

Chairman's Letter

*At work, at home
and at play.
We are always here.*



Tony Earley, chairman and chief executive officer.

If you look at our company today, you'll notice some subtle – but significant – changes from a year ago.

- We intensified our focus on our utilities.
- We redefined our non-utility strategy.
- And we accelerated our drive for excellence.

But through this shift – and others that have preceded it – our purpose has remained constant:

- We energize the progress of society.
- We make dreams real.
- We are always here.

The cover of this year's annual report is meant to highlight our important role in powering

every aspect of your life – at work, at home and at play. We are always here.

When I look out of my office window I can be pretty confident that almost everyone I see – for as far as I can see – is a DTE Energy customer. This is a source of great satisfaction and an incredible responsibility that I take very seriously.

After all, we've been serving our natural gas customers for more than 150 years and our electric customers for more than a century. Our challenge now is to build an energy infrastructure that will meet our customers' energy needs for the next 100 years, while keeping rates affordable. This will require major changes to our existing regulatory environment.

DTE Energy has a proud history and a bright future. I believe we have the potential to be recognized as one of the leading players in our industry.

To reach our target, we must aspire to excellence in everything we do.

We must:

- Achieve top-quartile performance in costs, quality and customer service.
- Remain true to our core values of respect, integrity, safety, customer service, learning and business success.
- Continue our commitment to environmental stewardship.
- Aspire to the highest levels of safety – for our employees, contractors, customers and communities.
- Build on our long history of support for our communities, both culturally and economically.
- Work with our legislators and regulators to create an environment that supports cost recovery of our investments in infrastructure and environmental controls.

Our customers, employees and shareholders deserve nothing less.

This annual report describes our journey to position DTE Energy for continued growth and exceptional customer service. In the letter that follows, Gerry Anderson, our president and chief operating officer, will outline how we intend to get there.

Thank you for your continued support as we prepare for the exciting opportunities before us.



Anthony F. Earley Jr.
Chairman and Chief Executive Officer
February 29, 2008



President's Letter

Gerry Anderson, president and chief operating officer.

In my letter to you last year, I said that we were beginning a five-year plan to create significant value for our shareholders. I said we would grow our utilities an average of 5 percent to 6 percent a year.

On the non-utility side, I said we would benefit from strong past investments to generate an estimated \$800 million of monetization proceeds in 2007.

We achieved our targets. Overall, our utilities delivered solid earnings performance. Although both utilities were impacted by one-time computer system start-up costs, they were able to deliver near authorized return levels driven by cost-control initiatives implemented through year end. In addition, most of our non-utility

President's Letter

businesses saw earnings improvement last year. Our numbers tell a positive story:

- We achieved solid overall utility results. Detroit Edison and MichCon earned near their authorized returns on equity and we continue to target an 11 percent authorized return for them in 2008 and beyond.
- Our non-utility businesses saw improvements in all segments with the exception of Energy Trading. This business returned to a more normal earnings level in 2007 after record trading gains in 2006. Our non-utility growth was driven by higher gas storage and pipeline revenues, increased unconventional gas production in the Barnett Shale and improvements in our power and industrial projects.
- The combination of non-utility asset sales and synfuel proceeds generated \$1.5 billion in internal cash resources. This supported approximately \$500 million in parent-company debt reduction and \$725 million in share repurchases.
- Our attractive dividend yield of approximately 5 percent puts us ahead of most of our peer companies.

Our strategy for consistent growth is working. While the fundamental tenets of that strategy have not changed, we have intensified our focus on growth in our utilities. Moving forward, they are expected to generate more than 80 percent

This graph indicates the performance of the company's common stock for a five-year period as compared to the "S&P 500" Index and Multi-Utilities. This is a historical representation and, as such, is not indicative of future performance relative to the indices.

of our net income, with annual growth of 5 percent to 6 percent per year through 2012.

