological formation in northern Michigan for long-term carbon storage.

## New Frontiers in Emissions Control

As we prepare for a future with mandatory climate change requirements, new technology is one of our most important tools for adapting to meet carbon emission limits and create a cleaner world.

Like many coal-fired utilities, DTE Energy focuses on reducing air emissions such as sulfur dioxide, nitrogen oxide, mercury and carbon dioxide, which is considered a greenhouse gas.

### Sulfur Dioxide (SO<sub>2</sub>)

Sulfur dioxide belongs to the family of sulfur oxide gases. These gases dissolve easily in water. Sulfur is an element in many raw materials including crude oil, coal and ore. Sulfur dioxide gases are formed when fuel containing sulfur (coal and oil) is burned.

SO<sub>2</sub> dissolves in water vapor to form acid, and interacts with other gases and particulates in the air to form sulfates and other products that at certain concentrations can be harmful to the environment.

Once it enters the atmosphere, SO<sub>2</sub> can form sulfuric acid, a major contributor to acid rain. In elevated concentrations it can also be a respiratory irritant and potentially aggravate existing heart and lung diseases.

Detroit Edison has a long history of striving to reduce SO<sub>2</sub> emissions; in fact we were one of the first utilities to use cleaner, low-sulfur Western coal to significantly reduce sulfur dioxide emission rates. We're continuing that heritage today by installing "flue gas desulfurization" equipment at our power plants.

This equipment commonly referred to as scrubbers, controls 95 percent of the sulfur dioxide emissions by injecting limestone into our emissions. This produces a marketable byproduct called gypsum.

We currently plan to install two scrubbers at our Monroe Power Plant. Monroe Power Plant is our largest coal-fired plant, and provides 30 percent of our generation capacity. Our data suggests that installation of one scrubber at our Monroe Power Plant will control 12 percent of the forecasted fleet sulfur dioxide emissions.



*Flue gas desulfurization equipment, commonly known as scrubbers, controls 95 percent of the sulfur dioxide emissions at our power plants.*

# 90 percent of nitrogen oxide emissions at Monroe Power Plant are controlled by our SCRs

## Nitrogen Oxides (NOx)

Nitrogen oxide emissions form when fuel is burned at high temperatures. The primary man-made sources of NOx are motor vehicles, electric utilities and other industrial, commercial and residential sources that burn fuels.

NOx emissions have been identified as a precursor to ozone and fine particulate, both of which at elevated levels in the air can be associated with respiratory disorders, damage to vegetation, and corrosion and degradation of materials.

Our overall NOx reduction strategy is to install a combination of NOx control technologies on a number of units within power plants across our fleet.

These technologies include:

- Installing sophisticated boiler controls that minimize the presence of excess air in the furnace
- Modifying or replacing existing burners in favor of new burners that slow combustion
- Introducing new chemicals that slow the rate of combustion and reduce NOx formation

These technologies and others, are used at some of our plants where practical. These alone, however, do not reduce our NOx emissions enough to comply with regulations. So, we've installed Selective Catalytic Reduction equipment (SCRs) at our Monroe Power Plant. Each unit will control more than 90 percent of emissions.

Currently, three of the units at our Monroe Power Plant have SCRs.

The equipment introduces ammonia in the presence of a catalyst which converts the NOx to an inert nitrogen and water mix.

Currently, SCR is the only technology that can achieve NOx reduction efficiency in excess of 65 percent.

We are continuing to evaluate alternative NOx control technologies. Many of these are, however, in the early stages of development and remain unproven.

## Mercury

Coal contains mercury that is released during combustion. Human exposure to mercury is generally associated with the consumption of contaminated fish.

Our main forms of mercury control are SCRs and scrubbers. An SCR and a scrubber installed together will control an estimated 80 percent of mercury emissions.

Additionally, we are investigating other forms of mercury control, using a variety of chemicals, filters and equipment designed to either bind with or reduce the amount of mercury emitted by our power plants.

Our challenges are complex. For example, one method used to remove mercury from fly ash (a byproduct of coal-fired energy production) involves adding carbon to the fly ash. For years, DTE Energy has sold a portion of its fly ash to the cement industry. Fly ash is used as an additive to concrete. However, adding too much carbon contaminates the fly ash so that it cannot be used by the construction industry and must be transferred to landfills.

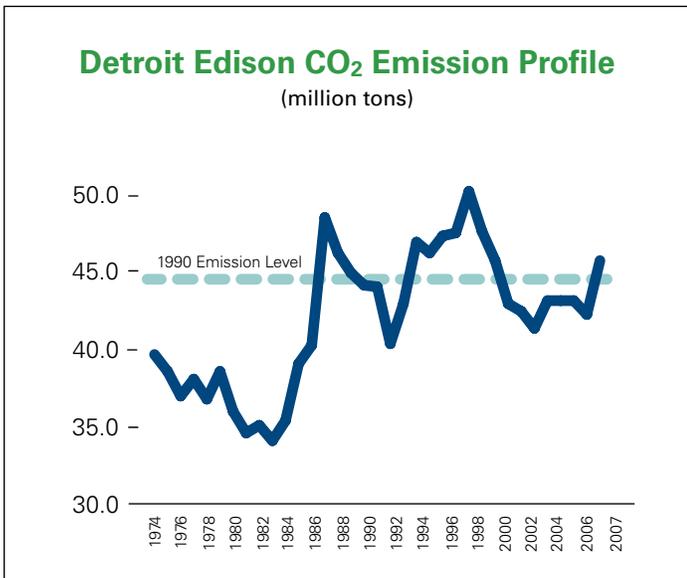
## What are coal emissions?

