

Detroit
Edison

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Nuclear
Operations

March 17, 1992
NRC-92-0024

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

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

Subject: Annual Financial Report

Pursuant to 10CFR50.71(b), please find attached one copy of
the 1991 Annual Financial Report for the Detroit Edison
Company.

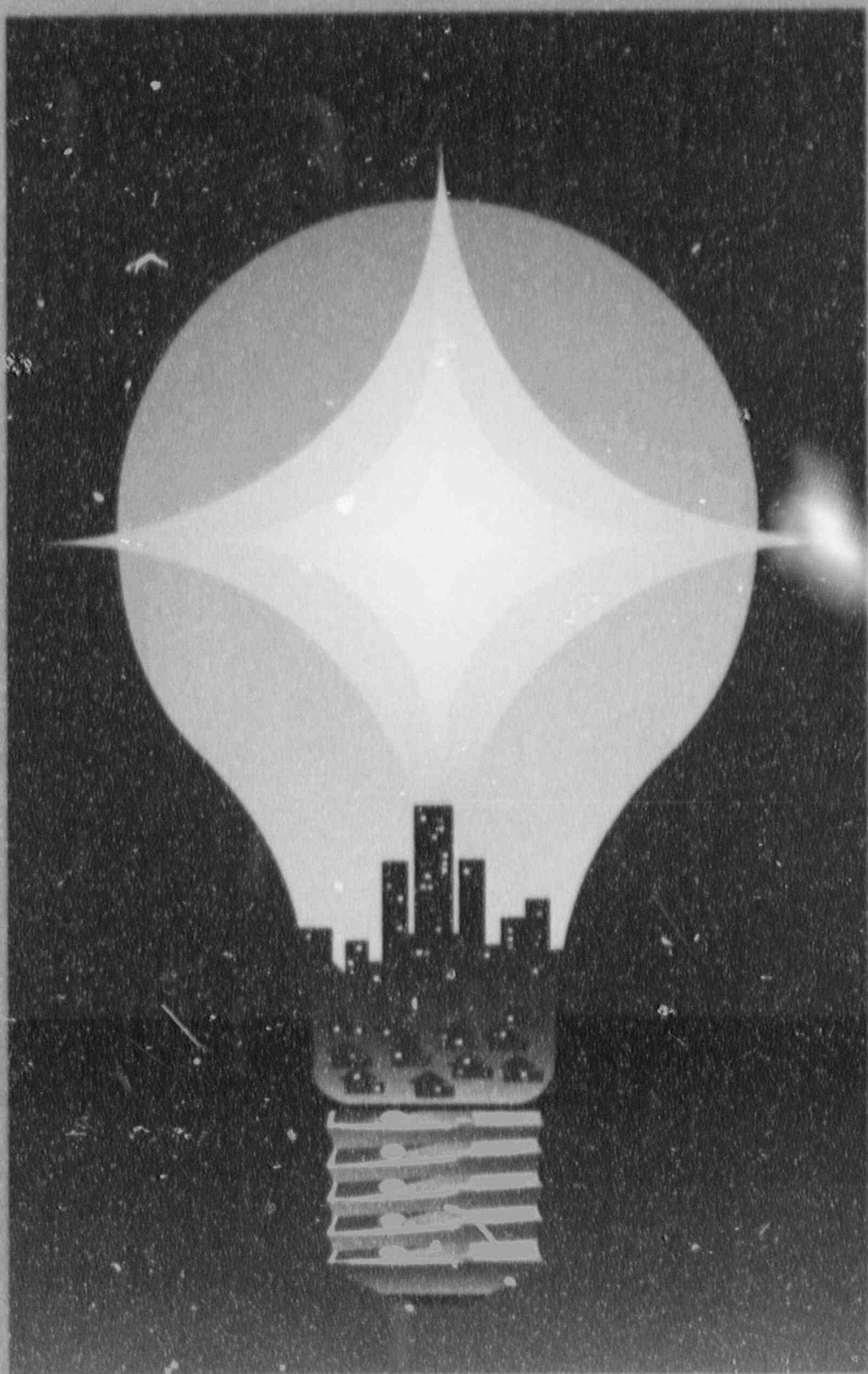
If you should have any questions regarding this report,
please contact Barbara Siemasz at (313) 586-1683.

Sincerely,

cc: T. G. Colburn w/enc.
A. B. Davis w/enc.
R. W. DeFayette w/enc.
S. Starck w/enc.
Region III


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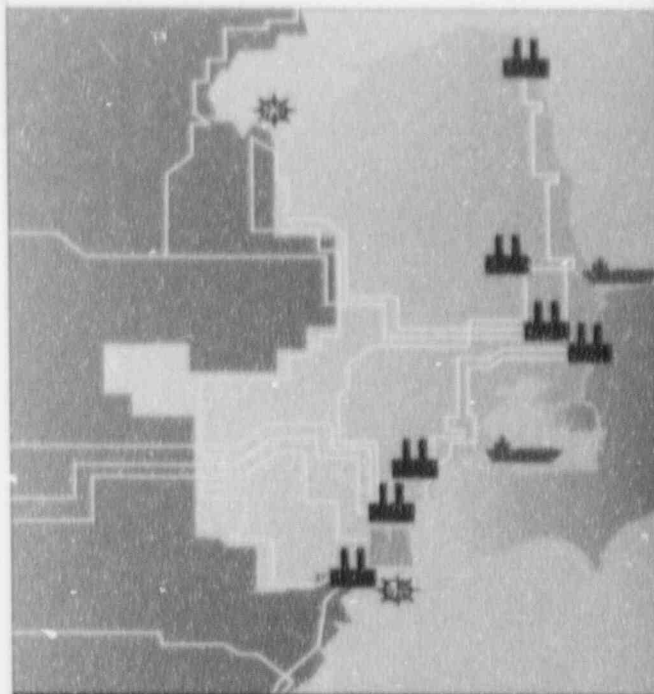
Detroit Edison is building customer and shareholder value by improving the core business, redefining "business as usual," keeping its house in order and meeting its responsibilities.

Success, which can be measured many ways, came in 1991 with a distinguished yardstick:







Electric Light and Power magazine's *1991 Electric Utility of the Year*. 

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DETROIT EDISON SERVICE AREA

 Power Plant - Fossil	 World Port
 Power Plant - Nuclear	 Lake Port
 Service Area	 Major Connectors

HIGHLIGHTS	1991	1990	% Increase (Decrease)
Operating Revenues	\$3,591,517,000	\$3,576,281,000 *	0.4
Earnings for Common Stock	\$535,205,000	\$479,280,000	11.7
Earnings per Common Share	\$3.64	\$3.26	11.7
Common Shares Outstanding (Average)	146,945,932	146,888,809	-
Dividends Declared per Share	\$1.88	\$1.78	5.6
Gross Utility Plant	\$11,997,862,000	\$11,749,142,000	2.1
Capitalization	\$7,419,073,000	\$7,888,634,000	(6.0)
System Sales of Electricity (kWh/Thousands)	41,049,000	40,504,000	1.3
System Capability at Time of Peak (kW)	10,121,000	9,953,000	1.7
System Peak Demand (kW)	8,980,000	9,932,000	(0.6)
Electric Customers at Year-End	1,942,000	1,927,000	0.8

* Includes a reclassification of revenues from interconnection sales as required by Federal Energy Regulatory Commission accounting requirements.

A PROFILE OF DETROIT EDISON

Detroit Edison is a publicly owned electric utility serving more than 1.9 million customers in 7,600 square miles of Southeastern Michigan. The company is positioning itself for increased competition, with an improving balance sheet, strong cash flow and relatively low exposure to provisions of the Clean Air Act. Modest growth in electric demand expected through 2006 will be met with existing capacity and conservation.

STRATEGIC OBJECTIVES

The company is focused on developing its core business – supplying electricity. This commitment is supported through aggressive cost reduction, managing target markets to increase revenues, changing corporate culture to develop organizational efficiencies, and reducing long-term debt obligations to strengthen the balance sheet.

INVESTMENT CONSIDERATIONS

Common Stock ("DTE") has been listed on the New York Stock Exchange since 1909 and is also listed on the Midwest Stock Exchange. Shares outstanding total nearly 147 million. Shareholders total nearly 168,000.

Dividends have been paid to shareholders quarterly since 1909. The current indicated annual rate is \$1.98 per share, payable on January 15, April 15, July 15 and October 15. A Dividend Reinvestment and Cash Purchase Plan is available.

Debt Ratings: A3 by Moody's Investor Service, BBB+ by Standard & Poor's Corp. and A- by Fitch Investors Service.

Total Shareholder Return was 30 percent for 1991, 18 percent for 1990 and 56 percent for 1989.

YEAR-END HIGHLIGHTS

	1991	1990	1989
Per Share Data:			
Earnings	\$3.64	\$ 3.26	\$ 2.65
Dividends	\$1.88	\$ 1.78	\$ 1.68
Book Value	\$19.32	\$17.56	\$16.07
Market Price	\$34.75	\$28.25	\$25.38

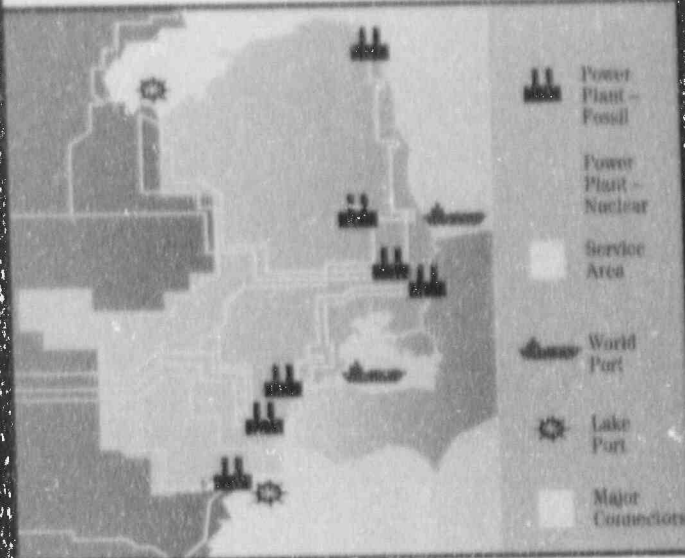
Other Data:			
Return on Equity	19.5%	19.1%	16.8%
Payout Ratio	51%	54%	63%

Operating Data:			
Employees	9,357	9,669	10,254
Fuel Cost (¢/MBtu)	153.3	155.8	169.2
Heat Rate (Btu/kWh)	9,980	9,940	9,940
Capability (MW)	10,267	10,130	10,081

ELECTRIC PRODUCTION

The company generates electricity using abundant domestic supplies of coal – including environmentally sound low-sulfur Western coal – and uranium fuels, with some peaking capability provided by natural gas and oil. Major power plant construction is complete for this century. Environmental protection continues to be a foremost consideration, with more than \$2.5 billion invested in environmental controls since 1975.

SERVICE TERRITORY



CUSTOMERS

Residential customers total some 1.77 million and represent 30 percent of system sales. Over the past five years, they have steadily increased in number. Commercial customers total more than 163,000 and represent 22 percent of system sales. They range from grocery stores to office buildings to medical facilities to small manufacturing facilities. This segment has led the way in sales growth for the past five years. Uses include heating and cooling, lighting and processing. Industrial customers total nearly 2,800, representing 44 percent of system sales. This segment retains its historic concentration in the auto and steel industries, but with notable diversification including corporate headquarters, research and engineering, and computer technology facilities.

FOR YOUR CONVENIENCE

Investor Relations Contact:

Ronald J. Giaier
(313) 237-8030

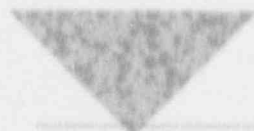
Shareholder Services Contact:

Ronald J. Gdowski
(313) 237-8739
Detroit Edison
2000 Second Avenue
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Note: All data as of Dec. 31, 1991, unless otherwise noted.

A year of continued improvement in financial performance, continued challenges, continued progress toward operational excellence, continued recognition within the industry – and a sudden July storm that proved to be the worst in our 88-year history. That, in a nutshell, was 1991 for Detroit Edison – a year that, overall, brought lasting positive value for Detroit Edison customers, shareholders and employees.

Financially, in 1991 we increased system sales and recorded record revenues, record earnings and increased earnings per share. We also raised the dividend for the second consecutive year (and a third straight year in early 1992), saw the market price of our stock increase for the fourth consecutive year and made significant progress toward strengthening our capital structure.



*1991 brought lasting positive
value for company customers,
shareholders and employees.*

Specifically, in 1991 system sales of 41.0 million megawatthours (MWh) were up 1.3 percent over 40.5 million MWh in 1990; operating revenues of \$3.59 billion were up slightly from \$3.58 billion in 1990; earnings for common stock of \$535.2 million were up 11.7 percent over \$479.3 million in 1990; and earnings per share of \$3.64 were up 11.7 percent over \$3.26 in 1990. These financial achievements were made possible by improved – and in many cases record – performance in many key operating areas, such as power plant availability and efficiency and continued tight cost control across the board, as well as by modest rate increases. These were among the highs for the year. Many more are discussed in this report. But in mid-year we sustained a low – a sudden storm that devastated our service area with near-hurricane-force winds, torrential downpours and more than 800 lightning strikes recorded before monitoring equipment itself was knocked out. The result was 680,000 customers – more than a third of our total – out of service, many for as long as a week.

The inability of many customers to reach us by telephone following the storm, and the existence of rapid population growth areas with above-average outage frequencies, frustrated many customers, drawing the attention of public officials and the news media. We were frustrated too because we had set speed records for restoring service following the storm and already had mapped out a comprehensive \$125-million reliability improvement program – including an expanded telephone system. But these improvements had not yet been made when the storm hit. As discussed elsewhere in this report, the improvement program has since been expanded – with a price tag approaching \$200 million – and implementation now is under way, with completion scheduled for 1994.

Improving customer service is but one focus of the major changes under way at Detroit Edison. Another is the sweeping efforts to change the proverbial “corporate culture,” including a broad effort to provide employees with greater involvement and accountability. Toward this end in 1991 we eliminated two-thirds of the volumes of General Orders and other rules that have governed company practices in the past – often right down to prescribing every detail and provision for every contingency. These volumes of rules were replaced by fewer than 100 pages of policies that leave interpretation to the judgment and discretion of individuals. The remaining third of the rules will be replaced in 1992.

We also have revamped philosophies and guidelines for hiring, transferring, rewarding and terminating employees, and revised hundreds of work rules and pay practices.

In 1990 we became one of the first utilities in the country to extend an incentive pay plan, based on achievement of significant corporate and departmental goals, to cover all non-represented employees. In 1991 management and Local 17 of the International Brotherhood of Electrical Workers, which represents our 600-plus linemen, signed a new contract that included not only new work rules permitting major efficiencies but, perhaps more significantly, agreement to develop a "gainsharing" program to enable Local 17 members to share financially in their own productivity improvements.

We are condensing an extensive agenda for change into an extremely short time period. But the need to reduce costs in the short run – and change the way we go about our business in order to sustain continuous improvement and efficiencies in the long run – is critical. We believe we can't afford a more leisurely transition because the automobile industry, the basic economic strength of our service area, is experiencing both increasing foreign competition and a severe recession. Moreover, the region's anchor city, Detroit, already had severe economic problems. Both of these affect our business and both will require extraordinary efforts, both in the community and in our company, to counter their financial impacts.

At the same time, structural changes are occurring in our industry – initially in the form of increased cogeneration and independent power production. These developments have been driven both by specific legislative and regulatory proposals and by many large energy users, who themselves have been forced by new, often foreign competition to strive for better products at lower cost in their own businesses.

