AZZ INC
Form 10-Q
October 02, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended August 31, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-12777

AZZ incorporated
(Exact name of registrant as specified in its charter)

TEXAS	75-0948250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Museum Place, Suite 500 3100 West Seventh Street Fort Worth, Texas	76107
(Address of principal executive offices)	(Zip Code)

(817) 810-0095
Registrant's telephone number, including area code:
NONE
(Former name, former address and former fiscal year, if changed since last report)
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 ý No ¨
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 for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
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 ý	Accelerated filer ¨
Non-accelerated filer ¨	Smaller Reporting Company ¨

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class:	Outstanding at August 31, 2013:
Common Stock, $1.00 par value per share	25,499,124

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AZZ incorporated
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

	8/31/2013 (Unaudited)	2/28/2013
Assets		
Current Assets:		
Cash and Cash Equivalents	$41,983,858	$55,597,751
Accounts Receivable (Net of Allowance for Doubtful Accounts of $1,840,642 at August 31, 2013 and $1,000,000 at February 28, 2013)	131,855,452	97,857,193
Inventories:		
Raw Material	59,994,690	47,189,162
Work-In-Process	39,270,310	32,040,915
Finished Goods	2,331,360	3,100,849
Costs and Estimated Earnings In Excess of Billings On Uncompleted Contracts	24,090,827	12,878,068
Deferred Income Taxes	9,341,091	7,615,525
Prepaid Expenses and Other	9,815,546	6,152,476
Total Current Assets	318,683,134	262,431,939
Property, Plant and Equipment, Net	193,265,390	154,476,220
Goodwill	281,874,766	171,886,270
Intangibles and Other Assets, Net	189,992,725	105,410,385
	$983,816,015	$694,204,814
Liabilities and Shareholders’ Equity		
Current Liabilities:		
Accounts Payable	$42,890,094	$28,921,539
Income Tax Payable	2,101,690	568,722
Accrued Salaries and Wages	10,504,398	11,013,779
Other Accrued Liabilities	20,284,954	14,811,126
Customer Advance Payments	38,086,564	39,168,672
Profit Sharing	3,947,294	8,360,000
Long Term Debt Due Within One Year	18,035,714	14,285,714
Billings In Excess of Costs and Estimated Earnings On Uncompleted Contracts	3,153,185	1,769,656
Total Current Liabilities	139,003,893	118,899,208
Long-Term Accrued Liabilities Due After One Year	8,988,155	8,539,278
Long-Term Debt Due After One Year	434,455,357	196,428,571
Deferred Income Taxes	43,042,992	36,403,283
Shareholders’ Equity:		
Common Stock, $1 Par Value, Shares Authorized 100,000,000 (25,499,124 Shares at August 31, 2013 and 25,376,967 Shares at February 28, 2013)	25,499,124	25,376,967
Capital In Excess of Par Value	20,440,575	17,653,912
Retained Earnings	317,868,225	294,092,945
Accumulated Other Comprehensive Income (Loss)	(5,482,306)	(3,189,350)
Total Shareholders’ Equity	358,325,618	333,934,474

	$983,816,015	$694,204,814

See Accompanying Notes to Condensed Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION
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CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended		Six Months Ended	
	8/31/2013	8/31/2012	8/31/2013	8/31/2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net Sales	$189,782,229	$153,385,291	$372,956,848	$280,528,155
Costs And Expenses				
Cost of Sales	133,877,304	110,073,078	266,336,860	199,350,629
Selling, General and Administrative	26,178,490	15,768,242	52,865,428	31,124,459
Interest Expense	4,651,412	3,227,906	9,129,099	6,568,072
Net Loss (Gain) On Sale of Property, Plant and Equipment, and Insurance Proceeds	(859,576)	17,393	(882,917)	(5,951,688)
Other Expense (Income) - net	117,439	(294,530)	(3,710,598)	(246,221)
	163,965,069	128,792,089	323,737,872	230,845,251
Income Before Income Taxes	25,817,160	24,593,202	49,218,976	49,682,904
Income Tax Expense	9,454,391	8,720,265	18,309,424	17,824,027
Net Income	$16,362,769	$15,872,937	$30,909,552	$31,858,877
Earnings Per Common Share				
Basic Earnings Per Share	$0.64	$0.63	$1.21	$1.26
Diluted Earnings Per Share	$0.64	$0.62	$1.20	$1.25

See Accompanying Notes to Condensed Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Six Months Ended	
	8/31/2013 (Unaudited)	8/31/2012 (Unaudited)	8/31/2013 (Unaudited)	8/31/2012 (Unaudited)
Net Income	$16,362,769	$15,872,937	$30,909,552	$31,858,877
Other Comprehensive Income (Loss):				
Foreign Currency Translation Adjustments				
Unrealized Translation Gains (Losses)	(1,719,356)	1,989,312	(2,265,837)	29,780
Interest Rate Swap, Net of Income Tax of $7,301, $7,301, $14,602 and $14,602 respectively.	(13,559)	(13,559)	(27,119)	(27,118)
Other Comprehensive Income (Loss)	(1,732,915)	1,975,753	(2,292,956)	2,662
Comprehensive Income	$14,629,854	$17,848,690	$28,616,596	$31,861,539

See Accompanying Notes to Condensed Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	8/31/2013 (Unaudited)	8/31/2012 (Unaudited)
Cash Flows From Operating Activities:		
Net Income	$30,909,552	$31,858,877
Adjustments To Reconcile Net Income To Net Cash Provided By Operating Activities:		
Provision For Doubtful Accounts	(68,758)	349,165
Amortization and Depreciation	21,048,913	13,163,130
Deferred Income Tax Expense	3,665,345	1,544,614
Net Loss (Gain) On Insurance Settlement or On Sale of Property, Plant & Equipment	(882,917)	(5,951,688)
Amortization of Deferred Borrowing Costs	663,699	141,037
Share Based Compensation Expense	2,512,547	2,434,487
Effects of Changes In Assets & Liabilities:		
Accounts Receivable	20,437,080	(11,406,075)
Inventories	(73,460)	(2,344,607)
Prepaid Expenses and Other	(2,876,687)	(2,123,758)
Other Assets	(4,020,907)	87,805
Net Change In Billings Related To Costs and Estimated Earnings On Uncompleted Contracts	(6,465,886)	4,612,468
Accounts Payable	(80,893)	738,974
Other Accrued Liabilities and Income Taxes Payable	(9,584,151)	(2,938,767)
Net Cash Provided By Operating Activities	55,183,477	30,165,662
Cash Flows From Investing Activities:		
Proceeds From Sale Or Insurance Settlement of Property, Plant, and Equipment	888,278	8,496,630
Purchase of Property, Plant and Equipment	(23,847,378)	(12,561,636)
Acquisition of Subsidiaries, Net of Cash Acquired	(275,702,030)	(77,044,293)
Net Cash Used In Investing Activities	(298,661,130)	(81,109,299)
Cash Flows From Financing Activities:		
Proceeds From Exercise of Stock Options	—	15,781
Excess Tax Benefits From Stock Options and Stock Appreciation Rights	1,188,234	774,897
Proceeds from Revolving Loan	197,000,000	—
Payments on Revolving Loan	(15,000,000)	—
Proceeds on Long Term Debt	75,000,000	—
Payments on Long Term Debt	(15,223,214)	(18,135,866)
Debt Acquisition Costs	(5,880,539)	—
Payments of Dividends	(7,134,272)	(6,318,886)
Net Cash Provided by (Used In) Financing Activities	229,950,209	(23,664,074)
Effect of Exchange Rate Changes on Cash	(86,449)	21,471
Net Increase (Decrease) In Cash & Cash Equivalents	(13,613,893)	(74,586,240)
Cash & Cash Equivalents At Beginning of Period	55,597,751	143,302,666
Cash & Cash Equivalents At End of Period	$41,983,858	$68,716,426
Supplemental Disclosures		
Cash Paid For Interest	$8,041,592	$6,773,789
Cash Paid For Income Taxes	$13,738,489	$15,861,484

See Accompanying Notes to Condensed Consolidated Financial Statements.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(unaudited)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
Balance at February 28, 2013	25,376,967	$25,376,967	$17,653,912	$294,092,945	$ (3,189,350)	$—	$333,934,474
Exercise of Stock Options	—	—	—				—
Stock Compensation	14,000	14,000	2,498,547				2,512,547
Restricted Stock Units	27,684	27,684	(593,211)			—	(565,527)
Stock Issued for SARs	52,625	52,625	(918,114)			—	(865,489)
Employee Stock Purchase Plan	27,848	27,848	611,207			—	639,055
Federal Income Tax Deducted on Stock Options and SARs			1,188,234				1,188,234
Cash Dividend Paid				(7,134,272)			(7,134,272)
Net Income				30,909,552			30,909,552
Foreign Currency Translation					(2,265,837)		(2,265,837)
Interest Rate Swap, Net of $14,602 Income Tax					(27,119)		(27,119)
Balance at August 31, 2013	25,499,124	$25,499,124	$20,440,575	$317,868,225	$ (5,482,306)	$—	$358,325,618

See Accompanying Notes to Condensed Consolidated Financial Statements.

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AZZ incorporated
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation
These interim unaudited condensed consolidated financial statements were prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the SEC rules and regulations referred to above. Accordingly, these financial statements should be read in conjunction with the audited financial statements and related notes for the fiscal year ended February 28, 2013 included in the Company's Annual Report on Form 10-K covering such period. For purposes of the report, "AZZ", the "Company", "we", "our", "us" or similar reference means AZZ incorporated and our consolidated subsidiaries.
Our fiscal year ends on the last day of February and is identified as the fiscal year for the calendar year in which it ends. For example, the fiscal year ended February 28, 2013 is referred to as fiscal 2013.
In the opinion of management of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position of the Company as of August 31, 2013, and the results of its operations and cash flows for the three and six month periods ended August 31, 2013 and 2012.

2. Earnings per share.

Earnings per share is based on the weighted average number of shares outstanding during each period, adjusted for the dilutive effect of stock awards. The shares and earnings per share have been adjusted to reflect our two for one stock split, effected in the form of a share dividend approved by the Board of Directors on June 28, 2012, and paid on July 30, 2012. All share data has been retroactively restated.
The following table sets forth the computation of basic and diluted earnings per share:

	Three Months ended August 31,		Six Months Ended August 31,	
	2013	2012	2013	2012
	(Unaudited)			
	(In thousands except share and per share data)			
Numerator:				
Net income for basic and diluted earnings per common share	$16,363	$15,873	$30,910	$31,859
Denominator:				
Denominator for basic earnings per common share–weighted average shares	25,487,796	25,297,220	25,475,869	25,270,585
Effect of dilutive securities:				
Employee and Director stock awards	176,312	211,323	188,851	210,602
Denominator for diluted earnings per common share	25,664,108	25,508,543	25,664,720	25,481,187
Earnings per share basic and diluted:				
Basic earnings per common share	$0.64	$0.63	$1.21	$1.26
Diluted earnings per common share	$0.64	$0.62	$1.20	$1.25

3. Stock-based Compensation.

The Company has one share-based compensation plan (the "Plan"). The purpose of the Plan is to promote the growth and prosperity of the Company by permitting the Company to grant to its employees, directors and advisors various types of restricted stock unit awards, stock appreciation rights and options to purchase common stock of the Company. The maximum number of shares that may be issued under the Plan is 5,000,000 shares. As of August 31, 2013 the Company has approximately 791,080 shares available for future issuance under the Plan.

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Restricted Stock Unit Awards

Restricted stock unit awards are valued at the market price of our common stock on the grant date. These awards generally have a three year cliff vesting schedule but may vest early in accordance with the Plan's accelerated vesting provisions.

