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PRESENTATION

Operator

Good day and welcome to the DTE Energy fourth quarter and year end 2009 earnings conference call. Today's conference is being recorded. At this time, I would like the turn conference over to Mr. Gerry Anderson. Please go ahead, sir.

Gerry Anderson - *DTE Energy Company - COO*

Good morning and welcome to everybody. Before I get started, I want to remind you we have a Safe Harbor Statement that is on slide two of our materials. With me here this morning are David Meador our Chief Financial Officer, Peter Oleksiak, our Vice President and Controller, Nick Khouri, our Treasurer and Lisa Muschong, is our Director of Investor Relations. Moving on to slide four, I'm going to start the discussion this morning by recapping 2009 and in particular, I want to look back on three priorities that we set out early last year that were key to our success, and I think also are significant for this year.

On slide five, the first of those priorities had to do with regulatory strategies. And I think you are all aware that 2009 was our first year active under the legislation that was passed in Michigan in 2008. We had a number of key regulatory proceedings that we needed to work with the Michigan Public Service Commission on. Specifically, we put in place our renewal energy and energy optimization plans mid-year last year. And as you will see later in the discussion, both of those are now turning into significant investment areas for the Company.

We also worked on the Detroit Edison rate case across the year and early this year. In January of 2010, we finalized the rate case and have characterized it as a constructive outcome. We are also working our way through the MichCon rate case. We began work on that in the middle of last year. We implemented rates January 1, and currently are working toward resolution of the case around mid-year. All signs are that that is on track for a constructive outcome.

Second priority that we set out last year had to do with continuous improvement and cost reductions, and that proved to be really key last year. The goal we set out for the Company was to sharply step up the pace of work on this to help deal with the economic crisis and the load loss that came with it. We talked before about the fact that we targeted $130 million in cost savings in 2009. Looking back, we achieved that and were able to do that while actually driving our operating and reliability and safety metrics in the right direction. That was a key last year and as you'll see, one of our goals this year is to build on the momentum that we came out of 2009 with on the CI front.

Finally in terms of financial performance, the goal coming into last year was to preserve our financial strength, and doing that to emerge from 2009 with the ability to focus again on growth. And I think you've seen from our earnings release that we brought 2009 in at $3.30 which was actually a 14% year-over-year growth versus 2008. And importantly, we exited the year with a strong balance sheet in place; actually stronger than we entered. I think that met our primary goal of preserving the Company's strength and positioning it for success in 2010 and beyond.

Slide six focuses on the regulatory structure that we have in Michigan. The left-hand side of the slide really talks about how we entered last year. We had 11% allowed ROEs in place at both utilities and still do. Filing use rates had been passed in late 2008. Those were targeted at minimizing regulatory lag. We also had key tracking mechanisms in place for some of our more volatile costs; fuel and purchase power, electric choice, storm, line clearance. And then as I just mentioned, we had new provisions in place that targeted renewables and spending on energy optimization.

We had evolution of the regulatory structure during 2010 and the middle column of this slide really addresses that. I think the most important new evolution is revenue decoupling. The whole goal here was to put in place a structure that removed any disincentive to fully work on energy efficiency and energy optimization, and that was a joint goal between our company and the Public Service Commission. We have a decoupling structure now for Detroit Edison that was approved in the case that was finalized in January. Decoupling is included in the MichCon rate case filing and we expect decoupling to come through at MichCon as well. That's been an important evolution in the structure for the Company this year.

We also have an uncollectible tracker now at Detroit Edison that is analogous to the one that we have at MichCon. There's an 80/20 split which means that 80% of the uncollectible expense is covered by the tracker with 20% born by us. We've been working on the whole area of uncollectibles with our regulators to address this in a creative way, in the right way, and we think this tracker gives us the right incentive to do just that.

