

DTE ENERGY CO
Form 10-K
March 07, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

**b ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2007
Commission file number 1-11607
DTE ENERGY COMPANY
(Exact name of registrant as specified in its charter)**

Michigan
(State or other jurisdiction of
incorporation or organization)

38-3217752
(I.R.S. Employer
Identification No.)

2000 2nd Avenue, Detroit, Michigan
(Address of principal executive offices)

48226-1279
(Zip Code)

313-235-4000

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, without par value, with contingent
preferred stock purchase rights
7.8% Trust Preferred Securities *
7.50% Trust Originated Preferred Securities**

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

* Issued by DTE
Energy Trust I.
DTE Energy
fully and
unconditionally
guarantees the
payments of all
amounts due on
these securities
to the extent
DTE Energy
Trust I has
funds available
for payment of

such
distributions.

** Issued by DTE
Energy Trust II.
DTE Energy
fully and
unconditionally
guarantees the
payments of all
amounts due on
these securities
to the extent
DTE Energy
Trust II has
funds available
for payment of
such
distributions.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

On June 29, 2007, the aggregate market value of the Registrant's voting and non-voting common equity held by non-affiliates was approximately \$8.2 billion (based on the New York Stock Exchange closing price on such date). There were 163,229,692 shares of common stock outstanding at January 31, 2008.

Certain information in DTE Energy Company's definitive Proxy Statement for its 2008 Annual Meeting of Common Shareholders to be held May 15, 2008, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the Registrant's fiscal year covered by this report on Form 10-K, is incorporated herein by reference to Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

**DTE Energy Company
Annual Report on Form 10-K
Year Ended December 31, 2007
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DEFINITIONS

Company	DTE Energy Company and any subsidiary companies
CTA	Costs to achieve, consisting of project management, consultant support and employee severance, related to the Performance Excellence Process
Customer Choice	Statewide initiatives giving customers in Michigan the option to choose alternative suppliers for electricity and gas.
Detroit Edison	The Detroit Edison Company (a direct wholly owned subsidiary of DTE Energy Company) and subsidiary companies
DTE Energy	DTE Energy Company, directly or indirectly the parent of Detroit Edison, MichCon and numerous non-utility subsidiaries
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GCR	A gas cost recovery mechanism authorized by the MPSC, permitting MichCon to pass the cost of natural gas to its customers.
ITC	International Transmission Company (until February 28, 2003, a wholly owned subsidiary of DTE Energy Company)
MDEQ	Michigan Department of Environmental Quality
MichCon	Michigan Consolidated Gas Company (an indirect wholly owned subsidiary of DTE Energy) and subsidiary companies
MISO	Midwest Independent System Operator, a Regional Transmission Organization
MPSC	Michigan Public Service Commission
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services and other operating related matters are not directly regulated by the MPSC or the FERC.
NRC	Nuclear Regulatory Commission
PSCR	A power supply cost recovery mechanism authorized by the MPSC that allows Detroit Edison to recover through rates its fuel, fuel-related and purchased power expenses.
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal

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Revenue Service.

Proved Reserves Estimated quantities of natural gas, natural gas liquids and crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions.

Securitization Detroit Edison financed specific stranded costs at lower interest rates through the sale of rate reduction bonds by a wholly-owned special purpose entity, the Detroit Edison Securitization Funding LLC.

SFAS Statement of Financial Accounting Standards

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Stranded Costs	Costs incurred by utilities in order to serve customers in a regulated environment that absent special regulatory approval would not otherwise be recoverable if customers switch to alternative energy suppliers.
Subsidiaries	The direct and indirect subsidiaries of DTE Energy Company
Synfuels	The fuel produced through a process involving chemically modifying and binding particles of coal. Synfuels are used for power generation and coke production. Synfuel production through December 31, 2007 generated production tax credits.
Unconventional Gas	Includes those oil and gas deposits that originated and are stored in coal bed, tight sandstone and shale formations.