The activity of our non-vested restricted stock unit awards for the six month period ended August 31, 2013 is as follows:

	Restricted Stock Units		Weighted Average Grant Date Fair Value
Non-Vested Balance as of February 28, 2013	106,182		$20.92
Granted	31,458		45.36
Vested	(42,096	)	16.30
Forfeited	—		—
Non-Vested Balance as of August 31, 2013	95,544		$30.57

Stock Appreciation Rights and Option Awards

Stock appreciation rights and option awards are granted with an exercise price equal to the market value of our common stock on the date of grant. These awards generally have a contractual term of 7 years and vest ratably over a period of three years although some may vest immediately on issuance. These awards are valued using the Black-Scholes option pricing model.

A summary of the Company's stock appreciation rights and option awards activity for the six month period ended August 31, 2013 is as follows:

	Options/SAR's		Weighted Average Exercise Price
Outstanding as of February 28, 2013	439,863		$19.12
Granted	71,622		45.36
Exercised	(124,052	)	19.04
Forfeited	—		—
Outstanding as of August 31, 2013	387,433		$24.03
Exercisable as of August 31, 2013	183,255		$15.88

	3,894	3,991
Investments		
Nuclear decommissioning trust funds	**794**	824
Other	**559**	446
	1,353	1,270
Property		
Property, plant and equipment	**19,673**	18,809
Less accumulated depreciation and depletion	**(7,778)**	(7,401)
	11,895	11,408
Other Assets		

Goodwill		**2,037**		2,037
Regulatory assets		**2,803**		2,786
Securitized regulatory assets		**1,066**		1,124
Intangible assets		**87**		25
Notes receivable		**117**		87
Assets from risk management and trading activities		**363**		199
Prepaid pension assets		**162**		152
Other		**129**		116
Noncurrent assets held for sale				547
		6,764		7,073
Total Assets	**$**	**23,906**	$	23,742

See Notes to Consolidated Financial Statements (Unaudited)

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DTE Energy Company
Consolidated Statements of Financial Position (Unaudited)

(in Millions, Except Shares)	June 30 2008	December 31 2007
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Accounts payable	**$ 1,173**	$ 1,189
Accrued interest	**118**	112
Dividends payable	**86**	87
Short-term borrowings	**100**	1,084
Gas inventory equalization	**153**	
Current portion long-term debt, including capital leases	**590**	454
Liabilities from risk management and trading activities	**818**	281
Deferred gains and reserves	**313**	400
Other	**483**	566
Current liabilities associated with assets held for sale		48
	3,834	4,221
Long-Term Debt (net of current portion)		
Mortgage bonds, notes and other	**5,936**	5,576
Securitization bonds	**996**	1,065
Trust preferred-linked securities	**289**	289
Capital lease obligations	**65**	41
	7,286	6,971
Other Liabilities		
Deferred income taxes	**1,824**	1,824
Regulatory liabilities	**1,156**	1,168
Asset retirement obligations	**1,310**	1,277
Unamortized investment tax credit	**102**	108
Liabilities from risk management and trading activities	**759**	450
Liabilities from transportation and storage contracts	**119**	126
Accrued pension liability	**68**	68
Accrued postretirement liability	**1,059**	1,094
Deferred gains	**14**	15
Nuclear decommissioning	**127**	134
Other	**286**	303
Noncurrent liabilities associated with assets held for sale		82
	6,824	6,649

Commitments and Contingencies (Notes 2, 6 and 9)

Minority Interest	**61**		48
Shareholders Equity			
Common stock, without par value, 400,000,000 shares authorized, 163,095,193 and 163,232,095 shares issued and outstanding, respectively	**3,169**		3,176
Retained earnings	**2,862**		2,790
Accumulated other comprehensive loss	**(130)**		(113)
	5,901		5,853
Total Liabilities and Shareholders Equity	**$ 23,906**	$	23,742

See Notes to Consolidated Financial Statements (Unaudited)

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DTE Energy Company
Consolidated Statements of Cash Flows (Unaudited)

(in Millions)	Six Months Ended June 30 2008	2007
Operating Activities		
Net income	**$ 240**	$ 519
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation, depletion and amortization	**440**	467
Deferred income taxes	**180**	(4)
Gain on sale of non-utility assets	**(128)**	(897)
Other asset (gains), losses and reserves, net	**12**	10
Gain on sale of interests in synfuel projects	**(15)**	(77)
Partners share of synfuel project (gains) losses	**2**	(115)
Contributions from synfuel partners	**30**	101
Changes in assets and liabilities, exclusive of changes shown separately (Note 1)	**774**	994
Net cash from operating activities	**1,535**	998
Investing Activities		
Plant and equipment expenditures utility	**(544)**	(480)
Plant and equipment expenditures non-utility	**(110)**	(141)
Proceeds from sale of interests in synfuel projects	**82**	221
Refunds to synfuel partners	**(96)**	(16)
Proceeds from sale of non-utility assets	**253**	1,258
Proceeds from sale of other assets, net	**16**	11
Restricted cash for debt redemptions	**54**	4
Proceeds from sale of nuclear decommissioning trust fund assets	**106**	124
Investment in nuclear decommissioning trust funds	**(124)**	(140)
Other investments	**(89)**	(30)
Net cash from (used) for investing activities	**(452)**	811
Financing Activities		
Issuance of long-term debt	**798**	
Redemption of long-term debt	**(154)**	(111)
Repurchase of long-term debt	**(238)**	
Short-term borrowings, net	**(984)**	(330)
Repurchase of common stock	**(16)**	(333)
Dividends on common stock	**(172)**	(187)
Other	**(6)**	(2)
Net cash used for financing activities	**(772)**	(963)
Net Increase in Cash and Cash Equivalents	**311**	846

Cash and Cash Equivalents Reclassified from Assets Held for Sale	**11**	
Cash and Cash Equivalents at Beginning of Period	**123**	147
Cash and Cash Equivalents at End of Period	**$ 445**	$ 993

See Notes to Consolidated Financial Statements (Unaudited)

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DTE Energy Company
Consolidated Statements of Changes in Shareholders Equity and Comprehensive Income (Unaudited)

(Dollars in Millions, Shares in Thousands)	Common Stock Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2007	163,232	$ 3,176	$ 2,790	$ (113)	$ 5,853
Net income			240		240
Implementation of SFAS No. 157, net of taxes of $2			4		4
Dividends declared on common stock			(172)		(172)
Repurchase and retirement of common stock	(411)	(16)			(16)
Net change in unrealized losses on derivatives, net of tax				(9)	(9)
Net change in unrealized losses on investments, net of tax				(8)	(8)
Stock-based compensation and other	274	9			9
Balance, June 30, 2008	**163,095**	**$ 3,169**	**$ 2,862**	**$ (130)**	**$ 5,901**

The following table displays other comprehensive income for the six-month periods ended June 30:

(in Millions)	**2008**	2007
Net income	**$ 240**	$ 519
Other comprehensive income (loss), net of tax:		
Benefit obligations, net of taxes of $- and $1, respectively		2
Net unrealized gains (losses) on derivatives:		
Gains (losses) during the period, net of taxes of $(6) and $(77), respectively	**(11)**	(143)
Amounts reclassified to income, net of taxes of $1 and $125, respectively	**2**	231
	(9)	88
Net unrealized gains (losses) on investments:		
Gains (losses) during the period, net of taxes of $(4) and $(2), respectively	**(8)**	(3)
Amounts reclassified to income, net of taxes of $- and $1, respectively		2
	(8)	(1)
Comprehensive income	**$ 223**	$ 608

See Notes to Consolidated Financial Statements (Unaudited)

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DTE Energy Company
Notes to Consolidated Financial Statements (Unaudited)

NOTE 1 GENERAL

DTE Energy (the Company) is a diversified energy company. It is 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. The Company also operates four energy-related non-utility segments with operations throughout the United States.

These Consolidated Financial Statements should be read in conjunction with the Notes to Consolidated Financial Statements included in the 2007 Annual Report on Form 10-K.

The accompanying Consolidated Financial Statements are prepared using accounting principles generally accepted in the United States of America. These accounting principles require us to use estimates and assumptions that impact reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from our estimates.

The Consolidated Financial Statements are unaudited, but include all adjustments necessary for a fair presentation of such financial statements. All adjustments are of a normal recurring nature, except as otherwise disclosed in these Consolidated Financial Statements and Notes to Consolidated Financial Statements. Financial results for this interim period are not necessarily indicative of results that may be expected for any other interim period or for the fiscal year ending December 31, 2008.

Certain prior year amounts have been reclassified to reflect current year classifications.

Asset Retirement Obligations

The Company records asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations* and FIN 47, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143*. The Company has a legal retirement obligation for the decommissioning costs for its Fermi 1 and Fermi 2 nuclear plants. To a lesser extent, the Company has legal retirement obligations for the discontinued synthetic fuel operations, gas production facilities, gas gathering facilities and various other operations. The Company has conditional retirement obligations for gas pipeline retirement costs and disposal of asbestos at certain of its power plants. To a lesser extent, the Company has conditional retirement obligations at certain service centers, compressor and gate stations, and disposal costs for PCB contained within transformers and circuit breakers. The Company recognizes such obligations as liabilities at fair market value when they are incurred, which generally is at the time the associated assets are placed in service. Fair value is measured using expected future cash outflows discounted at our credit-adjusted risk-free rate.

For the Company s regulated operations, timing differences arise in the expense recognition of legal asset retirement costs that the Company is currently recovering in rates. The Company defers such differences under SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*.

A reconciliation of the asset retirement obligations for the six months ended June 30, 2008 follows:

(in Millions)	
Asset retirement obligations at January 1, 2008	$ 1,293
Accretion	42
Liabilities settled	(11)
Revision in estimated cash flows	(11)
Transfers from Assets held for sale	14
Asset retirement obligations at June 30, 2008	1,327
Less amount included in current liabilities	(17)
	$ 1,310

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Approximately $1 billion of the asset retirement obligations represent nuclear decommissioning liabilities that are funded through a surcharge to electric customers over the life of the Fermi 2 nuclear power plant.

Intangible Assets

The Company has certain intangible assets relating to non-utility contracts and emission allowances. The Company amortizes intangible assets on a straight-line basis over the expected period of benefit, ranging from 4 to 30 years. The gross carrying amount and accumulated amortization of intangible assets at June 30, 2008 were $101 million and $14 million, respectively. The gross carrying amount and accumulated amortization of intangible assets at December 31, 2007 were $31 million and $6 million, respectively. Amortization expense of intangible assets is estimated to be $5 million annually for the years 2008 through 2012.

Retirement Benefits and Trusteed Assets

The following details the components of net periodic benefit costs for qualified and non-qualified pension benefits and other postretirement benefits:

Three Months Ended June 30	**Pension Benefits**		**Other Postretirement Benefits**	
(in Millions)	**2008**	2007	**2008**	2007
Service cost	**$ 13**	$ 15	**$ 16**	$ 15
Interest cost	**47**	43	**31**	31
Expected return on plan assets	**(65)**	(60)	**(20)**	(16)
Amortization of:				
Net actuarial loss	**8**	13	**9**	16
Prior service cost	**2**	1	**(2)**	
Net transition liability			**1**	
Special termination benefits		1		
Net periodic benefit cost	**$ 5**	$ 13	**$ 35**	$ 46

Six Months Ended June 30	**Pension Benefits**		**Other Postretirement Benefits**	
(in Millions)	**2008**	2007	**2008**	2007
Service cost	**$ 28**	$ 31	**$ 31**	$ 30
Interest cost	**95**	88	**61**	61
Expected return on plan assets	**(130)**	(120)	**(38)**	(33)
Amortization of:				
Net actuarial loss	**16**	28	**19**	33
Prior service cost	**3**	2	**(3)**	(1)
Net transition liability			**1**	2
Special termination benefits		5		2
Net periodic benefit cost	**$ 12**	$ 34	**$ 71**	$ 94

Special Termination Benefits in the above table represents costs associated with the Company s Performance Excellence Process.