The net result of the evolution that is described on this slide, I think is really laid out on slide seven, and that is that the perception of Michigan regulation and its quality, and in this case the ranking of where Michigan falls in terms of state utility regulatory environment, has moved materially over the last couple of years from one of the lower tiers to one of the upper tiers, the more constructive tiers. And that's been positive for us, but we know that maintaining a constructive regulatory relationship requires that we do our part. And one key way to do that is to focus on cost controls and making sure that rate increases are workable for customers. And that really moves us on to slide eight.

I said earlier that cost reductions driven by continuous improvement were a key for us last year. And you see the absolute O&M numbers for 2008 and 2009 on the left-hand side of the slide. In absolute terms, we were down $65 million. That $65 million is a net of the $130 million reduction plan I mentioned earlier, offset by increases in healthcare, pension; those were the two largest offsets. But despite increases a lot of companies saw in those costs, we were able to log an absolute reduction in cost and that helped to mitigate both the unfavorable economic conditions and to help reduce future rate increases. Our focus on this is going to continue in 2010 as I'll talk about in just a few minutes.

I think we are exiting 2009 with a solid financial foundation in place. And I think we are positioned to have another solid year in 2010. As you can see on the next slide, slide nine, this year finished at -- last year at $3.30. Our guidance, the right bar, for 2010 is $3.35 to $3.75. We are comfortable presently with the mid point of that range. And assuming we hit the mid point, it would provide 7.5% growth year-over-year from 2009 to 2010. If you look back a year further, it provides 11% compound annual growth from 2008 to the 2010 mid point. That growth is consistent with what we've been saying for years that we have the ability in the Company to provide 5% to 6% long term earnings per share growth at DTE.

Our balance sheet also exited the year in solid condition. You can see on slide 10 that both of our key balance sheet metrics improved in 2009. On the top left, you can see that our leverage declined from 53% at year end '08 to 51% at year end '09. And you can see that our FFO to debt ratio improved from 23% in 2008 to 24% last year. Those moves and leverage in FFO were possible because we had strong free cash flow generation at the Company, and that was really the result of having the whole Company focus in 2009 on cash flow and the fact that we were pretty careful with our capital expenditures given the environment.

Given the movement in our balance sheet, S&P recently revised our outlook from negative to stable. The negative came on when the economic crisis emerged and they have seen fit to pull that off given the performance last year. In 2010, looking at the right bars of each of the bar charts, we expect to move our leverage down a bit further from 51% to 50% and maintain our FFO to debt at 24% which is really at the strong end of our range for FFO to debt, given our debt rating and our debt rating targets.

As the bottom two bullets discuss, we do intend to fund cash flow and capital expenditures at the Company with both debt and equity over time. However, we don't expect any public equity issuance in 2010. We are going to have some new shares as we will talk about a bill late, but we expect to do that within our pension plan, our drip plan and our employee benefit plans. We'll discuss the details of that in a little bit. I'm going to move and now from a recap of 2009 to a review of our priorities and performance in 2010.

Slide six -- or slide 12 lays out the six priorities that we've described to the Company for 2010. I want to take just a minute on those to give you a sense for how we are thinking about the year. Top left is the first priority I want to discuss, and that's employee engagement. We are really focused on managing this as a top priority in every part of the Company. And while that may sound like a soft priority for the Company, it really is not. The focus and the discipline of our employee base proved to be critical to our performance last year. Our goal in 2010 is to maintain that focus and momentum and to build upon it so we really see that as a very important goal.

Top right, customer satisfaction, I have described as the top priority in the Company in 2010. Our goal is to take a sharp step up in customer satisfaction and close half the gap between our current ranking and first quartile this year. We are not yet first quartile. We've told our leadership and our people, we need to get there. We see driving customer satisfaction to first quartile and eventually first decile, as one of the keys to keeping support for DTE Energy strong in Michigan so we are going to be after moving customer satisfaction north materially this year as the top priority in the Company.

I would say a close second to that is middle left which is continuous improvement. And I've already said that this very important last year. Our goal this year is to broaden and deepen our work on this effort, and over time make this a distinctive capability at DTE within our industry. I think also that our work on this is key to keeping our rate increases manageable and along with our work in customer service is important to keeping support for DTE in Michigan strong.