DTE Energy generates about 77 percent of its electricity by using coal. To produce nearly 45 million MWh of electricity – enough to serve the needs of 5 million people in their homes, businesses and industries – Detroit Edison (DTE Energy's electric utility) burns approximately 20 million tons of coal annually.

This coal contains almost every chemical element (most only in trace amounts) and when the coal is burned, it creates emissions of concern including sulfur dioxide (SO<sub>2</sub>), nitrogen oxide (NOx) and particulates, mercury (Hg), and carbon dioxide (CO<sub>2</sub>). Carbon dioxide is a greenhouse gas believed to contribute to global climate change.

# \$219 million

was spent in 2007 and we expect to spend an estimated \$2.4 billion in the future to meet new emission reduction requirements



## Carbon Dioxide (CO<sub>2</sub>)

We're working on many fronts to find effective, workable solutions to reduce CO<sub>2</sub> impacts. Our approach involves an emphasis on reforestation – we're planting trees by the thousands – and also a focus on technology.

We're involved in a research program, in conjunction with Notre Dame University, designed to test the effectiveness of injecting certain chemicals into our CO<sub>2</sub> exhaust stream. In general, the chemicals bind with and allow for more efficient capture of CO<sub>2</sub> being emitted. Our energy experts are providing power plant expertise as well as input on the new technology and its costs.

We've also partnered with Batelle Laboratories, Western Michigan University and several other organizations on a carbon "geologic sequestration" project.

This project, called the Midwest Regional Carbon Sequestration Partnership, is one of seven partnerships in the Department of Energy's Carbon Sequestration Program. The project involves injecting liquid carbon into underground formations to demonstrate the safety and effectiveness of carbon sequestration and the feasibility of sequestering in the Michigan Basin. We have plans to inject 10,000 tons of carbon dioxide into a formation in northern Michigan. We're continuing to gather data, to

learn and to mitigate local concerns about environmental impacts as this project moves forward.

Our overall goal is to drive creative and innovative solutions that will help our company, our industry and our world navigate the complex challenge of climate change.

## Emissions trading and reduction

In 2001, Detroit Edison agreed to participate in the design phase of the Chicago Climate Exchange (CCX), a pilot greenhouse gas emissions reduction and trading program. Since then, the CCX has become North America's only voluntary, but legally binding, greenhouse gas emissions reduction program.

CCX's commitment was that by July 2005 the members' CO<sub>2</sub> emissions would be below 1999 levels. DTE Energy exceeded that goal – we dropped to 1990 levels.

We view CCX as an opportunity to investigate emissions trading programs.

## What are emissions trading programs?

Emissions trading is an approach to controlling emissions levels nationwide. The Environmental Protection Agency sets a limit, or a cap, on the amount of certain chemicals that can be emitted. Companies whose operations emit that chemical are required to hold an equivalent number of allowances, or credits, which represent the right to emit a specific amount. The total amount of credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emissions must buy credits from those who create fewer emissions. The transfer of these allowances, or credits, is called "emissions trading." In effect, the buyer pays more for emitting higher levels of chemicals, while the seller is rewarded for reducing emissions.

For more information on the Chicago Climate Exchange, visit their Web site at [chicagoclimateexchange.com](http://chicagoclimateexchange.com).

## Cap and Trade Versus Carbon Tax

A cap and trade system is a market driven mechanism for reducing emissions of a pollutant such as carbon dioxide as opposed to the more traditional command and control type regulations utilized by regulatory agencies.

A cap and trade system establishes a firm cap on allowable emissions and this cap is reduced over time to achieve the emission reduction goals. Each emitting facility is given a cap on its emissions (e.g. tons per year). If the facility's emissions exceed the cap, then the facility must buy permits or allowances to emit the quantity of the regulated pollutant above the cap. Similarly, if a facility owns extra allowances and does not exceed its cap, it may sell those allowances at the going market price.

The main benefit of a cap and trade program for reducing emissions is that it provides emissions reduction certainty because all affected sources are capped, and the caps are reduced over time. In addition, a cap and trade program provides flexibility to the regulated emitters on how they choose to meet the cap (i.e. by reducing emissions or buying allowances). Market drivers in a cap and trade system also spur innovation and reward companies that achieve cost effective emission reductions.

A carbon tax has also been proposed as a mechanism for reducing emissions of greenhouse gases. A carbon tax provides economic incentives for reducing energy consumption and may be simpler to administer than an economy-wide cap and trade program but there is no guarantee that actual emissions will decrease under a carbon tax. Depending on the level of the carbon tax, facilities may simply choose to pay the tax instead of reducing emissions.

## Environmentally-Focused Business Partnerships

In 1997, Detroit Edison became a founding member of the Michigan Business Pollution Prevention Partnership.

The organization encourages businesses to apply creative, cost-effective techniques to reduce waste and prevent the release of hazardous substances.

As part of our voluntary membership, Detroit Edison has committed to reducing its carbon dioxide emission intensity by 3 percent to 5 percent by 2012. Reductions are based on data taken during a baseline period from 2000 to 2002. This effort involves setting a series of environmental protection goals for each of DTE Energy's power plants.

We are currently on target to hit our goal.

## Fostering renewable energy

Our electric utility, Detroit Edison is now offering its electric customers a chance to do their part in preserving the environment.