Units of Measurement

Bcf	Billion cubic feet of gas
Bcfe	Conversion metric of natural gas, the ratio of 6 Mcf of gas to 1 barrel of oil.
GWh	Gigawatthour of electricity
kWh	Kilowatthour of electricity
Mcf	Thousand cubic feet of gas
MMcf	Million cubic feet of gas
MW	Megawatt of electricity
MWh	Megawatthour of electricity

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Forward-Looking Statements

Certain information presented herein includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve certain risks and uncertainties that may cause actual future results to differ materially from those presently contemplated, projected, estimated or budgeted. Many factors may impact forward-looking statements including, but not limited to, the following:

the higher price of oil and its impact on the value of production tax credits or the potential requirement to refund proceeds received from synfuel partners;

the uncertainties of successful exploration of gas shale resources and inability to estimate gas reserves with certainty;

the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;

economic climate and population growth or decline in the geographic areas where we do business;

environmental issues, laws, regulations, and the cost of remediation and compliance, including potential new federal and state requirements that could include carbon and more stringent mercury emission controls, a renewable portfolio standard and energy efficiency mandates;

nuclear regulations and operations associated with nuclear facilities;

impact of electric and gas utility restructuring in Michigan, including legislative amendments and Customer Choice programs;

employee relations and the impact of collective bargaining agreements;

unplanned outages;

access to capital markets and capital market conditions and the results of other financing efforts which can be affected by credit agency ratings;

the timing and extent of changes in interest rates;

the level of borrowings;

changes in the cost and availability of coal and other raw materials, purchased power and natural gas;

effects of competition;

impact of regulation by the FERC, MPSC, NRC and other applicable governmental proceedings and regulations, including any associated impact on rate structures;

contributions to earnings by non-utility subsidiaries;

changes in and application of federal, state and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings and audits;

the ability to recover costs through rate increases;

the availability, cost, coverage and terms of insurance;

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the cost of protecting assets against, or damage due to, terrorism;

changes in and application of accounting standards and financial reporting regulations;

changes in federal or state laws and their interpretation with respect to regulation, energy policy and other business issues;

amounts of uncollectible accounts receivable;

binding arbitration, litigation and related appeals;

changes in the economic and financial viability of our suppliers, customers and trading counterparties, and the continued ability of such parties to perform their obligations to the Company; and

timing, terms and proceeds from any asset sale or monetization.

New factors emerge from time to time. We cannot predict what factors may arise or how such factors may cause our results to differ materially from those contained in any forward-looking statement. Any forward-looking statements refer only as of the date on which such statements are made. We undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

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Part I

Items 1. and 2. Business and Properties

General

In 1995, DTE Energy incorporated in the State of Michigan. Our utility operations consist primarily of Detroit Edison and MichCon. We also have four non-utility segments that are engaged in a variety of energy related businesses. Detroit Edison is a Michigan corporation organized in 1903 and is a public utility subject to regulation by the MPSC and the FERC. Detroit Edison is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.2 million customers in southeastern Michigan.

MichCon is a Michigan corporation organized in 1898 and is a public utility subject to regulation by the MPSC. MichCon is engaged in the purchase, storage, transmission, distribution and sale of natural gas to approximately 1.3 million customers throughout Michigan.

Our four non-utility segments are involved in 1) coal transportation and marketing, gas pipelines processing and storage; 2) unconventional gas project development and production; 3) power and industrial projects; and 4) energy marketing and trading operations.

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and all amendments to such reports are available free of charge through the Investor Relations page of our website: www.dteenergy.com, as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (SEC). Our previously filed reports and statements are also available at the SEC's website: www.sec.gov.

The Company's Code of Ethics and Standards of Behavior, Board of Directors Mission and Guidelines, Board Committee Charters, and Categorical Standards of Director Independence are also posted on its website. The information on the Company's website is not part of this or any other report that the Company files with, or furnishes to, the SEC.

Additionally, the public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

References in this Report to we, us, our, Company or DTE are to DTE Energy and its subsidiaries, collectively.