Some of those who want to change public laws, however, have advanced proposals which ignore certain laws of physics, economics and basic fairness. For example, some want to create a new class of independent power producers, Exempt Wholesale Generators, exempt from the traditional regulation and financing standards under which utilities operate. This would



Larry G. Garberding, left, executive vice president and chief financial officer, and John E. Lobbia, chairman, president and chief executive officer, discuss enhancements to customer communication with Judith Balteff, senior customer representative.

bring to the electric utility industry the infamous "uneven playing field" that we've heard so much about in other industries. Other proposals ignore the rights of utility customers and the utility's responsibilities to them.

Massive change in regulatory policy in other industries, rushed into without proper consideration of consequences, has led to concentration of businesses, higher prices, customer dissatisfaction, business failures and taxpayer bailouts – as witness the savings and loan industry, trucking, airlines, telecommunications and others.

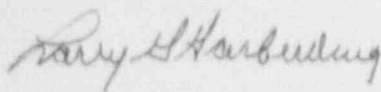
We believe the long-term hazards of such changes are far more significant, in terms of preserving the long-term health of the industry so critical to serving customers, than any apparent short-term profit opportunities. Consequently we have joined with a number of other utilities with similar views to fight this kind of "quick fix" and potentially disastrous legislation. In that effort we've pointed out to our Senators and Congressmen, "if it ain't broke, don't break it," as has happened frequently in the industries noted above.

Nevertheless, many industry observers, including ourselves, believe that some further structural change in the industry may come about; in fact, the Senate passed a major piece of legislation along this line in February 1992, with the House of Representatives poised to consider its own version. In this environment we simply must get our own operating house in better order. That's why, even as we oppose many proposals for industry change, we are trying to accomplish a generation of our own change in a few short years. We believe we are making impressive progress in this effort.

For the immediate financial future, a rate case settlement under which we have operated since 1989 froze our rates through 1993, except for certain pre-authorized increases. During this moratorium cost savings have immediately benefited our shareholders, helping to restore our financial strength. Starting in January 1993, the savings will benefit our customers as well, in the form of reduced rates, making us a more competitive supplier but lowering earnings in the short term. However, we expect cash flow to remain strong. We believe that a strong cash flow, improved competitive position and a stronger financial condition are the foundation of shareholder value.

That is our goal. We're working hard at it. And you have our commitment not to let up.

Finally, we noted at the start of this letter that 1991 had both its high points and low points. One of the highest was being named Electric Utility of the Year by **Electric Light and Power** magazine. We are deeply proud of this award, primarily because it is a tribute to the hard work, dedication and intelligent oversight of our 9,340 employees and the thousands who preceded them in building Detroit Edison and the tradition of excellence that earned the award. We know that for their contributions they have the appreciation of our management, Board of Directors and shareholders.



Larry G. Garberding
Executive Vice President
and Chief Financial Officer



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

February 24, 1992



STRENGTHENING THE CORE BUSINESS. Minimizing the impact of storm damage is the goal of design engineer André Alexander, left, and lineman Dennis Lixey, as a pole-top circuit switch is put in place.

The story written by Detroit Edison in 1991 will help shape the company's fortunes for years to come. That's because 1991 was a year of significant financial success, positive internal change, intensified customer focus, gratifying industry recognition – and valuable lessons learned. It also was the year of the tempest.

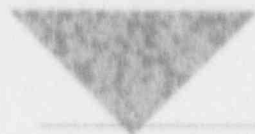
The first half of 1991 was positive and promising. Despite a sluggish economy – particularly in Southeastern Michigan, an area dominated by the depressed automobile industry – Detroit

Edison system sales were up, earnings were up, power plant performance was up, major service improvements were under way and the company was dealing positively with the structural and competitive changes in the electric utility industry. Suddenly, in mid-year, the attention of the company, its employees, its customers and state regulators was diverted by nature's wrath – a violent storm that underscored the need to strengthen and accelerate a wide array of customer service improvements already on the company's drawing boards. On July 7, 70-mile-an-hour winds, tornadoes, torrential rain and devastating lightning struck Michigan, leaving more than a third of the company's

1.9 million customers – or about 680,000 households and businesses – without electric service. When the fury subsided, electrical equipment had been damaged, power lines were down, and uprooted and splintered trees were strewn over electric wires, houses and streets. Despite restoration of service by the company at record speed, many customers, the news media and public officials wondered if Detroit Edison's service was as good as it should be.

Yet, a top performer

But adversity often brings opportunity. The company responded aggressively by expanding its multi-faceted improvement plan, even as it further strengthened



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a best-in-class electric utility in all aspects
of its business.*

its financial position. By the time the year ended, Detroit Edison was well on the way to strengthening its distribution system and regaining the strong public trust it had traditionally enjoyed.

Strengthening the Core Business

Detroit Edison is striving to become a best-in-class electric utility in all aspects of its business. That means to be among the nation's best at running its basic business without overly diverting the attention of its management or the resources of its shareholders to unrelated businesses.

Every organization in the company has been charged with identifying the best performers among all industries nationwide in their particular functions, learning from them and adapting better practices as appropriate. The result: a process of continuous improvement, leading to best-in-class operation.

Company managers also learn by assessing their own performance. Thus the aftermath of the July 7 storm, for example, provided a strong impetus for accelerating and enhancing the program of service improvements already under way when the storm struck, with plans for expenditures of \$200 million over and above normal maintenance through 1994.

The following four facets of the service enhancement plan will result in improvements that position the company for top performance day in and day out as well as during storms and other emergencies:

• **Preventing damage.** Maintenance and tree trimming schedules have been escalated

to protect power lines. Distribution lines are being upgraded and additional lightning protection installed. Virtually every mile of the company's distribution system will be inspected closely to identify specific repairs or improvements needed. Heat-sensitive infrared photography is being used to identify potentially troublesome "hot spots" for repair. Technicians are testing utility poles for unseen decay with ultrasound sensors, similar to the equipment used by physicians to explore inside the human body. A special organization was formed to coordinate the overall effort to improve reliability.

• **Minimizing the impact of damage.** Electrical circuits are being split in areas of recent rapid population growth, reducing the number of customers affected when circuits are crippled by lightning strikes or other occurrences. In all, more than 100 circuits are being added, some with switches to test the feasibility of re-routing power when damage occurs. To better protect the public from contact with downed wires, public safety teams of employees, retirees and community volunteers have been organized and trained to guard such hazards. Also, communication channels have been strengthened for improved contact and

coordination with police and fire authorities during emergencies.

• **Speeding restoration.** The company is expanding the damage assessment capabilities of its computerized Outage Analysis System, which collects information from customers and other sources, identifies problem areas and provides data for more effective deployment of resources.

• **Improving communication with customers.** The company is significantly enhancing telephone capabilities in 1992 with installation of a \$9-million automated telephone system to help handle both emergency calls and normal customer business. Some 1,300 trunk lines reachable through a single toll-free 800 telephone number can handle up to 40,000 customer trouble calls per hour during emergencies, compared with about 2,500 calls previously. The company's new centralized 24-hour Customer Telephone Center is staffed with 38 percent more customer representatives than before, providing faster and more efficient personal responses to customer information and service needs.

Field operations, on the other hand, have been consolidated along a service center concept to improve service to customers.



REDEFINING "BUSINESS AS USUAL." Careful generation planning dictates a new era of service for the idle Marysville Power Plant to help meet customers' electricity demands in the future. Above, maintenance journeyman Nicholas Lucas refurbishes a turbine oil pump.



All the diverse services necessary to provide, maintain and improve electric service to customers – as well as restore it when necessary – are represented at each of 15 service centers throughout Southeastern Michigan. Through these centers, customers' service needs are identified, planned and satisfied. Additionally, a new computerized Work Management System will be phased-

in beginning late in 1992 to coordinate these service center functions, tie them to other critical company information and data systems, and manage work more effectively.

Efficiency counts

As important as getting electricity to customers reliably, safely and efficiently, is the ability to produce it when it's needed. Key to this are carefully managed construction and maintenance practices, clear goals and objectives, expanded employee training programs, a realistic and balanced fuel strategy, and effective power plant planning and fuel-procurement practices

– all of which help assure Southeastern Michigan of an adequate supply of electricity at the lowest possible cost.

Detroit Edison entered 1991 already among the best-in-class in efficiency of generating electricity. In heat rate, which relates electricity output to raw energy input and is the basic measure of power plant efficiency, the company's fossil-fueled plants ranked fifth among the nation's top 100 utilities in 1989. In 1990, the latest year for which results are available, it rose to No. 3 – a tribute to the design, construction and, most of all, the people who operate and maintain the company's plants. The company continued aggressive measures to control fuel

costs during the year. From 1985 through 1991, while electricity use in Southeastern Michigan rose by some 12 percent and the general inflation level by 26.9 percent, Detroit Edison's fuel costs decreased by more than 24 percent. That resulted from:

- ▼ Detroit Edison's pioneering Western coal strategy, which brings low-sulfur coal from Montana and Wyoming at lower delivered cost than from Eastern states. The company also has led the industry in blending Western coal – which has lower emissions than most coals – with other coals. The company now uses about 12 million tons of Western coal a year, or about 63 percent of its total coal consumption
- ▼ A strategy focusing on use of coal and nuclear fuel, with limited reliance on oil, which can be volatile in supply and price.
- ▼ Aggressive management of fuel purchases, including renegotiation and even contract buyouts when appropriate, resulting in savings of \$22 million in 1991 alone.
- ▼ Conversion of the Greenwood Energy Center to burn less expensive natural gas as well as its original fuel – residual oil. Using natural gas at this plant saves the company up to \$100,000 in fuel and purchased power costs each day the plant runs, as well as providing greater flexibility.

Additional steps taken in 1991 to control production costs and increase revenues included:

- ▼ Continuous and effective plant maintenance to keep the company's fossil-fueled plants available a record 90.4 per-

The company entered 1991 already among the best-in-class in efficiency of generating electricity.

cent of the time, up from 87.5 percent in 1990 and above the national average.

- ▼ Leasing 153 megawatts (MW) – one-sixth of Detroit Edison's share – of available capacity at the Ludington Pumped Storage Hydroelectric facility to Toledo Edison Co. through 1993 to produce more than \$22 million in revenues. The 1,872-MW facility is owned jointly with Consumers Power Co.
- ▼ Improved maintenance of existing power plants rather than building new generating facilities.
- ▼ Installation of a computerized maintenance management system in five power plants to better coordinate and schedule plant maintenance.
- ▼ A cooperative effort between union and management under which maintenance personnel performed some \$6 million in power plant work normally performed by contractors.

Another tool used to propel the company's power plants toward best-in-class operation is a continuous program of benchmarking – tracking the performance of up to 44 other power plants nationwide. The process measures Detroit Edison performance against other plants and seeks to adopt the best methods of the leaders to improve plant operations and reduce maintenance costs.

A true performer

Fermi 2, Detroit Edison's only operating nuclear power plant, produces about 17 percent of the company's electricity. It also represents Detroit Edison's largest single investment. Because Fermi's unit fuel costs are the lowest in the Detroit Edison system, the more Fermi 2 operates, the lower the company's total fuel costs.

Federal regulations governing the operation of U.S. nuclear power plants, as well as the company's own stringent goals for safety and other performance criteria, provide additional yardsticks for measuring overall plant performance.

Fermi 2 performance continued to show improvement in the Nuclear Regulatory Commission's latest Systematic Assessment of Licensee Performance.

A key reason for the plant's continuing improvement has been a business plan identifying specific best-in-class goals for all aspects of the plant's operating and support functions.

Highlights of 1991 Fermi 2 performance included:

- ▼ Coming within five days of matching the plant's longest continuous reactor run – 169 days, set in 1989. The near-record 1991 run of 164 days ended in mid-December when the plant shut down for a transformer replacement.



STRENGTHENING THE CORE BUSINESS. Fermi 2 performance was improved in 1991 in an award-winning project to replace some 60,000 condenser tubes. Checking tolerances on new titanium tubes with a contractor employee is John O'Donnell, project field engineer.

- ▼ Setting two monthly power generation records.
- ▼ Reducing refueling outage duration to 73 days, compared with 102 days in 1989. The third refueling outage starting in September 1992 is expected to require only about 50 days.
- ▼ Achieving a capacity factor – electricity produced as a percentage of total capacity – of 66.7 percent despite the 73-day refueling outage. The plant's capacity factor in 1989, which included the first

refueling outage – was 54.6 percent, and in 1990 – when there was no refueling stoppage – 77.4 percent.

- ▼ Replacing some 60,000 tubes in the condenser on time and under budget. The massive project earned first-place honors in a top Michigan Society of Professional Engineers competition, received international recognition from Japan's nuclear power industry and now is an industry standard.
- ▼ Placing among the nation's best nuclear plants in overall protection of workers from radiation.

The issue of radioactive waste disposal remains politically alive and still unresolved. Three states that historically have accepted low-level waste from Michigan – South Carolina, Nevada and Washington – continue to refuse shipments. Michigan, which had been designated the first "host state" for a seven-state Midwestern low-level waste-disposal coalition, was ejected from the group for lack of progress in finding a waste-repository site. The issue is still awaiting final determination in the courts. Meanwhile, the Fermi 2 plant has sufficient capacity to store its own low-level waste materials for about five years.

Electric system sales rise

Despite the prolonged national economic downturn – amplified locally in the automotive and steel industries – electricity sales have continued to increase.

1991 system sales totaled 41.0 billion kilowatthours (kWh), up 1.3 percent from 40.5 billion kWh in 1990. The increase reflected modest growth in the commercial sector, as well as growth in air-conditioning use in homes and businesses during a hotter-than-normal summer. System sales topped those for 1990 in each of the last three months of 1991.

Two monthly record peaks were in May, June, July, September and October, while a record high for a Saturday was set in July. The highest demand during the year was recorded on August 29 at 8,980 MW, just 1.7 percent short of the all-time peak of 9,133 MW on August 2, 1988. The company maintains a total electric generating capability of 10,267 MW which, through careful integrated resource planning discussed later in this report, will ensure that customers' electricity requirements are met without the need for costly new power plants.

Earnings rise

The proof of success in strengthening the core business, of course, lies in the bottom line. 1991 earnings for common stock totaled \$535.2 million, an all-time record and up from \$479.3 million in 1990. Earnings per share of common stock were \$3.64, up nearly 12 percent from \$3.26 per share in 1990.

Despite the prolonged national economic downturn, electricity sales have continued to increase.

The financial community took note of this 1991 performance:

- ✦ Moody's Investors Service upgraded ratings on the company's general and refunding mortgage bonds, pollution control revenue bonds and preferred and preference stock, while Fitch Investors Service increased ratings on general and refunding mortgage bonds and preferred and preference stock.
- ✦ Energy Performance Review ranked the company the most profitable electric utility in the country in earnings relative to total sales.
- ✦ The Wall Street Transcript praised the company for improving shareholder value, based on a survey of money managers and security analysts.

An aggressive program to lower the company's interest costs continued in 1991, with optional bond redemptions and refinancings producing more than \$45 million in annual savings. Taking advantage of a drop in interest rates of as much as 5 percentage points, the company redeemed and refinanced some \$150.2 million in securities and redeemed early an additional \$397.5 million in securities. In 1991, total interest expense on outstanding debt was \$437.3 million, down 7 percent from \$472.4 million in 1990. Additional refinancings and redemptions are planned for 1992,

which will reduce annual interest costs another estimated \$7 million.

Redefining "Business as Usual"

"Business as usual" was suspended for Detroit Edison with the rate case settlement reached in 1988 with the Michigan Public Service Commission and intervenors.

Five rate increases for Fermi 2 were phased in during the settlement period, with the latest – \$102.5 million, or 3.3 percent for the average residential customer – effective Jan. 1, 1992.

