

Detroit
Edison

Douglas R. Gipson
Vice President
Nuclear Operations

Fermi 2
6400 North Dixie Highway
Newport, Michigan 48166
(313) 586-5325



Nuclear
Operations

April 20, 1993
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U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D. C. 20555

Reference: Fermi 2
NRC Docket No. 90-341
NRC License No. WPP-43

Subject: Annual Financial Report

Pursuant to 10CFR50.71(b), please find attached one copy of the 1992 Annual Financial Report for the Detroit Edison Company.

If you should have any questions regarding this report, please contact Elizabeth Hare at (313) 586-1427.

Sincerely,

Enclosure

cc: T. G. Colburn w/encl.
A. B. Davis w/encl.
W. J. Kropp w/encl.
M. P. Phillips w/encl.
Region III

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H I G H L I G H T S

	1992	1991	1990	Percent Change	
				92 vs. 91	91 vs. 90
Operating Revenues (In Thousands)	\$3,558,143	\$3,591,537	\$3,576,281	(0.9)	0.4
Earnings for Common Stock (In Thousands)	\$557,549	\$535,205	\$479,280	4.2	11.7
Earnings per Common Share	\$3.79	\$3.64	\$3.26	4.1	11.7
Common Shares Outstanding (Average)	146,998,485	146,945,932	146,888,809	-	-
Dividends Declared per Share	\$1.98	\$1.88	\$1.78	5.3	5.6
Gross Utility Plant (In Thousands)	\$12,402,581	\$11,997,862	\$11,749,142	3.4	2.1
Capitalization (In Thousands)	\$7,421,366	\$7,419,073	\$7,888,634	-	(6.0)
System Sales of Electricity (kWh-Millions)	40,697	41,049	40,504	(0.9)	1.3
System Capability at Time of Peak (MW)	10,262	10,121	9,953	1.4	1.7
System Peak Demand (MW)	8,704	8,980	9,032	(3.1)	(0.6)
Electric Customers at Year End	1,950,000	1,942,000	1,927,000	0.4	0.8

The word partnership has many meanings, but common to all is this: a partnership is the sharing of the responsibilities and rewards of a relationship.

At Detroit Edison, we believe both our business and the prosperity and growth of communities we serve depend on the give and take that distinguish successful partnerships. We have developed partnerships with our customers, communities, suppliers, shareholders, governments and regulators, employees and the environment we all share. Such partnerships lead not only to sharing responsibilities and rewards, but to mutual understanding - a cornerstone for success.

TO OUR STOCKHOLDERS

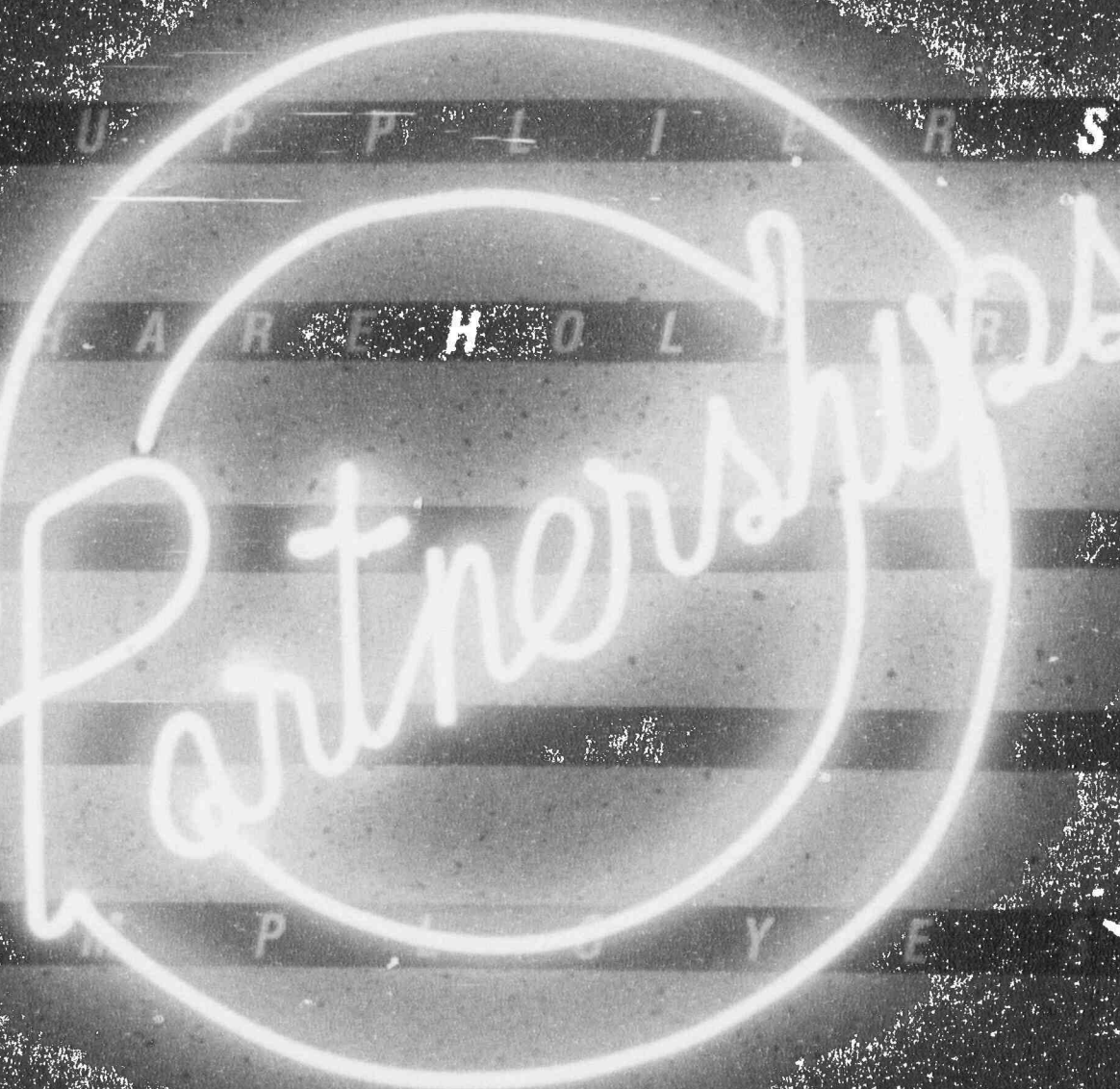
OUR COMMUNITIES

OUR EMPLOYEES

OUR SHAREHOLDERS

OUR FUTURE

FOR THE



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Detroit Edison, serving some 1.9 million customers in 7,600 square miles of Southeastern Michigan, is the largest investor-owned electric utility in the state. The company, like many of its largest customers – most of them automotive and automotive-related industries and steel producers – is making great strides toward positioning itself for the more competitive marketplace of the future.

Growth of sales and revenues into the new century is expected to be moderate, with earnings growth linked to aggressive marketing and

cost reduction, lower fixed charges and better asset utilization. Among the means of accomplishing these

is redirecting the internal corporate culture to one focus – on employees teaming together to provide superior customer value.

At your service

For investment professionals:

Investor Relations
(313) 237-8030

For shareholders:

Shareholder Services
(800) 551-5009

Detroit Edison
2000 Second Avenue
Detroit, Michigan 48226



Y E A R - E N D H I G H L I G H T S

	1992	1991	1990
Per Share Data:			
Market price	32¼	34¼	28¼
Earnings	\$3.79	\$3.64	\$3.26
Dividends paid	\$1.955	\$1.855	\$1.755
Other Data:			
Return on equity	18.6%	19.5%	19.1%
Payout ratio	52%	51%	54%
Price/earnings ratio	8.64	9.55	8.67
Operating Data:			
Employees	9,183	9,357	9,669
Fuel cost (¢/MBtu)	150.5	153.3	155.8
Heat rate (Btu/kWh)	9,990	9,980	9,940
Capability (MW)	10,410	10,267	10,130

Customers	Year-End	Sales (MWh)	% of Sales
Residential	1,777,914	11,309,007	25.8
Commercial	167,099	8,668,326	19.7
Industrial	2,794	18,543,334	42.2
Other*	1,992	2,176,096	5.0
Total System	1,949,799	40,696,763	
Interconnection		3,204,357	7.3
Total Sales		43,901,120	

*Includes sale for resale, street lighting, pumping

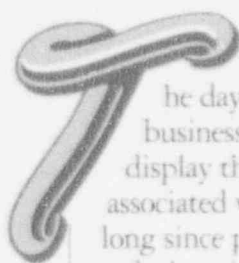
Debt ratings have remained constant throughout 1992, with ratings as follows at year-end 1992:

Standard & Poor's Corp.: BBB+

Moody's Investors Service: A3

Fitch Investors Service: A-

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he days when an electric utility – or any other business enterprise, for that matter – could display the independence and individualism once associated with successful business people have long since passed, if indeed they ever existed. In today's society every business has an array of constituencies, or stakeholders, with such critical interests in its activities that they simply cannot be ignored. In fact, we are convinced that relationships with these constituencies must extend well beyond merely heeding their calls for greater sensitivity, better service, increased environmental responsibility, improved shareholder value, more employee involvement in workplace decisions and responsible community leadership. We believe we must establish partnerships with them, based on trust, understanding and a willingness to collaborate on mutually acceptable courses of action.

While some might view this response as merely conciliatory to changing economic and social goals, we believe it represents good business.

This report describes the makeup – and consequences – of some of the partnerships Detroit Edison nurtured during 1992. They are relationships founded on mutual interests and goodwill which helped produce another year of financial improvement as well as significant progress toward excellence in operations in a period of growing challenges to our business. They are partnerships we consider essential to our continued well-being, and we are committed to both extending and intensifying them.

The benefits from these partnerships helped produce another excellent year for Detroit Edison in 1992. Although system sales of 40.7 million megawatthours (MWh) were down 0.9 percent from the 41.0 million MWh in 1991 and operating revenues of \$3.56 billion were down 0.9 percent from the \$3.59 billion in 1991, we recorded record earnings for common stock of \$557.5 million – up 4.2 percent from the \$535.2 million in 1991 – and record earnings per share of \$3.79 – up 4.1 percent from the \$3.64 earned in 1991. We also raised the dividend for the third consecutive year (and a fourth straight year in early 1993) and further strengthened our balance sheet as common

shareholders' equity rose to 42 percent of total capitalization, from 38.4 percent in 1991 and 32.8 percent in 1990.

Last year we noted in this space that we opposed many of the changes to utility regulation then under consideration by the United States Congress. At the same time, we said we believed in the inevitability of many of those changes and were preparing ourselves to operate successfully under them – if possible even leveraging our strengths to benefit from them. That legislation – the Energy Policy Act – was passed in late 1992. While we were not among its proponents, we are gratified that it contains many of the provisions we insisted were essential to protect our smaller customers and our shareholders from being seriously hurt by its application. These protections were included thanks in large part to the willingness of key members of Congress, including many from Michigan, to cooperate in the exchange of information that we felt would be helpful in crafting the legislation. This is one example of the kinds of partnerships that we are employing to help ensure the future well-being of Detroit Edison.

Not that we believe the federal legislation is perfect. We do not. In its electric utility provisions, it opens the power-generation side of our business to all comers – utilities and non-utilities alike – regardless of their home bases. In the process, non-utility generators may derive certain advantages that utilities do not have. The legislation thus continues a movement toward encouraging alternatives to the traditional vertical-integration structure of electric utilities.

The legislation also authorizes the Federal Energy Regulatory Commission (FERC) to order utilities such as ours to transmit over their lines electricity bought by other utilities from other producers – even though such orders could threaten service reliability for the transmitting utility's customers. We continue to believe that the FERC should consider reliability and the impact on existing customers in issuing its transmission orders and are hopeful that this sensitivity will be reflected in these orders.

The new Energy Policy Act also has its positive side. The power-generation alternatives that it encourages could be beneficial in the long term by giving us additional lower-cost power-supply options without the power plant investments and risks of the past.

But while Congress included important protections in the federal legislation, unfortunately proceedings now under consideration by the Michigan Public Service Commission (MPSC) could essentially remove some of those protections in Michigan, making our state the testing ground for the most far-reaching and one-sided electric utility competition in the United States. As this report is written, the MPSC has scheduled hearings to determine appropriate rules and rates under which it could order Michigan's major electric utilities — Detroit Edison and Consumers Power Company — to transmit electricity purchased by their customers from other electricity producers, including producers outside the state of Michigan. This of course could adversely affect employment, the tax base and other factors important to our area's economic health.

Requiring transmission of electricity to another utility is known as *mandated wholesale transmission access*; requiring transmission to an end-user — a utility customer — is known as *mandated retail transmission access*. The potential threat to Detroit Edison if our customers suddenly are given the option of shopping for electricity is obvious — particularly in a service area such as ours that includes many large industrial customers with annual electric bills running in the tens of millions of dollars. It was with this kind of competitive threat in mind that we intensified our efforts more than five years ago to reduce our costs and improve our performance in every area of the company. Moreover, our focus on deliver-



John E. Lobb, chairman, president and chief executive officer and Deborah M. McGriff, General Superintendent, Detroit Public Schools, visit students at Taft Middle School, which receives support from the company under the Detroit Compact.

ing superior customer value to meet potential competition was seen as the only way we could maintain and increase shareholder value. We have made significant progress in meeting those objectives while operating since January 1989 under a negotiated moratorium on rate changes. Earnings from our increased efficiency and lower costs have enabled us to rebuild our company's financial strength, as noted in previous reports.

Now our customers have begun to share in those savings. We lowered rates effective January 1993 by an annual rate of about \$170 million, or 5 percent. The rate settlement, a win-win situation negotiated with customer representatives and state officials, was an alternative to the traditional courtroom-style contested rate case ultimately decided by state utility commissioners. It was another example of doing business by partnership. In a separate case we are seeking a modest rate increase in 1994 which, if approved, will partially offset the 1993 reduction.

The newly legislated and regulated competitive threats we have discussed actually are only the most recent in a series of pro-competition moves by government and large electricity users dating back to the Public Utilities Regulatory Policy Act of 1978. Facing these threats, we have managed to identify the needs of our customers and the benefits offered them by competitors and — largely in partnership with those customers — have found innovative ways to satisfy them. A few examples of these successful partnerships are contained in this report. By contrast, during the last decade other utilities have lost significant portions of their customer bases to cogeneration and self-generation threats which they failed to meet. So, the concept of partnering, like the competition that has helped inspire it, is not new to us. What is new are the

many ways creative Detroit Edison employees are finding, virtually daily, to partner with customers and, as this report documents, with stakeholders of all kinds. Moreover, they are constantly creating new partnerships with each other – building internal teamwork – in their continuing search for more effective ways of achieving our company's goals.

In addition to finding ways to retain our business in the face of increasing competition, we have very deliberately assessed the progress, the successes and the failures of other energy companies that have sought aggressively to increase their revenues and earnings outside their traditional business. To be totally realistic, even if we retain all of our business, the reduced margins forced by competition, combined with the slow growth of the Southeastern Michigan market, will limit – and could begin to erode – our earnings potential.

One option that has helped in this regard is our marketing partnership with NERCO, a Western coal supplier, which has been increasingly profitable since it began in 1980. Our coal transshipment facility in Superior, Wis., and our knowledge and respected status in the coal business have proven to be valuable – and very leverageable – assets.

Yet the report card on broader diversification efforts by utilities – particularly those that have gone farther afield – has not been very positive, and frequently has shown significant negative impact on the success of the basic business.

We at Detroit Edison are committed, first and foremost, to running our core business exceptionally well. We have deliberately adopted a "go slow" approach to significant deviations; we have watched as many other companies, including utilities, have learned that apparent marketplace opportunities are not necessarily profitable if you lack



Larry G. Garberding, right, executive vice president and chief financial officer, and Charles V. DeCaria, vice president, National Steel Corp., discuss a partnership which provides coke-oven gas to a Detroit Edison power plant as fuel to produce electricity.

the necessary credentials and skills for providing unfamiliar products or services in an unfamiliar market environment. Fortunately we have not been among those companies which, with all good intentions and confidence in their abilities, moved too forcefully into diversification and ultimately sustained large losses and/or write-offs.

At the same time, in successfully meeting an increasing array of competitive threats, we continue to acquire new skills and attitudes. We believe these skills can now be leveraged, together with properly built partnerships, into new investment opportunities without necessarily diverting our attention from our primary responsibility, where it is needed today perhaps as never before.

Even as we change, however, we remain firm in our basic mission – to increase shareholder value by providing superior customer value. And while we cannot predict with certainty what will be achieved in the years to come, we believe the skills that have helped us deliver so well on that commitment in the recent past will stand our shareholders and customers in equally good stead in the years to come.

Larry G. Garberding
Executive Vice President
and Chief Financial Officer

John E. Lobbia
Chairman of the Board, President
and Chief Executive Officer

February 22, 1993

Customers

Partnerships with customers lead to improved customer satisfaction – greater value from a customer-oriented mix of services and benefits – and a healthier local economy. A sign of an effective partnership is a win-win result.

Detroit Edison put its expertise to work and created just such a win-win situation with a major customer. General Motors Corp. (GM) was considering replacing an aging, inefficient steam-producing powerhouse at its Saginaw Division-Detroit auto components complex with a new facility that would generate both steam and electricity. Detroit Edison gave GM an alternative idea – power the complex with steam from a modern though underutilized powerhouse at GM's Hamtramck Assembly plant a mile-and-a-half away. This would lower energy expenses for both GM facilities, thus helping to keep the automaker competitive.

GM agreed. The result: instead of waiting years for the new facility, GM had a steam supply line operating in 1992 – on time and within budget. Detroit Edison built, owns and operates the new steam line, continues to sell GM electricity for both plants and, in addition, sells low-sulfur Western coal to fuel the Hamtramck powerhouse.

Later this spring, another pipeline – also born of a partnership – will deliver a useful commodity to Detroit Edison, while helping another customer properly rid itself of a "waste product" at little or no cost. Great Lakes Steel, a division of National Steel Corp., faced a problem: how to cost-efficiently dispose of 16 million cubic feet daily of coke-oven gas, a by-product of coke production required to make steel. Meanwhile, Detroit Edison, which burns coal at its nearby River Rouge Power Plant, was looking for ways to cut its fuel costs.

The result – again, win-win, with an extra "win" added for the environment. The steel maker will sell the waste gas to Detroit Edison, gaining revenue as it disposes of the gas in an environmentally acceptable manner. Detroit Edison will gain a fuel supplement costing less than coal on a heat-equivalent basis.

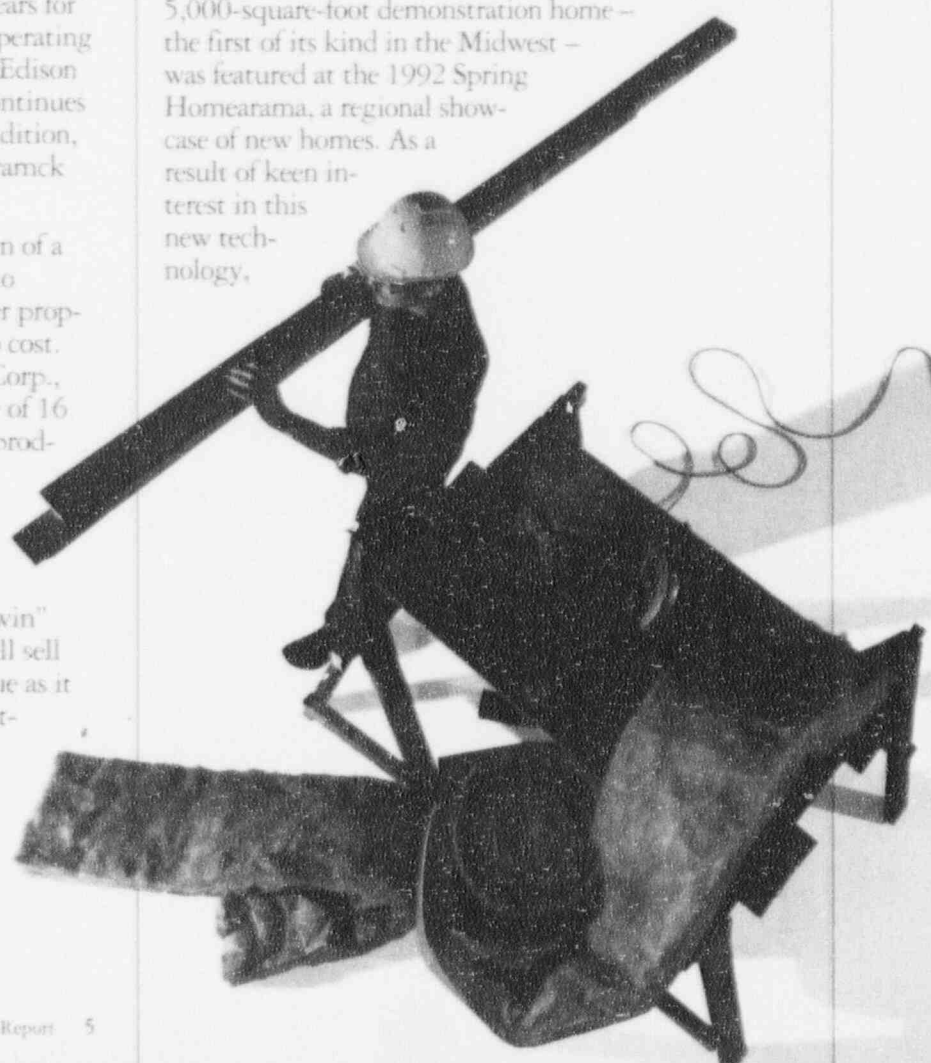
A trial partnership between Detroit Edison and area home builders is giving new meaning to an old electric utility slogan,


"live better electrically."

