DTE ENERGY CO
Form 10-K
February 23, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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

Commission file number 1-11607

DTE ENERGY COMPANY
(Exact name of registrant as specified in its charter)

Michigan *(State or other jurisdiction of incorporation or organization)*	**38-3217752** *(I.R.S. Employer Identification No.)*
One Energy Plaza, Detroit, Michigan *(Address of principal executive offices)*	**48226-1279** *(Zip Code)*

313-235-4000
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, without par value	New York Stock Exchange
7.8% Trust Preferred Securities*	New York Stock Exchange
7.50% Trust Originated Preferred Securities**	New York Stock Exchange

*

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes þ No o

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

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

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

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

On June 30, 2009, the aggregate market value of the Registrant s voting and non-voting common equity held by non-affiliates was approximately $5.3 billion (based on the New York Stock Exchange closing price on such date). There were 165,633,622 shares of common stock outstanding at January 31, 2010.

Certain information in DTE Energy Company s definitive Proxy Statement for its 2010 Annual Meeting of Common Shareholders to be held May 6, 2010, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the Registrant s fiscal year covered by this report on Form 10-K, is incorporated herein by reference to Part III (Items 10, 11, 12, 13 and 14) of this Form 10-K.

DTE Energy Company

Annual Report on Form 10-K
Year Ended December 31, 2009

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DEFINITIONS

ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Company	DTE Energy Company and any subsidiary companies
CTA	Costs to achieve, consisting of project management, consultant support and employee severance, related to the Performance Excellence Process
Customer Choice	Statewide initiatives giving customers in Michigan the option to choose alternative suppliers for electricity and gas.
Detroit Edison	The Detroit Edison Company (a direct wholly owned subsidiary of DTE Energy Company) and subsidiary companies
DTE Energy	DTE Energy Company, directly or indirectly the parent of Detroit Edison, MichCon and numerous non-utility subsidiaries
EPA	United States Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FSP	FASB Staff Position
FTRs	Financial transmission rights
GCR	A gas cost recovery mechanism authorized by the MPSC that allows MichCon to recover through rates its natural gas costs.
ISO-NE	ISO New England Inc. is a Regional Transmission Organization serving Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.
MDEQ	Michigan Department of Environmental Quality
MichCon	Michigan Consolidated Gas Company (an indirect wholly owned subsidiary of DTE Energy) and subsidiary companies
MISO	Midwest Independent System Operator is an Independent System Operator and the Regional Transmission Organization serving the Midwest United States and Manitoba, Canada.
MPSC	Michigan Public Service Commission
Non-utility	An entity that is not a public utility. Its conditions of service, prices of goods and services and other operating related matters are not directly regulated by the MPSC or the FERC.
NRC	Nuclear Regulatory Commission
NYMEX	New York Mercantile Exchange
PJM	PJM Interconnection LLC is a Regional Transmission Organization serving all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
Production tax credits	Tax credits as authorized under Sections 45K and 45 of the Internal Revenue Code that are designed to stimulate investment in and development of alternate fuel sources. The amount of a production tax credit can vary each year as determined by the Internal Revenue Service.
Proved reserves	Estimated quantities of natural gas, natural gas liquids and crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reserves under existing economic and operating conditions.
PSCR	A power supply cost recovery mechanism authorized by the MPSC that allows Detroit Edison to recover through rates its fuel, fuel-related and purchased power costs.
Securitization	Detroit Edison financed specific stranded costs at lower interest rates through the sale of rate reduction bonds by a wholly-owned special purpose entity, The Detroit Edison Securitization Funding LLC.

SFAS	Statement of Financial Accounting Standards

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Subsidiaries	The direct and indirect subsidiaries of DTE Energy Company
Synfuels	The fuel produced through a process involving chemically modifying and binding particles of coal. Synfuels are used for power generation and coke production. Synfuel production through December 31, 2007 generated production tax credits.
Unconventional Gas	Includes those oil and gas deposits that originated and are stored in coal bed, tight sandstone and shale formations.

Units of Measurement

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

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Forward-Looking Statements

Certain information presented herein includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of DTE Energy. Forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause actual future results to be materially different from those contemplated, projected, estimated or budgeted. Many factors may impact forward-looking statements including, but not limited to, the following:

- the length and severity of ongoing economic decline resulting in lower demand, customer conservation and increased thefts of electricity and gas;
- changes in the economic and financial viability of our customers, suppliers, and trading counterparties, and the continued ability of such parties to perform their obligations to the Company;
- economic climate and population growth or decline in the geographic areas where we do business;
- high levels of uncollectible accounts receivable;
- access to capital markets and capital market conditions and the results of other financing efforts which can be affected by credit agency ratings;
- instability in capital markets which could impact availability of short and long-term financing;
- the timing and extent of changes in interest rates;
- the level of borrowings;
- potential for losses on investments, including nuclear decommissioning and benefit plan assets and the related increases in future expense and contributions;
- the potential for increased costs or delays in completion of significant construction projects;
- the effects of weather and other natural phenomena on operations and sales to customers, and purchases from suppliers;
- environmental issues, laws, regulations, and the increasing costs of remediation and compliance, including actual and potential new federal and state requirements that include or could include carbon and more stringent mercury emission controls, a renewable portfolio standard, energy efficiency mandates, a carbon tax or cap and trade structure and ash landfill regulations;
- nuclear regulations and operations associated with nuclear facilities;
- impact of electric and gas utility restructuring in Michigan, including legislative amendments and Customer Choice programs;
- employee relations and the impact of collective bargaining agreements;

unplanned outages;

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

volatility in the short-term natural gas storage markets impacting third-party storage revenues;

cost reduction efforts and the maximization of plant and distribution system performance;

the effects of competition;

the uncertainties of successful exploration of gas shale resources and challenges in estimating gas reserves with certainty;

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

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- changes in and application of federal, state and local tax laws and their interpretations, including the Internal Revenue Code, regulations, rulings, court proceedings and audits;
- the amount and timing of cost recovery allowed as a result of regulatory proceedings, related appeals or new legislation;
- the cost of protecting assets against, or damage due to, terrorism or cyber attacks;
- the availability, cost, coverage and terms of insurance and stability of insurance providers;
- changes in and application of accounting standards and financial reporting regulations;
- changes in federal or state laws and their interpretation with respect to regulation, energy policy and other business issues; and
- binding arbitration, litigation and related appeals.

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

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Part I

Items 1. and 2. *Business and Properties*

General

In 1995, DTE Energy incorporated in the State of Michigan. Our utility operations consist primarily of Detroit Edison and MichCon. We also have four other segments that are engaged in a variety of energy-related businesses.

Detroit Edison is a Michigan corporation organized in 1903 and is a public utility subject to regulation by the MPSC and the FERC. Detroit Edison is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan.

MichCon is a Michigan corporation organized in 1898 and is a public utility subject to regulation by the MPSC. MichCon is engaged in the purchase, storage, transmission, gathering, distribution and sale of natural gas to approximately 1.2 million customers throughout Michigan.

Our other segments are involved in 1) gas pipelines and storage; 2) unconventional gas exploration, development, and production; 3) power and industrial projects and coal transportation and marketing; and 4) energy marketing and trading operations.

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

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

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

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

Corporate Structure

Based on the following structure, we set strategic goals, allocate resources, and evaluate performance. See Note 24 of the Notes to Consolidated Financial Statements in Item 8 of this Report for financial information by segment for the last three years.

Electric Utility

The Company s Electric Utility segment consists of Detroit Edison, which is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million residential, commercial and industrial customers in southeastern Michigan.

Gas Utility

The Gas Utility segment consists of MichCon and Citizens. MichCon is engaged in the purchase, storage, transmission, distribution and sale of natural gas to approximately 1.2 million residential, commercial and industrial customers throughout Michigan. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

Non-Utility Operations

Gas Storage and Pipelines consists of natural gas pipelines and storage businesses.

Unconventional Gas Production is engaged in unconventional gas project development and production.

Power and Industrial Projects is comprised of coke batteries and pulverized coal projects, reduced emission fuel and steel industry fuel-related projects, on-site energy services, power generation and coal transportation and marketing.

Energy Trading consists of energy marketing and trading operations.

Corporate & Other, includes various holding company activities, holds certain non-utility debt and energy-related investments.

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

ELECTRIC UTILITY

Description

Our Electric Utility segment consists of Detroit Edison. Our generating plants are regulated by numerous federal and state governmental agencies, including, but not limited to, the MPSC, the FERC, the NRC, the EPA and the MDEQ. Electricity is generated from our several fossil plants, a hydroelectric pumped storage plant and a nuclear plant, and is purchased from electricity generators, suppliers and wholesalers. The electricity we produce and purchase is sold to three major classes of customers: residential, commercial and industrial, principally throughout southeastern Michigan.

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Revenue by Service

	2009	2008	2007
		(in Millions)	
Residential	**$ 1,820**	$ 1,726	$ 1,739
Commercial	**1,702**	1,753	1,723
Industrial	**730**	894	854
Other	**299**	289	384
Subtotal	**4,551**	4,662	4,700
Interconnection sales(1)	**163**	212	200
Total Revenue	**$ 4,714**	$ 4,874	$ 4,900

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

Weather, economic factors, competition and electricity prices affect sales levels to customers. Our peak load and highest total system sales generally occur during the third quarter of the year, driven by air conditioning and other cooling-related demands. Our operations are not dependent upon a limited number of customers, and the loss of any one or a few customers would not have a material adverse effect on Detroit Edison.

Fuel Supply and Purchased Power

Our power is generated from a variety of fuels and is supplemented with purchased power. We expect to have an adequate supply of fuel and purchased power to meet our obligation to serve customers. Our generating capability is heavily dependent upon the availability of coal. Coal is purchased from various sources in different geographic areas under agreements that vary in both pricing and terms. We expect to obtain the majority of our coal requirements through long-term contracts, with the balance to be obtained through short-term agreements and spot purchases. We have nine long-term and nine short-term contracts for a total purchase of approximately 28 million tons of low-sulfur western coal to be delivered from 2010 through 2012. We also have nine long-term and two short-term contracts for the purchase of approximately 9 million tons of Appalachian coal to be delivered from 2010 through 2012. All of these contracts have fixed prices. We have approximately 87% of our 2010 expected coal requirements under contract. Given the geographic diversity of supply, we believe we can meet our expected generation requirements. We lease a fleet of rail cars and have transportation contracts with companies to provide rail and vessel services for delivery of purchased coal to our generating facilities.

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

Properties

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

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Generating plants owned and in service as of December 31, 2009 are as follows:

Plant Name	Location by Michigan County	Summer Net Rated Capability(1) (MW)	(%)	Year in Service
Fossil-fueled Steam-Electric				
Belle River(2)	St. Clair	1,034	9.3	1984 and 1985
Conners Creek	Wayne	230	2.1	1951
Greenwood	St. Clair	785	7.1	1979
Harbor Beach	Huron	103	0.9	1968
Marysville	St. Clair	84	0.8	1943 and 1947
Monroe(3)	Monroe	3,090	27.9	1971, 1973 and 1974
River Rouge	Wayne	523	4.7	1957 and 1958
St. Clair(4)	St. Clair	1,365	12.3	1953, 1954, 1959, 1961 and 1969
Trenton Channel	Wayne	730	6.6	1949 and 1968
		7,944	71.7	
Oil or Gas-fueled Peaking Units	Various	1,101	10.0	1966-1971, 1981 and 1999
Nuclear-fueled Steam-Electric Fermi 2(5)	Monroe	1,102	10.0	1988
Hydroelectric Pumped Storage				
Ludington(6)	Mason	917	8.3	1973
		11,064	100.0	

(1) Summer net rated capabilities of generating plants in service are based on periodic load tests and are changed depending on operating experience, the physical condition of units, environmental control limitations and customer requirements for steam, which otherwise would be used for electric generation.

(2) The Belle River capability represents Detroit Edison s entitlement to 81.39% of the capacity and energy of the plant. See Note 8 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

(3) The Monroe power plant provided 38% of Detroit Edison s total 2009 power generation.

(4) Excludes one oil-fueled unit (250 MW) in cold standby status.

(5) Fermi 2 has a design electrical rating (net) of 1,150 MW.

(6) Represents Detroit Edison s 49% interest in Ludington with a total capability of 1,872 MW.

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

Detroit Edison owns and operates 677 distribution substations with a capacity of approximately 33,347,000 kilovolt-amperes (kVA) and approximately 423,600 line transformers with a capacity of approximately 21,883,000 kVA.

Circuit miles of electric distribution lines owned and in service as of December 31, 2009:

	Circuit Miles	
Operating Voltage-Kilovolts (kV)	**Overhead**	**Underground**
4.8 kV to 13.2 kV	28,243	13,884
24 kV	177	681
40 kV	2,317	363
120 kV	54	13
	30,791	14,941

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

Regulation

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

See Notes 4, 9, 12 and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Energy Assistance Programs

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

Strategy and Competition

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

Our distribution operations focus on improving reliability, restoration time and the quality of customer service. We seek to lower our operating costs by improving operating efficiencies. Revenues from year to year will vary due to weather conditions, economic factors, regulatory events and other risk factors as discussed in the Risk Factors in Item 1A. of this Report. We expect to minimize the impacts of declines in average customer usage through regulatory mechanisms which will partially decouple our revenue levels from sales volumes.