The program, called *GreenCurrents*, offers customers the chance to support electricity generation from clean sources such as wind and biomass energy.

*GreenCurrents* program participants can select a renewable energy option that best fits their budget. For as little as \$2.50 a month, residential customers can purchase a 100-kilowatt-hour block of renewable energy



*GreenCurrents* program manager Dennis Mullan helps Elizabeth Chilton sign up for the *GreenCurrents* program.

that's equal to 15 percent to 20 percent of a typical home's monthly electric usage. Customers can also choose to match 100 percent of their home's electricity consumption with renewable resources.

Business customers can purchase a 1,000-kilowatt-hour block of green energy for \$20 a month – or match all of their electricity usage with renewable power for an additional cost of 2 cents per kilowatt-hour.

Every customer who signs up for *GreenCurrents* will play a significant role in shaping the future of sustainable energy in Michigan. By increasing the development of renewable energy projects, our customers can help us meet the electricity demands of today without sacrificing the needs of future generations. More than 6,800 customers signed up for *GreenCurrents* in 2007.

As part of the *GreenCurrents* program, we've inked agreements with several companies, including one that turns cow manure into usable electricity and another wind energy company based in Northern Michigan.

Some of our most important challenges lie in striking the correct balance between producing affordable energy and embracing environmental stewardship. Programs like *GreenCurrents* are helping us achieve both goals and take a huge step in the right direction.

### **Other Environmentally-Friendly Energy Sources**

Beyond our coal and nuclear plants, DTE Energy is investing in several different forms of environmentally-friendly energy.

This includes biomass energy, which literally turns trash into energy. When solid waste decomposes in a landfill, a gas composed of methane and carbon dioxide is produced. Methane is a powerful greenhouse gas – 20 times more potent than CO<sub>2</sub>. DTE Biomass Energy captures the methane in landfills and abandoned coal mines and converts it into a renewable source of energy that can generate steam, electricity or fuel for industrial processes or pipeline-quality gas.



*Since 1995, DTE Biomass Energy projects have replaced more than 17 millions barrels of foreign oil, benefiting the environment, the landfill owner and the nation.*

Since 1995, DTE Biomass Energy projects have replaced more than 17 million barrels of foreign oil, benefiting the environment, the landfill owner (usually a township, city or village) and the nation.

In addition to our involvement in Biomass, we're also currently assessing the feasibility of a 30,000-plus acre wind development that could provide power to customers in Southeast Michigan.

This \$1.2 billion investment would be the largest wind-energy project in Michigan. We've purchased the easements to more than 30,000 acres in Michigan and have currently erected towers that measure wind speed and frequency. The 30,000 acres could accommodate about 300 wind turbines that would generate about 600 megawatts of electricity – enough to power about 175,000 homes.



*Transmission supervisor Jim Geromette (left), Transmission specialist Joe Sexton (center), and Clifton Manus from Corporate Communications at the kickoff of the Belle River Mills Wildlife Habitat Council (WHC) certification drive. WHC designation is an important component of ISO certification.*

## Environmental Certification

At DTE Energy, environmental certification is a priority. Several of our facilities have gained ISO 14001 certification – widely considered the gold standard in environmental certification.

Each of Detroit Edison’s eight fossil fuel power plants, along with its Fermi 2 nuclear plant are ISO 14001: 2004 certified.

Additionally several MichCon sites are also certified and we are working toward certification of all MichCon sites in 2008.

ISO 14001 is an international quality standard for environmental management systems.

Becoming certified means that we have voluntarily adopted high standards for environmental management, documentation, training, corrective action and evaluation.

Certified facilities are also regularly audited to ensure compliance.

Certification is a huge accomplishment requiring months of hard work and commitment on the part of our employees. This designation continues to raise the bar in

the areas of documentation and data management and requires commitment and dedication from every employee involved in the certification process.

We also currently have 12 sites certified by the Wildlife Habitat Council. The non-profit habitat council recognizes meaningful wildlife habitat management programs. For more information on DTE Energy’s wildlife management programs, see the Environmental Section on page 50.

## Environmental Auditing

Each year, our environmental organization conducts several environmental audits. The purpose of these audits is to:

- Assess environmental compliance with regulations
- Assess compliance with the ISO 14001 standard,
- Provide senior management with an assessment of environmental compliance and risks

Over the course of 2006, 20 environmental audits were conducted:

- Detroit Edison, 12 audits
- MichCon, four audits
- DTE Energy Services, three audits
- DTE Rail Services, one audit

All audit reports and corrective action plans are submitted to senior management. In 2006, no deficiencies that could cause an imminent threat to public health were found.

The company also conducts environmental audits of vendors.

**To learn more about ISO 14001 certification, visit [iso.org](http://iso.org). For more on DTE Energy’s commitment to environmental management, visit [dteenergy.com/environment](http://dteenergy.com/environment).**

## Managing Waste

### Fly Ash Recycling

Release of fly ash into the air hurts the environment and is strictly regulated by clean air standards. Since the 1920s, DTE Energy's gray, talcum-powder-fine coal ash – the residue left from pulverized coal burned in our power plant boilers – has been used by concrete and asphalt companies as a beneficial additive. More than 1 million tons of ash were produced at our six coal-burning plants in 2006, with about half of the total coming from our Monroe Power Plant. The Belle River and St. Clair plants contributed approximately 175,000 tons each. Currently, we capture all of the fly ash produced by our plants, however, only 10 percent to 20 percent of our total ash gets recycled. The rest goes to landfills.