Appliance manufacturers are promoting more energy-efficient major home appliances, which help customers control energy costs, aid the environment and help electric utilities avoid building new power plants. Because higher efficiency appliances generally cost more up front, customers often select less expensive, less efficient ones. So Detroit Edison is offering builders and buyers of electrically heated homes incentives to buy more efficient appliances, lighting, cooling systems and insulation.

The program is one of a dozen pilot conservation programs introduced recently to help customers control energy costs and thereby get greater value – part of a \$13-million, 1992 energy conservation package approved by the Michigan Public Service Commission (MPSC).

As interest in energy efficiency is building, the region also got its first look at an all-electric, automated SMART HOUSE, the result of a partnership of Detroit Edison, Wake-Pratt Construction of suburban Troy and the Builders Association of Southeastern Michigan. The 5,000-square-foot demonstration home – the first of its kind in the Midwest – was featured at the 1992 Spring Homearama, a regional showcase of new homes. As a result of keen interest in this new technology,





many SMART HOUSE features now are available in Southeastern Michigan.

Another conservation partnership will help schools in Ann Arbor, Mich. and the Chippewa Valley district in Mount Clemens, Mich. save a total of nearly \$100,000 a year in energy costs. Both districts, facing the challenges of operating schools in tight economic times, are installing advanced technology air conditioning systems which freeze water overnight – when both electric rates and demand are lower – and extract cool air the following day using “cool storage” technology. Detroit Edison provided incentives to the schools to install the high-tech systems, and will monitor the results for four years starting this summer. The company already monitors several similar systems for area schools and businesses.

Partnerships with customers are more than developing specific programs with specific customers. Detroit Edison's partnerships with customers begin with fulfilling a basic commitment to *all* customers – provide good service at reasonable prices. Steps are being taken to ensure this commitment is met.

Customers are paying less for their Detroit Edison electric service in 1993 – thanks to a rate reduction of about \$170 million, or 5 percent. The savings are largely the result of lower fuel costs, passed along to customers through a fuel adjustment settlement reached among the company, representatives of customers and state officials, including the staff of the MPSC. The rate reduction also reflects elimination of an expense surcharge included in a 1988 negotiated rate settlement. The reduction saves the average residential customer \$2.16 a month – nearly \$26 a year, based on average use of 500 kilowatthours per month. The average residential customer now pays \$46.58 monthly.

The company received MPSC approval for its Industrial Interruptible Rate, which offers a total of 400 megawatts of reduced-

cost electric capacity to large manufacturing customers who are willing to accept possible service interruptions during periods of high electricity demand.

The rate was designed with the help of business customers whose own abilities to remain competitive were being threatened, and is widely supported by state officials. This rate, an example of customer-oriented pricing driven by customer needs, will help make Southeastern Michigan more attractive to new businesses and jobs. It also will help the company retain participating customers amid the increasing array of energy options available to them.

On a larger scale, Detroit Edison filed plans with the MPSC in 1992 for an energy management program to help hold down customers' energy costs, provide price stability in the future and, at the same time, reduce the need to build new power plants. This demand-side management (DSM) program is a key element of the company's Integrated Resource Plan, which lays out the most effective and least costly means of meeting customers' long-term energy needs.

The proposed DSM plan, which would cost \$75 million for 1994-1998, encourages conservation and efficiency through energy audits, off-peak usage rates, special incentives and programs custom-designed to meet specific customers' needs.

Meanwhile, the company is adding and renovating service centers, combining lines engineering and construction groups in those facilities into teams for the first time. Consolidation of these interdependent functions enhances coordination, improves response to customer needs, speeds new service installation and produces faster restoration after power outages.

Other steps to improve service in 1992 – part of the customer partnership – included checking nearly 7,000 miles of electric lines with the help of infrared technology and improving them where needed, testing 82,000 wood poles for soundness and replacing them as necessary, and trimming 800,000 trees to clear overhead lines. These improvements – with more to come – already have resulted in a 39-percent decrease in outage frequency and a 65-percent decrease in outage duration, compared with the past three years. In all, about 75 percent of the company's \$416 million in 1992 capital expenditures have gone toward improving the company's distribution system.

In addition, Detroit Edison installed a new interactive telephone system with a new toll-free “800” number, and now can handle up to 40,000 calls per

hour during emergencies – more than 16 times the capacity of the former system. The system is located in a newly renovated 130,000-square-foot facility in suburban Southfield, Mich., consolidating telephone operations and personnel from the company's six geographic divisions. With the new system and 40 percent more customer representatives, busy signals have been virtually eliminated, facilitating immediate customer access and speeding service restoration following storms.

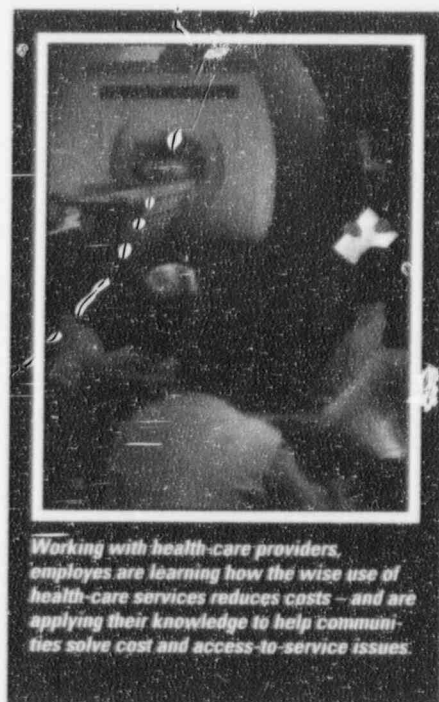
Behind these many improvements are many less visible but equally dramatic accomplishments that have helped to reduce costs – another element of the company's partnership with customers.

Detroit Edison ranked among the nation's 10 most efficient utilities in electric generation plants for the fourth consecutive year, and the company's Monroe Power Plant Unit 3 was the ninth most efficient large generating unit. Overall, the 20-million megawatt-hours produced by Monroe's four units marked the third-highest production level in the country in 1991 (the most recent data available), and was second-highest among coal-fired plants.

As energy demands have grown, the 70-year old Marysville Power Plant was returned to service in 1992 at a cost of \$8.5 million. It had last generated power commercially in 1988, and was placed in reserve when the Fermi 2 plant was completed in that year. Marysville is the first plant brought out of reserve under the company's long-range Integrated Resource Plan.

Also, Fermi 2 continued its move toward top performance among U.S. nuclear power plants in 1992. In November, the plant completed its third refueling outage in 57 days, its fastest to date and third fastest among all U.S. boiling water reactor refuelings in 1992. Despite this outage and several shorter repair outages, the plant achieved a 79-percent capacity factor in 1992 – its best ever.

Fermi 2 also received its best-ever Systematic Assessment of Licensee Performance "report card" from the Nuclear Regulatory Commission in 1992, the third consecutive year of improved performance for the plant.



Working with health-care providers, employees are learning how the wise use of health-care services reduces costs – and are applying their knowledge to help communities solve cost and access-to-service issues.

These and other improvements in 1992 helped the company deliver on its partnerships with customers – to provide improved service at the lowest possible cost.

Communities

Partnerships with the communities we serve – whether through leadership, financial support or personal involvement – improve the quality of life and create a better business environment.

With this two-track benefit in mind, Detroit Edison does not view its community partnerships as strictly philanthropy; it views them as good business. Partnerships benefit education, delivery of health and human services, safety awareness, cultural institutions and the community's overall quality of life.

Improving education in local schools is a top priority for Detroit Edison. A better educated community provides the company and other area businesses with more productive employees, a larger and more affluent market, and fewer social problems.

Detroit Edison has partnerships with 29 schools, many through the grass-roots initiative of employees in power plants, service centers and offices. The cornerstone partnership is effected with the Detroit Public Schools through the Detroit Compact, a major effort conceived by business and community leaders in the late 1980s and coordinated by the Greater Detroit Chamber of Commerce.

Under the Compact, the company provides its partnership school – Taft Middle School – with an agreed-upon level of funding, as well as equipment and supplies, classroom speakers, mentors and tutors for individual students, and a reliable partner to lean on.

In 1989, Detroit Edison became the first company to sign a Compact agreement as a business partner and partnership-school underwriter. Inspired by the suc-

cesses, the company is working to spread the Compact approach throughout the state.

Among the more unusual and successful education programs is an annual series of grants from the Detroit Edison Foundation to kindergarten through 12th grade teachers. Through the grants, teachers develop innovative programs to teach students about the environment and the need to protect it.

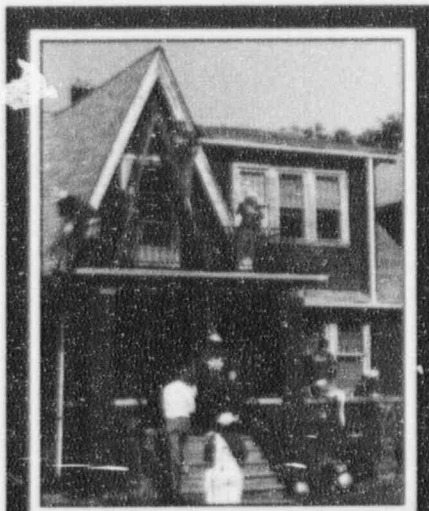
At the college level, Detroit Edison Foundation financial support is focused primarily, but not entirely, on science and engineering programs at colleges and universities in Michigan. The Foundation gave \$400,000 to higher education in 1992, including matching employee contributions.

These and similar efforts earned the company the 1992 Business, Labor and Industry Award from the Michigan Education Association.

Keenly aware of the hazard of careless contact with electric wires and other equipment, Detroit Edison also brings safety programs to area schools. These reached some 20,000 students in 1992, and nearly 280,000 in the past decade. Similar information is delivered to the entire community through a constant stream of mass media information. In a 1992 partnership initiated with Elias Brothers' "Big Boy" restaurants, more than 20,000 children pledged to obey Detroit Edison's safety rules and, in turn, earned big rewards – free ice cream sundaes at their neighborhood Big Boy restaurants.

A partnership with communities also means helping people in need. With those needs growing, Detroit Edison increased direct assistance in 1992 with a new \$4.6 million energy management program to help low-income customers use energy wisely, thereby reducing their electric bills and avoiding service shutoffs. The company extended its grants program by pledging up to \$1 million to match customer donations to help homeless shelters pay winter electric bills. Also, in response to the company's appeals, thousands of customers joined the partnership by giving nearly \$1.2 million to The Heat and Warmth Fund (THAW) to help low-income households pay winter utility bills – all matched by the Detroit Edison Foundation.

For many years, Detroit Edison employees have provided leadership-level giving to the United Way



With brooms and brushes in hand, more than 50 Detroit Edison employees cleaned and painted three Detroit-area homes for senior and low-income residents – part of the national Paint the Town program.

chapters where they live and work. In 1992, employee and Detroit Edison Foundation gifts to United Way totaled nearly \$2.5 million. Gifts per employee ranked first among Michigan utilities.

Detroit Edison employees are partners in numerous efforts to address rising health-care costs and access-to-care issues, participating in the Greater-Detroit Area Health Council, the Washtenaw County Area Employer's Health-Care Coalition, the North Thumb Area Health-Care Coalition, the Economic Alliance For Michigan, and the Greater Detroit Chamber of Commerce's Health-Care Advisory Committee. John E. Lobb, chairman and chief executive officer, chairs the Detroit Renaissance Health-Care Committee, composed

of chief executive officers from area companies. They are assisting the Greater Detroit Area Health Council, an organization of more than 90 members, including business, labor, health-care providers, insurers, civic groups and governmental agencies, working to improve the quality of health care and slow rising costs.

As economic conditions erode public funding for the arts and cultural activities, Detroit Edison and the Detroit Edison Foundation have stepped up their support, aiding some 43 cultural organizations and activities in Southeastern Michigan. Both the Foundation and Senior Vice President and General Counsel, Leon S. Cohan, were among nine individuals and organizations honored at the 1992 Governor's Arts Awards event, sponsored by the Concerned Citizens for the Arts in Michigan.

The Detroit Edison Foundation literally inflated its role in the 1992 Michigan Thanksgiving Day Parade in Detroit by providing a new entry – a 20-foot-tall light-bulb-shaped balloon named "Freddy Filament."

The company was a local sponsor of National Night Out, billed as "America's Night Out Against Crime." The company's involvement included a lighting competition among police precincts, employee car window etching and a kickoff parade in Detroit. For its 1991 involvement, Detroit Edison earned the National Electric Utility Award for Michigan from the National Association of Town Watch.

In all, cash contributions by the company, its employees and the Detroit Edison Foundation in 1992 totaled more than \$5.5 million – funds that will improve communities, strengthen partnerships and help assure Detroit Edison of better-educated employees, more discerning and safety-conscious customers, communities better able to care for their needy, and a more vibrant economic environment.

Shareholders

Partnerships with shareholders are best shown by the confidence, loyalty and trust of shareholders, most of whom hold their stock for long periods. The company upholds its part of the bargain by doing its best to increase shareholder value.

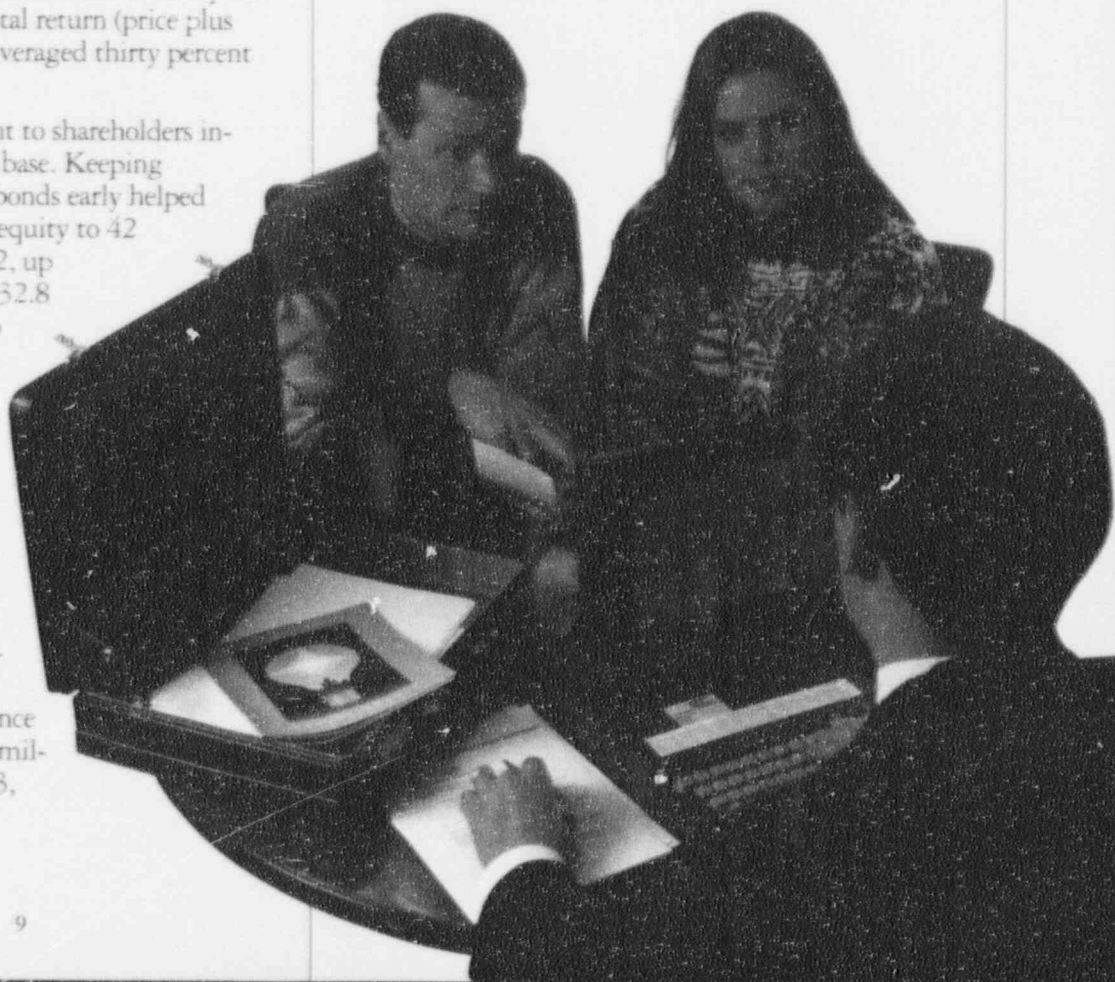
Detroit Edison common stock has provided a strong return on investment over the past five years. Dividends per share increased from \$1.68 in 1989 to an indicated annual rate of \$1.98 in 1992 – an increase of nearly 18 percent in three years. While total return (price plus dividends) was flat in 1992, it averaged thirty percent per year over the last five years.

Detroit Edison's commitment to shareholders includes strengthening its capital base. Keeping expenses down and redeeming bonds early helped increase common shareholders' equity to 42 percent of capitalization in 1992, up from 38.4 percent in 1991 and 32.8 percent in 1990. This has led to improved bond ratings and lower interest expense. Through redemptions and refinancings of bonds, Detroit Edison has achieved a reduction in its average interest rate of 1 percent – from 9.6 percent in 1988 to 8.6 percent at the end of 1992. This interest rate reduction and the reduced long-term debt has saved more than \$100 million in interest costs since 1990 and will save about \$100 million annually beginning in 1993, compared with 1990.

In support of its partnership with shareholders, the company maintains its accessibility to debt and equity markets by working actively with the financial community. This involves a comprehensive program to provide security analysts and other financial professionals and decision-makers with accurate and timely information about the company, its programs, progress and plans. The effort helps maintain high visibility for the company and a quality flow of information, which has earned the company respect on Wall Street – to the ultimate benefit of shareholders.

Key to the company's financial performance is its overriding commitment to improve shareholder value by providing superior customer value. Whether improving the reliability of service, providing special incentive rates for industries or helping customers get the most for their energy dollars, putting customers first means more and better business and growth for the local economy and the company.

Some 40 percent of the company's shareholders see both sides of this equation – they also are customers.



Governments

Partnerships with governments – federal, state and local – help create policies and business environments which merge the best interests of the company, its customers and shareholders. While many regulatory processes are adversarial in theory, better results are obtained when people on all sides work toward common solutions.

The development of public policy and the supporting legislation and regulations can be a roller-coaster process which, at the end of the course, levelizes – in the best of all worlds – to reflect optimum public interest. As business activity becomes increasingly subject to legislated controls, the best tool to help balance varied interests is communication – bringing reliable, credible information to bear on the process.

It was this kind of informational partnership with governments that:

- Gave Detroit Edison and its customers credit in the 1990 Clean Air Act amendments for the significant sulfur dioxide reductions already made, making further near-term reductions unnecessary, compared with other utilities which face billion-dollar environmental investments.
- Assured protections to Detroit Edison's small customers as Congress inserted provisions in the Energy Policy Act of 1992 that would increase

energy source options available to large customers. The company played a key coordinating role in the Electric Reliability Coalition, a group of more than 40 electric utilities sharing these common concerns.

In 1992 Detroit Edison developed its second Integrated Resource Plan (IRP), the company's blueprint for meeting customers' energy needs over the next 15 years. The IRP evaluates not only the need for additional power production, but the cost of alternative methods for meeting demand such as power purchases from other generators, conservation programs and special rates to encourage off-peak usage. The joint goal is finding the least costly mix of resources to meet customers' energy needs in a reliable manner. Updates are shared with the MPSC every two years.

In its IRP, the company has carefully laid out plans for meeting these future energy needs effectively while considering all interests, including the shifting trends of public policy and, certainly, environmental protection. The company's plans through 2006 call for demand-side programs expected to eliminate the need for more than 1,100 megawatts (MW) of additional generating capacity. Thus, the company foresees at this time a need to increase generating capability by 1,100 MW, or about 11 percent, by 2006 – to a new peak capability of 11,250 MW. This growth will be met by reactivating power plant units now in reserve, adding combustion turbine capacity for peaking service and upgrading Fermi 2 nuclear power plant capability.

The upgrading of Fermi 2 already has taken place. The company formed a two-year-long partnership with the General Electric Co. to upgrade the electric capacity of the Fermi 2 plant under a new streamlined Nuclear Regulatory Commission (NRC) approval process. Through a close partnership between plant employees and General Electric engineers – and approval by the NRC – Detroit Edison was able to increase the generating capacity of Fermi 2 by more than 4 percent, about 46 megawatts. It was the first power increase of its kind for a



boiling-water reactor under the new approval process.

Relationships with county and local governments in Southeastern Michigan take many forms, including informational. But perhaps the most valuable partnerships center around the company's leadership in economic development. Governments and utilities are uniquely similar – neither can pick up stakes and leave. Therefore, the retention, expansion and attraction of business – the local pursuit of growth – becomes a common goal.

Detroit Edison shares its expertise with area governments through counsel and seminars, and is a recognized informational resource on financing, tax abatements and job training. The company helps governments and others mold their policies and practices to become catalysts for success.

In 1992, Detroit Edison initiated the Regional Economic Development Partnership Program, which targets economic development messages and efforts at business and trade organizations, real estate developers and brokers, colleges and universities, and lobbyists. The company also is a leader in a similar statewide organization, the Utility Consortium, which is working with the Michigan Department of Commerce to improve the state's business and economic climate.

Employees

Employee partnerships mean employees working together toward common goals in pursuit of continuous improvement to meet customer and shareholder needs.

For employee partnerships to work – and for Detroit Edison to achieve best-in-class operation – the goals and work of all employees must be aligned with company goals. While such alignment seems natural and logical, in large corporations it doesn't always happen. At Detroit Edison, new processes are well under way to ensure effective alignment.



An employee project to replace boiler tubes at the Belle River Power Plant saved the company about \$228,000 over the lowest bid by an outside contractor.