Corporate Structure

Based on the following structure, we set strategic goals, allocate resources, and evaluate performance. See Note 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report for financial information by segment for the last three years.

Electric Utility

Consists of Detroit Edison, our electric utility whose operations include the power generation and electric distribution facilities that service approximately 2.2 million residential, commercial, industrial and wholesale customers throughout southeastern Michigan.

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Gas Utility

Consists of the gas distribution services provided by MichCon, a gas utility that purchases, stores, transports and distributes natural gas throughout Michigan to approximately 1.3 million residential, commercial and industrial customers, and Citizens Gas Fuel Company (Citizens), a gas utility that distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

Non-Utility Operations

Coal and Gas Midstream, primarily consisting of coal transportation and marketing, and gas pipelines, processing and storage;

Unconventional Gas Production, primarily consisting of unconventional gas project development and production;

Power and Industrial Projects, primarily consisting of on-site energy services, steel-related projects and power generation with services; and

Energy Trading, primarily consisting of energy marketing and trading operations.

Corporate & Other, primarily consisting of corporate staff functions that are fully allocated to the various segments based on services utilized. Additionally, Corporate & Other holds certain non-utility debt and energy-related investments.

The Synthetic Fuel business had been shown as a non-utility segment through the third quarter of 2007. Due to the expiration of synfuel production tax credits at the end of 2007, the Synthetic Fuel business ceased operations and has been classified as a discontinued operation as of December 31, 2007.

Refer to our Management's Discussion and Analysis in Item 7 of this Report for an in-depth analysis of each segment's financial results. A description of each business unit follows.

ELECTRIC UTILITY

Description

Our Electric Utility segment consists of Detroit Edison. Our generating plants are regulated by numerous federal and state governmental agencies, including, but not limited to, the MPSC, the FERC, the NRC, the EPA and the MDEQ. Electricity is generated from our several fossil plants, a hydroelectric pumped storage plant and a nuclear plant, and is purchased from electricity generators, suppliers and wholesalers.

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The electricity we produce and purchase is sold to four major classes of customers: residential, commercial, industrial, and wholesale, principally throughout Michigan.

Revenue by Service

(in Millions)	2007	2006	2005
Residential	\$ 1,739	\$ 1,671	\$ 1,517
Commercial	1,723	1,603	1,331
Industrial	854	835	697
Wholesale	125	109	73
Other	259	350	464
Subtotal	4,700	4,568	4,082
Interconnection sales (1)	200	169	380
Total Revenue	\$ 4,900	\$ 4,737	\$ 4,462

(1) Represents power that is not distributed by Detroit Edison.

Weather, economic factors, competition and electricity prices affect sales levels to customers. Our peak load and highest total system sales generally occur during the third quarter of the year, driven by air conditioning and other cooling-related demands.

We occasionally experience various types of storms that damage our electric distribution infrastructure resulting in power outages. Restoration and other costs associated with storm-related power outages can negatively impact earnings.

Our operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on Detroit Edison.

Fuel Supply and Purchased Power

Our power is generated from a variety of fuels and is supplemented with purchased power. We expect to have an adequate supply of fuel and purchased power to meet our obligation to serve customers. Our generating capability is heavily dependent upon the availability of coal. Coal is purchased from various sources in different geographic areas under agreements that vary in both pricing and terms. We expect to obtain the majority of our coal requirements through long-term contracts, with the balance to be obtained through short-term agreements and spot purchases. We have four long-term and eight short-term contracts for a total purchase of approximately 25.7 million tons of low-sulfur western coal to be delivered from 2008 through 2010. We also have 12 contracts for the purchase of approximately 10.3 million tons of Appalachian coal to be delivered from 2008 through 2010. All of these contracts have fixed prices. We have approximately 90% of our 2008 expected coal requirements under contract. Given the geographic diversity of supply, we believe we can meet our expected generation requirements. We lease a fleet of rail cars and have long-term transportation contracts with companies to provide rail and vessel services for delivery of purchased coal to our generating facilities.