The electric Customer Choice program in Michigan allows all of our electric customers to purchase their electricity from alternative electric suppliers of generation services, subject to limits. Customers choosing to purchase power from alternative electric suppliers represented approximately 3% of retail sales in 2009 and 2008, and 4% of such sales in 2007. Customers participating in the electric Customer Choice program consist primarily of industrial and commercial customers whose MPSC-authorized full service rates exceed their cost of service. MPSC rate orders and recent energy legislation enacted by the State of Michigan are phasing out the pricing disparity over five years and have placed a 10% cap on the total potential Customer Choice related migration, mitigating some of the unfavorable effects of electric Customer Choice on our financial performance. We expect that in 2010 customers choosing to purchase power from alternative electric suppliers will represent approximately 10% of retail sales. When market conditions are favorable, we sell power into the wholesale market, in order to lower costs to full-service customers.

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

GAS UTILITY

Description

Our Gas Utility segment consists of MichCon and Citizens.

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

Revenue by Service

	2009	2008	2007
		(in Millions)	
Gas sales	**$ 1,443**	$ 1,824	$ 1,536
End user transportation	**144**	143	140
Intermediate transportation	**69**	73	59
Storage and other	**132**	112	140
Total Revenue	**$ 1,788**	$ 2,152	$ 1,875

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

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

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

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

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

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

Natural Gas Supply

Our gas distribution system has a planned maximum daily send-out capacity of 2.6 Bcf, with approximately 67% of the volume coming from underground storage for 2009. Peak-use requirements are met through utilization of our storage facilities, pipeline transportation capacity, and purchased gas supplies. Because of our geographic diversity of supply and our pipeline transportation and storage capacity, we are able to reliably meet our supply requirements. We believe natural gas supply and pipeline capacity will be sufficiently available to meet market demands in the foreseeable future.

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

We are directly connected to interstate pipelines, providing access to most of the major natural gas supply producing regions in the Gulf Coast, Mid-Continent and Canadian regions. Our primary long-term transportation supply contracts are as follows:

	Availability (MMcf/d)	Contract Expiration
TransCanada PipeLines Limited	53	2010
Great Lakes Gas Transmission L.P.	30	2010
Vector Pipeline L.P.	50	2012
ANR Pipeline Company	245	2013
Viking Gas Transmission Company	51	2013
Panhandle Eastern Pipeline Company	75	2029

Properties

We own distribution, transmission and storage properties that are located in the State of Michigan. Our distribution system includes approximately 19,000 miles of distribution mains, approximately 1,177,000 service lines and approximately 1,312,000 active meters. We own approximately 2,100 miles of transmission lines that deliver natural gas to the distribution districts and interconnect our storage fields with the sources of supply and the market areas.

We own properties relating to four underground natural gas storage fields with an aggregate working gas storage capacity of approximately 132 Bcf. These facilities are important in providing reliable and cost-effective service to our customers. In addition, we sell storage services to third parties. Most of our distribution and transmission property is located on property owned by others and used by us through easements, permits or licenses. Substantially all of our property is subject to the lien of a mortgage.

We own 666 miles of transportation and gathering (non-utility) pipelines in the northern lower peninsula of Michigan. We lease a portion of our pipeline system to the Vector Pipeline Partnership (an affiliate) through a capital-lease arrangement. See Note 19 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Regulation

MichCon s business is subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of regulatory assets, conditions of service, accounting and operating-related matters. MichCon s MPSC-approved rates charged to customers have historically been designed to allow for the recovery of costs, plus an authorized rate of return on our investments. MichCon operates natural gas transportation and storage facilities in Michigan as intrastate facilities regulated by the MPSC and provides intrastate transportation and storage services pursuant to an MPSC-approved tariff. MichCon also provides interstate transportation and storage services in accordance with an Operating Statement on file with the FERC. We are subject to the requirements of other regulatory agencies with respect to safety, the environment and health.

See Note 12 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

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Energy Assistance Program

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

Strategy and Competition

Our strategy is to be the preferred provider of natural gas in Michigan. As a result of more efficient furnaces and appliances, and customer conservation due to high natural gas prices and economic conditions, we expect future sales volumes to decline. We expect to minimize the impacts of declines in usage through regulatory mechanisms we have requested in our current rate case, which will partially decouple our revenue levels from sales volumes. We continue to provide energy-related services that capitalize on our expertise, capabilities and efficient systems. We continue to focus on lowering our operating costs by improving operating efficiencies.

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

Our extensive transmission pipeline system has enabled us to market 400 to 500 Bcf annually for intermediate transportation services and storage services for Michigan gas producers, marketers, distribution companies and other pipeline companies. We operate in a central geographic location with connections to major Midwestern interstate pipelines that extend throughout the Midwest, eastern United States and eastern Canada.

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

GAS STORAGE AND PIPELINES

Description

Gas Storage and Pipelines owns partnership interests in two interstate transmission pipelines and two natural gas storage fields. The pipeline and storage assets are primarily supported by long-term, fixed-price revenue contracts. We have a partnership interest in Vector Pipeline (Vector), an interstate transmission pipeline, which connects Michigan to Chicago and Ontario. We also hold partnership interests in Millennium Pipeline Company which indirectly connects southern New York State to Upper Midwest/Canadian supply, while providing transportation service into the New York City markets. We have storage assets in Michigan capable of storing up to 90 Bcf in natural gas storage fields located in Southeast Michigan. The Washington 10 and 28 storage facilities are high deliverability storage fields having bi-directional interconnections with Vector Pipeline and MichCon providing our customers access to the Chicago, Michigan, other Midwest and Ontario markets.

Our customers include various utilities, pipelines, and producers and marketers.

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Properties

The Gas Storage and Pipelines business holds the following property:

Property Classification	% Owned	Description	Location
Pipelines			
Vector Pipeline	40%	348-mile pipeline with 1,300 MMcf per day capacity	IN, IL, MI & Ontario
Millennium Pipeline	26%	182-mile pipeline with 525 MMcf per day capacity	New York
Storage			
Washington 10 (includes Shelby 2 Storage)	100%	74 Bcf of storage capacity	MI
Washington 28	50%	16 Bcf of storage capacity	MI

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

Regulation

The Gas Storage and Pipelines business operates natural gas storage facilities in Michigan as intrastate facilities regulated by the MPSC and provides intrastate storage and related services pursuant to an MPSC-approved tariff. We also provide interstate services in accordance with an Operating Statement on file with the FERC. Vector and Millennium Pipelines provide interstate transportation services in accordance with their FERC-approved tariffs.

Strategy and Competition

Our Gas Storage and Pipelines business expects to continue its steady growth plan by expanding existing assets and developing new assets that are typically supported with long-term customer commitments. The Gas Storage and Pipelines business focuses on asset development opportunities in the Midwest-to-Northeast region to supply natural gas to meet growing demand. We expect much of the growth in the demand for natural gas in the U.S. to occur within the Mid-Atlantic and New England regions. We forecast these regions will require incremental pipeline and gas storage infrastructure necessary to deliver gas volumes to meet growing demand. Vector is an interstate pipeline that is filling a large portion of that need, and is complemented by our Michigan storage facilities. In 2009, we completed the Shelby 2 storage field at our Washington 10 storage complex which increased the capacity by 3 Bcf. Also in 2009, Vector Pipeline completed its Athens, Michigan Compressor Station expansion which increased its long-haul capacity by approximately 100 MMcf/d to 1.3 Bcf/d. Due to the proximity of the Millennium Pipeline to the Marcellus Shale in Southern New York/Northern Pennsylvania, we anticipate that the Millennium Pipeline may have opportunities to expand in the future.

UNCONVENTIONAL GAS PRODUCTION

Description

Our Unconventional Gas Production business is engaged in natural gas exploration, development and production primarily within the Barnett shale in north Texas.

In 2009, we added proved reserves of 67 Bcfe resulting in year-end total proved reserves of 234 Bcfe. The Barnett shale wells yielded 5 Bcfe of production in 2009. Barnett shale leasehold acres increased to 69,272 gross acres (63,367 net of interest of others) excluding impairments. Due to economic conditions and

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low natural gas prices during the year, we chose to do minimal lease acquisitions and reduce the number of new wells. We drilled a total of 11 wells in the Barnett shale acreage in 2009.

Our Barnett Shale gas production requires processing to extract natural gas liquids. Therefore, our wells are dedicated to various gathering and processing companies in the Fort Worth Basin. The revenues received for all products are based on prevailing market prices.

Properties and Other

The following information pertains to our interests in the Barnett shale as of December 31:

	2009	2008	2007
Producing Wells(1)(2)(3)	**168**	155	120
Developed Lease Acreage(1)(3)(4)	**14,968**	14,248	9,880
Undeveloped Lease Acreage(1)(3)(5)	**48,399**	46,187	38,066
Production Volume (Bcfe)	**5.0**	5.0	3.0
Proved Reserves (Bcfe)(6)	**234**	167	144
Capital Expenditures (in millions)(3)	**$ 26**	$ 100	$ 89
Future Undiscounted Cash Flows (in millions)(7)	**$ 392**	$ 324	$ 521
Average Gas Price, excluding hedge contracts (per Mcf)	**$ 4.34**	$ 8.69	$ 6.29

(1) Excludes the interest of others.

(2) Producing wells are the number of wells that are found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

(3) Excludes sold and impaired properties.

(4) Developed lease acreage is the number of acres that are allocated or assignable to productive wells or wells capable of production.

(5) Undeveloped lease acreage is the number of acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains proved reserves.

(6) The increase in proved reserves in 2009 is primarily due to a definitional change in the disclosure rule issued by the SEC and technological improvements.

(7) Represents the standardized measure of undiscounted future net cash flows utilizing extensive estimates. The estimated future net cash flow computations should not be considered to represent our estimate of the expected revenues or the current value of existing proved reserves and do not include the impact of hedge contracts.

Strategy and Competition

We manage and operate our properties to maximize returns on investment and increase earnings. We continue to develop our holdings in the western portion of the Barnett shale and seek opportunities for acquisitions or divestitures of select properties within our asset base, when conditions are appropriate. Competitive pressures in the Barnett shale have decreased due to lower commodity prices resulting in reduced investment by industry participants. This downward pressure has created opportunities for us to reduce operating expenses and grow at lower cost than in prior periods.

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From time to time, we use financial derivative contracts to manage a portion of our exposure to changes in the price of natural gas on our forecasted natural gas sales. The following is a summary of the financial contracts in place at December 31, 2009 related to Barnett shale production:

	2010
Long-term fixed price obligations	
Volume (Bcf)	1.2
Price (per Mcf)	$ 7.16

In 2010, we expect to drill approximately 10 to 15 wells in the Barnett shale. Investment for the area is expected to be approximately $25 million during 2010.

POWER AND INDUSTRIAL PROJECTS

Description

Power and Industrial Projects is comprised primarily of projects that deliver energy products and services to industrial, commercial and institutional customers; provide coal transportation and marketing; and sell electricity from biomass-fired energy projects. This business segment provides services using project assets usually located on or near the customers premises in the steel, automotive, pulp and paper, airport and other industries.

Products and services include pulverized coal and petroleum coke supply, metallurgical coke supply, power generation, steam production, chilled water production, wastewater treatment, compressed air supply and reduced emission fuel. We own and operate one gas-fired peaking electric generating plant, two biomass-fired electric generating plants and own one coal-fired power plant. Two additional biomass-fired electric generating plants are currently under development pending certain regulatory approvals with expected in-service dates of August 2010 and March 2013. Production tax credits related to two of the coke battery facilities expired on December 31, 2009.

We also provide coal transportation services including fuel, transportation, storage, blending and rail equipment management services. Our external customers include electric utilities, merchant power producers, integrated steel mills and large industrial companies with significant energy requirements. Additionally, we participate in coal marketing and the purchase and sale of emissions credits. We own and operate a coal transloading terminal in South Chicago, Illinois.

We develop, own and operate landfill gas recovery systems throughout the United States. Landfill gas, a byproduct of solid waste decomposition, is composed of approximately equal portions of methane and carbon dioxide. We develop landfill gas recovery systems that capture the gas and provide local utilities, industry and consumers with an opportunity to use a competitive, renewable source of energy, in addition to providing environmental benefits by reducing greenhouse gas emissions. This business segment performs coal mine methane extraction, in which we recover methane gas from mine voids for processing and delivery to natural gas pipelines.

We deliver reduced emission fuel to utilities with coal-fired electric generation power plants. We own and operate five facilities that process raw coal into reduced emission fuel resulting in significant reductions in Nitrogen Oxide (NO), Sulfur Dioxide (SO_2), and Mercury (Hg) emissions. Production tax credits are expected to be generated by these facilities beginning in 2010 and continuing for ten years upon achieving certain criteria, including entering into transactions with unrelated equity partners or third-party customers for the reduced emission fuel. We expect to reduce our ownership interests in these facilities in 2010. We are investors in steel industry fuel entities which sell steel industry fuel to unrelated parties at three coke battery sites. Steel industry fuels facilities recycle tar decanter sludge, a byproduct of the coking process. Tax credits were generated in 2009 and we expect to generate additional credits in 2010. The ability to generate tax credits from the steel industry fuel process expires at the end of 2010.