In 1992, Energy Marketing and Distribution, which accounts for nearly 40 percent of the company's employees, became the first major company unit to complete the development of a comprehensive goals, measures and targets (GMT) program. Under the program, each unit carefully defines team and individual goals, performance measures and specific expectations to ensure that all employees work toward the same results. The process is aimed at encouraging all employees to continuously improve performance. It now is being adopted by other organizations in the company in the pursuit of more effective operation.

While GMTs are moving goal setting into the hands of employees, the company's two incentive pay plans – the Shareholder Value Improvement Plan (SVIP) and the Gainsharing Plan for members of Local 17, International Brotherhood of Electrical Workers – reward employees for their contributions to meeting both broad company goals, such as earnings per share and customer satisfaction, and narrower organizational goals, such as power plant production costs, duration and frequency of service interruptions, and fuel quality. Financial rewards are predicated on the extent to which goals are met.

The SVIP was piloted for management employees in 1989 and in 1990 was extended to all of the company's nearly 5,800 non-represented employees. The Gainsharing Plan with Local 17 was developed in 1991 contract negotiations. Members of Local 17 will receive their first Gainsharing Plan checks in 1993.

Incentivizing results, as opposed to "pay for hours worked," is representative of the cultural changes taking place at Detroit Edison to increase the company's chances for success in an increasingly complex and competitive electric utility industry. The plans are motivators, helping to align the work of all employees toward common goals and cementing partnerships throughout the company.

Basic to this new culture is greater involvement of employees in processes that affect their work lives. Two new programs that do that are Positive Discipline, under which employees are encouraged to recognize their responsibility for behavior – both good and bad – and Peer Review, which has non-supervisory employees serv-

ing on employee dispute-resolution boards. Through these and other programs, employees are becoming more accountable for their behavior and influential in key decisions.

Here are other ways employee partnerships have paid dividends for both employees and the company:

- A team of Belle River Power Plant employees, composed of Power Generation engineering technicians and a group of Local 223, Utility Workers Union of America, maintenance journeymen, as well as supervisors and planners, worked together with an equipment manufacturer to replace sootblower canopies in a way that saved nearly \$550,000.
- Up to \$1 million a year in repair costs have been saved by Monroe Power Plant employees who modified the plant's Unit 2 bottom-ash hopper cooling system.
- A partnership of power plant engineers and maintenance and fuel supply personnel made possible the increased use of low-sulfur Western coal, fostering greater competition among suppliers and transporters of the coal. The result is lower-cost electricity for all customers. In 1988, the company was using an average of 48 percent Western coal in its coal-fired plants. Today, the plants are using 68 percent Western coal, making Detroit Edison the nation's second largest utility consumer of the low-sulfur fuel and, due to the fuel's lower cost, contributing significantly to a 5-percent cut in customers' rates in 1993.
- During 1992 utilities in the Midwest and South were importing utility linemen in their struggle to repair their tornado- and hurricane-damaged electric systems. Aware of the shortage of linemen in the Northern states, officials of Local 17, International Brotherhood of Electrical Workers, which represents Detroit Edison linemen, were instrumental in locating available contractor line construction crews to keep the company's three-year, \$236-million reliability improvement program on schedule.
- One of the area's first corporate-sponsored, on-site day-care centers for children of employees was created – with employees' participation – at the company's new Customer Communications Center.



At the Materials Recovery and Education Center at the 1992 Michigan State Fair, Detroit Edison employee volunteers collected and processed for recycling about one quarter of the wastes generated at the fair.

- Responding to rising health-care costs, in January 1992 the company established an Employee Health-Care Issues Forum to give employees greater say in determining which benefits would be provided under the company's health-care plans.

Environment

Detroit Edison's partnership with the environment is reflected in the company's policy to consider potential environmental impacts in all planning and decision making and to constantly seek ways to reduce impacts beyond those required by public policy.

With virtually all 9,183 Detroit Edison employees and their families living in Southeastern Michigan, the company's environmental commitment takes on a personal "we-live-here-too" sincerity. This commitment – or partnership with the environment – is reflected daily in power plants, substations, service centers and offices, and in hundreds of outreach awareness and advisory programs for school children, where employees take caring for the environment to a personal level.

Since the mid-1970s alone, Detroit Edison's partnership with the environment has represented an investment of more than \$2.5 billion. Its corresponding impact on the quality of life in Southeastern Michigan is beyond measurement.

Detroit Edison's environmental partnership also has paid business dividends. Amendments in 1990 to the federal Clean Air Act have sent utilities and other companies scurrying to determine the best means of complying with the tightened sulfur-dioxide emissions requirements. While many will find solutions costing in the billions of dollars, Detroit Edison already is in compliance with the phase-one requirements effective in 1995. This comes largely as a result of its pioneering programs in burning low-sulfur Western coal as a blend with mid-sulfur coals, providing the optimum

balance between environmental protection and production efficiency. Only a relatively minor investment will be required by the company to meet sulfur dioxide emissions standards for the year 2000 – either by using even more low-sulfur Western coal in power plant fuel blends or by participating in the new emissions allowances trading authorized by the 1990 federal law. Also, a moderate investment may be needed to meet requirements for nitrous oxide emissions.

The following 1992 actions demonstrate that Detroit Edison operations remain directed on the path of environmental responsibility:

- The company is installing continuous emissions monitors at its coal-fired power plants to allow precise, around-the-clock monitoring of emissions and continuous data collection.
- Plant operations engineers developed an Environmental Performance Index which, starting in 1993, helps managers monitor discharges, hazardous waste handling and disposal, and environmental training.
- An internal waste-reduction program encourages recycling and identifies alternatives to traditional hazardous materials. One component – the two-year-old employee paper recycling program – saved 5,000 trees in 1992 alone.
- In partnership with major industries, the Southeast Michigan Council of Governments and the Department of Natural Resources, Detroit Edison helped establish the Southeast Michigan Ozone Study (SEMOS). This two-year, \$1.5-million study will use sophisticated air quality monitoring and modeling to develop a cost-effective strategy to reach federal ambient air quality standards for ozone by 1996. SEMOS is designed to balance environmental protection and economic growth – a clear win-win result.
- The company has negotiated additional waste-to-energy power supply contracts for landfill gas generation projects – which use a renewable fuel created from decomposing garbage.
- Detroit Edison has led the way nationally in zebra mussel research, developing an environmentally sound water spray method for removing the mussels from power plant intake systems.
- The company enlisted more than 50,000 Southeastern Michigan school children in its environmental partnership through teaching programs supported by Detroit Edison. These included "Energy

and the Environment" mini-grants, "Enviro-Magic" shows and the second annual Environmental Poster Contest for elementary school students.

Detroit Edison's partnership with the environment looks beyond today to planning for tomorrow. More than a decade ago, Detroit Edison was a leader in the development and on-the-road demonstration of emission-free electric vehicles. As a result, the company has a unique understanding, born of experience, of the infrastructure needs for electric vehicles. With today's renewed emphasis on alternative-fuel vehicles, Detroit Edison is being looked to as a leader in partnerships with the nation's locally-based automobile manufacturers which, of course, also are customers of the company. The company is a partner with Ford Motor Co. in its Ecostar electric vehicle demonstration program. Together with Ford, the Society of Automotive Engineers and the U.S. Department of Energy (DOE), the company also is a co-sponsor of the Hybrid Electric Vehicle Challenge, a program to showcase emerging electric vehicle technology.

Another electric vehicle partnership is the company's involvement with General Motors Corp., Electronic Data Systems, Hughes Power Control Systems and the DOE in the national Electric Vehicle Infrastructure study and competition. Looking beyond the vehicles themselves, this study is aimed at helping the nation's cities, highways, service stations and other facilities adapt to, accommodate and facilitate the new age of electric vehicles.



Suppliers

Partnerships with suppliers and contractors help reduce costs and improve quality, leading to win-win situations for the company and those who provide products and services.

Detroit Edison is recognized nationally for creating partnerships with suppliers focusing on cost reduction while promoting fair pricing.

Fuel costs for electric generation are the single largest component of operations expenses. Because fuel is so critical, most of it is bought on long-term contracts to ensure adequate supply. In 1992, fuel expenses decreased from \$758 million in 1991 to \$704 million, or more than 7 percent. A significant portion of this decrease resulted from innovative treatment of fuel contracts, including renegotiations, buy-downs, buy-outs, and shifting of coal sources and transportation routes.

Fuel-cost savings have been realized through a variety of partnerships with coal suppliers and transporters. These partnerships have earned Detroit Edison a position of special respect in the national coal marketplace:

- Through its subsidiary, Midwest Energy Resources Co., the company has helped one major supplier and partner, NERCO, levelize its production by helping market coal to other industries when electric utility demand for coal is down. Detroit Edison shares in NERCO's profits.
- Through another partnership, the company is selling coal contracted for under long-term agreements and replacing it with lower-cost coal when market conditions warrant. Everyone wins in this partnership.
- In cooperation with rail carriers, the company continues to be a national leader in converting its rail cars used for shipping coal to power plants from steel to lightweight all-aluminum construction. The result is more coal per trainload and savings for all parties.
- The company formed a partnership with SEMCO



Detroit Edison uses more than 18-million tons of coal each year – 68 percent of it low-sulfur Western coal – making it the fifth-largest coal consumer in the United States.

Pipeline Co., headquartered in Port Huron, Mich., and ANR Pipeline Co. of Detroit, Mich., to build a natural gas pipeline and station to fuel the nearby Greenwood Power Plant. The plant, which is used only during peak periods, was converted to burn gas as well as residual fuel oil, adding flexibility for economical operation as fuel prices vary.

Other Detroit Edison partnership programs that are paying both quality and cost dividends include:

- Partnerships with design and construction contractors working on the company's \$236-million reliability improvement program – with Local 17, International Brotherhood of Electrical Workers – saved more than \$25 million in 1992 alone. Seven construction contractors and four line clearance contractors work under innovative contracts that provide for better communication, performance monitoring, joint equipment selection and a reward system for the most efficient.
- The Corporate Agreement Stockless Purchase (CASP) program, whereby the company buys frequently used materials through innovative contracts with suppliers. Suppliers warehouse the stocks and deliver them on a "just-in-time" basis. Suppliers even recommend other cost-saving steps to enhance the partnership. The program identified about \$1 million in savings for 1993 and beyond.
- More than 200 agreements with suppliers to use Electronic Data Interchange, a cost-saving "paperless" system for ordering and paying for goods and services, and use of Evaluated Receipts Settlement (ERS). The ERS system has eliminated the need for invoices from suppliers and helped the company qualify for prompt-payment discounts.
- Initiatives to increase purchasing opportunities with minority-owned businesses have paid off, increasing the dollars spent with minority businesses by more than 200 percent since 1989.
- A partnership with Henry Ford Health System to provide company employees with mammography screening. Under the program, employees pay no additional costs for the service, and the company's self-funded health insurance plan is billed at half the rates charged by other providers.

■ CUSTOMERS

■ COMMUNITIES

■ SUPPLIERS

■ SHAREHOLDERS

■ ENVIRONMENT

■ EMPLOYEES

■ GOVERNMENTS

■ ENVIRONMENT

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*In 1992, Detroit Edison continued
its strategies for improving the
company's financial condition and
building a lasting foundation for share-
holder value: strengthening the balance sheet
by reducing debt, reducing fixed charges,
and building efficiencies and performance to
control operating costs.*

*The results of these efforts included record
earnings, a third consecutive year of divi-
dend increases and the highest equity-to-debt
ratio in 25 years. Despite the dividend*

INDUSTRIES

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increase, the price of common stock slid slightly from the 1991 level, as investors evaluated the uncertainty connected with the end of the company's five-year rate moratorium and some widely publicized manufacturing decisions affecting the local economy.

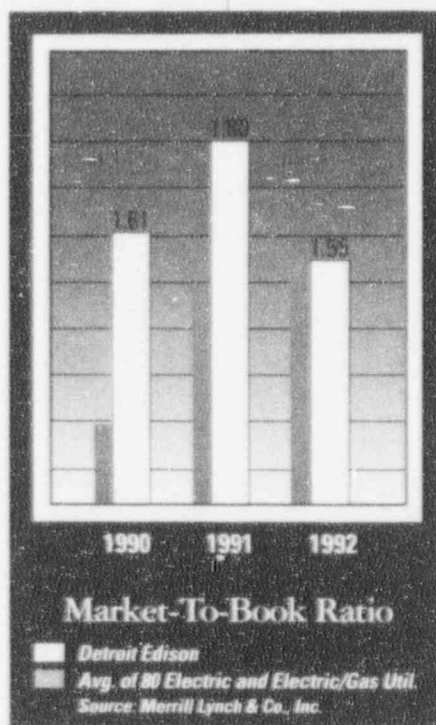
With the end of the rate moratorium on December 31, 1993 – a five-year period during which earnings thus far have increased dramatically – the company expects levels of return more in line with the industry. At the same time, rate reductions made possible by the increased efficiency and performance levels achieved during the past several years will place the company in a better position to compete in the energy marketplace.

Detroit Edison's 1992 *earnings for common stock* totaled a record \$557.5 million, or \$3.79 per share, up 4.2 percent from \$535.2 million, or \$3.64 per share, in 1991. These record earnings came on *operating revenues* of \$3.56 billion, down less than 1

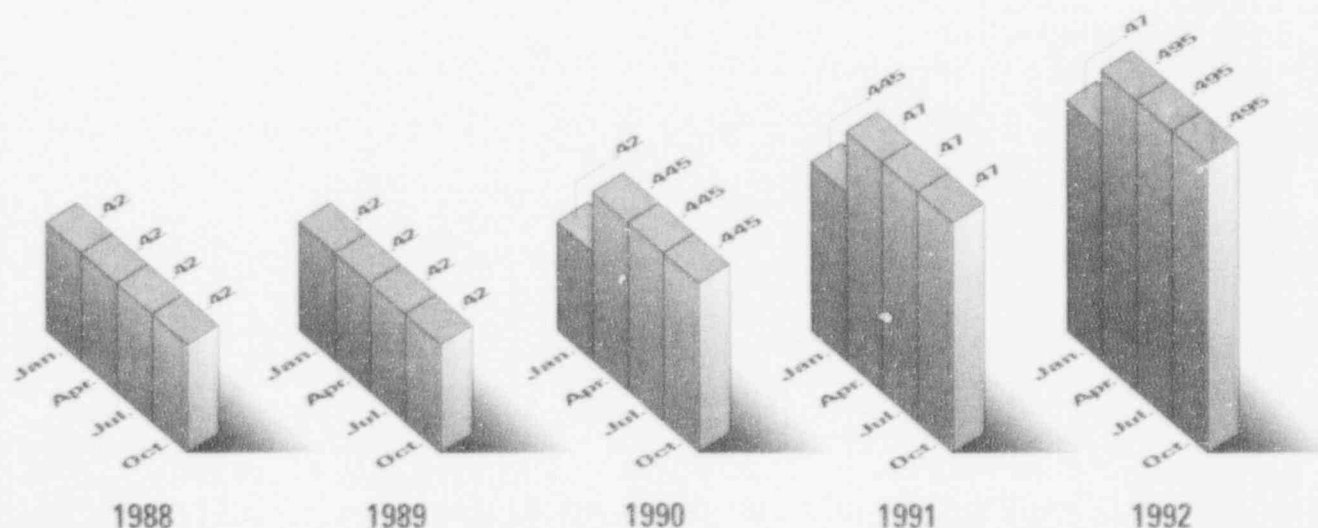
percent from \$3.59 billion in 1991. Common shares outstanding in 1992 averaged 146,998,485, virtually unchanged from 146,945,932 average shares in 1991.

Detroit Edison common stock closed the year at 32½, down from the 34½ posting at year-end 1991. During the year, common stock reached a *closing high* of 35¼ in 1992, down ¼ from 35½ in 1991. Average market price per share in the past 10 years has increased from 14½ in 1983 to 32½ in 1992 – an increase of about 123 percent. The stock averaged an annual return of 26 percent from 1989-1992. The *market-to-book* ratio at year-end 1992 was 1.55, down from 1.80 at year-end 1991.

While price appreciation was a negative 5.8 percent in 1992, tracking parallel with the Dow Jones Electric Utilities index, the decrease was offset by the increase in the *dividend* to an indicated annual rate of \$1.98, up 10 cents from \$1.88 in 1991 and up 30 cents from \$1.68 in 1989.



1988 – 1992 Quarterly Dividend Rates for Common Stock



Common shareholders' equity as a percentage of total capitalization was 42 percent, up from 38.4 percent in 1991. Outstanding long-term debt (including amounts due within one year) decreased overall from \$4.8 billion in 1988 to \$4.3 billion in 1992, despite the assumption of \$537.1 million of debt in 1990 connected with the purchase of Wolverine Power Supply Cooperative, Inc.'s interest in Fermi 2. The company reduced the embedded cost of debt by a full percent — from 9.6 percent in 1988 to 8.6 percent in 1992 — through a decrease in debt and the refinancing of higher-cost debt.

Cooler-than-normal summer weather in 1992 led to *system sales* of electricity totaling 40.7 billion kilowatthours (kWh), down fractionally from last year's 41 billion kWh. Reflecting reduced air conditioning use, residential sales were 11.3 billion kWh, down 7.5 percent from 12.2 billion kWh in 1991. Commercial sales of 8.7 billion kWh were down 2.3 percent from 8.9 billion kWh last year. Industrial sales totaled 18.5 billion kWh, up 1.5 percent from 18.3 billion kWh

last year, led by non-automotive-related manufacturing. Automotive and automotive-related manufacturing increased 1.6 percent and steel decreased slightly compared with last year.

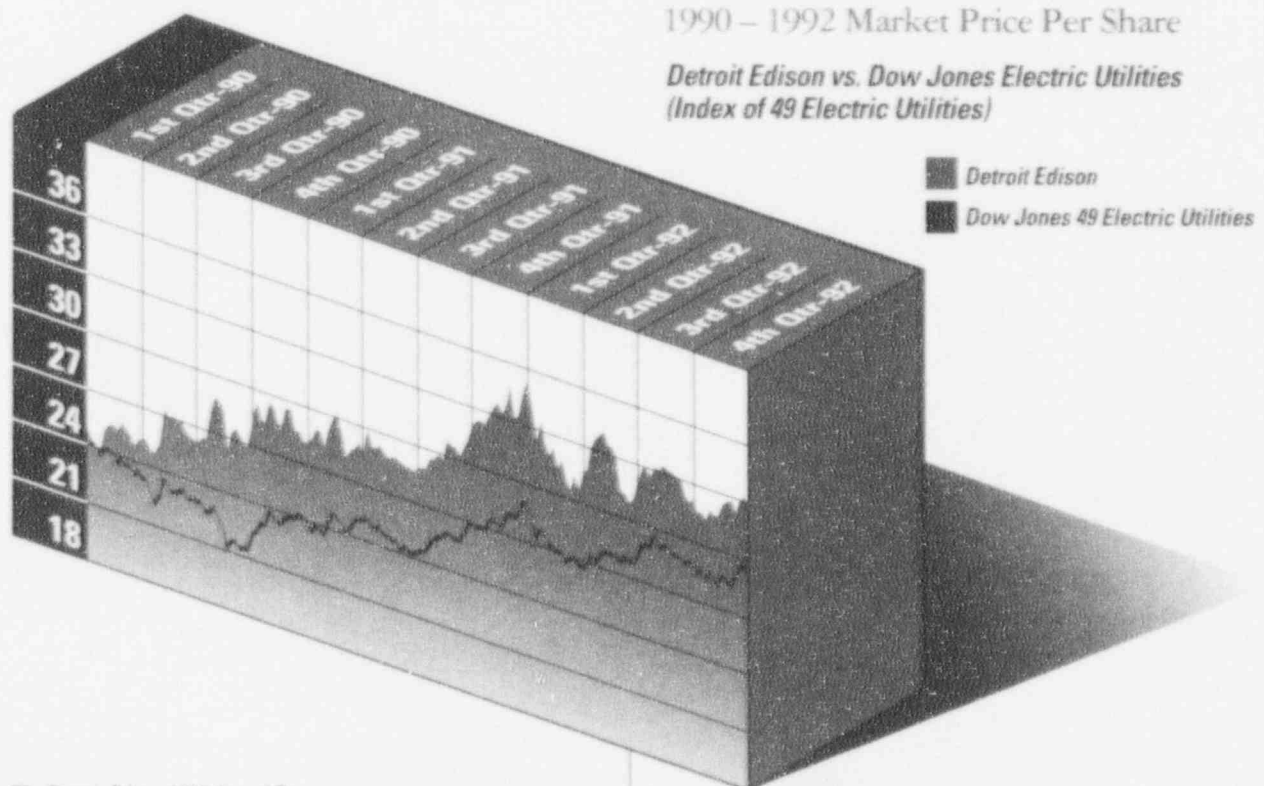
1992 Financing

Type of Security and Month Sold	Gross Amount (Millions)	Interest Rate
<i>General & Refunding Mortgage Bonds</i>		
August	\$ 300.0	7.110-8.310%
December	50.0	6.830
	<u>\$ 350.0</u>	
<i>Pollution Control Bonds</i>		
February	\$ 21.0	6.500%
March	66.0	6.950
April (Variable rate)	31.0	3.757 *
May	33.8	6.875
August	35.0	6.050
December	85.0	6.550
	<u>\$ 271.8</u>	
Total Financing	<u>\$ 621.8</u>	

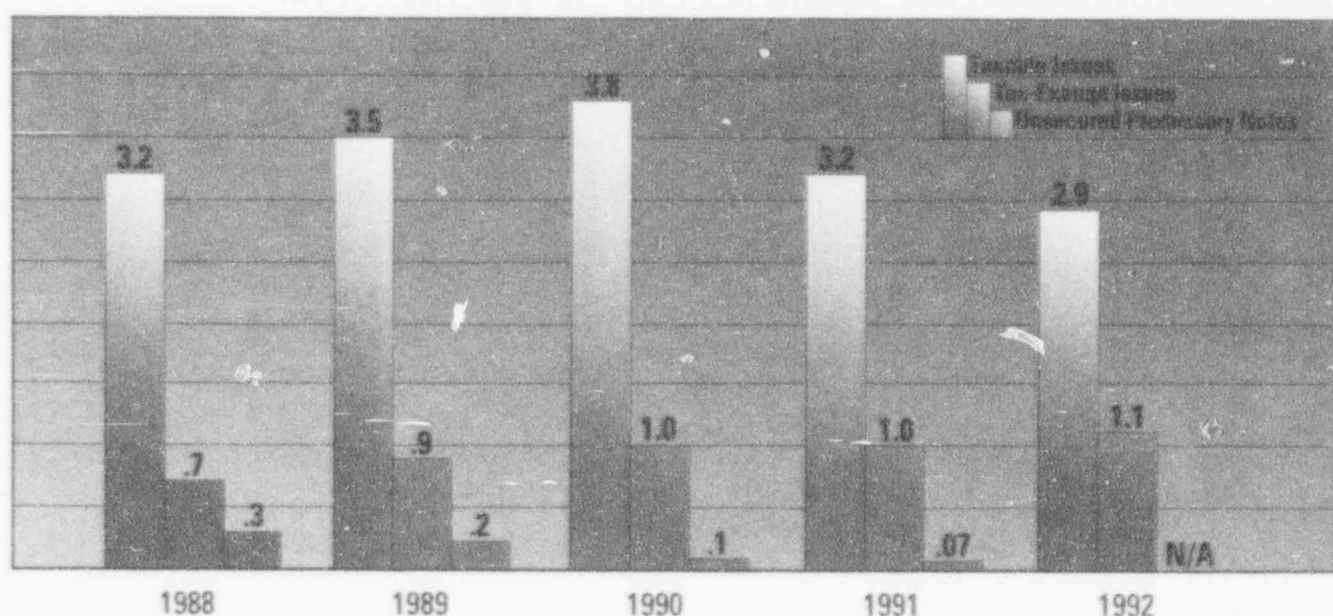
* Effective rate

1990 - 1992 Market Price Per Share

Detroit Edison vs. Dow Jones Electric Utilities (Index of 49 Electric Utilities)



Outstanding Long-Term Debt (Billions of Dollars)



Operation and maintenance (O&M) expenses in 1992 totaled \$1.6 billion, down 6 percent from \$1.7 billion last year. Fuel expenses totaling \$704 million were down 7 percent from \$758 million last year, due in part to plant efficiencies and improved fuel purchasing practices. Continued "right-sizing" and "right-skilling" throughout the company, with the help of attrition, produced a drop in the number of employees in 1992 to an average 9,195, down nearly 2 percent from 1991 and nearly 5 percent from 1990.