The Company expects to contribute $150 million to its qualified pension plans during its fiscal year 2008. No contributions have been made to the plans for the three- and six- month periods ended June 30, 2008.

The Company expects to contribute $5 million to its non-qualified pension plans during its fiscal year 2008. No contributions have been made to the plans for the three- and six- month periods ended June 30, 2008.

The Company expects to contribute $116 million to its postretirement medical and life insurance benefit plans during its fiscal year 2008. No contributions were made during the three-month period ended June 30, 2008. Approximately $40 million of contributions were made to the plans for the six-month period ended June 30, 2008.

Income Taxes

The Company s effective income tax rate from continuing operations for the three months ended June 30, 2008 was 39% as compared to 41% for the three months ended June 30, 2007, and for the six months ended June 30, 2008 was 37% as compared to 40% for the six months ended June 30, 2007. The 2008 rate is lower than 2007 because in 2007, for interim accounting purposes, tax expense on the Antrim shale gain tax was computed separately as a discrete item at its specific tax rate that is higher than the tax rate computed on the remaining results from continuing operations. The 2008 effective tax rate decrease is partially offset by higher state income taxes related to the Michigan Business Tax which was effective January 1, 2008.

The Company has $17 million of unrecognized tax benefits at June 30, 2008 as compared to $14 million of unrecognized tax benefits as December 31, 2007 that, if recognized, would favorably impact its effective tax rate. During the next 12 months, statutes of limitations will expire for the Company s tax returns in various states. It is reasonably possible that there will be a decrease in unrecognized tax benefits of $7 million within the next 12 months.

Short-Term Credit Arrangements and Borrowings

Detroit Edison had a $200 million short-term financing agreement secured by customer accounts receivable. In June 2008, the agreement was terminated and amounts outstanding under the agreement were repaid.

Stock-Based Compensation

The DTE Energy Stock Incentive Plan (the Plan) permits the grant of incentive stock options, non-qualifying stock options, stock awards, performance shares and performance units. Participants in the Plan include the Company s employees and members of its Board of Directors.

The Company recorded stock-based compensation expense of $18 million and $13 million, with an associated tax benefit of $6 million and $5 million for the three months ended June 30, 2008 and 2007, respectively. The Company recorded stock-based compensation expense of $25 million and $19 million, with an associated tax benefit of $9 million and $7 million for the six months ended June 30, 2008 and 2007, respectively. Compensation cost capitalized in property, plant and equipment was $0.6 million and $1 million during the three months ended June 30, 2008 and 2007, respectively. Compensation cost capitalized in property, plant and equipment was $1 million and $1.5 million during the six months ended June 30, 2008 and 2007, respectively.

Stock Options

The following table summarizes our stock option activity for the six months ended June 30, 2008:

	Number of Options	Weighted Average Exercise Price	(in Millions) Aggregate Intrinsic Value
Options outstanding at January 1, 2008	4,394,809	$ 42.37	
Granted	811,300	$ 41.77	
Exercised	(42,230)	$ 36.56	
Forfeited or expired	(14,084)	$ 44.39	
Options outstanding at June 30, 2008	5,149,795	$ 42.31	$ 6
Options exercisable at June 30, 2008	3,861,931	$ 41.98	$ 6

As of June 30, 2008, the weighted average remaining contractual life for the exercisable shares was 4.92 years. As of June 30, 2008, 1,287,864 options were non-vested. During the six months ended June 30, 2008, 605,640 options vested.

The Company determined the fair value for these options at the date of grant using a Black-Scholes based option pricing model and the following assumptions:

	Six Months Ended June 30, 2008	June 30, 2007

Risk-free interest rate	**3.05%**	4.61%
Dividend yield	**5.20%**	4.40%
Expected volatility	**20.45%**	17.85%
Expected life	**6 years**	6 years

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The weighted average grant date fair value of options granted during the six months of 2008 was $4.76 per share. The intrinsic value of options exercised for the six months ended June 30, 2008 was $0.3 million. Total option expense recognized was $0.5 million and $0.7 million for the three months ended June 30, 2008 and 2007, respectively, while total option expense recognized was $2.4 million and $2.8 million for the six months ended June 30, 2008 and 2007, respectively.

Stock Awards

The following summarizes stock awards activity for the six months ended June 30, 2008:

	Restricted Stock	Weighted Average Grant Date Fair Value
Balance at January 1, 2008	984,310	$ 47.36
Grants	378,400	$ 41.72
Forfeitures	(45,499)	$ 45.12
Vested	(235,081)	$ 45.02
Balance at June 30, 2008	1,082,130	$ 46.00

Performance Share Awards

The following summarizes performance share activity for the six months ended June 30, 2008:

	Performance Shares
Balance at January 1, 2008	1,174,153
Grants	534,965
Forfeitures	(53,251)
Payouts	(312,647)
Balance at June 30, 2008	1,343,220

Unrecognized Compensation Cost

As of June 30, 2008, the Company had $54 million of total unrecognized compensation cost related to non-vested stock incentive plan arrangements. These costs are expected to be recognized over a weighted-average period of 1.77 years.

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Consolidated Statement of Cash Flows

The following provides detail of the changes in assets and liabilities that are reported in the Consolidated Statement of Cash Flows, and supplementary cash information:

	Six Months Ended June 30	
(in Millions)	**2008**	2007
Changes in Assets and Liabilities, Exclusive of Changes Shown Separately		
Accounts receivable, net	**$ 280**	$ 241
Accrued GCR revenue	**(113)**	(77)
Inventories	**53**	7
Accrued/prepaid pensions	**(10)**	1
Accounts payable	**22**	131
Accrued PSCR refund	**95**	46
Exchange gas payable	**(31)**	(16)
Income taxes payable	**1**	136
General taxes	**4**	21
Risk management and trading activities	**350**	213
Deferred gains from asset sales	**33**	(32)
Gas inventory equalization	**153**	145
Postretirement obligation	**(35)**	10
Other assets	**58**	67
Other liabilities	**(86)**	101
	$ 774	$ 994
Supplementary Cash Information		
Cash paid for interest (net of interest capitalized)	**$ 240**	$ 271
Cash paid for income taxes	**$ 14**	$ 109
NonCash Financing Activities		
Repurchase of common stock, not settled at balance sheet date		$ 42

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In connection with maintaining certain traded risk management positions, the Company may be required to post cash collateral with its clearing agent. As a result, the Company entered into a demand financing agreement for up to $150 million with its clearing agent in lieu of posting additional cash collateral (a non-cash transaction). There was approximately $4 million outstanding under this facility at June 30, 2008 and approximately $13 million outstanding as of December 31, 2007.

Other asset (gains) and losses, reserves and impairments, net

The following items are included in the Other asset (gains) and losses, reserves and impairments, net line in the Consolidated Statement of Operations:

	Three Months Ended June 30		Six Months Ended June 30	
(in Millions)	**2008**	2007	**2008**	2007
Electric utility	**$**	$ (1)	**$**	$ 6
Gas utility				3
		(1)		9
Non-utility:				
Power and industrial projects	**16**	(1)	**13**	
Barnett shale		9		9
Other		2	**(1)**	1
	$ 16	$ 9	**$ 12**	$ 19

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

Fair Value Accounting

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Effective January 1, 2008, the Company adopted SFAS No. 157. As permitted by FASB Staff Position FAS No. 157-2, the Company has elected to defer the effective date of SFAS No. 157 as it pertains to non-financial assets and liabilities to January 1, 2009. The cumulative effect adjustment upon adoption of SFAS No. 157 represented a $4 million increase to the January 1, 2008 balance of retained earnings. See also Note 3.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*. This Statement permits an entity to choose to measure many financial instruments and certain other items at fair value. The fair value option established by SFAS No. 159 permits all entities to choose to measure eligible items at fair value at specified election dates. An entity will report in earnings unrealized gains and losses on items, for which the fair value option has been elected, at each subsequent reporting date. The fair value option: (a) may be applied instrument by instrument, with a few exceptions, such as investments otherwise accounted for by the equity method; (b) is irrevocable (unless a new election date occurs); and (c) is applied only to entire instruments and not to portions of instruments. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. At January 1, 2008, the Company elected not to use the fair value option for financial assets and liabilities held at that date.

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations,* to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. To accomplish this, SFAS No. 141(R) requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) is applied prospectively to business combinations entered into by the Company after January 1, 2009, with earlier adoption prohibited. The Company will apply the requirements of SFAS No. 141(R) to business combinations consummated after January 1, 2009.

GAAP Hierarchy

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles.* This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements under GAAP. SFAS 162 is effective 60 days following the approval of the Public Company Accounting Oversight Board amendments to AU section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*. The Company will adopt SFAS No. 162 once effective, and the adoption is not expected to have a material impact on its consolidated financial statements.

Useful Life of Intangible Assets

In May 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets.* This FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. For a recognized intangible asset, an entity shall disclose information that enables users to assess the extent to which the expected future cash flows associated with the asset are affected by the entity s intent and/or ability to renew or extend the arrangement. This FSP is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The FSP will not have a material impact on the Company s consolidated financial statements.

Noncontrolling Interests in Consolidated Financial Statements

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of ARB No. 51.* This Statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2008. Earlier adoption is prohibited. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented. The Company will adopt SFAS No. 160 as of January 1, 2009 and is currently assessing the effects of SFAS No. 160 on its consolidated financial statements.

Disclosures about Derivative Instruments and Hedging Activities

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133.* This Statement requires enhanced disclosures about an entity s derivative and hedging activities. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. Comparative disclosures for earlier periods at initial adoption are encouraged but not required. The Company will adopt SFAS No. 161 on January 1, 2009.

Offsetting Amounts Related to Certain Contracts

In April 2007, the FASB issued FSP FIN 39-1, *Amendment of FASB Interpretation No. 39.* This FSP permits the Company to offset the fair value of derivative instruments with cash collateral received or paid for those derivative instruments executed with the same counterparty under a master netting arrangement. As a result, the Company is permitted to record one net asset or liability that represents the total net exposure of all derivative positions under a master netting arrangement. The decision to offset derivative positions under master netting arrangements remains an accounting policy choice. The guidance in this FSP is effective for fiscal years beginning after November 15, 2007. It is applied retrospectively by adjusting the financial statements for all periods presented. The Company adopted FSP FIN 39-1 as of January 1, 2008. At adoption, the Company chose to offset the collateral amounts against the fair value of derivative assets and liabilities, reducing both the Company s total assets and total liabilities. The Company retrospectively reclassified certain assets and liabilities on the Consolidated Statement of Financial Position at December 31, 2007 as follows:

(in Millions)	As Previously Reported	FSP FIN 39-1 Adjustments	As Adjusted
Current Assets			
Accounts receivable			
Collateral held by others	$ 56	$ (3)	$ 53
Other	448	13	461
Assets from risk management and trading activities	195	(14)	181
Other Assets			
Assets from risk management and trading activities	207	(8)	199
Current Liabilities			
Accounts payable	1,198	(9)	1,189
Liabilities from risk management and trading activities	282	(1)	281
Other Liabilities			
Liabilities from risk management and trading activities	452	(2)	450

NOTE 3 FAIR VALUE

Effective January 1, 2008, the Company adopted SFAS No. 157. This Statement defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. The Company has elected the option to defer the effective date of SFAS No. 157 as it pertains to non-financial assets and liabilities to January 1, 2009.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Company makes certain assumptions that market participants would use in pricing assets or liabilities, including assumptions about risk, and the risks inherent in the inputs to valuation techniques. The Company believes it uses valuation techniques that maximize the use of observable market-based inputs and minimize the use of unobservable inputs.