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Properties and Other

The following are significant properties operated by the Power and Industrial projects segment:

Facility	Location	Service Type
Steel		
Pulverized Coal Operations	MI & MD	Pulverized Coal
Coke Production	MI, PA & IN	Metallurgical Coke Supply/Steel Industry Fuels
Other Investment in Coke Production	IN	Metallurgical Coke Supply/Steel Industry Fuels
On-Site Energy		
Automotive	Various sites in MI, IN, OH, NY & PA	Electric Distribution, Chilled Water, Waste Water, Steam, Cooling Tower Water, Reverse Osmosis Water, Compressed Air, Mist and Dust Collectors, Steam and Chilled Water
Airports	MI & PA	Electricity, Hot and Chilled Water
Power & Renewables		
Pulp and Paper	AL	Electric Generation and Steam
Power Generation	MI	Natural Gas
Other Industries		
Reduced Emission Fuel	MI	Reduced Emission Fuel Supply
Coal Terminaling	IL	Coal Terminal and Blending
Pulverized PetCoke	MS	Pulverized Petroleum Coke
Landfill Gas Recovery	Various U.S. Sites	Landfill Gas Production

Landfill Gas Recovery

	2009	2008	2007
Landfill Sites	**23**	23	28
Gas Produced (in Bcf)	**19.6**	18.6	23.5

Coal Transportation and Marketing

	2009	2008	2007
		(in Millions)	
Tons of Coal Shipped(1)	**20**	18	35

(1) Includes intercompany transactions of 1 million, 2 million, and 19 million tons in 2009, 2008, and 2007, respectively, primarily related to synfuel operations in 2007.

	2009	2008	2007
		(in Millions)	
<u>Production Tax Credits Generated (Allocated to DTE Energy)</u>			
Coke Battery(1)	**$ 5**	$ 5	$ 5
Steel Industry Fuels(2)	**4**		
Power Generation	**2**	2	2
Landfill Gas Recovery	**1**		3

(1) Tax laws enabling production tax credits related to two coke battery facilities expired on December 31, 2009.

(2) IRS regulations enabling the steel industry fuel tax credits are scheduled to expire on December 31, 2010.

Strategy and Competition

Power and Industrial Projects will continue leveraging its energy-related operating experience and project management capability to develop and grow our steel; renewable power; on-site energy; coal transportation, marketing, storage and blending; landfill gas recovery; and reduced emission fuel businesses. We also will continue to pursue opportunities to provide asset management and operations services to third parties. There are limited competitors for our existing disparate businesses who provide similar products and services.

We anticipate building around our core strengths in the markets where we operate. In determining the markets in which to compete, we examine closely the regulatory and competitive environment, the number of competitors and our ability to achieve sustainable margins. We plan to maximize the effectiveness of our inter-related businesses as we expand. As we pursue growth opportunities, our first priority will be to achieve value-added returns.

We intend to focus on the following areas for growth:

- Acquiring and developing landfill gas recovery facilities, renewable energy projects, and other energy projects qualifying for tax credits; and

- Providing operating services to owners of industrial and power plants.

After experiencing a weakened U.S. economy including constricted capital and credit markets, we expect a return to normal demand for our steel-related products in 2010 improving the financial performance of our coke battery and pulverized coal operations. In addition, our two primary automotive customers, General Motors and Chrysler, have emerged from bankruptcy and we continue providing onsite products and services. We will continue to monitor the steel and automotive industries closely during 2010.

Our Coal Transportation and Marketing business will continue to leverage its existing business in 2010. Trends such as carbon and greenhouse gas legislation, railroad and mining consolidation and the lack of certainty in developing new mines could have an impact on how we compete in the future. In 2011, our existing long-term rail transportation contract, which is at rates significantly below the current market, will expire and we anticipate a decrease in transportation-related revenue of approximately $120 million as a result. We will continue to work with suppliers and the railroads to promote secure and competitive access to coal to meet the energy requirements of our customers. We will seek to build our capacity to transport, store and blend greater amounts of coal and expect to continue to grow our business in a manner consistent with, and complementary to, the growth of our other business segments.

ENERGY TRADING

Description

Energy Trading focuses on physical and financial power and gas marketing and trading, structured transactions, enhancement of returns from DTE Energy s asset portfolio, optimization of contracted natural gas pipeline transportation and storage, and power transmission and generating capacity positions. Our customer base is predominantly utilities, local distribution companies, pipelines, and other marketing and trading companies. We enter into derivative financial instruments as part of our marketing and hedging activities. Most of the derivative financial instruments are accounted for under the mark-to-market method, which results in the recognition in earnings of unrealized gains and losses from changes in the fair value of the derivatives. We utilize forwards, futures, swaps and option contracts to mitigate risk associated with our marketing and trading activity as well as for proprietary trading within defined risk guidelines. Energy Trading also provides commodity risk management services to the other businesses within DTE Energy.

Significant portions of the electric and gas marketing and trading portfolio are economically hedged. The portfolio includes financial instruments and gas inventory, as well as contracted natural gas pipelines and storage and power transmission and generation capacity positions. Most financial instruments are deemed derivatives; however, gas inventory, power transmission, pipelines and certain storage assets are not derivatives. As a result, this segment may experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. This results in gains and losses that are

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recognized in different accounting periods. We may incur mark-to-market gains or losses in one period that could reverse in subsequent periods.

Regulation

Energy Trading has market-based rate authority from the FERC to sell power and authority from FERC to sell natural gas at market prices. Energy Trading is subject to FERC reporting requirements and market behavior rules. Energy Trading also complies with position limits and reporting requirements related to financial trading set by the Commodity Futures Trading Commission.

Strategy and Competition

Our strategy for the energy trading business is to deliver value-added services to our customers. We seek to manage this business in a manner consistent with and complementary to the growth of our other business segments. We focus on physical marketing and the optimization of our portfolio of energy assets. We compete with electric and gas marketers, financial institutions, traders, utilities and other energy providers. The trading business is dependent upon the availability of capital and an investment grade credit rating. The Company believes it has ample available capital capacity to support Energy Trading activities. We monitor our use of capital closely to ensure that our commitments do not exceed capacity. A material credit restriction would negatively impact our financial performance. Competitors with greater access to capital or at a lower cost may have a competitive advantage. We have risk management and credit processes to monitor and mitigate risk.

CORPORATE & OTHER

Description

Corporate & Other includes various holding company activities and holds certain non-utility debt and energy-related investments.

DISCONTINUED OPERATIONS

Synthetic Fuel

Description

Due to the expiration of synfuel production tax credits at the end of 2007, the Synthetic Fuel business ceased operations and was classified as a discontinued operation as of December 31, 2007. Synfuel plants chemically changed coal and waste coal into a synthetic fuel as determined under the Internal Revenue Code. Production tax credits were provided for the production and sale of solid synthetic fuel produced from coal and were available through December 31, 2007.

	2007 (in Millions)
Production Tax Credits Generated	
Allocated to DTE Energy	$ 21
Allocated to partners	186

$	207

ENVIRONMENTAL MATTERS

We are subject to extensive environmental regulation. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented. Actual costs to comply could vary substantially. We expect to continue recovering environmental costs related

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to utility operations through rates charged to our customers. The following table summarizes our estimated significant future environmental expenditures based upon current regulations:

	Electric	Gas	Total
		(in Millions)	
Air	$ 2,200	$	$ 2,200
Water	55		55
MGP sites	5	36	41
Other sites	21	2	23
Estimated total future expenditures through 2019	$ 2,281	$ 38	$ 2,319
Estimated 2010 expenditures	$ 82	$ 5	$ 87
Estimated 2011 expenditures	$ 253	$ 6	$ 259

Air Detroit Edison is subject to the EPA ozone transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. Since 2005, EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze and mercury air pollution. The new rules will lead to additional controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide and mercury emissions. Further, additional rulemakings are expected over the next few years which could require additional controls for sulfur dioxide, nitrogen oxides and hazardous air pollutants. It is not possible to quantify the impact of those expected rulemakings at this time.

Water In response to an EPA regulation, Detroit Edison is required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of completed studies and expected future studies, Detroit Edison may be required to perform some mitigation activities, including the possible installation of additional control technologies to reduce the environmental impact of the intake structures. However, a January 2007 circuit court decision remanded back to the EPA several provisions of the federal regulation, resulting in a delay in complying with the regulation. In 2008, the U.S. Supreme Court agreed to review the remanded cost-benefit analysis provision of the rule and in April 2009 upheld EPA s use of this provision in determining best available technology for reducing environmental impacts. Concurrently, the EPA continues to develop a revised rule, a draft of which is expected to be published by summer 2010. The EPA has also proposed an information collection request to begin a review of steam electric effluent guidelines. It is not possible at this time to quantify the impacts of these developing requirements.

Manufactured Gas Plant (MGP) and Other Sites Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. The facilities, which produced gas for heating and other uses, have been designated as MGP sites. Gas Utility owns, or previously owned, fifteen such former MGP sites. Detroit Edison owns, or previously owned, three former MGP sites. In addition to the MGP sites, we are also in the process of cleaning up other sites where contamination is present as a result of historical and ongoing utility operations. These other sites include an engineered ash storage facility, electrical distribution substations, gas pipelines, and underground and aboveground storage tank locations. Cleanup activities associated with these sites will be conducted over the next several years.

Landfill Detroit Edison owns and operates a permitted engineered ash storage facility at the Monroe Power Plant to dispose of fly ash from the coal fired power plant. Detroit Edison performed an engineering analysis in 2009 and identified the need for embankment side slope repairs and reconstruction.

The EPA has expressed its intentions to develop new federal regulations for coal ash under the authority of the Resources Conservation and Recovery Act (RCRA). A proposed regulation is expected in the first quarter of 2010. Among the options EPA is currently considering, is a ruling that may designate coal ash as a Hazardous Waste as defined by RCRA. However, agencies and legislatures have urged EPA to regulate coal ash as a non-hazardous waste. If EPA were to designate coal ash as a hazardous waste, the agency could apply some, or all, of the disposal and reuse standards that have been applied to other existing hazardous wastes.

Some of the regulatory actions currently being contemplated could have a material adverse impact on our operations and financial position and the rates we charge our customers.

Global Climate Change Climate regulation and/or legislation is being proposed and discussed within the U.S. Congress and the EPA. On June 26, 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act (ACESA). The ACESA includes a cap and trade program that would start in 2012 and provides for costs to emit greenhouse gases. Despite action by the Senate Environmental and Public Works Committee to pass a similar but more stringent bill in October 2009, full Senate action on a climate bill is not expected before the spring of 2010. Meanwhile, the EPA is beginning to implement regulatory actions under the Clean Air Act to address emission of greenhouse gases. Pending or future legislation or other regulatory actions could have a material impact on our operations and financial position and the rates we charge our customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures and the purchase of emission allowances from market sources. We would seek to recover these incremental costs through increased rates charged to our utility customers. Increased costs for energy produced from traditional sources could also increase the economic viability of energy produced from renewable and/or nuclear sources and energy efficiency initiatives and the development of market-based trading of carbon offsets providing business opportunities for our utility and non-utility segments. It is not possible to quantify these impacts on DTE Energy or its customers at this time.

Non-utility Our non-utility affiliates are subject to a number of environmental laws and regulations dealing with the protection of the environment from various pollutants. Our non-utility affiliates are substantially in compliance with all environmental requirements.

See Notes 12 and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report and Management s Discussion and Analysis in Item 7 of this Report.

EMPLOYEES

We had 10,244 employees as of December 31, 2009, of which 5,186 were represented by unions. The majority of our union employees are under contracts that expire in June and October 2010 and August 2012.

Item 1A. *Risk Factors*

There are various risks associated with the operations of DTE Energy s utility and non-utility businesses. To provide a framework to understand the operating environment of DTE Energy, we are providing a brief explanation of the more significant risks associated with our businesses. Although we have tried to identify and discuss key risk factors, others could emerge in the future. Each of the following risks could affect our performance.

Regional and national economic conditions can have an unfavorable impact on us. Our utility and non-utility businesses follow the economic cycles of the customers we serve. Our utilities and certain non-utility businesses provide services to the domestic automotive and steel industries which have undergone considerable financial distress, exacerbating the decline in regional economic conditions. Should national or regional economic conditions further decline, reduced volumes of electricity and gas, and demand for energy services we supply, collections of accounts receivable and potentially higher levels of lost or stolen gas will result in decreased earnings and cash flow.

Adverse changes in our credit ratings may negatively affect us. Regional and national economic conditions, increased scrutiny of the energy industry and regulatory changes, as well as changes in our economic performance, could result in credit agencies reexamining our credit rating. While credit ratings reflect the opinions of the credit agencies issuing such ratings and may not necessarily reflect actual performance, a downgrade in our credit rating below investment grade could restrict or discontinue our ability to access capital markets and could result in an increase in our borrowing costs, a reduced level of capital expenditures and could impact future earnings and cash flows. In addition, a reduction in credit rating may require us to post collateral related to various physical or financially settled contracts for the purchase of energy-related commodities, products and services, which could impact our liquidity.