Detroit Edison participates in the energy market through MISO. We offer our generation in the market on a day-ahead and real-time basis and bid for power in the market to serve our load. We are a net purchaser of power that supplements our generation capability to meet customer demand during peak cycles.

Table of Contents**Properties**

Detroit Edison owns generating plants and facilities that are located in the State of Michigan. Substantially all of our property is subject to the lien of a mortgage.

Generating plants owned and in service as of December 31, 2007 are as follows:

Plant Name	Location	Summer Net		Year in Service
	by Michigan County	Rated Capability (1)	(2)	
		(MW)	(%)	
Fossil-fueled Steam-Electric				
Belle River (3)	St. Clair	1,026	9.3	1984 and 1985
Connors Creek	Wayne	230	2.1	1951
Greenwood	St. Clair	785	7.1	1979
Harbor Beach	Huron	103	0.9	1968
Monroe (4)	Monroe	3,115	28.3	1971, 1973 and 1974
River Rouge	Wayne	523	4.8	1957 and 1958
St. Clair	St. Clair	1,368	12.4	1953, 1954, 1959, 1961 and 1969
Trenton Channel	Wayne	730	6.6	1949 and 1968
		7,880	71.5	
Oil or Gas-fueled Peaking Units	Various	1,101	10.0	1966-1971, 1981 and 1999
Nuclear-fueled Steam-Electric Fermi 2 (5)	Monroe	1,122	10.2	1988
Hydroelectric Pumped Storage Ludington (6)	Mason	917	8.3	1973
		11,020	100.0	

(1) Summer net rated capabilities of generating plants in service are based on periodic load tests and are changed depending on operating experience, the physical condition of units, environmental control limitations and customer

requirements for steam, which otherwise would be used for electric generation.

- (2) Excludes one oil-fueled unit, St. Clair Unit No. 5 (250 MW), and one coal-fired unit, Marysville (84 MW), in cold standby status.
- (3) The Belle River capability represents Detroit Edison's entitlement to 81.39% of the capacity and energy of the plant. See Note 7 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.
- (4) The Monroe Power Plant provided 39% of Detroit Edison's total 2007 power plant generation.
- (5) Fermi 2 has a design electrical rating (net) of 1,150 MW.
- (6) Represents Detroit Edison's 49% interest in

Ludington with a total capability of 1,872 MW. See Note 7 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

Detroit Edison owns and operates 678 distribution substations with a capacity of approximately 33,376,000 kilovolt-amperes (kVA) and approximately 427,100 line transformers with a capacity of approximately 26,280,000 kVA.

Circuit miles of distribution lines owned and in service as of December 31, 2007 are as follows:

Electric Distribution

Operating Voltage-Kilovolts (kV)	Circuit Miles	
	Overhead	Underground
4.8 kV to 13.2 kV	28,202	13,985
24 kV	99	690
40 kV	2,324	335
120 kV	72	13
	30,697	15,023

There are numerous interconnections that allow the interchange of electricity between Detroit Edison and electricity providers external to our service area. These interconnections are generally owned and operated by ITC Transmission and connect to neighboring energy companies.

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Regulation

Detroit Edison's business is subject to the regulatory jurisdiction of various agencies, including, but not limited to, the MPSC, the FERC and the NRC. The MPSC issues orders pertaining to rates, recovery of certain costs, including the costs of generating facilities and regulatory assets, conditions of service, accounting and operating-related matters. Detroit Edison's MPSC-approved rates charged to customers have historically been designed to allow for the recovery of costs, plus an authorized rate of return on our investments. The FERC regulates Detroit Edison with respect to financing authorization and wholesale electric activities. The NRC has regulatory jurisdiction over all phases of the operation, construction, licensing and decommissioning of Detroit Edison's nuclear plant operations. We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Note 5 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Energy Assistance Programs

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to Detroit Edison's ability to control its uncollectible accounts receivable and collections expenses. Detroit Edison's uncollectible accounts receivable expense is directly affected by the level of government-funded assistance its qualifying customers receive. We work continuously with the State of Michigan and others to determine whether the share of funding allocated to our customers is representative of the number of low-income individuals in our service territory.

