

Detroit
Edison

Fermi 2
6400 North Dixie Highway
Newport, Michigan 48166
(313) 586-4000



Nuclear
Operations

May 1, 1996
NRC-96-0032

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 10 CFR 50.71(b), please find attached one copy of the 1995 Annual Financial Report for the Detroit Edison Company.

If you should have any questions regarding this report, please contact Norman K. Peterson, Supervisor - Compliance Department at extension 313-586-4258.

Sincerely,

060135

Enclosure

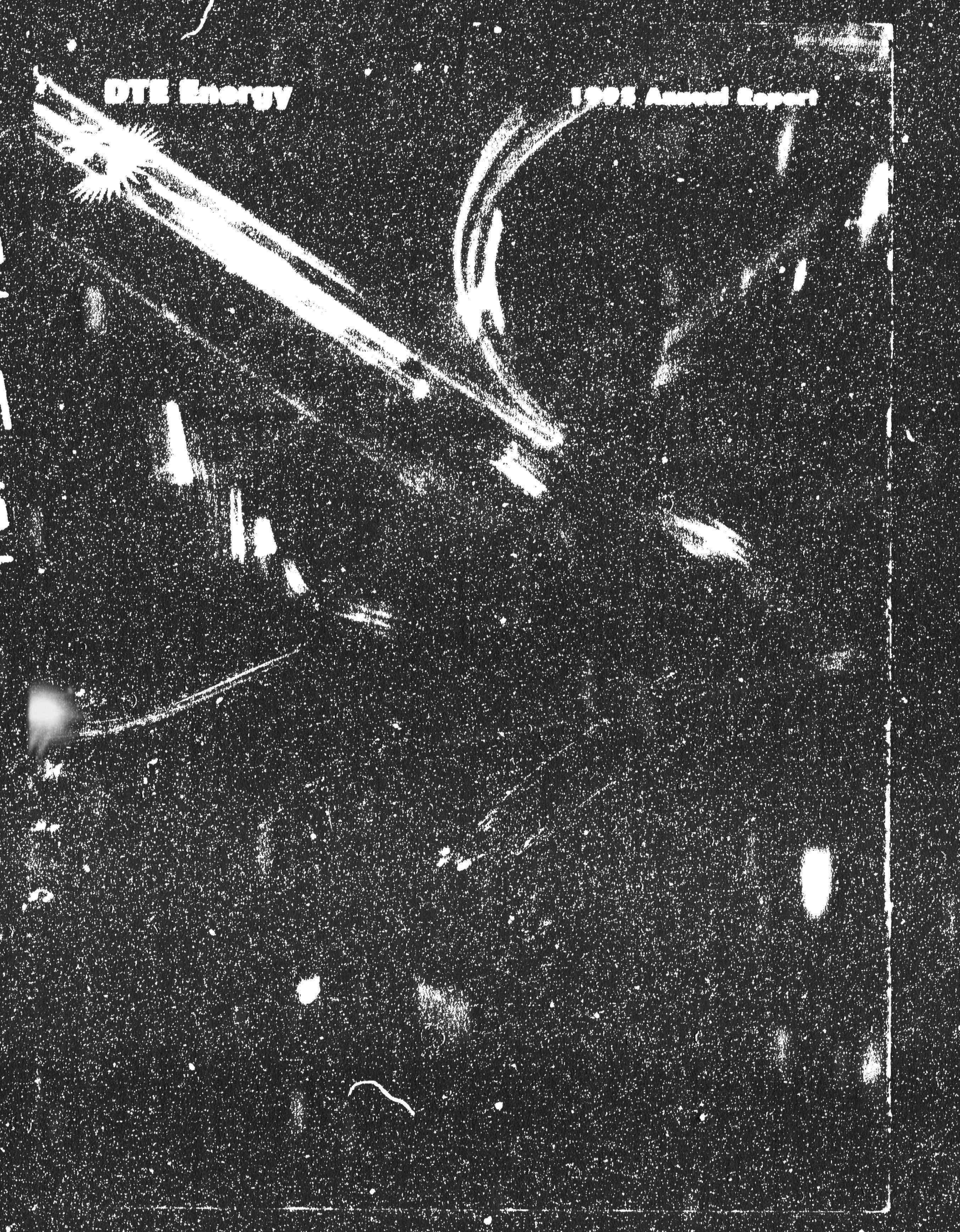
cc: T. G. Colburn w/enclosure
M. J. Jordan w/enclosure
H. J. Miller w/enclosure
T. Vogel w/enclosure
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DTE Energy

1998 Annual Report



Highlights

	1995	1994	1993	Percent Change	
				'95 vs. '94	'94 vs. '93
Operating Revenues (Thousands)	\$3,635,544	\$3,519,341	\$3,555,211	3.3	(1.0)
Net Income (Thousands)	\$405,914	\$390,269	\$491,066	4.0	(20.5)
Earnings per Common Share	\$2.80	\$2.67	\$3.34	4.9	(20.1)
Common Shares Outstanding (Average)	144,939,875	146,151,505	147,031,446	(0.8)	(0.6)
Dividends Declared per Share	\$2.06	\$2.06	\$2.06	-	-
Gross Utility Plant (Thousands)	\$13,446,718	\$13,115,658	\$12,788,445	2.5	2.6
Capitalization (Thousands)	\$7,519,006	\$7,531,659	\$7,507,234	(0.2)	0.3
System Sales of Electricity (kWh-Millions)	45,973	44,154	42,965	4.1	2.8
System Capability at Time of Peak (MW)	10,282	10,282	10,103	-	1.8
System Peak Demand (MW)	10,049	9,684	9,362	3.8	3.4
Electric Customers at Year End	2,002,000	1,980,000	1,964,000	1.1	0.8

Contents

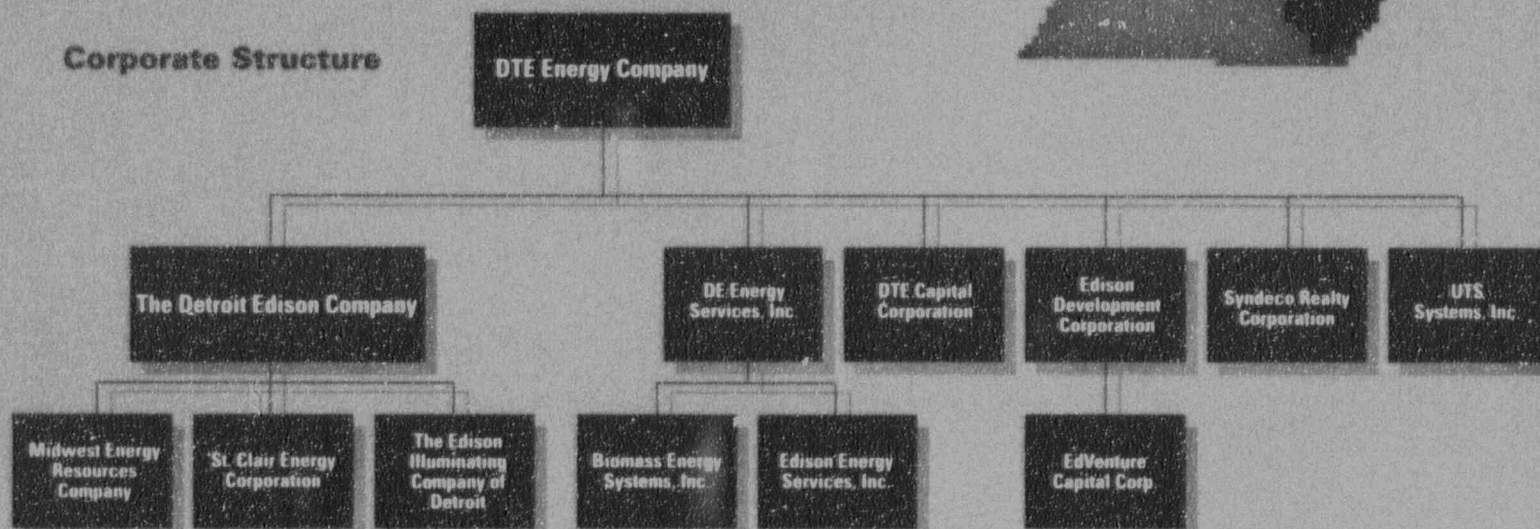
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Southeastern Michigan Service Area



Corporate Structure



At your service

For investment professionals:
Investor Relations
(313) 235-8030

For shareholders:
Shareholder Services
(800) 551-5009

An audiotape recording
of excerpts from the 1995
Annual Report is available
by calling (313) 235-8853.

Actively working

to provide

energy solutions

that are right for customers by

understanding

and anticipating

their needs.

DTE Energy At-A-Glance

DTE Energy Company was formed to separate the company's utility and non-utility businesses. The holding company provides greater financial flexibility to develop and operate non-utility businesses, encouraging future growth.

Detroit Edison common stock was automatically exchanged one-for-one into the common stock of DTE Energy. The company's common stock is listed under "DTE" on the New York Stock Exchange. Preferred stock continues to be listed under "DetEd." DTE Energy's CUSIP identification number is 233331 10 7.

DTE Energy's major subsidiaries and affiliates are:

Detroit Edison	Founded in 1903, Detroit Edison is Michigan's largest electric utility serving 2 million electric customers in 7,600 square miles of Southeastern Michigan.
Midwest Energy Resources Company	Formed in 1974, Midwest Energy Resources owns and operates a coal-transshipment facility in Superior, Wis. It delivers low-sulfur Western coal to Detroit Edison and other utility and industrial customers.
St. Clair Energy Corporation	Established in 1906, St. Clair Energy Corporation provides fuel procurement services for Detroit Edison.
Edison Illuminating Company of Detroit	Edison Illuminating Company of Detroit was founded in 1886 and holds real estate.
DE Energy Services, Inc.	Formed in 1994, DE Energy Services, Inc., owns Biomass Energy Systems, Inc. and Edison Energy Services, Inc.
Biomass Energy Systems, Inc.	Incorporated in 1993, Biomass Energy Systems, Inc., acquires landfill gas production rights. It also develops, owns and operates landfill gas-to-energy facilities which generate electricity and help protect the environment by burning methane, a greenhouse gas. Biomass has four operating projects and project development rights at numerous sites in 10 states.
Edison Energy Services, Inc.	Since 1994, Edison Energy Services (EES), Inc., has acted as a developer/owner of capital-intensive energy projects for large industrial and institutional customers. EES focuses on lowering energy costs through the application of new technologies and innovative operating and maintenance approaches.
DTE Capital Corporation	New in 1995, DTE Capital provides financial services for the non-utility affiliates of DTE Energy Company.
Edison Development Corporation	Since 1994, Edison Development Corporation has been involved in business development and owns EdVenture Capital Corp.
EdVenture Capital Corp.	Formed in 1994, EdVenture Capital Corp. makes energy-related equity investments including Ecnelon Corp. which has commercialized technology to remotely control machines, appliances and lighting over existing household electric circuits.
Syndeco Realty Corporation	Formed in 1986, Syndeco Realty handles non-utility real estate development, construction and investment.
UTS Systems, Inc.	Since 1985, UTS Systems, Inc., has offered a variety of specialty engineering services for its industrial and utility clients.

To Our Shareholders:

We're delighted to introduce you to DTE Energy Company, the parent company for Detroit Edison and our other affiliates. The new organizational structure will benefit you by providing the company with greater financial flexibility and facilitating expansion of our energy-related businesses both inside and outside Southeastern Michigan. Our non-utility businesses will help us maximize our return to shareholders as competition intensifies in the electric utility industry.

Over the years, our strategic plan has focused on achieving top performance in our utility operations. We've concentrated on providing greater value for customers and shareholders by improving our efficiency, reducing our costs and earning a fair return on our investments.



John E. Lobb, chairman of the board and chief executive officer, acquainted employees with the new DTE Energy logo symbolizing the relationship between people and energy.

We also have embarked on a plan to expand our enterprise by adding new businesses that build on our strength — serving customers. For example, our expertise in a traditional utility technology is helping one of the company's non-utility businesses, Edison Energy Services, Inc., develop a project to install and own a pulverized coal injection system to increase efficiency for a local steel customer. We believe many

opportunities exist to use our energy expertise to serve customers in new ways.

Additional information about DTE Energy affiliates is provided inside the front cover of this report. The new corporate logo on the cover personifies the vital connection between people and energy. DTE Energy will grow by putting even more of our employees' creative energy to work for our customers and shareholders.

We plan to focus increased attention on providing new products and services for our customers, including other utilities and wholesale and large retail customers who purchase energy in bulk. With this goal in mind, we are restructuring our marketing function into two organizations and have appointed Michael E. Champley to serve as vice president, Bulk Energy Sourcing and Marketing. In addition, we have recruited Charles I. Gragg III to lead our marketing, sales, service and product development activities for the broader consumer and business markets.

1995 was a good year for utility stocks and an even better year for our company. The Dow Jones Electric Utility Index rose 23.5 percent as interest rates declined and utility returns became

more attractive to investors. Our earnings of \$2.80 per share were up 4.9 percent in 1995 and the price of our common stock rose more than 32 percent.

Our net income of \$405.9 million was up 4 percent even though total operating expenses were \$2.9 billion, up 3.4 percent from 1994. Higher expenses were due in part to increased production costs resulting from record sales and the cost to repair the extensive damage to Detroit Edison's electric system from a brutal storm system that hit our area July 13-16. Also, during the fourth quarter of 1995, application of a new accounting standard resulted in writing off \$42 million of the remaining net book value of our steam heating plant in downtown Detroit. The after-tax write-off on



Anthony F. Earley, Jr., president and chief operating officer, met with employees to discuss their ideas for improving company efficiency.

the steam system of \$32 million covered the total asset and caused a non-cash loss of 22 cents per common share.

Our Fermi 2 power plant returned to service during the year and completed its longest continuous run since beginning commercial operation in 1988. During a scheduled refueling and maintenance outage in September 1996, we plan to install three new turbine rotors to ensure continued reliable operation of the plant.

Like an engine driving America's industrial heartland, Michigan has grown even faster than the rest of our country since the early 1990s. About 13,000 new manufacturing jobs were created from August 1994 through August 1995 in Michigan, compared with a total of 11,000 jobs in the 49 other states. Michigan's growth rate was 1.3 percent, compared with a 0.1 percent growth in national manufacturing employment. Michigan's construction and retail trade employment increases more than doubled the national averages. We have reduced our electricity rates by 8 percent since 1992, and continue to seek ways to make prices more competitive to help Michigan attract new industry and provide even more jobs.

As you probably know, changes in the structure of the electric utility industry are being considered at both the state and federal levels. Michigan Gov. John Engler recently sent a report prepared by the Michigan Jobs Commission to the state Public Service Commission urging broad changes over the next five years "to promote competition in our (electric utility) industry within reasonably established time frames." These guidelines provide for an orderly transition to a more competitive utility industry.

We are pleased that the governor's proposals recognized the need to protect the financial health of utilities by providing for a measured transition to the new environment. For instance, the guidelines recognize that an out-of-state utility should not be allowed to sell power in Michigan unless Michigan utilities can sell power in that utility's state. Importantly, the proposals recognize the need for our company and other utilities in Michigan to recover the costs associated with the transition to a more competitive industry.

Lower prices, more customer choices and less regulation can help us retain and expand Michigan businesses and improve the state's business climate. That's why we are excited about the



Larry G. Garberding, executive vice president and chief financial officer, told investment bankers about changes in the electric power industry in Michigan and how the company is restructuring to benefit from the transition.

prospect of changes to make utilities even more efficient, flexible and responsive to customers. We are following this issue closely and will continue to keep you advised of developments.

Even as our industry changes, our employees continue to meet people's existing energy needs and find new opportunities to serve and please our customers. Our new products and services will help DTE Energy thrive in a new environment.

We firmly believe that by helping strengthen the Michigan economy, we also solidify our own sales base and thus help our shareholders prosper in a new energy era.

Sincerely,

Larry G. Garberding
Executive Vice President and Chief Financial Officer

Anthony F. Earley, Jr.
President and Chief Operating Officer

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

Feb. 26, 1996

Employees Actively Working

The men and women responsible for Detroit Edison's past achievements see new opportunities to increase shareholder value through DTE Energy and its subsidiaries. Employees focus on meeting customers' present needs and delivering powerful new solutions for the future.



Charles Underwood of Trenton Channel Power Plant participates in a self-directed work team on predictive maintenance to further reduce costs.

One of the worst storms in Detroit Edison's history hammered the utility's service area in July 1995. Nearly 7,400 Detroit Edison employees, together with utility contractors, braved the storm's fury to protect the public and repair downed electric lines. At the same time, Detroit Edison's Power Supply and Nuclear Generation employees enabled the company to meet Southeastern Michigan's near-record power demands. It was a superb team performance by all Detroit Edison employees.

The challenge continued in August when customers used a record 10-million kilowatts (kW) on Aug. 14. In fact, eight new monthly peaks were reached during the year, including a new winter high of 7.5 million kW on Dec. 11.

Despite their sometimes perilous responsibilities, employees succeeded in maintaining one of the electric utility industry's top industrial safety records in 1995.

ComputerWorld magazine recognized Detroit Edison in 1995 as one of the 100 best places in the country to work in the information-systems area. This recognition helps attract and retain top employees with the technical skills to develop and operate the advanced computer systems needed to improve the company's overall efficiency.

Detroit Edison's Economic Development team leads the way in attracting business investment to the city of Detroit's Empowerment Zone. Detroit Edison's Mary Grace Wilbert Barnes assists Frank Harden, the founder of New-Way Material Handling, Inc.



Right—Employees monitor approaching storms in the company's new state-of-the-art Emergency Headquarters and prepare to protect the public.



*Employees see the changing energy industry
as offering opportunities for
teamwork, service and growth.*

Anticipating Customers' Energy Needs

Customers have influenced everything from the locations and design of customer offices to new or improved products and services.

Detroit Edison recently piloted a Customer2000 program to give electricity customers better, more timely information. For example, the Customer2000 Information System provides greater flexibility in billing large industrial and commercial customers by providing summary bills if they have multiple locations and energy-use rates. The system will be expanded over a three-year period to include additional customers and to add other state-of-the-art computer technology offering benefits to customers, Detroit Edison and DTE Energy shareholders.

Detroit Edison has signed innovative 10-year contracts with its largest customers. The utility provides onsite energy engineers and has lowered the cost of electricity at all 54 of the Big Three automakers' large manufacturing facilities in Southeastern Michigan. Detroit Edison has negotiated and continues to negotiate similar long-term agreements with other large businesses.

Business customers say they want Detroit Edison to be their energy consultant, because service and reliability are as important to them as price considerations. Chrysler Corp. and Wal-Mart Stores, Inc., are among 50 large customers who own high-voltage electric equipment and currently call on Detroit Edison personnel for fee-based maintenance, emergency repairs and equipment replacement.

Building on Detroit Edison's excellent reputation for service and quality, Edison Energy Services, Inc., provides energy-management services for business customers nationwide.