Middle right, on the political and regulatory front, I've already said that I think we have constructive policies in place now in Michigan that we're part of the 2008 legislative package. Our job this year is to do the work that is needed to maintain those constructive policies. The main ways to do that I've already discussed, which is to focus on cost and customer service. We also need to keep our eye out on policies in Washington, DC. Although frankly, a lot of the energy related work has slowed down significantly from what we might have expected six months ago.

Bottom left, our fifth priority focuses on financial growth and value creation. We've described this to our people as resuming a sharp focus again on our ability to grow. We took a more conservative approach to this in 2009. As I've said earlier, the goal last year was to hold our own and exit the year in a position where we were ready to grow again this year.

We are in a position to do that, both in our utilities and in our other business lines. I also think it's recognized that this is an important role that we can play in the state, both from an economic development perspective and from the perspective that this state right now needs Michigan headquartered companies that are growing, both within the state and across the region and across the country. We believe this is -- we are in a position to do this and this is something -- an important role we can play in the state.

Final priority is financial performance. And that as stated, is to resume a focus on steady earnings growth while keeping our balance sheet strong which leads me directly to slide 13. I'm going to focus on the right-hand side of this chart, which really lays out the source of the financial growth and earnings growth. As you can see, there's going to be a significant step up in capital investment at DTE in the coming three years from 2010 to 2012 versus the prior three years, 2007 to 2009. That growth in investment is driven primarily by the increase you see at Detroit Edison which is depicted in dark blue, where average investment or the three-year investment rises from $2.6 billion to roughly $3 billion to $3.5 billion which is a 15% to 30% increase for the period. The point here is that the scale and nature of the investments that we are taking on at the Company does support the annual 5% to 6% earnings per share growth rate that we've been talking about. And what I want to do in the next few slides is give you a feel for the nature of the investments that we are making that are summarized on the right-hand side of slide 13.

Moving on to slide 14, which discusses the investment agenda at Detroit Edison, top left, 2010 is our first year of significant investments under the renewable portfolio standard here in Michigan. I mentioned that we put that in place in the middle of last year. We spent much of the second half of last year planning and beginning to contract, and this is the first year of significant investment for us. We plan to invest $300 million to $400 million in renewables over the next three years, with $100 million of that happening in 2010.

Top right, we continue to make significant investments to meet clean air environmental requirements in our generation fleet. Much of that is happening at the Monroe Power Plant. our 3,000 megawatt coal plant that is pictured here. Over the next three years, we will spend $500 million to $600 million on this clean air compliance, $75 million of that in 2010. 2010 is really an in-between year, as we transition from two new scrubbers that we have completed at the plant to our next round of investments in scrubbers at the Monroe Power Plant.

Bottom left on this page, we are also making sizable investments in energy optimization. These are now mandated by the legislation passed in 2008. This is also something that we are anxious to work on because we think it's a great investment to manage particularly residential affordability here in the state. We invest in commercial and industrial as well, but I think we know that there are a lot of residential customers under pressure here.

We are going to invest $100 million of capital over the next three years, $25 million in capital this year. The total investment will actually be above the $100 million, but not all of it is capitalized. Finally, bottom right, all of the investments I just discussed in renewable and environmental and energy optimization occur over and above our ongoing investments in base infrastructure, which will total $2.1 billion to $2.3 billion over the next three years, about $750 million a year.

We also believe we exited 2009 with some good investment opportunities in our other business lines, and I'll use the next few slides to discuss that. On slide 15, we discuss our gas storage and pipelines business. Top left of slide 15, you can see that this is a business in which we've had a history of strong net income growth. We finished last year at $49 million in earnings. And as you can see from the first bullet, under the bar chart there, we expect 2010 to be another year of earnings growth. We have guidance in this segment of $50 million to $55 million.