SFAS No. 157 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. SFAS No. 157 requires that assets and liabilities be classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and its placement within the fair value hierarchy. The Company classifies fair value balances based on the fair value hierarchy defined by SFAS No. 157 as follows:

Level 1 Consists of unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date.

Level 2 Consists of inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 Consists of unobservable inputs for assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost-benefit constraints.

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The following table presents assets and liabilities measured and recorded at fair value on a recurring basis as of June 30, 2008:

(in Millions)	Level 1	Level 2	Level 3	Netting Adjustments[(2)]	Net Balance at June 30, 2008
Assets:					
Nuclear decommissioning trusts	$ 493	$ 301	$	$	$ 794
Employee benefit trust investments [(1)]	20	59			79
Derivative assets	584	4,041	1,508	(5,256)	877
Total	$ 1,097	$ 4,401	$ 1,508	$ (5,256)	$ 1,750
Liabilities:					
Deferred compensation	$	$ (19)	$	$	$ (19)
Derivative liabilities	(610)	(3,488)	(2,348)	4,869	(1,577)
Total	$ (610)	$ (3,507)	$ (2,348)	$ 4,869	$ (1,596)
Net Assets (Liabilities) at June 30, 2008	$ 487	$ 894	$ (840)	$ (387)	$ 154

(1) Excludes cash surrender value of life insurance investments.

(2) Amounts represent the impact of master netting agreements that allow the Company to net gain and loss positions and cash collateral held or placed with the same counterparties.

The following table presents the fair value reconciliation of Level 3 derivative assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2008:

(in Millions)	**Derivatives**
Liability balance as of January 1, 2008 [(1)]	$ (366)
Changes in fair value recorded in income	(360)
Changes in fair value recorded in other comprehensive income	(17)

Purchases, issuances and settlements		(103)
Transfers in/out of Level 3		6
Liability balance as of June 30, 2008	$	(840)
The amount of total gains (losses) included in net income attributed to the change in unrealized gains (losses) related to assets and liabilities held at June 30, 2008	$	(360)

(1) Balance as of January 1, 2008 includes a cumulative effect adjustment which represents an increase to beginning retained earnings related to Level 3 derivatives upon adoption of SFAS No. 157.

Net losses of $360 million related to Level 3 derivative assets and liabilities are reported in Operating Revenues for the six months ended June 30, 2008 consistent with the Company s accounting policy. Net gains of $494 million related to Level 1 and Level 2 derivative assets and liabilities, and the impact of netting, are also reported in Operating Revenues for the six months ended June 30, 2008. Transfers in and/or out of level 3 represent existing assets or liabilities that were either previously categorized as a higher level for which the inputs to the model became unobservable or assets and liabilities that were previously classified as level 3 for which the lowest significant input became observable during the period.

SFAS No. 157 provides for limited retrospective application, the net of which is recorded as an adjustment to beginning retained earnings in the period of adoption. As a result, the Company recorded a cumulative effect adjustment of $4 million, net of taxes, as an increase to beginning retained earnings as of January 1, 2008.

Nuclear Decommissioning Funds

The trust fund investments have been established to satisfy Detroit Edison s nuclear decommissioning obligations. The nuclear decommissioning trust fund investments hold debt and equity securities directly and indirectly through commingled funds and institutional mutual funds. The commingled funds and institutional mutual funds which hold exchange-traded equity or debt securities are valued using quoted prices in actively traded markets. Non-exchange traded fixed income securities are valued based upon quotations available from brokers or pricing services.

Employee Benefit Trust Investments

The employee benefit trust investments are invested in commingled funds and institutional mutual funds holding equity or fixed income securities. The commingled funds and institutional mutual funds which hold exchange-traded equity securities are valued using quoted prices in actively traded markets. Non-exchange-traded fixed income securities are valued based upon quotations available from brokers or pricing services.

Deferred Compensation Liabilities
Deferred compensation plans allow eligible participants to defer a portion of their compensation. The participant is able to designate the investment of the deferred compensation to investments available under the 401(k) plan offered by the Company, although the Company does not actually purchase the investments. The deferred compensation liability is determined based upon the fair values of the mutual funds and equity securities designated in each participant s account.

Derivative Assets and Liabilities
Derivative assets and liabilities are comprised of physical and financial derivative contracts, including futures, forwards, options and swaps that are both exchange-traded and over-the-counter traded contracts. Various inputs are used to value derivatives depending on the type of contract and availability of market data. Exchange-traded derivative contracts are valued using quoted prices in active markets. Other derivatives contracts are valued based upon a variety of inputs including commodity market prices, interest rates, credit ratings, default rates, market-based seasonality and basis differential factors. Mathematical valuation models are used for derivatives for which external market data is not readily observable, such as contracts which extend beyond the actively traded reporting period. Derivative instruments are principally used in the Company s Energy Trading segment.

NOTE 4 DISPOSALS AND DISCONTINUED OPERATIONS

Sale of Antrim Shale Gas Exploration and Production Business

In June 2007, the Company sold its Antrim shale gas exploration and production business (Antrim) for gross proceeds of approximately $1.3 billion and recognized a pre-tax gain of $900 million ($580 million after-tax) during 2007. Prior to the sale, the operating results of Antrim were reflected in the Unconventional Gas Production segment.

The Antrim business is not presented as a discontinued operation due to continuation of cash flows related to the sale of a portion of Antrim s natural gas production to Energy Trading under the terms of natural gas sales contracts that expire in 2010 and 2012. These continuing cash flows, while not significant to DTE Energy, are significant to Antrim and therefore meet the definition of continuing cash flows as described in EITF 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*.

Plan to Sell Interest in Certain Power and Industrial Projects

During the third quarter of 2007, the Company announced its 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, the United States asset sale market has weakened and challenges in the debt market have persisted. Additionally, the performance of the portfolio of select Power and Industrial Projects has improved. As a result of these developments, the Company s work on this planned monetization has been discontinued. As of June 30, 2008, 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. During the three- and six-month periods ended June 30, 2008, the Company recorded a loss of $19 million related to the valuation adjustment for the cumulative depreciation and amortization not recorded during the held for sale period. The Consolidated Statement of Financial Position includes $28 million of minority interests in the Projects classified as held for sale as of December 31, 2007.

The following table presents the major classes of assets and liabilities of the Projects classified as held for sale at December 31, 2007:

(in Millions)	December 31, 2007
Cash and cash equivalents	$ 11
Accounts receivable (less allowance for doubtful accounts of $4)	65
Inventories	4
Other current assets	3

Total current assets held for sale	83

(in Millions)		December 31, 2007
Investments		55
Property, plant and equipment, net of accumulated depreciation of $183		285
Intangible assets		38
Long-term notes receivable		46
Other noncurrent assets		1
Total noncurrent assets held for sale		425
Total assets held for sale	$	508
Accounts payable	$	38
Other current liabilities		10
Total current liabilities associated with assets held for sale		48
Long-term debt (including capital lease obligations of $31)		53
Asset retirement obligations		16
Other liabilities		13
Total noncurrent liabilities associated with assets held for sale		82
Total liabilities related to assets held for sale	$	130

Sale of Interest in Barnett Shale Properties

In 2008, the Company sold a portion of its Barnett shale properties for gross proceeds of approximately $260 million. As of December 31, 2007, property, plant and equipment of approximately $122 million, net of approximately $14 million of accumulated depreciation and depletion, was classified as held for sale. The Company recognized a gain of $128 million ($81 million after-tax) on the sale during 2008.

Synthetic Fuel Business

The Company discontinued the operations of its synthetic fuel production facilities throughout the United States 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. The synthetic fuel plants generated operating losses that were substantially offset by production tax credits.

The Company has reported the activity of the Synthetic Fuel business as a discontinued operation. The following amounts exclude general corporate overhead costs.

	Three Months Ended June 30		Six Months Ended June 30	
(in Millions)	**2008**	2007	**2008**	2007
Operating Revenues	**$**	$ 262	**$ 7**	$ 529

Operation and Maintenance	**1**	314	**9**	638
Depreciation, Depletion and Amortization	**(1)**	2	**(2)**	3
Taxes Other Than Income	**(1)**	4	**(1)**	8
Asset (Gains), Losses and Reserves, Net	**1**	(41)	**(15)**	(77)
Operating Income (Loss)		(17)	**16**	(43)
Other (Income) and Deductions	**(1)**	(2)	**(2)**	(6)
Minority Interest	**2**	(56)	**2**	(115)
Income Taxes				
Provision (Benefit)	**(1)**	14	**5**	27
Production Tax Credits		(10)	**(1)**	(24)
	(1)	4	**4**	3
Net Income	**$**	$ 37	**$ 12**	$ 75

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NOTE 5 RESTRUCTURING

In 2005, the Company initiated a company-wide review of its operations called the Performance Excellence Process and began a series of focused improvement initiatives within its Electric and Gas Utilities, and the related corporate support functions. This process continued as of June 30, 2008.

The Company incurred costs to achieve (CTA) restructuring expense for employee severance and other costs. Other costs include project management and consultant support. Pursuant to MPSC authorization, beginning in the third quarter of 2006, Detroit Edison deferred approximately $102 million of CTA in 2006. During 2007, Detroit Edison deferred CTA costs of $54 million. Detroit Edison began amortizing deferred 2006 costs in 2007 and 2007 deferred costs in 2008 as the recovery of these costs was provided for by the MPSC. Amortization of prior year deferred CTA costs was $4 million and $2 million for the three months ended June 30, 2008 and 2007, respectively, and $8 million and $5 million for the six months ended June 30, 2008 and 2007, respectively. Detroit Edison deferred approximately $7 million and $8 million of CTA for the three months ended June 30, 2008 and 2007, respectively, and approximately $11 million and $21 million of CTA for the six months ended June 30, 2008 and 2007, respectively. MichCon cannot defer CTA costs because a recovery mechanism has not been established. MichCon plans to seek a recovery mechanism in its next rate case which is expected to be filed in 2009. See Note 6.

Amounts expensed are recorded in Operation and maintenance on the Consolidated Statements of Operations. Deferred amounts are recorded in the Regulatory assets line on the Consolidated Statements of Financial Position. Costs incurred for the three- and six-month periods ended June 30, 2008 and 2007 are as follows:

Three Months Ended June 30	**Employee Severance Costs**		**Other Costs**		**Total Cost**	
(in Millions)	**2008**	2007	**2008**	2007	**2008**	2007
Costs incurred:						
Electric Utility	**$**	$ 3	**$ 8**	$ 7	**$ 8**	$ 10
Gas Utility			**2**	1	**2**	1
Other		1				1
Total costs		4	**10**	8	**10**	12
Less amounts deferred or capitalized:						
Electric Utility		3	**8**	7	**8**	10
Amount expensed	**$**	$ 1	**$ 2**	$ 1	**$ 2**	$ 2

Six Months Ended June 30	**Employee Severance Costs**		**Other Costs**		**Total Cost**	
(in Millions)	**2008**	2007	**2008**	2007	**2008**	2007
Costs incurred:						
Electric Utility	**$**	$ 11	**$ 12**	$ 14	**$ 12**	$ 25
Gas Utility		2	**3**	1	**3**	3
Other		1	**1**		**1**	1
Total costs		14	**16**	15	**16**	29
Less amounts deferred or capitalized:						
Electric Utility		11	**12**	14	**12**	25
Amount expensed	**$**	$ 3	**$ 4**	$ 1	**$ 4**	$ 4

NOTE 6 REGULATORY MATTERS

Regulation

Detroit Edison and MichCon are subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, and recovery of certain costs. These costs include the costs of generating facilities, regulatory assets, conditions of service, accounting, and operating-related matters. Detroit Edison is also regulated by the FERC with respect to financing authorization and wholesale electric activities.