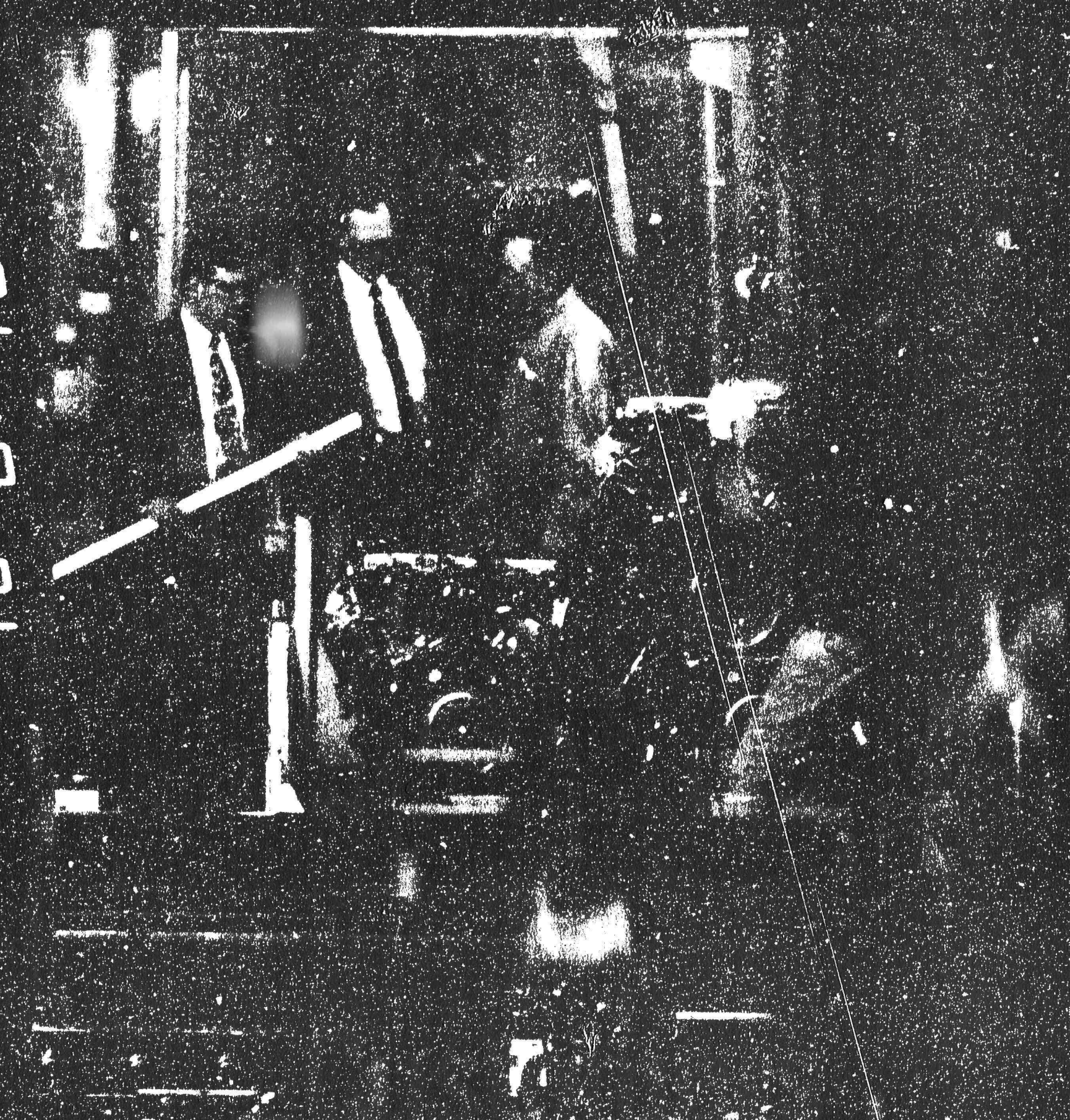


Industry experts judged Detroit Edison's innovative Automated Distribution Circuit Training Loop as the Best Electric Utility Project of 1996. Peter F. Azure trains employees on the state-of-the-art equipment being installed to help prevent storm-related outages.



Detroit Edison uses market research because it values the opinions of customers. Albert B. Chennault of West Bloomfield, Mich., shares his ideas at a residential consumer advisory panel meeting.

Right—Detroit Edison's High Voltage Services group was contracted by Chrysler Corp. to maintain the high-voltage electric equipment at its Trenton Engine Plant. Standing from left in the engine assembly area are Detroit Edison's James N. Clark, senior account executive; Richard H. Anderson, project manager; and Thomas M. Busby, field coordinator.



*Detroit Edison's extensive experience
working with industry provides a growth opportunity for
DTE Energy nationwide.*

Serving this Generation and the Next

Detroit Edison voluntarily took many new steps in 1995 to reinforce its commitment

to generate electricity and foster economic development while protecting the environment. Employee and retiree volunteers participate in environmental projects to improve shoreline habitat for waterfowl and other wildlife in Michigan. And because thousands of birds migrate annually through an area near its Belle River and St. Clair power plants, Detroit Edison is helping the non-profit Wildlife Habitat Council develop an international project on the U.S.-Canadian border.

Detroit Edison's search for innovative projects that combine environmental and economic benefits is demonstrated by a \$2.6-million project to preserve an endangered Central American rain forest from being cleared for agriculture. Detroit Edison and three other U.S. utilities have joined The Nature Conservancy and the Programme for Belize to help save the rain forest. What is more, per dollar invested, the project will result in a greater reduction in the volume of greenhouse gas emissions than any technology commercially available today. Detroit Edison also reduces greenhouse gas emissions by improving plant efficiency and increasing the use of the Fermi 2 nuclear power plant which reduces the need to burn fossil fuels. In addition, a 28.4-kW solar energy facility will begin operation in 1996 near Ann Arbor, Mich. Biomass Energy Systems, Inc.'s waste-to-energy projects nationwide offer additional environmental benefits.

Moreover, Detroit Edison supports the commercialization of electric vehicles and other programs to encourage the wise use of energy—both by its present customers and by those it hopes to serve in the future.



Roberta C. Urbani, of Detroit Edison's Environmental Initiatives group, surveyed the Belize Central American rain forest that will be saved due to the actions of the company and three other U.S. utilities, The Nature Conservancy and the Programme for Belize.



Detroit Edison's Elaine Cato leads the "In Concert with the Environment" program, showing students how using energy wisely saves money and preserves the earth's natural beauty for future generations.

Right—The Detroit Edison Foundation sponsored a new Johnny Appleseed balloon in the 1995 Michigan Thanksgiving Day Parade as a reminder of the company's commitment to plant 10 million trees by the year 2000.



*Detroit Edison and the Detroit Edison Foundation
are committed to helping improve the quality of life
in about 350 communities the utility serves.*

Increasing Shareholder Value

The people working for DTE Energy and its affiliates have a large investment in the company's success. More than 90 percent of Detroit Edison employees own shares of DTE Energy common stock through participation in the Savings & Investment Plan. Most employees participate in incentive programs as the company continues to focus on performance.

About 2,400 Detroit Edison employees have suggested ideas during the first two years of an employee-innovation program. Their creativity generated about \$36 million in productivity improvements and cost savings for Detroit Edison during 1995, raising the program's total benefit to the equivalent of \$55 million. A large percentage of the ideas have come from employees who have found ways to improve efficiency and safety at the company's power plants.

Detroit Edison joined seven other utilities to form the Utilities Service Alliance to improve efficiency at the Fermi 2 power plant and other U.S. nuclear power plants. The association benefits customers and shareholders alike by pooling member companies' resources and minimizing duplication of services.

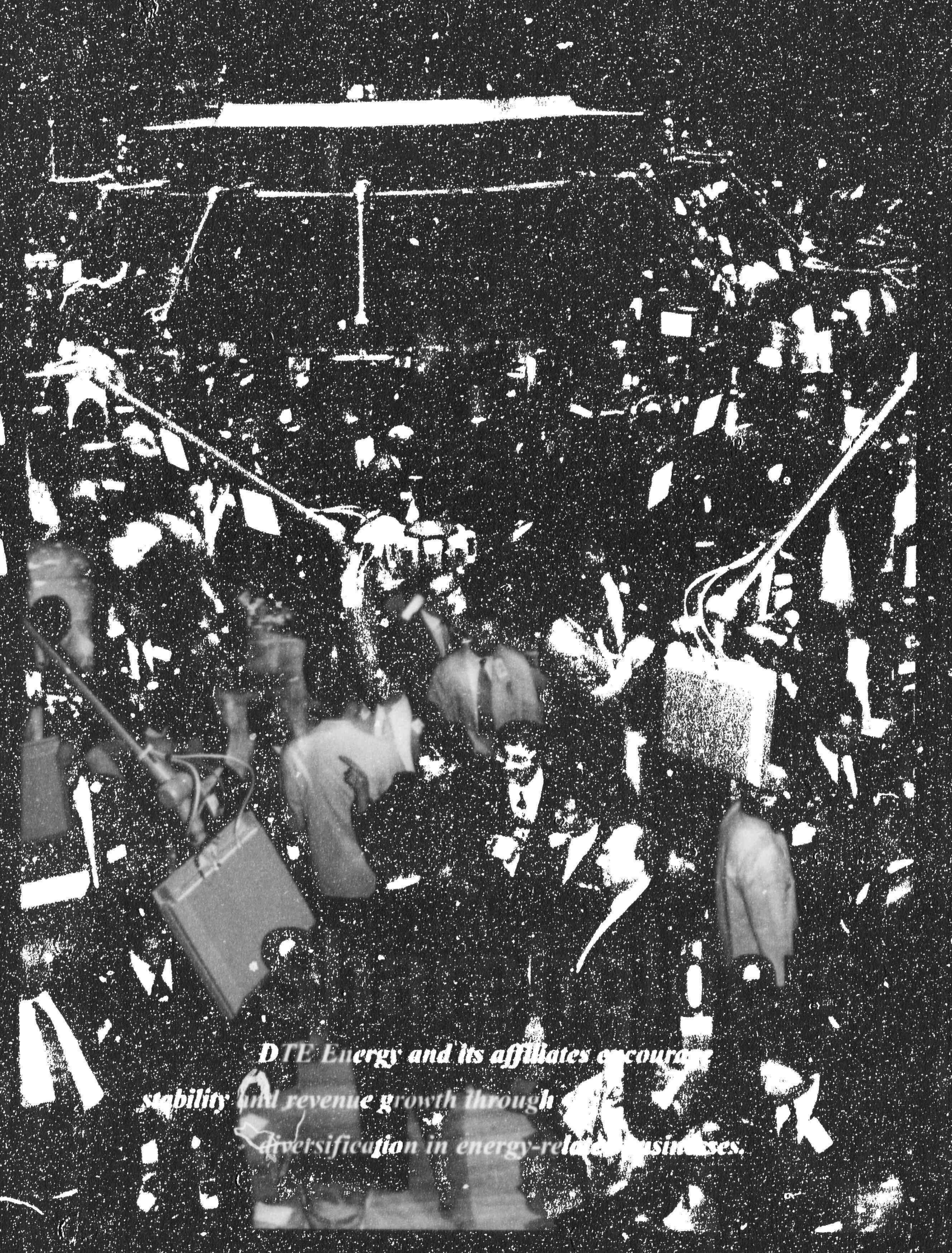
The 1995 American Customer Satisfaction Index survey published in *Fortune* magazine listed Detroit Edison among the nation's top-ranking electric utilities. Customer satisfaction will become increasingly important given the increasing competition in the utility industry.

In today's highly technical environment, outages of even the shortest duration can inconvenience electricity customers. Increased maintenance and safeguards at utility substations have improved service reliability.



Power Supply's Michael J. Giamportone is one of about 2,400 employees providing ideas on how to improve safety and quality as part of Detroit Edison's innovations program.

Right—Finance and Investor Relations' Lisa A. Consiglio, Ronald J. Giaier and G. Phillip Crutchfield (lower center of photo) discuss DTE Energy with Robert C. Hersey of Bocklet & Co. on the floor of the New York Stock Exchange.



*DTE Energy and its affiliates encourage
stability and revenue growth through
diversification in energy-related businesses.*

DTE Energy Dividend Reinvestment and Stock Purchase Plan

Shareholders also will benefit from the new DTE Energy Company Dividend

Reinvestment and Stock Purchase Plan, which makes it easier to buy and sell company common stock. Participants may choose to reinvest all or portions of their cash dividends in additional shares, and can fully invest their funds receiving credit for dividends even on fractions of shares. Participants may save money on brokerage fees. Additionally, the company offers safekeeping of plan shares, and gives participants the opportunity to conveniently sell or transfer all or a portion of the shares they hold under the plan. Plan participants receive transaction statements each time stock is purchased on their behalf, thus simplifying their personal recordkeeping.

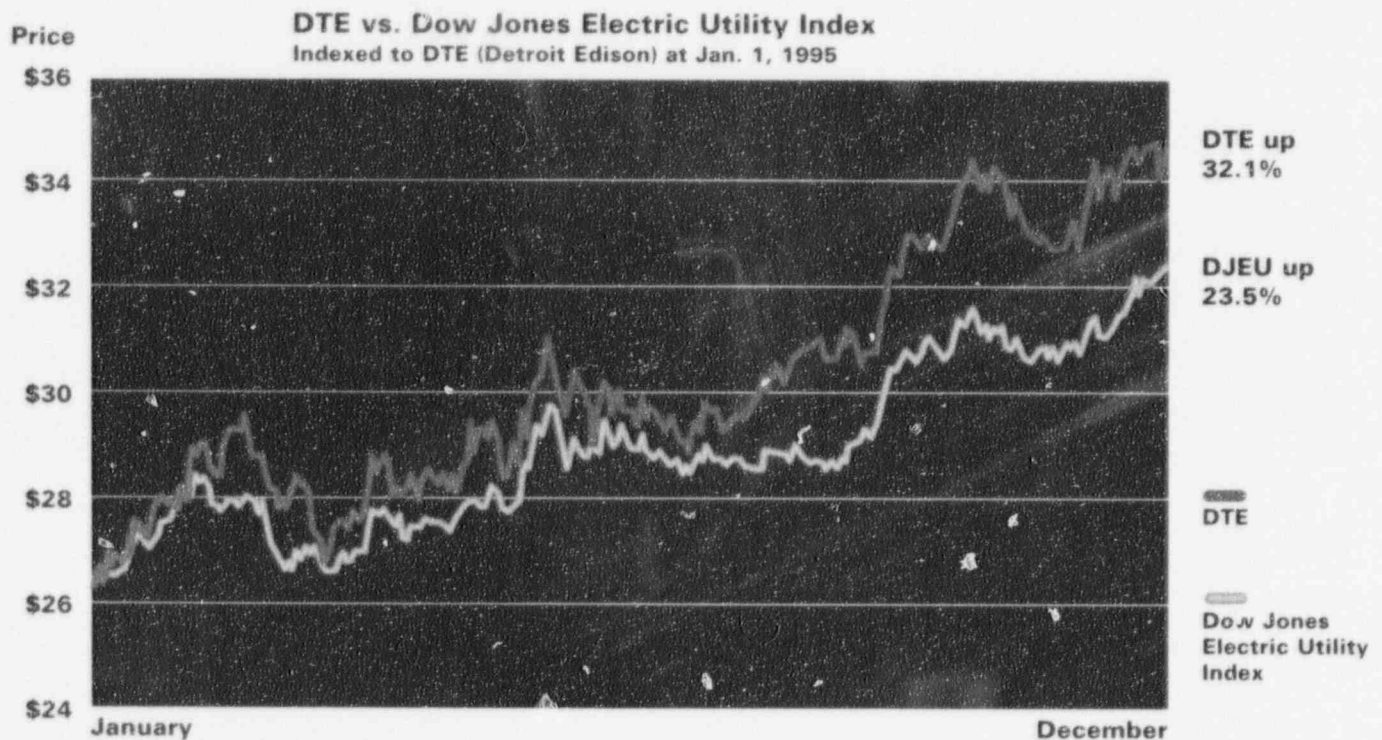


Susan M. Beale, vice president and corporate secretary, told the financial community about changes in the company's Dividend Reinvestment and Stock Purchase Plan.

Furthermore, the plan offers new investors a convenient and economical way to purchase DTE Energy Company stock.

Eligible investors can join the plan by making initial cash investments of at least \$100. Additional information is available by calling 1 (800) 551-5009.

The company's common stock rose 32.1 percent in 1995, bettering the Dow Jones Electric Utility Index which rose 23.5 percent as interest rates declined and utility returns became more attractive to investors.



Financial Review

Record sales add to 1995 revenues

The company's revenues increased 3.3 percent, from \$3.52 billion in 1994 to \$3.64 billion last year. With an unusually hot summer, improving economic conditions and nearly 20,000 new residential customers, electricity sales increased 6.1 percent to 48.94 billion kilowatthours (kWh). These sales were to 2 million customers in Southeastern Michigan and to other utilities.

About 26.6 percent of sales were to residential customers who increased their air-conditioning use seeking relief from the heat. About 28.2 percent of sales were to large industrial customers. These sales are becoming less cyclical since an increasing portion of the industrial load is for research and development uses. Industrial sales are expected to grow faster in the future than either commercial or residential sales.

Sales to commercial business customers comprised about

35.7 percent of 1995 sales.

The balance of 9.5 percent of sales went to miscellaneous other customers and utilities. In addition, DTE Energy's other energy-related businesses offer greater diversity in future revenues.

Earnings increased

The company's net income increased from \$390.3 million to \$405.9 million. Higher electricity sales contributed to

this growth, while non-cash charges against income for the write-off of Detroit Edison's steam heating assets and other obsolete equipment and materials, along with higher depreciation and amortization expense, limited 1995 growth. See Note 14 for more information regarding the steam heating write-off.

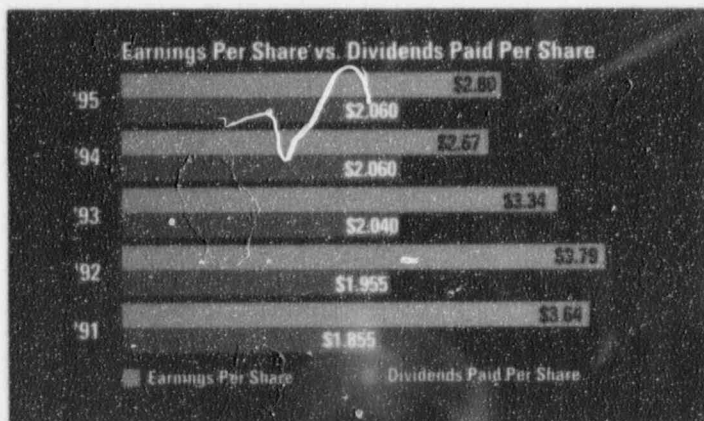
Earnings per common share rose 4.9 percent from \$2.67 in 1994 to \$2.80 last year, as the average number of common shares outstanding dropped from 146.2 million to 144.9 million. This is the lowest level of shares outstanding since 1985. The quality of earnings remains excellent with only 4 percent derived from non-cash items.

Cash flow remains strong

Although additional financial strengthening remains a priority, continued strong cash flows provide flexibility to capture investment opportunities, should they arise in DTE Energy's affiliates. Cash-flow coverage of dividends remains substantially better than the electric utility industry average.

Shareholder equity continues to rise

Common shareholders' equity as a percentage of total capitalization has risen consistently in recent years. Conversely, total debt as a percent of total capital continued its decline to 50 percent in 1995, compared with 50.8 percent in 1994.



Detroit Edison's common stock closed the year at \$34.50, up 32.1 percent from its 1994 closing price of \$26.125. The Dow Jones Electric Utility Index rose 23.5 percent during the same period. The market-to-book ratio at year-end 1995 was 146 percent, compared with 114 percent a year ago.

DTE Energy adopts Detroit Edison's dividend level

DTE Energy has adopted Detroit Edison's 1995 dividend rate of \$2.06 annually. Since Detroit Edison was first listed on the New York Stock Exchange in 1909, shareholders have benefited from uninterrupted dividends. Its dividend-to-earnings ratio of 73.6 percent compares favorably with the industry payout-ratio average of 77 percent. DTE Energy owns all outstanding shares of Detroit Edison common stock, and holders of Detroit Edison common stock are now shareholders of DTE Energy on a share-for-share basis.

Bond ratings remain unchanged

All debt and preferred stock obligations remain with Detroit Edison. The four major rating agencies reaffirmed Detroit Edison's senior bond ratings as follows:

- Duff & Phelps Corp.: BBB+
- Fitch Investors Service: A-
- Moody's Investors Service: A3
- Standard & Poor's Corp.: BBB+

Ten indexes include DTE Energy stock

DTE Energy's common stock enjoys the benefits of increased visibility and market interest associated with membership in the following equity market indexes:

- Bloomberg Michigan Index
- Dow Jones Electric Utility Index
- Dow Jones Utility Average
- Michigan Utility Group Index
- NYSE Composite Index
- NYSE Utilities Index
- Philadelphia Utility Index
- S&P 500 Index
- S&P Electric Co. Index
- S&P Utilities Index

Securities Issued During 1995

Type of Security Sold	Month Sold	Gross Amount (\$ Millions)	Interest Rate (Percent)
<i>Deeply Subordinated Debt</i>			
Quarterly Income Debt Securities (QUIDS)	Aug.	\$ 49.878	8.500 ⁽¹⁾
<i>Pollution Control Bonds</i>			
Series 1995 BB	Aug.	22.175	6.200
Series 1995 CC	Sept.	82.350	5.975 ⁽²⁾
Series 1995 AA	Sept.	97.000	6.400
		\$201.525	
Total Financing		\$251.403	

(1) Portion of Cumulative Preferred Stock 7.75% Series exchanged for QUIDS. See Note 7.