Redefining "business as usual" also applies to regulation:

- ✦ Proposed changes to the Public Utility Holding Company Act (PUHCA) of 1935 would loosen federal regulations affecting independent power producers. The changes would allow essentially unregulated electricity producers to compete with regulated electric utilities. Various efforts toward PUHCA change are continuing in 1992.
- ✦ Proposals for transmission access would allow independent power generators to use existing utility transmission networks at costs subsidized by utility customers, allowing the independent producers to serve only the most profitable large customers if they wish.



MEETING OUR RESPONSIBILITIES. In one of many company efforts to serve the community, concern for education and the environment are mixed by magician Jim Carmody and Detroit Edison's safety mascot Louie the Lightning Bug, dazzling youngsters from Detroit's Lodge Elementary School.

Innovative planning under way

Planning to meet customers' needs in the future no longer is "business as usual."

With growth in electricity demand in Southeastern Michigan expected to be modest — probably between 1.0 and 1.5 percent annually through 2006 — the need for additional generating resources will not be evident until early in the next century. But with high construction costs, increasing environmental considerations and the company's ongoing efforts to reduce the cost of debt, new approaches are needed to ensure that customers' future needs are met without undue costs.

Detroit Edison's integrated resource plan blends careful generation planning with customer-involved demand-side management:

- Generation planning options include restarting four generating units taken out of service and held in reserve. The first of these, the Marysville Power Plant south of Port Huron, Mich., will begin its new era of service in May 1992. Others — Conners Creek, River Rouge Unit 1 and St. Clair Unit 5 — are expected to re-enter service as needed to maintain adequate reserves. Economical bulk power transactions provide another option, through Michigan Electric Coordinated System interconnections with

Detroit Edison is one of the industry's strongest voices in Washington, and Lansing and plays a key role with 40 other electric utilities in the Electric Reliability Council, which is working to ensure fair and responsible legislation and regulation.

other midwest utilities and ties with Ontario Hydro in Canada. Generation planning options represent about 1,100 MW in capacity that otherwise would have to be provided through new power plant construction.

- ▼ Demand-side management options, under which customers are given price incentives to reduce or revise their use, include interruptible service for water heating, air conditioning, other interruptible options for large industrial customers, and encouraging use of energy-efficient lighting and appliances. These options could reduce peak demand by some 600 MW.

Keeping our House in Order

Becoming a best-in-class electric utility means redirecting the ways employees approach their jobs, view the company and its customers, and perform — changes in the corporation's culture necessary for success in a competitive environment.

The company is encouraging employees to develop a "workstyle" for the 1990s and beyond in the following ways:

- ▼ A set of principles was established to guide behavior and performance. These "shared beliefs" guide employees in teamwork, communications, benchmarking and striving for continuous improvements.
- ▼ General policies and practices replace volumes of rules. This is intended to move decision making down in organizations, encouraging employees to make more of their own decisions and be held accountable for them.

The "employee of the future" will be a team player with better skills and, most importantly, greater freedom to act.

- ▼ Management training programs have switched from a task focus to a results orientation. One series of courses provides training in four key "best-in-class" areas — cost reduction, market management, leadership and communication.

- ▼ Internal communication has been enhanced with new processes for communication that stress face-to-face discussion, as well as take-home video cassettes of the company's monthly news and feature television program.

Changes such as these will help make Detroit Edison's "employee of the future" a team player with better skills and, most importantly, greater freedom to act.

Meeting our Responsibilities

With the many changes it has made and the challenges it faces, Detroit Edison still recognizes and meets its responsibilities to the communities it serves. The company is a leader in protecting the environment and aiding local efforts in education, public safety and human services.

A top priority

For an electric utility that annually fuels its plants with nearly 20 million tons of coal, protecting the environment is a top priority at Detroit Edison, as it has been for more than 60 years.

The company installed its first environmental control equipment at its Trenton Channel Power Plant in 1926 and in the last two decades alone has invested more than \$2.5 billion in environmental controls to protect the air, land and water.

The company blends Western low-sulfur coal with other coals to obtain an optimum balance among environmental protection, fuel cost and plant efficiency. Detroit Edison has led the industry nationally in developing the technology and systems to burn the low-sulfur Western coal in boilers originally designed for coals with a different consistency — generally higher-sulfur and higher-cost Eastern coals. The 1,280-MW Belle River Power Plant burns 100-percent Western coal. Tests are under way at several other plants to determine the maximum low-sulfur Western coal blend.

Use of low-sulfur coal has been the primary contributor to Detroit Edison's reduction of sulfur dioxide emissions by some 60 percent since 1975, even as its fossil-fuel power plants produced nearly 20 percent more electricity. The company's emissions reduction earned a 1991 Environmental Achievement Award in the National Environmental Award Council's "Search for Success." The council represents 28 national environmental organizations, including the Alliance to Save Energy, the

National Resources Defense Council and the Sierra Club. More than recognition, the company's environmental efforts have earned Detroit Edison an enviable position relative to 1990 amendments to the federal Clean Air Act. The Michigan Congressional Delegation, recognizing that the state's utilities already had reduced sulfur dioxide emissions dramatically, helped ensure that the final legislation reflected this progress. Utilities in nearby states which have not matched this progress now are playing catch-up. Detroit Edison already is in full compliance with Phase I sulfur dioxide provisions of the amendments, effective in 1995, and is close to compliance with Phase II sulfur dioxide provisions which go into effect five years later.

Looking to the future, Detroit Edison is active in the classrooms of Southeastern Michigan to help youngsters gain a healthy respect for the environment and learn how to help keep it clean.

Environmental education efforts by Detroit Edison and the Detroit Edison Foundation in 1991 included:

- ✦ Awarding grants to teachers to encourage development of classroom projects promoting environmental awareness.
- ✦ Participation in forestry programs and tree plantings by nearly 19,000 elementary students as part of National Arbor Week observances.
- ✦ Development of an environmental poster contest to begin in 1992 for elementary school students, designed to generate greater awareness of the importance of protecting the environment.

- ✦ Presentation to some 17,000 students of an EnviroMagic Show, which uses magic tricks to demonstrate environmental problems.

Detroit Edison's commitment to education goes beyond the environment, however. The company maintains formal partnerships with 28 schools in Southeastern Michigan, through which employe volunteers share their knowledge and skills. Detroit Edison specialists tutor at-risk students and participate in job shadowing and mentoring, while the company contributes materials and conducts tours of its facilities. Together, Detroit Edison and the schools also participate in a variety of community activities.

To help middle-school youngsters gain increased appreciation of electrical safety, Detroit Edison gives live and videotaped presentations to some 35,000 students annually, imparting lessons that one day could save their lives. Since 1975, more than 350,000 children have participated in the company's school-safety programs.

Help has arrived

The current recession has made life more difficult for thousands of people in Southeastern Michigan. As part of its effort to ease this difficulty, the Detroit Edison Foundation in 1991 contributed more than \$2 million to community service agencies, much of it in grants matching employe contributions. The Foundation is funded totally by Detroit Edison.

The company increased its support for The Heat and Warmth Fund (THAW), a non-profit group of community agencies, businesses and churches that helps the elderly, the unem-

ployed and people with disabilities who cannot pay their energy bills. Customers, solicited by the company, contributed nearly a half-million dollars to THAW, while Detroit Edison pledged up to \$800,000 in matching funds in 1991, and donated another \$200,000 to help meet the energy needs of shelters for the homeless. The company also began to use its "Bright Ideas" newsletter, mailed to 1.8 million customers with their electric bills, to help non-profit agencies raise money. Meanwhile, Detroit Edison was honored for working with a community job-placement and training group in the Downriver area southwest of Detroit in the hiring of nine low-income women and minorities. The program gave the candidates on-the-job training as assistant power plant operators. All succeeded and now are part of the company's full-time work force. The program earned the 1991 Edison Electric Institute Award for Outstanding Achievement in Affirmative Action.

About this Annual Report

This report has discussed the ways Detroit Edison is building both customer and shareholder value by sticking to and improving its core business, redefining "business as usual," keeping its house in order and meeting its community responsibilities. You've read about the successes, the plans, the challenges and the problems being addressed aggressively. Collectively, these developments represent the broad spectrum of change your company is undergoing to improve the value it provides in the years to come.

D e t r o i t E d i s o n



1 9 9 1
F i n a n c i a l R e p o r t

During the past five years, Detroit Edison has improved earnings in quality and quantity, made solid reductions on the cost side, strongly improved cash flow and decreased its debt-to-equity ratio.

This strengthening of the company's financial condition is the result of significant expense reduction efforts aided by increased system sales. As the company approaches the end of a five-year rate moratorium, it is about to make a transition to what may be more traditional rate regulation.


This process is expected to pass the benefits of lower operating costs to customers in the form of lower rates.

The company increased the dividend in 1991 for the second consecutive year to an indicated annual rate of \$1.88, and early in 1992 increased it again to an indicated annual rate of \$1.98.

Common stock reached a closing high of \$35 in 1991, the highest

closing price in 24 years.

The company will file a new rate case by mid-1992, in accordance with a Michigan Public Service Commission order, and anticipates, for the long-term, continued increases in both customer and shareholder value.

1991 performance earned recognition from many industry observers, including selection of the company as *Electric Utility of the Year* by ***Electric Light and Power*** magazine. 

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Earnings/Revenues

1991 earnings for common stock totaled a record \$535.2 million on operating revenues of \$3.59 billion, up from 1990 earnings of \$479.3 million on slightly lower revenues of \$3.58 billion. Earnings per share were \$3.64, up nearly 12 percent from \$3.26 in 1990, with an average 146,945,932 shares outstanding, compared with 146,888,809 shares in 1990. Earnings per share of \$3.64 for 1991 represent a dramatic recovery from 1988, when write-offs of certain Fermi 2 costs resulted in a loss. While shareholders approved an increase in the number of authorized common shares in 1991 from 160 million to 400 million to increase the company's flexibility, it has been more than five years since the company actually has issued significant numbers of new shares.

Dividends

In 1991, the dividend on Detroit Edison common stock was at an indicated annual rate of \$1.88, up 10 cents per share from \$1.78 in 1990. This was the second 10-cent dividend increase in as many years, followed by yet another increase early in 1992 – again 10 cents – to an indicated annual rate of \$1.98. The company has paid quarterly dividends consecutively for 83 years.

1991 FINANCING

Type of Security and Month Sold	Gross Amount (Millions)	Interest Rate
<i>Pollution Control Bonds*</i>		
May	\$ 25.9	6.950%
May	32.8	7.000%
June	37.6	6.900%
September	41.5	6.950%
December	98.4	6.875%
Total Financing	\$ 236.2	

*Refinancing tax-exempt securities

MARKET-TO-BOOK RATIO



Stock Performance

On Dec. 9, 1991, the company's common stock reached a closing price of \$35, the highest since 1966 and nearly triple the highest close 10 years earlier. The performance offered share-

holders a solid 30-percent return – price plus dividends – for the year. The year-end market price-to-book value ratio was 1.80, up from 1.61 in 1990.

Common Equity

Common shareholders' equity was 38.4 percent of total capitalization, up from 32.8 percent a year earlier. The improvement is due largely to the company's continuing actions to reduce debt. In 1991, some \$559 million in securities were redeemed, early, \$150 million of which have been refunded through new financings. In total, more than \$680 million in securities were redeemed during the year. The company's goal is to reduce its average embedded cost of debt from

9.6 percent in 1988 to 8.6 percent in 1993. It was 9.1 percent for 1991.

System Sales

System sales in 1991 reached 41.049 billion kilowatthours (kWh), up 1.3 percent from 40.504 billion kWh in 1990. The increase was led by sales to residential and commercial customers, and attributed largely to air conditioning use during a long, hot summer.

Residential sales increased by 6.2 percent, rising to 12.222 billion kWh from

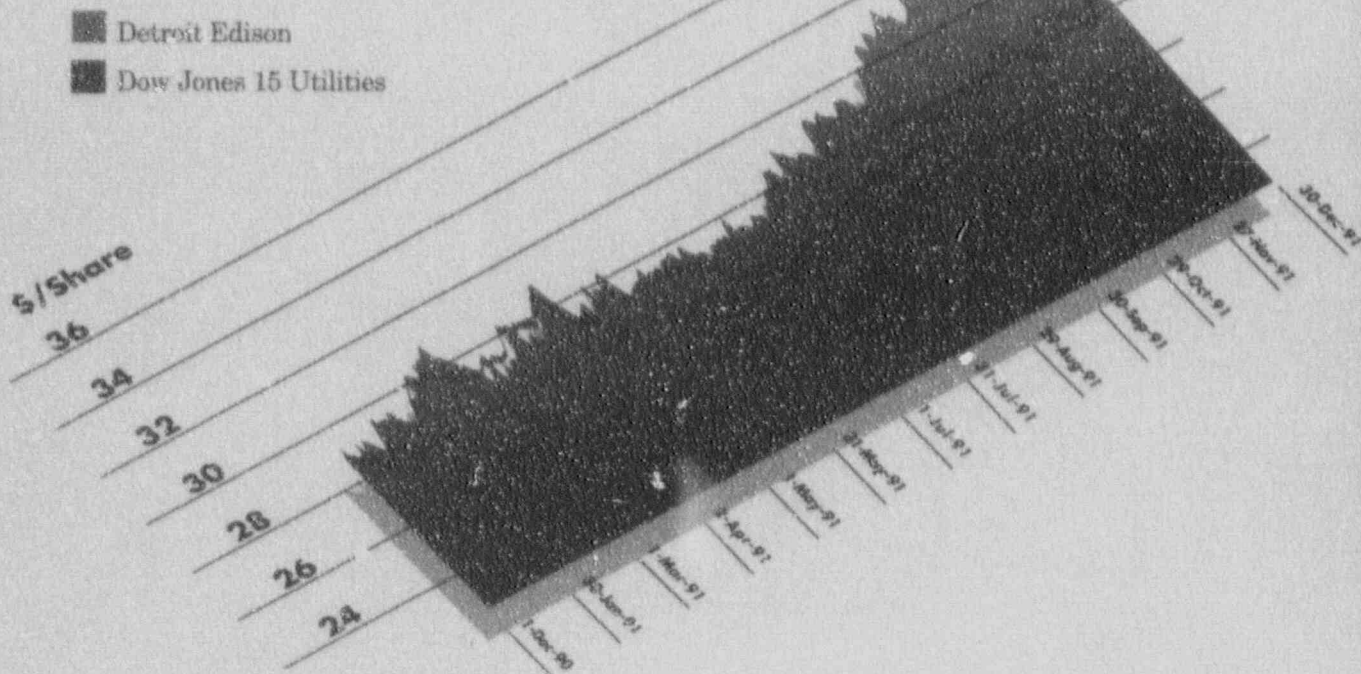
11.513 billion kWh last year, while commercial sales increased by 2.1 percent, reaching 8.873 billion kWh, compared with 8.688 billion kWh last year.

Industrial sales dipped 2.4 percent to 18.262 billion kWh in 1991, down from 18.707 billion kWh in 1990. The decline was led by steel (down 12.9 percent) and automotive and automotive-related businesses (down 4.1 percent), reflecting declining U.S. auto sales.

1991 MARKET PRICE PER SHARE

Detroit Edison and Dow Jones 15 Utilities

(Average of 15 Utilities adjusted to current per-share price)



O&M Expenses

Operation and maintenance (O&M) expenses totaled \$1.8 billion, down 5 percent from \$1.9 billion a year earlier. Fuel and purchased power expense, the largest single component of O&M costs, was reduced some 15 percent in 1991 due primarily to power plant efficiencies, which ranked among the best in the industry. Also contributing significantly were judicious fuel purchases, coal contract management and inventory management. Organizational restructuring and attrition reduced the total number of employees to 9,357, down 3 percent from 9,669 last year and the lowest in more than 25 years. Since 1987, the number of employees has been reduced by nearly 1,900, or 17 percent.