MPSC Show-Cause Order

In March 2006, the MPSC issued an order directing Detroit Edison to show cause by June 1, 2006 why its rates should not be reduced in 2007. Subsequently, Detroit Edison filed its response to this order and the MPSC issued an order approving a settlement agreement in this proceeding on August 31, 2006. The order provided for an annualized rate reduction of $53 million for 2006, effective September 5, 2006. Beginning January 1, 2007, and continuing until April 13, 2008, one year from the filing of the general rate case on April 13, 2007, rates were reduced by an additional $26 million, for a total reduction of $79 million annually. The revenue reduction is net of the recovery of the amortization of the costs associated with the implementation of the Performance Excellence Process. The settlement agreement provided for some level of realignment of the existing rate structure by allocating a larger percentage share of the rate reduction to the commercial and industrial customer classes than to the residential customer classes.

As part of the settlement agreement, a Choice Incentive Mechanism (CIM) was established with a base level of electric choice sales set at 3,400 GWh. The CIM prescribes regulatory treatment of changes in non-fuel revenue attributed to increases or decreases in electric Customer Choice sales. If electric Customer Choice sales exceed 3,600 GWh, Detroit Edison will be able to recover 90% of its reduction in non-fuel revenue from full service customers, up to $71 million. If electric Customer Choice sales fall below 3,200 GWh, Detroit Edison will credit 100% of the increase in non-fuel revenue to the unrecovered regulatory asset balance. In March 2008, Detroit Edison filed a reconciliation of its CIM for the year 2007. Detroit Edison s annual Electric Choice sales for 2007 were 2,239 GWh which was below the base level of sales of 3,200 GWh. Accordingly, the Company used the resulting additional non-fuel revenue to reduce unrecovered regulatory asset balances related to the Regulatory Asset Recovery Surcharge (RARS) mechanism. This reconciliation did not result in any rate increase.

2007 Electric Rate Case Filing

Pursuant to the February 2006 MPSC order in Detroit Edison s rate restructuring case and the August 2006 MPSC order in the settlement of the show cause case, Detroit Edison filed a general rate case on April 13, 2007 based on a 2006 historical test year. The filing with the MPSC requested a $123 million, or 2.9%, average increase in Detroit Edison s annual revenue requirement for 2008.

The requested $123 million increase in revenues is required to recover significant environmental compliance costs and inflationary increases, partially offset by net savings associated with the Performance Excellence Process. The filing was based on a return on equity of 11.25% on an expected 50% capital and 50% debt capital structure by the end of 2008.

In addition, Detroit Edison s filing made, among other requests, the following proposals:

- Make progress toward correcting the existing rate structure to more accurately reflect the actual cost of providing service to business customers;
- Equalize distribution rates between Detroit Edison full service and Customer Choice customers;
- Re-establish with modification the CIM originally established in the Detroit Edison 2006 show cause filing. The CIM reconciles changes related to customers moving between Detroit Edison full service and electric Customer Choice;
- Terminate the Pension Equalization Mechanism;
- Establish an emission allowance pre-purchase plan to ensure that adequate emission allowances will be available for environmental compliance; and
- Establish a methodology for recovery of the costs associated with preparation of an application for a new nuclear generation facility.

Also in the filing, in connection with Michigan s 21st Century Energy Plan, Detroit Edison reinstated a long-term integrated resource planning (IRP) process with the purpose of developing the least overall cost plan to serve customers generation needs over the next 20 years. Based on the IRP, new base load capacity may be required for Detroit Edison. To protect tax credits available under federal law, Detroit Edison determined it would be prudent to initiate the application process for a new nuclear unit. Detroit Edison has not made a decision to build a new nuclear unit; however, it has elected to preserve its option to build at some point in the future by beginning the complex

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nuclear licensing process in 2007. Additionally, beginning the licensing process at the present time positions Detroit Edison to potentially take advantage of tax incentives of up to $320 million derived from provisions in the 2005 Federal Energy Policy Act, which will benefit customers. To qualify for these tax credits, a combined operating license application for construction and operation of an advanced nuclear generating plant must be docketed by the Nuclear Regulatory Commission no later than December 31, 2008. Preparation and approval of a combined operating license can take up to 4 years and is estimated to cost at least $60 million. Costs of $16 million related to preparing the combined licensing application have been deferred and included in Other assets as of June 30, 2008.

On August 31, 2007, Detroit Edison filed a supplement to its April 2007 rate case filing. A July 2007 decision by the State of Michigan Court of Appeals remanded back to the MPSC the November 2004 order in a prior Detroit Edison rate case that denied recovery of merger control premium costs. The supplemental filing addressed recovery of approximately $61 million related to the merger control premium. The filing also included the impact of the July 2007 enactment of the MBT and other adjustments. The net impact of the supplemental filing resulted in an approximately $76 million average increase in Detroit Edison s annual revenue requirement for 2008.

On February 20, 2008, Detroit Edison filed an update to its April 2007 rate case filing. The update reflected the use of 2009 as the projected test year and included a revised 2009 load forecast; 2009 revised estimates on environmental and advanced metering infrastructure capital expenditures; and adjustments to the calculation of the MBT. The update also included the August 2007 supplemental filing adjustments for the merger control premium, the new MBT and environmental operating and maintenance adjustments. The net impact of the updated filing resulted in an approximately $85 million average increase in Detroit Edison s annual revenue requirement for 2009. The total filing requested a $284 million increase in Detroit Edison s annual revenue for 2009. An MPSC order related to this filing is expected by early 2009.

Regulatory Accounting Treatment for Performance Excellence Process

In May 2006, Detroit Edison and MichCon filed applications with the MPSC to allow deferral of costs associated with the implementation of the Performance Excellence Process, a Company-wide cost-savings and performance improvement program. Detroit Edison and MichCon sought MPSC authorization to defer and amortize Performance Excellence Process implementation costs for accounting purposes to match the expected savings from the Performance Excellence Process program with the related CTA.

The Performance Excellence Process continued as of June 30, 2008. In September 2006, the MPSC issued an order approving a settlement agreement that allows Detroit Edison and MichCon, commencing in 2006, to defer the incremental CTA, subject to the MPSC establishing a recovery mechanism. Further, the order provided for Detroit Edison and MichCon to amortize the CTA deferrals over a 10-year period beginning with the year subsequent to the year the CTA was deferred. Detroit Edison deferred approximately $102 million and $54 million of CTA in 2006 and 2007, respectively, as a regulatory asset and began amortizing deferred costs in 2007 as the recovery of these costs was provided for by the MPSC in the order approving the settlement in the show cause proceeding. Amortization of prior years deferred CTA costs was $4 million and $2 million for the three months ended June 30, 2008 and 2007, respectively, and $8 million and $5 million for the six months ended June 30, 2008 and 2007, respectively. Detroit Edison deferred approximately $7 million and $8 million of CTA for the three months ended June 30, 2008 and 2007, respectively, and approximately $11 million and $21 million of CTA for the six months ended June 30, 2008 and 2007, respectively. MichCon cannot defer CTA costs at this time because a regulatory recovery mechanism has not been established by the MPSC. MichCon plans to seek a recovery mechanism in its next rate case which is expected to be filed in 2009.

Accounting for Costs Related to Enterprise Business Systems (EBS)

In July 2004, Detroit Edison filed an accounting application with the MPSC requesting authority to capitalize and amortize costs related to EBS, consisting of computer equipment, software and development costs, as well as related training, maintenance and overhead costs. In April 2005, the MPSC approved a settlement agreement providing for the deferral of up to $60 million of certain EBS costs, which would otherwise be expensed, as a regulatory asset for future rate recovery starting January 1, 2006. At June 30, 2008, approximately $26 million of EBS costs have been deferred as a regulatory asset. EBS costs recorded as plant assets are being amortized over a 15-year period, pursuant to MPSC authorization.

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Fermi 2 Enhanced Security Costs Settlement

The Customer Choice and Electricity Reliability Act, as amended in 2003, allows for the recovery of reasonable and prudent costs of new and enhanced security measures required by state or federal law, including providing for reasonable security from an act of terrorism. In December 2006, Detroit Edison filed an application with the MPSC for recovery of $11.4 million of Fermi 2 Enhanced Security Costs (ESC), discounted back to September 11, 2001 plus carrying costs from that date. In April 2007, the MPSC approved a settlement agreement that authorizes Detroit Edison to recover Fermi 2 ESC incurred during the period of September 11, 2001 through December 31, 2005. The settlement defined Detroit Edison s ESC, discounted back to September 11, 2001, as $9.1 million plus carrying charges. A total of $13 million, including carrying charges, has been deferred as a regulatory asset. Detroit Edison is authorized to incorporate into its rates an enhanced security factor over a period not to exceed five years. Amortization expense related to this regulatory asset was approximately $1 million and $2 million for the three- and six-month periods ended June 30, 2008, respectively.

Reconciliation of Regulatory Asset Recovery Surcharge

In December 2006, Detroit Edison filed a reconciliation of costs underlying its existing RARS. This true-up filing was made to maximize the remaining time for recovery of significant cost increases prior to expiration of the RARS 5-year recovery limit under PA 141. Detroit Edison requested a reconciliation of the regulatory asset surcharge to ensure proper recovery by the end of the 5-year period of: (1) Clean Air Act Expenditures, (2) Capital in Excess of Base Depreciation, (3) MISO Costs and (4) the regulatory liability for the 1997 Storm Charge. In July 2007, the MPSC approved a negotiated RARS deficiency settlement that resulted in a $10 million write-down of RARS-related costs in 2007. As discussed above, the CIM in the MPSC Show-Cause Order will reduce the regulatory asset. Detroit Edison had no CIM reductions for the three months ended June 30, 2008 due to the expiration of the CIM in April 2008. Approximately $5 million was credited to the unrecovered regulatory asset balance during the three months ended June 30, 2007. Approximately $11 million and $7 million was credited to the unrecovered regulatory asset balance during the six months ended June 30, 2008 and 2007, respectively.

Power Supply Costs Recovery Proceedings

2005 Plan Year In March 2006, Detroit Edison filed its 2005 PSCR reconciliation that sought approval for recovery of an under-recovery of approximately $144 million at December 31, 2005 from its commercial and industrial customers. The filing included a motion for entry of an order to implement immediately a reconciliation surcharge of 4.96 mills per kWh on the bills of its commercial and industrial customers. The under-collected PSCR expense allocated to residential customers could not be recovered due to the PA 141 rate cap for residential customers, which expired January 1, 2006. In addition to the 2005 PSCR plan year reconciliation, the filing included a reconciliation for the Pension Equalization Mechanism (PEM) for the periods from November 24, 2004 through December 31, 2004 and from January 1, 2005 through December 31, 2005. The PEM reconciliation seeks to allocate and refund approximately $12 million to customers based on their contributions to pension expense during the subject periods. In September 2006, the MPSC ordered the Company to roll the entire 2004 PSCR over-collection amount to its 2005 PSCR Reconciliation. An order was issued on May 22, 2007 approving a 2005 PSCR under-collection amount of $94 million and the recovery of this amount through a surcharge for 12 months beginning in June 2007. In addition, the order approved Detroit Edison s proposed PEM reconciliation that was refunded to customers on a bills-rendered basis during June 2007. The 2005 under-collection surcharge was terminated in May 2008. The surcharge will be reconciled in the Company s 2008 PSCR reconciliation.

2006 Plan Year In March 2007, Detroit Edison filed its 2006 PSCR reconciliation that sought approval for recovery of an under-collection of approximately $51 million. Included in the 2006 PSCR reconciliation filing was the Company s PEM reconciliation that reflects a $21 million over-collection which is subject to refund to customers. An MPSC order was issued on April 22, 2008 approving the 2006 PSCR under-collection amount of $51 million and the recovery of this amount as part of the 2007 PSCR factor. In addition, the order approved Detroit Edison s PEM reconciliation and authorized the Company to refund the $22 million over-recovery, including interest, to customers in May 2008. The 2006 PEM refund was included in May 2008 customer bills. The refund will be reconciled in the Company s 2008 PEM reconciliation.