(2) Variable Rate at Dec. 31, 1995.

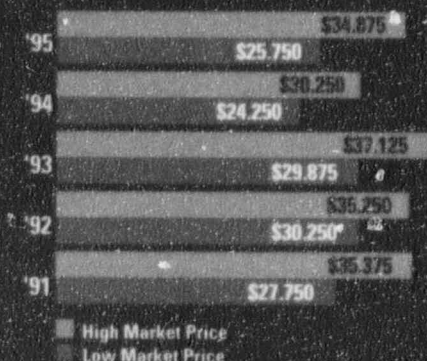
Securities Redeemed During 1995

	Month Redeemed	Principal Amount (\$ Millions)	Interest Rate (Percent)
<i>Early Redemptions</i>			
<i>Pollution Control Bonds</i>			
Series 1990 CC	Aug.	\$ 2.175	7.000
Series I 1985	Sept.	20.000	10.125
Series 1990 AA	Oct.	7.350	7.750
Series A 1985	Dec.	75.000	9.625
Series A 1985	Dec.	97.000	10.500
7.75% Series Cumulative Preferred Stock		\$ 49.878	7.75 ⁽¹⁾
Total Early Redemptions		\$251.403	
Mandatory Redemptions		19.214	7.98 ⁽²⁾
Total Redemptions		\$270.617	

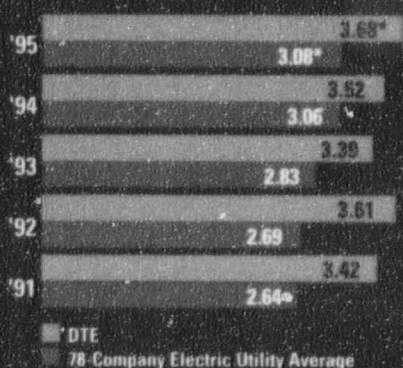
(1) Portion of Cumulative Preferred Stock exchanged for QUIDS. See Note 7.

(2) Average weighted rate for 1990 Series A, 1990 Series B, and 1990 Series C maturities of \$6.279 million, \$9.516 million, and \$3.419 million respectively.

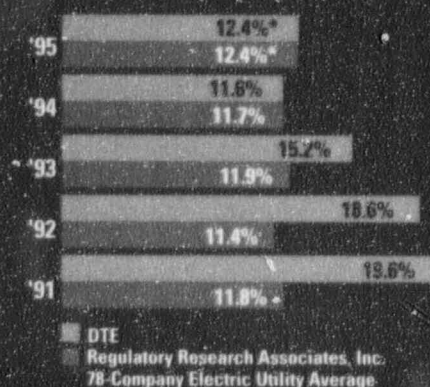
High/Low Market Price (dollars per share)



Cash Flow Coverage of Dividends (Times Covered) * (12 Months ended Sept. 1995)



Return on Average Common Equity * (12 Months ended Sept. 1995)



Important Dates for DTE Energy Shareholders

DIVIDENDS (a)

Declaration Dates

Dividends are declared by the Board of Directors on:	Feb. 26	June 3	July 22	Nov. 25
Record Dates	March 18	June 20	Sept. 20	Dec. 16
Common and preferred dividend checks should be received on: (b)	April 15	July 15	Oct. 15	Jan. 15

DIVIDEND REINVESTMENT (c)

Common Dividends Reinvested

Dividends for Plan participants are reinvested by the company quarterly. (d)

Optional Cash Payments

For each monthly purchase, DTE Energy must receive optional cash payment by the 10th of the month.

Quarterly Statements of Account

Statements for Plan participants are mailed:	May	Aug.	Nov.	Feb.
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ANNUAL MEETING

The Annual Meeting will be April 22 in Detroit.

(a) Declaration of dividends, dividend rates and the dates shown are subject to the discretion of Directors of DTE Energy Company. Dates provided have been prepared assuming past patterns will continue. However, the company does not and cannot make any assurances that any or all of the events listed will occur on the dates shown, if at all. DTE Energy reserves the right to amend, suspend or terminate the Dividend Reinvestment and Stock Purchase Plan at any time. Plan participants will be notified in writing of any changes.

(b) If you do not receive your dividend check on the payment date, please allow reasonable time for postal delays before inquiring.

(c) Please refer to the latest Prospectus of the Dividend Reinvestment and Stock Purchase Plan dated Jan. 2, 1996.

(d) Shares related to dividend reinvestment will be purchased quarterly (when the dividends are paid) during a window of time that starts three business days prior to the dividend payment date, and ends no later than 10 business days after the dividend payment date. Dividends are normally paid on the 15th of January, April, July and October. The exact timing of the purchases made within the purchase period will depend on the amount of funds available for investment that month and may be affected by securities law requirements.

Capitalization

'95	45.7%	4.5%	50.0%
'94	44.2%	5.0%	50.8%
'93	43.9%	5.1%	51.0%
'92	42.0%	4.5%	53.5%
'91	38.4%	4.8%	56.8%

■ Long-Term Debt
■ Preferred/Preference Stock
■ Common Shareholder Equity

Outstanding Long-Term Debt (billions of dollars) * (Includes OUIDS)

'95	1.1	2.7*
'94	1.1	2.7
'93	1.1	2.7
'92	1.1	2.9
'91	1.0	3.2

■ Taxable Issues
■ Tax-Exempt Issues

Capital Expenditures (millions of dollars)

'95	453.8
'94	366.4
'93	396.4
'92	415.9
'91	272.1

Report of Management's Responsibility for Financial Statements

DTE Energy Company and Subsidiary Companies

The consolidated financial statements of DTE Energy 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 auditors, Deloitte & Touche LLP, whose report appears on this page. Its 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 Deloitte & Touche LLP, representatives of management and the Company's internal auditors to review the activities of each and to discuss accounting, auditing and financial matters and the carrying out of responsibilities and duties of each group. Deloitte & Touche LLP has full and free access to meet with the Audit Committee to discuss 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 and Chief Executive Officer

Independent Auditors' Report



Suite 900
600 Renaissance Center
Detroit, Michigan 48243-1704

January 22, 1996

To the Board of Directors and Shareholders of
DTE Energy Company

We have audited the accompanying consolidated balance sheet of DTE Energy Company and subsidiary companies (the "Company") as of December 31, 1995, and the related consolidated statements of income, cash flows and common shareholders' equity for the year then ended. 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 audit. The consolidated financial statements of the Company as of December 31, 1994 and for the years ended December 31, 1994 and 1993 were audited by other auditors whose report, dated January 23, 1995 except for Note 1, paragraph one and three, which is as of January 1, 1996, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance

about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of DTE Energy Company and subsidiary companies at December 31, 1995, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.



Consolidated Statement of Income
(Dollars in Thousands)
DTE Energy Company and Subsidiary Companies

	Year Ended December 31		
	1995	1994	1993
Operating Revenues			
Electric – System	\$3,560,470	\$3,448,351	\$3,467,357
Electric – Interconnection	50,979	43,141	60,363
Steam	24,095	27,849	27,491
Total Operating Revenues	\$3,635,544	\$3,519,341	\$3,555,211
Operating Expenses			
Operation			
Fuel	\$ 715,967	\$ 719,215	\$ 750,127
Purchased power	133,557	116,947	91,747
Other operation	635,297	621,066	604,882
Maintenance	240,115	262,409	251,149
Steam: plant impairment loss	42,029	–	–
Depreciation and amortization	500,611	476,415	432,512
Deferred Fermi 2 amortization	(5,972)	(7,465)	(8,959)
Amortization of deferred Fermi 2 depreciation and return	92,990	84,828	30,888
Taxes other than income	251,941	255,874	261,449
Income taxes	289,687	270,657	297,469
Total Operating Expenses	\$2,896,222	\$2,799,946	\$2,711,264
Operating Income	\$ 739,322	\$ 719,395	\$ 843,947
Other Income and (Deductions)			
Allowance for other funds used during construction	\$ 1,408	\$ 1,684	\$ 2,055
Other income and (deductions) – net	(30,246)	(24,973)	(24,961)
Income taxes	9,789	8,111	8,594
Accretion income	11,041	13,644	44,130
Income taxes – disallowed plant costs and accretion income	(3,355)	(4,252)	(14,062)
Net Other Income and (Deductions)	\$ (11,363)	\$ (5,786)	\$ 15,756
Interest Charges			
Long-term debt	\$ 275,599	\$ 273,763	\$ 325,194
Amortization of debt discount, premium and expense	11,312	10,832	9,114
Other	9,666	11,170	4,928
Allowance for borrowed funds used during construction (credit)	(2,269)	(2,065)	(1,436)
Net Interest Charges	\$ 294,308	\$ 293,700	\$ 337,800
Preferred and Preference Stock Dividends of Subsidiary	\$ 27,737	\$ 29,640	\$ 30,837
Net Income	\$ 405,914	\$ 390,269	\$ 491,066
Common Shares Outstanding – Average	144,939,875	146,151,505	147,031,446
Earnings Per Common Share	\$2.80	\$2.67	\$3.34

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Balance Sheet
(Dollars in Thousands)
DTE Energy Company and Subsidiary Companies

ASSETS	December 31	
	1995	1994
Utility Properties		
Plant in service		
Electric	\$13,303,992	\$12,941,414
Steam	—	69,813
	\$13,303,992	\$13,011,227
Less: Accumulated depreciation and amortization	(4,928,316)	(4,529,692)
Construction work in progress	\$ 8,375,676	\$ 8,481,535
	142,726	104,431
Net utility properties	\$ 8,518,402	\$ 8,585,966
Property under capital leases (less accumulated amortization of \$99,633 and \$94,678, respectively)	\$ 137,206	\$ 134,542
Nuclear fuel under capital lease (less accumulated amortization of \$427,831 and \$374,405, respectively)	145,463	193,411
Net property under capital leases	\$ 282,669	\$ 327,953
Total owned and leased properties	\$ 8,801,071	\$ 8,913,919
Other Property and Investments		
Non-utility property	\$ 21,576	\$ 11,281
Investments and special funds	29,058	18,722
Nuclear decommissioning trust funds	119,843	76,492
	\$ 170,477	\$ 106,495
Current Assets		
Cash and temporary cash investments	\$ 64,948	\$ 8,122
Customer accounts receivable and unbilled revenues (less allowance for uncollectible accounts of \$22,000 and \$30,000, respectively)	414,403	195,824
Other accounts receivable	37,664	34,212
Inventories (at average cost)		
Fuel	162,796	136,331
Materials and supplies	142,782	155,921
Prepayments	12,910	10,516
	\$ 835,503	\$ 540,926
Deferred Debits		
Regulatory assets	\$ 1,155,482	\$ 1,277,628
Prepaid pensions	81,865	54,066
Unamortized debt expense	40,936	42,876
Other	45,257	57,068
	\$ 1,323,540	\$ 1,431,638
Total	\$11,130,591	\$10,992,978

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Balance Sheet

(Dollars in Thousands)

DTE Energy Company and Subsidiary Companies

LIABILITIES	December 31	
	1995	1994
Capitalization		
Common stock – without par value, 400,000,000 shares authorized; (145,119,875 and 144,863,447 shares outstanding, respectively)	\$ 1,951,437	\$ 1,946,999
Retained earnings used in the business	1,484,871	1,379,081
Total common shareholders' equity	\$ 3,436,308	\$ 3,326,080
Cumulative preferred stock of subsidiary	326,604	380,283
Long-term debt	3,756,094	3,825,296
Total Capitalization	\$ 7,519,006	\$ 7,531,659
Other Non-Current Liabilities		
Obligations under capital leases	\$ 128,362	\$ 126,076
Other postretirement benefits	24,381	37,143
Other	58,424	48,707
	\$ 211,167	\$ 211,926
Current Liabilities		
Short-term borrowings	\$ 36,990	\$ 39,489
Amounts due within one year		
Long-term debt	119,214	19,214
Obligations under capital leases	154,307	201,877
Accounts payable	165,148	147,020
Property and general taxes	34,416	31,608
Income taxes	—	5,304
Accumulated deferred income taxes	51,697	32,625
Interest payable	62,128	60,214
Dividends payable	81,102	82,012
Payrolls	72,164	71,958
Fermi 2 refueling outage	14,342	1,267
Other	130,689	97,215
	\$ 922,197	\$ 789,803
Deferred Credits		
Accumulated deferred income taxes	\$ 2,052,875	\$ 2,014,821
Accumulated deferred investment tax credits	330,085	346,379
Other	95,261	98,390
	\$ 2,478,221	\$ 2,459,590
Commitments and Contingencies (Notes 1, 2, 3, 4, 9, 12 and 13)		
Total	\$11,130,591	\$10,992,978

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Statement of Cash Flows

(Dollars in Thousands)

DTE Energy Company and Subsidiary Companies

Year Ended December 31

Operating Activities	1995	1994	1993
Net Income	\$ 405,914	\$ 390,269	\$ 491,066
Adjustments to reconcile net income to net cash from operating activities:			
Accretion income	(11,041)	(13,644)	(44,130)
Depreciation and amortization	500,611	476,415	432,512
Deferred Fermi 2 depreciation, amortization and return - net	87,018	77,363	21,929
Deferred income taxes and investment tax credit - net	62,523	93,287	85,574
Fermi 2 refueling outage - net	13,075	(19,507)	17,856
Steam plant impairment loss	42,029	—	—
Other	5,113	(31,091)	32,367
Changes in current assets and liabilities:			
Customer accounts receivable and unbilled revenues	(218,579)	(505)	10,733
Other accounts receivable	(3,452)	(7,593)	(2,247)
Inventories	(18,837)	(1,774)	33,839
Accounts payable	18,049	(13,858)	21,364
Taxes payable	(2,649)	(18,031)	(6,499)
Interest payable	1,914	(6,174)	(19,769)
Other	31,255	(2,189)	35,350
Net cash from operating activities	\$ 912,943	\$ 922,968	\$ 1,109,945
Investing Activities			
Plant and equipment expenditures	\$(453,844)	\$(366,392)	\$ (396,407)
Purchase of leased equipment	—	(11,500)	(2,402)
Nuclear decommissioning trust funds	(43,351)	(46,563)	(5,346)
Non-utility investments	1,865	(12,843)	182
Other changes in current assets and liabilities	5,774	5,042	10,225
Other	(32,845)	(11,537)	(19,988)
Net cash used for investing activities	\$(522,401)	\$(443,793)	\$ (413,736)
Financing Activities			
Sale of cumulative preferred stock	\$ —	\$ —	\$ 200,000
Sale of general and refunding mortgage bonds	—	200,000	1,510,000
Funds received from Trustees: Installment sales contracts and loan agreements	201,525	50,470	76,510
Increase (decrease) in short-term borrowings	(2,499)	(98,715)	109,210
Redemption of long-term debt	(220,739)	(258,034)	(2,024,289)
Redemption of preferred and preference stock	(955)	—	(164,158)
Premiums on reacquired long-term debt and preferred and preference stock	(5,946)	(11,563)	(81,453)
Purchase of common stock	—	(59,855)	—
Dividends on common stock	(298,502)	(301,801)	(299,938)
Other	(6,600)	(2,626)	(20,434)
Net cash used for financing activities	\$(333,716)	\$(482,124)	\$ (694,552)
Net Increase (Decrease) in Cash and Temporary Cash Investments	\$ 56,826	\$ (2,949)	\$ 1,657
Cash and Temporary Cash Investments at Beginning of the Period	8,122	11,071	9,414
Cash and Temporary Cash Investments at End of the Period	\$ 64,948	\$ 8,122	\$ 11,071
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 274,413	\$ 289,375	\$ 346,542
Income taxes paid	230,537	183,172	233,542
New capital lease obligations	26,850	9,328	36,606
Exchange of preferred stock of subsidiary for long-term debt	49,878	—	—

(See accompanying Notes to Consolidated Financial Statements.)

Consolidated Statement of Common Shareholders' Equity

(Dollars in Thousands)

DTE Energy Company and Subsidiary Companies

	Common Stock		Retained Earnings Used in the Business	Total Common Shareholders' Equity
	Shares	Amount		
Balance at December 31, 1992	147,016,691	\$1,975,728	\$1,138,159	\$3,113,887
Issuance of common stock on conversion of convertible cumulative preferred stock of subsidiary, 5½% series	31,227	542		542
Expense associated with subsidiary preferred and preference stock redeemed			(6,634)	(6,634)
Net income			491,066	491,066
Cash dividends declared on Common stock – \$2.06 per share			(302,894)	(302,894)
Other			(12)	(12)
Balance at December 31, 1993	147,047,918	\$1,976,270	\$1,319,685	\$3,295,955
Issuance of common stock on conversion of convertible cumulative preferred stock of subsidiary, 5½% series	22,164	386		386
Common stock reacquired from Detroit Edison Savings & Investment Plans, August 4, 1994	(2,206,635)	(29,657)	(30,198)	(59,855)
Net income			390,269	390,269
Cash dividends declared on Common stock – \$2.06 per share			(300,676)	(300,676)
Other			1	1
Balance at December 31, 1994	144,863,447	\$1,946,999	\$1,379,081	\$3,326,080
Issuance of common stock on conversion of convertible cumulative preferred stock of subsidiary, 5½% series	256,428	4,438		4,438
Expense associated with subsidiary preferred stock redeemed			(1,645)	(1,645)
Net income			405,914	405,914
Cash dividends declared on Common stock – \$2.06 per share			(298,635)	(298,635)
Other			156	156
Balance at December 31, 1995	145,119,875	\$1,951,437	\$1,484,871	\$3,436,308

(See accompanying Notes to Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

Note 1

Significant Accounting Policies

Corporate Structure and Principles of Consolidation – DTE Energy Company ("Company") is a Michigan corporation, incorporated in 1995, and an exempt holding company under the Public Utility Holding Company Act. The Company has no significant operations of its own, holding instead the stock of an electric utility and other energy-related businesses. The Detroit Edison Company ("Detroit Edison"), a public utility incorporated in Michigan since 1967, is the Company's largest operating subsidiary. Detroit Edison represents substantially all of the Company's assets.

As a regulated public utility, Detroit Edison is engaged in the generation, purchase, transmission, distribution and sale of electric energy in a 7,600 square mile area in Southeastern Michigan. The Company's service area includes about 13% of Michigan's total land area, and about half of its population (approximately five million people), electric energy consumption and industrial capacity.

On January 1, 1996, the holders of Detroit Edison's common stock exchanged such stock on a share-for-share basis for the common stock of the Company. Also on January 1, 1996, Detroit Edison declared a dividend to the Company in the form of the stock of five subsidiaries: DE Energy Services, Inc., DTE Capital Corporation, Edison Development Corporation, Syndeco Realty Corporation and UTS Systems, Inc. Accordingly, the consolidated financial statements presented herein include the financial results of operations of the Company and its wholly-owned subsidiaries as if the Company's current holding company structure form had existed in all periods shown. For the periods presented, the Company's operations and those of Detroit Edison are substantially the same.

All significant intercompany balances and transactions have been eliminated. Investments in 50%-owned limited liability corporations, partnerships and joint ventures are accounted for using the equity method. All non-utility operating transactions are included in the section titled Other Income and (Deductions) in the Consolidated Statement of Income.

Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulation and Regulatory Assets and Liabilities – Detroit Edison is subject to regulation by the Michigan Public Service Commission ("MPSC") and the Federal Energy Regulatory Commission ("FERC") with respect to accounting matters and maintains its accounts in accordance with Uniform Systems of Accounts prescribed by these agencies. As a regulated entity, taking into account the cost recovery restrictions contained in the December 1988 and January 21, 1994 MPSC rate orders and the provisions of the Energy Policy Act of 1992 ("Energy Act"), Detroit Edison 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 account-

ing principles between regulated and non-regulated businesses. Detroit Edison has recorded the regulatory assets listed below. These regulatory assets are deferred costs, which are normally treated as expenses in non-regulated businesses, and are being amortized to expense as these costs are included in rates and recovered from customers. Continued applicability of SFAS No. 71 requires that rates be designed to recover specific costs of providing regulated services and products, including regulatory assets, and that it be reasonable to assume that rates are set at levels that will recover a utility's costs and can be charged and collected from customers. If the criteria of SFAS No. 71 are no longer met due to various factors, including deregulation of all or part of the business, a change in the method of regulation or a change in the competitive environment for the regulated services, the regulatory assets would have to be written off to expense at that time. Detroit Edison anticipates that it will continue to recover costs associated with its regulatory assets and continue to apply SFAS No. 71.