Rates

The fifth phase-in and last scheduled rate increase for Fermi 2 became effective Jan. 1, 1992, following the agreement in the company's 1988 settlement with the Michigan Public Service Commission and intervenors. The final increase totaled \$102.5 million – an increase of 3.3 percent for the average residential customer. The settlement period ends Dec. 31, 1993, while the Power Supply Cost Rec. very provi-

SECURITIES REDEEMED DURING 1991

	Principal Amount (Millions)	Interest Rate
Early Redemptions		
<i>General & Refunding Mortgage Bonds</i>		
Series EE	\$ 12.5	11.875%
Series SS	10.0	10.375
Series AA	100.0	9.875
Series HH	50.0	10.625
Series PP	70.0	9.875
Series RR	70.0	9.800
1985 Series A	35.0	11.900
1985 Series B	50.0	11.250
	<u>\$397.5</u>	
<i>Pollution Control Bonds</i>		
16 Issues	<u>\$150.2</u>	5.900-12.875%
<i>Preferred & Preference Stock</i>		
9.72% Series	\$ 3.0	
9.60% Series	3.2	
\$2.75 Series B	2.5	11.000%
\$2.75 Series	2.5	11.000
	<u>\$ 11.2</u>	
Total Early Redemptions	\$558.9	
Mandatory Redemptions	<u>121.7</u>	
Total Redemptions	<u>\$680.6</u>	

sion of the settlement ends Dec. 31, 1992. The Expense Stabilization Procedure, which adjusts for inflation and is expected to provide for a total of \$64 million in revenues in 1992, also expires at the end of 1992.

Ratings

During the year, Moody's Investors Service upgraded ratings of the company's long-term securities and Fitch Investors Service upgraded ratings on general and re-funding mortgage bonds and preferred and preference stock.

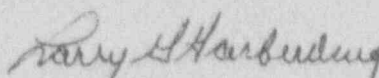
The Detroit Edison Company and Subsidiary Companies

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

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse



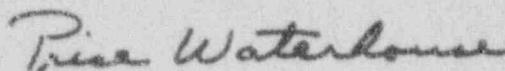
200 RENAISSANCE CENTER
DETROIT, MICHIGAN 48243

January 31, 1992

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

In our opinion, the consolidated financial statements appearing on pages 19 through 34 of this report present fairly, in all material respects, the financial position of The Detroit Edison Company and its subsidiary companies at December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, 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.



The Detroit Edison Company and Subsidiary Companies

	Year Ended December 31		
	1991	1990	1989
Operating Revenues			
Electric -- System	\$3,458,871	\$3,279,248	\$3,171,456
Electric -- Interconnection (Note 1)	105,399	269,542	202,574
Steam	27,267	27,491	51,575
Total Operating Revenues	\$3,591,537	\$3,576,281	\$3,405,605
Operating Expenses			
Operation			
Fuel	\$ 758,467	\$ 788,355	\$ 820,765
Purchased power (Note 1)	133,498	256,400	344,814
Other operation	589,025	545,476	506,889
Maintenance	289,670	279,528	291,365
Depreciation and amortization	412,253	406,330	371,682
Deferred Fermi 2 depreciation and amortization	(27,583)	(39,208)	(35,234)
Taxes other than income	238,674	250,459	225,763
Income taxes	265,054	209,931	129,626
Total Operating Expenses	\$2,659,058	\$2,697,271	\$2,655,670
Operating Income	\$ 932,479	\$ 879,010	\$ 749,935
Other Income and Deductions:			
Allowance for other funds used during construction	\$ 1,459	\$ -	\$ -
Deferred Fermi 2 return	47,566	78,379	107,169
Other income and deductions	(16,772)	(7,329)	675
Income taxes	6,332	2,304	843
Accretion income	47,298	48,794	50,188
Income taxes -- disallowed plant costs and accretion income	(6,480)	(8,198)	(17,047)
Net Other Income and Deductions	\$ 79,403	\$ 113,950	\$ 141,828
Income Before Interest Charges	\$1,011,882	\$ 992,960	\$ 891,763
Interest Charges			
Long-term debt	\$ 437,337	\$ 472,369	\$ 444,204
Amortization of debt discount, premium and expense	4,467	4,539	4,368
Other	4,233	4,853	20,980
Allowance for borrowed funds used during construction (credit)	(2,192)	(3,260)	(3,740)
Net Interest Charges	\$ 443,845	\$ 478,501	\$ 465,812
Net Income	\$ 568,037	\$ 514,459	\$ 425,951
Preferred and Preference Stock Dividend Requirements	32,832	35,179	37,018
Earnings for Common Stock	\$ 535,205	\$ 479,280	\$ 388,933
Common Shares Outstanding - Average	146,945,932	146,888,809	146,816,363
Earnings Per Share	\$3.64	\$3.26	\$2.65

(See accompanying Notes to Consolidated Financial Statements.)

The Detroit Edison Company and Subsidiary Companies

December 31

1991 1990

ASSETS

Utility Properties

Plant in service

Electric

Steam

\$11,859,315 \$11,621,335

62,937 61,773

\$11,922,252 \$11,683,108

(3,439,635) (3,124,219)

\$ 8,482,617 \$ 8,558,889

75,610 66,034

\$ 8,558,227 \$ 8,624,923

Less: Accumulated depreciation and amortization

Construction work in progress

Net utility properties

Property under capital leases (less accumulated amortization

of \$122,917 and \$127,372, respectively)

\$ 187,118 \$ 143,596

Nuclear fuel under capital lease (less accumulated amortization

of \$237,005 and \$182,254, respectively)

246,496 284,224

Net property under capital leases

\$ 433,614 \$ 427,820

Total owned and leased properties

\$ 8,991,841 \$ 9,052,743

Other Property and Investments

Non-utility property

\$ 10,103 \$ 9,663

Investments and special funds

32,511 45,558

Nuclear decommissioning trust funds

27,102 15,689

\$ 69,716 \$ 70,910

Current Assets

Cash and temporary cash investments (at cost, approximating market value)

\$ 6,841 \$ 145,946

Customer accounts receivable and unbilled revenues (less allowance

for uncollectible accounts of \$25,000 and \$10,000, respectively)

215,120 185,934

Other accounts receivable

42,187 33,396

Inventories (at average cost)

Fuel

169,055 176,494

Materials and supplies

164,716 161,959

Prepayments

7,598 8,221

\$ 605,517 \$ 711,950

Deferred Debits

Unamortized debt expense

\$ 48,968 \$ 49,094

Accumulated deferred income taxes

193,405 208,184

Unrecovered plant costs

8,433 14,561

Fermi 2 phase-in plan

488,163 424,959

Fermi 2 deferred amortization

25,383 13,438

Other

39,198 27,486

\$ 803,550 \$ 737,722

Total

\$10,463,624 \$10,573,325

(See accompanying Notes to Consolidated Financial Statements.)

	December 31	
	1991	1990
LIABILITIES		
Capitalization		
Common stock - \$10 par value, 400,000,000 and 160,000,000 shares authorized, respectively; 146,983,123 and 146,921,695 shares outstanding, respectively (398,876 and 460,354 shares, respectively, reserved for conversion of preferred stock)	\$ 1,469,831	\$ 1,469,217
Premium on common stock	553,463	552,985
Common stock expense	(48,150)	(47,766)
Retained earnings used in the business	872,428	614,016
Total common shareholders' equity	\$ 2,847,572	\$ 2,588,452
Cumulative preferred stock - \$100 par value, 6,747,434 and 9,000,000 shares authorized, respectively; 3,137,540 and 3,273,477 shares outstanding, respectively (3,539,827 shares unissued)		
Non-redeemable preferred stock	237,343	238,414
Redeemable preferred stock	61,709	74,073
Cumulative preference stock - \$1 par value, 30,000,000 shares authorized; 2,580,180 and 2,980,180 shares outstanding, respectively (27,419,820 and 27,019,820 shares unissued, respectively)		
Non-redeemable preference stock	47,891	47,891
Redeemable preference stock	6,294	15,805
Long-term debt	4,218,264	4,923,999
Total Capitalization	\$ 7,419,073	\$ 7,888,634
Other Non-Current Liabilities		
Obligations under capital leases	\$ 170,074	\$ 126,202
Accumulated rate refunds, with interest	3,861	4,707
	\$ 173,935	\$ 130,909
Current Liabilities		
Short-term borrowings	\$ 37,994	\$ -
Amounts due within one year		
Long-term debt	319,074	110,474
Preferred and preference stock	16,750	16,750
Obligations under capital leases	263,540	301,618
Accounts payable	161,915	149,449
Property and general taxes	45,239	56,101
Income taxes	25,101	15,570
Interest	101,356	108,926
Dividends payable	77,072	73,962
Payrolls	64,730	61,018
Ferri 2 refueling outage	9,002	20,000
Other	57,142	74,364
	\$ 1,178,915	\$ 988,232
Deferred Credits		
Accumulated deferred income taxes	\$ 1,222,430	\$ 1,133,869
Accumulated deferred investment tax credits	390,201	376,743
Other	79,070	54,938
	\$ 1,691,701	\$ 1,565,550
Commitments and Contingencies (Notes 2, 4, 10, 12 and 13)		
Total	\$10,463,624	\$10,573,325

(See accompanying Notes to Consolidated Financial Statements.)

	Year Ended December 31		
	1991	1990	1989
Operating Activities			
Net Income	\$ 568,037	\$ 514,459	\$ 425,951
Adjustments to reconcile net income to net cash from operating activities:			
Accretion income	(17,298)	(48,794)	(50,188)
Depreciation and amortization	412,253	406,330	371,682
Deferred Fermi 2 depreciation, amortization and return	(75,149)	(117,587)	(142,403)
Deferred income taxes and investment tax credit - net	116,778	100,453	86,516
Fermi 2 refueling outage - net	(10,998)	20,000	-
Sale of accounts receivable and unbilled revenues	-	-	200,000
Other	34,241	29,538	(713)
Changes in current assets and liabilities:			
Customer accounts receivable and unbilled revenues	(29,186)	11,205	(30,457)
Other accounts receivable	(8,791)	25,233	(27,103)
Inventories	6,066	(4,004)	59,003
MPSC-ordered refunds, with interest	-	-	(10,239)
Accounts payable	8,773	(73,014)	34,829
Taxes payable	(1,595)	21,972	489
Interest payable	(7,570)	2,951	3,597
Other	(13,451)	34,676	(4,829)
Net cash from operating activities	\$ 952,110	\$ 923,418	\$ 916,135
Investing Activities			
Plant and equipment expenditures	\$(272,121)	\$(230,201)	\$(242,973)
Purchase from Cooperative - Fermi 2 (a)	-	(2,507)	-
Sale of nuclear fuel	-	31,846	-
Changes in current assets and liabilities	3,137	(15,522)	3,093
Other	(11,673)	(20,735)	(18,836)
Net cash used for investing activities	\$(280,657)	\$(237,119)	\$(258,716)
Financing Activities			
Issuance of unsecured promissory notes	\$ -	\$ -	\$ 50,046
Sale of general and refunding mortgage bonds (a)	-	-	296,460
Funds received from Trustees: Installment sales contracts and loan agreements	159,301	98,679	228,265
Increase (decrease) in short-term borrowings	37,994	-	(229,325)
Repayment of long-term debt	(658,129)	(332,203)	(679,965)
Redemption of preferred and preference stock	(22,500)	(19,500)	(16,250)
Dividends on common, preferred and preference stock	(305,893)	(293,391)	(284,024)
Other	(21,331)	(9,602)	(10,609)
Net cash used for financing activities	\$(810,558)	\$(556,017)	\$(645,402)
Net Increase (Decrease) in Cash and Temporary Cash Investments	\$ (139,105)	\$ 130,282	\$ 12,017
Cash and Temporary Cash Investments at Beginning of the Period	145,946	15,664	3,647
Cash and Temporary Cash Investments at End of the Period	\$ 6,841	\$ 145,946	\$ 15,664
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 445,350	\$ 469,372	\$ 453,739
Income taxes paid	141,839	110,359	59,541
New capital lease obligations	79,002	75,055	36,459

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.

(a) 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.)

	Common Stock		Premium on Common Stock	Common Stock Expense	Retained Earnings Used in the Business
	Shares	\$10 Par Value			
Balance at December 31, 1988	146,783,212	\$1,467,832	\$551,907	\$(47,712)	\$254,922
Issuance of common stock on conversion of convertible cumulative preferred stock, 5½% series	76,357	764	594	(30)	
Expense associated with preferred and preference stock redeemed					(556)
Net income					425,951
Cash dividends declared					
Common stock - \$1.68 per share					(246,667)
Cumulative preferred and preference stock*					(36,945)
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, 5½% series	82,126	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, 5½% 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

*At established rate for each series.

(See accompanying Notes to Consolidated Financial Statements.)

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, 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. See Note 3.

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

Reclassification - In accordance with FERC accounting requirements, beginning in 1991 interconnection sales are recorded as electric-interconnection revenues. Previously, these sales were recorded as a reduction of purchased power expense. Prior year amounts have been reclassified to conform to the current year presentation.

Property, Depreciation and Amortization, Retirement and Maintenance - Utility properties are recorded at original cost. 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 was 2.63% of average depreciable property for 1991, 1990 and 1989, except for \$300 million being amortized over 10 years commencing in 1989 and \$513 million being amortized over 10 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 1991, 1990 and 1989. 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, which was effective on January 24, 1988, provides for gradual rate increases in the early years of plant operation rather than a one-time substantial rate increase which would be provided by conventional ratemaking. SFAS No. 92, "Regulated Enterprises - Accounting for Phase-in Plans," permits the capitalization of costs deferred for future recovery under a phase-in plan. In accordance with the Fermi 2 rate phase-in plan, the Company recorded non-cash income items of deferred depreciation (\$15.7 million, \$25.8 million and \$35.2 million in 1991, 1990 and 1989, respectively) and deferred return (\$47.6 million, \$78.4 million and \$107.2 million in 1991, 1990 and 1989, respectively). Deferred depreciation is that portion of depreciation expense not covered in current rates. Deferred return is the accrual of carrying charges on Fermi 2 costs not covered in current rates. See Note 3.

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%. 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 difference is being deferred on the balance sheet. The Company recorded deferred amortization, a non-cash item of income, of \$11.9 million and \$13.4 million in 1991 and 1990, respectively. See Note 3.

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 are deferred and amortized over the estimated composite service life of the related property. Investment tax credits related to disallowed Fermi 2 plant costs are recorded in other income and deductions under the flow-through method when utilized. 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 only when 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 1991, 1990 and 1989.

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, 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, total \$198 million and such amount will be 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 \$31.2 million, \$32.2 million and \$33.1 million of net after-tax accretion income in 1991, 1990 and 1989, 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. The discount, premium and expense related to debt redeemed without refunding are written off to expense in accordance with MPSC regulations. 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, 1991, and 1990 were \$8.4 million and \$14.6 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 13.

NOTE 2

FERMI 2

General - Fermi 2, a nuclear generating unit having a design electrical rating of 1,093 megawatts, began commer-

cial operation on January 23, 1988. This unit represents approximately 33% of total assets, 10% 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). In payment of the purchase price, the Company made a cash payment of \$2.5 million and issued \$537.1 million of its General and Refunding Mortgage Bonds. Prior to 1990, the Company purchased 100% of the Cooperative's Fermi 2 capacity and energy entitlement. Buyback payments to the Cooperative were \$102.4 million in 1989.

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 Nuclear Regulatory Commission ("NRC") maintains jurisdiction over the licensing, operation and decommissioning of Fermi 2.