Our ability to access capital markets is important. Our ability to access capital markets is important to operate our businesses. In the past, turmoil in credit markets has constrained, and may again in the future constrain, our ability as well as the ability of our subsidiaries to issue new debt, including commercial paper, and refinance existing debt at reasonable interest rates. In addition, the level of borrowing by other energy companies and the market as a whole could limit our access to capital markets. We have substantial amounts of credit facilities that expire in 2010. We intend to seek to renew the facilities on or before the expiration dates. However, we cannot predict the outcome of these efforts, which could result in a decrease in amounts available and/or an increase in our borrowing costs and negatively impact our financial performance.

Poor investment performance of pension and other postretirement benefit plan holdings and other factors impacting benefit plan costs could unfavorably impact our liquidity and results of operations. Our costs of providing non-contributory defined benefit pension plans and other postretirement benefit plans are dependent upon a number of factors, such as the rates of return on plan assets, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation, and our required or voluntary contributions made to the plans. The performance of the debt and equity markets affects the value of assets that are held in trust to satisfy future obligations under our plans. We have significant benefit obligations and hold significant assets in trust to satisfy these obligations. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below our projected return rates. A decline in the market value of the pension and postretirement benefit plan assets will increase the funding requirements under our pension and postretirement benefit plans if the actual asset returns do not recover these declines in the foreseeable future. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. As interest rates decrease, the liabilities increase, potentially increasing benefit expense and funding requirements. Also, if future increases in pension and postretirement benefit costs as a result of reduced plan assets are not recoverable from Detroit Edison or MichCon customers, the results of operations and financial position of our company could be negatively affected. Without sustained growth in the plan investments over time to increase the value of our plan assets, we could be required to fund our plans with significant amounts of cash. Such cash funding obligations could have a material impact on our cash flows, financial position, or results of operations.

If our goodwill becomes impaired, we may be required to record a charge to earnings. We annually review the carrying value of goodwill associated with acquisitions made by the Company for impairment. Factors that may be considered for purposes of this analysis include any change in circumstances indicating that the carrying value of our goodwill may not be recoverable such as a decline in stock price and market capitalization, future cash flows, and slower growth rates in our industry. We cannot predict the timing, strength or duration of any economic slowdown or subsequent recovery, worldwide or in the economy or markets in which we operate, however, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable, the Company may take a non-cash impairment charge, which could potentially materially impact our results of operations and financial position.

Our participation in energy trading markets subjects us to risk. Events in the energy trading industry have increased the level of scrutiny on the energy trading business and the energy industry as a whole. In certain situations we may be required to post collateral to support trading operations, which could be substantial. If access to liquidity to support trading activities is curtailed, we could experience decreased earnings potential and cash flows. Energy trading activities take place in volatile markets and expose us to risks related to commodity price movements. We routinely have speculative trading positions in the market, within strict policy guidelines we set, resulting from the management of our business portfolio. To the extent speculative trading positions exist, fluctuating commodity prices can improve or diminish our financial results and financial position. We manage our exposure by establishing and enforcing strict risk limits and risk management procedures. During periods of extreme volatility, these risk limits and risk management procedures may not work as planned and cannot eliminate all risks associated with these activities. As a result, we cannot predict the impact that our energy trading and risk management decisions may have on our business, operating results or financial position.

We are exposed to credit risk of counterparties with whom we do business. Adverse economic conditions affecting, or financial difficulties of, counterparties with whom we do business could impair the ability of these counterparties to pay for our services or fulfill their contractual obligations, or cause them to delay such payments or obligations. We depend on these counterparties to remit payments on a timely basis. Any delay or default in payment could adversely affect our cash flows, financial position, or results of operations.

We are subject to rate regulation. Electric and gas rates for our utilities are set by the MPSC and the FERC and cannot be increased without regulatory authorization. We may be negatively impacted by new regulations or interpretations by the MPSC, the FERC or other regulatory bodies. Our ability to recover costs may be impacted by the time lag between the incurrence of costs and the recovery of the costs in customers rates. Our regulators also may decide to disallow recovery of certain costs in customers rates if they determine that those costs do not meet the standards for recovery under our governing laws and regulations. The State of Michigan will elect a new governor and legislature in 2010 and we cannot predict the outcome of that election. We cannot predict whether election results or changes in political conditions will affect the regulations or interpretations affecting our utilities. New legislation, regulations or interpretations could change how our business operates, impact our ability to recover costs through rate increases or require us to incur additional expenses.

We may be required to refund amounts we collect under self-implemented rates. Michigan law allows our utilities to self-implement rate changes six months after a rate filing, subject to certain limitations. However, if the final rate case order provides for lower rates than we have self-implemented, we must refund the difference, with interest. We have self-implemented rates in the past and have been ordered to make refunds to customers. Our financial performance may be negatively affected if the MPSC sets lower rates in future rate cases than those we have self-implemented, thereby requiring us to issue refunds. We cannot predict what rates an MPSC order will adopt in future rate cases.

Michigan s electric Customer Choice program could negatively impact our financial performance. The electric Customer Choice program, as originally contemplated in Michigan, anticipated an eventual transition to a totally deregulated and competitive environment where customers would be charged market-based rates for their electricity. The State of Michigan currently experiences a hybrid market, where the MPSC continues to regulate electric rates for our customers, while alternative electric suppliers charge market-based rates. In addition, such regulated electric rates for certain groups of our customers exceed the cost of service to those customers. Due to distorted pricing mechanisms during the initial implementation period of electric Customer Choice, many commercial customers chose alternative electric suppliers. MPSC rate orders and recent energy legislation enacted by the State of Michigan are phasing out the pricing disparity over five years and have placed a cap on the total potential Customer Choice related migration. However, even with the electric Customer Choice-related relief received in recent Detroit Edison rate orders and the legislated 10 percent cap on participation in the electric Customer Choice program, there continues to be financial risk associated with the electric Customer Choice program. Electric Customer Choice migration is sensitive to market price and bundled electric service price increases.

Weather significantly affects operations. Deviations from normal hot and cold weather conditions affect our earnings and cash flow. Mild temperatures can result in decreased utilization of our assets, lowering income and cash flow. Ice storms, tornadoes, or high winds can damage the electric distribution system infrastructure and require us to perform emergency repairs and incur material unplanned expenses. The expenses of storm restoration efforts may not be fully recoverable through the regulatory process.

Operation of a nuclear facility subjects us to risk. Ownership of an operating nuclear generating plant subjects us to significant additional risks. These risks include, among others, plant security, environmental regulation and remediation, and operational factors that can significantly impact the performance and cost of operating a nuclear facility. While we maintain insurance for various nuclear-related risks, there can be no assurances that such insurance will be sufficient to cover our costs in the event of an accident or business interruption at our nuclear generating plant, which may affect our financial performance.

Construction and capital improvements to our power facilities subject us to risk. We are managing ongoing and planning future significant construction and capital improvement projects at multiple power generation and distribution facilities. Many factors that could cause delay or increased prices for these complex projects are beyond our control, including the cost of materials and labor, subcontractor performance, timing and issuance of necessary permits, construction disputes and weather conditions. Failure to complete these projects on schedule and on budget for any reason could adversely affect our financial performance and operations at the affected facilities.

The supply and/or price of energy commodities and/or related services may impact our financial results. We are dependent on coal for much of our electrical generating capacity. Price fluctuations, fuel supply disruptions and increases in transportation costs could have a negative impact on the amounts we charge our utility customers for electricity and on the profitability of our non-utility business. Our access to natural gas supplies is critical to ensure reliability of service for our utility gas customers. We have hedging strategies and regulatory recovery mechanisms in place to mitigate negative fluctuations in commodity supply prices, but there can be no assurances that our financial performance will not be negatively impacted by price fluctuations. The price of natural gas also impacts the market for our non-utility businesses that compete with utilities and alternative electric suppliers.

The supply and/or price other industrial raw and finished inputs and/or related services may impact our financial results. We are dependent on supplies of certain commodities, such as copper and limestone, among others, and industrial materials and services in order to maintain day-to-day operations and maintenance of our facilities. Price fluctuations or supply interruptions for these commodities and other items could have a negative impact on the amounts we charge our customers for our utility products and on the profitability of our non-utility businesses.

Unplanned power plant outages may be costly. Unforeseen maintenance may be required to safely produce electricity or comply with environmental regulations. As a result of unforeseen maintenance, we may be required to make spot market purchases of electricity that exceed our costs of generation. Our financial performance may be negatively affected if we are unable to recover such increased costs.

Our estimates of gas reserves are subject to change. While we cannot provide absolute assurance that our estimates of our Barnett gas reserves are accurate, great care is exercised in utilizing historical information and assumptions to develop reasonable estimates of future production and cash flow. We estimate proved gas reserves and the future net cash flows attributable to those reserves. There are numerous uncertainties inherent in estimating quantities of proved gas reserves and cash flows attributable to such reserves, including factors beyond our control. Reserve engineering is a subjective process of estimating underground accumulations of gas that cannot be measured in an exact manner. The accuracy of an estimate of quantities of reserves, or of cash flows attributable to such reserves, is a function of the available data, assumptions regarding expenditures for future development and exploration activities, and of engineering and geological interpretation and judgment. Additionally, reserves and future cash flows may be subject to material downward or upward revisions, based upon production history, development and exploration activities and prices of gas. Actual future production, revenue, taxes, development expenditures, operating expenses, quantities of recoverable reserves and the value of cash flows from such reserves may vary significantly from the assumptions and underlying information we used.

Our ability to utilize production tax credits may be limited. To reduce U.S. dependence on imported oil, the Internal Revenue Code provides production tax credits as an incentive for taxpayers to produce fuels and electricity from alternative sources. We have generated production tax credits from synfuel, coke production, landfill gas recovery, biomass fired electric generation, reduced emission fuel, steel industry fuel and gas production operations. We have received favorable private letter rulings on all of the synfuel facilities. All production tax credits taken after 2006 are subject to audit by the Internal Revenue Service (IRS). If our production tax credits were disallowed in whole or in part as a result of an IRS audit, there could be additional tax liabilities owed for previously recognized tax credits that could significantly impact our earnings and cash flows. We have also provided certain guarantees and indemnities in conjunction with the sales of interests in the synfuel facilities.

We rely on cash flows from subsidiaries. DTE Energy is a holding company. Cash flows from our utility and non-utility subsidiaries are required to pay interest expenses and dividends on DTE Energy debt and

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securities. Should a major subsidiary not be able to pay dividends or transfer cash flows to DTE Energy, our ability to pay interest and dividends would be restricted.

Environmental laws and liability may be costly. We are subject to numerous environmental regulations. These regulations govern air emissions, water quality, wastewater discharge and disposal of solid and hazardous waste. Compliance with these regulations can significantly increase capital spending, operating expenses and plant down times. These laws and regulations require us to seek a variety of environmental licenses, permits, inspections and other regulatory approvals. We could be required to install expensive pollution control measures or limit or cease activities based on these regulations. Additionally, we may become a responsible party for environmental cleanup at sites identified by a regulatory body. We cannot predict with certainty the amount and timing of future expenditures related to environmental matters because of the difficulty of estimating clean up costs. There is also uncertainty in quantifying liabilities under environmental laws that impose joint and several liability on potentially responsible parties.

We may also incur liabilities as a result of potential future requirements to address climate change issues. Proposals for voluntary initiatives and mandatory controls are being discussed both in the United States and worldwide to reduce greenhouse gases such as carbon dioxide, a by-product of burning fossil fuels. If increased regulation of greenhouse gas emissions are implemented, the operations of our fossil-fuel generation assets and our unconventional gas production assets may be significantly impacted. Since there can be no assurances that environmental costs may be recovered through the regulatory process, our financial performance may be negatively impacted as a result of environmental matters.

Renewable portfolio standards and energy efficiency programs may affect our business. We are subject to Michigan and potential future federal legislation and regulation requiring us to secure sources of renewable energy. Under the current Michigan legislation we will be required in the future to provide a specified percentage of our power from Michigan renewable energy sources. We are developing a strategy for complying with the existing state legislation, but we do not know what requirements may be added by federal legislation. We are actively engaged in developing renewable energy projects and identifying third party projects in which we can invest. We cannot predict the financial impact or costs associated with these future projects.

We are also required by Michigan legislation to implement energy efficiency measures and provide energy efficiency customer awareness and education programs. These requirements necessitate expenditures and implementation of these programs creates the risk of reducing our revenues as customers decrease their energy usage. We do not know how these programs will impact our business and future operating results.

Threats of terrorism or cyber attacks could affect our business. We may be threatened by problems such as computer viruses or terrorism that may disrupt our operations and could harm our operating results. Our industry requires the continued operation of sophisticated information technology systems and network infrastructure. Despite our implementation of security measures, all of our technology systems are vulnerable to disability or failures due to hacking, viruses, acts of war or terrorism and other causes. If our information technology systems were to fail and we were unable to recover in a timely way, we might be unable to fulfill critical business functions, which could have a material adverse effect on our business, operating results, and financial condition.