We are working to change that. We have partnered with several vendors that will be recycling a much greater percentage of our ash. These additional sales will bring us closer to the 50 percent to 55 percent ash recycling industry average rate, as a starting point. We plan to increase the recycling volume on a yearly basis to reach a target recycling range of 70 percent or higher.

### Transformer Oil Spill Reduction

Detroit Edison recently initiated a successful pilot project to reduce the number of transformer oil spills occurring throughout its system.

Approximately 600 transformer oil spills occur throughout Detroit Edison's electrical system each year. The oil acts as a cooling fluid inside our transformer equipment, mounted on utility poles. These spills are the result of transformer overloads – an equipment failure that sometimes occurs within electrical systems.

The pilot program used specialized software to analyze a small portion of our electrical system and, from our analysis, 142 transformers classified as overloaded were fixed or replaced.

As a result, oil spills in the test area were reduced by 53 percent. If implemented across our system, this project has the potential to prevent 270 spills annually.

We've allocated additional funding toward this project in the coming years to address another 100 overloaded transformers.

### PCB Waste Reduction

PCBs (polychlorinated biphenyls) were used for decades by electrical utilities as a fire retardant in the insulating oil in electrical equipment.

In keeping with its long tradition of going beyond environmental compliance regulations, Detroit Edison ceased purchasing any new PCB-containing equipment in

### Manufactured Gas Plant Site Cleanup

Before the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. Some of these sites, called manufactured gas plant (MGP) sites, have been contaminated with chemicals used to produce this gas.

MichCon, DTE Energy's natural gas utility, currently owns or has previously owned 15 former MGP sites. Investigations have revealed contamination related to the by-products of gas manufacturing at each site.

In addition to the MGP sites, DTE Energy is also in the process of cleaning other contaminated sites, including the area surrounding an ash landfill and several underground and above-ground storage tank locations.

In compliance with federal and state regulations, we are committed to correcting this contamination. We've allocated funds toward cleanup and the remediation of this contamination is ongoing.

1976, before the passage of a law defining this substance as “toxic.” We also removed all PCB-containing equipment from public access areas in July of 1984 – four years ahead of the federal deadline.

We’ll continue phasing out PCB-containing equipment by retiring or replacing affected equipment as part of our participation in a voluntary EPA program.

During 2006, we disposed of the following PCB-contaminated material:

- 72 pieces of oil-filled electrical equipment
- 405,525 pounds of solids – most from oil spill cleanup
- 799,532 pounds of PCB-contaminated liquids

### Southwest Detroit Site Cleanup

From 1913 to 1945, MichCon used a parcel of land, located in southwest Detroit, as a manufactured gas site.

After MichCon sold the site in 1945, it was used for charcoal production, blending of various hydrocarbon liquids, and scrap metal storage and processing. In 1995, the state of Michigan became owner of the parcel of land. In 1997, the site was purchased by the city of Detroit for potential redevelopment under the Brownfield Redevelopment Program.

As part of that process, MichCon removed and/or remediated environmentally hazardous material including more than 30 leaking drums and barrels, vehicle gas tanks, piles of asphalt shingles, containers of roofing compounds, abandoned vehicles and at least 200 old tires.

More than 2,400 tons of concrete, 34,000 tons of soil, and 76,500 pounds of scrap metal (which was recycled) was removed.

Today, the site is part of a Detroit Renaissance Zone and is targeted for urban redevelopment.



*Claire Jennings, environmental compliance specialist, examines air samples at the Monroe Power Plant.*

### Water Use at Our Power Plants

DTE Energy’s electric power plants use water to create steam that produces electricity and also for cooling equipment. Our power plants use water, but do not consume it.

On average, Detroit Edison’s power plants used 3.78 billion gallons of water per day in 2006. Most of our plants withdraw the water for use and then return it immediately to the Michigan rivers and lakes from which it was drawn.

Two of our plants use closed-cycle cooling, which reduces the heat in the water and recycles it back into the plant thereby decreasing total water used. This type of cooling reduces water use. About 16 percent of our generating capacity comes from closed-cycle cooling.

The use of water in power plants can adversely affect aquatic systems and organisms. Water use and discharge at our plants is governed by the Clean Water Act.



*In 2010, we will begin storing spent fuel in extremely secure containers onsite at our Fermi 2 nuclear plant.*

The Environmental Protection Agency (EPA) is currently conducting a study of our industry's wastewater discharges for the purpose of assessing whether or not to revise its existing guidelines on water protection. The EPA is collecting samples at six coal-fired facilities and has administered a questionnaire to nine other utility companies. This information will contribute to the EPA's decision on whether or not to revise its wastewater guidelines. The future of these regulations is uncertain.

The future of EPA regulations governing the location, design, construction and capacity of cooling-water intake structures is also uncertain. Current EPA rules say that these structures must reflect the best technology available for minimizing adverse environmental impact. Recently, courts have struck down large portions of this rule, and at least one state is reconsidering its criteria for water cooling. This leaves other utilities, like Detroit Edison, facing increased scrutiny on water cooling issues.

### **Nuclear Waste**

Through our electric utility subsidiary, Detroit Edison, DTE Energy operates the Fermi 2 Nuclear Power Plant, located near Monroe, Mich.

All spent fuel produced by Fermi 2 is stored in a spent-fuel pool which is located on the site of the plant. In late 2010, the plant's original spent-fuel pool will no longer have the capacity to hold a full fuel load from the reactor, should that become necessary.