Strategy and Competition

We strive to be the preferred supplier of electrical generation in southeast Michigan. We can accomplish this goal by working with our customers, communities and regulatory agencies to be a reliable, low-cost supplier of electricity. To ensure generation reliability, we continue to invest in our generating plants, which will improve both plant availability and operating efficiencies. We also are making capital investments in areas that have a positive impact on reliability and environmental compliance with the goal of high customer satisfaction.

Our distribution operations focus on improving reliability, restoration time and the quality of customer service. We seek to lower our operating costs by improving operating efficiencies. Revenues from year to year will vary due to weather conditions, economic factors, regulatory events and other risk factors as discussed in the "Risk Factors" in Item 1A. of this Report.

The electric Customer Choice program in Michigan allows all of our electric customers to purchase their electricity from alternative electric suppliers of generation services. Customers choosing to purchase power from alternative electric suppliers represented approximately 4% of retail sales in 2007, 6% in 2006 and 12% of such sales in 2005. Customers participating in the electric Customer Choice program consist primarily of industrial and commercial customers whose MPSC-authorized full service rates exceed their cost of service. Customers who elect to purchase their electricity from alternative electric suppliers by participating in the electric Customer Choice program have an unfavorable effect on our financial performance. When market conditions are favorable, we sell power into the wholesale market, in order to lower costs to full-service customers.

Competition in the regulated electric distribution business is primarily from the on-site generation of industrial customers and from distributed generation applications by industrial and commercial customers. We do not expect significant competition for distribution to any group of customers in the near term.

Table of Contents**GAS UTILITY****Description**

Our Gas Utility segment consists of MichCon and Citizens.

Revenue is generated by providing the following major classes of service: gas sales, end user transportation, intermediate transportation, and gas storage.

Revenue by Service

(in Millions)	2007	2006	2005
Gas sales	\$ 1,536	\$ 1,541	\$ 1,860
End user transportation	140	135	134
Intermediate transportation	59	69	58
Storage and other	140	104	86
Total Revenue	\$ 1,875	\$ 1,849	\$ 2,138

Gas sales Includes the sale and delivery of natural gas primarily to residential and small-volume commercial and industrial customers.

End user transportation Gas delivery service provided primarily to large-volume commercial and industrial customers. Additionally, the service is provided to residential customers, and small-volume commercial and industrial customers who have elected to participate in our Customer Choice program. End user transportation customers purchase natural gas directly from producers or brokers and utilize our pipeline network to transport the gas to their facilities or homes.

Intermediate transportation Gas delivery service provided to producers, brokers and other gas companies that own the natural gas, but are not the ultimate consumers. Intermediate transportation customers utilize our gathering and high-pressure transmission system to transport the gas to storage fields, processing plants, pipeline interconnections or other locations.

Storage and other Includes revenues from gas storage, providing appliance maintenance, facility development and other energy-related services.

Our gas sales, end user transportation and intermediate transportation volumes, revenues and net income are impacted by weather. Given the seasonal nature of our business, revenues and net income are concentrated in the first and fourth quarters of the calendar year. By the end of the first quarter, the heating season is largely over, and we typically realize substantially reduced revenues and earnings in the second quarter and losses in the third quarter.

Our operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on our Gas Utility segment.

Natural Gas Supply

Our gas distribution system has a planned maximum daily send-out capacity of 2.8 Bcf, with approximately 72% of the volume coming from underground storage for 2007. Peak-use requirements are met through utilization of our storage facilities, pipeline transportation capacity, and purchased gas supplies. Because of our geographic diversity of supply and our pipeline transportation and storage capacity, we are able to reliably meet our supply requirements. We believe natural gas supply and pipeline capacity will be sufficiently available to meet market demands in the foreseeable future.