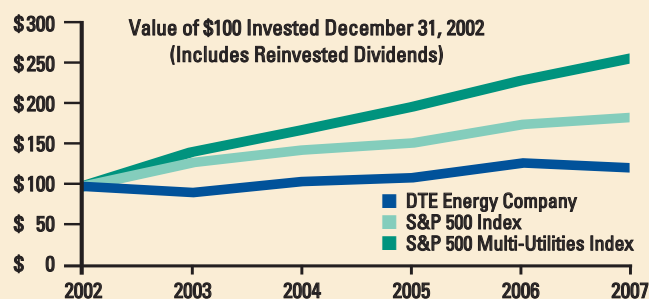
What will drive this growth? Investment in environmental controls, renewables, and new generation capacity will give us the opportunity to grow significantly over the next decade.

Emissions control equipment and technology is fundamentally changing the face of our power generation fleet. In some cases, we're spending more on emissions control equipment than we did to originally build our plants. We spent approximately \$219 million in 2007 and expect significant additional investments through 2018 to meet new emission-reduction requirements.

In addition, our investments in new generation capacity could total billions of dollars. Michigan needs one new baseload power plant by 2015 and more plants in the following years, according to a study prepared for the Governor and released by J. Peter Lark, previous chair of the Michigan Public Service Commission.

We want to be part of the solution. We have secured substantial blocks of land that could be home to wind-powered generation, and we expect to submit a license application for a new nuclear unit at our Fermi 2 site. Both of these potential investments could materially alter our carbon dioxide (CO₂) emissions. However, the current regulatory environment in Michigan discourages investments like these. This must change now.

Comparison of Cumulative Five-Year Total Return



Total Return To Shareholders (Includes Reinvestment of Dividends)

Company / Index	Base Period 2002	Indexed Returns Years Ending December				
		2003	2004	2005	2006	2007
DTE Energy Company	\$ 100	\$ 89.56	\$ 102.97	\$ 107.89	\$ 126.94	\$ 120.56
S&P 500 Index	\$ 100	\$ 128.68	\$ 142.69	\$ 149.70	\$ 173.34	\$ 182.86
S&P 500 Multi-Utilities Index	\$ 100	\$ 140.17	\$ 167.11	\$ 195.58	\$ 228.32	\$ 253.12

While we're preparing the license application for a new nuclear unit at Fermi 2, we won't make the final decision to build until there is more certainty around our ability to recover our investment. We believe the best way to begin is to reform Michigan's law governing electric customer choice. It's also important that our state adopt policies to encourage renewable energy sources and energy efficiency.

Our natural gas utility will grow through infrastructure development and by broadening our product offering to customers. We're expanding our pipeline and gas storage capacity to meet growing demand. We're also exploring ways to reach previously untapped customers.

As we execute our utility growth agenda, we must carefully balance investments, customer affordability and customer satisfaction.

At the same time we're positioning our utilities for growth, we're adjusting our non-utility strategy toward an emphasis on value creation.

- We expect to sell a 50-percent interest in a portfolio of 15 power and industrial projects. When completed in 2008, this transaction is expected to raise approximately \$650 million in pretax proceeds.
- We simplified our non-utility portfolio by selling two natural gas peaker plants.
- We tapped the value of our unconventional gas business by selling our Antrim Shale holdings for pretax proceeds of \$1.2 billion.
- We sold a portion of our Barnett Shale gas properties in Texas for approximately \$250 million, yielding more than a 100-percent return on our investment.

Our year-end stock performance, however, was a disappointment. Strong performance earlier in the year was offset by investor reaction in December to a number of company announcements. These included a delay in our power and industrial transactions and share repurchase plan, as well as the release of 2008 earnings guidance. Today our 2008 outlook has strengthened as a result of our solid 2007 results. As this annual report went to press, our stock performance was once again building momentum, outperforming the S&P 500 by 4 percent through February 2008.



Our new 107-acre Chicago Fuels Terminal provides fuel blending, storage and transportation services.

I believe that the decade will be a period of sustained investment growth for our company:

- Detroit Edison will grow its asset base through investments in new capacity, renewables and environmental controls.
- MichCon will grow as a result of tight natural gas supplies that create new opportunities for our gas exploration and production, and storage and pipelines businesses.
- Our non-utility businesses will focus on building value. We plan to continue to build our unconventional gas and gas midstream businesses, grow our coal marketing and transportation business, pursue more on-site energy services, and build our landfill gas recovery business.

I appreciate your confidence in our company and look forward to a successful 2008.

Gerard M. Anderson
President and Chief Operating Officer
February 29, 2008