In addition, our generation plants, gas pipeline and storage facilities and electrical distribution facilities in particular may be targets of terrorist activities that could disrupt our ability to produce or distribute some portion of our energy products. We have increased security as a result of past events and we may be required by our regulators or by the future terrorist threat environment to make investments in security that we cannot currently predict.

We may not be fully covered by insurance. We have a comprehensive insurance program in place to provide coverage for various types of risks, including catastrophic damage as a result of acts of God, terrorism or a combination of other significant unforeseen events that could impact our operations. Economic losses might not be covered in full by insurance or our insurers may be unable to meet contractual obligations.

Failure to maintain the security of personally identifiable information could adversely affect us. In connection with our business we collect and retain personally identifiable information of our customers,

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shareholders and employees. Our customers, shareholders and employees expect that we will adequately protect their personal information, and the United States regulatory environment surrounding information security and privacy is increasingly demanding. A significant theft, loss or fraudulent use of customer, shareholder, employee or DTE Energy data by cybercrime or otherwise could adversely impact our reputation and could result in significant costs, fines and litigation.

Benefits of continuous improvement initiatives could be less than we expect. We have a continuous improvement program that is expected to result in significant cost savings. Actual results achieved through this program could be less than our expectations.

A work interruption may adversely affect us. Unions represent approximately 5,000 of our employees. A union choosing to strike would have an impact on our business. Contracts with several of our unions, including our contract with our largest union, representing about 3,800 of our employees, expire on different dates throughout 2010. In addition, our contracts with unions representing two small groups of employees expired on December 31, 2009 and another union is currently negotiating its first contract. We cannot predict the outcome of any of these contract negotiations, some of which have not yet commenced. We are unable to predict the effect a work stoppage would have on our costs of operation and financial performance.

Failure to retain and attract key executive officers and other skilled professional and technical employees could have an adverse effect on our operations. Our business is dependent on our ability to recruit, retain, and motivate employees. Competition for skilled employees in some areas is high and the inability to retain and attract these employees could adversely affect our business and future operating results.

Item 1B. *Unresolved Staff Comments*

None.

Item 3. *Legal Proceedings*

We are involved in certain legal, regulatory, administrative and environmental proceedings before various courts, arbitration panels and governmental agencies concerning matters arising in the ordinary course of business. These proceedings include certain contract disputes, environmental reviews and investigations, audits, inquiries from various regulators, and pending judicial matters. We cannot predict the final disposition of such proceedings. We regularly review legal matters and record provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on our operations or financial statements in the period they are resolved.

In February 2008, DTE Energy was named as one of approximately 24 defendant oil, power and coal companies in a lawsuit filed in a United States District Court. DTE Energy was served with process in March 2008. The plaintiffs, the Native Village of Kivalina and City of Kivalina, which are home to approximately 400 people in Alaska, claim that the defendants business activities have contributed to global warming and, as a result, higher temperatures are damaging the local economy and leaving the island more vulnerable to storm activity in the fall and winter. As a result, the plaintiffs are seeking damages of up to $400 million for relocation costs associated with moving the village to a safer location, as well as unspecified attorney s fees and expenses. On October 15, 2009, the U.S. District Court granted defendants motions dismissing all of plaintiffs federal claims in the case on two independent grounds: (1) the court lacks subject matter jurisdiction to hear the claims because of the political question doctrine; and (2) plaintiffs lack standing to bring their claims. The court also dismissed plaintiffs state law claims because the court lacked supplemental jurisdiction over them after it dismissed the federal claims; the dismissal of the state law claims was without prejudice. The plaintiffs have appealed to the U.S. Court of Appeals for the Ninth Circuit.

In July 2009, DTE Energy received a Notice of Violation/Finding of Violation (NOV/FOV) from the EPA alleging, among other things, that five Detroit Edison power plants violated New Source Performance standards, Prevention of Significant Deterioration requirements, and Title V operating permit requirements under the Clean Air Act. We believe that the plants identified by the EPA have complied with applicable regulations. Depending upon the outcome of our discussions with the EPA regarding the NOV/FOV, the EPA could bring legal action against Detroit Edison. We could also be required to install additional pollution control equipment at some or all of the power plants in question, engage in Supplemental Environmental Programs, and/or pay fines. We cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

For additional discussion on legal matters, see Notes 12 and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Item 4. *Submission of Matters to a Vote of Security Holders*

We did not submit any matters to a vote of security holders in the fourth quarter of 2009.

Part II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

Our common stock is listed on the New York Stock Exchange, which is the principal market for such stock. The following table indicates the reported high and low sales prices of our 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:

Year	Quarter	High	Low	Dividends Paid per Share
2009				
	First	$ 37.11	$ 23.32	$ 0.530
	Second	$ 32.43	$ 27.32	$ 0.530
	Third	$ 36.46	$ 30.59	$ 0.530
	Fourth	$ 44.96	$ 33.75	$ 0.530
2008				
	First	$ 45.34	$ 37.81	$ 0.530
	Second	$ 44.82	$ 38.95	$ 0.530
	Third	$ 44.97	$ 38.78	$ 0.530
	Fourth	$ 40.92	$ 27.82	$ 0.530

At December 31, 2009, there were 165,400,045 shares of our common stock outstanding. These shares were held by a total of 78,903 shareholders of record.

Our Bylaws nullify Chapter 7B of the Michigan Business Corporation Act (Act). This Act regulates shareholder rights when an individual s stock ownership reaches 20% of a Michigan corporation s outstanding shares. A shareholder seeking control of the Company cannot require our Board of Directors to call a meeting to vote on issues related to corporate control within 10 days, as stipulated by the Act.

We paid cash dividends on our common stock of $347 million in 2009, $344 million in 2008, and $364 million in 2007. The amount of future dividends will depend on our earnings, cash flows, financial condition and other factors that are periodically reviewed by our Board of Directors. Although there can be no assurances, we anticipate paying dividends for the foreseeable future.

See Note 14 of the Notes to Consolidated Financial Statements in Item 8 of this Report for information on dividend restrictions.

All of our equity compensation plans that provide for the annual awarding of stock-based compensation have been approved by shareholders. See Note 22 of the Notes to Consolidated Financial Statements in Item 8 of this Report for additional detail.

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See the following table for information as of December 31, 2009.

	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Plans approved by shareholders	5,593,392	$ 40.50	4,078,306

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act for the year ended December 31, 2009:

		Number of Shares Purchased(1)	Average Price Paid per Share(1)	Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Average Price Paid per Share(2)	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs(2)
01/01/09	01/31/09					$ 822,895,623
02/01/09	02/28/09					822,895,623
03/01/09	03/31/09					822,895,623
04/01/09	04/30/09					822,895,623
05/01/09	05/31/09					822,895,623
06/01/09	06/30/09					822,895,623
07/01/09	07/31/09					822,895,623
08/01/09	08/31/09	25,000	$ 35.01			822,895,623
09/01/09	09/30/09					822,895,623
10/01/09	10/31/09					822,895,623
11/01/09	11/30/09					822,895,623
12/01/09	12/31/09					
Total		25,000				

(1) Represents shares of common stock purchased on the open market to provide shares to participants under various employee compensation and incentive programs. These purchases were not made pursuant to a publicly announced plan or program.

(2) In May 2007, the DTE Energy Board of Directors authorized the repurchase of up to $850 million of common stock through 2009. During 2009, no repurchases of common stock were made under this authorization that expired on December 31, 2009.

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COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN

Total Return To Shareholders
(Includes reinvestment of dividends)

Company/Index	Annual Return Percentage Years Ending December 2005	2006	2007	2008	2009
DTE Energy Company	4.77	17.66	(5.03)	(14.37)	30.08
S&P 500 Index	4.91	15.79	5.49	(37.00)	26.46
S&P 500 Multi-Utilities Index	17.04	16.74	10.86	(24.34)	20.93

Company/Index	Base Period 2004	Indexed Returns Years Ending December 2005	2006	2007	2008	2009
DTE Energy Company	100	104.77	123.28	117.07	100.25	130.40
S&P 500 Index	100	104.91	121.48	128.16	80.74	102.11
S&P 500 Multi-Utilities Index	100	117.04	136.63	151.47	114.60	138.58

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Item 6. *Selected Financial Data*

The following selected financial data should be read in conjunction with the accompanying Management s Discussion and Analysis in Item 7 of this Report and Notes to the Consolidated Financial Statements in Item 8 of this Report.

	2009	2008	2007	2006	2005
		(in Millions, except per share amounts)			
Operating Revenues	**$ 8,014**	$ 9,329	$ 8,475	$ 8,157	$ 8,094
Net Income Attributable to DTE Energy Company					
Income from continuing operations(1)	**$ 532**	$ 526	$ 787	$ 389	$ 272
Discontinued operations		20	184	43	268
Cumulative effect of accounting changes				1	(3)
Net Income Attributable to DTE Energy Company	**$ 532**	$ 546	$ 971	$ 433	$ 537
Diluted Earnings Per Common Share					
Income from continuing operations	**$ 3.24**	$ 3.22	$ 4.61	$ 2.18	$ 1.54
Discontinued operations		.12	1.08	.24	1.52
Cumulative effect of accounting changes				.01	(.01)
Diluted Earnings Per Common Share	**$ 3.24**	$ 3.34	$ 5.69	$ 2.43	$ 3.05
Financial Information					
Dividends declared per share of common stock	**$ 2.12**	$ 2.12	$ 2.12	$ 2.075	$ 2.06
Total assets	**$ 24,195**	$ 24,590	$ 23,742	$ 23,785	$ 23,335
Long-term debt, including capital leases	**$ 7,370**	$ 7,741	$ 6,971	$ 7,474	$ 7,080
Shareholders equity	**$ 6,278**	$ 5,995	$ 5,853	$ 5,849	$ 5,769

(1) 2007 amounts include $580 million after-tax gain on the Antrim sale transaction and $210 million after-tax losses on hedge contracts associated with the Antrim sale. 2008 amounts include $80 million after-tax gain on the sale of a portion of the Barnett shale properties. See Note 10 of Notes to Consolidated Financial Statements in Item 8 of this Report.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

OVERVIEW

DTE Energy is a diversified energy company with 2009 operating revenues in excess of $8 billion and over $24 billion in assets. We are the parent company of Detroit Edison and MichCon, regulated electric and gas utilities engaged primarily in the business of providing electricity and natural gas sales, distribution and storage services throughout southeastern Michigan. We operate four energy-related non-utility segments with operations throughout the United States.

The following table summarizes our financial results:

	2009	2008	2007
	(in Millions, except earnings per share)		
Income from continuing operations	**$ 535**	$ 531	$ 791
Diluted earnings per common share from continuing operations	**$ 3.24**	$ 3.22	$ 4.61
Net income attributable to DTE Energy Company	**$ 532**	$ 546	$ 971
Diluted earnings per common share	**$ 3.24**	$ 3.34	$ 5.69

The decrease in 2009 Net income attributable to DTE Energy from 2008 was primarily due to the $80 million after-tax gain recorded in the Unconventional Gas Production segment on the 2008 sale of a portion of Barnett shale properties, partially offset by higher earnings in the Electric Utility and Energy Trading segments. The decrease in Net income attributable to DTE Energy in 2008 from 2007 was primarily due to $370 million in net income resulting from the $580 million after-tax gain on the 2007 sale of the Antrim shale gas exploration and production business, partially offset by $210 million after-tax losses recognized on related hedges, including recognition of amounts previously recorded in accumulated other comprehensive income during 2007.

The items discussed below influenced our current financial performance and/or may affect future results:

- Impacts of national and regional economic conditions;
- Effects of weather on utility operations;
- Collectibility of accounts receivable on utility operations;
- Impact of regulatory decisions on utility operations;
- Non-utility operations;
- Capital investments, including required renewable, energy-efficiency, environmental, reliability-related and other costs; and
- Environmental matters.

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

UTILITY OPERATIONS

Our Electric Utility segment consists of Detroit Edison, which is engaged in the generation, purchase, distribution and sale of electricity to approximately 2.1 million customers in southeastern Michigan.

Our Gas Utility segment consists of MichCon and Citizens. MichCon is engaged in the purchase, storage, transmission, distribution and sale of natural gas to approximately 1.2 million customers throughout Michigan. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

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Impact of National and Regional Economic Conditions

Revenues from our utility operations follow the economic cycles of the customers we serve. Unfavorable national and regional economic trends have resulted in reduced demand for electricity and natural gas in our service territory with corresponding declines in our revenues.

	2009	2008 (in Millions)	2007
Revenues			
Detroit Edison	**$ 4,714**	$ 4,874	$ 4,900
MichCon	**1,788**	2,152	1,875

During 2009, Detroit Edison experienced decreases in sales, predominantly in the industrial class, and to a lesser extent in the residential and commercial classes, partially offset by higher interconnection sales. MichCon s revenues were lower due primarily to lower natural gas costs and customer conservation. We expect to minimize the impacts of declines in average customer usage through regulatory mechanisms which will decouple our revenue levels from sales volumes. We expect to be impacted by the challenges in the domestic automotive and steel industries and the timing and level of recovery in the national and regional economies. Direct and indirect effects of further automotive and other industrial plant closures could have a significant impact on the results of Detroit Edison. As discussed further below, deteriorating economic conditions impact our ability to collect amounts due from our electric and gas customers and drive increased thefts of electricity and natural gas. In the face of these economic conditions, we are actively managing our cash, capital expenditures, cost structure and liquidity to maintain our financial strength.