2007 Plan Year In September 2006, Detroit Edison filed its 2007 PSCR plan case seeking approval of a levelized PSCR factor of 6.98 mills per kWh above the amount included in base rates for all PSCR customers. The Company s PSCR plan filing included $130 million for the recovery of its projected 2006 PSCR under-collection, bringing the total requested PSCR factor to 9.73 mills/kWh. The Company s application included a request for an early hearing and temporary order granting such ratemaking authority. The Company s 2007 PSCR plan included fuel and power supply costs, including NOx and SO_2 emission allowance costs, transmission costs and MISO costs. The Company filed supplemental testimony and briefs in December 2006 supporting its updated request to include approximately $81 million for the recovery of its projected 2006 PSCR under-collection. The MPSC issued a temporary order in December 2006 approving the Company s request. In addition, Detroit Edison was granted the authority to include all PSCR over/(under) collections in future PSCR plans, thereby reducing the time between refund or recovery of PSCR reconciliation amounts. The Company began to collect its 2007 power supply costs, including the 2006 rollover amount, through a PSCR factor of 8.69 mills/kWh on January 1, 2007. The Company reduced the PSCR factor to 6.69 mills/kWh on July 1, 2007 based on the updated 2007 plan year projections and increased the PSCR factor to 8.69 mills/kWh on December 1, 2007. In August 2007, the MPSC approved Detroit Edison s 2007 PSCR plan case and authorized the Company to charge a maximum power supply cost recovery factor of 8.69 mills/kWh in 2007. The Company filed its 2007 PSCR reconciliation case in March 2008. The filing requests recovery of a $44 million PSCR under-collection through its 2008 PSCR plan. Included in the 2007 PSCR reconciliation filing was the Company s 2007 PEM reconciliation that reflects a $21 million over-collection, including interest and prior year refunds. The Company expects an order in this proceeding in the second quarter of 2009.

2008 Plan Year In September 2007, Detroit Edison filed its 2008 PSCR plan case seeking approval of a levelized PSCR factor of 9.23 mills/kWh above the amount included in base rates for all PSCR customers. The Company is supporting a total 2008 power supply expense forecast of $1.3 billion that includes $1 million for the recovery of its projected 2007 PSCR under-collection. The Company s PSCR Plan will allow the Company to recover its reasonably and prudently incurred power supply expense including fuel costs, purchased and net interchange power costs, NOx and SO_2 emission allowance costs, transmission costs and MISO costs. Also included in the filing was a request for approval of the Company s emission compliance strategy which included pre-purchases of emission allowances as well as a request for pre-approval of a contract for capacity and energy associated with a renewable wind energy project. On January 31, 2008, Detroit Edison filed a revised PSCR plan case seeking approval of a levelized PSCR factor of 11.22 mills/kWh above the amount included in base rates for all PSCR customers. The revised filing supports a 2008 power supply expense forecast of $1.4 billion and includes $43 million for the recovery of a projected 2007 PSCR under-collection. In March 2008, the MPSC ordered that Detroit Edison shall not self-implement the 11.22 mills/kWh power supply cost recovery factor proposed in its January 2008 filing. Detroit Edison filed a renewed motion for a temporary order to implement the 11.22 mills/kWh factor in June 2008. On July 29, 2008, the MPSC issued a temporary order approving Detroit Edison s request to increase the PSCR factor to 11.22 mills/kWh. The Company expects a final MPSC order in this proceeding in the fourth quarter of 2008.

Uncollectible Expense True-Up Mechanism (UETM) and Report of Safety and Training-Related Expenditures

2005 UETM In March 2006, MichCon filed an application with the MPSC for approval of its UETM for 2005. This was the first filing MichCon made under the UETM, which was approved by the MPSC in April 2005 as part of MichCon s last general rate case. MichCon s 2005 base rates included $37 million for anticipated uncollectible expenses. Actual 2005 uncollectible expenses totaled $60 million. The true-up mechanism allowed MichCon to recover 90% of uncollectibles that exceeded the $37 million base. Under the formula prescribed by the MPSC, MichCon recorded an under-recovery of approximately $11 million for uncollectible expenses from May 2005 (when the mechanism took effect) through the end of 2005. In December 2006, the MPSC issued an order authorizing MichCon to implement the UETM monthly surcharge for service rendered on and after January 1, 2007.

As part of the March 2006 application with the MPSC, MichCon filed a review of its 2005 annual safety and training-related expenditures. MichCon reported that actual safety and training-related expenditures for the initial period exceeded the pro-rata amounts included in base rates and, based on the under-recovered position, recommended no refund at that time. In the December 2006 order, the MPSC also approved MichCon s 2005 safety and training report.

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2006 UETM In March 2007, MichCon filed an application with the MPSC for approval of its UETM for 2006 requesting $33 million of under-recovery plus applicable carrying costs of $3 million. The March 2007 application included a report of MichCon s 2006 annual safety and training-related expenditures, which showed a $2 million over-recovery. In August 2007, MichCon filed revised exhibits reflecting an agreement with the MPSC Staff to net the $2 million over-recovery and associated interest related to the 2006 safety and training-related expenditures against the 2006 UETM under-recovery. An MPSC order was issued in December 2007 approving the collection of $33 million requested in the August 2007 revised filing. MichCon was authorized to implement the new UETM monthly surcharge for service rendered on and after January 1, 2008.

2007 UETM In March 2008, MichCon filed an application with the MPSC for approval of its UETM for 2007 requesting approximately $34 million. This total includes $33 million of costs related to 2007 uncollectible expense and associated carrying charges and $1 million of under-collections for the 2005 UETM. The March 2008 application included a report of MichCon s 2007 annual safety and training-related expenses, which showed no refund was necessary because actual expenditures exceeded the amount included in base rates. MichCon anticipates the MPSC will issue an order authorizing MichCon to implement the monthly UETM surcharge proposed in this filing for service rendered on and after January 1, 2009.

Gas Cost Recovery Proceedings

2005-2006 Plan Year In June 2006, MichCon filed its GCR reconciliation for the 2005-2006 GCR year. The filing supported a total over-recovery, including interest through March 2006, of $13 million. MPSC Staff and other interveners filed testimony regarding the reconciliation in which they recommended disallowances related to MichCon s implementation of its dollar cost averaging fixed price program. In January 2007, MichCon filed testimony rebutting these recommendations. In December 2007, the MPSC issued an order adopting the adjustments proposed by the MPSC Staff, resulting in an $8 million disallowance. Expense related to the disallowance was recorded in 2007. The MPSC authorized MichCon to roll a net over-recovery, inclusive of interest, of $20 million into its 2006-2007 GCR reconciliation. In December 2007, MichCon filed an appeal of the case with the Michigan Court of Appeals. MichCon is currently unable to predict the outcome of the appeal.

2006-2007 Plan Year In June 2007, MichCon filed its GCR reconciliation for the 2006-2007 GCR year. The filing supported a total under-recovery, including interest through March 2007, of $18 million. In March 2008, the parties reached a settlement agreement that allowed for full recovery of MichCon s GCR costs during the 2006-2007 GCR year. The settlement reflected the $20 million net over-recovery required by the MPSC s order in its 2005-2006 GCR reconciliation. The under-recovery including interest through March 2007 agreed to under the settlement is $9 million and will be included in the 2007-2008 GCR reconciliation. An MPSC order was issued on April 22, 2008 approving the settlement.

2007-2008 Plan Year / Base Gas Sale Consolidated In August 2006, MichCon filed an application with the MPSC requesting permission to sell base gas that would become accessible with storage facilities upgrades. In December 2006, MichCon filed its 2007-2008 GCR plan case proposing a maximum GCR factor of $8.49 per Mcf. In August 2007, a settlement agreement in this proceeding was reached by all intervening parties that provided for a sharing with customers of the proceeds from the sale of base gas. In addition, the agreement provided for a rate case filing moratorium until January 1, 2009, unless certain unanticipated changes occur that impact income by more than $5 million. The settlement agreement was approved by the MPSC in August 2007. MichCon s gas storage enhancement projects, the main subject of the aforementioned settlement, have enabled 17 billion cubic feet (Bcf) of gas to become available for cycling. Under the settlement terms, MichCon delivered 13.4 Bcf of this gas to its customers through 2007 at a savings to market-priced supplies of approximately $54 million. This settlement also provided for MichCon to retain the proceeds from the sale of 3.6 Bcf of gas, which MichCon expects to sell through 2009. During 2007, MichCon sold 0.75 Bcf of base gas and recognized a pre-tax gain of $5 million. There were no sales of base gas in the first six months of 2008. By enabling MichCon to retain the profit from the sale of this gas, the settlement provides MichCon with the opportunity to earn an 11% return on equity with no customer rate increase for a period of five years from 2005 to 2010. In June 2008, MichCon filed its GCR reconciliation for the 2007-2008 GCR year. The filing supported a total under-recovery, including interest through March 2008, of $10 million.

2008-2009 Plan Year In December 2007, MichCon filed its GCR plan case for the 2008-2009 GCR Plan year. MichCon filed for a maximum GCR factor of $8.36 per Mcf, adjustable by a contingent mechanism. In June 2008, MichCon made an informational filing documenting the increase in market prices for gas since its December 2007 filing and calculating its new maximum factor of $10.76 per Mcf based on its contingent mechanism. On July 16, 2008, all parties agreed to settle all but one of the issues in this case. The partial settlement includes the establishment of a new maximum base GCR factor of $11.36 per Mcf that will not be subject to adjustment by contingent GCR factors for the remainder of the 2008-2009 GCR plan year. An MPSC order approving the partial settlement agreement is expected in 2008. The MPSC s final order on the remaining issue subject to litigation in this case is expected in 2008.

2009 Proposed Native Base Gas Sale In July 2008, MichCon filed an application with the MPSC requesting permission to sell an additional 4 Bcf of base gas that will become available for sale as a result of better than expected operations at its storage fields. MichCon proposed to sell 1.3 Bcf of the base gas to GCR customers during the 2009-2010 GCR period at cost and to sell the remaining 2.7 Bcf to non-system supply customers in 2009 at market prices. MichCon requested that the MPSC treat the proceeds from the sale of the 2.7 Bcf of base gas to non-system supply customers as a one-time increase in MichCon s net income and not include the proceeds in the calculation of MichCon s revenue requirements in future rate cases.

Other

In July 2007, the State of Michigan Court of Appeals published its decision with respect to an appeal by Detroit Edison and others of certain provisions of a November 2004 MPSC order, including reversing the MPSC s denial of recovery of merger control premium costs. In its published decision, the Court of Appeals held that Detroit Edison is entitled to recover its allocated share of the merger control premium and remanded this matter to the MPSC for further proceedings to establish the precise amount and timing of this recovery. Detroit Edison has filed a supplement to its April 2007 rate case to address the recovery of the merger control premium costs. Other parties have filed requests for leave to appeal to the Michigan Supreme Court from the Court of Appeals decision. In September 2007, the Court of Appeals remanded to the MPSC, for reconsideration, the MichCon recovery of merger control premium costs. The Company is unable to predict the financial or other outcome of any legal or regulatory proceeding at this time.

The Company is unable to predict the outcome of the regulatory matters discussed herein. Resolution of these matters is dependent upon future MPSC orders and appeals, which may materially impact the financial position, results of operations and cash flows of the Company.