Detroit Edison customers now are benefiting from a reduction in annual *rates* totaling about \$170 million, or 5 percent, which took place Jan. 1, 1993. The rate reduction largely is the result of lower fuel costs, passed on to customers as the result of a settlement reached with industrial customers, the state Attorney General and the Michigan Public Service Commission staff. The decrease also reflects the expiration of an expense stabilization procedure provided for by the five-year rate moratorium agreement of 1988.

Securities Redeemed During 1992

	Principal Amount (Millions)	Interest Rate
Early Redemptions		
<i>General & Refunding</i>		
<i>Mortgage Bonds</i>		
1986 Series B	\$100.0	9.750%
1987 Series E	150.0	10.125
Series T	75.0	9.000
Series U	75.0	9.150
Series SS	10.0	10.575
	<u>\$410.0</u>	
<i>Pollution Control Bonds</i>		
35 Issues	\$229.5	5.750-15.000%
<i>Preferred & Preference Stock</i>		
9.72% Series	\$ 3.0	9.720%
9.60% Series	3.3	9.600
\$2.75 Series B	2.5	11.000
\$2.75 Series	2.0	11.000
	<u>\$ 10.8</u>	
Total Early Redemptions	\$650.5	
Mandatory Redemptions	529.6	
Total Redemptions	<u>\$979.9</u>	

REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Detroit Edison Company and Subsidiary Companies

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

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

These financial statements have been audited by the Company's independent accountants, Price Waterhouse, whose report appears on this page. Their audit was conducted in accordance with generally accepted auditing standards. Such standards include the evaluation of internal accounting controls to establish a basis for developing the scope of the audit, as well as such other procedures they deem necessary for expressing an

opinion as to whether the financial statements are presented fairly.

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



Larry G. Garberding
Executive Vice President
and Chief Financial Officer



John E. Lobb
Chairman of the Board, President
and Chief Executive Officer

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Detroit Edison Company

In our opinion, the consolidated financial statements appearing on pages 21 through 36 of this report present fairly, in all material respects, the financial position of The Detroit Edison Company and its subsidiary companies at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards

which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



Price Waterhouse



200 RENAISSANCE CENTER
DETROIT, MICHIGAN 48243
January 25, 1993

CONSOLIDATED STATEMENT OF INCOME (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

	Year Ended December 31		
	1992	1991	1990
Operating Revenues			
Electric – System	\$3,472,583	\$3,458,871	\$3,279,248
Electric – Interconnection	58,447	105,399	269,542
Steam	27,113	27,267	27,491
Total Operating Revenues	\$3,558,143	\$3,591,537	\$3,576,281
Operating Expenses			
Operation			
Fuel	\$ 704,371	\$ 758,467	\$ 788,355
Purchased power	126,101	133,498	256,400
Other operation	548,520	567,275	523,630
Maintenance	262,803	289,670	279,528
Depreciation and amortization	423,407	412,253	406,330
Deferred Fermi 2 depreciation and amortization	(14,984)	(27,583)	(39,208)
Taxes other than income	252,011	243,122	254,661
Income taxes	302,758	270,937	215,930
Total Operating Expenses	\$2,604,987	\$2,647,639	\$2,685,626
Operating Income	\$ 953,156	\$ 943,898	\$ 890,655
Other Income and Deductions			
Allowance for other funds used during construction	\$ 1,363	\$ 1,459	\$ –
Deferred Fermi 2 return	13,785	47,566	78,379
Other income and deductions	(21,179)	(34,074)	(24,973)
Income taxes	7,108	12,215	8,303
Accretion income	45,695	47,298	48,794
Income taxes – disallowed plant costs and accretion income	(15,576)	(6,480)	(8,198)
Net Other Income and Deductions	\$ 31,196	\$ 67,984	\$ 102,305
Income Before Interest Charges	\$ 984,352	\$1,011,882	\$ 992,960
Interest Charges			
Long-term debt	\$ 388,580	\$ 437,337	\$ 472,369
Amortization of debt discount, premium and expense	3,952	4,467	4,539
Other	5,169	4,233	4,853
Allowance for borrowed funds used during construction (credit)	(1,396)	(2,192)	(3,260)
Net Interest Charges	\$ 396,305	\$ 443,845	\$ 478,501
Net Income	\$ 588,047	\$ 568,037	\$ 514,459
Preferred and Preference Stock Dividend Requirements	30,498	32,832	35,179
Earnings for Common Stock	\$ 557,549	\$ 535,205	\$ 479,280
Common Shares Outstanding – Average	146,998,485	146,945,932	146,888,809
Earnings Per Share	\$3.79	\$3.64	\$3.26

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED BALANCE SHEET (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

	December 31	
	1992	1991
ASSETS		
Utility Properties		
Plant in service		
Electric	\$12,199,718	\$11,859,315
Steam	68,226	62,937
	\$12,267,944	\$11,922,252
Less: Accumulated depreciation and amortization	(3,784,843)	(3,439,635)
	\$ 8,483,101	\$ 8,482,617
Construction work in progress	134,637	75,610
Net utility properties	\$ 8,617,738	\$ 8,558,227
Property under capital leases (less accumulated amortization of \$127,395 and \$122,917, respectively)	\$ 170,690	\$ 187,118
Nuclear fuel under capital lease (less accumulated amortization of \$296,154 and \$237,005, respectively)	225,727	246,496
Net property under capital leases	\$ 396,417	\$ 433,614
Total owned and leased properties	\$ 9,014,155	\$ 8,991,841
Other Property and Investments		
Non-utility property	\$ 10,191	\$ 10,103
Investments and special funds	16,535	32,511
Nuclear decommissioning trust funds	24,583	20,102
	\$ 51,309	\$ 62,716
Current Assets		
Cash and temporary cash investments	\$ 9,414	\$ 6,841
Customer accounts receivable and unbilled revenues (less allowance for uncollectible accounts of \$32,000 and \$23,000, respectively)	206,052	215,120
Other accounts receivable	24,372	42,187
Inventories (at average cost)		
Fuel	159,288	169,055
Materials and supplies	177,749	164,716
Prepayments	9,650	7,598
	\$ 586,525	\$ 605,517
Deferred Debits		
Unamortized debt expense	\$ 48,132	\$ 48,968
Accumulated deferred income taxes	136,792	193,405
Unrecovered plant costs	1,758	8,433
Fermi 2 phase-in plan	506,480	488,163
Fermi 2 deferred amortization	35,835	25,383
Other	64,867	39,198
	\$ 793,864	\$ 803,550
Total	\$10,445,853	\$10,463,624

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED BALANCE SHEET (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

	December 31	
	1992	1991
LIABILITIES		
Capitalization		
Common stock - \$10 par value, 400,000,000 shares authorized; 147,016,691 and 146,983,123 shares outstanding, respectively (365,273 and 398,876 shares, respectively, reserved for conversion of preferred stock)	\$ 1,470,167	\$ 1,469,831
Premium on common stock	553,724	553,463
Common stock expense	(48,163)	(48,150)
Retained earnings used in the business	1,138,159	872,428
Total common shareholders' equity	\$ 3,113,887	\$ 2,847,572
Cumulative preferred stock - \$100 par value, 6,747,484 shares authorized; 3,006,562 and 3,137,540 shares outstanding, respectively (3,539,827 shares unissued)		
Redeemable solely at the option of the Company	236,759	237,343
Subject to mandatory redemption	49,344	61,709
Cumulative preference stock - \$1 par value, 30,000,000 shares authorized; 2,200,000 and 2,580,180 shares outstanding, respectively (27,800,000 and 27,419,820 shares unissued, respectively)		
Redeemable solely at the option of the Company	47,891	47,891
Subject to mandatory redemption	-	6,294
Long-term debt	3,973,485	4,218,264
Total Capitalization	\$ 7,421,366	\$ 7,419,073
Other Non-Current Liabilities		
Obligations under capital leases	\$ 155,885	\$ 170,074
Accumulated rate refunds, with interest	7,554	3,861
	\$ 163,439	\$ 173,935
Current Liabilities		
Short-term borrowings	\$ 28,994	\$ 37,994
Amounts due within one year		
Long-term debt	306,299	319,074
Preferred and preference stock	14,250	16,750
Obligations under capital leases	240,532	263,540
Accounts payable	138,517	161,915
Property and general taxes	31,970	45,239
Income taxes	29,684	25,101
Interest	86,157	101,356
Dividends payable	80,192	77,072
Payrolls	62,866	64,730
Fermi 2 refueling outage	2,918	9,002
Other	70,518	57,142
	\$ 1,092,897	\$ 1,178,915
Deferred Credits		
Accumulated deferred income taxes	\$ 1,314,765	\$ 1,222,430
Accumulated deferred investment tax credits	373,433	390,201
Other	79,953	79,070
	\$ 1,768,151	\$ 1,691,701
Commitments and Contingencies (Notes 2, 4, 10, 13 and 14)		
Total	\$10,445,853	\$10,463,624

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENT OF CASH FLOWS (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

	Year Ended December 31		
	1992	1991	1990
Operating Activities			
Net Income	\$ 588,047	\$ 568,037	\$ 514,459
Adjustments to reconcile net income to net cash from operating activities:			
Accretion income	(45,695)	(47,298)	(48,794)
Depreciation and amortization	423,407	412,253	406,330
Deferred Fermi 2 depreciation, amortization and return	(28,769)	(75,149)	(117,587)
Deferred income taxes and investment tax credit - net	132,179	116,778	100,453
Fermi 2 refueling outage - net	(6,084)	(10,998)	20,000
Other	6,714	34,241	29,538
Changes in current assets and liabilities:			
Customer accounts receivable and unbilled revenues	9,068	(29,186)	11,205
Other accounts receivable	17,815	(8,791)	25,233
Inventories	5,239	6,066	(4,004)
Accounts payable	(24,930)	8,773	(73,014)
Taxes payable	(8,109)	(1,595)	21,972
Interest payable	(15,199)	(7,570)	2,951
Other	9,807	(13,451)	34,676
Net cash from operating activities	\$1,063,490	\$ 952,110	\$ 923,418
Investing Activities			
Plant and equipment expenditures	\$ (415,937)	\$(272,121)	\$(230,201)
Purchase from Cooperative - Fermi 2*	-	-	(2,507)
Sale of nuclear fuel	-	-	31,846
Changes in current assets and liabilities	(7,897)	3,137	(15,522)
Other	(3,049)	(11,673)	(20,735)
Net cash used for investing activities	\$ (426,883)	\$(280,657)	\$(237,119)
Financing Activities			
Sale of general and refunding mortgage bonds*	\$ 350,000	\$ -	\$ -
Funds received from Trustees: Installment sales contracts and loan agreements	348,960	159,301	98,679
Increase (decrease) in short-term borrowings	(9,000)	37,994	-
Repayment of long-term debt	(957,859)	(658,129)	(332,203)
Redemption of preferred and preference stock	(22,005)	(22,500)	(19,500)
Dividends on common, preferred and preference stock	(318,349)	(305,893)	(293,391)
Other	(25,781)	(21,331)	(9,602)
Net cash used for financing activities	\$ (634,034)	\$(810,558)	\$(556,017)
Net Increase (Decrease) in Cash and Temporary Cash Investments	\$ 2,573	\$(139,105)	\$ 130,282
Cash and Temporary Cash Investments at Beginning of the Period	6,841	145,946	15,664
Cash and Temporary Cash Investments at End of the Period	\$ 9,414	\$ 6,841	\$ 145,946
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 406,571	\$ 445,350	\$ 469,372
Income taxes paid	178,786	141,839	110,359
New capital lease obligations	39,320	79,002	75,055

For purposes of the consolidated financial statements, the Company considers investments purchased with a maturity of three months or less to be temporary cash investments.

* Excludes the non-cash investing and financing effects of the Company's February 1990 purchase of the Fermi 2 ownership interest of Wolverine Power Supply Cooperative, Inc. through the issuance of \$537.1 million of its General and Refunding Mortgage Bonds.

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

	Common Stock		Premium on Common Stock	Common Stock Expense	Retained Earnings Used in the Business
	Shares	\$10 Par Value			
Balance at December 31, 1989	146,859,569	\$1,468,596	\$552,501	\$(47,742)	\$ 396,705
Issuance of common stock on conversion of convertible cumulative preferred stock, 5 1/4% series	62,126	621	484	(24)	
Expense associated with preferred and preference stock redeemed					(577)
Net income					514,459
Cash dividends declared					
Common stock - \$1.78 per share					(261,478)
Cumulative preferred and preference stock*					(35,093)
Balance at December 31, 1990	146,921,695	\$1,469,217	\$552,985	\$(47,766)	\$ 614,016
Issuance of common stock on conversion of convertible cumulative preferred stock, 5 1/4% series	61,428	614	478	(24)	
Expense associated with an increase in authorized number of shares of common stock				(360)	
Expense associated with preferred and preference stock redeemed					(623)
Net income					568,037
Cash dividends declared					
Common stock - \$1.88 per share					(276,271)
Cumulative preferred and preference stock*					(32,731)
Balance at December 31, 1991	146,983,123	\$1,469,831	\$553,463	\$(48,150)	\$ 872,428
Issuance of common stock on conversion of convertible cumulative preferred stock, 5 1/4% series	33,568	336	261	(13)	
Expense associated with preferred and preference stock redeemed					(847)
Net income					588,047
Cash dividends declared					
Common stock - \$1.98 per share					(291,066)
Cumulative preferred and preference stock*					(30,403)
Balance at December 31, 1992	147,016,691	\$1,470,167	\$553,724	\$(48,163)	\$1,138,159

*At established rate for each series.

(See accompanying Notes to Consolidated Financial Statements.)

The Detroit Edison Company and Subsidiary Companies

NOTE

1

Significant Accounting Policies

INDUSTRY SEGMENT – The Detroit Edison Company ("Company") is a regulated public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy.

REGULATION – The Company is subject to regulation by the Michigan Public Service Commission ("MPSC") and the Federal Energy Regulatory Commission ("FERC") with respect to accounting matters and maintains its accounts in accordance with Uniform Systems of Accounts prescribed by these agencies. As a regulated entity, taking into account the cost recovery restrictions contained in a December 1988 MPSC rate order and the provisions of the Energy Policy Act of 1992 ("Energy Act"), the Company meets the criteria of Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting standard recognizes the ratemaking process which results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences concern mainly the time at which various items enter into the determination of net income in order to follow the principle of matching costs and revenues.

PRINCIPLES APPLIED IN CONSOLIDATION – The Consolidated Financial Statements include the accounts of all subsidiary companies, all of which are wholly-owned.

REVENUES – The Company records unbilled revenues for electric and steam heating services provided after cycle billings through month-end.

PROPERTY, DEPRECIATION AND AMORTIZATION, RETIREMENT AND MAINTENANCE – Utility properties are recorded at original cost less regulatory disallowances. The annual provision for depreciation is calculated on the straight-line remaining life method by applying annual rates approved by the MPSC to the average of year-beginning and year-ending balances of depreciable property by primary plant accounts. Provision for depreciation of Fermi 2, excluding decommissioning expense, was 2.63% of average depreciable property for 1992, 1991 and 1990, except for \$300 million being amortized over 10 years commencing in 1989 and \$515 million being amortized over 19 years commencing in 1990. See Note 3. Provision for depreciation of all other utility plant, as a percent of average depreciable property, was 3.3% for 1992, 1991 and 1990. In general, the cost of properties retired in the normal course of business is charged to accumulated depreciation. Expenditures for maintenance and repairs are charged to expense, and the cost of new property installed, which replaces property retired, is charged to property accounts.

DEFERRED FERMI 2 DEPRECIATION AND RETURN – An MPSC authorized phase-in plan for Fermi 2, effective in January 1988, provides for gradual rate increases in the early years of plant operation rather than a one-time substantial rate increase which conventional ratemaking would provide. SFAS No. 92, "Regulated Enterprises - Accounting for Phase-in Plans," permits the capitalization of costs deferred for future recovery under a

phase-in plan. Accordingly, the Company recorded non-cash income items of deferred depreciation and deferred return totaling \$506.5 million through 1992. These deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues during the years 1993 through 1998. Deferred depreciation is that portion of depreciation expense not covered in current rates and was \$4.5 million, \$15.7 million and \$25.8 million in 1992, 1991 and 1990, respectively. Deferred return is the accrual of carrying charges on Fermi 2 plant costs not covered in current rates and was \$13.8 million, \$47.6 million and \$78.4 million in 1992, 1991 and 1990, respectively.

DEFERRED FERMI 2 AMORTIZATION – The December 1988 MPSC rate order provides for the Company's February 1990 purchase of Wolverine Power Supply Cooperative, Inc.'s ("Cooperative") ownership interest in Fermi 2 for \$513 million to be treated as a regulatory asset with a 19-year principal amortization and associated interest of 8%. The debt and associated interest incurred in connection with this purchase are to be excluded from the calculation of the Company's overall return on investment. Since the straight-line amortization of the regulatory asset exceeds the revenues provided for such amortization during the first ten years of the recovery period, the Company is recording deferred amortization, a non-cash item of income, totaling \$67.2 million through 1999. For 1992, 1991 and 1990, the amounts deferred were \$10.5 million, \$11.9 million and \$13.4 million, respectively. The deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues during the years 2000 through 2008.

PROPERTY TAXES – The Company accounts for property taxes so that such taxes are accrued monthly during the fiscal period of the applicable taxing authority.

INCOME TAXES – Deferred income taxes are provided for timing differences between book and taxable income to the extent authorized by the MPSC. For federal income tax purposes, the Company computes depreciation using accelerated methods and shorter depreciable lives. Investment tax credits utilized which relate to utility property were deferred and are amortized over the estimated composite service life of the related property. Investment tax credits utilized which relate to disallowed Fermi 2 plant costs were recorded in other income and deductions in 1990 and 1991 under the flow-through method. See Note 6.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION ("AFUDC") – AFUDC, a non-operating non-cash item, is defined in the FERC Uniform System of Accounts to include "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC involves an accounting procedure whereby the approximate interest expense and the cost of other (common, preferred and preference shareholders' equity) funds applicable to the cost of construction are transferred from the income statement to construction work in progress in the balance sheet. The cash recovery of AFUDC, as well as other costs of construction, occurs as completed projects are placed in service and related depreciation is authorized to be recovered through customer rates. The Company capitalized AFUDC at 9.65% in 1992, 1991 and 1990.

ACCRETION INCOME – In 1988, the Company adopted SFAS No. 90, "Regulated Enterprises - Accounting for Abandonments and Disallowances of Plant Costs," and recorded indirect losses for Greenwood Unit No. 1, for the abandoned Greenwood Unit Nos. 2 and 3 and for a portion of Fermi 2 as a discount (reduction) of the Company's investment in these units. These net after-tax losses, due to discounting, originally totaled \$198 million, which amounts are being restored to net income over the period 1988-1998 as the Company records a non-cash return (accretion income) on its investment in these units. The Company recorded \$30.2 million, \$51.2 million and \$52.2 million of net after-tax accretion income in 1992, 1991 and 1990, respectively.