To provide a more permanent solution for spent-fuel storage, DTE Energy supports the Department of Energy's recommendation that the Nevada-based Yucca Mountain site be developed as the federal deep geologic nuclear waste disposal facility. The site has been studied exhaustively for 20 years and those studies show that Yucca Mountain is a suitable site for construction of the nuclear waste management facility. To date, Detroit Edison customers have paid more than \$110 million to the federal government to fund construction and operation of a long-term disposal facility. The proposal is currently stalled in Congress.

1,035,100 pounds  
of office paper was recycled in 2007. This  
is an 18 percent increase over 2004

Our plans for the future involve continuing to rely on dry storage until a more permanent nationwide solution is reached.

We are constructing a dry storage facility at the site of our Fermi 2 plant. This system will allow used fuel to be removed from the spent-fuel pool and stored in a massive steel and concrete storage system in a secure area at the plant site, beginning in 2010.

The storage system will feature 20-foot cylindrical containers constructed of carbon steel and concrete, with walls that are more than two feet thick. Spent fuel will be loaded into smaller cylinders made of stainless steel and permanently sealed and stored in the concrete containers. This system has been designed and tested to prevent the release of radioactivity even in earthquakes, tornados, hurricanes, floods and sabotage.

The cost of the spent-fuel storage project is approximately \$62.5 million, including the costs for loading fuel into the first 12 storage containers.

The spent-fuel storage facility will not increase radiation levels beyond the plant site boundaries, where levels are within the normal range for natural background radiation.

## Reuse and Recycling

In 2007, we expanded our long-running recycling program to include all colors and types of paper, magazines, phonebooks, cardboard, and plastic bottles and cans. The project is continuing successfully and 42 separate locations are participating in this program.

We recycled 1,035,100 pounds of office paper, an 18 percent increase over 2004. Paper recycling conserves renewable and nonrenewable resources, prevents

pollution and is good for the environment. In 2006, our paper recycling program saved approximately:

- 3,647 trees
- 241,223 gallons of oil
- 3,622,513 gallons of water
- 305,827 pounds of air pollution
- 1,594 cubic yards of landfill space
- 2,124,117 kilowatt hours of energy.

We are also focusing on recycling from an industrial perspective.

Our recent efforts to embrace this commitment include:

- Finding a new use for the old bricks from the lining of the stack at our River Rouge Power Plant. The power plant replaced the lining of its stack last year and, instead of disposing of 1.5 million pounds of bricks, used them to create a base for our coal pile.
- Recycling more than 55 million pounds of concrete created by two demolition projects in 2006.
- Collecting and selling more than 17 million pounds of scrap steel, thanks to the efforts of our Investment Recovery organization. Breaking down and salvaging old materials is part of its core mission. From telephones to transformers, this group finds new life for old materials, reducing the amount of plastics and contaminants that would otherwise be headed for landfills.

The amount of equipment and products we recycle or reuse is increasing yearly.

Additionally, the new food court in our downtown Detroit headquarters building uses food containers that are 100 percent recyclable and recycling stations within the space are highly visible.

This serves as a gentle, but constant reminder to our employees that our commitment to environmental stewardship is a vital part of who we are.

Material	Amount Recycled or Reused				
	2006	2005	2004	2003	2002
Paper (lbs)	1,035,100	1,043,328	846,683	812,100	993,310
Cardboard (lbs)	477,210	416,653	76,560	170,175	141,167
Metal (lbs)	11,548,884	17,129,769	11,695,745	9,836,066	8,548,833
Ash (lbs)	226,000,000	320,300,000	394,559,300	480,626,860	–
Porcelain (lbs)	467,320	497,088	–	785,320	–
Meters (lbs)	322,986	450,860	590,012	134,045	317,270
Batteries (lbs)	21,085	40,805	43,552	–	–
Bulbs (lbs)	104,769	65,086	55,095	30,780	–
Used Oil (lbs, energy recovery)	4,435,582	2,302,916	3,915,744	–	–
Wood (reels, poles, pallets)	2,790,627	221,425	382,660	210,275	443,000

## Deconstruction

DTE Energy is quickly becoming a leader in the field of “deconstruction.”

Deconstruction is similar to demolition, however, this new and innovative process focuses on reuse and recycling of materials.

Our first deconstruction project focused on a now-defunct 20,000 square-foot-office and warehouse space in New Hudson, Mich.

As a result of the deconstruction process, we reused or recycled nearly 100 percent of the materials from the building. More than 600 pounds of material was sent to a waste-to-energy recovery center. The only waste sent to the landfill from this entire project was the asbestos.

The process eliminated our challenges concerning dust control and produced a totally “clean” site ready for sale and redevelopment.

We are now incorporating deconstruction into our demolition bidding process and have been contacted by other local corporations interested in learning from our experience.

## Reducing Emissions

### Use of Biodiesel

DTE Energy has been involved in the use of alternative fuel vehicles since 1995, when MichCon launched its first compressed natural gas fueling station in Gaylord, Mich. Now, biodiesel will join our alternative-fuel mix.

Biodiesel is simple to use, biodegradable, and nontoxic. It’s the best greenhouse gas mitigation strategy for today’s medium and heavy-duty vehicles and it’s helping us move toward a “green” fleet.

Biodiesel is a clean-burning alternative fuel produced from domestic, renewable resources. It contains no petroleum, but can be blended at any level with petroleum diesel to create a biodiesel blend. This can be used in diesel engines with no major engine or fuel-system modifications required.