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We purchase natural gas supplies in the open market by contracting with producers and marketers, and we maintain a diversified portfolio of natural gas supply contracts. Supplier, producing region, quantity, and available transportation diversify our natural gas supply base. We obtain our natural gas supply from various sources in different geographic areas (Gulf Coast, Mid-Continent, Canada and Michigan) under agreements that vary in both pricing and terms. Gas supply pricing is generally tied to NYMEX and published price indices to approximate current market prices.

Properties

We own distribution, transmission and storage properties that are located in the State of Michigan. Our distribution system includes approximately 19,000 miles of distribution mains, approximately 1,193,000 service lines and approximately 1,316,000 active meters. We own approximately 2,400 miles of transmission lines that deliver natural gas to the distribution districts and interconnect our storage fields with the sources of supply and the market areas. We own properties relating to four underground natural gas storage fields with an aggregate working gas storage capacity of approximately 129 Bcf. These facilities are important in providing reliable and cost-effective service to our customers. In addition, we sell storage services to third parties. Most of our distribution and transmission property is located on property owned by others and used by us through easements, permits or licenses. Substantially all of our property is subject to the lien of a mortgage.

We are directly connected to interstate pipelines, providing access to most of the major natural gas producing regions in the Gulf Coast, Mid-Continent and Canadian regions.

Our primary long-term transportation contracts are as follows:

	Availability (MMcf/d)	Contract expiration
Panhandle Eastern Pipeline Company	75	2009
Trunkline Gas Company	10	2009
Viking Gas Transmission Company	51	2010
TransCanada PipeLines Limited	53	2010
Great Lakes Gas Transmission L.P.	30	2011
ANR Pipeline Company	245	2011
Vector Pipeline L.P.	50	2012

We own 831 miles of transportation and gathering pipelines in the northern lower peninsula of Michigan. We lease a portion of our pipeline system to the Vector Pipeline Partnership (an affiliate) through a capital lease arrangement. See Note 14 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Regulation

We are subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of regulatory assets, conditions of service, accounting and other operating-related matters.

We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Note 5 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

Energy Assistance Program

Energy assistance programs, funded by the federal government and the State of Michigan, remain critical to MichCon's ability to control its uncollectible accounts receivable and collections expenses. MichCon's uncollectible accounts receivable expense is directly affected by the level of government-funded

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assistance its qualifying customers receive. We work continuously with the State of Michigan and others to determine whether the share of funding allocated to our customers is representative of the number of low-income individuals in our service territory.

Strategy and Competition

Our strategy is to be the preferred provider of natural gas in Michigan. As a result of more efficient furnaces and appliances, and customer conservation due to high natural gas prices, we expect future sales volumes to remain at current levels or slightly decline. We continue to provide energy-related services that capitalize on our expertise, capabilities and efficient systems. We continue to focus on lowering our operating costs by improving operating efficiencies.

Competition in the gas business primarily involves other natural gas providers, as well as providers of alternative fuels and energy sources. The primary focus of competition for end user transportation is cost and reliability. Some large commercial and industrial customers have the ability to switch to alternative fuel sources such as coal, electricity, oil and steam. If these customers were to choose an alternative fuel source, they would not have a need for our end-user transportation service. In addition, some of these customers could bypass our pipeline system and have their gas delivered directly from an interstate pipeline. We compete against alternative fuel sources by providing competitive pricing and reliable service, supported by our storage capacity.

Our extensive transmission pipeline system has enabled us to market 500 to 600 Bcf annually for intermediate transportation services and storage services for Michigan gas producers, marketers, distribution companies and other pipeline companies. We operate in a central geographic location with connections to major Mid-western interstate pipelines that extend throughout the Midwest, eastern United States and eastern Canada.

MichCon's storage capacity is used to store natural gas for delivery to MichCon's customers as well as sold to third parties, under a variety of arrangements for periods up to 3 years. Prices for storage arrangements for shorter periods are generally higher, but more volatile than for longer periods. Prices are influenced primarily by market conditions and natural gas pricing.

NON-UTILITY OPERATIONS**Coal and Gas Midstream****Description**

Coal and Gas Midstream primarily consists of the operations of Coal Transportation and Marketing and the Pipelines, Processing and Storage businesses.