CAPITALIZATION - DISCOUNT, PREMIUM AND EXPENSE – The discount, premium and expense related to the issuance of long-term debt are amortized over the life of each issue. In accordance with MPSC regulations, the discount, premium and expense, when related to debt redeemed without refunding, are written off to other income and deductions and, when related to debt redeemed with refunding, are amortized over the life of the replacement issue. Capital stock premium and expense related to redeemed preferred and preference stock are written off against retained earnings used in the business.

UNRECOVERED PLANT COSTS – Amortization of unrecovered plant costs commences when recovery of such costs is authorized by accounting and ratemaking orders of the MPSC. No return on investment is provided for unrecovered plant costs. The Company is amortizing costs of \$71.3 million associated with the abandoned Greenwood Unit Nos. 2 and 3 over the period 1983-1993. The unamortized balances at December 31, 1992 and 1991 were \$1.8 million and \$8.4 million, respectively.

FERMI 2 REFUELING OUTAGES – The Company recognizes the cost of Fermi 2 refueling outages over periods in which related revenues are recognized. Under this procedure, the Company records a provision for incremental costs anticipated to be incurred during the next scheduled Fermi 2 refueling outage.

LEASES – See Note 10.

EMPLOYEES' RETIREMENT PLAN AND OTHER POSTRETIREMENT BENEFITS – See Note 14.

RECLASSIFICATION – Certain amounts in prior years' Consolidated Statement of Income have been reclassified to conform to the current year presentation.

N O T E

2

Fermi 2

GENERAL – Fermi 2, a nuclear generating unit, began commercial operation in January 1988. On September 10, 1992, the Nuclear Regulatory Commission ("NRC") approved the Company's request to increase Fermi 2's licensed capability of 1,093 megawatts by over four percent to 1,139 megawatts. This unit represents approximately 32% of total assets, 11% of total operation and maintenance expenses and 11% of summer net rated capability. In February 1990, the Company purchased the Cooperative's 11.198% Fermi 2 ownership interest for \$539.6

million (\$513 million for plant, \$23.2 million for nuclear fuel and \$3.4 million for materials and supplies and other).

See Note 3 for a discussion of the MPSC's treatment of Fermi 2 project costs of \$4.858 billion (including the purchase of the Cooperative's interest in 1990).

LICENSING, OPERATION AND DECOMMISSIONING – The NRC maintains jurisdiction over the licensing, operation and decommissioning of Fermi 2.

During 1992, 1991 and 1990, Fermi 2 was available for system power generation 79.9%, 73.9% and 82.9% of the time, respectively. The plant's capacity factor (measured by the amount of power produced as compared to full power capability) was 79.0%, 66.7% and 77.4%, respectively, during these same periods.

The MPSC regulates the recovery of costs of decommissioning nuclear power plants. A January 1987 MPSC order authorized the establishment of a \$100 million external trust fund (in 1987 dollars) to finance the decommissioning of Fermi 2 when its operating license expires in the year 2025. The order approves a decommissioning surcharge on customer bills under which the Company is collecting approximately \$3 million annually, with a like amount charged to operations through depreciation expense. At December 31, 1992, the Company has a reserve of \$19.1 million, which is included in accumulated depreciation and amortization, for the future decommissioning of Fermi 2, with a like amount deposited in external trust funds.

Effective in July 1990, an NRC rule requires decommissioning funding based upon a site-specific estimate or a predetermined NRC formula. Using the NRC's formula, the Company estimates that the cost of decommissioning Fermi 2 is \$199.8 million (in 1992 dollars). The currently authorized surcharge does not provide adequate funding under the NRC rule, however, the Company has requested an increase in the surcharge in its July 1, 1992 rate filing with the MPSC and believes increases in decommissioning costs will be recovered in rates.

The Company also has a reserve of \$5.5 million at December 31, 1992, which is included in other deferred credits, for the future decommissioning of Fermi 1, an experimental nuclear unit on the Fermi 2 site that has been shut down since 1972. Such amounts are deposited in an external trust fund for the future payment of decommissioning costs, which are estimated at \$14.1 million (in 1992 dollars).

The Energy Act provided for a fund to be established for the decommissioning and decontamination of existing United States Department of Energy ("DOE") uranium enrichment facilities. Utilities with nuclear facilities will be required to pay for a portion of the cost by making annual payments into the fund over a 15 year period. The law directs state regulators to treat these payments as a necessary and reasonable cost of fuel. The Company's share of the costs are estimated at \$750,000 per year.

NUCLEAR FUEL DISPOSAL COSTS – The Company has a contract with the DOE for the future storage and disposal of spent nuclear fuel from Fermi 2. Under the terms of the contract, the Company makes quarterly payments to the DOE based upon a fee of 1 mill per kilowatthour applied to the Fermi 2 electricity generated and sold. The spent nuclear fuel disposal cost is included as a component of the Company's nuclear fuel expense. The DOE has

publicly stated that it will be unable to store spent nuclear fuel at a permanent repository until 2010. However, the DOE is pursuing interim storage options. The Company estimates that existing temporary storage capacity at Fermi 2 will be sufficient until the year 2000.

INSURANCE – The Company insures Fermi 2 with property damage insurance provided by Nuclear Mutual Limited ("NML"), Nuclear Electric Insurance Limited ("NEIL") and American Nuclear Insurers ("ANI"). The NML and NEIL insurance policies provide \$500 million of composite primary coverage and \$1.325 billion of excess coverage, respectively, for stabilization, decontamination and debris removal costs and repair and/or replacement of property. Under the NML and NEIL policies, the Company could be liable for maximum retrospective assessments of up to approximately \$20 million per loss if any one loss should exceed the accumulated funds available to NML or NEIL. An additional \$765 million of excess coverage is provided by ANI for which the Company pays an annual premium and is not liable for retrospective assessments. Accordingly, the combined limits provide total property damage insurance of \$2.59 billion. The Company is also insured by NEIL for replacement power costs associated with accidental plant outages.

As required by federal law, the Company maintains \$200 million of public liability insurance for a nuclear incident. Further, under the Price-Anderson Amendments Act of 1988, deferred premium charges of \$63 million may be levied against each licensed nuclear facility, but not more than \$10 million per year per facility. On December 31, 1992, there were 115 licensed nuclear facilities in the United States. Thus, deferred premium charges in the aggregate amount of approximately \$7.2 billion could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident. Accordingly, public liability for a single nuclear incident is currently limited to approximately \$7.4 billion.

NOTE

3

Rate Matters

The Company is subject to the primary regulatory jurisdiction of the MPSC, which, from time to time, issues its orders pertaining to the Company's conditions of service, rates and recovery of certain costs including the costs of generating facilities.

A December 1988 MPSC order approved a settlement agreement among the Company, MPSC Staff, Michigan Attorney General ("AG") and other intervenors, which together with a previous April 1986 MPSC order (1) established a seven-year rate phase-in plan for Fermi 2, (2) provided for both direct and indirect disallowances of Fermi 2 plant costs, (3) excluded the Company's investment in its 795 megawatt Greenwood unit from rate base through December 31, 1993, (4) suspended the Power Supply Cost Recovery ("PSCR") Clause for the four-year period January 1, 1989 through December 31, 1992 and (5) provided for a five-year moratorium on base rate changes through December 31, 1993.

Exceptions to the moratorium were allowed for (1) previously authorized rate increases (the Fermi 2 phase-in plan) and (2) federal income tax law or regulation changes, new acid rain legislation and new cogeneration legislation that would increase or

decrease costs by \$5 million (1988 dollars adjusted by the Consumer Price Index, "CPI") or more annually. Also, an expense stabilization procedure, applicable to approximately \$750 million of Company operation and maintenance expenses, permitted rates to be adjusted by a surcharge through 1992 for the effects of inflation. The annual revenues provided by each surcharge were approximately \$27 million, \$55 million and \$63 million for 1990, 1991 and 1992, respectively.

Set forth below is a summary of the Company's actual and scheduled rate increases and other rate changes for the period 1988-1994, excluding surcharges. This summary includes the increases authorized as part of the Fermi 2 phase-in plan.

Year	Authorized Base Rate Increases	Other Rate Changes	Total	
			Annual Amounts	Cumulative Amounts
(Millions)				
1988-1991	\$331.3	\$21.6		\$352.9
1992	102.5	7.6	\$110.1	463.0
1993	—	39.1	39.1	502.1
1994	*	6.7	*	*

* Under the MPSC's December 1988 order, \$70.8 million required under the Fermi 2 phase-in plan will be included as a cost of service component in the determination of the rate adjustment in 1994 and beyond, so that all amounts deferred are recovered during the period ending no later than December 31, 1998.

See Note 1 for a discussion of Deferred Fermi 2 Depreciation and Return and Deferred Fermi 2 Amortization.

For the period January 1989 through December 2003, the December 1988 MPSC order established (1) a cap on Fermi 2 capital additions of \$25 million per year cumulative, adjusted by the CPI, (2) a cap on Fermi 2 non-fuel operation and maintenance expenses adjusted by the CPI and (3) a capacity factor performance standard based on a three-year rolling average commencing in 1991. Under the capacity performance standard, effective January 1, 1993, a disallowance of net incremental replacement power cost will be imposed for the amount by which the Fermi 2 three-year rolling average capacity factor is less than the greater of either the average of the top 50% of U.S. boiling water reactors or 50%. For a capital investment of \$200 million or more, the Company must obtain prior MPSC approval to be included in rate base. See Note 1 - Regulation.

The Company has and believes it will continue to operate under the terms of the order with no significant adverse effects as a result of any cost recovery restrictions contained therein.

In accordance with December 1988 and April 1986 MPSC rate orders, ratemaking treatment of the Company's Fermi 2 project costs of \$4.858 billion is as follows: (1) \$3.018 billion in rate base with recovery and return, (2) \$300 million amortized over 10 years with no return, (3) \$513 million amortized over 19 years with associated interest of 8% and (4) \$1.027 billion disallowed and written off by the Company in 1988.

Under the December 1988 MPSC order, if nuclear operations at Fermi 2 permanently cease, the remaining net rate base investment amount shall be removed from rate base and amortized in rates, without return, over ten years with such amortization not to

exceed \$290 million per year. In this event, unamortized amounts of deferred depreciation and deferred return, recorded in the balance sheet under the phase-in plan prior to the removal of Fermi 2 from rate base, will continue to be amortized, with a full return on such unamortized balances, so that all amounts deferred are recovered during the period ending no later than December 31, 1998. Also, amortization in rates of the \$300 million and \$513 million investments in Fermi 2 would continue.

In an order dated October 19, 1992, the MPSC approved a settlement agreement providing for a 1993 PSCR Plan. Implementation of the provisions of this order together with the termination of the expense stabilization procedure on January 1, 1993, is expected to reduce the Company's operating revenues by approximately \$170 million in 1993.

The Company has pending before the MPSC an application requesting an increase in base rates in the annual amount of \$91.6 million, based upon a 1994 test year and a 13% return on common equity. The request for an increase in base rates reflects: (1) increased Fermi 2 decommissioning costs, (2) increased costs associated with implementing accounting changes related to other postretirement benefits (see Note 14), (3) costs associated with the return to rate base of the Greenwood generating unit, (4) Fermi 2 phase-in plan revenue requirements in 1994, (5) a five-year \$75 million demand-side management program and (6) other inflationary increases. The Company is required to update this application by April 30, 1993. It is anticipated that the MPSC will issue an order effective for service rendered on and after January 1, 1994.

NOTE

4

Jointly-Owned Utility Plant

The Company's portion of jointly-owned utility plant is as follows:

	Belle River	Ludington Pumped Storage
In-service date	1984-1985	1973
Undivided ownership interest	*	49%
Investment (millions)	\$1,025.7	\$168.7
Accumulated depreciation (million)	\$ 246.1	\$ 63.0

* The Company's undivided ownership interest is 62.78% in Unit No. 1, 81.39% of the portion of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants, 49.59% in certain transmission lines and, at December 31, 1992, 75% in facilities used in common with Unit No. 2.

BELLE RIVER - The Michigan Public Power Agency ("MPPA") has an undivided ownership interest in Belle River Unit No. 1 and certain other related facilities. MPPA is entitled to 18.61% of the capacity and energy of the entire plant and is responsible for the same percentage of the plant's operation and maintenance expenses and capital improvements. The Company is obligated to provide MPPA with backup power when either unit is out of service.

In 1984, following commercial operation of Belle River Unit No. 1, the Company began contractual purchases of 100% of

MPPA's capacity and energy entitlement which continued through 1990. Such purchases were 90% for 1991 and 80% for 1992 and are contracted to be 20% for 1993 and 10% for 1994. The cost for the buyback of power is based on MPPA's plant-related investment, interest costs incurred by MPPA on their original project financing plus 2.5%, and certain other costs such as depreciation and operation and maintenance expenses. Buyback payments to MPPA were \$70.3 million, \$58.1 million and \$50.9 million for 1990, 1991 and 1992, respectively, and are currently estimated at \$12.6 million and \$6.1 million for 1993 and 1994, respectively.

LUDINGTON PUMPED STORAGE - Operation, maintenance and other expenses of the Ludington Pumped Storage Plant ("Ludington") are shared by the Company and Consumers Power Company ("Consumers") in proportion to their respective interests in the plant. See Note 13 for a discussion of contingencies related to Ludington.

One-sixth of the Company's Ludington generating capability has been leased to The Toledo Edison Company through December 31, 1993.

NOTE

5

Sale of Accounts Receivable and Unbilled Revenues

In February 1989, the Company entered into a five-year program for the sale of \$200 million of the Company's accounts receivable and unbilled revenues. The sale was accomplished by an assignment of an undivided ownership interest in the Company's customer accounts receivable and unbilled revenues. At December 31, 1992 and 1991, customer accounts receivable and unbilled revenues in the Consolidated Balance Sheet have been reduced by \$200 million reflecting the sale. All expenses associated with the program are being charged to other income and deductions in the Consolidated Statement of Income.

NOTE

6

Income Taxes

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

	Percent of Income Before Tax		
	1992	1991	1990
Statutory income tax rate	34.0%	34.0%	34.0%
Deferred Fermi 2 depreciation and return	(0.3)	(2.1)	(4.0)
AFUDC	(0.1)	(0.1)	(1.7)
Investment tax credit	(1.9)	(2.8)	(2.8)
Depreciation	3.3	3.3	4.4
Other - net	(0.1)	(0.5)	(0.3)
Effective income tax rate	34.6%	31.8%	29.6%

The Detroit Edison Company and Subsidiary Companies

Components of income taxes were applicable to the following:

	1992	1991	1990
	(Thousands)		
Operating expenses			
Current	\$204,346	\$179,736	\$143,019
Deferred - net			
Borrowed funds component of AFUDC	(1,081)	(1,081)	(12,611)
Depreciation and amortization	70,864	72,814	76,261
Property taxes	3,952	(3,822)	(5,308)
Unbilled revenues	-	-	(10,922)
Alternative minimum tax	50,537	-	419
Fermi 2 capitalized labor and expenses	(1,692)	(1,692)	(1,692)
Indirect construction costs	(1,268)	(1,268)	(1,864)
Uncollectible accounts	(3,060)	(4,420)	1,084
Contributions in aid of construction	(4,877)	(3,548)	(4,952)
Fermi 2 refueling outage	2,068	3,740	(6,800)
Michigan Single Business Tax	-	6,324	(6,324)
Shareholder value improvement plan	(2,256)	(2,899)	(2,232)
PSCR property tax refund	30	5,563	(5,563)
Coal contract buyouts	(1,918)	(773)	4,996
Other	3,881	(806)	(3,721)
	115,180	68,132	20,771
Investment tax credit - net			
Utilized	(417)	36,408	64,468
Amortized	(16,351)	(13,339)	(12,328)
	(16,768)	23,069	52,140
Total	302,758	270,937	215,930
Other income and deductions			
Current	(5,464)	(11,188)	(7,565)
Deferred - net	(1,644)	(1,027)	(738)
Total	(7,108)	(12,215)	(8,303)
Disallowed plant costs and accretion income			
Current	(19,835)	(20,125)	(20,081)
Deferred - net			
Disallowed plant costs	19,874	20,135	20,088
Accretion income	15,537	16,081	16,591
Investment tax credit	-	(9,611)	(8,400)
Total	15,576	6,480	8,198
Total income taxes	\$311,226	\$265,202	\$215,825

In accordance with MPSC requirements, deferred income tax accounting was not followed for the borrowed funds component of AFUDC and indirect construction costs relating to Fermi 2, nor is it followed for interest on nuclear fuel financing (see Note 10) and certain other current income tax deductions.

The Fermi 2 phase-in plan required the Company to record additional deferred income tax expense related to deferred depreciation totaling \$33.5 million (\$11.8 million, \$9.4 million, \$6.9 million, \$4.2 million and \$1.2 million in 1988, 1989, 1990, 1991 and 1992, respectively), with these amounts amortized to income over the period ending December 31, 1998.

As authorized by the MPSC, deferred income taxes are recorded for tax credits generated under the Alternative Minimum Tax ("AMT") system created by the federal Tax Reform Act of 1986. These deferred income taxes are amortized at such time as the AMT credits are used on the Company's federal income tax return. It is estimated that \$50.5 million of AMT credits will be used to reduce the Company's 1992 federal income taxes currently payable; therefore, an equal amount was amortized to deferred income tax expense in 1992. At December 31, 1992, the Company has an AMT credit carryforward of approximately \$29 million, which can be carried forward indefinitely to reduce regular tax liabilities whenever such liabilities exceed AMT liabilities.

The cumulative net amounts of income tax timing differences for which deferred taxes have not been provided at December 31, 1992 and 1991 are approximately \$1.8 billion and \$2.0 billion, respectively. The tax expense related to these timing difference amounts, for which the tax benefits were previously flowed-through to customers, will be recorded when such taxes become payable and are recoverable from customers.

In February 1992, the Financial Accounting Standards Board ("FASB") issued SFAS No. 109, "Accounting for Income Taxes," with an effective date of 1993. SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes. It requires the Company to (1) recompute its tax liability at the then current tax rate and adjust the accumulated deferred income tax balances in the balance sheet and (2) record additional deferred income taxes for temporary differences not previously recognized (including the \$1.8 billion discussed above). The Company is adopting SFAS No. 109 in the first quarter of 1993 and, as a result, will record an increase in accumulated deferred income tax liabilities of approximately \$740 million offset by an equal regulatory asset, representing the future revenue recovery from customers for these taxes as they become payable, with no effect on net income.

On February 8, 1993, the MPSC issued an order, in a generic proceeding, authorizing accounting procedures consistent with SFAS No. 109 and providing assurance that the effects of previously flowed-through tax benefits will continue to be allowed rate recovery.

The federal income tax returns of the Company are settled through the year 1986. The Internal Revenue Service is currently examining the Company's tax returns for the years 1987 and 1988. The Company believes that adequate provisions for federal income taxes have been made through December 31, 1992.

NOTE 7

Short-Term Credit Arrangements and Borrowings

As described below, at December 31, 1992, the Company had total short-term credit arrangements of \$363.7 million under which \$29 million of borrowings were outstanding.

The Company had bank lines of credit of \$200 million, all of which had commitment fees in lieu of compensating balances. Commitment fees incurred in 1992 for bank lines of credit were approximately \$0.3 million. The Company uses bank lines of credit to support the issuance of commercial paper and bank loans. All borrowings are at prevailing money market rates which are below the banks' prime lending rates.

The Company has a nuclear fuel financing arrangement (heat purchase contract) with Renaissance Energy Company ("Renaissance"), an unaffiliated company. Renaissance may issue commercial paper or borrow from participating banks on the basis of promissory notes. To the extent the maximum amount of funds available to Renaissance (currently \$400 million) is not needed by Renaissance to purchase nuclear fuel, such funds may be loaned to the Company for general corporate purposes pursuant to a separate Loan Agreement. At December 31, 1992, \$163.7 million was available to the Company under such Loan Agreement. See Note 10 for a discussion of the Company's heat purchase contract with Renaissance.

N O T E

8

Common Stock and Cumulative Preferred and Preference Stock Redeemable Solely at the Option of the Company

At December 31, the outstanding Cumulative Preferred and Preference Stock redeemable solely at the option of the Company was:

	Date of Issuance	1992	1991
<i>(Thousands)</i>			
Preferred Stock			
5 1/4% convertible series, 64,982 and 70,960 shares, respectively	Oct. 1967	\$ 6,498	\$ 7,096
9.32% series, 499,080 shares	Oct. 1970	49,908	49,908
7.68% series, 500,000 shares	Mar. 1971	50,000	50,000
7.45% series, 600,000 shares	Nov. 1971	60,000	60,000
7.36% series, 750,000 shares	Dec. 1972	75,000	75,000
Preferred stock expense		(4,647)	(4,661)
Total Preferred Stock		\$236,759	\$237,343
Preference Stock			
\$2.28 series, 2,000,000 shares	Dec. 1977	\$ 2,000	\$ 2,000
Premium on preference stock		48,000	48,000
Preference stock expense		(2,109)	(2,109)
Total Preference Stock		\$ 47,891	\$ 47,891

The Convertible Cumulative Preferred Stock, 5 1/4% Series, is convertible by the holder into Common Stock. The conversion price was \$17.79 per share at December 31, 1992. The number of shares converted during 1992, 1991 and 1990 was 5,978, 10,937 and 11,060, respectively. The number of shares of Common Stock

reserved for issuance upon conversion and the conversion price are subject to further adjustment in certain events. This Series may be redeemed at any time in whole or in part at the option of the Company at \$100 per share, plus accrued dividends.