Detroit Edison has recorded the following regulatory assets at December 31:

	1995	1994
	(Thousands)	
Unamortized loss on reacquired debt	\$ 124,692	\$ 123,996
Recoverable income taxes	641,361	663,101
Other postretirement benefits	23,221	36,562
Fermi 2 phase-in plan	297,774	390,764
Fermi 2 deferred amortization	58,231	52,259
United States Department of Energy decontamination and decommissioning	10,203	10,946
Total	\$1,155,482	\$1,277,628

At December 31, 1995 and 1994, Detroit Edison had the following regulatory liabilities: (1) \$330 million and \$346 million, respectively, for unamortized accumulated deferred investment tax credits, (2) \$53 million and \$31 million, respectively, for Fermi 2 capacity factor disallowances (see Note 3), and (3) \$22 million at December 31, 1995 and 1994 for other liabilities.

Temporary Cash Investments – For purposes of the Consolidated Statement of Cash Flows, the Company considers investments purchased with a maturity of three months or less to be cash equivalents.

Unamortized Loss on Reacquired Debt – In accordance with MPSC regulations applicable to Detroit Edison, the discount, premium and expense related to debt redeemed with refunding are amortized over the life of the replacement issue.

Recoverable Income Taxes – See Note 6.

Other Postretirement Benefits – See Note 13.

Fermi 2 Phase-in Plan – An MPSC authorized phase-in plan, effective in January 1988, for Fermi 2, a nuclear generating unit, provided for gradual rate increases in the early years of plant operation rather than a one-time substantial rate increase which conventional ratemaking would provide. SFAS No. 92, "Regulated Enterprises – Accounting for Phase-in Plans," permits the capitalization of costs deferred for future recovery under a phase-in plan. Accordingly, Detroit Edison recorded non-cash income of deferred depreciation and deferred return totaling \$506.5 million through 1992. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues. Amortization of these deferred amounts totaled \$93 million, \$84.8 million and \$30.9 million in 1995, 1994 and 1993, respectively.

Fermi 2 Deferred Amortization – The December 1988 MPSC rate order provides for Detroit Edison's February 1990 purchase of Wolverine Power Supply Cooperative, Inc.'s ("Cooperative") ownership interest in Fermi 2 for \$513 million with a 19-year principal amortization and associated interest of 8%, which is the composite average of the Cooperative debt assumed by Detroit Edison at the time of the purchase. Since the straight-line amortization of the asset exceeds the revenues provided for such amortization during the first 10 years of the recovery period, Detroit Edison is recording deferred amortization, a non-cash item of income, totaling \$67.2 million through 1999. For 1995, 1994 and 1993, the amounts deferred were \$6 million, \$7.5 million and \$9 million, respectively. The deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues during the years 2000 through 2008.

United States Department of Energy ("DOE") Decontamination and Decommissioning – The Energy Act provided for a fund to be established for the decommissioning and decontamination of existing DOE uranium enrichment facilities. Utilities with nuclear units are required to pay for a portion of the cost by making annual payments into the fund over a 15-year period. The law directs state regulators to treat these payments as a necessary and reasonable cost of fuel. Detroit Edison recovers these costs through the Power Supply Cost Recovery ("PSCR") Clause.

Revenues – Detroit Edison records unbilled revenues for electric and steam heating services provided after cycle billings through month-end.

Property, Retirement and Maintenance, Depreciation and Amortization – Utility properties are recorded at original cost less regulatory disallowances and an impairment loss. 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. The annual provision for utility property depreciation is calculated on the straight-line remaining life method by applying annual rates approved by the MPSC to the average of year-beginning and year-ending balances of depreciable property by primary plant accounts. Provision for depreciation of Fermi 2, excluding decommissioning expense, was 3.26% of average depreciable property for 1995 and 1994 and 2.63% for 1993, except for \$300 million being amortized over 10 years commencing in 1989 and \$513 million being amortized over 19 years commencing in 1990. See Note 3. Provision for depreciation of all other utility plant, as a percent of average depreciable property, was 3.2% for 1995 and 1994 and 3.4% for 1993.

Software Costs – Detroit Edison capitalizes internally developed software costs. These costs are amortized on a straight-line basis over a five-year period beginning with a project's completion.

Property Taxes – Property taxes are accrued monthly during the fiscal period of the applicable taxing authority.

Income Taxes – Deferred income taxes are provided for temporary differences between book and tax bases of assets or liabilities to the extent authorized by the MPSC. For federal income tax purposes, depreciation is computed using accelerated methods and shorter depreciable lives. Investment tax credits utilized which relate to utility property were deferred and are amortized over the estimated composite service life of the related property. See Note 6.

Allowance for Funds Used During Construction

("AFUDC") – AFUDC, a non-operating non-cash item, is defined in the FERC Uniform System of Accounts to include "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC involves an accounting procedure whereby the approximate interest expense and the cost of other (common, preferred and preference shareholders' equity) funds applicable to the cost of construction are transferred from the income statement to construction work in progress in the balance sheet. The cash recovery of AFUDC, as well as other costs of construction, occurs as completed projects are placed in service and related depreciation is authorized to be recovered through customer rates. Detroit Edison capitalized AFUDC at 7.66% in 1995 and 1994 and 9.65% in 1993.

Accretion Income – In 1988, Detroit Edison adopted SFAS No. 90, "Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs." As a result, indirect losses were recorded for Greenwood Unit No. 1 for the period that plant was not allowed in rate base (1988-1993), and for the indirect loss related to the \$300 million of Fermi 2 plant costs recovered from 1989 to 1998 with no return. The net after-tax losses originally totaled \$198 million based on the discounting required by SFAS No. 90. These amounts are being restored to income over the respective discount periods as Detroit Edison records a non-cash return (accretion income). The net after-tax income recorded was \$7.2 million, \$8.9 million and \$29.5 million in 1995, 1994 and 1993, respectively.

Capitalization – Discount, Premium and Expense – The discount, premium and expense related to the issuance of long-term debt are amortized over the life of each issue. In accordance with MPSC regulations applicable to Detroit Edison, the discount, premium and expense related to debt redeemed without refunding are written off to other income and deductions. Capital stock premium and expense related to redeemed preferred and preference stock of Detroit Edison are written off against retained earnings used in the business.

Fermi 2 Refueling Outages – Detroit Edison recognizes the cost of Fermi 2 refueling outages over periods in which related revenues are recognized. Under this procedure, it records a provision for incremental costs anticipated to be incurred during the next scheduled Fermi 2 refueling outage.

See Note 2.

Leases – See Note 9.

Employee Benefits – See Note 13.

Note 2

Fermi 2

General – Fermi 2, a nuclear generating unit, began commercial operation in January 1988. Fermi 2 has a design electrical rating (net) of 1,139 megawatts ("MW"). However, due to certain equipment limitations, Fermi 2 is rated at 1,116 MW until modifications can be made to achieve the design rating. This unit represents approximately 27% of total assets, 10% of total operation and maintenance expenses and 9% of summer net rated capability.

MPSC rate orders issued in April 1986, January 1987, December 1988 and January 1994 contain provisions with respect to the recovery of Fermi 2 costs. See Note 3 for a discussion of Fermi 2 rate matters and the MPSC's treatment of Fermi 2's original project costs of \$4.858 billion.

Notes to Consolidated Financial Statements

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

Licensing and Operation – The Nuclear Regulatory Commission ("NRC") maintains jurisdiction over the licensing and operation of Fermi 2.

Fermi 2 was out of service in 1994 and part of 1995. On December 25, 1993, the reactor automatically shut down following a turbine-generator failure. Safety systems responded within design and regulatory specifications. The turbine suffered mechanical damage, the exciter and generator incurred mechanical and fire damage, and the condenser had some internal damage. The fire was contained in the turbine building, and there was no release of radioactive contaminants during the event. The nuclear part of the plant was not damaged.

Major repairs were completed in 1994 and early 1995. These repair costs are approximately \$80 million for which to date Detroit Edison has received partial insurance payments of \$55 million for property damage. In addition, Detroit Edison has received partial insurance payments of \$74.2 million for replacement power costs through December 31, 1995.

The unit was operating at 874 MW at the end of December 1995 and the unit's capacity factor was 51.4% for 1995. Detroit Edison is currently operating Fermi 2 without the large seventh and eighth stage turbine blades on the three low-pressure turbines. The new turbine shafts and blades for these low-pressure turbines are being manufactured and will be installed during the next refueling outage in 1996.

The expected cost of replacing the major turbine components in 1996 is between \$45 million and \$50 million. These costs will not be covered by insurance. These costs will be capitalized and are expected to be recovered in rates because such costs are less than the cumulative amount available under the cap on Fermi 2 capital expenditures, a provision of the MPSC's December 1988 order. See Note 3.

Insurance – Detroit Edison insures Fermi 2 with property damage insurance provided by Nuclear Mutual Limited ("NML") and Nuclear Electric Insurance Limited ("NEIL"). The NML and NEIL insurance policies provide \$500 million of composite primary coverage (with a \$1 million deductible) and \$2.25 billion of excess coverage, respectively, for stabilization, decontamination and debris removal costs, repair and/or replacement of property and decommissioning. Accordingly, the combined limits provide total property damage insurance of \$2.75 billion.

Detroit Edison maintains an insurance policy with NEIL providing for extra expenses, including certain replacement power costs necessitated by Fermi 2's unavailability due to an insured event. This policy, which has a 21-week waiting period, provides for three years of coverage.

Under the NML and NEIL policies, Detroit Edison could be liable for maximum retrospective assessments of up to approximately \$28 million per loss if any one loss should exceed the accumulated funds available to NML or NEIL.

As required by federal law, Detroit Edison maintains \$200 million of public liability insurance for a nuclear incident. Further, under the Price-Anderson Amendments Act of 1988, deferred premium charges of \$75.5 million could be levied against each licensed nuclear facility, but not more than \$10 million per year per facility. On December 31, 1995, there were 110 licensed nuclear facilities in the United States. Thus, deferred premium charges in the aggregate amount of approximately \$8.3 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 \$8.5 billion.

Decommissioning – The NRC has jurisdiction over the decommissioning of nuclear power plants. An NRC rule requires decommissioning funding based upon a site-specific estimate or a predetermined NRC formula. Using the NRC's formula, plus an additional allowance for decommissioning the non-nuclear portion of the plant, it is estimated that the cost of decommissioning Fermi 2 when its license expires in the year 2025 is \$514 million in current 1995 dollars and \$3 billion in future 2025 dollars. The assumed annual inflation rate used to increase the cost to decommission is 6%, compounded annually.

The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants and both require the use of external trust funds to finance the decommissioning of Fermi 2. The MPSC's January 1994 order includes an increase in rates for the decommissioning of Fermi 2. The FERC has approved the recovery of decommissioning expense in base rates in its June 1993 order. Detroit Edison believes that the MPSC and FERC orders will be adequate to fund the estimated cost of decommissioning using the NRC formula. See Note 3.

Detroit Edison has established external trust funds to hold decommissioning and low-level radioactive waste disposal funds collected from customers. During 1995, 1994 and 1993, Detroit Edison collected \$32.1 million, \$26.9 million and \$3.7 million, respectively, from customers for decommissioning Fermi 2. Also, in 1995 and 1994, Detroit Edison collected \$4.1 million and \$3.3 million, respectively, from customers for low-level radioactive waste disposal. Such amounts were recorded as components of depreciation and amortization expense in the Consolidated Statement of Income and accumulated depreciation and amortization in the Consolidated Balance Sheet. Earnings on the external decommissioning trust funds assets during 1995, 1994 and 1993 were \$3.3 million, \$1.3 million and \$1.2 million, respectively. Earnings on the external low-level radioactive waste disposal trust funds assets were \$0.6 million and \$0.2 million in 1995 and 1994, respectively. Trust fund earnings are recorded as an investment with a corresponding credit to accumulated depreciation and amortization. Trust fund assets are assumed to earn an after-tax rate of return of 7%, compounded annually. In accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", net unrealized gains of \$4.6 million and \$0.7 million in 1995 and 1994, respectively, were recorded as increases to the nuclear decommissioning trust funds and accumulated depreciation and amortization in the Consolidated Balance Sheet.

During 1995 shipment of low-level radioactive waste to a permanent disposal site resumed. Detroit Edison incurred disposal costs of \$5.7 million during 1995 which costs were reimbursed by the external trust funds.

At December 31, 1995, Detroit Edison had a reserve of \$91.5 million for the future decommissioning of Fermi 2 and \$9.8 million for low-level radioactive waste disposal costs. These reserves are included in accumulated depreciation and amortization in the Consolidated Balance Sheet with a like amount deposited in external trust funds.

Detroit Edison also had a reserve of \$18.5 million at December 31, 1995 for the future decommissioning of Fermi 1, an experimental nuclear unit on the Fermi 2 site that has been shut down since 1972. This reserve is included in other deferred credits in the Consolidated Balance Sheet with a like amount deposited in an external trust fund. Detroit Edison estimates that the cost of decommissioning Fermi 1 in the year 2025 is \$20 million in current 1995 dollars and \$114 million in future 2025 dollars.

The Financial Accounting Standards Board is reviewing the accounting for removal costs, including decommissioning of nuclear power plants. If current electric utility industry accounting practices for such decommissioning are changed: (1) annual provisions for decommissioning could increase, and (2) the estimated cost for decommissioning could be recorded as a liability rather than as accumulated depreciation.

Nuclear Fuel Disposal Costs – Detroit Edison has a contract with the DOE for the future storage and disposal of spent nuclear fuel from Fermi 2. Under the terms of the contract, Detroit Edison makes quarterly payments to the DOE based upon a fee of 1 mill per kilowatthour applied to the Fermi 2 electricity generated and sold. The spent nuclear fuel disposal cost is included as a component of Detroit Edison's nuclear fuel expense. The DOE has stated that it will be unable to store spent nuclear fuel at a permanent repository until after 2010. However, the DOE and utilities with nuclear units are pursuing other interim storage options. On September 7, 1995, Detroit Edison, along with two other utilities, filed a petition for review in the United States Court of Appeals for the District of Columbia Circuit. The petition seeks to overturn a decision of the DOE that it does not have a legal obligation to begin accepting spent nuclear fuel from nuclear utilities commencing January 31, 1998. The petition seeks to affirm that such an obligation exists and to establish court oversight of the development of a schedule by the DOE to accept spent nuclear fuel by that date. This action has been consolidated with existing litigation brought by a number of other utilities as well as a number of states. It is estimated that existing temporary storage capacity at Fermi 2 will be sufficient until the year 2001, or until 2019 with the expansion of such storage capacity.

Note 3

Rate Matters

Detroit Edison is subject to the primary regulatory jurisdiction of the MPSC, which, from time to time, issues its orders pertaining to Detroit Edison's conditions of service, rates and recovery of certain costs including the costs of generating facilities. MPSC orders issued in December 1988 and on January 21, 1994 are currently in effect with respect to Detroit Edison's rates and certain other revenue and operating-related matters.

On January 21, 1994, the MPSC issued an order reducing Detroit Edison's rates in the amount of \$78 million annually. The rate reduction was determined by using a 1994 test year and an overall rate of return of 7.66%, incorporating an 11% return on common equity and a capital structure comprised of 40% common equity, 55.01% long-term debt and 4.99% preferred stock. The MPSC order includes the recovery of (1) increased Fermi 2 decommissioning costs of \$28.1 million annually, which includes the recovery of low-level radioactive waste disposal costs, (2) full recovery of 1994 other postretirement benefit costs plus recovery and amortization of the 1993 deferred cost (see Note 13), (3) costs associated with the return to rate base of Greenwood Unit No. 1, (4) Fermi 2 phase-in plan revenue requirements of \$70.8 million in 1994 and (5) costs associated with a three-year \$41.5 million (\$7.6 million in 1994, \$14.9 million in 1995 and \$19 million in 1996) demand-side management program. In keeping with the MPSC's recognition of the need for industrial customers to be competitive, the January 1994 rate reduction was allocated among the various classes of customers approximately as

follows: Industrial-\$43 million, Commercial-\$24 million, Residential-\$10 million and Governmental-\$1 million. The order was effective for service rendered on and after January 22, 1994 and is the subject of various appeals before the Michigan Court of Appeals.

Industrial Rates – In August 1994, Detroit Edison entered into 10-year special manufacturing contracts which were approved by the MPSC on March 23, 1995. These contracts will lower costs for Detroit Edison's three largest customers (Chrysler Corporation, Ford Motor Company and General Motors Corporation). Annual revenue reductions will range in amounts from about \$30 million in 1995 to \$50 million for 1999 through 2004. Detroit Edison expects to offset these reductions by further reducing operating expenses.

Fermi 2 – The December 1988 MPSC order established, for the period January 1989 through December 2003, (1) a cap on Fermi 2 capital additions of \$25 million per year, in 1988 dollars adjusted by the Consumers Price Index ("CPI"), cumulative, (2) a cap on Fermi 2 non-fuel operation and maintenance expenses adjusted by the CPI and (3) a capacity factor performance standard based on a three-year rolling average commencing in 1991. For a capital investment of \$200 million or more (in 1988 dollars adjusted by the CPI), Detroit Edison must obtain prior MPSC approval to be included in rate base.

Under the cap on Fermi 2 capital expenditures, the cumulative amount available totals \$54 million (in 1995 dollars) at December 31, 1995. Under the cap on non-fuel operation and maintenance expenses, the cumulative amount available totals \$52 million (in 1995 dollars) at December 31, 1995.

Under the capacity factor performance standard, 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 purposes of the capacity factor performance standard, the capacity for Fermi 2 for the period 1989-1993 shall be 1,093 MW, and 1,139 MW for each year thereafter until December 31, 2003.

As discussed in Note 2, Fermi 2 was out of service in 1994 and part of 1995 and will operate at a reduced power output until the installation of major turbine components during the next refueling outage in 1996. Therefore, the three-year rolling average capacity factor utilized in the Fermi 2 performance standard calculation will be unfavorably affected in 1994-1998. The plant's three-year rolling average capacity factor was 53.7% for 1994 and 45.4% for 1995 utilizing a capacity of 1,093 MW for 1992 and 1993 and 1,139 MW for 1994 and 1995. The three-year rolling average capacity factor for the top 50% of U.S. boiling water reactors was 78.6% for 1994 and 81.2% for the 36-month period ending September 30, 1995.

Detroit Edison incurred a capacity factor disallowance totaling \$19.2 million for 1994. In accordance with an MPSC order, three times this amount was used to determine the net refund to customers in the 1994 PSCR reconciliation case, resulting in banked credits of \$38.5 million which will reduce future capacity factor disallowance amounts owing to customers. It is estimated that a net liability in the range of \$40 million to \$60 million will be required for capacity factor disallowances in the period 1995-1998. At December 31, 1995, Detroit Edison had accrued \$53 million (capacity factor disallowances of \$91.5 million, less banked credits of \$38.5

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million) for the Fermi 2 capacity factor performance standard disallowances that are expected to be imposed by the MPSC during the period 1995-1998, based on the following assumptions:

- Fermi 2 three-year rolling average capacity factor of 45.4% in 1995 and an estimated 35.6% in 1996, 65.1% in 1997 and 72.6% in 1998;
- Estimated three-year rolling average capacity factor for the top 50% of U.S. boiling water reactors of 80% in 1995-1998;
- Estimated incremental cost of replacement power of \$8 per megawatthour in 1995 and increasing to \$11 per megawatthour in 1998.

In accordance with April 1986 and December 1988 MPSC rate orders, ratemaking treatment of Detroit Edison's Fermi 2 original project costs of \$4.858 billion is as follows:

- \$3.018 billion in rate base with recovery and return,
- \$300 million amortized over 10 years with no return,
- \$513 million amortized over 19 years with associated interest of 8% and (4) \$1.027 billion disallowed and written off in 1988.

At December 31, 1995, Detroit Edison's net plant investment in Fermi 2 was \$2.9 billion (\$3.9 billion less accumulated depreciation and amortization of \$1 billion).