During 1991, 1990, and 1989, Fermi 2 has been available for system power generation 73.9%, 82.9% and 63.7% of the time, respectively. The plant's capacity factor (measured by the amount of power produced as compared to full power capability) was 66.7%, 77.4% and 54.6%, 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. The order approves a decommissioning surcharge on customer bills under which the Company is collecting approximately \$3 million annually. 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 \$192 million (in 1991 dollars). Although the currently authorized surcharge does not provide adequate funding under the new NRC rule, the Company believes increases in decommissioning costs will eventually be substantially recovered in rates charged to customers.

Nuclear Fuel Disposal Costs - The Company has a contract with the United States Department of Energy ("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 current 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 \$1.250 billion of excess coverage, respectively, for decontamination costs, debris removal 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 \$19 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 \$2.515 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, 1991, 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 general 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.

On December 19, 1991, the MPSC directed the Company to file a general rate case by June 3, 1992 "Because it is in the public interest for the Commission to be in a position to determine that Detroit Edison's rates on January 1, 1994 are just and reasonable."

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 previously authorized rate increases (the Fermi 2 phase-in plan) and for federal income tax law or regulation changes, new load 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. An expense stabilization procedure, applicable to approximately \$750 million of Company operation and maintenance expenses, permitted rates to be adjusted through 1992 for the effects of inflation. The annual revenues provided by each surcharge are approximately \$27 million, \$55 million and \$64 million for 1990, 1991 and 1992, respectively.

Set forth below is a summary of the Company's 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	(a)	6.7	(a)	(a)

(a) 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.

During the Fermi 2 phase-in period, the Company is recording deferred depreciation and deferred return, non-cash items of income, totaling \$506.5 million (\$488.2 million through 1991 and \$18.3 million in 1992), with these deferred amounts amortized to operating expense as the cash recovery of the deferred amounts is realized through revenues during the years 1993-1998.

The 1990 purchase by the Company of the Cooperative's ownership interest in Fermi 2 (\$513 million) is treated as a regulatory asset with a 19-year principal amortization and associated interest at 8%. The debt incurred in connection with this purchase and the associated interest 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 1998. The deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues during the years 2000 through 2008.

During the period January 1989 through December 2003, the 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 ex-

penses, 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.

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.

Under the 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, shown in the table below, would continue.

A summary of the ratemaking treatment of the Company's Fermi 2 project costs (including the purchase of the Cooperative's interest in 1990) is as follows:

Fermi 2 Project Costs	
	(Millions)
In rate base, with recovery and return	\$3,018
Amortized over 10 years with no return (recovery beginning January 1989)	300
Amortized over 19 years, with associated interest (recovery beginning January 1990)	513
Written-off by the Company in 1988 (\$327 million disallowed in MPSC order of April 1986 and \$700 million disallowed in MPSC order of December 1988)	1,027
Total	<u>\$4,858</u>

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)	\$1,024.4	\$168.9
Accumulated depreciation (millions)	\$ 219.1	\$ 61.0

* The Company's undivided ownership interest is 62.78% in Unit No. 1, 81.19% 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 least 70% 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. Such purchases continued at 100% through 1990 and were 90% for 1991, with the amounts declining thereafter through 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 \$71.3 million, \$70.3 million and \$58.1 million for 1989, 1990 and 1991, respectively, and are currently estimated at \$51.1 million, \$12.3 million and \$6.0 million for 1992, 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 12.

On February 8, 1991 and April 24, 1991, the necessary approvals were received from the FERC to lease one-sixth of the Company's Ludington generating capability to The Toledo Edison Company. The lease went into effect on May 1, 1991 and will extend 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, 1991 and 1990, customer accounts receivable and unbilled revenues on the Consolidated Balance Sheet have been reduced by \$200 million reflecting the sale. All costs associated with the program are being charged to other operation expense in the Consolidated Statement of Income.

NOTE 6

INCOME TAXES

Total income tax expense as a percent of income before tax was less than the statutory federal income tax rate for the following reasons:

	Percent of Income Before Tax		
	1991	1990	1989
Statutory income tax rate	34.0%	34.0%	34.0%
Deferred Fermi 2 depreciation and return	(2.1)	(4.0)	(6.8)
AFUDC	(0.1)	(1.7)	(4.2)
Investment tax credit	(2.8)	(2.8)	(1.8)
Depreciation	3.3	4.4	5.9
Other - net	(0.5)	(0.3)	(1.6)
Effective income tax rate	31.8%	29.6%	25.5%

Components of income taxes were applicable to the following:

	1991	1990	1989
(Thousands)			
Operating expenses			
Current	\$173,853	\$137,020	\$ 61,811
Deferred - net			
Borrowed funds component of AFUDC	(1,081)	(12,611)	(24,181)
Depreciation and amortization	72,814	76,261	90,456
Property taxes	(3,822)	(5,308)	3,851
Unbilled revenues	—	(10,922)	(10,922)
Alternative minimum tax	—	419	10,832
Fermi 2 capitalized labor and expenses	(1,692)	(1,692)	(1,943)
Indirect construction costs	(1,268)	(1,864)	(1,977)
Uncollectible accounts	(4,420)	1,084	(3,422)
Contributions in aid of construction	(3,548)	(4,952)	(4,115)
Fermi 2 refueling outage	3,740	(6,800)	—
Michigan Single Business Tax	6,324	(6,324)	—
Shareholder value improvement plan	(3,899)	(2,232)	—
PSCR property tax refund	5,563	(5,563)	—
Coal contract buyouts	(773)	4,996	—
Other	(806)	(3,721)	(5,093)
	68,132	20,771	53,486
Investment tax credit - net			
Utilized	36,408	64,468	24,892
Amortized	(13,339)	(12,328)	(10,563)
	23,069	52,140	14,329
Total	265,054	209,931	129,626
Other income and deductions			
Current	(5,305)	(1,566)	(450)
Deferred - net	(1,027)	(738)	(383)
Total	(6,332)	(2,304)	(843)
Disallowed plant costs and accretion income			
Current	(20,125)	(20,081)	(2,036)
Deferred - net			
Disallowed plant costs	20,135	20,088	23,971
Accretion income	16,061	16,591	17,064
Alternative minimum tax	—	—	(21,952)
Investment tax credit	(9,611)	(8,400)	—
Total	6,480	8,198	17,047
Total income taxes	\$265,202	\$215,825	\$145,830

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.

In 1985, the MPSC ordered that, for accounting and ratemaking purposes, the accumulated deferred income taxes related to indirect construction costs and the borrowed funds component of AFUDC for Belle River Unit No. 1 and common plant be amortized to income over a five-year period rather than over the life of the plant. Such credits to income amounted to \$12 million for 1990 and \$24 million for 1989.

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

The cumulative net amounts of income tax timing differences for which deferred taxes have not been provided at December 31, 1991 and 1990 are \$2.0 billion and \$2.1 billion, respectively. The tax effect of these amounts not provided for currently will be recorded when such taxes become payable and are recovered from customers.

Remaining investment tax credit carryforwards of approximately \$36 million were utilized in 1991.

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. The Company has an AMT credit carryforward of approximately \$79 million at December 31, 1991. The AMT credits, which can be carried forward indefinitely, can be used to reduce regular tax liabilities whenever such liabilities exceed AMT liabilities.

In December 1987, the Financial Accounting Standards Board ("FASB") issued SFAS No. 96, "Accounting for Income Taxes," for which the effective date was deferred to 1993. SFAS No. 96 requires an asset and liability approach for financial accounting and reporting for income taxes. It requires the Company to recompute its tax liability at the then current tax rate and adjust the Accumulated Deferred Income Tax asset and liability amounts in the Consolidated Balance Sheet. In addition, it requires the Company to record additional deferred income taxes for temporary differences not previously recognized (including the \$2.0 billion discussed above) and all other existing differences that will result in taxable or deductible amounts in future years. SFAS No. 96 requires the recognition of an asset to the extent that such additional deferred income taxes are associated with probable future revenue from customers. In June 1991, the FASB issued a proposed statement, "Accounting for Income Taxes," which is expected to supersede SFAS No. 96. A final statement is anticipated in the first quarter of 1992. The Company expects that the final statement, when adopted, will not have a material effect on net income.

NOTE 7

SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

As described below, at December 31, 1991, the Company had total short-term credit arrangements of \$333.1 million under which \$38 million was 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 1991 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 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, 1991, \$133.1 million was available to the Company under such Loan Agreement. See Note 10.

NOTE 8

COMMON STOCK AND NON-REDEEMABLE CUMULATIVE PREFERRED AND PREFERENCE STOCK

Non-redeemable Cumulative Preferred and Preference Stock outstanding at December 31 was:

	Date of Issuance	1991	1990
(Thousands)			
Non-Redeemable Preferred Stock			
5 1/2% convertible series, 70,960 and 81,897 shares, respectively	Oct. 1967	\$ 7,096	\$ 8,190
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
Non-redeemable preferred stock expense		(4,661)	(4,684)
Total Non-Redeemable Preferred Stock		\$237,343	\$238,414
Non-Redeemable Preference Stock			
\$2.28 series, 2,000,000 shares	Dec. 1977	\$ 2,000	\$ 2,000
Premium on non-redeemable preference stock		48,000	48,000
Non-redeemable preference stock expense		(2,109)	(2,109)
Total Non-Redeemable Preference Stock		\$ 47,891	\$ 47,891

The Convertible Cumulative Preferred Stock, 5 1/2% Series, is convertible into Common Stock. The conversion price was \$17.79 per share at December 31, 1991. The number of shares converted during 1991, 1990 and 1989 was 10,937, 11,060 and 13,592, 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 the stated per share redemption price of \$25.75, plus accrued dividends, prior to January 15, 1993 and \$25.25 per share, plus accrued dividends, on and after January 15, 1993.

In 1991, following shareholder approval, the Company's Restated Articles of Incorporation were amended to increase the number of authorized shares of common stock from 160,000,000 to 400,000,000 and to decrease the number of authorized shares of preferred stock from 9,000,000 to 6,747,484.

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.

NOTE 9

REDEEMABLE CUMULATIVE PREFERRED AND PREFERENCE STOCK

Redeemable Cumulative Preferred and Preference Stock outstanding at December 31 was:

	Date of Issuance	1991	1990
(Thousands)			
Redeemable Preferred Stock			
9.72% series, 300,000 and 350,000 shares, respectively	Dec. 1978	\$30,000	\$35,000
9.72% series, 60,000 and 70,000 shares, respectively	Jan. 1979	6,000	7,000
9.60% series, 195,250 and 230,750 shares, respectively	Oct. 1979	19,525	23,075
9.60% series, 162,250 and 191,750 shares, respectively	Jan. 1980	16,225	19,175
Redeemable preferred stock due within one year		(9,250)	(9,250)
Redeemable preferred stock expense		(791)	(927)
Total Redeemable Preferred Stock		\$61,709	\$74,073
Redeemable Preference Stock			
\$2.75 series, 180,180 and 380,180 shares, respectively	July 1975	\$ 180	\$ 380
\$2.75 series B, 400,000 and 600,000 shares, respectively	Dec. 1975	400	600
Premium on redeemable preference stock		13,924	23,524
Redeemable preference stock due within one year		(7,500)	(7,500)
Redeemable preference stock expense		(710)	(1,199)
Total Redeemable Preference Stock		\$ 6,294	\$15,805

The following redeemable 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:

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

*Not to exceed 220,000 cumulative additional shares.

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

	1991	1990	1989
Preferred Stock, 9.72% Series	60,000	30,000	30,000
Preferred Stock, 9.60% Series	65,000	65,000	32,500
Preference Stock, \$2.75 Series	200,000	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 redeemable 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 (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:

Redeemable Series	Decreasing From	Prior To	To	On and After
Preferred Stock				
9.72%	\$102.90	1-15-94	\$101.00	1-15-94
9.60%	104.00	10-15-94	101.00	10-15-94
Preference Stock				
\$2.75	---	---	25.25	7-15-90
\$2.75 Series B	---	---	25.25	1-15-91

The combined aggregate annual amounts of redemption requirements at December 31, 1991 for all series of redeemable Preferred and Preference Stock are \$17 million, \$10 million and \$9 million for 1992, 1993 and 1994, respectively, and \$6 million for each of the years 1995 and 1996.

NOTE 10

LEASES

Future minimum lease payments under long-term noncancelable leases, consisting of nuclear fuel (\$320 million computed on a projected units of production basis), lake vessels (\$66 million), locomotives and coal cars (\$190 million), office space (\$37 million) and computers, vehicles and other equipment (\$45 million) at December 31, 1991 are as follows:

	(Millions)		(Millions)
1992	\$106	1995	\$ 74
1993	110	1996	87
1994	96	Remaining years	225
		Total	\$688

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 \$246 million and \$284 million at December 31, 1991 and 1990, respectively. The decrease in 1991 from 1990 of \$38 million includes additions of \$17 million (purchases of \$7 million and capitalized interest of \$10 million) less \$55 million for the amortization of nuclear fuel consumed in 1991.

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 \$106 million (including \$67 million for nuclear fuel), \$124 million (including \$80 million for nuclear fuel) and \$106 million (including \$58 million for nuclear fuel) for 1991, 1990 and 1989, 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, 1991, approximately \$2.4 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 8.75% on any such additional Mortgage Bonds. An additional \$563.9 million principal amount of Mortgage Bonds could have been issued on the basis of bond retirements.

Long-term debt outstanding at December 31 was:

	Interest Rate*	1991	1990
		(Thousands)	
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	75,000
Series U, due 7/1/00	9.15	75,000	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 AA, due 5/1/04	9%	—	100,000
Series EE, due 12/15/96	11%	—	15,000
Series HH, due 7/15/06	10%	—	50,000
Series PP, due 6/15/08	9%	—	70,000
Series RR, due 10/15/08	9.8	—	70,000
Series SS, due 3/15/97	10%	60,000	80,000
1980 Series B, due 4/1/97	12%	33,550	40,150
1985 Series A, due 5/1/92	11.9	—	35,000
1985 Series B, due 6/1/92	11.25	—	50,000
1986 Series A, due 4/15/16	9%	200,000	200,000
1986 Series B, due 8/15/16	9%	100,000	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	250,000
1987 Series E, due 8/15/96	10%	150,000	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	182,091	188,370
1990 Series P, due 3/31/16	7.904	237,900	247,416
1990 Series C, due 3/31/14	8.357	78,657	82,056
Less: Unamortized net discount		(11,883)	(13,269)
Amount due within one year		(285,864)	(38,364)
		<u>\$3,154,381</u>	<u>\$3,836,359</u>
Tax Exempt Revenue Bond Obligations			
Secured by corresponding amounts of General and Refunding Mortgage Bonds			
Installment Sales Contracts, due 2/15/92 - 5/1/22			
	8.63	\$ 367,410	\$ 477,235
Less: Unamortized net discount		(104)	(416)
Funds on deposit with Trustee		(138)	(454)
Amount due within one year		(810)	(9,970)
		<u>\$ 366,358</u>	<u>\$ 466,395</u>
Loan Agreements, due 7/15/08 - 12/1/21			
	6.93	\$ 268,540	\$ —
Less: Funds on deposit with Trustee		(77,185)	—
		<u>\$ 191,355</u>	<u>\$ —</u>

	Interest Rate*	1991	1990
		(Thousands)	
Unsecured			
Installment Sales Contracts, due 6/1/92 - 12/1/19	9.85%	\$ 387,360	\$ 428,460
Less: Amount due within one year		(1,000)	(2,440)
		<u>\$ 386,360</u>	<u>\$ 426,020</u>
Loan Agreements, due 2/15/94 - 8/15/10	8.40	\$ 51,210	\$ 94,925
Less: Amount due within one year		(1,400)	—
		<u>\$ 49,810</u>	<u>\$ 94,925</u>
		<u>\$ 993,883</u>	<u>\$ 987,640</u>
Unsecured Promissory Notes			
Variable interest rates	—	\$ —	\$ 45,000
Fixed interest rates, due 5/12/92 - 1/13/93	9.49	100,000	115,000
Less: Amount due within one year		(30,000)	(60,000)
		<u>\$ 70,000</u>	<u>\$ 100,000</u>
Total Long-Term Debt		<u>\$4,218,264</u>	<u>\$4,923,999</u>

* Weighted average interest rate at December 31, 1991 for Tax Exempt Revenue Bond Obligations and Unsecured Promissory Notes.