The Company's 9.32% Series, 7.68% Series, 7.45% Series and 7.36% Series Preferred Stock are redeemable solely at the option of the Company at a per share redemption price of \$101, plus accrued dividends.

The Company's \$2.28 Series Preference Stock is redeemable solely at the option of the Company at a per share redemption price of \$25.25, plus accrued dividends, on and after January 15, 1993.

Apart from MPSC approval and the requirement that Common, Preferred and Preference Stock be sold for at least par value, there are no legal restrictions on the issuance of additional authorized shares of such stock.

N O T E

9

Cumulative Preferred and Preference Stock Subject to Mandatory Redemption

At December 31, the outstanding Cumulative Preferred and Preference Stock subject to mandatory redemption was:

	Date of Issuance	1992	1991
<i>(Thousands)</i>			
Preferred Stock			
9.72% series, 250,000 and 300,000 shares, respectively	Dec. 1978	\$25,000	\$30,000
9.72% series, 50,000 and 60,000 shares, respectively	Jan. 1979	5,000	6,000
9.60% series, 159,750 and 195,250 shares, respectively	Oct. 1979	15,975	19,525
9.60% series, 132,750 and 162,250 shares, respectively	Jan. 1980	13,275	16,225
Preferred stock due within one year		(9,250)	(9,250)
Preferred stock expense		(656)	(791)
Total Preferred Stock		\$49,344	\$61,709
Preference Stock			
\$2.75 series, 180,180 shares in 1991	July 1975	\$ -	\$ 180
\$2.75 series B, 200,000 and 400,000 shares, respectively	Dec. 1975	200	400
Premium on preference stock		4,800	13,924
Preference stock due within one year		(5,000)	(7,500)
Preference stock expense		-	(710)
Total Preference Stock		\$ -	\$ 6,294

The Detroit Edison Company and Subsidiary Companies

The following series of Preferred and Preference Stock are entitled to the benefit of sinking funds (provided that no dividend arrearages exist) providing for the annual redemption of shares at stated per share prices, plus accrued dividends:

	Annual Number of Shares	Price Per Share	Non-Cumulative Option to Redeem Additional Shares in Any Year
Preferred Stock			
9.72% Series	30,000	\$100	30,000
9.60% Series	32,500	100	32,500*
Preference Stock			
\$2.75 Series B	100,000	25	100,000

* Not to exceed 220,000 cumulative additional shares of which 97,500 shares were redeemed at December 31, 1992.

The following numbers of shares were purchased for application to sinking fund requirements:

	1992	1991	1990
Preferred Stock, 9.72% Series	60,000	60,000	30,000
Preferred Stock, 9.60% Series	65,000	65,000	65,000
Preference Stock, \$2.75 Series	180,180	200,000	200,000
Preference Stock, \$2.75 Series B	200,000	200,000	200,000

In the event that a payment due under requirements of a sinking fund for any series of Preferred or Preference Stock is not made, no dividend shall be paid (other than a dividend paid in junior stock) or declared or other distribution made upon any junior stock or Common and Preference Stock in the case of Preferred Stock, and Common Stock in the case of Preference Stock) until such payment is made.

The following series of Preferred and Preference Stock, which are redeemable pursuant to sinking fund requirements, may also be redeemed at the option of the Company at stated per share redemption prices, plus accrued dividends:

	Decreasing From	Prior To	To	On and After
Preferred Stock				
9.72% Series	\$102.90	1-15-94	\$101.00	1-15-94
9.60% Series	104.00	10-15-94	101.00	10-15-94
Preference Stock				
\$2.75 Series B	—	—	25.25	1-15-91

The combined aggregate annual amounts of redemption requirements at December 31, 1992 for all series of Preferred and Preference Stock are \$14 million for 1993 and \$6 million for each of the years 1994 through 1997.

NOTE 10

Leases

Future minimum lease payments under long-term noncancellable leases, consisting of nuclear fuel (\$280 million computed on a projected units of production basis), lake vessels (\$60 million), locomotives and coal cars (\$177 million), office space (\$33 million) and computers, vehicles and other equipment (\$29 million) at December 31, 1992 are as follows:

	(Millions)		(Millions)
1993	\$117	1996	\$ 63
1994	92	1997	40
1995	78	Remaining years	189
		Total	\$579

The Company has a heat purchase contract with Renaissance which provides for the purchase by Renaissance for the Company of up to \$400 million of nuclear fuel, subject to the continued availability of funds to Renaissance to purchase such fuel. Title to the nuclear fuel is held by Renaissance. The Company makes quarterly payments under the heat purchase contract based on the consumption of nuclear fuel for the generation of electricity. Renaissance's investment in nuclear fuel was \$226 million and \$246 million at December 31, 1992 and 1991, respectively. The decrease in 1992 from 1991 of \$20 million includes additions of \$39 million (purchases of \$32 million and capitalized interest of \$7 million) less \$59 million for the amortization of nuclear fuel consumed in 1992.

Under SFAS No. 71, amortization of leased assets is modified so that the total of interest on the obligation and amortization of the leased asset is equal to the rental expense allowed for ratemaking purposes. For ratemaking purposes, the MPSC has treated all leases as operating leases. Net income is not affected by capitalization of leases.

Rental expenses for both capital and operating leases were \$108 million (including \$70 million for nuclear fuel), \$106 million (including \$67 million for nuclear fuel) and \$124 million (including \$80 million for nuclear fuel) for 1992, 1991 and 1990, respectively.

NOTE 11

Long-Term Debt

The Company's 1924 Mortgage and Deed of Trust ("Mortgage"), the lien of which covers substantially all of the Company's properties, provides for the issuance of additional bonds. At December 31, 1992, approximately \$2.7 billion principal amount of Mortgage Bonds could have been issued on the basis of property additions, combined with an earnings test provision, assuming an interest rate of 8.35% on any such additional Mortgage Bonds. An additional \$443 million principal amount of Mortgage Bonds could have been issued on the basis of bond retirements, after giving effect to the actual and planned 1993 issuances of \$340 million of Mortgage Bonds.

Long-term debt outstanding at December 31 was:

	Interest Rate	1992	1991
<i>(Thousands)</i>			
General and Refunding Mortgage Bonds			
Series R, due 12/1/96	6 %	\$ 100,000	\$ 100,000
Series S, due 10/1/98	6.4	150,000	150,000
Series T, due 12/1/99	9	—	75,000
Series U, due 7/1/00	9.15	—	75,000
Series V, due 12/15/00	8.15	100,000	100,000
Series X, due 6/15/01	8%	100,000	100,000
Series Y, due 11/15/01	7%	60,000	60,000
Series Z, due 1/15/03	7%	100,000	100,000
Series SS, due 3/15/96	10%	40,000	60,000
1980 Series B, due 4/1/97	12%	26,850	33,500
1986 Series A, due 4/15/16	9%	200,000	200,000
1986 Series B, due 8/15/16	9%	—	100,000
1986 Series C, due 12/15/16	9%	200,000	200,000
1987 Series A, due 2/15/17	9	300,000	300,000
1987 Series B, due 4/15/97	8%	175,000	175,000
1987 Series C, due 4/15/14	9%	225,000	225,000
1987 Series D, due 8/15/92	9%	—	250,000
1987 Series E, due 8/15/96	10%	—	150,000
1987 Series F, due 6/15/93	9%	200,000	200,000
1989 Series A, due 7/1/19	9%	300,000	300,000
1990 Series A, due 3/31/20	7.904	175,812	182,091
1990 Series B, due 3/31/16	7.904	228,384	237,900
1990 Series C, due 3/31/14	8.357	75,218	78,637
1992 Series D, due 8/1/02 and 8/1/22	7.629*	300,000	* —
1992 Series E, due 12/15/99	6.83	50,000	—
Less: Unamortized net discount		(10,324)	(11,883)
Amount due within one year		(235,864)	(285,864)
		<u>\$2,860,076</u>	<u>\$5,154,381</u>
Tax Exempt Revenue Bond Obligations			
Secured by corresponding amounts of General and Refunding Mortgage Bonds			
Installment Sales			
Contracts, due 6/1/93 - 9/1/24	8*	\$ 371,875	\$ 367,410
Less: Unamortized net discount		(308)	(104)
Funds on deposit with Trustee		(148)	(138)
Amount due within one year		(455)	(810)
		<u>\$ 370,984</u>	<u>\$ 366,358</u>
Loan Agreements			
due 7/15/08 - 8/1/24	6.83*	\$ 390,515	\$ 268,540
Less: Funds on deposit with Trustee		—	(77,185)
		<u>\$ 390,515</u>	<u>\$ 191,355</u>

	Interest Rate	1992	1991
<i>(Thousands)</i>			
Unsecured			
Installment Sales			
Contracts, due 12/15/15 - 12/1/19	9.16*	\$ 290,360	\$ 387,360
Less: Amount due within one year		—	(1,000)
		<u>\$ 290,360</u>	<u>\$ 386,360</u>
Loan Agreements			
due 6/15/95 - 10/1/24	5.94*	\$ 61,550	\$ 51,210
Less: Amount due within one year		—	(1,400)
		<u>\$ 61,550</u>	<u>\$ 49,810</u>
		<u>\$1,113,409</u>	<u>\$ 993,883</u>
Unsecured Promissory Notes			
Fixed interest rates, due 1/13/93	9.49	\$ 70,000	\$ 100,000
Less: Amount due within one year		(70,000)	(30,000)
		<u>\$ —</u>	<u>\$ 70,000</u>
Total Long-Term Debt		<u>\$3,973,485</u>	<u>\$4,218,264</u>

*Weighted average interest rate at December 31, 1992.

In 1993, 1994, 1995, 1996 and 1997, long-term debt maturities consist of \$306 million, \$36 million, \$37 million, \$136 million and \$194 million, respectively. In addition, the Company redeemed its \$225 million 1987 Series C Mortgage Bonds in February 1993.

N O T E 1 2

Fair Value of Financial Instruments

The Company adopted SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," in 1992. SFAS No. 107 requires all companies to disclose the fair value of all financial instruments, both assets and liabilities recognized and not recognized in the balance sheet, for which it is practicable to estimate fair value. Descriptive information pertinent to estimating the value of a financial instrument is required, if estimating fair value is not practicable.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and temporary cash investments/Short-term borrowings

The carrying amount approximates fair value because of the short maturity of those instruments.

Other investments

The fair value of the Company's other investments was not estimated due to each investment not being a material amount and because some are already recorded at fair value.

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Sale of accounts receivable and unbilled revenues

The carrying amount approximates fair value because of the short maturity of accounts receivable and unbilled revenues pledged for sale.

Preferred/Preference stock

The fair value of the Company's preferred and preference stock outstanding is estimated based on the quoted market prices for the same or similar issues.

Long-term debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Customer surety deposits

Surety deposits, including interest as specified by MPSC regulation, are returned to customers. The carrying amount approximates fair value.

The estimated fair values of the Company's financial instruments at December 31 are as follows:

	1992	
	Carrying Amount	Fair Value
	(Thousands)	
Cash and temporary cash investments	\$ 9,414	\$ 9,414
Other investments	3,536	3,536
Sale of accounts receivable and unbilled revenues	200,000	200,000
Preferred/Preference stock	355,656	355,668
Long-term debt	4,279,952	4,473,540
Short-term borrowings	28,994	28,994
Customer surety deposits	9,805	9,805

NOTE 13

Commitments and Contingencies

COMMITMENTS - The Company has entered into purchase commitments of approximately \$450 million at December 31, 1992. The Company has also entered into substantial long-term fuel supply and transportation commitments.

The Company has an Energy Purchase Agreement ("Agreement") for the purchase of steam and electricity from the Detroit Resource Recovery Facility. Under the Agreement, the Company will purchase steam through the year 2008 and electricity through June 30, 2024. Purchases of steam and electricity were \$21.5 million for 1992 and annual purchase commitments are approximately \$20.8 million, \$24.7 million, \$25.3 million, \$30.8 million and \$36.4 million for 1993, 1994, 1995, 1996 and 1997, respectively.

See Note 4 for a discussion of buyback commitments to MPPA related to the Belle River Power Plant.

CONTINGENCIES - In 1986, the AG and the Michigan Natural Resources Commission filed a lawsuit against the Company and Consumers as co-owners of Ludington. The Company is a 49% co-owner of Ludington. The suit, which alleges violations of the Michigan Environmental Protection Act and the common law for claimed aquatic losses, seeks past damages (including interest) of approximately \$148 million and future damages (from the time of the filing of the lawsuit) in the amount of approximately \$89,500 per day (of which 49% would be applicable to the Company). In November 1990, the Court granted the Company's motion seeking dismissal of the case upon which the AG filed a claim of appeal.

In 1986, two environmental organizations requested FERC to withdraw the Ludington license or provide some mitigation for fish mortality. In April 1989, Consumers and the Company were ordered by the FERC to install a temporary barrier net around the plant to protect fish on an interim basis until permanent measures could be developed. At this time, a net has been in operation for four seasons and the companies have proposed that it be utilized as part of the permanent solution. The Company is unable to determine what the total cost of the permanent measures will be, however, pending a decision by the FERC, the companies intend to continue to operate the seasonal net at an estimated annual cost of \$3 million.

In January 1989, the Environmental Protection Agency ("EPA") issued an administrative order under the Comprehensive Environmental Response, Compensation and Liability Act ordering the Company and 23 other potentially responsible parties ("PRPs") to begin removal activities at the Carter Industrial superfund site. On September 30, 1992, the EPA approved a Consent Decree, signed by the settling PRPs, to conduct the required clean-up of the site. The U.S. Justice Department has presented the Carter matter to the U.S. District Court for the Eastern District of Michigan and the Consent Decree was given to the Court on January 19, 1993. The Consent Decree is anticipated to become final following a public comment period. The Company has recorded a liability of \$10 million as its anticipated cost of the clean-up.

The Energy Act became effective in October 1992. While the Company is unable to predict the ultimate impact of this legislation on its operations, the Company expects that, over time, non-utility generation resources will be developed which will result in greater competition for power sales. See Note 1 - Regulation.

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

See Note 2 for a discussion of contingencies related to Fermi 2.

Employees' Retirement Plan and Other Postretirement Benefits

EMPLOYEES' RETIREMENT PLAN – The Company has a trustee and non-contributory defined benefit retirement plan ("Plan") covering all eligible employees who have completed six months of service. The Plan provides retirement benefits based on the employee's years of benefit service, average final compensation and age at retirement. The Company's policy is to fund pension cost calculated under the projected unit credit actuarial cost method, provided that this amount is at least equal to the minimum funding requirement of the Employee Retirement Income Security Act of 1974, as amended, and is not greater than the maximum amount deductible for federal income tax purposes. The Company was operating under the IRS full funding limitation and, therefore, did not make a contribution to the Plan in 1990 and 1991. In 1992, contributions totaling \$23.7 million were made to the Plan.

Net pension cost included the following components:

	1992	1991	1990
	(Thousands)		
Service cost – benefits earned during the period	\$ 21,644	\$ 18,058	\$ 17,886
Interest cost on projected benefit obligation	70,511	65,487	61,950
Actual return on Plan assets	(56,208)	(180,225)	(18,150)
Net deferral and amortization:			
Deferral of net gain (loss) during current period	(23,528)	104,796	(54,949)
Amortization of unrecognized prior service cost	2,776	1,164	838
Amortization of unrecognized net asset resulting from initial application	(4,507)	(4,507)	(4,507)
Net pension cost	\$ 10,688	\$ 4,773	\$ 3,068

Assumptions used in determining net pension cost are as follows:

	1992	1991	1990
Discount rate	8.0%	8.5%	8.5%
Increase in future compensation levels	5.0	5.0	5.0
Expected long-term rate of return on Plan assets	9.5	9.5	9.5

The following table reconciles the funded status of the Plan to the liability recorded in the Company's Consolidated Balance Sheet:

	December 31	
	1992	1991
	(Thousands)	
Plan assets at fair value, primarily equity and debt securities	\$967,000	\$950,000
Less actuarial present value of benefit obligation:		
Accumulated benefit obligation, including vested benefits of \$795,436 and \$755,515, respectively	815,947	773,380
Increase in future compensation levels	137,066	120,158
Projected benefit obligation	951,013	893,538
Plan assets in excess of projected benefit obligation	15,987	56,462
Unrecognized net asset resulting from initial application	(42,302)	(46,809)
Unrecognized net gain	(12,804)	(41,222)
Unrecognized prior service cost	35,456	14,880
Liability recorded as Other Deferred Credits in the Consolidated Balance Sheet	\$ (3,663)	\$ (16,689)

Assumptions used in determining the projected benefit obligation are as follows:

	December 31	
	1992	1991
Discount rate	8.0%	8.0%
Increase in future compensation levels	5.0	5.0

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

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

OTHER POSTRETIREMENT BENEFITS – The Company provides certain postretirement health care and life insurance benefits for retired employees. Substantially all of the Company's employees will become eligible for such benefits if they reach retirement age while still working for the Company. These benefits, as well as similar benefits for active employees, are provided principally through insurance companies and other organizations. The premiums are the benefits and administrative costs paid during the year. The Company recognizes the cost of providing these benefits as the premiums are paid.

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	1992	1991	1990
	(Thousands)		
Cost to the Company of providing health care and life insurance benefits to employees			
Active employees	\$47,982	\$45,028	\$38,620
Retired employees	23,446	22,695	19,066
Total	\$71,428	\$67,723	\$57,686

In December 1990, the FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 establishes financial accounting and reporting standards for employers that offer postretirement benefits other than pensions. Most employers, including the Company, have accounted for such benefits on a pay-as-you-go (cash) basis. SFAS No. 106 requires the accrual of postretirement benefits during the active service periods of employees to the date they attain full eligibility for benefits. The Company is adopting the provisions of SFAS No. 106 in the first quarter of 1993 as required. The transition obligation at the time of adoption is estimated to range from \$525 million to \$538 million and is expected to be amortized over 20 years. The lower estimate would require certain plan revisions. The Company's incremental cost upon adoption of the new standard is estimated to range from \$55 million to \$58 million (depending upon the level of the transition obligation) for 1993 which will be deferred pending a final order in the Company's rate case.

On December 8, 1992, the MPSC ordered that Michigan utilities implement SFAS No. 106 and that reasonable and prudent accrual basis costs of postretirement benefits be adopted for ratemaking in general rate case filings, with external funding of benefits required after issuance of a rate order. The Company expects that recovery of the incremental expense resulting from the adoption of SFAS No. 106 will be provided in its pending rate case with no effect on net income.

NOTE

15

Supplementary Quarterly Financial Information (Unaudited)

	1992 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues	\$895,827	\$864,902	\$911,546	\$885,868
Operating Income (a)	250,936	219,522	245,443	237,255
Net Income	156,105	125,774	155,370	150,798
Earnings for Common Stock	148,353	118,072	147,771	143,353
Earnings Per Share	1.01	0.80	1.01	0.98

	1991 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues	\$864,697	\$886,561	\$970,444	\$869,835
Operating Income (a)	227,636	230,211	261,683	224,368
Net Income (b)	133,093	135,525	163,483	135,936
Earnings for Common Stock	124,749	127,186	155,352	127,918
Earnings Per Share	0.85	0.87	1.06	0.87

(a) Operating income has been restated due to the reclassification of expenses associated with the sale of accounts receivable and unbilled revenues from other operation expense to other income and deductions.

(b) Net income for the quarter ended December 31, 1991 includes \$12.3 million (\$0.08 per share) resulting from the reversal of a liability for the Michigan Single Business Tax Capital Acquisition Deduction applicable to the year ended December 31, 1990.

Earnings per share amounts for each quarter are required to be computed independently and, therefore, may not equal the amount computed for the total year.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION & RESULTS OF OPERATIONS

The Detroit Edison Company and Subsidiary Companies

This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and accompanying Notes thereto, contained herein.

Results of Operations

In 1992, the Company's earnings for common stock were \$557.5 million, or \$3.79 per share, an increase of 4.2% from the \$535.2 million, or \$3.64 per share earned in 1991. The earnings increase for the year was due to lower operating expenses, including continuing reductions in fuel and purchased power expense, and interest savings associated with the early redemption and refinancing of high-cost debt and the redemption of maturing debt. The expense reductions were partially offset by lower operating revenues and lower non-operating income. The decrease in operating revenues for the year resulted from lower system sales due to unseasonably cool summer temperatures and lower interconnection sales, partially offset by previously approved rate increases.

At December 31, 1992, the book value of the Company's common stock was \$21.13 per share, an increase of 9% since December 31, 1991. Return on average total common shareholders' equity was 18.6% in 1992, 19.5% in 1991 and 19.1% in 1990.

The ratio of earnings to fixed charges for 1992, 1991 and 1990 was 3.09, 2.74 and 2.42, respectively. The ratio of earnings to fixed charges and preferred and preference stock dividend requirements for 1992, 1991 and 1990 was 2.79, 2.50 and 2.21, respectively.

OPERATING REVENUES

Total operating revenues increased (decreased) due to the following factors:

	1992	1991
	(Millions)	
Rate Changes		
Fermi 2 phase-in plan	\$ 96	\$ 86
Expense stabilization procedure	8	28
	104	114
System sales volume and mix	(86)	73
Interconnection sales	(47)	(164)
Energy transmission service	-	(21)
Provision for refund to customers	-	12
Other - net	(4)	1
Total	\$ (33)	\$ 15

Rate Changes

A December 1988 Michigan Public Service Commission ("MPSC") rate order, issued as a result of a settlement agreement, provided for a Fermi 2 phase-in plan and granted \$527.1 million of rate increases and other rate changes for Fermi 2 to be phased in over the seven-year period 1988-1994. The order also provides for a moratorium on other base rate changes for the five-year period 1989-1993, an expense stabilization procedure ("ESP"), which provided annual revenues of \$27 million, \$55 million and \$63 million in 1990, 1991 and 1992, respectively, for the effects of inflation and a suspension of the Power Supply Cost Recovery ("PSCR") Clause for the four-year period 1989-1992. Revenues collected under the ESP expired for service rendered on and after January 1, 1993 and the PSCR Clause has been reinstated in 1993. As a result of these two items, 1993 operating revenues will be reduced by approximately \$170 million.