NOTE 7 COMMON STOCK AND EARNINGS PER SHARE

The Company reports both basic and diluted earnings per share. Basic earnings per share is computed by dividing income from continuing operations by the weighted average number of common shares outstanding during the period. The calculation of diluted earnings per share assumes the issuance of potentially dilutive common shares outstanding during the period and the repurchase of common shares that would have occurred with proceeds from the assumed issuance. Diluted earnings per share assume the exercise of stock options. Non-vested restricted stock awards are included in the number of common shares outstanding; however, for purposes of computing basic earnings per share, non-vested restricted stock awards are excluded. A reconciliation of both calculations is presented in the following table as of June 30:

	Three Months Ended June 30		**Six Months Ended June 30**	
(in Millions, except per share amounts)	**2008**	2007	**2008**	2007
Basic Earnings per Share				
Income from continuing operations	**$ 28**	$ 348	**$ 228**	$ 444
Average number of common shares outstanding	**162**	174	**162**	175
Income per share of common stock based on weighted average number of shares outstanding	**$ 0.17**	$ 2.00	**$ 1.41**	$ 2.53
Diluted Earnings per Share				
Income from continuing operations	**$ 28**	$ 348	**$ 228**	$ 444

Average number of common shares outstanding	**162**	174	**162**	175
Incremental shares from stock-based awards	**1**	1	**1**	1
Average number of dilutive shares outstanding	**163**	175	**163**	176
Income per share of common stock assuming issuance of incremental shares	**$ 0.17**	$ 1.99	**$ 1.41**	$ 2.52

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Options to purchase approximately 2 million shares of common stock as of June 30, 2008 were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares, thus making these options anti-dilutive.

NOTE 8 LONG-TERM DEBT

Detroit Edison converted $238 million of tax-exempt bonds from an auction rate mode to a weekly rate mode in March 2008 due to a loss of liquidity in the auction rate markets. Detroit Edison then repurchased these bonds and held them until such time as it could either redeem and reissue the bonds or remarket the bonds in a longer-term mode. Approximately $187 million of these bonds have been redeemed and reissued and $51 million have been remarketed in a fixed rate mode to maturity.

Debt Issuances

In 2008, the Company has issued or remarketed the following long-term debt:
(in Millions)

Company	Month Issued	Type	Interest Rate	Maturity	Amount
MichCon	April	Senior Notes (1)	5.26%	2013	$ 60
MichCon	April	Senior Notes (1)	6.04%	2018	100
MichCon	April	Senior Notes (1)	6.44%	2023	25
Detroit Edison	April	Tax-Exempt Revenue Bonds (2) (3)	Variable	2036	69
Detroit Edison	May	Tax-Exempt Revenue Bonds (2) (3)	Variable	2029	118
Detroit Edison	May	Tax-Exempt Revenue Bonds (2) (4)	5.30%	2030	51
MichCon	June	Senior Notes (5)	6.78%	2028	75
Detroit Edison	June	Senior Notes (1)	5.60%	2018	300
Detroit Edison	July	Tax-Exempt Revenue Bonds (2) (6)	Variable	2020	32
					$ 830

(1) Proceeds were used to pay down short-term debt and for general corporate purposes.

(2) Detroit Edison Tax-Exempt Revenue Bonds are issued by a public body that loans the proceeds to Detroit Edison on terms substantially mirroring the Revenue Bonds.

(3)

Proceeds were used to refinance auction rate Tax-Exempt Revenue Bonds.

(4) These Tax-Exempt Revenue Bonds were previously converted from an auction rate mode and remarketed in a fixed rate mode to maturity.

(5) Proceeds were used to repay the 6.45% Remarketable Securities due 2038 subject to mandatory or optional tender on June 30, 2008.

(6) Proceeds were used to refinance Tax-Exempt Revenue Bonds that matured July 2008.

In June 2008, MichCon entered into a Note Purchase Agreement pursuant to which it agreed to issue and sell $190 million of Senior Notes to a group of institutional investors in a private placement transaction. Pursuant to the agreement, the sale of the notes is expected to close in August 2008. Proceeds are to be used to repay a portion of the $200 million MichCon 6.125% Senior Notes due September 2008.

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Debt Retirements and Redemptions

In 2008, the following debt has been retired, through optional redemption or payment at maturity:
(in Millions)

Company	Month Retired	Type	Interest Rate	Maturity	Amount
Detroit Edison	April	Tax-Exempt Revenue Bonds (1)	Variable	2036	$ 69
Detroit Edison	May	Tax-Exempt Revenue Bonds (1)	Variable	2029	118
MichCon	June	Remarketable Securities (2)	6.45%	2038	75
Detroit Edison	July	Tax-Exempt Revenue Bonds (3)	7.00%	2008	32
					$ 294

(1) These Tax-Exempt Revenue Bonds were converted from auction rate mode and subsequently redeemed with proceeds from the issuance of new Detroit Edison Tax-Exempt Revenue Bonds.

(2) These Remarketable Securities were optionally redeemed by MichCon with proceeds from the issuance of new MichCon Senior Notes.

(3) These Tax-Exempt Revenue Bonds were redeemed with the proceeds from the issuance of new Detroit Edison Tax-Exempt

Revenue Bonds.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Environmental

Electric Utility

Air Detroit Edison is subject to EPA ozone transport and acid rain regulations that limit power plant emissions of sulfur dioxide and nitrogen oxides. In March 2005, the EPA 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. To comply with these requirements, Detroit Edison has spent approximately $1.1 billion through 2007. The Company estimates Detroit Edison future capital expenditures at up to $282 million in 2008 and up to $2.4 billion of additional capital expenditures through 2018 to satisfy both the existing and proposed new control requirements**.**

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 the studies to be conducted over the next several years, Detroit Edison may be required to install additional control technologies to reduce the impacts of the water intakes. Initially, it was estimated that Detroit Edison could incur up to approximately $55 million over the 4 to 6 years subsequent to 2007 in additional capital expenditures to comply with these requirements. However, a recent court decision remanded back to the EPA several provisions of the federal regulation that may result in a delay in compliance dates. The decision also raised the possibility that Detroit Edison may have to install cooling towers at some facilities at a cost substantially greater than was initially estimated for other mitigative technologies.

Contaminated Sites Detroit Edison conducted remedial investigations at contaminated sites, including three former manufactured gas plant (MGP) sites, the area surrounding an ash landfill and several underground and aboveground storage tank locations. Liabilities accrued for remediation of these sites were approximately $14 million at June 30, 2008 and $15 million at December 31, 2007. The costs to remediate are expected to be incurred over the next several years.

Gas Utility

Contaminated 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. Gas Utility owns, or previously owned, 15 such former MGP sites. Investigations have revealed contamination related to the by-products of gas manufacturing at each site. In addition to the MGP sites, the Company is also in the process of cleaning up other contaminated sites. Cleanup activities associated with these sites will be conducted over the next several years.

The MPSC has established a cost deferral and rate recovery mechanism for investigation and remediation costs incurred at former MGP sites. At June 30, 2008 and December 31, 2007, Gas Utility had liabilities of approximately $38 million and $40 million, respectively, for estimated investigation and remediation costs at former MGP sites and related regulatory assets.

Any significant change in assumptions, such as remediation techniques, nature and extent of contamination and regulatory requirements, could impact the estimate of remedial action costs for the sites and affect the Company s financial position and cash flows. However, the Company anticipates the cost deferral and rate recovery mechanism approved by the MPSC will prevent environmental costs from having a material adverse impact on its results of operations.

Non-Utility

The Company s non-utility affiliates are subject to a number of environmental laws and regulations dealing with the protection of the environment from various pollutants. The Company is in the process of installing new environmental equipment at its coke battery facility in Michigan. The Company expects the project to be completed during 2009. The coke battery facility received and responded to information requests from the EPA resulting in the issuance of a notice of violation regarding potential maximum achievable control technologies and new source review violations. The EPA is in the process of reviewing the Company s position of demonstrated compliance and has not initiated escalated enforcement. At this time, the Company cannot predict the impact of this issue. The Company s non-utility affiliates are substantially in compliance with all environmental requirements, other than as noted above.

Other

On July 11, 2008, the U.S. Court of Appeals for the District of Columbia issued a decision (D.C. Circuit Court No. 05-1244 and consolidated cases) vacating the 2005 Clean Air Interstate Rule (CAIR), and remanded it back to the EPA. At June 30, 2008, Detroit Edison had SO2 and NOx emission allowances with a carrying value of $14.5 million and $11.8 million, respectively. The cost of these allowances at Detroit Edison is expected to be recoverable through the PSCR mechanism. At June 30, 2008, the Power and Industrial Projects segment had SO2 and NOx emission allowances with a carrying value of $4.7 million. The Company also has forward contracts for the purchase of SO2 and NOx emission allowances. The Company is currently evaluating the impact of the Court s decision as the EPA determines its response, and it is not expected to have a material impact on its consolidated financial statements.

Guarantees

In certain limited circumstances, the Company enters into contractual guarantees. The Company may guarantee another entity s obligation in the event it fails to perform. The Company may provide guarantees in certain indemnification agreements. Finally, the Company may provide indirect guarantees for the indebtedness of others. Below are the details of specific material guarantees the Company currently provides.

Millennium Pipeline Project Guarantee

The Company owns a 26.25% equity interest in the Millennium Pipeline Project (Millennium). Millennium is accounted for under the equity method. Millennium is expected to begin commercial operations in November 2008. On August 29, 2007, Millennium entered into a borrowing facility to finance the construction costs of the project. The total facility amounts to $800 million and is guaranteed by the project partners, based upon their respective ownership percentages. The facility expires on August 29, 2010. The amount outstanding under this facility was $458 million at June 30, 2008. Proceeds of the facility are being used to fund project costs and expenses relating to the development, construction and commercial start up and testing of the pipeline project and for general corporate purposes. In addition, the facility has been utilized to reimburse the project partners for costs and expenses incurred in connection with the project for the period subsequent to June 1, 2004 through immediately prior to the closing of the facility.

The Company has agreed to guarantee 26.25% of the borrowing facility in the event of default by Millennium. The guarantee includes DTE Energy s revolving credit facility s covenant and default provisions by reference. The Company has also provided performance guarantees in regards to completion of Millennium to the major shippers in an amount of approximately $16 million. The maximum potential amount of future payments under these guarantees is approximately $226 million. There are no recourse provisions or collateral that would enable us to recover any amounts paid under the guarantees other than our share of project assets.