Under the December 1988 MPSC order, if nuclear operations at Fermi 2 permanently cease, amortization in rates of the \$300 million and \$513 million investments in Fermi 2 would continue and the remaining net rate base investment amount shall be removed from rate base and amortized in rates, without return, over 10 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 Consolidated 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. The December 1988 and January 1994 rate orders do not address the costs of decommissioning if operations at Fermi 2 prematurely cease.

Detroit Edison has and believes it will continue to operate under the terms of all applicable MPSC orders with no significant adverse effects as a result of any cost recovery restrictions contained therein.

Note 4

Jointly-Owned Utility Plant

Detroit Edison'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)	\$1,028.4	\$174.3
Accumulated depreciation (millions)	\$ 321.6	\$ 72.2

*Detroit Edison's undivided ownership interest is 62.78% in Unit No. 1, 81.39% of the portion of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants, 49.59% in certain transmission lines and, at December 31, 1995, 75% in facilities used in common with Unit No. 2.

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

Detroit Edison was required to purchase MPPA's capacity and energy entitlement through 1994. Such purchases were 20% for 1993 and 10% for 1994. The cost for the buyback of power was based on MPPA's plant-related investment, interest costs incurred by MPPA on its original project financing plus 2.5%, and certain other costs such as depreciation and operation and maintenance expenses. Buyback payments to MPPA were \$12.5 million for 1993 and \$6 million for 1994.

Ludington Pumped Storage – Operation, maintenance and other expenses of the Ludington Pumped Storage Plant ("Ludington") are shared by Detroit Edison and Consumers Power Company ("Consumers") in proportion to their respective interests in the plant. See Note 12.

Note 5

Sale of Accounts Receivable and Unbilled Revenues

Detroit Edison has an agreement providing for the sale, assignment and repurchase, from time to time, of an undivided ownership interest in \$200 million of its customer accounts receivable and unbilled revenues.

At December 31, 1994, customer accounts receivable and unbilled revenues in the Consolidated Balance Sheet were reduced by \$200 million reflecting the sale. However, at December 31, 1995, customer accounts receivable and unbilled revenues increased as Detroit Edison repurchased the \$200 million. Therefore at December 31, 1995, there were no sales under this agreement. All expenses associated with the program were charged to other income and (deductions) in the Consolidated Statement of Income.

Note 6

Income Taxes

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

	Percent of Income Before Tax		
	1995	1994	1993
Statutory income tax rate	35.0%	35.0%	35.0%
Deferred Fermi 2 depreciation and return	3.7	3.5	1.1
Investment tax credit	(2.1)	(1.9)	(1.7)
Depreciation	3.3	5.5	3.9
Other – net	(0.4)	(3.2)	(1.6)
Effective income tax rate	39.5%	38.9%	36.7%

Components of income taxes were applicable to the following:

	1995	1994	1993
	(Thousands)		
Operating expenses			
Current	\$247,676	\$195,848	\$243,480
Deferred - net			
Borrowed funds component of AFUDC	(1,081)	(1,081)	(1,081)
Depreciation and amortization	75,248	52,873	74,567
Property taxes	4,117	(23,640)	(9,590)
Alternative minimum tax	-	-	28,174
Fermi 2 capitalized labor and expenses	(1,598)	(1,998)	(1,692)
Nuclear fuel	(298)	14,645	(1,543)
Fermi 2 performance reserve	(4,501)	(10,850)	-
Reacquired debt losses	253	43,162	-
Indirect construction costs	(1,268)	(1,268)	(1,268)
Uncollectible accounts	3,614	1,380	(700)
Contributions in aid of construction	(5,405)	(6,898)	(3,756)
Fermi 2 refueling outage	(4,576)	6,798	(6,136)
Shareholder value improvement plan	1,170	2,244	559
Coal contract buyouts	(164)	(401)	(1,411)
Injuries and damages	-	(1,071)	(5,855)
Steam purchase reserve	-	-	(3,850)
Employee reorganization expenses	(557)	4,200	(4,200)
Pensions and benefits	7,808	10,130	4,925
Steam plant impairment loss	(8,741)	-	-
Over/under recoveries	3,923	(1,017)	298
Inventory write-off	(5,705)	2,065	-
Fermi 2 nonqualified decommissioning fund	(2,045)	(2,153)	(485)
Ludington fish mortality	(2,947)	-	-
Other	(198)	515	1,260
	57,049	87,635	68,216
Investment tax credit - net			
Utilized	-	2,612	250
Amortized	(15,038)	(15,438)	(14,477)
	(15,038)	(12,826)	(14,227)
Total	289,687	270,657	297,469
Other income and deductions			
Current	(8,574)	(8,083)	(7,712)
Investment tax credit - amortized	(1,256)	-	-
Deferred - net	41	(28)	(882)
Total	(9,789)	(8,111)	(8,594)
Disallowed plant costs and accretion income			
Current	(18,372)	(18,384)	(18,405)
Deferred - net			
Disallowed plant costs	17,863	17,863	17,863
Accretion income	3,864	4,773	14,604
Total	3,355	4,252	14,062
Total income taxes	\$283,253	\$266,798	\$302,937

The Fermi 2 phase-in plan required Detroit Edison to record additional deferred income tax expense related to deferred depreciation totaling \$33.5 million, with this amount amortized to income over the six-year period ending December 31, 1998.

In January 1993, SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach for financial accounting and reporting for income taxes was adopted. At January 1, 1993, an increase in accumulated deferred income tax liabilities of \$740 million was recorded which represented (a) the tax effect of temporary differences not previously recognized and (b) the recomputing of its tax liability at the current tax rate. The liability increase was offset by a regulatory asset of equal value, titled "Recoverable Income Taxes." This regulatory asset represents the future revenue recovery from customers for these taxes as they become payable, with no effect on net income. In August 1993, the Omnibus Budget Reconciliation Act of 1993 increased the federal corporate income tax rate from 34% to 35% retroactive to January 1, 1993. As a result, (1) an increase of \$88.1 million in accumulated deferred income tax liabilities, offset by a corresponding increase in "Recoverable Income Taxes," and (2) an increase of \$10.4 million in income tax expense were recorded.

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

Deferred income tax assets (liabilities) are comprised of the following at December 31:

	1995	1994
	(Thousands)	
Property	\$(2,166,152)	\$(2,070,943)
Fermi 2 deferred depreciation and return	(130,048)	(170,668)
Property taxes	(57,030)	(52,913)
Investment tax credit	178,000	187,000
Reacquired debt losses	(43,414)	(43,162)
Contributions in aid of construction	41,589	36,184
Other	72,483	67,056
	\$(2,104,572)	\$(2,047,446)
Deferred income tax liabilities	\$(2,659,441)	\$(2,566,578)
Deferred income tax assets	554,869	519,132
	\$(2,104,572)	\$(2,047,446)

The federal income tax returns of the Company are settled through the year 1988. The Company believes that adequate provisions for federal income taxes have been made through December 31, 1995.

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Note 7

Common Stock and Cumulative Preferred and Preference Stock

At December 31, 1995, the Company had Cumulative Preferred Stock, without par value, 5,000,000 shares authorized with 5,000,000 shares unissued.

At December 31, 1995, Detroit Edison had Cumulative Preference Stock of \$1 par value, 30,000,000 shares authorized with 30,000,000 shares unissued.

At December 31, 1995, Detroit Edison had Cumulative Preferred Stock of \$100 par value, 6,747,484 shares authorized with 1,539,827 shares unissued, and 3,351,223 shares and 3,905,470 shares outstanding at December 31, 1995 and 1994, respectively.

Cumulative Preferred Stock outstanding at December 31 was:

	Date of Issuance	1995	1994
		(Thousands)	
Cumulative Preferred Stock			
5½% Convertible Series, 55,470 shares	Oct. 1967	\$ -	\$ 5,547
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
7.75% Series, 1,001,223 and 1,500,000 shares, respectively	Feb. 1993	100,122	150,000
7.74% Series, 500,000 shares	Apr. 1993	50,000	50,000
Preferred stock expense		(8,518)	(10,264)
Total Cumulative Preferred Stock		\$326,604	\$380,283

On October 15, 1995, Detroit Edison redeemed the remaining outstanding 9,539 shares of 5½% Series, \$100 par value Convertible Cumulative Preferred Stock at a price of \$100 per share plus accrued dividends. This series was convertible into shares of Detroit Edison Common Stock until the close of business on the date of the redemption. The number of shares converted during 1995, 1994 and 1993 was 45,931, 3,949 and 5,563, respectively.

Detroit Edison's 7.68% Series, 7.45% Series and 7.36% Series Cumulative Preferred Stock are redeemable solely at the option of Detroit Edison at a per share redemption price of \$101 plus accrued dividends. See Note 16.

On August 15, 1995, Detroit Edison exchanged 1,995,108 depositary shares, each representing a one-quarter interest in a share of the Cumulative Preferred Stock, 7.75% Series, for \$49,877,700 aggregate principal amount of Detroit Edison's Deeply Subordinated Quarterly Income Debt Securities ("QUIDS"), 8.50% Series. See Note 10 for further discussion on the QUIDS.

Detroit Edison's 7.75% Series and 7.74% Series Cumulative Preferred Stock are redeemable solely at the option of Detroit Edison at a per share redemption price of \$100 (equivalent to \$25 per Depositary Share), plus accrued dividends, on and after April 15, 1998 and July 15, 1998, respectively.

Apart from MPSC or FERC 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 by Detroit Edison.

There are no legal restrictions on the issuance of additional authorized shares of the Company's common and preferred stock.

In August 1994, Detroit Edison purchased 2,206,635 shares of its Common Stock at a price of \$27.125 per share, totaling \$59.9 million, from the trustee of the Detroit Edison Savings & Investment Plans. These shares were canceled and reverted to the status of authorized but unissued shares.

Note 8

Short-Term Credit Arrangements and Borrowings

At December 31, 1995, Detroit Edison had total short-term credit arrangements of approximately \$432 million. At December 31, 1995 and December 31, 1994, \$37 million and \$39.5 million, respectively, of short-term borrowings were outstanding with a weighted average interest rate of 6.2% in 1995 and 1994.

Detroit Edison had bank lines of credit of \$200 million, all of which had commitment fees in lieu of compensating balances. Commitment fees incurred in 1995 for bank lines of credit were approximately \$0.3 million. Detroit Edison 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.

Detroit Edison has a nuclear fuel financing arrangement (heat purchase contract) with Renaissance Energy Company ("Renaissance"), an unaffiliated company. Renaissance may issue commercial paper or borrow from participating banks on the basis of promissory notes. To the extent the maximum amount of funds available to Renaissance (currently \$400 million) is not needed by Renaissance to purchase nuclear fuel, such funds may be loaned to Detroit Edison for general corporate purposes pursuant to a separate Loan Agreement. At December 31, 1995, approximately \$232 million was available to Detroit Edison under such Loan Agreement. See Note 9 for a discussion of Detroit Edison's heat purchase contract with Renaissance.

Renaissance entered into five-year interest rate swap agreements, guaranteed by Detroit Edison, in December 1990, with five banks for a notional amount of \$125 million. These agreements were used to reduce the potential impact of increases in interest rates on the variable rate debt by exchanging the receipt of variable rate amounts for fixed interest payments at rates ranging from 8.12% to 8.145% over the life of the agreements. The differential paid or received was recognized as an adjustment to the interest component included as part of nuclear fuel expense. In December 1995, all swap agreements expired and were not renewed.

Note 9

Leases

Future minimum lease payments under long-term noncancellable leases, consisting of nuclear fuel (\$170 million computed on a projected units of production basis), lake vessels (\$42 million), locomotives and coal cars (\$166 million), office space (\$17 million) and computers, vehicles and other equipment (\$5 million) at December 31, 1995 are as follows:

	(Millions)		(Millions)
1996	\$80	1999	\$ 40
1997	79	2000	22
1998	51	Remaining years	128
		Total	\$400

Detroit Edison has a heat purchase contract with Renaissance which provides for the purchase by Renaissance for Detroit Edison 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. Detroit Edison 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 \$145 million and \$193 million at December 31, 1995 and 1994, respectively. The decrease in 1995 from 1994 of \$48 million includes additions of \$6 million (purchases of \$5 million and capitalized interest of \$1 million) less \$54 million for the amortization of nuclear fuel consumed in 1995.

Under SFAS No. 71, amortization of Detroit Edison's 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 \$97 million (including \$67 million for nuclear fuel), \$49 million (including \$8 million for nuclear fuel) and \$126 million (including \$89 million for nuclear fuel) for 1995, 1994 and 1993, respectively.

Note 10

Long-Term Debt

Detroit Edison's 1924 Mortgage and Deed of Trust ("Mortgage"), the lien of which covers substantially all of Detroit Edison's properties, provides for the issuance of additional bonds. At December 31, 1995, approximately \$3.2 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 7% on any such additional Mortgage Bonds. An additional \$1.1 billion 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	1995	1994
(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
1990 Series A, due 3/31/20	7.904	156,975	163,254
1990 Series B, due 3/31/16	7.904	199,836	209,352
1990 Series C, due 3/31/14	8.357	64,961	68,380
1992 Series D, due 8/1/02 and 8/1/22	7.605*	290,000	290,000
1992 Series E, due 12/15/99	6.83	50,000	50,000
1993 Series B, due 12/15/99	6.83	50,000	50,000
1993 Series C, due 1/15/03 and 1/13/23	7.939*	225,000	225,000
1993 Series D, due 4/1/99	6.45	100,000	100,000
1993 Series E, due 3/15/00, 3/17/03 and 3/15/23	6.854*	390,000	390,000
1993 Series G, due 5/1/97 and 5/1/01	5.921*	225,000	225,000
1993 Series J, due 6/1/18	7.74	270,000	270,000
Less: Unamortized net discount		(143)	(182)
Amount due within one year		(119,214)	(19,214)
		\$2,152,415	\$2,271,590

Remarketed Notes

Secured by corresponding amounts of General and Refunding Mortgage Bonds			
1993 Series H, due 7/15/28	6.4**	\$ 50,000	\$ 50,000
1993 Series K, due 8/15/33	4½**	160,000	160,000
1994 Series C, due 8/15/34	6.745**	200,000	200,000
Less: Unamortized net discount		(172)	(177)
		\$ 409,828	\$ 409,823

Tax Exempt Revenue Bond Obligations

Secured by corresponding amounts of General and Refunding Mortgage Bonds			
Installment Sales Contracts, due 9/1/04 - 9/1/24	7.12*	\$ 282,155	\$ 302,155
Less: Unamortized net discount		(191)	(279)
		\$ 281,964	\$ 301,876
Loan Agreements, due 7/15/08 - 9/1/25	6.657*	\$ 606,670	\$ 487,495
Less: Unamortized net discount		(71)	(73)
		\$ 606,599	\$ 487,422

Unsecured

Installment Sales Contracts, due 12/1/04 - 12/1/19	7.53*	\$ 142,060	\$ 314,060
Loan Agreements, due 4/15/10 - 9/1/30	5.97*	\$ 113,350	\$ 40,525
		\$1,143,973	\$1,143,883

Deeply Subordinated Debt

Quarterly Income Debt Securities (QUIDS), due 9/30/25	8.50	\$ 49,878	\$ -
Total Long-Term Debt		\$3,756,094	\$3,825,296

*Weighted average interest rate at December 31, 1995.

**Variable rate at December 31, 1995.

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DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

The QUIDS (see Note 7) provide that interest will be payable quarterly provided that, so long as an event of default has not occurred and is not continuing with respect to the QUIDS, Detroit Edison will have the right, upon prior notice by public announcement given in accordance with New York Stock Exchange rules at any time, to extend the interest payment period at any time and from time to time on the QUIDS for up to 20 consecutive quarterly interest payment periods. As a consequence, quarterly interest payments on the QUIDS would be deferred but would continue to accrue during any deferral period. In the event that Detroit Edison exercises this right, Detroit Edison may not declare or pay dividends on, or redeem, purchase or acquire, any of its capital stock during such deferral period, other than redemptions of any series of capital stock of Detroit Edison pursuant to the terms of any sinking fund provisions with respect thereto. In addition, during any deferral period, Detroit Edison may not make any advance or loan to, or purchase any securities of, or make any other investment in, any affiliate of Detroit Edison, including DTE Energy Company, for the purpose of, or to enable the payment of, directly or indirectly, dividends on any equity securities of DTE Energy Company.

In June 1992, Detroit Edison entered into a three-year interest rate swap agreement matched to a \$31 million variable rate tax exempt revenue bond. This agreement was used to reduce the potential impact of increases in interest rates on the variable rate debt by exchanging the receipt of variable rate amounts for fixed interest payments at a rate of 4.32% over the life of the agreement. The differential paid or received was recognized as an adjustment to interest expense related to the debt. In June 1995, the swap agreement expired and was not renewed.

In 1996, 1997, 1998, 1999 and 2000, Detroit Edison's long-term debt maturities consist of \$119 million, \$144 million, \$169 million, \$219 million and \$194 million, respectively.

Note 11

Fair Value of Financial Instruments

The estimated fair values of financial instruments at December 31 are as follows:

	1995		1994	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Thousands)			
Investments and special funds	\$ 29,058	\$ 29,058	\$ 18,722	\$ 18,722
Nuclear decommissioning trust funds	119,843	119,843	76,492	76,492
Sale of accounts receivable and unbilled revenues	—	—	200,000	200,000
Cumulative preferred stock	335,122	335,651	390,547	336,249
Long-term debt	3,875,308	4,115,228	3,844,510	3,511,459
Short-term borrowings	36,990	36,990	39,489	39,489
Customer surety deposits	9,885	9,885	10,870	10,870

The investments in debt and equity securities are classified as "available for sale." The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Other investments – The carrying amount of other investments approximates fair value.

Nuclear decommissioning trust funds – The fair value of nuclear decommissioning trust funds is estimated based on quoted market prices for securities and carrying amount for the cash equivalents.

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

Cumulative preferred stock, Long-term debt – The fair value of Detroit Edison's preferred stock outstanding and long-term debt is estimated based on the quoted market prices where available. The fair values of all other long-term debt are estimated using discounted cash flow analysis. The discount rates used are the Company's incremental borrowing costs for similar types of securities.

Short-term borrowings, Customer surety deposits – The carrying amount approximates fair value because of the short maturity of those instruments.

Note 12

Commitments and Contingencies

Commitments – Detroit Edison has entered into purchase commitments of approximately \$561 million at December 31, 1995, which includes, among other things, line construction and clearance costs and the costs of major turbine components to be replaced at Fermi 2. Detroit Edison also has entered into substantial long-term fuel supply and transportation commitments.

Detroit Edison has an Energy Purchase Agreement ("Agreement") for the purchase of steam and electricity from the Detroit Resource Recovery Facility. Under the Agreement, Detroit Edison will purchase steam through the year 2008 and electricity through June 30, 2024. Purchases of steam and electricity were \$28.2 million, \$24.5 million and \$23.6 million for 1995, 1994 and 1993, respectively, and annual purchase commitments are approximately \$32.6 million, \$35 million, \$36.1 million, \$37.3 million and \$38.5 million for 1996, 1997, 1998, 1999 and 2000, respectively.

On October 25, 1995, the MPSC issued an order approving Detroit Edison's long-term capacity and energy purchase from Ontario Hydro. On November 27, 1995, the Michigan Attorney General filed an application for leave to appeal the order in the Michigan Court of Appeals. The purchase is for 300 MW, on a seasonal basis from mid-May through mid-September for the years 1996 through 2001. This purchase will offset a concomitant agreement to lease 312 MW, of Detroit Edison's 917 MW Ludington capacity entitlement, to the Toledo Edison Company for essentially the same time period. The net economic effect of the Ludington lease and the Ontario Hydro purchase will be to provide Detroit Edison's customers with an estimated reduction in PSCR expense of \$74 million which will be passed through to customers through the PSCR clause.

Contingencies – Ludington Pumped Storage Plant – In 1986, the Michigan Attorney General and the Michigan Natural Resources Commission filed a state lawsuit against Detroit Edison and Consumers as co-owners of Ludington for claimed aquatic losses. Detroit Edison 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 Detroit Edison).