Kilowatthour Sales

Kilowatthour sales increased (decreased) as follows:

	1992	1991
Residential	(7.5)%	6.2 %
Commercial	(2.3)	2.1
Industrial	1.5	(2.4)
Other*	28.6	6.1
Total System	(0.9)	1.3
Interconnection	(42.1)	(53.4)
Total	(5.8)	(11.1)

*Includes sales for resale and unbilled sales.

1992

The decreases in residential and commercial sales were due primarily to cooler weather during the second and third quarters which resulted in reduced air conditioning and cooling-related loads, partially offset by growth in the number of customers. Industrial sales increased primarily as a result of higher sales to automotive and other manufacturing customers reflecting better economic conditions. The increased sales to other customers reflect increased load requirements of wholesale for resale customers.

1991

Residential and commercial sales increased due primarily to warmer weather during the second and third quarters resulting in increased air conditioning and cooling-related loads, cooler weather in the fourth quarter resulting in increased heating-related loads and growth in the number of customers. Industrial sales decreased primarily as a result of lower sales to steel and automotive customers, reflecting recessionary conditions and competitive pressures on the automotive industry. The increased sales to other customers reflect changes in unbilled sales and higher sales to wholesale for resale customers.

Interconnection Sales

Interconnection sales represent sales between utilities to meet short- and long-term energy needs as a result of demand and/or generating unit availability.

1992

Interconnection sales and revenues decreased due primarily to lower sales to Consumers Power Company and Ontario Hydro.

1991

Interconnection sales and revenues decreased significantly due to lower sales to Ontario Hydro. This decrease is offset by a corresponding decrease in purchased power expense, with no effect on net income.

Energy Transmission Service

Energy transmission service revenues represent fees for the transmission of electricity for other utilities over the Company's transmission lines. The demand for this service decreased in 1991 from the higher levels experienced in 1990.

Provision for Refund to Customers

The increase in 1991 was due to a 1990 provision for refund to customers of prior years' PSCR costs due to a refund to the Company of property taxes on the Michigan Public Power Agency's ownership interest in the Belle River Power Plant. This increase in operating revenues was offset by a corresponding increase in purchased power expense, with no effect on net income.

OPERATING EXPENSES**Fuel and Purchased Power**

Fuel and purchased power expenses decreased due to the following factors:

	1992	1991
	(Millions)	
Net system output	\$(47)	\$(104)
Average unit cost	(21)	(44)
Other	7	(5)
Total	\$(61)	\$(155)

Net system output and average unit costs were as follows:

	1992	1991	1990
	(Thousands of Megawatthours)		
Power plant generation			
Fossil	36,689	40,243	40,442
Nuclear	7,338	6,157	7,090
Purchased power	2,705	3,133	7,821
Net system output	46,732	49,533	55,353
Average unit cost (\$/Megawatthour)	\$16.49	\$16.94	\$17.84

The decreases in average unit cost reflect declining fuel prices due to greater use of lower-cost Western low-sulfur coal, lower purchases of energy from other utilities and, for 1992, greater use of low-cost nuclear generation. Because market conditions have changed and the Company is able to purchase coal at prices lower than some existing long-term contracts, the Company is buying out fuel supply contracts whenever it is prudent and economic.

Other Operation**1992**

Other operation expense decreased due primarily to expenses incurred in 1991 under an arrangement which provided for the voluntary separation from service of certain employees, lower incentive award expenses related to a shareholder value improvement plan and lower environmental, fossil plant and storm expenses. These decreases were partially offset by an accrual for low-level nuclear waste disposal and higher retirement plan expenses.

1991

Other operation expense increased due primarily to higher uncollectible, employee insurance, environmental, consultant and injuries and damages expenses. These increases were partially offset by lower nuclear plant production expenses.

Maintenance**1992**

Maintenance expense decreased due primarily to lower nuclear plant maintenance and storm expenses.

1991

Maintenance expense increased due primarily to higher nuclear plant maintenance, line clearance and storm expenses, partially offset by lower fossil plant maintenance expenses.

Depreciation and Amortization**1992 and 1991**

Depreciation and amortization expense increased due to increases in plant in service.

Deferred Fermi 2 Depreciation and Amortization**1992 and 1991**

Deferred Fermi 2 depreciation, a non-cash item of income, was recorded beginning with the implementation of the Fermi 2 rate phase-in plan in January 1988. The annual amount deferred decreased each year through 1992. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues. Deferred Fermi 2 amortization, also a non-cash item of income, was recorded beginning with the Company's purchase of the Wolverine Power Supply Cooperative, Inc.'s ("Cooperative") ownership interest in Fermi 2 in February 1990. The annual amount deferred decreases each year through 1999.

Taxes Other Than Income Taxes**1992**

Taxes other than income taxes increased due primarily to higher property taxes and an increase in Michigan Single Business Tax ("MSBT") expense due to the 1991 reversal of a liability for the Capital Acquisition Deduction applicable to 1990, partially offset by lower MSBT expense recorded for the current and prior years.

1991

Taxes other than income taxes decreased due primarily to the reversal of a liability for the MSBT Capital Acquisition Deduction applicable to 1990, partially offset by higher property and payroll taxes.

Income Taxes**1992 and 1991**

Income taxes increased due primarily to higher pretax income and the reduction of deferred Fermi 2 depreciation, amortization and return.

Deferred Fermi 2 Return**1992 and 1991**

Deferred Fermi 2 return, a non-cash item of income, was recorded beginning with the implementation of the Fermi 2 rate phase-in plan in January 1988. The annual amount deferred decreased each year through 1992. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues.

Other Income and Deductions**1992**

Other deductions decreased due primarily to premiums and expenses incurred in 1991 for the early redemption of General and Refunding Mortgage Bonds ("Mortgage Bonds").

1991

Other deductions increased due primarily to premiums and expenses incurred for the early redemption of Mortgage Bonds and a contribution to a charitable foundation, partially offset by the expense in 1990 of establishing a decommissioning fund for Fermi 1, an experimental nuclear unit that has been shut down since 1972.

Accretion Income**1992 and 1991**

Accretion income, a non-cash item of income, was recorded beginning in January 1988 to restore to income, over the period 1988-1998, losses recorded due to discounting indirect disallow-

ances of plant costs. The annual amount of accretion income recorded decreases each year through 1998.

Income Taxes - Disallowed Plant Costs and Accretion Income

1992

Income taxes increased due to utilization in 1991 of investment tax credit carryforwards related to disallowed Fermi 2 plant costs, which were recorded under the flow-through method when utilized.

Interest Charges

1992 and 1991

Interest expense on long-term debt decreased due to the redemption of maturing securities and the early redemption and refinancing of high-cost securities.

Preferred and Preference Stock Dividend Requirements

1992 and 1991

Preferred and preference stock dividend requirements decreased due to optional and mandatory redemptions of outstanding shares.

Liquidity and Capital Resources

The Company's liquidity has improved since the 1988 commercial operation of Fermi 2, a nuclear generating unit comprising 32% of the Company's assets, as a result of scheduled rate increases in accordance with the Company's December 1988 MPSC rate order and lower levels of capital expenditures.

Fermi 2

The commercial operation of Fermi 2 completed the Company's power plant construction program. The Company has no current plans for additional generating plants. Ownership of an operating nuclear generating unit such as Fermi 2 subjects the Company to significant additional risks. Nuclear plants are highly regulated by a number of governmental agencies concerned with public health and safety as well as the environment, and consequently, are subject to greater risks and scrutiny than conventional fossil-fueled plants.

At December 31, 1992, Fermi 2 was insured for property damage in the amount of \$2.59 billion and the Company had available \$7.4 billion in public liability insurance. To the extent that insurable claims for replacement power, property damage, decontamination, repair and replacement and other costs arising from a nuclear incident at Fermi 2 exceed the policy limits of insurance, or to the extent that such insurance becomes unavailable in the future, the Company will retain the risk of loss. Although the Company has no reason to anticipate a serious nuclear incident at Fermi 2, if such an incident did happen it could have a material but presently undeterminable adverse impact on the Company's liquidity and financial position.

In February 1990, the Company purchased the Cooperative's 11.198% Fermi 2 ownership interest for \$539.6 million (\$515 million for plant, \$23.2 million for nuclear fuel and \$3.4 million for materials and supplies and other).

Cash Generation and Cash Requirements

Consolidated Statement of Cash Flows

The Company generates substantial cash flows from operating activities as shown in the Consolidated Statement of Cash Flows. Net cash from operating activities, which is the Company's primary source of liquidity, was \$923 million in 1990, \$952 million in 1991 and \$1,063 million in 1992. Net cash from operating

activities, excluding changes in current assets and liabilities, increased due to higher net income, higher non-cash charges to income (depreciation, amortization and deferred income taxes) and lower non-cash items of income (deferred Fermi 2 depreciation and return).

Net cash used for investing activities increased in 1992 and 1991 due to higher expenditures for plant and equipment.

The Company has increasingly utilized cash for financing activities. Optional and mandatory redemptions of high-cost long-term debt and preferred and preference stock increased following completion of the Company's power plant construction program in 1988. In 1992, there was a substantial increase in debt refinancing. Assuming favorable economic conditions, the Company expects that it will continue to refinance existing high-cost debt and equity securities.

Additional Information

On January 7, 1993, the Company issued \$225 million of its 1993 Series C Mortgage Bonds at an average interest rate of 7.9391% due January 15, 2003 and January 15, 2023. The proceeds of this issue were used in February 1993 for the early redemption of the Company's 1987 Series C, 9%, Mortgage Bonds.

On February 8, 1993, the Company issued \$50 million of its 1993 Series B, 6.83%, Mortgage Bonds due December 15, 1999 at a discount of 99.623%.

On, or about August 3, 1993, The Economic Development Corporation of the County of St. Clair, State of Michigan ("St. Clair EDC") is expected to issue \$65 million of its Series 1993 AA Bonds, 6.40%. The proceeds of this issue will be used to refund certain outstanding collateralized tax exempt bonds. The Company will repay its obligations to the St. Clair EDC with respect to the Series 1993 AA Bonds pursuant to a loan agreement which will be collateralized by the Company's 1993 Series AP Mortgage Bonds, due August 1, 2024.

The Company has an effective shelf registration statement permitting the issuance of up to 2 million shares of preferred stock.

A November 6, 1992 MPSC order permits the Company to issue approximately \$3.5 billion of securities for the purpose of refinancing debt and preferred and/or preference stock prior to maturity (when economic) and at maturity, and to replace funds used for those purposes. The Company is now authorized to refinance substantially all of its outstanding taxable debt, as well as preferred and preference stock, with interest or dividend rates in excess of 7.9%. Included within this \$3.5 billion of refinancing authority is the ability of the Company to replace approximately \$455 million of corporate funds utilized for redemptions over the twelve month period ended September 30, 1992. The Company also has MPSC authority to refinance substantially all non-taxable debt obligations issued prior to 1990.

Cash requirements for scheduled long-term debt and preferred and preference stock redemptions are expected to be \$545 million (including \$225 million for the optional redemption of the 1987 Series C Mortgage Bonds in February 1993 and \$5 million for the optional redemption of Preferred and Preference Stock in January 1993), \$42 million, \$43 million, \$142 million and \$200 million for 1993, 1994, 1995, 1996 and 1997, respectively.

Effective April 15, 1991 and 1992, the quarterly common stock dividend was increased from \$0.445 per share to \$0.47 per share and from \$0.47 per share to \$0.495 per share, respectively.

The Detroit Edison Company and Subsidiary Companies

Cash requirements for capital expenditures were \$413 million in 1992 and are expected to be approximately \$2 billion for the period 1993 through 1997. Environmental expenditures are expected to approximate \$71 million over this same period, including expenditures for Clean Air Act compliance requirements. See "Environmental Matters." In 1993, cash requirements for capital expenditures are estimated at \$412 million.

The Company's internal cash generation is expected to be sufficient to meet cash requirements for capital expenditures as well as scheduled long-term debt and preferred and preference stock redemption requirements.

The Company increased its allowance for uncollectible accounts from \$10 million to \$23 million during 1991 and to \$32 million during 1992 due to the effects of economic conditions in the Company's service area on certain customer segments.

At December 31, 1992, cash and temporary cash investments totaled \$9.4 million. The Company had total short-term credit arrangements of \$363.7 million at December 31, 1992, under which \$29 million of borrowings were outstanding.

Capitalization

The Company's capital structure ratios (excluding amounts of long-term debt and preferred and preference stock due within one year) were as follows:

	December 31		
	1992	1991	1990
Common Shareholders' Equity	42.0%	38.4%	32.8%
Preferred and Preference Stock	4.5	4.8	4.8
Long-Term Debt	53.5	56.8	62.4
	100.0%	100.0%	100.0%

Although the Company has no plans to issue additional shares of its common stock, the Company's Restated Articles of Incorporation were amended in 1991 to increase the number of authorized shares of common stock from 160,000,000 to 400,000,000. The authorized increase in common stock provides the Company with additional flexibility in financial matters.

Competition

An electric public utility must compete with other energy suppliers to meet its customers' energy needs. Serious issues facing the entire electric utility industry include deregulation, municipalization, cogeneration, independent power production and open access to transmission. Utility customers have the option of self-generation or cogeneration and, depending on the extent of future deregulation, may be able to enter into contracts with other power suppliers. In the future, rather than being solely a supplier of electricity, electric utilities may be required to unbundle the pricing of their products and services.

On October 24, 1992, the Energy Policy Act of 1992 ("Energy Act") became law. This new legislation is expected to create a more competitive bulk power supply market. In addition, the Energy Act amends a number of energy or energy-related statutes.

Prior to the enactment of the Energy Act, the Public Utility Holding Company Act of 1935 ("PUHCA") severely limited the degree to which non-utility enterprises could engage in the public utility business. The Energy Act establishes an exemption from the provisions of PUHCA for non-utility generators engaged exclusively in wholesale market sales, specifying that such entities will not be considered electric utility companies under PUHCA.

The Energy Act also gives the Federal Energy Regulatory Commission ("FERC") broad discretionary authority to order transmission access for wholesale power suppliers when such access is deemed to be in the public interest. The FERC is required to complete certain rulemaking action on a number of items relating to the Energy Act within the next year.

The ultimate impact of this legislation is not fully known and the impact on the Company's operations cannot be currently quantified. However, the Company expects that, over time, non-utility generation resources will be developed which will result in greater competition for power sales. In addition, the MPSC is currently considering an experimental retail wheeling rate (applicable to approximately 90 megawatts) which could potentially allow retail consumers access to generation resources other than the Company's.

Meeting Energy Demands

During the past 15 years, compound annual sales growth was 1 percent and peak demand growth was 2 percent (after adjusting for the effects of unusual weather). System sales and demand are expected to grow at a compound annual rate of about 1.3 percent per year for the next 15 years. Future sales growth will be limited by expected plant closings by General Motors and other automotive-related businesses.

Sales to the non-manufacturing segment, which include customers such as agribusiness, grocery stores, restaurants and government, are projected to grow at the strongest pace in the next 15 years, a compound annual increase of 1.7 percent per year. This projected increase indicates the Company's customer base is becoming more diverse and less dependent on the manufacturing segment.

The Company expects to meet its near-term demand for energy by the return to service, subject to environmental regulations, of power plant units currently in economy reserve status when energy demand and consumption requirements provide economic justification. The return to service of these units is conditioned upon the outcome of a competitive bidding process which was established by an MPSC order issued on July 22, 1992. The order requires the Company to file a Request for Proposals ("RFP") on March 1, 1993, detailing future capacity and energy requirements. Following MPSC approval of the initial RFP, bids will then be solicited from other supply-side sources and may also include a bid from the Company to provide the needed capacity and energy. Bid evaluation and selection will be performed by the Company and monitored by the MPSC.

Inflation

Inflation is a measure of the purchasing power of the dollar. For the years 1992 and 1991, inflation increased moderately, however, as a result of the ESP established by the December 1988 MPSC rate order, the Company has not experienced a loss in purchasing power when compared to prior periods. Revenues collected under the ESP expired for service rendered on and after January 1, 1993. The Company has requested rate recovery for the effects of inflation in its rate case pending before the MPSC. See "Regulation and Rates."

Regulation and Rates

The December 1988 MPSC rate order was designed to permit the Company to recover from the effects of a major construction program and the write-off of certain plant costs. While the order provided for a moratorium on most base rate changes, it permitted

the Company to adjust rates for the effects of inflation on operation and maintenance expenses through the ESP. In addition, it suspended the PSCR Clause which allowed the Company to immediately realize the benefits of improved generating system performance and cost cutting efforts during the moratorium period.

The ESP allowed rates to partially reflect the effects of inflation and resulted in a surcharge for each of the calendar years 1990, 1991 and 1992. The surcharge was terminated for service on and after January 1, 1993.

The suspension of the PSCR Clause ended December 31, 1992. In an order dated October 19, 1992, the MPSC approved a settlement agreement reinstating the PSCR Clause in 1993. The 1993 PSCR Clause will reflect fuel economies achieved during the suspension period.

The Company has pending before the MPSC an application requesting an increase in base rates in the annual amount of \$91.6 million, based upon a 1994 test year and a 13% return on common equity. The request for an increase in base rates reflects: (1) increased Fermi 2 decommissioning costs, (2) increased costs associated with implementing accounting changes related to other postretirement benefits, (3) the costs associated with the return to rate base of the Greenwood generating unit, (4) Fermi 2 phase-in plan revenue requirements in 1994, (5) a five-year \$75 million demand-side management program and (6) other inflationary increases. The Company is required to update this application by April 30, 1993. It is anticipated that the MPSC will issue an order effective for service rendered on and after January 1, 1994.

In 1993, as a result of the termination of the ESP and the reinstatement of the PSCR Clause, as discussed above, the Company's operating revenues will be reduced by approximately \$170 million. Although cost savings are vigorously being pursued, system investment, customer service improvements and the scheduled rate reductions will lower earnings in 1993.

Accounting Issues

The Company is adopting the provisions of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in the first quarter of 1993 as required. The transition obligation at the time of adoption is estimated to range from \$525 million to \$538 million and is expected to be amortized over 20 years. The lower estimate would require certain plan revisions. The Company's incremental cost upon adoption of the new standard is estimated to range from \$55 million to \$58 million (depending upon the level of the transition obligation) for 1993 which will be deferred pending a final order in the Company's rate case. On December 8, 1992, the MPSC ordered that Michigan utilities implement SFAS No. 106 and that reasonable and prudent accrual basis costs of postretirement benefits be adopted for ratemaking in general rate case filings, with external funding of benefits required after issuance of a rate order. The Company expects that recovery of the incremental expense resulting from the adoption of SFAS No. 106 will be provided in its pending rate case with no effect on net income.

In February 1992, the Financial Accounting Standards Board issued SFAS No. 109, "Accounting for Income Taxes," with an effective date of 1993. SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes. It requires the Company to (1) recompute its tax liability at the then current tax rate and adjust the accumulated deferred income tax balances in the balance sheet and (2) record additional deferred income taxes for temporary differences not previously recognized

which amount to approximately \$1.8 billion at December 31, 1992. The Company is adopting SFAS No. 109 in the first quarter of 1993 and, as a result, will record an increase in accumulated deferred income tax liabilities of approximately \$740 million offset by an equal regulatory asset, representing the future revenue recovery from customers for these taxes as they become payable, with no effect on net income.

On February 8, 1993, the MPSC issued an order, in a generic proceeding, authorizing accounting procedures consistent with SFAS No. 109 and providing assurance that the effects of previously flowed-through tax benefits will continue to be allowed rate recovery.

Environmental Matters

Protecting the environment from damage, as well as correcting past environmental damage, continues to be the focus of state and federal regulators. Committees at both the state and federal level are studying the effects of a wide array of chemicals and electromagnetic fields as well as global warming (as potentially affected by carbon dioxide emissions). Legislation and/or rulemaking resulting from these and any future studies could impact the electric utility industry including the Company.

The Environmental Protection Agency ("EPA") and the Michigan Department of Natural Resources have aggressive programs regarding the cleanup of contaminated property. The Company anticipates that it will be periodically included in these types of environmental proceedings. Further, additional environmental expenditures will be necessary as the Company prepares to comply with the 1990 Amendments to the federal Clean Air Act ("CAA").

Title III of the CAA, Hazardous Air Pollutants, requires the EPA to conduct a three-year study on toxic air emissions from utility boilers, as well as a four-year study of mercury emissions from fossil fuel-fired boilers, to determine whether regulations are required. Until such studies are completed and resulting regulations, if any, are promulgated, the impact on the Company cannot be determined.

Title IV of the CAA, Acid Deposition Control, requires a two-phase reduction in sulfur dioxide ("SO₂") emissions from 1980 levels by the year 2000. The Company currently meets Phase I SO₂ emission requirements. Phase II begins in the year 2000 and provides that electric utility units greater than 25 megawatts will be held to total annual SO₂ emissions based on a formula. The Company currently burns low-sulfur coal (less than one percent sulfur) at all of its coal-fired units and believes it can meet the Phase II SO₂ emission requirements through additional blending of coals. The additional blending could result in increased annual fuel costs of approximately \$40 million per year. Additional capital expenditures are expected to be minimal.