Collectibility of Accounts Receivable on Utility Operations

Although lower than peak levels in 2008, both utilities continue to experience high levels of past due receivables primarily attributable to economic conditions. Our service territories continue to experience high levels of unemployment, underemployment and low income households, home foreclosures and a lack of adequate levels of assistance for low-income customers. Despite the current economic conditions, total arrears were reduced during 2009 in our electric and gas utilities. We have taken actions to manage the level of past due receivables, including increasing customer disconnections, contracting with collection agencies and working with Michigan officials and others to increase the share of low-income funding allocated to our customers.

	2009	2008 (in Millions)	2007
Uncollectible Expense			
Detroit Edison	**$ 78**	$ 87	$ 65
MichCon	**93**	126	70
	$ 171	$ 213	$ 135

The MPSC has provided for an uncollectible expense tracking mechanism for MichCon since 2005. The uncollectible expense tracking mechanism enables MichCon to recover or refund 90 percent of the difference between the actual uncollectible expense for each year and $37 million after an annual reconciliation proceeding before the MPSC.

The January 2010 MPSC electric rate order provided for an uncollectible expense tracking mechanism for Detroit Edison. The uncollectible expense tracking mechanism enables Detroit Edison to recover or refund 80 percent of the difference between the actual uncollectible expense for each year and $66 million after an annual reconciliation proceeding before the MPSC.

The bankruptcies of General Motors Corporation (GM) and Chrysler LLC (Chrysler) did not have a significant impact to our uncollectible expense in 2009.

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Impact of Regulatory Decisions on Utility Operations

On January 11, 2010, the MPSC issued an order in Detroit Edison s January 26, 2009 rate case filing. The MPSC approved an annual revenue increase of $217 million or a 4.8% increase in Detroit Edison s annual revenue requirement for 2010. Included in the approved increase in revenues was a return on equity of 11% on an expected 49% equity and 51% debt permanent capital structure. Since the final rate relief ordered was less than the Company s self-implemented rate increase of $280 million effective on July 26, 2009, the MPSC ordered refunds for the period the self-implemented rates were in effect. Detroit Edison has recorded a refund liability of $27 million at December 31, 2009 representing the 2009 portion of the estimated refund due customers, including interest. The MPSC ordered Detroit Edison to file a refund plan by April 1, 2010.

Other key aspects of the MPSC order include the following:

- Continued progress toward correcting the existing rate structure to more accurately reflect the actual cost of providing service to business customers;

- Continued application of an adjustment mechanism for Electric Choice sales that reconciles actual customer choice sales with a base customer choice sales level of 1,586 GWh;

- Continued application of adjustment mechanisms to track expenses associated with restoration costs (storm and non-storm related expenses) and line clearance expenses. Annual reconciliations will be required using a base expense level of $117 million and $47 million, respectively. The change in base expense level was applied retroactive to the July 26, 2009 self-implementation date;

- Implementation of a pilot Revenue Decoupling Mechanism, that will compare actual (non-weather normalized) sales per customer with the base sales per customer level established in this case for the period February 1, 2010 to January 31, 2011; and

- Implementation of an Uncollectible Expense Tracking Mechanism, based on a $66 million expense level, with an 80/20 percent sharing of the expenses above or below the base amount. The Uncollectible Expenses Tracking Mechanism was implemented retroactive to the July 26, 2009 self-implementation date.

MichCon filed a general rate case on June 9, 2009 based on a 2008 historical test year. The filing with the MPSC requested a $193 million, or 11.5 percent average increase in MichCon s annual revenues for a 2010 projected test year. The requested $193 million increase in revenues is required to recover the increased costs associated with increased investments in net plant and working capital, an increase in the base level of the uncollectible expense tracking mechanism and the cost of natural gas theft primarily due to economic conditions in Michigan, sales reductions due to customer conservation and the trend of warmer weather on MichCon s market, and increasing operating costs, largely due to inflation. Pursuant to the October 2008 Michigan legislation, and the settlement in MichCon s last base gas sale case, MichCon self-implemented $170 million of its requested annual increase on January 1, 2010. This increase will remain in place until a final order is issued by the MPSC, which is expected in June 2010, subject to refund. See Note 12 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

NON-UTILITY OPERATIONS

We have significant investments in non-utility businesses. We employ disciplined investment criteria when assessing opportunities that leverage our assets, skills and expertise. Specifically, we invest in targeted energy markets with attractive competitive dynamics where meaningful scale is in alignment with our risk profile. We expect growth opportunities in the Gas Storage and Pipelines and Power and Industrial Projects segments in the future. Expansion of these businesses will also result in our ability to further diversify geographically.

Gas Storage and Pipelines owns partnership interests in two natural gas storage fields and two interstate pipelines serving the Midwest, Ontario and Northeast markets. Much of the growth in demand for natural gas is expected to occur in the Mid-Atlantic and New England regions. Forecasts indicate that these regions will require incremental gas storage and pipeline infrastructure to meet demand growth. Our Vector and

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Millennium pipelines are well-positioned to provide access routes and low-cost expansion options to these markets.

Our Unconventional Gas Production business is engaged in natural gas exploration, development and production within the Barnett shale in north Texas. We continue to develop our holdings in the western portion of the Barnett shale and to seek opportunities for additional monetization of select properties within our Barnett shale holdings, when conditions are appropriate. Due to economic conditions and low natural gas prices during the year, we chose to do minimal lease acquisitions and reduce the number of new wells this year. However, we continue to evaluate leasing opportunities in active development areas in the Barnett shale to optimize our existing portfolio.

Power and Industrial Projects is comprised primarily of projects that deliver energy and products and services to industrial, commercial and institutional customers; provide coal transportation and marketing; and sell electricity from biomass-fired energy projects. This business segment provides services using project assets usually located on or near the customers premises in the steel, automotive, pulp and paper, airport and other industries. Renewable energy, environmental and economic trends are creating growth opportunities. The increasing number of states with renewable portfolio standards and energy efficiency mandates provides the opportunity to market the expertise of the Power and Industrial Projects segment in landfill gas, on-site energy management, waste-wood power generation, and other related services.

Energy Trading focuses on physical and financial power and gas marketing and trading, structured transactions, enhancement of returns from DTE Energy s asset portfolio, and optimization of contracted natural gas pipeline transportation and storage, and power transmission and generating capacity positions. Energy Trading also provides natural gas, power and ancillary services to various utilities which may include the management of associated storage and transportation contracts on the customers behalf.

DISCONTINUED OPERATIONS

Synthetic Fuel

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

CAPITAL INVESTMENTS

We anticipate significant capital investments during the next three years concentrated primarily in Detroit Edison.

	2010-2012 (in Billions)		
Capital Investments			
Detroit Edison	$	3.0	3.4
MichCon		0.4	0.5
Non-Utility		0.6	0.9
	$	4.0	4.8

Our utility businesses require significant capital investments each year in order to maintain and improve the reliability of their asset bases, including power generation plants, distribution systems, storage fields and other facilities and fleets. In addition, Detroit Edison s investments (excluding investments in new base-load generation capacity, if any) will be driven by renewable investment and environmental controls expenditures. We plan to seek regulatory approval to include these capital expenditures within our regulatory rate base consistent with prior treatment. Non-utility investments are expected primarily in continued investment in gas storage and pipeline assets and renewable opportunities in the Power and Industrial Projects businesses.

ENVIRONMENTAL MATTERS

We are subject to extensive environmental regulation. Additional costs may result as the effects of various substances on the environment are studied and governmental regulations are developed and implemented. Actual costs to comply could vary substantially. We expect to continue recovering environmental costs related to utility operations through rates charged to our customers.

Air Detroit Edison is subject to the EPA ozone transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. Since 2005, EPA and the State of Michigan have issued additional emission reduction regulations relating to ozone, fine particulate, regional haze and mercury air pollution. The new rules will lead to additional controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide and mercury emissions. Further, additional rulemakings are expected over the next few years which could require additional controls for sulfur dioxide, nitrogen oxides and hazardous air pollutants. It is not possible to quantify the impact of those expected rulemakings at this time.

In July 2009, DTE Energy received a Notice of Violation/Finding of Violation (NOV/FOV) from the EPA alleging, among other things, that five Detroit Edison power plants violated New Source Performance standards, Prevention of Significant Deterioration requirements, and Title V operating permit requirements under the Clean Air Act. We believe that the plants identified by the EPA have complied with applicable regulations. Depending upon the outcome of our discussions with the EPA regarding the NOV/FOV, the EPA could bring legal action against Detroit Edison. We could also be required to install additional pollution control equipment at some or all of the power plants in question, engage in Supplemental Environmental Programs, and/or pay fines. We cannot predict the financial impact or outcome of this matter, or the timing of its resolution.

Water In response to an EPA regulation, Detroit Edison is required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of studies, some of which have already been completed, but more are expected to be conducted over the next several years, Detroit Edison may be required to perform some mitigation activities, including the possible installation of additional control technologies to reduce the environmental impact of the intake structures. However, a January 2007 circuit court decision remanded back to the EPA several provisions of the federal regulation, resulting in a delay in complying with the regulation. In 2008, the U.S. Supreme Court agreed to review the remanded cost-benefit analysis provision of the rule and in April 2009 upheld EPA s use of this provision in determining best available technology for reducing environmental impacts. Concurrently, the EPA continues to develop a revised rule, a draft of which is expected to be published by summer 2010. The EPA has also proposed an information collection request to begin a review of steam electric effluent guidelines. It is not possible at this time to quantify the impacts of these developing requirements.

Manufactured Gas Plant (MGP) and Other Sites Prior to the construction of major interstate natural gas pipelines, gas for heating and other uses was manufactured locally from processes involving coal, coke or oil. The facilities, which produced gas for heating and other uses, have been designated as MGP sites. Gas Utility owns, or previously owned, fifteen such former MGP sites. Detroit Edison owns, or previously owned, three former MGP sites. In addition to the MGP sites, we are also in the process of cleaning up other sites where contamination is present as a result of historical and ongoing utility operations. These other sites include an engineered ash storage facility, electrical distribution substations, gas pipelines, and underground and aboveground storage tank locations. Cleanup activities associated with these sites will be conducted over the next several years.

Landfill Detroit Edison owns and operates a permitted engineered ash storage facility at the Monroe Power Plant to dispose of fly ash from the coal fired power plant. Detroit Edison performed an engineering analysis in 2009 and identified the need for embankment side slope repairs and reconstruction. The results of the engineering study show that the estimated cost to perform the embankment repairs are $17 million which we expect to incur over the next four years.

The EPA has expressed its intentions to develop new federal regulations for coal ash under the authority of the Resources Conservation and Recovery Act (RCRA). A proposed regulation is expected in the first

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quarter of 2010. Among the options EPA is currently considering, is a ruling that may designate coal ash as a Hazardous Waste as defined by RCRA. However, agencies and legislatures have urged EPA to regulate coal ash as a non-hazardous waste. If EPA were to designate coal ash as a hazardous waste, the agency could apply some, or all, of the disposal and reuse standards that have been applied to other existing hazardous wastes. Some of the regulatory actions currently being contemplated could have a material adverse impact on our operations and financial position and the rates we charge our customers.

Global Climate Change

Climate regulation and/or legislation is being proposed and discussed within the U.S. Congress and the EPA. On June 26, 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act (ACESA). The ACESA includes a cap and trade program that would start in 2012 and provides for costs to emit greenhouse gases. Despite action by the Senate Environmental and Public Works Committee to pass a similar but more stringent bill in October 2009, full Senate action on a climate bill is not expected before the spring of 2010. Meanwhile, the EPA is beginning to implement regulatory actions under the Clean Air Act to address emission of greenhouse gases. Pending or future legislation or other regulatory actions could have a material impact on our operations and financial position and the rates we charge our customers. Impacts include expenditures for environmental equipment beyond what is currently planned, financing costs related to additional capital expenditures and the purchase of emission allowances from market sources. We would seek to recover these incremental costs through increased rates charged to our utility customers. Increased costs for energy produced from traditional sources could also increase the economic viability of energy produced from renewable and/or nuclear sources and energy efficiency initiatives and the development of market-based trading of carbon offsets providing business opportunities for our utility and non-utility segments. It is not possible to quantify these impacts on DTE Energy or its customers at this time.

See Notes 12 and 20 of the Notes to Consolidated Financial Statements in Item 8 of this Report and Items 1 and 2 Business and Properties.

OUTLOOK

The next few years will be a period of rapid change for DTE Energy and for the energy industry. Our strong utility base, combined with our integrated non-utility operations, position us well for long-term growth.

Looking forward, we will focus on several areas that we expect will improve future performance:

- continuing to pursue regulatory stability and investment recovery for our utilities;
- managing the growth of our utility asset base;
- enhancing our cost structure across all business segments;
- managing cash, capital and liquidity to maintain or improve our financial strength;
- improving Electric and Gas Utility customer satisfaction; and
- investing in businesses that integrate our assets and leverage our skills and expertise.

We will continue to pursue opportunities to grow our businesses in a disciplined manner if we can secure opportunities that meet our strategic, financial and risk criteria.