Coal Transportation and Marketing

Coal Transportation and Marketing provides fuel, transportation, storage, blending and rail equipment management services. We specialize in minimizing fuel costs and maximizing reliability of supply for energy-intensive customers. Our external customers include electric utilities, merchant power producers, integrated steel mills and large industrial companies with significant energy requirements. Additionally, we participate in coal marketing and trading and coal-to-power tolling transactions, as well as the purchase and sale of emissions credits. We perform coal mine methane extraction, in which we recover methane gas from mine voids for processing and delivery to natural gas pipelines, industrial users, or for small power generation projects.

(in Millions)	2007	2006	2005
Tons of Coal Shipped (1)	35	34	42

(1) Includes intercompany transactions of 19 million, 14 million, and 20 million tons in 2007, 2006, and 2005,

respectively.

Table of Contents*Pipelines, Processing and Storage*

The Pipelines, Processing and Storage business owns a partnership interest in two interstate transmission pipelines, four carbon dioxide processing facilities, and two natural gas storage fields. The pipeline and storage assets are primarily supported by stable, long-term, fixed-price revenue contracts. We have a partnership interest in Vector Pipeline (Vector), an interstate transmission pipeline, which connects Michigan to Chicago and Ontario. We have storage assets in Michigan capable of storing up to 80 Bcf in natural gas storage fields located in Michigan. The Washington 10 storage facility is a 66 Bcf high deliverability storage field having bi-directional interconnections with Vector Pipeline and MichCon providing customers access to the Chicago, Michigan and Ontario market centers.

Properties

The Pipelines, Processing and Storage business holds the following property:

Property Classification	% Owned	Description	Location
Pipelines			
Vector Pipeline	40%	348-mile pipeline with 1,200 MMcf per day capacity	Midwest
Millennium Pipeline (under construction during 2008)	26%	182-mile pipeline with 525 MMcf per day capacity	New York
Processing Plants	100%	197 MMcf per day capacity	Northern Michigan
Storage			
Washington 28	50%	14 Bcf of storage capacity	Washington Twp, MI
Washington 10	100%	66 Bcf of storage capacity	Washington Twp, MI

The assets of these businesses are well integrated with other DTE Energy operations. Pursuant to an operating agreement, MichCon provides physical operations, maintenance, and technical support for the Washington 28 and Washington 10 storage facilities.

Strategy and Competition

Our Coal Transportation and Marketing business is one of the leading North American coal marketers. We have a reputation as an efficient manager of transportation assets. Trends such as railroad and mining consolidation and the lack of certainty in developing new mines by many mining firms could have an impact on how we compete in the future. We will continue to work with suppliers and the railroads to promote secure and competitive access to coal to meet the energy requirements of our customers. A portion of our Coal Transportation and Marketing revenues and net income were dependent upon our Synfuel operations that ceased at the end of 2007. We will seek to build our capacity to transport greater amounts of western coal and we have expanded our coal storage and blending capacity with the start of commercial operation of our coal terminal in Chicago in April 2007. Beyond 2008, we expect to continue to grow our Coal Transportation and Marketing business in a manner consistent with, and complementary to, the growth of our other business segments.

Our Pipeline, Processing and Storage business expects to continue its steady growth plan. The Pipelines, Processing and Storage business focuses on asset development opportunities in the Midwest-to-Northeast region to supply natural gas to meet growing demand. We expect much of the growth in the demand for natural gas in the U.S. to occur within the Mid-Atlantic and New England regions. We forecast these regions will require incremental pipeline and gas storage infrastructure necessary to deliver gas volumes to meet growing demand. Vector is an interstate pipeline that is filling a large portion of that need, and is complemented by our Michigan storage facilities. In April 2007, Washington 28 received MPSC approval to increase working gas storage capacity by over 6 Bcf to a total of 16 Bcf, which will be phased in over

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the next two years. In June 2007, Washington 10 received MPSC approval to develop the Shelby 2 storage field which will increa