We are integrating biodiesel into our fleet gradually, starting in March 2008, with a blend of fuel of which 5 percent will come from renewable resources. The remaining 95 percent will be petroleum based.

Ultimately, 20 percent of the renewable portion will come from biodiesel. This is fairly standard for our industry. About 665 diesel-fueled vehicles will be converted by 2011.

## Biodiesel in Power Generation

We're currently investigating the use of biodiesel fuel in our power plants. We are considering the risks and challenges involved in several areas:

- The use of biodiesel fuel for igniting the boilers at our power plants has the fewest technical challenges, but poses the greatest risk
- Use of biodiesel for mobile equipment (bulldozers, scrapers, etc.) has great technical challenges, but less risk associated with storage or equipment availability

To explore these options, we've scheduled a pilot project to confirm how the use of biodiesel will affect the operation and reliability of our power plants.

## Vehicle Idling Restrictions

Sometimes environmental stewardship is as easy as turning a key.

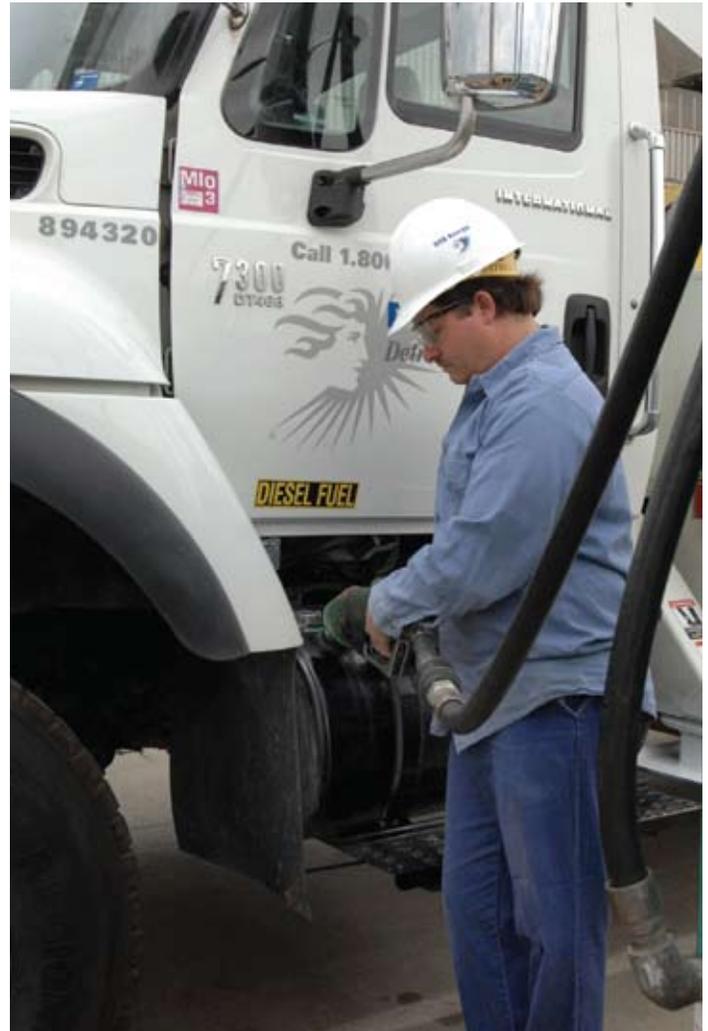
Early in 2007, DTE Energy employees concerned about wasting resources and increasing emissions, suggested placing an idling restriction on company-owned fleet vehicles.

Our employees rightly suggested that emissions from idling vehicles are needless and can be easily prevented.

In March of the same year, the policy went into effect. Idling time for company vehicles is now limited to five minutes, unless work is in progress or employee safety is compromised.

As a result of the new policy, we expect to reduce:

- Nitrogen oxide emissions by 1,538 pounds per year
- Particulate matter emissions by 440 pounds per year
- Carbon monoxide emissions by 10,256 pounds per year
- Hydrocarbon emissions by 2,747 pounds per year



*Automotive mechanic Billy Ferguson tops off a bucket truck during morning fueling. This vehicle will be among hundreds slated to use a new biodiesel fuel blend.*

# 20 million trees

were planted in Michigan by  
DTE Energy since 1995

## Environmental Stewardship

DTE Energy's drive to build a sustainable corporation begins – and ends – with a deep commitment to care for the environment around us.

The tangible results of that commitment include our responsible use of company land, the activities of our employee Green Team environmental volunteers, and our support for community-based environmental efforts and organizations.

Blending our facilities into their surroundings and restoring local vegetation are just two ways we minimize our impact.



*DTE Energy employees and Green Team members (left to right) Cynthia Smith, Roberta Urbani and Sara Van Buren plant flowers at a community park in River Rouge, Mich.*

We are one of the largest landowners in Michigan. Much of our property remains in a natural state as a transition zone between our operations and the public, and is managed to provide wildlife habitat. A member of the Wildlife Habitat Council (WHC) since 1995, 12 facilities, including eight power plants, currently are certified as wildlife sites, and we are working to attain WHC certification at many other facilities. Employees at DTE Energy facilities devote time and attention to such activities as wetlands restoration, prairie installation, and planting native flowers, grasses, shrubs and trees to attract and provide habitat for a variety of wildlife. They work as teams to implement the projects and observe and document the results.