In October 1994, Detroit Edison and all other parties to the state action except certain Indian tribes, reached a tentative settlement. On February 28, 1995, Detroit Edison and Consumers jointly submitted to FERC the Ludington Pumped Storage Project Settlement Agreement – FERC Offer of Settlement. In March 1995, the Circuit Court for Ingham County, Michigan entered an order adopting the settlement as final upon the receipt of regulatory approvals. On January 17, 1996, the FERC issued an order approving the settlement agreement. The settlement provides for damages and use of a barrier net around the plant intakes to protect fish. Also, the FERC order requires Detroit Edison and Consumers to examine new fish mortality abatement technologies, monitor local fish populations and create a scientific advisory team to review these matters. Detroit Edison is taking steps to implement the terms of the settlement and is waiving prior MPSC approval for the settlement to become effective. The net present value of Detroit Edison's portion of the settlement is estimated to be approximately \$30 million which will be paid over a 24-year period, including \$10 million to enhance recreational opportunities on Detroit Edison-owned and donated property. Detroit Edison has recorded a charge to other operation expense in the Consolidated Statement of Income in 1995 of \$8.4 million for its share of the settlement through December 31, 1995.

Carter Industrials – In January 1989, the Environmental Protection Agency ("EPA") issued an administrative order under the Comprehensive Environmental Response, Compensation and Liability Act ordering Detroit Edison and 23 other potentially responsible parties to begin removal activities at the Carter Industrials superfund site. In June 1993, a Consent Decree was entered by the U.S. District Court for the Eastern District of Michigan. Clean-up of the Carter Industrials site began in 1995 and is expected to be completed in 1996. There is the possibility that EPA may, through subsequent proceedings, require an additional clean-up of the sewer and sewer outfall emptying into the Detroit River. At December 1995, a remaining liability of \$3.3 million is included in other deferred credits in the Consolidated Balance Sheet for completion of the Carter Industrials site clean-up costs in 1996 and the proposed clean-up of the sewer and sewer outfall.

Other – The Energy Policy Act became effective in October 1992. While Detroit Edison is unable to predict the ultimate impact of this legislation on its operations, Detroit Edison expects that, over time, non-utility generation resources will be developed which will result in greater competition for power sales. On March 29, 1995, the FERC issued a Notice of Proposed Rulemaking seeking comment on several proposals for encouraging more competitive electric power markets. The proposals address several fundamental issues facing the electric power industry including transmission open access, stranded

costs, jurisdiction over transmission in interstate commerce including retail wheeling and over local distribution, real-time information networks and implementation of open access. Final rules are expected to be issued early in 1996. While Detroit Edison is unable to predict the ultimate impact of this rulemaking on its operations, Detroit Edison expects that it will result in substantially increased wholesale competition.

In addition to the matters reported herein, the Company and its subsidiaries are involved in litigation and environmental matters dealing with the numerous aspects of their 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 Notes 2 and 3 for a discussion of contingencies related to Fermi 2.

Note 13

Employee Benefits

Retirement Plan – Detroit Edison 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. Detroit Edison'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. Contributions were made to the Plan totaling \$29.6 million, \$45.8 million and \$29.4 million for 1995, 1994 and 1993, respectively.

Net pension cost included the following components.

	1995	1994	1993
	(Thousands)		
Service cost - benefits earned during the period	\$ 22,210	\$ 25,146	\$ 22,945
Interest cost on projected benefit obligation	78,592	75,922	74,490
Actual return on Plan assets	(164,144)	(3,272)	(119,037)
Net deferral and amortization:			
Deferral of net gain (loss) during current period	64,461	(90,069)	33,435
Amortization of unrecognized prior service cost	5,188	3,613	3,297
Amortization of unrecognized net asset resulting from initial application	(4,507)	(4,507)	(4,507)
Net pension cost	\$ 1,800	\$ 6,833	\$ 10,623

Assumptions used in determining net pension cost are as follows:

	1995	1994	1993
Discount rate	8.0%	7.5%	8.0%
Annual increase in future compensation levels	4.5	4.5	5.0
Expected long-term rate of return on Plan assets	9.5	9.5	9.5

Notes to Consolidated Financial Statements

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

The following reconciles the funded status of the Plan to the amount recorded in the Consolidated Balance Sheet:

	December 31	
	1995	1994
	(Thousands)	
Plan assets at fair value, primarily equity and debt securities	\$1,170,000	\$1,054,048
Less actuarial present value of benefit obligation:		
Accumulated benefit obligation, including vested benefits of \$966,765 and \$852,374, respectively	991,248	872,530
Increase in future compensation levels	138,127	138,411
Projected benefit obligation	1,129,375	1,010,941
Plan assets in excess of projected benefit obligation	40,625	43,107
Unrecognized net asset resulting from initial application	(28,781)	(33,288)
Unrecognized net loss	21,288	3,856
Unrecognized prior service cost	48,733	40,391
Asset recorded in the Consolidated Balance Sheet	\$ 81,865	\$ 54,066

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

	December 31	
	1995	1994
Discount rate	7.5%	8.0%
Annual increase in future compensation levels	4.5	4.5

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, there are several supplemental non-qualified, non-contributory, retirement benefit plans for certain management employees.

Long-Term Incentive Compensation Plan – The Company has adopted a long-term incentive plan ("Incentive Plan"). Under the Incentive Plan, certain key employees may be granted stock options, stock appreciation rights, restricted common stock, performance shares and performance units. In 1995, 66,500 shares of restricted common stock, valued at approximately \$1.9 million, were granted to officers of Detroit Edison. Compensation cost of \$571,000 in 1995 was recorded based on the award that was expected to vest and recognized over the period to which the related employee services were to be rendered. The shares for officers are restricted for a period of approximately one to four years and all shares are subject to forfeiture if specified performance measures are not met. There are no exercise prices related to these shares. During the applicable restriction period, the officer-recipient has all the voting, dividends and other rights of a record holder except that the shares are nontransferable, and non-cash distributions paid upon the shares would be subject to transfer restrictions

and risk of forfeiture to the same extent as the shares themselves. All shares awarded pursuant to this program were purchased on the open market. Common stock granted under the Incentive Plan may not exceed 7.2 million shares. Performance units (which have a face amount of \$1) granted under the Incentive Plan may not exceed 25 million in the aggregate. No stock options, stock appreciation rights, performance shares or performance units have been granted under this plan.

Savings & Investment Plans – Detroit Edison has contributory defined contribution plans qualified under Section 401 (a) and (k) of the Internal Revenue Code for all eligible employees. Matching contributions were \$13.7 million, \$12.5 million, \$10.6 million for 1995, 1994 and 1993, respectively.

Other Postretirement Benefits – Detroit Edison provides certain postretirement health care and life insurance benefits for retired employees. Substantially all of Detroit Edison's employees will become eligible for such benefits if they reach retirement age while working for Detroit Edison. These benefits are provided principally through insurance companies and other organizations.

Effective January 1, 1993, Detroit Edison adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The standard required Detroit Edison to change its accounting for postretirement benefits from the pay-as-you-go (cash) basis to the accrual of such benefits during the active service periods of employees to the date they attain full eligibility for benefits. The transition obligation at the time of adoption is being amortized over 20 years. Detroit Edison's incremental cost upon adoption of the standard was \$49 million for 1993 which is being deferred in accordance with the January 21, 1994 MPSC rate order. See Note 3. This amount is being amortized and recovered in rates over the estimated four-year period 1994-1997.

Net other postretirement benefits cost included the following components:

	1995	1994	1993
	(Thousands)		
Service cost - benefits earned during the period	\$ 17,295	\$16,267	\$15,312
Interest cost on accumulated postretirement benefit obligation	40,156	33,459	33,787
Actual return on assets	(17,793)	(208)	(18)
Deferral of net gain (loss) during current period	11,368	(833)	—
Amortization of unrecognized transition obligation	20,525	20,633	21,685
Net other postretirement benefits cost	\$ 71,551	\$69,318	\$70,766

Assumptions used in determining net other postretirement benefits cost are as follows:

	1995	1994	1993
Discount rate	8.0%	7.5%	8.0%
Annual increase in future compensation levels	4.5	4.5	5.0
Expected long-term rate of return on assets	8.5	9.5	9.5

The following reconciles the funded status to the amount recorded in the Consolidated Balance Sheet:

	December 31	
	1995	1994
	(Thousands)	
Actuarial present value of benefit obligation:		
Retirees	\$ 314,311	\$ 256,370
Fully eligible active participants	69,281	67,581
Other active participants	168,335	140,710
Accumulated postretirement benefit obligation	551,927	464,661
Less assets at fair value, primarily equity and debt securities	133,147	58,080
Benefit obligation in excess of assets	418,780	406,581
Unrecognized transition obligation	(348,934)	(369,459)
Unrecognized net gain (loss)	(45,465)	21
Liability recorded as Other Non-Current Liabilities in the Consolidated Balance Sheet	\$ 24,381	\$ 37,143

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

	December 31	
	1995	1994
Discount rate	7.5%	8.0%
Annual increase in future compensation levels	4.5	4.5

Benefit costs were calculated assuming health care cost trend rates beginning at 11.8% for 1995 and decreasing to 6% in 2008 and thereafter for persons under age 65 and decreasing from 7.2% to 6% for persons age 65 and over. For 1996, health care cost trend rates are assumed to begin at 10.5% and 6.5%, respectively, with both rates decreasing to 5.5% in 2008 and thereafter. A one-percentage-point increase in health care cost trend rates would increase the aggregate of the service cost and interest cost components of benefit costs by \$8 million for 1995 and increase the accumulated benefit obligation by \$69 million at December 31, 1995.

Note 14

New Accounting Standard

In March 1995, the Financial Accounting Standards Board issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The Company adopted SFAS No. 121 in the fourth quarter of 1995. As the result of continuing losses in the operation of its steam heating business, upon adoption of SFAS No. 121, Detroit Edison wrote off the remaining net book value of its steam heating plant assets. This resulted in a non-cash loss of \$42 million (\$32 million after-tax) or \$0.22 per common share.

Based on current market conditions, the steam heating operations continue to generate losses. Therefore, Detroit Edison will continue to review its steam heating operations to determine what actions, if any, may be necessary.

The application of SFAS No. 121 to the electric plant and regulatory assets of Detroit Edison does not result in an impairment as of this time based on the existing MPSC and FERC regulations. However, this may change in the future as deregulation, competitive factors and restructuring take effect in the electric utility industry.

Note 15

Supplementary Quarterly Financial Information (Unaudited)

	1995 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues	\$880,274	\$855,955	\$1,032,289	\$867,026
Operating Income	194,164	165,714	225,114	154,330
Net Income	106,083	84,152	141,412	74,267
Earnings Per Common Share	0.73	0.58	0.98	0.51

	1994 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	(Thousands, except per share amounts)			
Operating Revenues	\$899,589	\$872,690	\$944,389	\$802,672
Operating Income	189,319	161,832	200,298	167,946
Net Income	105,458	79,872	116,972	87,967
Earnings Per Common Share	0.72	0.54	0.80	0.61

The fourth quarter of 1995 includes the write-off of the remaining net book value of Detroit Edison's steam heating plant assets when the Company adopted SFAS No. 121. This resulted in a non-cash loss of \$42 million (\$32 million after-tax) or \$0.22 per common share. See Note 14.

The fourth quarter of 1994 includes a decrease in operating revenues of \$59 million, a decrease in operation expense of \$65 million and a decrease in maintenance expense of \$1 million related to a settlement agreement, with the parties intervening in the 1994 PSCR reconciliation case with the MPSC, for business interruption insurance proceeds associated with the December 25, 1993 outage at Fermi 2. See Note 2.

Note 16

Subsequent Events (Unaudited)

On February 13, 1996, Detroit Edison issued \$185 million of 7% Quarterly Income Debt Securities. See Note 10 for information on the right of Detroit Edison to defer payment of interest on the QUIDS and the related consequences. Also, Detroit Edison called for redemption all of the outstanding Cumulative Preferred Stock, 7.68% Series, 7.45% Series and 7.36% Series, totaling \$185 million, at per share redemption prices of \$101 plus accrued dividends. Such redemption will occur on March 21, 1996.

Management's Discussion & Analysis of Financial Condition & Results of Operations

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

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

Corporate Structure

Effective January 1, 1996, DTE Energy Company became the parent holding company of The Detroit Edison Company ("Detroit Edison"). On January 1, 1996, the holders of Detroit Edison's common stock exchanged such stock on a share-for-share basis for the common stock of DTE Energy Company ("Company"). In addition, certain non-utility subsidiaries of Detroit Edison were transferred to the Company.

Detroit Edison is the principal subsidiary of the Company and, as such, this discussion explains material changes in results of operations of both the Company and Detroit Edison and identifies recent trends and events affecting both the Company and Detroit Edison. For the periods presented, the Company's operations and those of Detroit Edison are substantially the same.

Results of Operations

For the year ended December 31, 1995, the Company's net income was \$405.9 million, or \$2.80 per common share, up 4% from the \$390.3 million, or \$2.67 per common share earned in 1994. The increase in net income was due to higher sales of electricity in 1995. The sales increase was partially offset by higher operating expenses, including a non-cash loss of \$42 million (\$32 million after-tax), or \$0.22 per common share, on Detroit Edison's steam heating business due to the Company's adoption in the fourth quarter of 1995 of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121").

For the year ended December 31, 1994, the Company's net income was \$390.3 million, or \$2.67 per common share, a decrease of 20.5% from the \$491.1 million, or \$3.34 per common share earned in 1993. The decrease in net income was due in part to a January 21, 1994 order by the Michigan Public Service Commission ("MPSC"), which reduced Detroit Edison's rates by \$78 million annually and increased depreciation and operation expenses by \$84 million annually. In addition, accretion income decreased and amortization of the Fermi 2 nuclear power plant phase-in plan increased significantly in 1994. Also, Detroit Edison incurred additional one-time charges at the Fermi 2 nuclear power plant, which was out of service in 1994 due to equipment failure, for maintenance expenses and the establishment of a reserve for estimated Fermi 2 capacity factor performance disallowances in 1994-1998. The decrease in net income was limited by higher system sales and lower interest expense due to the early redemption and refinancing of higher cost debt and the redemption of maturing debt.

For the year ended December 31, 1993, the Company's net income was \$491.1 million, or \$3.34 per common share, a decrease of 11.9% from the \$557.5 million, or \$3.79 per common share earned in 1992. The decrease in net income was due to a 5% reduction in Detroit Edison's rates, effective January 1, 1993, which reduced 1993 operating revenues by \$169 million, or \$0.75 per common share, higher operating

expenses (including amortization of Fermi 2 nuclear power plant phase-in plan deferrals and higher federal income tax expense of \$10.4 million for the full year 1993, or \$0.07 per common share, due to an increase in the corporate income tax rate from 34% to 35% retroactive to January 1, 1993) and lower non-operating income, partially offset by higher sales and lower interest expense due to the early redemption and refinancing of higher cost debt and the redemption of maturing debt. The reduction in electric rates was due to reinstatement of the Power Supply Cost Recovery Clause, which was suspended for a four-year period, resulting in lower billings to customers of \$106 million in 1993 due to lower fuel expenses, and the expiration of an expense stabilization procedure surcharge on January 1, 1993 which provided annual revenues of \$63 million in 1992 for the effects of inflation. Warm summer weather and improved economic conditions in Southeastern Michigan contributed to the sales increase.

At December 31, 1995, the book value of the Company's common stock was \$23.62 per share, an increase of 3.2% since December 31, 1994. Return on average total common shareholders' equity was 11.8% in 1995, 11.6% in 1994 and 15.2% in 1993.

Detroit Edison's ratio of earnings to fixed charges for 1995, 1994 and 1993 was 3.21, 3.13, and 3.25, respectively. Detroit Edison's ratio of earnings to fixed charges and preferred and preference stock dividends for 1995, 1994 and 1993 was 2.82, 2.73, and 2.88, respectively.

Operating Revenues

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

	1995	1994
	(Millions)	
Rate Changes		
MPSC rate reduction	\$ (5)	\$ (81)
Special Manufacturing Contracts	(26)	-
Power Supply Cost Recovery Clause	(6)	(5)
	(37)	(86)
System sales volume and mix	149	103
Interconnection sales	8	(17)
Fermi 2 capacity factor performance		
standard reserve	(1)	(31)
Other - net	(3)	(5)
Total	\$116	\$ (36)

Rate Changes

The January 21, 1994 MPSC rate order reduced Detroit Edison's rates by \$78 million annually. In keeping with the MPSC's recognition of the need for industrial customers to be competitive, the January 1994 rate reduction was allocated among the various classes of customers approximately as follows: Industrial-\$43 million, Commercial-\$24 million, Residential-\$10 million and Governmental-\$1 million.

On March 23, 1995, the MPSC issued an order approving Detroit Edison's 10-year special manufacturing contracts with Chrysler Corporation, Ford Motor Company and General Motors Corporation. The revenue reductions from these contracts initially will amount to approximately \$20 million annually and increase to \$50 million annually in 1999-2004, which Detroit Edison expects to offset by further reducing its operating expenses.

Kilowatthour Sales

Kilowatthour sales increased (decreased) as follows:

	1995	1994
Residential	6.9%	1.1%
Commercial	2.5	3.5
Industrial	3.5	5.9
Other (includes primarily sales for resale)	5.3	(14.1)
Total System	4.1	2.8
Interconnection	50.1	(45.2)
Total	6.1	(1.0)

1995

Residential and commercial sales increased due to substantially warmer summer weather increasing air conditioning and cooling-related loads and colder fall weather increasing heating-related loads in the fourth quarter. Improved economic conditions spurred higher sales to commercial, automotive and other industrial customers. Sales to other customers increased due to higher sales to wholesale for resale customers.

1994

Residential sales increased due to substantially warmer weather in the second quarter resulting in increased air conditioning and cooling-related loads, partially offset by lower cooling-related loads in the third quarter. The increased heating-related loads in the first quarter were offset by decreased heating-related loads in the fourth quarter. Commercial sales increased due primarily to improved economic conditions and increased cooling-related loads. Industrial sales increased as a result of higher sales to automotive, steel and other manufacturing customers reflecting the improvement in the economy. The decreased sales to other customers reflect lower sales to wholesale for resale customers.

Interconnection Sales

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

1995

Interconnection sales increased due to improved availability of energy for sale and lower dispatch prices in meeting the increased demand for energy during the warmer summer and colder fall period.

1994

Interconnection sales decreased due to the reduced availability of energy for sale as a result of the Fermi 2 outage and lower sales to Consumers Power Company.

Fermi 2 Capacity Factor Performance Standard Reserve

This reserve is discussed in Note 3 of the Notes to Consolidated Financial Statements.

Operating Expenses

Fuel and Purchased Power

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

	1995	1994
	(Millions)	
Net system output	\$ 53	\$ (6)
Average unit cost	(86)	59
Fermi 2 business interruption insurance	48	(65)
Other	(2)	6
Total	\$ 13	\$ (6)

Net system output and average unit costs were as follows:

	1995	1994	1993
	(Thousands of Megawatthours)		
Power plant generation			
Fossil	41,636	42,410	38,882
Nuclear	5,092	—	8,274
Purchased power	5,423	6,599	2,211
Net system output	52,151	49,009	49,367
Average unit cost (\$/Megawatthour)	\$15.29	\$16.94	\$15.73

1995

The decrease in average unit cost was due to declining fuel prices resulting from greater use of lower-cost Western low-sulfur coal, lower coal contract buyout expense and increased lower-cost nuclear generation.

1994

The increase in average unit cost resulted from replacing lower-cost nuclear generation with higher-cost fossil generation and purchased power due to the Fermi 2 outage in 1994 as a result of a turbine-generator failure in December 1993.

Other Operation

1995

Other operation expense increased due primarily to higher incentive award expenses related to a shareholder value improvement plan (\$14.5 million), higher storm expenses (\$13.1 million), an increase in a reserve for the write-off of obsolete and excess stock material (\$9 million), demand-side management expenses (\$8.6 million) and a reserve for settlement of the Ludington fish mortality case (\$8.4 million). These expenses were partially offset by lower nuclear plant expenses (\$15.5 million), expenses recorded in the year-earlier period for service quality claims (\$8.7 million) and lower uncollectible expense (\$6.9 million).