Parent Company Guarantee of Subsidiary Obligations
The Company has issued guarantees for the benefit of various non-utility subsidiaries. In the event that DTE Energy s credit rating is downgraded below investment grade, certain of these guarantees would require the Company to post cash or letters of credit valued at approximately $903 million as of June 30, 2008. This estimated amount fluctuates based upon commodity prices (primarily power and gas) and the provisions and maturities of the underlying agreements.
Other Guarantees
The Company s other guarantees are not individually material, with maximum potential payments of $10 million as of June 30, 2008.
Labor Contracts
There are several bargaining units for the Company s represented employees. Approximately 500 employees in the Company s electric operations are under a contract that expires in August 2008. The contracts of the remaining represented employees expire at various dates in 2009 and 2010.
Purchase Commitments
Detroit Edison has an Energy Purchase Agreement to purchase steam and electricity from the Greater Detroit Resource Recovery Authority (GDRRA). Under the Agreement, Detroit Edison will purchase steam through 2008 and electricity through June 2024. In 1996, a charge to income was recorded that included a reserve for steam purchase commitments in excess of replacement costs from 1997 through 2008. The reserve for steam purchase commitments totals $9 million as of June 30, 2008 and is being amortized to Fuel, purchased power and gas expense with non-cash accretion expense being recorded through 2008. The Company estimates steam and electric purchase commitments from 2008 through 2024 will not exceed $343 million. In 2003, the Company sold the steam heating business of Detroit Edison to Thermal Ventures II, LP. Under the terms of the sale, Detroit Edison remains contractually obligated to buy steam from GDRRA through December 2008. Also, the Company guaranteed bank loans of $13 million that Thermal Ventures II, LP may use for capital improvements to the steam heating system and during 2007 recorded a liability of $13 million related to the bank loan guarantee.
As of June 30, 2008, the Company was party to numerous long-term purchase commitments relating to a variety of goods and services required for the Company s business. These agreements primarily consist of fuel supply commitments and energy trading contracts. The Company estimates that these commitments will be approximately $5.9 billion from 2008 through 2051. The Company also estimates that 2008 capital expenditures will be approximately $1.5 billion. The Company has made certain commitments in connection with expected capital expenditures.
Bankruptcies
The Company purchases and sells electricity, gas, coal, coke and other energy products from and to numerous companies operating in the steel, automotive, energy, retail and other industries. Certain of the Company s customers have filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The Company regularly reviews contingent matters relating to these customers and its purchase and sale contracts, and records provisions for amounts considered at risk of probable loss. Management believes the Company s previously accrued amounts are adequate for probable losses. The final resolution of these matters is not expected to have a material effect on the Company s consolidated financial statements.
Other Contingencies
The Company is involved in certain legal, regulatory, administrative and environmental proceedings before various courts, arbitration panels and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, additional environmental reviews and investigations, audits, inquiries from various regulators and pending judicial matters. The Company cannot predict the final disposition of such proceedings. The Company regularly reviews legal matters and records provisions for claims it can estimate and which are considered probable of loss. The resolution of these pending proceedings is not expected to have a material effect on the Company s operations or financial statements in the periods they are resolved.
See Note 6 for a discussion of contingencies related to regulatory matters.

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NOTE 10 SEGMENT INFORMATION

Beginning in the second quarter of 2008, the Company realigned its Coal Transportation and Marketing business from the Coal and Gas Midstream segment to the Power and Industrial Projects segment, due to changes in how financial information is evaluated and resources allocated to segments by senior management. The Company s segment information reflects this change for all periods presented. The Company sets strategic goals, allocates resources and evaluates performance based on the following structure:

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 2.2 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 1.3 million residential, commercial and industrial customers throughout Michigan. MichCon also has subsidiaries involved in the gathering, processing and transmission of natural gas in northern Michigan. Citizens distributes natural gas in Adrian, Michigan to approximately 17,000 customers.

Non-Utility Operations

Gas Midstream consists of gas pipelines and storage businesses;

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

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

Energy Trading primarily consists of energy marketing and trading operations.

Corporate & Other primarily consists of corporate staff functions that are fully allocated to the various segments based on services utilized. Additionally, Corporate & Other holds certain non-utility debt and energy-related investments.

The income tax provisions or benefits of DTE Energy s subsidiaries are determined on an individual company basis and recognize the tax benefit of production tax credits and net operating losses. The subsidiaries record income tax payable to or receivable from DTE Energy resulting from the inclusion of its taxable income or loss in DTE Energy s consolidated federal tax return.

Inter-segment billing for goods and services exchanged between segments is based upon tariffed or market-based prices of the provider and primarily consists of power sales, gas sales and coal transportation services in the following segments:

	Three Months Ended June 30		Six Months Ended June 30	
(in Millions)	**2008**	2007	**2008**	2007
Electric Utility	**$ 2**	$ 5	**$ 6**	$ 9
Gas Utility	**3**	1	**3**	3
Gas Midstream	**2**	12	**5**	8
Unconventional Gas Production		33		63
Power and Industrial Projects	**28**	62	**69**	106
Energy Trading	**40**	9	**72**	17
Corporate & Other	**(17)**	1	**(42)**	2
	$ 58	$ 123	**$ 113**	$ 208

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Financial data of the business segments follows:

	Three Months Ended June 30		Six Months Ended June 30	
(in Millions)	**2008**	2007	**2008**	2007
Operating Revenues				
Electric Utility	**$ 1,173**	$ 1,210	**$ 2,326**	$ 2,304
Gas Utility	**397**	311	**1,312**	1,185
Non-utility Operations:				
Gas Midstream	**17**	17	**34**	33
Unconventional Gas Production (1)	**13**	(287)	**23**	(259)
Power and Industrial Projects	**263**	351	**514**	674
Energy Trading	**435**	197	**723**	408
	728	278	**1,294**	856
Corporate & Other	**11**	1	**2**	2
Reconciliation & Eliminations	**(58)**	(123)	**(113)**	(208)
Total From Continuing Operations	**$ 2,251**	$ 1,677	**$ 4,821**	$ 4,139
Net Income (Loss) by Segment:				
Electric Utility	**$ 51**	$ 60	**$ 92**	$ 100
Gas Utility	**(11)**	(7)	**48**	60
Non-utility Operations:				
Gas Midstream	**8**	8	**16**	16
Unconventional Gas Production (1)(2)	**4**	(211)	**86**	(209)
Power and Industrial Projects	**(6)**	9	**4**	17
Energy Trading	**(14)**	(13)	**17**	(12)
Corporate & Other (3)	**(4)**	502	**(35)**	472
Income (Loss) from Continuing Operations				
Utility	**40**	53	**140**	160
Non-utility	**(8)**	(207)	**123**	(188)
Corporate & Other	**(4)**	502	**(35)**	472
	28	348	**228**	444
Discontinued Operations (Note 4)		37	**12**	75
Net Income	**$ 28**	$ 385	**$ 240**	$ 519

(1) 2007 Operating Revenues and

Net Loss include recognition of losses on hedge contracts associated with the Antrim sale transaction. See Note 4.

(2) 2008 Net Income of the Unconventional Gas Production segment in the six month period results primarily from the after-tax gain on the sale of a portion of the Barnett shale properties. See Note 4.

(3) 2007 Net Income results principally from the gain recognized on the Antrim sale transaction. See Note 4.

Part II Other Information

Item 1. 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.

We are aware of attempts by an environmental organization known as the Waterkeeper Alliance to initiate a criminal action in Canada against the Company for alleged violations of the Canadian Fisheries Act. Fines under the relevant Canadian statute could potentially be significant. To date, the Company has not been properly served process in this matter. Nevertheless, as a result of a recent decision by a Canadian court, a trial schedule has been initiated. The Company believes the claims of the Waterkeeper Alliance in this matter are without legal merit and intends to appeal the court s decision. We are not able to predict or assess the outcome of this action at this time.

Item 1A. Risk Factors

In addition to the other information set forth in this report, the risk factors discussed in Part 1, Item 1A. Risk Factors in DTE Energy Company s 2007 Form 10-K, which could materially affect the Company s businesses, financial condition, future operating results and/ or cash flows should be carefully considered. Additional risks and uncertainties not currently known to the Company, or that are currently deemed to be immaterial, also may materially adversely affect the Company s business, financial condition, and/ or future operating results.

Item 2. 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 Company purchases of equity securities that are registered by the Company pursuant to Section 12 of the Securities Exchange Act of 1934 during the three months ended June 30, 2008:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (2)
04/01/08 - 04/30/08	22,220	41.46		$ 822,895,623
05/01/08 - 05/31/08	32,000	43.13		$ 822,895,623
06/01/08 06/30/08	35,000	43.72		$ 822,895,623
Total	89,220	42.95		

(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 January 2005, the DTE Energy Board of Directors authorized the repurchase of up to $700 million in common stock through 2008. In May 2007, the DTE Energy Board of Directors authorized the repurchase of up to an additional $850 million of common stock through 2009. Through June 30, 2008, repurchases of approximately $725 million of common stock were made under these authorizations. These authorizations provide Company management with flexibility to pursue share repurchases from time to

time, and will
depend on
future asset
monetization,
cash flows and
investment
opportunities.

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

(a) The annual meeting of the holders of Common Stock of the Company was held on May 15, 2008. Proxies for the meeting were solicited pursuant to Regulation 14(a).

(b) There was no solicitation in opposition to the Board of Directors nominees, as listed in the proxy statement, for directors to be elected at the meeting and all such nominees were elected.

The terms of the previously elected eight directors listed below continue until the annual meeting dates shown after each name:

Alfred R. Glancy III	2009
John E. Lobbia	2009
Eugene A. Miller	2009
Charles W. Pryor, Jr.	2009
Anthony F. Earley, Jr.	2010
Allan D. Gilmour	2010
Frank M. Hennessey	2010
Gail J. McGovern	2010

(c) At the annual meeting of the holders of Common Stock of the Company held on May 15, 2008, four directors were elected to serve until the annual meeting in the year 2011 and one director (Ruth G. Shaw) was elected to serve until the Annual Shareholder Meeting in the year 2009 with the votes shown:

	Total Vote For Each Director	Total Vote Withheld From Each Director
Lillian Bauder	131,516,937	3,792,957
W. Frank Fountain, Jr.	131,950,747	3,359,147
Josue Robles, Jr.	131,976,153	3,333,741
Ruth G. Shaw	132,072,911	3,236,983
James H. Vandenberghe	131,998,870	3,311,024

Shareholders ratified the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year 2008 with the votes shown:

For	Against	Abstain
131,891,362	2,505,538	912,994

The Shareholder proposal regarding political contributions was not approved:

For	Against	Abstain
24,705,127	58,491,668	14,316,494

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Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
Exhibits filed herewith:	
4-242	Fortieth Supplemental Indenture, dated as of June 1, 2008 to Indenture of Mortgage and Deed of Trust dated as of March 1, 1944 between Michigan Consolidated Gas Company and Citibank, N.A., Trustee, establishing the 2008 Series F Collateral Bonds.
4-243	Seventh Supplemental Indenture, dated as of June 1, 2008 to Supplement to Indenture dated as of June 1, 1998 between Michigan Consolidated Gas Company and Citibank, N.A., trustee, establishing the 6.78% Senior Notes, 2008 Series F due 2028.
31-41	Chief Executive Officer Section 302 Form 10-Q Certification.
31-42	Chief Financial Officer Section 302 Form 10-Q Certification.
Exhibits incorporated herein by reference:	
4-244	Supplemental Indenture, dated as of May 1, 2008 to Mortgage and Deed of Trust dated as of October 1, 1924 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for General and Refunding Mortgage Bonds, 2008 Series ET (Exhibit 4-253 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).
4-245	Twenty-Fourth Supplemental Indenture, dated as of May 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for 2008 Series ET Variable Rate Senior Notes due 2029 (Exhibit 4-254 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).
4-246	Supplemental Indenture, dated as of June 1, 2008 to Mortgage and Deed of Trust dated as of October 1, 1924 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for General and Refunding Mortgage Bonds, 2008 Series G (Exhibit 4-255 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).
4-247	Twenty-Fifth Supplemental Indenture, dated as of June 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for 2008 Series G 5.60% Senior Notes due 2018 (Exhibit 4-256 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).
4-248	Supplemental Indenture, dated as of July 1, 2008 to Mortgage and Deed of Trust dated as of October 1, 1924 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for General and Refunding Mortgage Bonds, 2008 Series KT (Exhibit 4-257 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).
4-249	

Twenty-Sixth Supplemental Indenture, dated as of July 1, 2008 to the Collateral Trust Indenture, dated as of June 30, 1993 between The Detroit Edison Company and J.P. Morgan Trust Company, National Association, as successor trustee, providing for 2008 Series KT Variable Rate Senior Notes due 2020 (Exhibit 4-258 to The Detroit Edison Company s Form 10-Q for the quarter ended June 30, 2008).

Exhibits furnished herewith:

32-41 Chief Executive Officer Section 906 Form 10-Q Certification.

32-42 Chief Financial Officer Section 906 Form 10-Q Certification.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DTE ENERGY COMPANY
(Registrant)

Date: August 7, 2008

/s/ PETER B. OLEKSIAK

Peter B. Oleksiak
Vice President and Controller and
Chief Accounting Officer