In addition to the Wildlife Habitat Council, we work with many environmental partners at our facilities and in the communities we serve. The Fermi 2 Power Plant, one of four facilities we own within the Detroit River International Wildlife Refuge, has a cooperative agreement with the US Fish and Wildlife Service, allowing the agency to manage habitat on 656 acres of plant property. A group of students from a local high school helped create a Common Tern nesting habitat at our River Rouge Power Plant, and we are working with The Nature Conservancy to create habitat for the endangered Karner Blue butterfly at our Taggart Compressor Station near Grand Rapids, Mich.

Birds find our facilities especially important as stopover sites during migration or as year-round habitat. We support many avian programs including the annual Southeast Michigan Raptor Research Hawk Count, the Michigan Department of Natural Resources' annual January Bald Eagle count, and the National Audubon Society's Great Backyard Bird Count. We have participated in the Erie Shores Birding Association's annual Christmas Bird Count at the Monroe Power Plant since the 1970s.

Funding for environmental programs and projects is provided both by the company and the DTE Energy Foundation. Our annual support for the National Cherry Festival in Traverse City, Mich. includes partnering with a Northern Michigan-based green organization and showcasing its work through an environmentally-themed float in the DTE Energy Cherry Royale Parade.

We are significant contributors to the Michigan Natural Resources Trust Fund. The purpose of the fund is to help purchase land for recreational use, improve public access to waterways, develop outdoor recreation in urban areas and stimulate tourism. Our partnership with the Natural Resources Trust Fund proves that gas exploration and production can exist in harmony with the environment.

We also support environmental education through teacher programs and grants, and through hands-on participation by employees at water festivals, Earth Day events and by hosting school groups at our facilities as outdoor classrooms. We put our muscles where our dollars are when Green Team members participate in shoreline restoration efforts, clean up beaches, forests and greenway trails, build wildlife observation platforms, and plant trees with our neighbors.

Since 1998, the DTE Energy Foundation Tree Planting Grant Program, administered by the Michigan Department of Natural Resources, has provided more than \$640,000 to 139 Michigan communities. Our company has planted more than 20 million trees in Michigan since 1995, when DTE Energy was one of the first utilities to sign onto the U.S. Department of Energy's Climate Challenge Program. We are also active participants in reforestation projects in Belize, Central America and the lower Mississippi River valley in the United States.

In one of our many initiatives to support environmental and wildlife research, our Monroe Power Plant provided coal cinders for an award-winning lake sturgeon spawning habitat project in the Detroit River. Our concern for the environment also means we endeavor to protect Michigan's native species, while combating exotic or invasive species, such as zebra mussels, purple loosestrife and the emerald ash borer.



*As part of our commitment to environmental stewardship DTE Energy apprentice lineman installed a Great Blue Heron rookery at Lyon Oaks Metropark. Pictured (left to right) are Digger Operator Cary Van Elzenga and apprentice linemen Jeffrey O'Kroy, Brian Nulph and Michael Cebula.*

DTE Energy believes energy production and minimizing the impact of that activity on the environment need not be mutually exclusive. We believe sustainability means finding ways to meet the energy needs of today and tomorrow without sacrificing the needs of future generations.

# Goals

Because we take our commitment to corporate responsibility seriously, we've established a series of corporate responsibility goals we're working to meet over the next two years.

In some cases, these goals may take longer to achieve, so we've listed alternate timeframes when necessary.

Because corporate responsibility will continue to be a large part of who we are, we've also outlined our accomplishments in each of the areas.

## Climate Change Goals

**Goal** Reduce the Carbon Dioxide intensity of electricity generation by 3 percent to 5 percent from the average of 2000-2002 levels by 2012.

**Progress** Since 1996, we have achieved a steady decline in CO<sub>2</sub> emissions per megawatthour for both fossil fuel generation and our total system generation, and our net carbon emissions today are near 1990 levels, including the impact of landfill gas recovery and biological sequestration (tree planting) our net emissions are 10 percent below 1990 levels.

also continuing to support the efforts of DTE Biomass Energy to convert methane emitted from decomposing trash or waste wood into electricity at landfill recovery sites nationwide.

We have planted more than 20 million trees in the state of Michigan since 1995. In addition, we have invested almost \$8 million in forest carbon sequestration projects, including a new partnership with the Shiawassee National Wildlife Refuge near Saginaw, Mich. These projects have the potential to offset more than 11 million tons of carbon dioxide.

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**Goal** Slow the growth of greenhouse gas emissions and support research efforts in the areas of carbon capture and storage and advanced energy technology by concentration of our actions in the following areas:

- Nuclear energy usage
- Energy efficiency projects
- Landfill methane recovery projects
- Forest carbon sequestration

**Progress** We are a leading advocate of the use of nuclear energy as a domestically-available emission-free energy source. We are also involved in tree planting projects in the lower Mississippi River valley with Power Tree Carbon Company. We are

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**Goal** Continue to seek opportunities to minimize waste and explore opportunities for pollution prevention across the enterprise.

**Progress** We are working to adopt an environmental policy that is expected to drive and support pollution prevention efforts. These include the transition of our fleet to include flexfuels and hybrids, expanding our recycling program at our downtown headquarters and proactively replacing malfunctioning transformers to avoid oil spills.

## Community Goals

**Goal** Strengthen local nonprofit organizations and help position exemplary organizations for enhanced success.

**Progress** In 2008, the DTE Energy Foundation will once again award Achieving Excellence grants up to a total of \$400,000 to Michigan exemplary nonprofit organizations. The purpose of this grant program is to award philanthropic organizations who have successfully tackled tough management issues.

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**Goal** Increase student success and address the workforce needs of the energy industry.