RESULTS OF OPERATIONS

The following sections provide a detailed discussion of the operating performance and future outlook of our segments.

	2009	2008 (in Millions)	2007
Net Income Attributable to DTE Energy by Segment:			
Electric Utility	**$ 376**	$ 331	$ 317
Gas Utility	**80**	85	70
Gas Storage and Pipelines	**49**	38	34
Unconventional Gas Production(1)	**(9)**	84	(217)
Power and Industrial Projects	**31**	40	49
Energy Trading	**75**	42	32
Corporate & Other(1)	**(70)**	(94)	502
Income (Loss) from Continuing Operations:			
Utility	**456**	416	387
Non-utility	**146**	204	(102)
Corporate & Other	**(70)**	(94)	502
	532	526	787
Discontinued Operations		20	184
Net Income Attributable to DTE Energy Company	**$ 532**	$ 546	$ 971

(1) 2008 net income of the Unconventional Gas Production segment resulted principally from the gain on the sale of a portion of our Barnett shale properties. 2007 net loss resulted principally from the recognition of losses on hedge contracts associated with the Antrim sale transaction. 2007 net income of the Corporate & Other segment resulted principally from the gain recognized on the Antrim sale transaction. See Note 10 of the Notes to the Consolidated Financial Statements in Item 8 of this Report.

ELECTRIC UTILITY

Our Electric Utility segment consists of Detroit Edison.

Electric Utility results are discussed below:

	2009	2008 (in Millions)	2007
Operating Revenues	**$ 4,714**	$ 4,874	$ 4,900
Fuel and Purchased Power	**1,491**	1,778	1,686
Gross Margin	**3,223**	3,096	3,214
Operation and Maintenance	**1,277**	1,322	1,422

Depreciation and Amortization	**844**	743	764
Taxes Other Than Income	**205**	232	277
Asset (Gains) Losses, Reserves and Impairments, Net	**(2)**	(1)	8
Operating Income	**899**	800	743
Other (Income) and Deductions	**295**	283	277
Income Tax Provision	**228**	186	149
Net Income Attributable to DTE Energy Company	**$ 376**	$ 331	$ 317
Operating Income as a Percent of Operating Revenues	**19%**	16%	15%

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Gross margin increased $127 million during 2009 and decreased $118 million in 2008. The following table displays changes in various gross margin components relative to the comparable prior period:

	2009	2008
	(in Millions)	
December 2008 rate order	**$ 80**	$
Securitization bond and tax surcharge rate increase	**62**	
July 2009 rate self-implementation, net of refund	**93**	
Energy Optimization and Renewable Energy surcharge	**54**	
April 2008 expiration of show cause rate decrease	**25**	46
Weather	**(66)**	(37)
Reduction in customer demand and other	**(121)**	(127)
Increase (decrease) in gross margin	**$ 127**	$ (118)

	2009	2008	2007
	(in Thousands of MWh)		
Electric Sales			
Residential	**14,625**	15,492	16,147
Commercial	**18,200**	18,920	19,332
Industrial	**9,922**	13,086	13,338
Other	**3,229**	3,218	3,300
	45,976	50,716	52,117
Interconnection sales(1)	**5,156**	3,583	3,587
Total Electric Sales	**51,132**	54,299	55,704
Electric Deliveries			
Retail and Wholesale	**45,976**	50,716	52,117
Electric Customer Choice, including self generators(2)	**1,477**	1,457	2,239
Total Electric Sales and Deliveries	**47,453**	52,173	54,356

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

(2) Includes deliveries for self generators who have purchased power from alternative energy suppliers to supplement their power requirements.

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Power Generated and Purchased	2009		2008		2007	
			(in Thousands of MWh)			
Power Plant Generation						
Fossil	**40,595**	**74%**	41,254	71%	42,359	72%
Nuclear	**7,406**	**14**	9,613	17	8,314	14
	48,001	**88**	50,867	88	50,673	86
Purchased Power	**6,495**	**12**	6,877	12	8,422	14
System Output	**54,496**	**100%**	57,744	100%	59,095	100%
Less Line Loss and Internal Use	**(3,364)**		(3,445)		(3,391)	
Net System Output	**51,132**		54,299		55,704	
Average Unit Cost ($/MWh)						
Generation(1)	**$ 18.20**		$ 17.93		$ 15.83	
Purchased Power	**$ 37.74**		$ 69.50		$ 62.40	
Overall Average Unit Cost	**$ 20.53**		$ 24.07		$ 22.47	

(1) Represents fuel costs associated with power plants.

Operation and maintenance expense decreased $45 million in 2009 and decreased $100 million in 2008. The decrease in 2009 was primarily due to $71 million from continuous improvement initiatives and other cost reductions resulting in lower contract labor and outside services expense, information technology and other staff expenses, $14 million of lower employee benefit-related expenses, lower storm expenses of $12 million, $9 million of reduced uncollectible expenses and $6 million of reduced maintenance activities, partially offset by higher pension and health care costs of $54 million and $14 million of energy optimization and renewable energy expenses. The decrease in 2008 was due primarily to lower information systems implementation costs of $60 million, lower employee benefit-related expenses of $45 million and $29 million from continuous improvement initiatives resulting in lower contract labor and outside services expense, information technology and other staff expenses, partially offset by higher uncollectible expenses of $22 million.

Depreciation and amortization expense increased $101 million in 2009 due primarily to a higher depreciable base and increased amortization of regulatory assets and decreased $21 million in 2008 due primarily to decreased amortization of regulatory assets.

Taxes other than income were lower by $27 million due primarily to a $30 million reduction in property tax expense due to refunds received in settlement of appeals of assessments for prior years. Taxes decreased $45 million in 2008 due to the Michigan Single Business Tax (SBT) expense in 2007, which was replaced with the Michigan Business Tax (MBT) in 2008. The MBT is accounted for in the Income Tax provision.

Outlook Unfavorable national and regional economic trends have resulted in reduced demand for electricity in our service territory and continued high levels in our uncollectible accounts receivable. The magnitude of these trends will be driven by the impacts of the challenges in the domestic automotive industry and the timing and level of recovery in the national and regional economies. The January 2010 MPSC rate order, provided for an uncollectible expense tracking mechanism and a revenue decoupling mechanism will assist in mitigating these impacts.

To address the challenges of the national and regional economies, we continue to move forward in our efforts to improve the operating performance and cash flow of Detroit Edison. We continue to favorably resolve outstanding regulatory issues, many of which were addressed by Michigan legislation. We expect that our planned significant environmental and renewable expenditures will result in earnings growth. Looking forward, we face additional issues, such as higher levels of capital spending, volatility in prices for coal and other commodities, investment returns and changes in discount rate assumptions in benefit plans and health care costs, and uncertainty of legislative or regulatory actions regarding climate change. We expect to continue an intense focus on our continuous improvement efforts to improve productivity, remove waste and decrease our costs while improving customer satisfaction.

GAS UTILITY

Our Gas Utility segment consists of MichCon and Citizens.

Gas Utility results are discussed below:

	2009	2008 (in Millions)	2007
Operating Revenues	**$ 1,788**	$ 2,152	$ 1,875
Cost of Gas	**1,057**	1,378	1,164
Gross Margin	**731**	774	711
Operation and Maintenance	**415**	464	429
Depreciation and Amortization	**107**	102	93
Taxes Other Than Income	**49**	48	56
Asset (Gains) and Losses, Net	**(18)**	(26)	(3)
Operating Income	**178**	186	136
Other (Income) and Deductions	**59**	60	43
Income Tax Provision	**39**	41	23
Net Income Attributable to DTE Energy Company	**$ 80**	$ 85	$ 70
Operating Income as a Percent of Operating Revenues	**10%**	9%	7%

Gross margin decreased $43 million in 2009 and increased $63 million in 2008. The decrease in 2009 reflects $28 million of lower revenues from the uncollectible tracking mechanism, $15 million of additional lost and stolen gas, $12 million of continued customer conservation efforts, $5 million of lower end user transportation revenue, $5 million of realized hedging losses, the effects of unfavorable weather of $4 million and reduced late payment revenue of $4 million, partially offset by $22 million higher midstream transportation and storage revenues, $5 million in energy optimization revenues and $5 million higher appliance service revenues. The increase in 2008 reflects $49 million from the uncollectible tracking mechanism, $15 million related to the impacts of colder weather, $10 million favorable result of lower lost gas recognized and higher valued gas received as compensation for transportation of third party customer gas, $7 million of 2007 GCR disallowances, and $6 million of appliance repair revenue. The 2008 improvement was partially offset by $19 million of lower storage services revenue and $12 million from customer conservation and lower volumes.

	2009	2008 (in Millions)	2007
Gas Markets			
Gas sales	**$ 1,443**	$ 1,824	$ 1,536
End user transportation	**144**	143	140

Intermediate transportation	**69**	73	70
Storage and other	**132**	112	129
	$ 1,788	$ 2,152	$ 1,875
Gas Markets (in Bcf)			
Gas sales	**137**	148	148
End user transportation	**124**	123	132
	261	271	280
Intermediate transportation	**463**	438	399
	724	709	679

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Operation and maintenance expense decreased $49 million in 2009 and increased $35 million in 2008. The decrease in 2009 was primarily due to $33 million of reduced uncollectible expenses, $15 million of lower employee benefit-related expenses, $14 million from continuous improvement initiatives and other cost reductions resulting in lower contract labor and outside services expense, information technology and other staff expenses, partially offset by higher health care expenses of $8 million and $4 million of energy optimization expenses. The 2008 increase is primarily attributable to $56 million of higher uncollectible expenses, partially offset by $14 million from continuous improvement initiatives resulting in lower contract labor and outside services expense, information technology and other staff expenses and $14 million of reduced pension and health care expenses. Uncollectible expense was higher in 2008 due to an analysis of our greater than ninety day receivables that indicated a change in the mix of customers in that group and therefore an increased risk of collection. The changes in uncollectible expenses are substantially offset by changes in revenues from the uncollectible tracking mechanism included in the gross margin discussion.

Asset (gains) losses, net decreased $8 million due to a lower gain on the sale of base gas of $15 million and a gain related to the sale of certain gathering and processing assets. The 2008 increase of $23 million was due primarily to the sale of base gas.

Outlook Unfavorable national and regional economic trends have resulted in a decrease in the number of customers in our service territory, customer conservation and continued high levels of theft and uncollectible accounts receivable. The magnitude of these trends will be driven by the impacts of the challenges in the domestic automotive industry and the timing and level of recovery in the national and regional economies. The uncollectible tracking mechanism provided by the MPSC assists in mitigating the continued pressure on accounts receivable.

To address the challenges of the national and regional economies, we continue to move forward in our efforts to improve the operating performance and cash flow of Gas Utility. We continue to resolve outstanding regulatory issues. Looking forward, we face additional issues, such as volatility in gas prices, investment returns and changes in discount rate assumptions in benefit plans and health care costs. We expect to continue an intense focus on our continuous improvement efforts to improve productivity, minimize lost and stolen gas, remove waste and decrease our costs while improving customer satisfaction.

GAS STORAGE AND PIPELINES

Our Gas Storage and Pipelines segment consists of our non-utility gas pipelines and storage businesses.

Gas Storage and Pipelines results are discussed below:

	2009	**2008**	**2007**
		(in Millions)	
Operating Revenues	**$ 82**	$ 71	$ 66
Operation and Maintenance	**15**	12	13
Depreciation and Amortization	**5**	5	6
Taxes Other Than Income	**2**	3	3
Asset (Gains) and Losses, Net		1	(1)
Operating Income	**60**	50	45
Other (Income) and Deductions	**(23)**	(12)	(7)
Income Tax Provision	**33**	24	18

Net Income	**50**	38	34
Noncontrolling interest	**1**		
Net Income Attributable to DTE Energy	**$ 49**	$ 38	$ 34

Net income attributable to DTE Energy increased $11 million and $4 million in 2009 and 2008, respectively. The 2009 increase was driven by higher operating revenues resulting from increased capacity sold and higher rates from renewing storage contracts related to long-term agreements. In addition, there were

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higher equity earnings from our investments in the Vector and Millennium Pipelines, reflecting a first full year of operations for Millennium. The 2008 increase is due to higher storage revenues related to expansion of capacity and higher other income primarily driven by higher equity earnings in the Vector and Millennium Pipelines, partially offset by a higher tax provision due to the MBT in 2008.

Outlook Our Gas Storage and Pipelines business expects to continue its steady growth plan. In 2009, an additional 3 Bcf of storage capacity was placed in service. The Vector Pipeline Phase 2 expansion which added approximately 100 MMcf/day, was placed in service in October 2009 and is supported by customers under long-term contracts. Millennium Pipeline was placed in-service in December 2008 and currently has nearly 85 percent of its capacity sold to customers under long-term contracts. We are also a 50 percent owner in the proposed Dawn Gateway Pipeline. The Dawn Gateway Project is designed to initially transport 360,000 dth/d from our Michigan storage facilities to the Dawn Hub in Ontario, Canada, and upon successful and timely regulatory approval, is expected to be in service in the fourth quarter 2010.