1994

Other operation expense increased due primarily to other postretirement health care and life insurance benefits expense (\$48.3 million), service quality claims expense (\$8.7 million) and higher nuclear plant (\$8.1 million), transmission and

Management's Discussion & Analysis of Financial Condition & Results of Operations

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

distribution (\$9.7 million) and demand-side management expenses (\$4.3 million). These increases were partially offset by lower incentive award expenses related to a shareholder value improvement plan (\$18.7 million), expenses recorded in the year-earlier period for the write-off of obsolete and excess stock material (\$12.4 million) and a reserve for steam purchases under the agreement with the Greater Detroit Resource Recovery Authority (\$11 million), lower uncollectible (\$9.9 million) and employee reorganization (\$6.5 million) expenses and lower injuries and damages expense (\$8.1 million).

Maintenance

1995

Maintenance expense decreased due primarily to lower nuclear (\$17 million) and fossil (\$4.3 million) plant expenses.

1994

Maintenance expense increased due primarily to higher nuclear plant (\$17.6 million) and storm (\$8.9 million) expenses, partially offset by lower fossil plant (\$8.7 million) and line clearance (\$5.3 million) expenses. While Fermi 2 was down for repair in 1994, Detroit Edison elected to upgrade various plant facilities which resulted in higher nuclear plant maintenance expense.

Steam Plant Impairment Loss

1995

As the result of continuing losses in the operation of its steam heating business, upon adoption of SFAS No. 121 in the fourth quarter of 1995, Detroit Edison wrote off the remaining net book value of its steam heating plant assets of \$42 million.

Depreciation and Amortization

1995 and 1994

Depreciation and amortization expense increased due to increases in plant in service, including internally developed software costs, and increased Fermi 2 decommissioning costs authorized by a January 1994 MPSC rate order.

Deferred Fermi 2 Amortization

1995 and 1994

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

Amortization of Deferred Fermi 2 Depreciation and Return

1995 and 1994

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

Taxes Other Than Income Taxes

1995

Taxes other than income taxes decreased due to lower payroll and property taxes.

1994

Taxes other than income taxes decreased due primarily to lower property taxes, partially offset by higher Michigan Single Business Tax ("MSBT").

Income Taxes

1995

Income taxes increased due primarily to higher pretax income.

1994

Income taxes decreased due primarily to lower pretax income, partially offset by higher prior years' federal income tax accrual. In March 1994, the Company and the Internal Revenue Service ("IRS") reached a settlement of the Company's income tax returns for the years 1987 and 1988.

Other Income and (Deductions) - net

1995

Other deductions increased due to higher promotional practices expense (\$8.3 million), expenses incurred in the formation of a holding company (\$3.1 million) and joint-use contract costs (\$2.7 million), partially offset by lower expenses related to the sale of accounts receivable and unbilled revenues (\$6.1 million) and a decrease in the write-off of premiums and expenses related to the portion of Detroit Edison's 1989 Series A Mortgage Bonds not refinanced (\$3.5 million).

1994

Other deductions increased slightly due primarily to the write-off of premiums and expenses related to the portion of Detroit Edison's 1989 Series A Mortgage Bonds not refinanced (\$5.2 million) and an accrual for a contribution to the Detroit Edison Foundation (\$5 million), partially offset by an expense recorded in 1993 for decommissioning of Fermi 1 (\$7.6 million), an experimental nuclear unit that has been shut down since 1972.

Accretion Income

1995 and 1994

Accretion income, a non-cash item of income, was recorded beginning in January 1988 to restore to income, over the period 1988-1998, losses recorded due to discounting indirect disallowances for Greenwood Unit No. 1 for the period that plant was not allowed in rate base (1988-1993) and for \$300 million of Fermi 2 plant costs being recovered from 1989 to 1998 with no return. The annual amount of accretion income recorded decreases each year through 1998. In January 1994, accretion income decreased due to the return to rate base of Greenwood Unit No. 1.

Long-Term Debt Interest Charges

1995

Long-term debt interest charges increased due to the issuance of Quarterly Income Debt Securities ("QUIDS") and the timing of the early redemption and refinancing of securities when economic.

1994

Long-term debt interest charges decreased due to the early redemption and refinancing of securities when economic and the redemption of maturing securities.

Other Interest Charges

1995

Other interest charges decreased due primarily to lower levels of short-term borrowings.

1994

Other interest charges increased due to higher levels of short-term borrowings, accruals for prior years' MSBT audits and the settlement of 1987 and 1988 IRS audits.

Preferred and Preference Stock Dividends of Subsidiary

1995

Preferred stock dividends of subsidiary decreased due to the exchange of a portion of Cumulative Preferred Stock 7.75% Series for QUIDS and the conversion and redemption of Cumulative Preferred Stock 5½% Convertible Series.

1994

Preferred and preference stock dividends of subsidiary decreased slightly due to the optional and mandatory redemption of outstanding shares in 1993.

Liquidity and Capital Resources

Competition

Formation of a Holding Company

The business of energy supply is experiencing rapid change as competition, coupled with statutory reform, is being introduced into the public utility sector. Competition is viewed by legislators and regulators, at both the federal and state levels, as a method of reducing utility rates while stimulating overall economic growth.

In order to position itself for potential changes in the electric utility industry, Detroit Edison adopted a holding company structure, effective January 1, 1996. The new holding company structure, under which Detroit Edison is a wholly-owned subsidiary of the Company, is designed to provide financial flexibility for the development of new energy-related businesses. It is also a mechanism for separating the regulated utility business of Detroit Edison from non-regulated businesses thereby protecting the utility business from the potential volatility of non-utility operations.

The Company has no significant operations of its own. Detroit Edison is the Company's principal operating subsidiary, comprising substantially all of the Company's assets. Certain of the Company's wholly-owned subsidiaries are engaged in non-regulated energy-related businesses that are still in the formative stages.

DTE Capital Corporation ("DTE Capital") was incorporated in 1995 to act as the financing vehicle for the Company's non-utility affiliates. DTE Capital is in the process of negotiating a \$200 million bank revolving credit agreement. Since DTE Capital does not have an established credit history, the Company anticipates that it will be asked to provide credit support for DTE Capital's initial financing activities.

The Detroit Edison Company

The electric utility industry is facing serious issues as legislators and regulators consider various proposals designed to reduce rates and promote economic growth through competition. Municipalization, deregulation, cogeneration, independent

power production, open access to transmission lines, competitive bulk power supply markets and the unbundling of utility products and services are issues under consideration. There is also a recognition by legislators and regulators that the stranded costs of utilities must be addressed as deregulation proceeds.

In March 1995, the Federal Energy Regulatory Commission ("FERC") issued a Notice of Proposed Rulemaking on Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities. According to the FERC, the goals of the proposed new rules are to facilitate the development of a competitive market by ensuring that wholesale buyers and sellers can reach each other and to eliminate anticompetitive and discriminatory practices in transmission services which, in turn, should lead to lower electric rates.

On January 8, 1996, Michigan Governor John Engler forwarded to the MPSC a report on economic development recommendations for electric and gas utility reform in Michigan prepared by the Michigan Jobs Commission ("MJC"). The essential component of the MJC's recommended strategy for lowering energy costs is the promotion of competition and customer choice. The Governor strongly encouraged the MPSC to use the report as guiding principles in its continued efforts to promote competition within a reasonably established time frames.

The MJC's recommendations, if implemented would:

- (1) allow new industrial and commercial load to purchase energy from providers of their choice beginning January 1, 1997 assuming that the Michigan public utilities subject to the new rules would be permitted to sell power on a reciprocal basis,
- (2) establish a Michigan statewide power pool by January 1, 1998, and (3) permit all industrial and commercial customers to be able to choose their energy providers by January 1, 2001.

The proposals recognize that the transition to a more competitive market requires that the recovery of stranded costs be addressed. In addition, the proposals favor the unbundling of rate tariffs into functional components. The MPSC has not yet taken action with respect to the MJC's recommendations.

While Detroit Edison is unable to predict the outcome of the FERC rulemaking and the Michigan proposals, increased wholesale competition is anticipated.

On June 19, 1995, the MPSC issued a final order finding that an experimental retail wheeling program is in the public interest and establishing rates and charges for the five-year experimental program. Under the program, retail wheeling customers would make their own arrangements to procure power. Implementation of the experimental program would be limited to 90 megawatts ("MW") for Detroit Edison and will be coordinated with Detroit Edison's next solicitation of new capacity. On July 19, 1995, Detroit Edison filed a claim of appeal with the Michigan Court of Appeals claiming that the MPSC does not have the authority to order Detroit Edison to participate in retail wheeling and that jurisdiction over transmission rates for wheeling resides with the FERC.

In response to the changing market for electricity, Detroit Edison has developed a number of programs designed to increase its efficiency and competitive status and address customer needs, which include implementing an interruptible rate for large industrial customers. The January 21, 1994 MPSC rate order provided that up to 650 MW may be sold under this interruptible rate, with Detroit Edison absorbing revenue losses associated with 250 MW.

Management's Discussion & Analysis of Financial Condition & Results of Operations

DTE Energy Company, The Detroit Edison Company and Subsidiary Companies

Competitive status and customer needs were also addressed when, Detroit Edison entered into 10-year special manufacturing contracts with Chrysler Corporation, Ford Motor Company and General Motors Corporation, covering 54 of the Big Three automakers' largest manufacturing locations in Southeastern Michigan. These special manufacturing contracts are available to customers with a total connected load of 100 MW or more for specific locations of 5 MW and over. Service under the special manufacturing contracts includes both firm and interruptible service, which is priced to provide customers with competitively-based electric rates.

Detroit Edison continues to review potential energy services as a method of remaining competitive while diversifying within the scope of its core business. In addition, the Company anticipates that its affiliates may also assist in overall customer satisfaction by offering energy-related services.

Cash Generation and Cash Requirements

Consolidated Statement of Cash Flows

The Company generates substantial cash flows from operating activities as shown in the Consolidated Statement of Cash Flows. Net cash from operating activities, which is the Company's primary source of liquidity, was \$913 million in 1995, \$923 million in 1994 and \$1,110 million in 1993. Net cash from operating activities decreased slightly in 1995 as a result of the repurchase of \$200 million of customer accounts receivable and unbilled revenues, partially offset by higher non-cash charges to income and higher net income. Net cash from operating activities decreased in 1994 due to lower net income and changes in current assets and liabilities, partially offset by higher non-cash charges to income for the Fermi 2 phase-in plan and depreciation and amortization.

Net cash used for investing activities increased in 1995 due primarily to higher plant and equipment expenditures. Net cash used for investing activities increased in 1994 due primarily to increased funding of nuclear decommissioning trust funds, the purchase of leased equipment and non-utility investments, partially offset by lower plant and equipment expenditures.

Detroit Edison has engaged in an extensive debt refinancing program in recent years. Assuming favorable economic conditions, Detroit Edison expects that it will continue to refinance existing higher-cost debt and equity securities. Also, in 1994, as a result of a plan change Detroit Edison entered into the one-time purchase of common stock from the trustee of the Detroit Edison Savings & Investment Plans.

Additional Information

In May 1995, FERC issued its order authorizing the continuation of Detroit Edison's \$1 billion of short-term borrowing authority. This authority will be in effect through May 31, 1997.

An MPSC order permits Detroit Edison to issue approximately \$3.5 billion of securities for the purpose of refinancing debt and preferred and/or preference stock (issued prior to 1993) prior to maturity (when economic) and at maturity, and to replace funds used for those purposes. Detroit Edison also has MPSC authority to refinance substantially all non-taxable debt obligations.

Detroit Edison has an effective Shelf Registration Statement on file with the Securities and Exchange Commission pursuant to which it may issue up to \$350 million in debt securities. On

February 13, 1996, Detroit Edison issued \$185 million of 7% Quarterly Income Debt Securities. Also, Detroit Edison called for redemption all of the outstanding Cumulative Preferred Stock, 7.68% Series, 7.45% Series and 7.36% Series, totaling \$185 million, at per share redemption prices of \$101 plus accrued dividends. Such redemption will occur on March 21, 1996.

Cash requirements for scheduled long-term debt redemptions are expected to be \$119 million, \$144 million, \$169 million, \$219 million and \$194 million for 1996, 1997, 1998, 1999 and 2000, respectively.

Detroit Edison's cash requirements for capital expenditures are expected to be approximately \$2.1 billion for the period 1996 through 2000. In 1996, cash requirements for capital expenditures are estimated at \$478 million. Environmental expenditures are expected to approximate \$102 million for the period 1996 through 2000, including expenditures for Clean Air Act compliance requirements. See "Environmental Matters" herein.

Detroit Edison's internal cash generation is expected to be sufficient to meet cash requirements for capital expenditures as well as scheduled long-term debt redemption requirements.

Detroit Edison had total short-term credit arrangements of approximately \$432 million at December 31, 1995, under which \$37 million of borrowings were outstanding.

Capitalization

The Company's capital structure ratios (excluding long-term debt due within one year) were as follows:

	December 31		
	1995	1994	1993
Common Shareholders' Equity	45.7%	44.2%	43.9%
Cumulative Preferred Stock of Subsidiary	4.3	5.0	5.1
Long-Term Debt	50.0	50.8	51.0
	100.0%	100.0%	100.0%

Fermi 2

Detroit Edison's liquidity has improved since the 1988 commercial operation of Fermi 2, a nuclear generating unit comprising 27% of total assets and 9% of summer net rated capability, and lower levels of capital expenditures.

The commercial operation of Fermi 2 completed Detroit Edison's power plant construction program. Detroit Edison has no current plans for additional generating plants. Ownership of an operating nuclear generating unit such as Fermi 2 subjects Detroit Edison 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.

Fermi 2 was out of service in 1994 and part of 1995 due to a December 1993 turbine-generator failure. Major repairs were completed in 1994 and early 1995. These repair costs are approximately \$80 million for which to date Detroit Edison has received partial insurance payments of \$55 million for property

damage. In addition, Detroit Edison has received partial insurance payments of \$74.2 million for replacement power costs through December 31, 1995.

Fermi 2 was operating at 874 MW at the end of December 1995 and the unit's capacity factor was 51.4% for 1995. Detroit Edison is currently operating Fermi 2 without the large seventh and eighth stage turbine blades on the three low-pressure turbines. The new turbine shafts and blades for these low-pressure turbines are being manufactured and will be installed during the next refueling outage in 1996.

The expected cost of replacing the major turbine components in 1996 is between \$45 million and \$50 million. These costs will not be covered by insurance. These costs will be capitalized and are expected to be recovered in rates because such costs are less than the cumulative amount available under the cap on Fermi 2 capital expenditures, a provision of the MPSC's December 1988 order.

At December 31, 1995, Fermi 2 was insured for property damage in the amount of \$2.75 billion and Detroit Edison had available approximately \$8.5 billion in public liability insurance. To the extent that insurable claims for replacement power, property damage, decontamination, repair and replacement and other costs arising from a nuclear incident at Fermi 2 exceed the policy limits of insurance, or to the extent that such insurance becomes unavailable in the future, Detroit Edison will retain the risk of loss.

The Financial Accounting Standards Board is reviewing the accounting for removal costs, including decommissioning of nuclear power plants. If current electric utility industry accounting practices for such decommissioning are changed: (1) annual provisions for decommissioning could increase, and (2) the estimated cost for decommissioning could be recorded as a liability rather than as accumulated depreciation.

Future Sales Growth

Since 1980, the compound annual sales growth was 1.8% and peak demand growth was 2.4% (after adjusting for the effects of unusual weather). System sales are expected to grow at a compound annual rate of about 1.5% per year and system demand at about 1.3% per year for the next 15 years.

Meeting Energy Demand

Detroit Edison expects to meet near-term demand for energy through the implementation of new load management programs, and eventually through the return to service, subject to environmental regulations, of power plant units currently in economy reserve status when energy demand and consumption requirements provide economic justification. The return to service of these units is conditioned upon the outcome of a competitive bidding process which was established by an MPSC order issued in July 1992. On May 1, 1995, Detroit Edison filed its preliminary Request for Proposal to solicit bids for the acquisition of new capacity starting in the year 2004. Detroit Edison is proposing customer load management options which have the potential to provide an additional 500 MW of peak reduction by the year 2003. Detroit Edison has filed a proposed retail wheeling tariff and proposal for implementing the experimental retail wheeling program. See "Competition" herein. The need for capacity will determine the retail wheeling program start date. On October 13, 1995, the MPSC Staff submitted its direct testimony suggesting that Detroit Edison will need more

capacity by 1997 and that the experiment should begin in 1998. On December 5, 1995, Detroit Edison filed rebuttal testimony indicating that the most recent resource plan still indicates that capacity will not be required prior to 2003.

Inflation

Inflation is a measure of the purchasing power of the dollar. In 1995, the inflation rate, as defined by the Consumer Price Index, was 2.5%. Although the current inflation rate is relatively low, its compound effect through time can be significant, primarily in its effect on Detroit Edison's ability to replace its investment in utility plant.

The regulatory process limits the amount of depreciation expense recoverable through revenues to the historical cost of Detroit Edison's investment in utility plant. Such amount produces cash flows which are inadequate to replace such property in future years. However, Detroit Edison believes that it will be able to recover the increased cost of replacement facilities when, and if, replacement occurs.

Environmental Matters

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

The Environmental Protection Agency and the Michigan Department of Environmental Quality have aggressive programs regarding the clean-up of contaminated property. Detroit Edison anticipates that it will be periodically included in these types of environmental proceedings. Further, additional environmental expenditures, although difficult to quantify, will be necessary as Detroit Edison prepares to comply with the phase-in of the 1990 Amendments to the federal Clean Air Act. Detroit Edison currently meets the first phase of sulfur dioxide emissions and nitrogen oxides emissions requirements. The second phase begins in the year 2000. Detroit Edison currently burns some level of low-sulfur coal (less than 1% sulfur) at all its coal-fired units and believes it can meet the second phase sulfur dioxide emission requirements by either increasing the amount of low-sulfur coal used at certain units, by purchasing sulfur dioxide emission allowances, or by doing some combination of both, depending upon which strategy proves to be the best economic choice. Current projections indicate that annual fuel costs may increase by \$13 million to \$20 million in the period 2000-2009 in order to comply with new sulfur dioxide emissions requirements. In addition, approximately \$59 million in capital expenditures may be necessary for nitrogen oxides emissions requirements.

Detroit Edison expects that substantially all of the costs of environmental compliance will be recovered through the ratemaking process.

The Company has accrued for settlements in environmental matters discussed in Note 12 of the Notes to Consolidated Financial Statements.