**Progress** We continue Energy and Our World mini grants, given to teachers involved in energy and science-related projects.

We are partnering with organizations that demonstrate excellence in enhancing children's interest and performance in math, science and engineering technology.

We are developing partnerships with schools and other educational organizations specializing in math and science education.

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**Goal** Protect the Great Lakes ecosystem and have a significant impact on carbon sequestration, land preservation and brownfield redevelopment.

**Progress** We are maintain emphasis on programs dedicated to facilitating brownfield redevelopment such as the Wayne County EPA Brownfield Training Program.

We are expanding teacher knowledge enhancement programs like the Great Lakes Freshwater Institute, which helps teachers explore ways to use freshwater studies and offers students the opportunity to experience a sense of how freshwater science influences students' lives.

We continue to fund projects that improve air, water and land quality.

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**Goal** Be a catalyst to create healthy neighborhoods and communities.

**Progress** We continue corporate support of Habitat for Humanity and the Detroit Economic Growth Corporation, both groups that work to create more vital communities and stronger neighborhoods.

We provide funding for costs associated with the redevelopment of vacant, blighted, and under-used properties for commercial properties.

## Workforce Goals

**Goal** Actively recruit, develop and retain diverse talent through rigorous workforce and talent planning efforts.

**Progress** We've developed a competency-based performance management system that describes the skills and behaviors that employees are expected to demonstrate.

Also, we are focusing on cultivating relationships with colleges and universities that will build a high quality and diverse workforce.

We engage in community outreach efforts aimed at building relationships through participation in local job fairs, and through visits to local high schools, technical schools and community-based support programs.

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**Goal** Develop knowledge transfer and retention tools to ensure we are maintaining our intellectual capital.

**Progress** We are moving forward on the development of a standardized knowledge transfer process that can be applied at various levels and in various settings as long-term employees retire from the organization.

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**Goal** Provide employee and leadership training and development programs.

**Progress** We continue to offer a broad array of internal employee training programs and external educational opportunities (with tuition reimbursement) at local colleges and universities.

**Goal** Offer comprehensive wellness programs, including health information, preventive health services and health-risk management strategies to provide our employees with the resources they need to lead healthier lifestyles at work and at home.

**Progress** We are continuing support and development of our Energize Your Life wellness program, a comprehensive program that provides employees with free preventive health services, health-risk management and disease management strategies.

## Safety Goals

**Goal** To focus on increasing hazard recognition and on the proactive behaviors that help prevent injuries. Strive to improve learning from one another.

**Progress** We continue to increase effectiveness of prejob briefings by making sure they are held and ensuring they focus on hazards and procedures compliance. Through the distribution of safety materials, we will drive engagement and empowerment of our workforce to confront and correct unsafe conditions or acts.

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**Goal** Continue to reduce our incident rate and increase our potential for sustaining long-term improvement.

**Progress** We are continuing to improve job procedures, safety programs and training. In order to drive zero tolerance and strict regulatory compliance throughout the enterprise. We are exploring and implementing strong leading indicator measurement and rewarding quality accomplishment.

**Goal** Continually learn from incidents by sharing lessons learned.

**Progress** We are achieving this through a rigid communication structure now in place. This structure facilitates quick delivery of safety-related information to all of our business units. Significant incidents are reviewed by senior management to raise awareness and to drive change throughout the organization. We also promote the reporting of near misses without disciplinary action to increase learning before a potential injury occurs.

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**Goal** Improve outreach and support of our safety regulators by improved communications and understanding.

**Progress** We continue to tighten the link between the regulators by partnering with them on federal and state programs. We are working on achieving OSHA Voluntary Protection Program or Michigan Voluntary Protection Program status at all of our facilities to prove we're serious about safety with our employees, the community and the safety regulators.

## Public Policy Goals

**Goal** Work with lawmakers and regulators to facilitate energy market and regulatory reform that allows us to continue to provide our customers with reliable and affordable energy now and in the future.

**Progress** The Michigan Legislature is considering a package of bills to create and implement a comprehensive energy plan. A key element of the plan is a proposal to reform Michigan's Electric Choice Program. Other bills in the package would potentially establish a new process for reviewing and approving the construction of new baseload power plants, establishing true cost of service rates across all customer classes, streamlining the rate case process, encouraging the development of renewable energy resources and pursuing an aggressive statewide energy efficiency program.

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**Goal** Pursue public policy that will reduce commodity costs for the company's natural gas customers.

**Progress** The company continues to pursue policies in Congress to open areas currently closed to environmentally responsible natural gas exploration and production activities. These areas include federal lands in the inter-mountain West and the Outer Continental Shelf.

**Goal** Pursue public policy that will provide adequate resources and sustainable funding solutions for customers unable to pay their energy bills.

**Progress** Efforts are ongoing at state and federal levels to increase the amount of resources available for energy assistance. Significant progress has been at the local level in the city of Detroit in a pilot program to connect customers with sources of help by opening customer outreach facilities in a number of high-profile churches. Also being explored is significant involvement in a neighborhood-based weatherization/energy efficiency program in the city of Detroit. If successful, the efforts may be expanded to other communities in our service area.

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**Goal** Facilitate the development of climate change legislation that allows us to uphold our commitments to both the environment and our stakeholders.

**Progress** The Michigan Legislature is aggressively pursuing measures to encourage renewable energy development and energy efficiency. DTE Energy continues to advocate for the inclusion of these policies in any statewide comprehensive energy plan.

PeopleEconomyEnvironment

**DTE Energy®**