Long-Term Debt Maturities - In 1992, 1993, 1994, 1995 and 1996, long-term debt maturities consist of \$319 million, \$308 million, \$37 million, \$33 million and \$287 million, respectively.

NOTE 12

COMMITMENTS AND CONTINGENCIES

Commitments - The Company has entered into purchase commitments of approximately \$458 million at December 31, 1991. The Company has also entered into substantial long-term fuel supply commitments.

Combustion Engineering, Inc. ("Combustion") has constructed the Detroit Resource Recovery Facility ("Facility") in the City of Detroit. The Facility, which began commercial operation in 1989, is fueled by municipal solid waste, and is producing steam and electricity. The Company entered into a 20-year Energy Purchase Agreement with Combustion for the purchase of steam and electricity from the Facility. On October 23, 1991, the parties executed an Amended and Restated Energy Purchase Agreement ("Agreement") which settled several default issues claimed by the Company. Under the Agreement, the Company will purchase steam through the year 2008 and electricity through June 30, 2024. As part of the negotiations surrounding the Agreement, the Company will also serve new City of Detroit electric load. The annual purchase commitment is approximately \$19 million for 1992 and 1993, \$21 million for 1994 and 1995 and \$23 million for 1996.

See Note 4 for discussion of buyback commitments.

Contingencies - In September 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). On November 9, 1990, the Court granted the Company's motion seeking dismissal of the case. On November 28, 1990, a claim of appeal was filed by the AG.

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 three 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 Industrials superfund site. On January 27, 1992, the Company, along with certain other PRPs, executed a letter agreeing to implement the required clean-up method chosen by the EPA. The Company has recorded \$10 million as its anticipated cost of the clean-up.

In addition to the matters reported herein, the Company is involved in litigation 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.

NOTE 13

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 1989, 1990 and 1991, but does expect to make a contribution to the Plan in 1992.

Net pension cost included the following components:

	1991	1990	1989
	(Thousands)		
Service cost - benefits earned during the period	\$ 18,058	\$ 17,886	\$ 15,142
Interest cost on projected benefit obligation	65,487	61,950	59,561
Actual return on Plan assets	(180,225)	(18,150)	(150,708)
Net deferral and amortization:			
Deferral of net gain (loss) during current period	104,796	(54,949)	81,387
Amortization of unrecognized prior service cost	1,164	838	1.4
Amortization of unrecognized net asset resulting from initial application	(4,507)	(4,507)	(4,507)
Net pension cost	\$ 4,773	\$ 3,068	\$ 1,049

Assumptions used in determining net pension cost are as follows:

	1991	1990	1989
Discount rate	8.5%	8.5%	9.5%
Increase in future compensation levels	5.0	5.0	5.5
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	
	1991	1990
	(Thousands)	
Plan assets at fair value, primarily equity securities	\$950,000	\$835,000
Less actuarial present value of benefit obligation:		
Accumulated benefit obligation, including vested benefits of \$755,515,000 and \$664,810,000	773,380	680,520
Increase in future compensation levels	120,158	108,564
Projected benefit obligations	893,538	789,084
Plan assets in excess of projected benefit obligation	56,462	45,916
Unrecognized net asset resulting from initial application	(46,809)	(51,316)
Unrecognized net gain	(41,222)	(22,162)
Unrecognized prior service cost	14,880	15,646
Liability recorded as Other Deferred Credits in the Consolidated Balance Sheet	\$ (16,689)	\$ (11,916)

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

	December 31	
	1991	1990
Discount rate	8.0%	8.5%
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 whose premiums are based on the benefits paid during the year. The Company recognizes the cost of providing these benefits as the premiums are paid.

	1991	1990	1989
	(Thousands)		
Cost to the Company of providing health care and life insurance benefits to employees			
Active employees	\$45,028	\$620	\$41,323
Retired employees	22,695	966	15,694
Total	\$67,723	\$1,586	\$57,017

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 plans to adopt the provisions of SFAS No. 106 in 1993 as required. Preliminary estimates of the transition obligation at the time of adoption range from \$600 million to \$675 million. The lower estimate would require certain plan revisions. The transition obligation is expected to be amortized over 20 years as permitted by SFAS No. 106. The Company's incremental cost upon adoption of the new standard is estimated to range from \$55 million to \$70 million for 1993 depending upon the level of the transition obligation.

The impact on net income of the incremental expense resulting from the adoption of SFAS No. 106 is dependent upon the ratemaking treatment. The MPSC is conducting a generic proceeding to examine the accounting and ratemaking treatment of the implementation of SFAS No. 106 by Michigan utilities.

NOTE 14

SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	1991 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues (a)	\$864,697	\$856,561	\$970,444	\$869,835
Operating Income	224,812	227,356	258,799	221,512
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

	1990 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues (a)	\$905,703	\$876,908	\$952,254	\$841,416
Operating Income	233,964	210,098	234,634	200,313
Net Income	136,548	117,763	149,145	111,003
Earnings for Common Stock	127,624	108,879	140,384	102,396
Earnings Per Share	0.87	0.74	0.96	0.70

(a) Operating revenues include the reclassification of interconnection revenues. See Note 1.

(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.

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

RESULTS OF OPERATIONS

In 1991, the Company's earnings for common stock were \$535.2 million, or \$3.64 per share, an increase of 11.7% from the \$479.3 million, or \$3.26 per share earned in 1990. The earnings increase for the year was due to higher operating revenues, continuing reductions in fuel and purchased power expenses and interest savings associated with the early redemption and refinancing of high-cost debt, partially offset by an increase in other operation and maintenance expenses. The increase in operating revenues resulted from previously approved rate increases and higher system sales, substantially offset by lower interconnection sales.

At December 31, 1991, the book value of the Company's common stock was \$19.32 per share, an increase of 10% since December 31, 1990. Return on average total common shareholders' equity was 19.5% in 1991, 19.1% in 1990 and 16.8% in 1989.

The ratio of earnings to fixed charges for 1991, 1990 and 1989 was 2.74, 2.42 and 2.14, respectively. The ratio of earnings to fixed charges and preferred and preference stock dividend requirements for 1991, 1990 and 1989 was 2.50, 2.21 and 1.95, respectively.

OPERATING REVENUES

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

	1991	1990
	(Millions)	
Rate Changes		
Fermi 2 phase-in plan	\$ 86	\$ 79
Expense stabilization procedure	25	26
	111	105
System sales volume and mix	73	11
Interconnection sales	(164)	67
Unbilled revenues	-	(5)
Energy transmission service	(21)	22
Provision for refund to customers	12	(12)
Other - net	1	(17)
Total	\$ 15	\$171

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 which permits rates to be adjusted annually for the years 1990-1992 (\$8 million for 1992 and \$64 million cumulative) 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 expense stabilization procedure will expire for service rendered on and after January 1, 1993.

Kilowatthour Sales

Kilowatthour sales increased (decreased) as follows:

	1991	1990
Residential	6.2%	(0.1)%
Commercial	2.1	1.6
Industrial	(2.4)	(0.9)
Total System	1.3	(0.4)
Interconnection	(53.4)	27.8
Total	(11.1)	4.8

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.

1990

The decrease in residential sales was due to reduced air conditioning use during the summer months and reduced heating loads during milder winter weather, partially offset by the effect of continued growth in the number of customers. The increase in commercial sales was due primarily to continued growth in the number of customers. The decrease in industrial sales was due to lower sales to automotive and steel customers.

Interconnection

In accordance with the Federal Energy Regulatory Commission ("FERC") accounting requirements, beginning in 1991 interconnection sales are recorded as electric-interconnection revenues. Previously, these sales were recorded as a reduction of purchased power expense. Prior year amounts have been reclassified to conform to the current year presentation.

Interconnection sales and revenues increased significantly in 1990 due to higher sales to Ontario Hydro, and decreased significantly in 1991 due to lower sales to Ontario Hydro. These changes in revenues are offset by corresponding changes 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 has decreased from the higher levels experienced in 1990.

Provision for Refund to Customers

In 1990, the Company established a 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 ("MPPA") ownership interest in the Belle River Power Plant. This decrease in operating revenues was offset by a decrease in purchased power expense.

The Detroit Edison Company and Subsidiary Companies

OPERATING EXPENSES**Fuel and Purchased Power**

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

	1991	1990
	(Millions)	
Net system output	\$11.4	\$ 49
Average unit cost	(44)	(170)
Other	(5)	—
Total	\$153	\$121

Net system output and average unit costs were as follows:

	1991	1990	1989
	(Thousands of Megawatthours)		
Power plant generation			
Fossil	40,243	40,442	41,181
Nuclear	6,157	7,090	4,612
Purchased power	3,133	7,821	7,212
Net system output	49,533	55,353	53,005
Average unit cost (\$/Megawatthour)	\$16.94	\$17.84	\$20.96

The decreases in average unit cost reflect declining fuel prices due to greater use of lower-cost Western low-sulfur coal and, for 1991, lower purchases of energy from other utilities. The decrease in 1990 also reflects lower buyback expense as a result of the Company's purchase, effective January 1, 1990, of the Wolverine Power Supply Cooperative, Inc.'s ("Cooperative") ownership interest in Fermi 2 and as a result of a refund of property taxes on the MPFA's ownership interest in the Belle River Power Plant. 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**1991**

Other operation expense increased due primarily to higher uncollectible (\$33 million in 1991 compared to \$20 million in 1990), employee insurance, environmental, consultant and injuries and damages expenses. These increases were partially offset by lower nuclear plant production expenses. The Company increased its allowance for uncollectible accounts from \$10 million to \$23 million during 1991 due to the continuing poor economic conditions in the Company's service area.

1990

Other operation expense increased due primarily to employee incentive award expenses related to a shareholder value improvement plan, higher expenses related to an arrangement which provides for the voluntary separation from service of certain employees, higher uncollectible, consultant and employee pension and benefit expenses and an accrual for the 1991 refueling outage at Fermi 2, which recognizes the cost of the refueling outage over periods in which related revenues are recognized. These increases were partially offset by the expenditures incurred in the prior year for the first scheduled refueling and maintenance outage at Fermi 2.

Maintenance**1991**

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

1990

Maintenance expense decreased due primarily to lower nuclear plant maintenance expense and expenditures incurred in the prior year for the first scheduled refueling and maintenance outage at Fermi 2. Partially offsetting these decreases was an accrual for the 1991 refueling outage at Fermi 2.

Depreciation and Amortization**1991 and 1990**

Depreciation and amortization expense increased due to increases in plant in service, including the Company's purchase of the Cooperative's ownership interest in Fermi 2 in February 1990.

Deferred Fermi 2 Depreciation and Amortization**1991 and 1990**

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 decreases each year through 1992. Deferred Fermi 2 amortization, also a non-cash item of income, was recorded beginning with the Company's purchase of the Cooperative's ownership interest in Fermi 2 in February 1990. The annual amount deferred decreases each year through 1999.

Taxes Other Than Income Taxes**1991**

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

1990

Taxes other than income taxes increased due primarily to higher Michigan Single Business Tax and property taxes.

Income Taxes**1991 and 1990**

Income taxes increased due primarily to higher pretax income and increases in the effective income tax rate to 31.8% in 1991 from 29.6% in 1990 and 25.5% in 1989.

Deferred Fermi 2 Return**1991 and 1990**

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 decreases each year through 1992.

Other Income and Deductions**1991**

Other income and deductions decreased due primarily to premiums and expenses associated with the early redemption of Mortgage Bonds and a contribution to a charitable foundation, partially offset by the cost of establishing a decommissioning fund for Fermi 1 in 1990.

1990

Other income and deductions decreased due primarily to premiums and expenses associated with the early redemption of Mortgage Bonds and the cost of establishing a decommissioning fund for Fermi 1, an experimental nuclear unit that has been shut down since 1972, partially offset by higher interest income on temporary cash investments.

Accretion Income**1991 and 1990**

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

allowances of plant costs. The level of accretion income recorded will decrease each year through 1998.

Interest Charges

1991

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

1990

Interest expense on long-term debt increased due primarily to the issuance of \$537.1 million of Mortgage Bonds to purchase the Cooperative's ownership interest in Fermi 2, partially offset by the refunding of maturing securities and the early repayment of certain securities. Other interest expense decreased due primarily to lower levels of short-term borrowings.

Preferred and Preference Stock Dividend Requirements

1991 and 1990

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 33% of the Company's assets, as a result of scheduled rate increases in accordance with the Company's 1988 rate case settlement 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. As a result, the Company expects that its liquidity will continue to improve. However, 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, 1991, Fermi 2 was insured for property damage in the amount of \$2.515 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 and expenses 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 11.195% 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). As payment of the purchase price, the Company made a cash payment of \$2.5 million and issued \$537.1 million of 1990 Series A, B and C Mortgage Bonds.

Cash Generation and Cash Requirements

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 \$916 million in 1989, \$923 million in 1990 and \$952 million in 1991. Net cash from operating activities, excluding changes in current assets and liabilities, increased due primarily to higher net income and higher non-cash charges to income (depreciation, amortization and deferred income taxes). Included in 1989 was the sale of accounts receivable and unbilled revenues.

Net cash used for investing activities increased in 1991 due to higher expenditures for plant and equipment. Net cash used for investing activities decreased in 1990 due to the February 1990 sale to Renaissance Energy Company of nuclear fuel acquired in connection with the purchase of the Cooperative's ownership interest in Fermi 2.

Net cash used for financing activities increased following completion of the Company's power plant construction program. Debt financing in 1989 through 1991 was used for optional and mandatory redemption of high-cost long-term debt and preferred and preference stock. Assuming favorable economic conditions, the Company expects that it will continue to refinance, when economic, existing high-cost debt and equity securities. An MPSC order permits the Company to issue securities to refinance debt and equity when costs are 10% or above. In addition, a 1990 MPSC order permits the Company to issue its obligations to refinance optional or mandatory redemptions of tax-exempt debt issued prior to December 31, 1989.

Cash requirements to meet optional and mandatory long-term debt and preferred and preference stock redemptions were \$681 million during 1991. Cash requirements for scheduled long-term debt and preferred and preference stock redemptions are expected to be \$336 million, \$318 million, \$46 million, \$44 million and \$293 million for 1992, 1993, 1994, 1995 and 1996, respectively.

Effective April 15, 1990 and 1991, the quarterly common stock dividend was increased from \$0.42 per share to \$0.445 per share and from \$0.445 per share to \$0.47 per share, respectively.

Cash requirements for capital expenditures were \$269 million in 1991 and are expected to be approximately \$1.5 billion from 1992-1996. Environmental expenditures are expected to approximate \$25 million over this period, excluding potential expenditures for Clean Air Act compliance requirements, not yet determined. See "Environmental Matters." In 1992, cash requirements for capital expenditures are estimated at \$373 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. When economic, long-term debt will be refinanced.

At December 31, 1991, cash and temporary cash investments totaled \$7 million. The Company had short-term credit arrangements of \$333.1 million at December 31, 1991, under which \$38 million of borrowings were outstanding.