Statistical Review
DTE Energy Company and Subsidiary Companies

		1995	1994	1993	1992
Operating Revenues (Thousands)	Residential	\$ 1,210,925	\$ 1,136,169	\$ 1,125,624	\$ 1,098,027
	Commercial	1,495,820	1,473,309	1,428,321	1,438,258
	Industrial	728,088	736,339	720,002	749,240
	Other	149,732	130,383	220,901	214,171
	Total System	\$ 3,584,565	\$ 3,476,200	\$ 3,494,848	\$ 3,499,696
	Interconnection	50,979	43,141	60,363	58,447
	Total	\$ 3,635,544	\$ 3,519,341	\$ 3,555,211	\$ 3,558,143
Sales (Millions of kWh)	Residential	13,006	12,170	12,033	11,309
	Commercial	17,471	17,042	15,996	15,384
	Industrial	13,825	13,356	12,618	11,827
	Other	1,671	1,586	2,318	2,177
	Total System	45,973	44,154	42,965	40,697
	Interconnection	2,969	1,978	3,611	3,204
	Total	48,942	46,132	46,576	43,901
Electric Customers (Year End)	Residential	1,824,917	1,805,141	1,790,197	1,777,914
	Commercial	173,651	172,221	170,453	169,080
	Industrial	956	889	850	813
	Other	1,986	1,974	2,041	1,992
	Total	2,001,510	1,980,225	1,963,541	1,949,799
Average Annual Use Per Residential Customer (kWh)		7,164	6,773	6,747	6,375
Average Annual Bill Per Residential Customer		\$667.04	\$632.34	\$631.21	\$618.93
Average Revenue Per kWh	Residential	9.31¢	9.34¢	9.35¢	9.71¢
	Commercial	8.56	8.65	8.93	9.35
	Industrial	5.27	5.51	5.71	6.33
Capitalization (Thousands)	Long-Term Debt	\$ 3,756,094	\$ 3,825,296	\$ 3,830,596	\$ 3,973,485
	Preferred/Preference Stock of Subsidiary	326,604	380,283	380,683	333,994
	Common Shareholders' Equity	3,436,308	3,326,080	3,295,955	3,113,887
	Total	\$ 7,519,006	\$ 7,531,659	\$ 7,507,234	\$ 7,421,366
Capitalization (Percent)	Long-Term Debt	50.0	50.8	51.0	53.5
	Preferred/Preference Stock of Subsidiary	4.3	5.0	5.1	4.5
	Common Shareholders' Equity	45.7	44.2	43.9	42.0
	Total	100.0	100.0	100.0	100.0
Common Stock Data	Earnings (Loss) Per Common Share	\$2.80	\$2.67	\$3.34	\$3.79
	Dividend Paid Per Share	\$2.06	\$2.06	\$2.04	\$1.955
	Payout	74%	77%	61%	52%
	Dividend Declared Per Share	\$2.06	\$2.06	\$2.06	\$1.98
	Shares Outstanding - Average	144,939,875	146,151,505	147,031,446	146,998,485
	Return on Average Common Equity	11.85%	11.64%	15.23%	18.56%
	Book Value Per Share	\$23.62	\$22.89	\$22.34	\$21.13
	Market Price: High	\$34%	\$30%	\$37 1/2	\$35 1/4
	Low	\$25%	\$24%	\$29%	\$30%
Miscellaneous Financial Data	Avg. Interest Rate Long-Term Debt	7.1%	7.2%	7.4%	8.6%
	Avg. Dividend Rate Preferred/Preference Stock of Subsidiary	7.8%	7.8%	7.8%	8.5%
	Net Income (Loss) (Thousands)	\$ 405,914	\$ 390,269	\$ 491,066	\$ 557,549
	Long-Term Debt and Redeemable Preferred/Preference Stock of Subsidiary (Thousands)	\$ 4,004,247	\$ 3,979,763	\$ 4,007,622	\$ 4,525,504
	Total Assets (Thousands)	\$11,130,591	\$10,992,978	\$11,134,879	\$10,309,061
	Gross Utility Plant (Thousands)	\$13,446,718	\$13,115,658	\$12,788,445	\$12,402,581
	Net Utility Plant (Thousands)	\$ 8,518,402	\$ 8,585,966	\$ 8,650,564	\$ 8,617,738
	Capital Expenditures (Thousands)	\$ 453,844	\$ 366,392	\$ 396,407	\$ 415,937
Miscellaneous Operating Data	System Capability at Year End - MW	10,219	10,476	10,274	10,410
	System Capability at Time of Peak - MW	10,282	10,282	10,103	10,262
	System Peak Demand - MW	10,049	9,684	9,362	8,704
	Reserve Margin at Time of Peak	2.3%	6.2%	7.9%	17.9%
	System Load Factor	55.9%	55.4%	55.8%	56.9%
	Heat Rate - Btu per kWh	10,320	9,980	10,080	9,990
	Fuel Cost - ¢ Per Million Btu	136.7¢	157.1¢	148.2¢	150.5¢
	Number of Employees at Year End	8,340	8,494	8,919	9,183

1991	1990	1989	1988	1987	1986	1985
\$ 1,154,440	\$ 1,045,081	\$ 1,013,677	\$ 984,689	\$ 905,208	\$ 880,205	\$ 827,210
1,410,708	1,328,170	1,259,513	1,160,024	1,968,072	1,057,749	984,340
723,984	740,401	739,982	739,794	690,109	698,873	701,593
197,006	193,087	189,859	217,665	193,342	232,457	275,014
\$ 3,486,138	\$ 3,306,739	\$ 3,203,031	\$ 3,102,172	\$ 2,856,731	\$ 2,869,284	\$ 2,788,157
105,399	269,542	202,574	133,518	128,473	78,041	77,916
\$ 3,591,537	\$ 3,576,281	\$ 3,405,605	\$ 3,235,690	\$ 2,985,204	\$ 2,947,325	\$ 2,866,073
12,222	11,513	11,524	11,723	11,134	10,492	10,077
15,571	15,145	14,816	14,345	13,574	12,859	12,033
11,564	12,250	12,498	13,045	12,524	11,882	11,710
1,692	1,596	1,846	2,031	2,260	2,807	2,875
41,049	40,504	40,684	41,144	39,492	38,040	36,695
5,534	11,887	9,301	6,671	6,665	3,252	2,870
46,583	52,391	49,985	47,815	46,157	41,292	39,565
1,770,859	1,757,878	1,738,494	1,718,835	1,697,326	1,664,226	1,642,981
168,255	166,850	164,138	160,680	156,986	150,670	146,608
814	808	788	762	737	701	648
1,968	1,939	1,934	1,926	1,928	1,905	1,892
1,941,896	1,927,475	1,905,354	1,882,203	1,856,977	1,817,502	1,792,129
6,929	6,583	6,668	6,866	6,635	6,350	6,165
\$654.54	\$597.51	\$586.50	\$576.70	\$539.44	\$532.74	\$506.06
9.45¢	9.08¢	8.80¢	8.40¢	8.13¢	8.39¢	8.21¢
9.06	8.77	8.50	8.09	7.87	8.23	8.18
6.26	6.04	5.92	5.67	5.51	5.88	5.99
\$ 4,218,264	\$ 4,923,999	\$ 4,561,005	\$ 4,238,536	\$ 4,693,687	\$ 3,656,569	\$ 3,770,863
353,237	376,183	399,188	416,212	521,894	742,273	879,497
2,847,572	2,588,452	2,370,060	2,226,949	2,919,985	2,716,403	2,588,025
\$ 7,419,073	\$ 7,888,634	\$ 7,330,253	\$ 6,881,697	\$ 8,135,566	\$ 7,115,245	\$ 7,238,385
56.8	62.4	62.2	61.6	57.7	51.4	52.1
4.8	4.8	5.5	6.0	6.4	10.4	12.1
38.4	32.8	32.3	32.4	35.9	38.2	35.8
100.0	100.0	100.0	100.0	100.0	100.0	100.0
\$3.64	\$3.26	\$2.65	\$(2.92)	\$3.25	\$2.58	\$2.33
\$1.855	\$1.755	\$1.68	\$ 1.68	\$1.68	\$1.68	\$1.68
51%	54%	63%	—%	52%	65%	72%
\$1.88	\$1.78	\$1.68	\$ 1.68	\$1.68	\$1.68	\$1.68
146,945,932	146,888,809	146,816,363	146,761,458	146,729,292	146,643,377	143,183,133
19.55%	19.11%	16.75%	(15.91)%	16.69%	14.09%	13.31%
\$19.32	\$17.56	\$16.07	\$15.10	\$19.75	\$18.34	\$17.47
\$35%	\$30%	\$25%	\$17½	\$19	\$19%	\$17%
\$27½	\$23½	\$17%	\$12	\$12½	\$15%	\$14
9.1%	9.2%	9.5%	9.6%	9.5%	9.2%	9.9%
8.6%	8.7%	8.8%	8.9%	10.7%	11.5%	11.6%
\$ 535,205	\$ 479,280	\$ 388,933	\$ (428,583)	\$ 476,734	\$ 378,292	\$ 334,251
\$ 4,900,020	\$ 5,300,962	\$ 5,028,961	\$ 5,148,498	\$ 5,232,662	\$ 4,774,495	\$ 4,731,589
\$10,463,624	\$10,573,325	\$ 9,949,599	\$10,060,293	\$11,158,214	\$10,377,125	\$ 9,863,760
\$11,997,862	\$11,749,142	\$11,024,368	\$10,766,755	\$11,893,418	\$11,062,449	\$10,466,039
\$ 8,558,227	\$ 8,624,923	\$ 8,236,553	\$ 8,303,644	\$ 9,682,875	\$ 9,034,716	\$ 8,612,890
\$ 272,121	\$ 230,201	\$ 242,973	\$ 235,127	\$ 709,084	\$ 645,196	\$ 710,699
10,267	10,130	10,081	10,004	9,164	9,070	9,296
10,121	9,953	9,942	10,038	9,020	9,199	9,367
8,980	9,032	8,704	9,133	8,427	8,050	7,172
12.7%	10.2%	14.2%	9.9%	7.0%	14.3%	30.6%
55.9%	54.9%	57.3%	55.2%	57.4%	57.9%	63.3%
9,980	9,940	9,940	9,990	10,060	10,090	9,990
153.3¢	155.8¢	169.2¢	173.8¢	172.9¢	189.2¢	202.0¢
9,357	9,669	10,254	10,614	11,221	10,967	11,086

DTE Energy and Detroit Edison Board of Directors

Name, age, year joined the Board and brief biographical information.



Terence E. Adderley, 62, 1987. President and Chief Executive Officer, Kelly Services, Inc. since 1967. Kelly Services, Inc. is an international provider of business, technical and professional staffing services. Mr. Adderley also is a director of Kelly Services, Inc., The First National Bank of Chicago and First Chicago NBD Corporation. He received his bachelor's and master's degrees in business administration from the University of Michigan. He serves on the Executive, Finance, and Organization and Compensation committees.



Lillian Bauder, 56, 1986. President and Chief Executive Officer, Cranbrook Educational Community since 1984. Dr. Bauder also is a director of Comerica Bank and Masco Corporation. She received a bachelor's degree from Douglass College and master's and doctorate degrees in sociology from the University of Michigan. Dr. Bauder serves on the Audit, Executive and Nuclear Review committees.



David Bing, 52, 1985. Chairman of the Board, Bing Steel, Inc. since 1986. Mr. Bing previously served as President of a steel service center serving automotive manufacturers, steel fabricators, construction subcontractors and the farm implement and appliance industries. He also is Chief Executive Officer of Superb Manufacturing, a metal stamping company. Mr. Bing played professional basketball for 12 years and continues to serve the community as advisor to many youth groups. He also serves as a director of several civic organizations. Mr. Bing received his bachelor's degree from Syracuse University. Mr. Bing serves on the Audit, Energy Resources Planning, and Organization and Compensation committees.



Anthony F. Earley, Jr., 46, 1994. President and Chief Operating Officer of DTE Energy and Detroit Edison. Mr. Earley previously served as President of the Long Island Lighting Company in New York. He also has been a partner in Hunton & Williams, a major national law firm, and a nuclear submarine officer. He is on the board of Mutual of America Capital Management Corp., the Engineering Advisory Council for Notre Dame and the boards of various community organizations. Mr. Earley received a juris doctorate, master's degree in engineering and bachelor's degree in physics from Notre Dame. He serves on the Executive committee.



Patricia S. Longe, 62, 1973. Economist and senior partner of The Longe Company, an economic consulting and investment firm in Naples, Florida, since 1981. Dr. Longe was Professor of Business Administration at the Graduate School of the University of Michigan from 1973 to 1986. She also is a director of Jacobson Stores, Inc., The Kroger Co., Comerica Incorporated, Comerica Bank & Trust, F.S.B. and The Warner-Lambert Co. Dr. Longe received bachelor's and master's degrees in business administration from the University of Detroit and a doctor of philosophy degree in economics from Wayne State University. She serves on the Audit, Nominating, and Nuclear Review committees.



Eugene A. Miller, 58, 1989. Chairman and chief executive officer of Comerica Incorporated, and Comerica Bank. Mr. Miller is a director of Amerisure Companies. He also serves as a director or trustee of a number of community and professional organizations. Mr. Miller received a bachelor's degree in business administration from the Detroit Institute of Technology. He serves on the Finance, Nominating, and Organization and Compensation committees.



Dean E. Richardson, 68, 1977. Retired chairman of the board of Manufacturers National Corporation. Mr. Richardson also is a director of the Automobile Club of Michigan and Tecumseh Products Company. He received a bachelor's degree from Michigan State University and a bachelor of laws from the University of Michigan. Mr. Richardson serves on the Audit, Executive, Finance, and Organization and Compensation committees.



Larry G. Garberding, 57, 1990
Executive Vice President and Chief Financial Officer of DTE Energy and Detroit Edison. He previously served as President of NICOR, Inc., a natural gas utility serving suburban Chicago from 1988 to 1990 and in various executive capacities at Tenneco Gas in Houston from 1981 to 1987. He is a member of the Finance committee of Detroit Medical Center. Mr. Garberding earned a bachelor's degree in industrial administration from Iowa State University. He serves on the Executive and Finance committees.



Allan D. Gilmour, 61, 1995
Retired as vice chairman of Ford Motor Co. in 1995. He serves on the boards of The Dow Chemical Company, The Prudential Insurance Company of America, US West, Inc., and Whirlpool Corporation. He is chairman of the Henry Ford Health System. Mr. Gilmour received his master's degree in business administration from the University of Michigan and bachelor's degree in economics from Harvard University. He serves on the Finance and Nominating committees.



Theodore S. Leipprandt, 62, 1990
Owner of Leipprandt Orchards. Retired from Cooperative Elevator Co. in 1995. During his 36-year career, he was responsible for domestic and export dry bean sales and served 13 years as president and CEO. He is past president of the Michigan Agri-Business Association and the Michigan 4-H Foundation Board of Trustees. Mr. Leipprandt served as District Governor of Rotary International. He received a bachelor's degree in animal science from Michigan State University. Mr. Leipprandt serves on the Audit, Energy Resources Planning, and Nuclear Review committees.



John E. Lobbia, 54, 1988
Chairman of the Board and Chief Executive Officer of DTE Energy and Detroit Edison. Mr. Lobbia has been involved in every aspect of Detroit Edison after 31 years' experience in diverse areas such as customer service, finance, engineering, power supply and corporate strategic planning. He also is a director of Flint Ink Corporation, NBD Bank and the Rouge Steel Company as well as a director and trustee of a number of community and professional organizations. Mr. Lobbia received a bachelor's degree in electrical engineering from the University of Detroit. He serves on the Executive committee.



Alan E. Schwartz, 70, 1969
A partner in the law firm of Honigman Miller Schwartz and Cohn in Detroit. He also is a director of Comerica Incorporated, Core Industries, Inc., Handelman Company, Howell Industries, Inc., Pulse Corporation and Unisys Corporation and he is a director or trustee of various civic organizations. Mr. Schwartz received a bachelor's degree from the University of Michigan and a juris doctorate from Harvard Law School. He serves on the Executive, Finance, Nominating, and Organization and Compensation committees.



William Wegner, 69, 1990
Consultant and owner of W-Squared, Inc., a consulting firm providing services to nuclear utility companies. Mr. Wegner served in the U.S. Navy and Atomic Energy Commission in the naval nuclear propulsion program where he was Admiral Rickover's Deputy from 1964 to 1979. He later became a private nuclear consultant. Mr. Wegner graduated from the U.S. Naval Academy, received masters' degrees in naval architecture and marine engineering from Webb Institute, and a master's degree in nuclear engineering from the Massachusetts Institute of Technology. He serves on the Energy Resources Planning and Nuclear Review committees.

Miscellaneous Corporate Data

Market for the Company's Common Equity and Related Shareholder Matters

On Jan. 1, 1996, Detroit Edison common stock was automatically exchanged, one-for-one, for common stock of DTE Energy Company. DTE Energy's common stock is listed on the New York Stock Exchange and the Chicago Stock Exchange (symbol DTE). The following table indicates the reported high and low sales prices of Detroit Edison common stock on the composite tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Calendar Quarter		Price Range		Dividends Paid Per Share
		High	Low	
1994	First	30 1/4	26	\$0.515
	Second	27 1/4	24 1/4	0.515
	Third	27 1/2	24 1/4	0.515
	Fourth	27 1/2	24 3/4	0.515
1995	First	29 5/8	25 3/4	0.515
	Second	30 7/8	27 1/8	0.515
	Third	32 5/8	28 1/4	0.515
	Fourth	34 7/8	32 1/8	0.515

As of Jan. 1, 1996, 145,119,875 shares of the company's common stock were outstanding. These shares were held by a total of 143,177 shareholders.

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

Distribution of Ownership of DTE Energy Common Stock

(January 1, 1996)

Type of Owner:

	Owners	Shares
Individuals	69,005	16,448,219
Joint Accounts	61,334	20,981,762
Trust Accounts	11,841	6,893,430
Nominees	44	87,162,011
Institutions & Foundations	215	101,285
Brokers & Security Dealers	14	9,157
Others	724	13,524,011
Total	143,177	145,119,875

State & Country:

	Owners	Shares
Michigan	69,012	35,370,001
Florida	10,408	4,196,463
California	8,114	2,530,805
New York	6,561	88,508,794
Illinois	6,095	1,790,896
Ohio	4,811	1,345,983
44 Other States	37,643	11,206,766
Foreign Countries	533	170,167
Total	143,177	145,119,875

Annual Meeting of Shareholders

The 1996 Annual Meeting of DTE Energy Shareholders will be held at 10 a.m. Detroit time Monday, April 22, 1996, at The Detroit Edison Company General Offices, 2000 2nd Avenue, Detroit. Shareholders will be asked to elect members of the Board of Directors and ratify the appointment of independent auditors.

At the 1995 Detroit Edison Annual Meeting of Shareholders, four directors, three of whom were incumbents, were elected; a plan of share exchange and a long-term incentive plan were adopted; and the appointment of independent auditors ratified.

Corporate Address

DTE Energy Company
2000 2nd Ave., Detroit, MI 48226-1279
Telephone: (313) 235-4000

Independent Auditors

Deloitte & Touche LLP
600 Renaissance Center, Suite 900, Detroit, MI 48243-1704

Form 10-K

Copies of Form 10-K, Securities and Exchange Commission Annual Report, are available. Requests should be directed to:

Susan M. Beale
Vice President and Corporate Secretary
DTE Energy Company
2000 2nd Ave., Detroit, MI 48226-1279

Transfer Agent

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
Shareholder Services: (800) 551-5009

Registrar of Stock

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
(Detroit Edison preferred and DTE Energy common stock)

Other Shareholder Information

Shareholders who hold stock in street form may request quarterly reports by writing to the address below. Shareholders of record automatically receive quarterly reports. As a service to shareholders of record, DTE Energy and Detroit Edison offer direct deposit of dividend payments. Payments can be electronically transferred directly to the bank or savings and loan account of choice on the payment date. Please write to the address below to receive an authorization form to request direct deposit of dividend payments.

DTE Energy Company
c/o Detroit Edison, Shareholder Services, Room 434 W.C.B.
2000 2nd Ave., Detroit, MI 48226-1279

Detroit Edison Officers

- | | |
|--|---|
| <p>* John E. Lobbia, 54, 1964
Chairman of the Board and
Chief Executive Officer since 1990</p> <p>* Anthony F. Earley, Jr., 46, 1994
President and Chief Operating Officer
since 1994</p> <p>* Larry G. Garberding, 57, 1990
Executive Vice President and
Chief Financial Officer since 1990</p> <p>Frank E. Agosti, 59, 1957
Senior Vice President, Power Supply
since 1990</p> <p>Robert J. Buckler, 46, 1974
Senior Vice President, Energy
Marketing and Distribution since 1992</p> <p>Douglas R. Gipson, 48, 1987
Senior Vice President, Nuclear
Generation since 1993</p> <p>Gerard M. Anderson, 37, 1993
Vice President for Non-Utility Business
Ventures since 1993</p> <p>Michael E. Champley, 47, 1977
Vice President, Bulk Energy Sourcing
and Marketing since 1996</p> | <p>Haven E. Cockerham, 48, 1994
Vice President, Human Resources
since 1994</p> <p>Charles I. Gragg III, 37, 1996
Vice President, Retail Customer
Marketing since March 1996</p> <p>* Ronald W. Gresens, 62, 1968
Vice President and Controller
since 1987</p> <p>* Leslie L. Loomans, 52, 1966
Vice President and Treasurer
since 1989</p> <p>* Christopher C. Nern, 51, 1973
Vice President and General Counsel
since 1993</p> <p>S. Martin Taylor, 55, 1989
Vice President, Corporate and
Public Affairs since 1994</p> <p>* Susan M. Beale, 47, 1982
Vice President and Corporate Secretary
since 1995</p> <p>* Frederick S. Karwacki, 47, 1985
General Auditor since 1989</p> |
|--|---|

*Name, Age, Year Joined Detroit Edison
Title and Year Named to Present Position.*

* *Also an officer of DTE Energy.*



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Detroit Edison promotes waste reduction and
is a charter member of the U.S. Environmental
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DTE Energy Company
2000 2nd Ave. Detroit, MI 48226-1279
(313) 235-8000

DTE Energy