UNCONVENTIONAL GAS PRODUCTION

Our Unconventional Gas Production business is engaged in natural gas exploration, development and production within the Barnett shale in northern Texas. In June 2007, we sold our Antrim shale gas exploration and production business in northern Michigan for gross proceeds of $1.262 billion. In January 2008, we sold a portion of our Barnett shale properties for gross proceeds of approximately $260 million. The properties sold included 75 Bcf of proved reserves on approximately 11,000 net acres in the core area of the Barnett shale. We recognized a gain of $128 million ($80 million after-tax) on the sale in 2008.

Unconventional Gas Production results are discussed below:

	2009	2008 (in Millions)	2007
Operating Revenues	**$ 31**	$ 48	$ (228)
Operation and Maintenance	**15**	22	36
Depreciation, Depletion and Amortization	**16**	12	22
Taxes Other Than Income	**1**	1	8
Asset (Gains) and Losses, Net	**6**	(120)	27
Operating Income (Loss)	**(7)**	133	(321)
Other (Income) and Deductions	**6**	2	13
Income Tax Provision (Benefit)	**(4)**	47	(117)
Net Income (Loss) Attributable to DTE Energy Company	**$ (9)**	$ 84	$ (217)

Operating revenues decreased $17 million in 2009 and increased $276 million in 2008. The 2009 decrease is the result of lower commodity prices, while production remained relatively flat. The 2008 increase was principally due to the impact of losses on 2007 financial contracts that hedged our price risk exposure related to expected Antrim gas production and sales through 2013. Excluding the impact of the losses on the Antrim hedges, operating revenues decreased $47 million in 2008. The decreases were principally due to lower natural gas sales volumes as a result of our monetization initiatives, partially offset by higher commodity prices and higher gas and oil production on retained wells.

Operation and maintenance expense decreased $7 million in 2009 due to operational efficiencies and lower costs for goods and services. The 2008 decrease is primarily attributable to the sale of a portion of the Barnett shale in January 2008 and the Antrim sale in June 2007.

Asset (gains) and losses, net decreased $126 in 2009 and increased $147 million in 2008. The 2009 decrease as compared to 2008 was due to the gain of $128 million ($80 million after-tax) on the 2008 sale of a portion of our Barnett shale properties and $2 million lower impairment in 2009 of expired or expiring leasehold positions that the company does not intend to drill at current commodity prices. The increase in 2008 of $147 million was due to the gain on sale of Barnett shale core properties, partially offset by $8 million of impairment losses primarily related to leases on unproved acreage that we did not anticipate developing due to economic conditions.

Outlook In the longer-term, we plan to continue to develop our holdings in the western portion of the Barnett shale and to seek opportunities for additional monetization of select properties within our asset base, when conditions are appropriate. Our strategy for 2010 is to maintain our focus on reducing operating expenses and optimizing production volume. During 2010, we expect to invest approximately $25 million to drill 10 to 15 new wells and achieve production of approximately 5 Bcfe of natural gas, compared with 5 Bcfe in 2009.

POWER AND INDUSTRIAL PROJECTS

Power and Industrial Projects is comprised primarily of projects that deliver energy and utility-type products and services to industrial, commercial and institutional customers; provide coal transportation services and marketing; and sell electricity from biomass-fired energy projects.

Power and Industrial Projects results are discussed below:

	2009	2008 (in Millions)	2007
Operating Revenues	**$ 661**	$ 987	$ 1,244
Operation and Maintenance	**593**	899	1,143
Depreciation and Amortization	**40**	34	41
Taxes other than Income	**9**	12	13
Other Asset (Gains) and Losses, Reserves and Impairments, Net	**(6)**	6	
Operating Income	**25**	36	47
Other (Income) and Deductions	**(1)**	(20)	(11)
Income Taxes			
Provision	**5**	18	18
Production Tax Credits	**(12)**	(7)	(11)
	(7)	11	7
Net Income	**33**	45	51
Noncontrolling interest	**2**	5	2
Net Income Attributable to DTE Energy Company	**$ 31**	$ 40	$ 49

Operating revenues decreased $326 million in 2009 and $257 million in 2008. The 2009 decrease is due primarily to $111 million reduction in certain coal structured transactions, $176 million of lower pricing and volumes of coal and emissions and $84 million of lower coke demand, partially offset by a $107 million increase in coal related services. The 2008 decrease was primarily attributable to $177 million of reductions in coal transportation and trading volumes and $28 million for the impact of a customer electing to purchase coal directly from the supplier.

Operation and maintenance expense decreased $306 million in 2009 and $244 million in 2008. The 2009 decrease is due primarily to $111 million decrease in certain coal structured transactions and $64 million of lower coke demand,

$141 million of lower pricing and volumes of coal and emissions and operating expenses, partially offset by $75 million of higher coal related services. The 2008 decrease mostly reflects $174 million of lower coal transportation costs driven by reduced sales combined with a reduction in coal trading results.

Depreciation and amortization expense increased $6 million in 2009 and decreased $7 million in 2008. In 2007, we announced our plans to sell a 50% interest in a portfolio of select Power and Industrial Projects. As a result, the assets and liabilities of the Projects were classified as held for sale at that time and the Company ceased recording depreciation and amortization expense related to these assets. During the second quarter of 2008, our work on this planned monetization was discontinued and the assets and liabilities of the Projects were no longer classified as held for sale. Depreciation and amortization resumed in June 2008 when the assets were reclassified as held and used.

Other assets (gains) losses, reserves and impairments, net increased $12 million in 2009 and expense decreased $6 million in 2008. This variation in this item is due primarily to a loss recorded in 2008 of approximately $19 million related to the valuation adjustment for the cumulative depreciation and amortization upon reclassification of certain project assets as held and used, partially offset by gains attributable to the sale of one of our coke battery projects where the proceeds were dependent on future production. Production at this coke battery was operating at lower production volumes in 2009.

Other (income) and deductions were lower by $19 million in 2009 due primarily to higher inter-company interest associated with project construction and a reduction in equity earnings in an investment in a coke battery.

Outlook The stabilization in the U.S. economy is having a positive impact on our customers in the steel industry and we expect a corresponding improvement in demand for metallurgical coke and pulverized coal supplied to these customers for 2010. We supply onsite energy services to the domestic automotive manufacturers who have also experienced stabilized demand for autos. Chrysler and GM have emerged from Chapter 11 bankruptcy protection. We have been in discussions with both automakers and do not anticipate significant impacts to onsite energy services. Our onsite energy services will continue to be delivered in accordance with the terms of long-term contracts. We continue to monitor developments in this sector.

In 2010, we will continue to capture benefits from production tax credits generated from our steel industry fuel and our reduced emission fuel projects. We will also begin to generate production tax credits from our reduced emission fuel projects. In 2011, our existing long-term rail transportation contract, which is at rates significantly below the current market, will expire and we anticipate a decrease in transportation-related revenue of approximately $120 million as a result. We will continue to work with suppliers and the railroads to promote secure and competitive access to coal to meet the energy requirements of our customers. Power and Industrial Projects will continue to leverage its extensive energy-related operating experience and project management capability to develop additional energy projects to serve energy intensive industrial customers. We will also continue to look for opportunities to acquire energy projects and biomass fired generating projects for favorable prices.

ENERGY TRADING

Energy Trading focuses on physical and financial power and gas marketing and trading, structured transactions, enhancement of returns from DTE Energy s asset portfolio, and optimization of contracted natural gas pipeline transportation and storage, and power transmission and generating capacity positions. Energy Trading also provides natural gas, power and ancillary services to various utilities which may include the management of associated storage and transportation contracts on the customers behalf.

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Energy Trading results are discussed below:

	2009	2008 (in Millions)	2007
Operating Revenues	**$ 804**	$ 1,388	$ 924
Fuel, Purchased Power and Gas	**603**	1,235	806
Gross Margin	**201**	153	118
Operation and Maintenance	**71**	68	58
Depreciation and Amortization	**5**	5	5
Taxes Other Than Income	**3**	2	1
Operating Income	**122**	78	54
Other (Income) and Deductions	**10**	5	5
Income Tax Provision (Benefit)	**37**	31	17
Net Income Attributable to DTE Energy Company	**$ 75**	$ 42	$ 32

Gross margin increased $48 million in 2009 and $35 million in 2008. Overall, Operating Revenues and Fuel, Purchased Power and Gas were impacted by a decrease in gas and power commodity prices in 2009 as compared to 2008. The $48 million increase in gross margin in 2009 was due to increases in realized margins of $69 million, offset by decreases in unrealized margins of $21 million. The $69 million increase in realized margins was primarily the result of increases in our gas trading strategy and timing-related increases in our gas storage and transportation optimization strategies. The $21 million decrease in unrealized margins consisted of unfavorable results of $58 million from our gas trading and gas marketing and origination strategies, partially offset by increases of $29 million in our power trading and timing-related improvements of $8 million in our oil strategies.

The 2008 increase was due to higher unrealized margin of $66 million offset by a decrease in realized margin of $31 million. The increase in unrealized margins includes gains in our gas strategies and the absence of $30 million in mark-to-market losses in June 2007 reflecting revisions of valuation estimates for natural gas contracts. The decrease in realized margin was due to unfavorable results of $28 million primarily from our power marketing and transmission optimization strategies, $34 million of unfavorability in our gas storage and full requirements strategies due to falling prices in 2008, offset by $31 million of improvement in our gas trading strategy.

Operation and maintenance expense increased $3 million and $10 million in 2009 and 2008, respectively. The 2009 increase was due to higher payroll and incentive costs and commissions, partially offset by lower contractor expense and allocated corporate costs. The 2008 increase is due to higher payroll and incentive costs and allocated corporate costs.

Income tax provision increased $6 million in 2009 due to an increase in income taxes resulting from higher pretax income, partially offset by $10 million of favorable tax-related adjustments primarily resulting from the settlement of federal income tax audits.

Outlook Significant portions of the Energy Trading portfolio are economically hedged. The portfolio includes financial instruments, physical commodity contracts and gas inventory, as well as contracted natural gas pipeline transportation and storage, and power transmission and generation capacity positions. Energy Trading also provides power and ancillary services and natural gas to various utilities which may include the management of associated storage and transport contracts on the customers behalf. Most financial instruments and physical power and gas contracts are deemed derivatives, whereas proprietary gas inventory, power transmission, pipeline transportation and certain storage assets are not derivatives. As a result, we will experience earnings volatility as derivatives are marked-to-market without revaluing the underlying non-derivative contracts and assets. Our strategy is to economically manage the price risk of these underlying non-derivative contracts and assets with futures, forwards, swaps and options. This results in gains and losses that are recognized in different interim and annual accounting periods.

See also the Fair Value section that follows.

CORPORATE & OTHER

Corporate & Other includes various holding company activities and holds certain non-utility debt and energy-related investments.

Factors impacting income: The 2009 net loss of $70 million decreased from the net loss of $94 million in 2008 due to $34 million favorable tax-related adjustments primarily resulting from the settlement of federal income tax audits, $10 million lower inter-company interest expense and $9 million lower costs related to natural gas forward contracts associated with the 2007 sale of the Antrim Shale properties. These favorable variances were partially offset by a $10 million donation of cash and available-for-sale securities to the DTE Energy Foundation, $10 million resulting from a realignment of employee benefit expense from MichCon, $7 million increase in financing fees, $1 million increased impairment of investments and a $1 million decrease in interest income. The 2008 net loss of $94 million was lower than the 2007 net income of $502 million due to the 2007 gain on the sale of the Antrim shale gas exploration and production business for approximately $900 million ($580 million after-tax).

DISCONTINUED OPERATIONS

Synthetic Fuel

Due to the expiration of synfuel production tax credits in 2007, the Synthetic Fuel business ceased operations and was classified as a discontinued operation as of December 31, 2007.

See Note 10 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

Effective January 1, 2008, we adopted ASC 820 (SFAS No. 157, *Fair Value Measurements)*. The cumulative effect adjustment upon adoption of ASC 820 represented a $4 million increase to the January 1, 2008 balance of retained earnings. See also the Fair Value section.

Effective January 1, 2007, we adopted ASC 740 (FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109)*. The cumulative effect of the adoption of ASC 740 represented a $5 million reduction to the January 1, 2007 balance of retained earnings.

CAPITAL RESOURCES AND LIQUIDITY

Cash Requirements

We use cash to maintain and expand our electric and gas utilities and to grow our non-utility businesses, retire and pay interest on long-term debt and pay dividends. We believe that we will have sufficient internal and external capital resources to fund anticipated capital and operating requirements. In 2010, we expect that cash from operations will be lower due to higher tax payments and working capital requirements. We anticipate base level capital investments and expenditures for existing businesses in 2010 of up to $1.4 billion. The capital needs of our utilities will increase due primarily to renewable and energy optimization related expenditures. We incurred environmental expenditures of approximately $116 million in 2009 and we expect over $2.2 billion of future capital expenditures through 2019 to satisfy both existing and proposed new requirements. We plan to seek regulatory approval to include these capital expenditures within our regulatory rate base consistent with prior treatment. Capital spending for growth of existing or new non-utility businesses will depend on the existence of opportunities that meet our strict risk-return and value creation criteria.

Debt maturing in 2010 totals approximately $661 million.

	2009	2008	2007