Capitalization

The Company's objective is to achieve common shareholders' equity in excess of 40%. 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		
	1991	1990	1989
Common Shareholders' Equity	38.4%	32.8%	32.3%
Preferred and Preference Stock	4.8	4.8	5.5
Long-Term Debt	56.8	62.4	62.2
	100.0%	100.0%	100.0%

The Detroit Edison Company and Subsidiary Companies

The Company expects to attain its common shareholders' equity objective with future earnings and the redemption of certain debt securities prior to scheduled maturity when economic.

Although the Company has no plans to issue additional shares of its common stock (\$10 par value), in 1991, following shareholder approval, the Company's Restated Articles of Incorporation were amended 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. A new issuance of common stock would require prior MPSC approval. The Restated Articles of Incorporation were also amended in 1991 to decrease the number of authorized shares of preferred stock from 9,000,000 to 6,747,484. This amendment recognized that redeemed preferred stock cannot be reissued.

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 offer a combination of products and services to meet the needs of customers.

In February 1991, the United States Department of Energy published a National Energy Strategy Report ("Report") intended to lay the foundation for a more efficient, less vulnerable, and environmentally sustainable energy future. Among other things, the Report includes a number of proposals to modify various regulatory statutes and rules which govern the current structure and operation of the electric utility industry. Several bills have been introduced in Congress to consider implementation of measures identified in the Report and related issues, including modification of certain provisions of the Federal Power Act and the Public Utility Holding Company Act of 1935. Additional legislative proposals are expected to be introduced. The extent, if any, to which the proposed regulatory modifications, if enacted, would affect Company operations cannot be determined at this time. The Company is actively participating in Congressional and regulatory agency consideration of the various proposals.

Meeting Energy Demands

During the past 15 years, average sales growth was 1.0 percent and average peak demand growth was 2.0 percent. While system sales and demand had been expected to grow at an average rate of about 1.0 to 1.5 percent per year for the next 15 years, the continuing recession and expected and possible automotive and automotive-related plant closings may decrease future sales growth.

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, an average increase of 1.5 to 2.0 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 is meeting near-term demand for energy by the return to service, subject to environmental regulations, of plants currently in extended cold standby and economy reserve units when energy demand and consumption requirements provide economic justification. However, there is continuing interest in

cogeneration and independent power production from customers and regulatory agencies. Current laws require the Company, as a public utility, to purchase the electrical output of certain non-utilities at the Company's avoided cost. Current and proposed FERC, MPSC and legislative activities would further encourage the development of generating facilities by independent power producers. While electric energy produced by these other sources could result in displacement or loss of sales made by the Company, this energy may provide needed future capacity.

Inflation

Inflation is a measure of the purchasing power of the dollar. For the years 1990 and 1991, the Consumer Price Index increased at the rate of 6.4% and 4.2%, respectively. However, as a result of the expense stabilization procedure established by the December 1988 MPSC order, the Company has not experienced a loss in purchasing power when compared to prior periods.

Regulation and Rates

The December 1988 MPSC order, which approved a settlement agreement for the Company's rates, 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, the order permitted the Company to adjust rates for the effects of inflation on operation and maintenance expenses through an expense stabilization procedure ("ESP"). In addition, the suspension of the PSCL Clause has allowed the Company to immediately realize the benefits of improved system performance and cost cutting efforts during the moratorium period.

The suspension of the PSCL Clause is scheduled to end December 31, 1992. As a result of improved performance of Fermi 2, the increased use of lower-cost Western coal, market conditions and the renegotiation of a number of fuel contracts, the Company's fuel costs have decreased from the level established in the settlement agreement. For this reason, the resumption of the PSCL Clause as of January 1, 1993 is expected to result in a reduction in the Company's revenues to reflect fuel economies achieved during the suspension period.

The ESP allows rates to partially reflect the effects of inflation during the period 1990-1992. This procedure terminates at the end of 1992. The ESP resulted in a surcharge for calendar years 1990, 1991 and 1992. The 1992 surcharge is expected to provide revenues in the amount of \$64 million, an \$8 million increase from 1991. The surcharge is scheduled to terminate for service on and after January 1, 1993 and, as a result, rates will be reduced by the amount of the current \$64 million annual surcharge.

In December 1991, the MPSC issued its opinion and order approving rate schedules associated with the fifth year of the Fermi 2 phase-in plan. In the opinion and order, the MPSC directed the Company to prepare and file a general rate case by no later than June 3, 1992 "Because it is in the public interest for the Commission to be in a position to determine that Detroit Edison's rates on January 1, 1994 are just and reasonable." The Company is preparing such a filing and anticipates that the MPSC will be in a position to revise rates following the expiration of the moratorium period, December 31, 1993.

In 1993, as a result of the termination of certain provisions of the 1988 MPSC order, discussed above, the Company's rates will be reduced. The Company expects to continue its stringent cost reduction program while preparing for the anticipated rate reductions. Although cost savings are vigorously being pursued, system investment, customer service improvements and the scheduled rate reductions will lower earnings in 1993.

Accounting Issues

In December 1987, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 93, "Accounting for Income Taxes," which is to be effective in 1993. SFAS No. 96 requires an asset and liability approach for financial accounting and reporting for income taxes. It requires the Company to recompute its tax liability at the then current tax rate and adjust the Accumulated Deferred Income Tax asset and liability amounts in the Consolidated Balance Sheet. In addition, it requires the Company to record additional deferred income taxes for temporary differences not previously recognized and all other existing differences that will result in taxable or deductible amounts in future years. SFAS No. 96 requires the recognition of an asset to the extent that such additional deferred income taxes are associated with probable future revenue from customers. In June 1991, the FASB issued a proposed statement, "Accounting for Income Taxes," which is expected to supersede SFAS No. 96. A final statement is anticipated in the first quarter of 1992. The Company expects that the final statement, when adopted, will not have a material effect on net income.

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 plans to adopt the provisions of SFAS No. 106 in 1993 as required. Preliminary estimates of the transition obligation at the time of adoption range from \$600 million to \$675 million. The lower estimate would require certain plan revisions. The transition obligation is expected to be amortized over 20 years as permitted by SFAS No. 106. The Company's incremental cost upon adoption of the new standard is estimated to range from \$55 million to \$76 million for 1993 depending upon the level of the transition obligation. The impact on net income of the incremental expense resulting from the adoption of SFAS No. 106 is dependent upon the ratemaking treatment. The MPSC is conducting a generic proceeding to examine the accounting and ratemaking treatment of the implementation of SFAS No. 106 by Michigan utilities.

Environmental Matters

Protecting the environment from damage, as well as correcting past environmental damage, continues to be the focus of state and federal regulators. 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.

Of eleven titles in the Clean Air Act amendments, Titles III, IV and V on Hazardous Air Pollutants, Acid Deposition Control and Permits, respectively, will have the most direct impact on the Company. Title I, Provisions for Attainment and Maintenance of National Ambient Air Quality Standards, may have an impact on the Company.

Title III, 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 is indeterminate.

Title IV, Acid Deposition Control, requires a two-phased reduction in sulfur dioxide ("SO₂") emissions from 1980 levels by the year 2000. The Company already 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 \$40 million per year. Additional capital expenditures are expected to be minimal.

The amendments provide for the purchase and sale of SO₂ emission allowances. It is therefore possible that the Company may be able to buy or sell emission allowances which could reduce the costs of compliance. However, it is still unknown how and to what extent the emission allowance system will be included in the regulations implementing the amendments.

The Company is not affected by Phase I nitrogen oxides ("NOx") emissions requirements under Title IV. The Phase II NOx emissions reductions may require the installation of low-NOx 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-NOx burners by May 1995. Capital expenditures, estimated at approximately \$160 million, may be incurred to comply with these requirements.

Estimates are subject to change as regulations are developed and implemented.

Title V, Permits, established an operating permit program commencing in 1996. The permits will be valid for a period of up to five years, and are then subject to reissuance.

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

Other environmental issues which may impact the Company in the future include global climate change and electromagnetic fields ("EMF's"). The global climate change issue is based on the theory that human activities are changing (warming) the global climate by increasing the atmospheric concentrations of various "greenhouse" gases that retain solar heat. Carbon dioxide is one of the "greenhouse" gases, and is produced naturally and by burning fossil fuels for power generation and transportation. Although some scientists believe global temperatures to be more related to sunspot activity, efforts are underway in the United States and within the United Nations to limit the emission of carbon dioxide and other "greenhouse" gases. Such efforts, if successful, could have a serious impact upon all industry, including the electric utility industry. EMF's are produced wherever there is electric power, such as around power lines, wiring in homes and workplaces, and all electrical appliances. A long-standing and still unresolved issue is whether exposure to EMF's may result in increased health risks or damage to the environment. The electric utility industry may be affected should EMF regulation be implemented.

The Detroit Edison Company and Subsidiary Companies

		1991	1990	1989	1988
Operating Revenues	Electric - System	\$3,458,871	\$3,279,248	\$3,171,456	\$3,070,724
	Electric - Interconnection*	105,399	269,542	202,574	133,518
	Team	27,267	27,491	31,575	31,448
	Total Operating Revenues	\$3,591,537	\$3,576,281	\$3,405,605	\$3,235,690
Operating Expenses	Operation				
	Fuel	\$ 758,467	\$ 788,355	\$ 820,765	\$ 846,678
	Purchased power*	133,498	256,400	344,814	280,291
	Other operation	589,025	545,476	506,889	514,024
	Maintenance	289,670	279,528	291,365	275,610
	Depreciation and amortization	412,253	406,330	371,682	332,551
	Deferred Fermi 2 depreciation and amortization	(27,583)	(39,208)	(35,234)	(44,143)
	Taxes other than income	238,674	250,459	225,763	212,656
	Income taxes	265,054	209,931	129,626	89,944
	Total Operating Expenses	\$2,659,058	\$2,697,271	\$2,055,670	\$2,507,611
Operating Income		\$ 932,479	\$ 879,010	\$ 749,935	\$ 728,079
Other Income and Deductions	Allowance for other funds used during construction	\$ 1,459	\$ -	\$ -	\$ 1,663
	Deferred Fermi 2 return	47,506	78,379	107,169	134,264
	Other income and deductions	(16,772)	(7,329)	675	(769)
	Income Taxes	6,332	2,304	842	(769)
	Disallowed plant costs	-	-	-	(875,372)
	Accretion income	47,298	48,794	50,188	25,866
	Income taxes - disallowed plant costs and accretion income	(6,480)	(8,198)	(17,047)	225,171
	Net Other Income and Deductions	\$ 79,403	\$ 113,950	\$ 141,828	\$ (489,966)
Income Before Interest Charges		\$1,011,882	\$ 992,960	\$ 891,763	\$ 238,113
Interest Charges	Long-term debt	\$ 437,337	\$ 472,969	\$ 444,204	\$ 451,415
	Amortization of debt discount, premium and expense	4,467	4,539	4,368	4,593
	Other	4,233	4,853	20,980	20,663
	Allowance for borrowed funds used during construction (credit)	(2,192)	(3,260)	(3,740)	(3,224)
	Net Interest Charges	\$ 443,845	\$ 478,501	\$ 465,812	\$ 473,447
Income (Loss) Before Cumulative Effect of Accounting Changes		\$ 568,037	\$ 514,459	\$ 425,951	\$ (235,334)
Cumulative Effect for Years Prior to 1988 of Accounting Changes for:					
	Disallowed plant costs and abandonments (net of income taxes of \$111,257)	-	-	-	(344,147)
	Unbilled revenues (net of income taxes of \$40,912)	-	-	-	61,367
	Property taxes (net of income taxes of \$101,306)	-	-	-	139,288
Net Income (Loss)		\$ 568,037	\$ 514,459	\$ 425,951	\$ (378,826)
Preferred and Preference Stock Dividend Requirements		32,832	35,179	37,018	49,757
Earnings (Loss) for Common Stock		\$ 535,205	\$ 479,280	\$ 388,933	\$ (428,583)
Common Shares Outstanding - Average		146,945,932	146,888,809	146,816,363	146,761,458
Earnings (Loss) Per Share					
	Before cumulative effect of accounting changes	\$3.64	\$3.26	\$2.65	\$(1.95)
	Cumulative effect for years prior to 1988 of accounting changes for:				
	Disallowed plant costs and abandonments	\$ -	\$ -	\$ -	\$(2.34)
	Unbilled revenues	\$ -	\$ -	\$ -	\$ 0.42
	Property taxes	\$ -	\$ -	\$ -	\$ 0.95
Earnings (Loss) Per Share		\$3.64	\$3.26	\$2.65	\$(2.92)
Dividends Declared Per Share of Common Stock		\$1.88	\$1.78	\$1.68	\$ 1.67
Ratio of Earnings to Fixed Charges (SEC Basis)		2.74	2.42	2.14	0.05
Ratio of Earnings to Fixed Charges and Preferred and Preference Stock Dividend Requirements (SEC Basis)		2.50	2.21	1.96	0.04

*Interconnection revenues reclassified for 1981-90. See Note 1 of Notes to Consolidated Financial Statements.

1987	1986	1985	1984	1983	1982	1981
\$2,825,910	\$2,832,945	\$2,738,356	\$2,439,835	\$2,260,021	\$2,078,965	\$2,011,217
128,473	78,041	77,916	76,856	70,014	122,270	61,550
30,821	36,339	49,801	58,370	49,637	44,389	42,840
\$2,985,204	\$2,947,325	\$2,866,073	\$2,575,061	\$2,379,672	\$2,245,524	\$2,115,607
\$ 813,376	\$ 741,206	\$ 785,110	\$ 700,789	\$ 676,409	\$ 718,431	\$ 689,165
176,287	269,167	274,834	261,596	198,935	196,924	201,531
441,046	459,534	422,133	403,616	374,161	372,787	333,440
245,736	258,655	250,798	203,945	187,769	170,974	164,375
237,225	232,240	218,502	190,420	171,940	161,490	150,240
—	—	—	—	—	—	—
179,308	177,381	175,556	144,471	142,743	115,537	117,224
159,488	123,596	124,939	131,459	145,569	96,912	64,388
\$2,252,566	\$2,264,779	\$2,251,873	\$2,036,296	\$1,697,519	\$1,835,975	\$1,720,966
\$ 732,638	\$ 682,546	\$ 614,201	\$ 538,765	\$ 482,153	\$ 409,549	\$ 394,641
\$ 136,452	\$ 117,069	\$ 113,225	\$ 130,350	\$ 92,750	\$ 47,995	\$ 39,398
—	—	—	—	—	—	—
(3,435)	(16,869)	(5,240)	1,829	7,877	(4,820)	(9,501)
663	8,827	1,642	(112)	(5,487)	1,155	4,771
—	—	—	—	—	—	—
—	—	—	—	—	—	—
\$ 133,680	\$ 109,027	\$ 109,627	\$ 132,067	\$ 95,140	\$ 44,330	\$ 34,668
\$ 866,318	\$ 791,573	\$ 723,928	\$ 670,832	\$ 577,293	\$ 453,879	\$ 429,309
\$ 417,474	\$ 399,429	\$ 401,272	\$ 399,448	\$ 351,854	\$ 331,469	\$ 290,045
3,626	2,721	2,502	2,191	2,131	2,006	1,853
23,459	41,410	15,642	30,592	55,088	59,779	37,025
(133,215)	(129,082)	(133,103)	(163,336)	(194,402)	(194,076)	(133,967)
\$ 311,344	\$ 314,478	\$ 286,313	\$ 268,895	\$ 212,671	\$ 199,176	\$ 194,956
\$ 554,974	\$ 477,095	\$ 437,515	\$ 401,937	\$ 364,622	\$ 254,701	\$ 234,353
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
\$ 554,974	\$ 477,095	\$ 437,515	\$ 401,937	\$ 364,622	\$ 254,701	\$ 234,353
78,240	98,803	103,264	104,159	98,614	73,245	57,566
\$ 476,734	\$ 378,292	\$ 334,251	\$ 297,778	\$ 266,308	\$ 181,456	\$ 176,787
146,729,292	145,642,377	143,183,133	135,230,627	120,274,269	103,585,915	87,473,581
\$3.25	\$2.58	\$2.33	\$2.20	\$2.21	\$1.75	\$2.02
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
\$3.25	\$2.58	\$2.33	\$2.20	\$2.21	\$1.75	\$2.02
\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.64
2.54	2.29	2.28	2.19	2.22	1.85	1.84
2.09	1.81	1.75	1.67	1.67	1.49	1.53