The Company is not affected by Phase I nitrogen oxides ("NO_x") emissions requirements under Title IV. The Phase II NO_x emissions reductions may require the installation of low-NO_x burners on most Company units by the year 2000. However, there are ambiguities in the amendment which, under provisions of Title I, may require the initiation of installation of low-NO_x burners by May 1995. Capital expenditures, estimated at approximately \$160 million, may be incurred to comply with these requirements.

The Company believes that substantially all of the costs of environmental compliance will be recovered through the ratemaking process.

COMPARATIVE RESULTS OF OPERATIONS (DOLLARS IN THOUSANDS)

The Detroit Edison Company and Subsidiary Companies

		1992	1991	1990	1989
Operating Revenues	Electric - System	\$3,472,583	\$3,458,871	\$3,279,248	\$3,171,456
	Electric - Interconnection	58,447	105,399	269,542	202,574
	Steam	27,113	27,267	27,491	31,575
	Total Operating Revenues	\$3,558,143	\$3,591,537	\$3,576,281	\$3,405,605
Operating Expenses	Operation				
	Fuel	\$ 704,371	\$ 758,467	\$ 788,355	\$ 820,765
	Purchased power	126,101	133,498	256,400	344,814
	Other operation	548,520	567,275	525,630	485,680
	Maintenance	262,803	289,670	279,528	291,365
	Depreciation and amortization	423,407	412,253	406,330	371,682
	Deferred Fermi 2 depreciation and amortization	(14,984)	(27,583)	(39,208)	(35,234)
	Taxes other than income	252,011	243,122	254,661	230,195
	Income taxes	302,758	270,937	215,930	135,331
	Total Operating Expenses	\$2,604,987	\$2,647,639	\$2,685,626	\$2,644,596
Operating Income		\$ 953,156	\$ 943,898	\$ 890,655	\$ 761,009
Other Income and Deductions	Allowance for other funds used during construction	\$ 1,363	\$ 1,459	\$ -	\$ -
	Deferred Fermi 2 return	13,785	47,566	78,379	107,169
	Other income and deductions	(21,179)	(34,074)	(24,973)	(16,104)
	Income taxes	7,108	12,215	8,303	6,548
	Disallowed plant costs	-	-	-	-
	Accretion income	45,695	47,298	48,794	50,188
	Income taxes - disallowed plant costs and accretion income	(15,576)	(6,480)	(8,198)	(17,047)
	Net Other Income and Deductions	\$ 31,196	\$ 67,984	\$ 102,305	\$ 130,754
Income Before Interest Charges		\$ 984,352	\$1,011,882	\$ 992,960	\$ 891,763
Interest Charges	Long-term debt	\$ 388,580	\$ 437,337	\$ 472,369	\$ 444,204
	Amortization of debt discount, premium and expense	3,952	4,467	4,539	4,368
	Other	5,169	4,233	4,853	20,980
	Allowance for borrowed funds used during construction (credit)	(1,396)	(2,192)	(3,260)	(3,740)
	Net Interest Charges	\$ 396,305	\$ 443,845	\$ 478,501	\$ 465,812
Income (Loss) Before Cumulative Effect of Accounting Changes		\$ 588,047	\$ 568,037	\$ 514,459	\$ 425,951
Cumulative Effect for Years Prior to 1988 of Accounting Changes for:					
	Disallowed plant costs and abandonments (net of income taxes of \$111,257)	-	-	-	-
	Unbilled revenues (net of income taxes of \$40,912)	-	-	-	-
	Property taxes (net of income taxes of \$101,306)	-	-	-	-
Net Income (Loss)		\$ 588,047	\$ 568,037	\$ 514,459	\$ 425,951
Preferred and Preference Stock Dividend Requirements		30,498	32,832	35,179	37,018
Earnings (Loss) for Common Stock		\$ 557,549	\$ 535,205	\$ 479,280	\$ 388,933
Common Shares Outstanding - Average		146,998,485	146,945,932	146,888,809	146,816,363
Earnings (Loss) Per Share					
	Before cumulative effect of accounting changes	\$3.79	\$3.64	\$3.26	\$2.65
	Cumulative effect for years prior to 1988 of accounting changes for:				
	Disallowed plant costs and abandonments	\$ -	\$ -	\$ -	\$ -
	Unbilled revenues	\$ -	\$ -	\$ -	\$ -
	Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings (Loss) Per Share		\$3.79	\$3.64	\$3.26	\$2.65
Dividends Declared Per Share of Common Stock		\$1.98	\$1.88	\$1.78	\$1.68
Ratio of Earnings to Fixed Charges (SEC Basis)		3.09	2.74	2.42	2.14
Ratio of Earnings to Fixed Charges and Preferred and Preference Stock Dividend Requirements (SEC Basis)		2.79	2.50	2.21	1.95

1988	1987	1986	1985	1984	1983	1982
\$3,070,724	\$2,825,910	\$2,832,945	\$2,738,356	\$2,439,835	\$2,260,021	\$2,078,965
133,518	128,473	78,041	77,916	76,856	70,014	122,270
31,448	30,821	36,339	49,801	58,370	49,637	44,289
\$3,235,690	\$2,985,204	\$2,947,325	\$2,866,073	\$2,575,061	\$2,379,672	\$2,245,524
\$ 846,678	\$ 813,376	\$ 741,206	\$ 785,110	\$ 700,789	\$ 676,409	\$ 718,431
280,291	176,287	269,167	274,834	261,596	198,935	196,924
510,065	437,702	456,632	419,444	400,868	371,830	370,615
275,610	245,736	258,655	250,798	203,945	187,769	170,974
332,551	237,325	232,240	218,502	190,420	171,940	161,430
(44,143)	-	-	-	-	-	-
216,615	182,652	180,283	178,245	147,219	145,077	120,689
89,944	159,488	126,596	124,939	131,459	145,559	96,912
\$2,507,611	\$2,252,566	\$2,264,779	\$2,251,872	\$2,036,296	\$1,897,519	\$1,835,975
\$ 728,079	\$ 752,638	\$ 682,546	\$ 614,201	\$ 538,765	\$ 482,153	\$ 409,549
\$ 1,663	\$ 136,452	\$ 117,069	\$ 113,225	\$ 130,350	\$ 92,750	\$ 47,995
134,264	-	-	-	-	-	-
(789)	(3,435)	(16,869)	(5,240)	1,829	7,877	(4,820)
(769)	663	8,827	1,642	(112)	(5,487)	1,155
(875,372)	-	-	-	-	-	-
25,866	-	-	-	-	-	-
225,171	-	-	-	-	-	-
\$ (489,966)	\$ 133,680	\$ 109,027	\$ 109,627	\$ 132,067	\$ 95,140	\$ 44,330
\$ 238,113	\$ 866,318	\$ 791,573	\$ 723,828	\$ 670,832	\$ 577,293	\$ 453,879
\$ 451,415	\$ 417,474	\$ 399,429	\$ 401,272	\$ 399,448	\$ 351,854	\$ 331,469
4,593	3,626	2,721	2,502	2,191	2,131	2,006
20,663	23,459	41,410	15,642	30,592	53,088	59,779
(3,224)	(133,215)	(129,082)	(133,103)	(163,336)	(194,402)	(194,076)
\$ 473,447	\$ 311,344	\$ 314,478	\$ 296,313	\$ 268,895	\$ 212,671	\$ 199,178
\$ (235,334)	\$ 554,974	\$ 477,095	\$ 437,515	\$ 401,937	\$ 364,622	\$ 254,701
(344,147)	-	-	-	-	-	-
61,367	-	-	-	-	-	-
139,288	-	-	-	-	-	-
\$ (378,826)	\$ 554,974	\$ 477,095	\$ 437,515	\$ 401,937	\$ 364,622	\$ 254,701
49,757	78,240	98,803	103,264	104,159	98,614	73,245
\$ (428,583)	\$ 476,734	\$ 378,292	\$ 334,251	\$ 297,778	\$ 266,008	\$ 181,456
146,761,458	146,729,292	146,643,377	143,183,133	135,230,827	120,274,269	103,585,915
\$(1.95)	\$3.25	\$2.58	\$2.33	\$2.20	\$2.21	\$1.75
\$(2.34)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 0.42	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 0.95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$(2.92)	\$3.25	\$2.58	\$2.33	\$2.20	\$2.21	\$1.75
\$ 1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
0.05	2.54	2.29	2.28	2.19	2.22	1.85
0.04	2.09	1.81	1.75	1.67	1.67	1.49

STATISTICAL REVIEW

The Detroit Edison Company and Subsidiary Companies

		1992	1991	1990	1989
Operating Revenues (Thousands)	Residential	\$ 1,098,027	\$ 1,154,440	\$ 1,045,081	\$ 1,013,677
	Commercial	925,613	915,076	867,317	828,106
	Industrial	1,261,885	1,219,616	1,201,254	1,171,389
	Other	214,171	197,006	193,087	189,859
	Total System	\$ 3,499,696	\$ 3,486,138	\$ 3,306,739	\$ 3,203,031
	Interconnection	58,447	105,399	269,542	202,574
	Total	\$ 3,558,143	\$ 3,591,537	\$ 3,576,281	\$ 3,405,605
Sales (Millions of kWh)	Residential	11,309	12,222	11,513	11,524
	Commercial	8,668	8,873	8,688	8,552
	Industrial	18,543	18,262	18,707	18,762
	Other	2,177	1,692	1,596	1,846
	Total System	40,697	41,049	40,504	40,684
	Interconnection	3,204	5,534	11,887	9,301
	Total	43,901	46,583	52,391	49,985
Electric Customers (Year End)	Residential	1,777,914	1,770,859	1,757,878	1,738,494
	Commercial	167,099	166,314	164,919	162,255
	Industrial	2,794	2,755	2,739	2,671
	Other	1,992	1,968	1,939	1,934
	Total	1,949,799	1,941,896	1,927,475	1,905,354
Average Annual Use Per Residential Customer (kWh)		6,375	6,929	6,583	6,668
Average Annual Bill Per Residential Customer		\$618.93	\$654.54	\$597.51	\$586.50
Average Revenue Per kWh	Residential	9.71c	9.45c	9.08c	8.80c
	Commercial	10.68	10.31	9.98	9.68
	Industrial	6.81	6.68	6.42	6.24
Capitalization (Thousands)	Long-Term Debt	\$ 3,973,485	\$ 4,218,264	\$ 4,923,999	\$ 4,561,005
	Preferred/Preference Stock	333,994	353,237	376,183	399,188
	Common Shareholders' Equity	3,113,887	2,847,572	2,588,452	2,370,060
	Total	\$ 7,421,366	\$ 7,419,073	\$ 7,888,634	\$ 7,330,253
Capitalization (Percent)	Long-Term Debt	53.5	56.8	62.4	62.2
	Preferred/Preference Stock	4.5	4.8	4.8	5.5
	Common Shareholders' Equity	42.0	38.4	32.8	32.3
	Total	100.0	100.0	100.0	100.0
Common Stock Data	Earnings (Loss) Per Share	\$3.79	\$3.64	\$3.26	\$2.65
	Dividend Paid Per Share	\$1.955	\$1.855	\$1.755	\$1.68
	Payout	52%	51%	54%	63%
	Shares Outstanding-Average	146,998,485	146,945,932	146,888,809	146,816,365
	Return on Average Common Equity	18.56%	19.55%	19.11%	16.75%
	Book Value Per Share	\$21.13	\$19.32	\$17.56	\$16.07
	Market Price: High	\$35%	\$35%	\$30%	\$25%
	Low	\$30%	\$27%	\$23%	\$17%
Miscellaneous Financial Data	Average Interest Rate on Long-Term Debt	8.6%	9.1%	9.2%	9.5%
	Average Dividend Rate on Preferred/Preference Stock	8.5%	8.6%	8.7%	8.8%
	Long-Term Debt and Redeemable Preferred/Preference Stock (Thousands)	\$ 4,525,504	\$ 4,900,020	\$ 5,300,962	\$ 5,028,961
	Total Assets (Thousands)	\$10,445,853	\$10,463,624	\$10,573,325	\$ 9,949,599
	Gross Utility Plant (Thousands)	\$12,402,581	\$11,997,862	\$11,749,142	\$11,024,368
	Net Utility Plant (Thousands)	\$ 8,617,738	\$ 8,558,227	\$ 8,624,923	\$ 8,236,553
	Capital Expenditures (Thousands)	\$ 415,937	\$ 272,121	\$ 250,201	\$ 242,973
Miscellaneous Operating Data	System Capability at Year End-MW	10,410	10,267	10,130	10,081
	System Capability at Time of Peak-MW	10,262	10,121	9,953	9,942
	System Peak Demand-MW	8,704	8,980	9,032	8,704
	Reserve Margin at Time of Peak	17.9%	12.7%	10.2%	14.2%
	System Load Factor	56.9%	55.9%	54.9%	57.3%
	Heat Rate-Btu per kWh	9,990	9,980	9,940	9,940
	Fuel Cost-¢ Per Million Btu	150.5c	153.3c	155.8c	169.2c
	Number of Employees at Year End	9,183	9,357	9,669	10,254

MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange, which is the principal market for such stock, and the Midwest Stock Exchange. The following table indicates the reported high and low sales prices of the Company's Common Stock on the composite tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Calendar Quarter		Price Range		Dividends Paid Per Share
		High	Low	
1991	First	30 1/2	27 1/4	\$0.445
	Second	30 1/4	28	0.47
	Third	31 1/8	28 1/4	0.47
	Fourth	35 1/8	31 1/4	0.47
1992	First	35 1/4	30 1/4	0.47
	Second	34 1/4	30 1/4	0.495
	Third	33 1/8	31 1/4	0.495
	Fourth	33 1/4	31	0.495

At December 31, 1992, 147,016,691 shares of the Company's Common Stock were outstanding. These shares were held by a total of 161,146 shareholders.

The amount of future dividends will depend upon the Company's earnings, financial condition and other factors.

DISTRIBUTION OF OWNERSHIP OF DETROIT EDISON COMMON STOCK

(December 31, 1992)

Type of Owner:	Owners	Shares
Individuals	78,080	19,395,142
Joint Accounts	71,773	24,821,784
Trust Accounts	10,069	5,778,242
Nominees	80	84,081,330
Institutions and Foundations	221	99,526
Brokers and Security Dealers	17	14,083
Others	906	12,826,584
Total	161,146	147,016,691

State and Country:

	Owners	Shares
Michigan	76,571	37,009,599
Florida	12,291	4,951,825
California	9,412	2,978,463
New York	7,792	85,191,678
Illinois	7,129	2,988,198
Ohio	5,501	1,538,872
44 Other States	41,742	12,167,297
Foreign Countries	708	190,759
Total	161,146	147,016,691

ANNUAL MEETING OF SHAREHOLDERS

The 1993 Annual Meeting of Shareholders will be held at 10 a.m. Detroit time Monday, April 26, as announced in the proxy statement. Shareholders will be asked to (1) elect members of the Board of Directors, and (2) ratify the appointment of Price Waterhouse as independent accountants.

At the April 27, 1992 Annual Meeting of Shareholders, three directors, all of whom were incumbents, were elected, and the appointment of independent accountants was ratified.

CORPORATE ADDRESS

The Detroit Edison Company
2000 Second Avenue, Detroit, Michigan 48226
Telephone: (313) 237-8000

INDEPENDENT ACCOUNTANTS

Price Waterhouse
200 Renaissance Center, Detroit, Michigan 48243

FORM 10-K

Copies of Form 10-K, Securities and Exchange Commission Annual Report, are available.

Requests should be directed to:

Susan M. Beale

Corporate Secretary

The Detroit Edison Company

2000 Second Avenue, Detroit, Michigan 48226

TRANSFER AGENTS

The Detroit Edison Company
2000 Second Avenue, Detroit, Michigan 48226
Susan M. Beale Vianessa Y. Lurry
Ronald J. Gdowski Janet A. Scullen
Elaine M. Godfrey Jack L. Somers
Sophie J. Koziatsek Gloria A. Williams

Shareholder Services: (800) 551-5009

REGISTRAR OF STOCK

The Detroit Edison Company
2000 Second Avenue, Detroit, Michigan 48226
(Preferred, Preference and Common Stock)

COMMON STOCK

Listed on the New York Stock Exchange and the Midwest Stock Exchange.

Symbol - DTE

BOARD OF DIRECTORS

The Detroit Edison Company



Members of the Detroit Edison Board of Directors are, seated from left: John E. Lobbia (Chairman), Terence E. Adderley, Wendell W. Anderson, Jr., William Wegner, Lillian Bauder and David Bing. Standing are, from left: Patricia S. Longe, Dean E. Richardson, Larry G. Garberding, Walter J. McCarthy, Jr., Alan E. Schwartz, Theodore S. Leipprandt and Eugene A. Miller.

Terence E. Adderley

President and Chief Executive Officer, Kelly Services, Incorporated (A provider of temporary help, business services and home care services)

Wendell W. Anderson, Jr.

Retired Chairman of the Board and Chief Executive Officer, Bundy Corporation (Manufacturer of steel tubing, flexible hose and engineered plastic products)

Lillian Bauder

President and Chief Executive Officer, Cranbrook Educational Community

David Bing

Chairman of the Board, Bing Steel, Inc. (A steel service center)

Larry G. Garberding

Executive Vice President and Chief Financial Officer, The Detroit Edison Company

Theodore S. Leipprandt

Marketing Specialist, Cooperative Elevator Company (handling export and domestic marketing of dry beans in the Thumb area)

John E. Lobbia

Chairman, President and Chief Executive Officer, The Detroit Edison Company

Patricia S. Longe

Economist; Senior Partner, The Longe Company (An economic consulting and investment firm)

Walter J. McCarthy, Jr.

Retired Chairman of the Board and Chief Executive Officer, The Detroit Edison Company

Eugene A. Miller

President and Chief Operating Officer, Comerica Incorporated, and Chairman and Chief Executive Officer, Comerica Bank

Dean E. Richardson

Retired Chairman of the Board, Manufacturers National Corporation and retired Chairman of the Executive Committee of Manufacturers National Bank of Detroit

Alan E. Schwartz

Partner, Honigman Miller Schwartz and Cohn (attorneys at law)

William Wegner

Consultant; Owner of W-Squared, Incorporated (A consulting firm engaged in providing services to nuclear utility companies)

BOARD OF DIRECTORS - COMMITTEES

The Detroit Edison Company

AUDIT

Patricia S. Longe
Lillian Bauder
David Bing
Theodore S. Leipprandt
Dean E. Richardson

ENERGY RESOURCES PLANNING

David Bing*
Wendell W. Anderson, Jr.**
Theodore S. Leipprandt
Walter J. McCarthy, Jr.
William Wegner

EXECUTIVE

John E. Lobbia*
Terence E. Adderley
Lillian Bauder
Larry G. Garberding
Dean E. Richardson
Alan E. Schwartz

FINANCE

Dean E. Richardson*
Patricia S. Longe**
Terence E. Adderley
Larry G. Garberding
Eugene A. Miller
Alan E. Schwartz

NOMINATING

Alan E. Schwartz*
Wendell W. Anderson, Jr.
Patricia S. Longe
Walter J. McCarthy, Jr.
Eugene A. Miller

NUCLEAR REVIEW

William Wegner*
Lillian Bauder
Patricia S. Longe
Walter J. McCarthy, Jr.

ORGANIZATION & COMPENSATION

Wendell W. Anderson, Jr.*
Terence E. Adderley**
Eugene A. Miller
Dean E. Richardson
Alan E. Schwartz

*Chairman **Vice Chairman

OFFICERS

The Detroit Edison Company

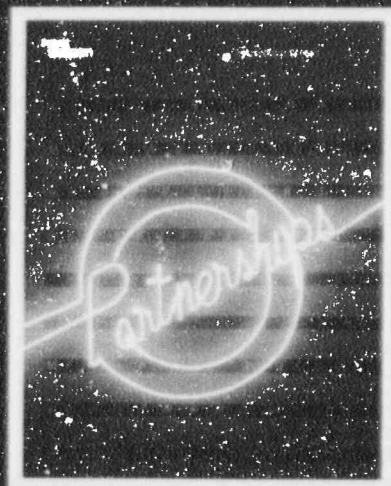
John E. Lobbia	Chairman of the Board, President and Chief Executive Officer
Larry G. Garberding	Executive Vice President and Chief Financial Officer
William S. Orser	Executive Vice President
Leon S. Cohan	Senior Vice President and General Counsel
Frank E. Agosti	Senior Vice President
Robert J. Buckler	Senior Vice President
Michael E. Champley	Vice President - Marketing and Sales
Malcolm G. Dade, Jr.	Vice President - Human Resources
Douglas R. Gipson	Vice President - Nuclear Operations

Ronald W. Gresens	Vice President and Controller
Leslie L. Loomans	Vice President and Treasurer
Christopher C. Nern	Vice President and Associate General Counsel
S. Martin Taylor	Vice President - Community and Governmental Affairs
Saul J. Waldman	Vice President - Corporate Communications
Susan M. Beale	Corporate Secretary
Thomas J. Howlin	Acting General Auditor

OFFICER RETIREMENTS

Stanley G. Carola, Vice President - Nuclear Engineering and Services, retired on September 1, 1992.





**ABOUT THE COMPANY'S
PARTNERSHIPS.** *Detroit Edison*
works each day to strengthen its
partnerships, all of which are so
important to its continuing success.
Whether these partnerships are
with customers, communities,
governments, employees, suppliers,
shareholders, or the environment,
they are an integral part of the way
Detroit Edison does business. And -
because they work - we're always
looking for new partnerships that
promise win-win results. If this
Annual Report has given you any
ideas for partnerships with *Detroit
Edison*, please write: **Partnerships,**
Detroit Edison, 3800 Second
Avenue, Room 1000 S.O., Detroit,
Michigan, 48226. We listen, and
together we can grow.

Detroit

Edison

2000 Second Avenue
Detroit, Michigan 48226

A good part of your life.