STATISTICAL VIEW
The Detroit Edison Company and Subsidiary Companies

		1991	1990	1989	1988
Operating Revenues (Thousands)	Residential	\$ 1,154,440	\$ 1,045,081	\$ 1,013,677	\$ 984,689
	Commercial	915,076	867,317	828,106	760,040
	Industrial	1,219,616	1,201,254	1,171,386	1,139,778
	Other	197,068	193,087	189,859	217,665
	Total System	\$ 3,486,134	\$ 3,306,739	\$ 3,203,031	\$ 3,102,172
	Interconnection	105,369	269,542	202,574	133,518
	Total*	\$ 3,591,503	\$ 3,576,281	\$ 3,405,605	\$ 3,235,690
Sales (Millions of kWh)	Residential	12,222	11,513	11,524	11,723
	Commercial	8,873	8,688	8,552	8,310
	Industrial	18,502	18,707	18,762	19,080
	Other	1,062	1,596	1,846	2,031
	Total System	40,659	40,504	40,684	41,144
	Interconnection	5,534	11,887	9,301	6,671
	Total*	46,193	52,391	49,985	47,815
Electric Customers (Year End)	Residential	1,770,859	1,757,878	1,738,494	1,718,835
	Commercial	166,314	164,919	162,255	158,850
	Industrial	2,755	2,739	2,671	2,592
	Other	1,968	1,939	1,934	1,926
	Total	1,941,896	1,927,475	1,905,354	1,882,203
Average Annual Use Per Residential Customer (kW)		6,929	6,583	6,668	6,866
Average Annual Bill Per Residential Customer		\$654.54	\$597.51	\$586.50	\$576.70
Average Revenue Per kWh	Residential	9.45¢	9.08¢	8.80¢	8.40¢
	Commercial	10.31	9.98	9.68	9.15
	Industrial	6.88	6.73	6.24	5.97
Capitalization (Thousands)	Long-Term Debt	\$ 4,218,264	\$ 4,923,111	\$ 4,561,005	\$ 4,238,536
	Preferred/Preference Stock	855,237	376,183	399,188	416,212
	Common Shareholders' Equity	2,847,572	2,588,452	2,370,060	2,226,949
	Total	\$ 7,419,073	\$ 7,888,654	\$ 7,330,253	\$ 6,881,697
Capitalization Percent	Long-Term Debt	56.8	62.4	62.2	61.6
	Preferred/Preference Stock	4.8	4.8	5.5	6.0
	Common Shareholders' Equity	38.4	32.8	32.3	32.4
	Total	100.0	100.0	100.0	100.0
Common Stock Data	Earnings (Loss) Per Share	\$3.64	\$5.26	\$2.65	\$(2.92)
	Dividend Paid Per Share	\$1.855	\$1.755	\$1.68	\$ 1.68
	Payout	51%	54%	63%	-%
	Shares Outstanding-Average	146,945,932	146,888,809	146,816,363	146,761,458
	Return on Average Common Equity	19.55%	19.11%	16.75%	15.91%
	Book Value Per Share	\$19.32	\$17.56	\$16.07	\$15.10
	Market Price: High	\$55%	\$30%	\$25%	\$17%
	Low	\$27%	\$23%	\$17%	\$12
Miscellaneous Financial Data	Average Interest Rate on Long-Term Debt	9.1%	9.2%	9.5%	9.6%
	Average Dividend Rate on Preferred/Preference Stock	8.6%	8.7%	8.8%	8.9%
	Long-Term Debt and Redeemable Preferred/Preference Stock (Thousands)	\$ 4,900,020	\$ 5,300,962	\$ 5,028,961	\$ 5,148,498
	Total Assets (Thousands)	\$10,483,824	\$10,573,325	\$ 9,949,599	\$10,066,993
	Gross Utility Plant (Thousands)	\$11,997,862	\$11,749,142	\$11,024,368	\$10,766,755
	Net Utility Plant (Thousands)	\$ 8,558,227	\$ 8,624,923	\$ 8,236,553	\$ 8,303,644
	Capital Expenditures (Thousands)	\$ 272,121	\$ 230,201	\$ 242,973	\$ 235,127
Miscellaneous Operating Data	System Capability at Year End-MW	10,267	10,130	10,081	10,004
	System Capability at Time of Peak-MW	10,121	9,953	9,942	10,038
	System Peak Demand-MW	8,980	9,032	8,704	9,133
	Reserve Margin at Time of Peak	12.7%	10.2%	14.2%	9.9%
	System Load Factor	55.9%	54.9%	57.3%	55.2%
	Heat Rate-Btu per kWh	9,980	9,940	9,940	9,990
	Fuel Cost-¢ Per Million Btu	153.3¢	155.8¢	169.2¢	173.8¢
	Number of Employees at Year End	9,357	9,669	10,254	10,614

*Interconnection revenues and sales reclassified for 1981-90. See Note 1 of Notes to Consolidated Financial Statements.

1987	1986	1985	1984	1983	1982	1981
\$ 905,308	\$ 880,305	\$ 847,210	\$ 758,124	\$ 741,399	\$ 676,370	\$ 642,301
701,475	694,671	651,509	570,082	513,292	473,498	436,868
1,056,000	1,053,561	1,094,374	919,490	818,660	754,238	763,167
150,862	232,457	275,014	250,509	236,307	219,148	211,721
\$ 2,856,731	\$ 2,869,284	\$ 2,788,157	\$2,498,205	\$2,309,658	\$2,123,254	\$2,054,057
128,473	78,041	77,916	76,856	70,014	122,270	61,550
\$ 2,985,204	\$ 2,947,325	\$ 2,866,073	\$2,575,061	\$2,379,672	\$2,245,524	\$2,115,607
11,134	10,492	10,077	10,150	10,256	9,940	10,134
7,873	7,501	7,130	6,850	6,479	6,252	6,310
18,225	17,240	16,613	16,324	15,162	13,751	15,471
2,260	2,807	2,875	2,563	2,402	2,052	2,107
39,492	38,040	36,695	35,887	34,299	31,995	34,022
6,665	3,352	2,870	2,797	3,406	4,078	2,178
46,157	41,292	39,565	38,684	37,705	36,073	36,200
1,697,326	1,664,226	1,642,961	1,629,668	1,621,172	1,619,369	1,624,161
155,216	148,987	144,942	142,395	140,403	139,376	138,830
2,507	2,584	2,314	2,246	2,253	2,239	2,305
1,928	1,905	1,892	1,894	1,886	1,835	1,829
\$ 856,977	\$ 817,502	\$ 792,129	\$ 776,203	\$ 765,714	\$ 762,819	\$ 767,125
6,635	6,350	6,165	6,253	6,332	6,133	6,243
\$539.44	\$532.74	\$506.06	\$467.02	\$457.74	\$417.33	\$395.66
8.13e	8.39e	8.21e	7.47e	7.23e	6.80e	6.34e
8.91	9.24	9.14	8.32	7.92	7.57	6.92
5.80	6.17	6.23	5.63	5.40	5.49	4.93
\$ 4,693,687	\$ 3,656,569	\$ 3,770,863	\$3,845,272	\$3,542,438	\$3,218,649	\$2,753,978
521,894	742,273	879,497	894,168	907,505	802,423	603,161
2,916,985	2,716,403	2,588,025	2,379,998	2,135,361	1,872,181	1,675,385
\$ 8,135,566	\$ 7,115,245	\$ 7,238,385	\$7,119,438	\$6,845,304	\$5,893,253	\$5,032,524
57.7	51.4	52.1	54.0	53.3	54.6	54.7
6.4	10.4	12.1	12.6	13.7	13.6	12.0
35.9	38.2	35.8	33.4	33.0	31.8	33.3
100.0	100.0	100.0	100.0	100.0	100.0	100.0
\$3.25	\$2.58	\$2.33	\$2.20	\$2.21	\$1.75	\$2.02
\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.62
52%	65%	72%	76%	76%	96%	90%
146,729,292	146,643,377	143,183,133	135,230,827	120,274,269	103,585,915	87,473,581
16.89%	14.09%	13.31%	12.87%	13.03%	10.14%	11.12%
\$19.75	\$18.34	\$17.47	\$16.91	\$16.63	\$16.60	\$17.47
\$19	\$19%	\$17%	\$16%	\$16	\$13%	\$12%
\$12%	\$15%	\$14	\$11%	\$13	\$11	\$10%
9.5%	9.2%	9.9%	9.9%	9.5%	9.5%	9.4%
10.7%	11.5%	11.6%	11.6%	11.6%	11.3%	9.8%
\$ 5,232,662	\$ 4,774,495	\$ 4,731,589	\$4,460,381	\$4,155,329	\$3,792,982	\$3,182,033
\$11,158,214	\$10,377,125	\$ 9,863,760	\$9,276,614	\$9,477,218	\$7,645,856	\$6,617,903
\$11,893,418	\$11,062,449	\$10,466,039	\$9,752,346	\$8,845,770	\$8,252,570	\$7,139,790
\$ 9,782,875	\$ 9,034,716	\$ 8,612,890	\$8,076,168	\$7,320,570	\$6,824,058	\$5,842,997
\$ 709,084	\$ 645,198	\$ 710,699	\$ 938,004	\$1,014,568	\$1,135,045	\$ 964,261
9,164	9,070	9,296	8,898	8,102	7,762	8,221
9,020	9,199	9,367	9,271	7,810	8,569	8,458
8,427	8,050	7,172	7,350	7,063	6,394	7,171
7.0%	14.3%	30.6%	26.1%	10.6%	24.0%	17.9%
57.4%	57.9%	63.3%	60.2%	60.2%	61.7%	58.4%
10,060	10,090	9,990	9,990	10,040	10,060	10,060
172.9e	189.2e	202.0e	190.6e	190.2e	193.8e	190.5e
11,221	10,967	11,086	11,136	11,152	11,208	11,024

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 dividend paid per share for each quarterly period during the past two years:

Calendar Quarter	Price Range		Dividends Paid Per Share
	High	Low	
1990 First	\$26 1/4	\$23 1/4	\$0.42
Second	27 1/4	24 1/4	0.445
Third	29 1/4	25 1/4	0.445
Fourth	30 1/4	24 1/4	0.445
1991 First	30 1/4	27 1/4	0.445
Second	30 1/4	28 1/4	0.47
Third	31 1/4	28 1/4	0.47
Fourth	35 1/4	31 1/4	0.47

At December 31, 1991, 146,983,123 shares of the Company's Common Stock were outstanding. These shares were held by a total of 167,933 shareholders.

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

Annual Meeting of Shareholders

The 1992 Annual Meeting of Shareholders will be held at 10 a.m. Detroit time Monday, April 27, at The Detroit Edison Company General Offices, 2000 Second Avenue, Detroit. 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 22, 1991 Annual Meeting of Shareholders, 15 directors, all of whom were incumbents, were elected.

In addition to the election of directors and ratification of the appointment of independent accountants, the holders of Common Stock approved amendments to the Company's By-Laws to reorganize the Board of Directors into three classes with staggered terms ending on the first, second or third succeeding annual meeting of shareholders of the Company.

Shareholders also approved amendments to the Company's Restated Articles of Incorporation to increase the number of authorized shares of Common Stock from 160 million to 400 million, to modify provisions limiting the personal liability of directors of the Company, and to allow the Company to provide indemnification to directors, officers, employees and agents to the full extent permitted by law.

Corporate Address

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

Distribution of Ownership of Detroit Edison Common Stock

(December 31, 1991)

Type of Owner:

	Owners	Shares
Individuals	82,167	20,550,329
Joint Accounts	75,614	26,039,353
Trust Accounts	8,843	5,009,664
Non-Profit	90	82,339,534
Institutions and Foundations	208	97,030
Brokers and Security Dealers	14	10,255
Others	997	12,936,958
Total	167,933	146,983,123

State and Country:

	Owners	Shares
Michigan	79,927	37,711,952
Florida	11,741	4,686,326
California	9,817	3,142,009
New York	8,241	83,248,464
Illinois	7,477	2,803,627
Ohio	5,758	1,589,918
44 Other States	44,323	13,606,835
Foreign Countries	649	193,992
Total	167,933	146,983,123

Independent Accountants

Price Waterhouse
200 Renaissance Center, Detroit, Michigan 48242

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

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



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

Terence E. Adderley

President and Chief Executive Officer, Kelly Services, Inc. (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, Bing Steel, Inc. (A steel service center)

Larry G. Garberding

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

David M. Gates

Professor of Botany, University of Michigan (not standing for re-election)

Theodore S. Leipprandt

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

John E. Lobbia

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

Patricia Shontz 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

Chairman, President and Chief Executive Officer, Comerica Incorporated and 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)

Otis M. Smith

Of Counsel to Lewis, White and Clay (attorneys at law) and retired Vice President, General Motors Corporation (not standing for re-election)

William Wegner

Consultant; Owner of W-Squared, Inc. (A consulting firm engaged in providing services to nuclear utility companies and to the U.S. government)

Audit

Otis M. Smith
Lillian Bauder
David Bing
Theodore S. Leipprandt
Patricia Shontz Longe
Dean E. Richardson

Nominating

Alan E. Schwartz
Wendell W. Anderson, Jr.
David M. Gates
Patricia Shontz Longe
Walter J. McCarthy, Jr.
Otis M. Smith

Energy Resources**Planning**

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

Nuclear Review

William Wegner
David M. Gates
Patricia Shontz Longe
Walter J. McCarthy, Jr.

Executive

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

Organization and Compensation

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

Finance

Dean E. Richardson
Patricia Shontz Longe
Terence E. Adderley
Lillian Bauder
Larry G. Garberding
Eugene A. Miller
Alan E. Schwartz

Retirement Fund Review

Patricia Shontz Longe
Wendell W. Anderson, Jr.
Larry G. Garberding
David M. Gates
Otis M. Smith

Director Retirements

Dr. David M. Gates, a director since April 1980, and Mr. Otis M. Smith, a director since April 1984, will not stand for re-election at the 1992 Annual Meeting because of the By-Laws age restriction.

Chairman Vice Chairman

OFFICERS**John E. Lobbia**

Chairman of the Board, President and Chief Executive Officer

Larry G. Garberding

Executive Vice President and Chief Financial Officer

Leon S. Cohan

Senior Vice President and General Counsel

Frank E. Agosti

Senior Vice President

William S. Orser

Senior Vice President

Robert J. Buckler

Vice President - Divisions

Stanley G. Catola

Vice President - Nuclear Engineering and Services

Malcolm G. Dade, Jr.

Vice President - Human Resources

Ronald W. Gresens

Vice President and Controller

Leslie L. Loomans

Vice President and Treasurer

S. Martin Taylor

Vice President - Community and Governmental Affairs

Saul J. Waldman

Vice President - Public Affairs

Susan M. Beale

Corporate Secretary

Frederick S. Karwacki

General Auditor

Officer Retirements

Willard R. Holland, Senior Vice President, retired September 1, 1991, after more than 25 years of Company service.

Robert V. Nicolson, Vice President and Manager - Fuel Supply, retired July 1, 1991, after more than 40 years of Company service.

**Detroit
Edison**

2000 Second Avenue
Detroit, Michigan 48226

A good part of your life.

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U.S. Postage

PAID

Detroit Edison