If you look longer term in this business line, we do expect to continue to see this growth pattern. And that growth is really coming from three sources and they are all tied to the assets that we currently have in place. The first source of growth relates to the Vector pipeline which runs from Chicago into our storage fields in Michigan. We continue to see opportunities to expand the Vector pipeline. Those expansion opportunities are driven principally by changes in gas flow into Chicago and the Midwest from the Rockies and mid-continent area, significant changes in gas flow which are benefiting the Vector pipeline and our storage fields.

Second driver of growth is the Millennium pipeline. I think you know that we recently put that pipeline into operation. As luck would have it, that pipeline happens to overlay the Marcellus shale, which has emerged as one of the truly gas finds in North America and the world. We would like to say, we planned it that way. We really didn't. But we are seeing the Marcellus shale as a significant driver of demand for the Millennium pipeline and the expansion of it, because that Marcellus shale gas needs to move on to markets in New York, Boston and the Northeast more generally. Millennium is in a position to play that role.

And then finally, we do see continued development of Michigan storage. Development of that storage is tied to markets that are served by both the Vector and the Millennium pipelines. We see end users in the Chicago and Wisconsin areas and in the Northeast reaching back to Michigan for their storage needs. That is really driven by the fact that Michigan has geology which makes storage expansion here either the most economic or among the most economic in the nation at this point.

Slide 16 provides an update on our power and industrial business. There are two primary areas of activity in this business. In the industrial business, we have -- this area is providing a strong uptick in earnings in 2010. And that's coming because this business is benefiting from the broader recovery in the industrial sector that we are seeing across the country, especially in the steel sector.

You can see from the middle bullet on the industrial discussion that we are -- our operating earnings guidance in this segment to $60 million to $75 million. That's up sharply from the overall P&L earnings of last year of $35 million, and the outlook that we provided in the fall of last year of $40 million to $50 million. And the increase is driven, as I've said, by the broad industrial recovery, particularly the demand for coal and coke that we supply to steel facilities across the country.

The most significant area of investment near term in the power and industrial business is in renewables, on the bottom half of the page. And the most significant investments here are coming from conversions that we're undertaking of smaller coal fired plants to wood generation. Just to give you a feel for this, we have a plant in Wisconsin that we are currently completing a retrofit on that we'll take operational in 2010 to meet the Wisconsin RPS requirements. We've reached an agreement to start retrofit of a similar facility in California this year. We expect to have that operational in a few years. We already operate similar plants in California and Louisiana, and have two similar facilities currently under development. This conversion of coal plants to wood fired plants meet state RPS requirements is a niche that we like and think we can both add value to and produce premium returns, and will be the principal area of new investment in this business line.

Last business that I want to comment on is our unconventional gas business. As we've described previously, this is a business where we have in the past developed and sold assets at healthy premiums. You may recall that in 2007, we monetized our Antrim shale assets for $1.2 billion. And then in 2008, we followed that with a monetization of our core Barnett properties for $260 million and a very healthy IRR, and monetizing assets in this segment is still our plan. We develop them and then monetize the assets when we feel the market provides a good condition to do that. Given that, we focus more on asset values than we do on net income. I think the real news in this segment is on the left-hand side of the slide, in particular on the top left bar chart there, you can see that our proven reserves have moved up 40% from 167 Bcf to 234 Bcf. Our overall reserves have moved up over 10% when you combine proved and probable.

On the bottom left here, we know that you can and will do your own valuations so we are simply trying to give some indication of what this increase in proved reserves means from a financial perspective. And you can see that when we combine our proved reserves valued at roughly $1 to $2 an Mcf and our probables at $0.50 to $1, you end up with a valuation of [400 to 700]. The point is only that we think we have significant value in these reserves that we will target monetizing when the market is right. Just in terms of near term plans on the bottom right of the slide, we are going to continue to invest roughly $25 million a year.

And we will then monetize when the time is right, with the goal being to fund other investments at DTE and offset the need to issue equity.

In conclusion before I turn things over to David Meador, on slide 18, I think we were successful in meeting our goals in 2009 and posted a really solid year in a tough environment. We have plans in place to achieve strong financial results in 2010. The regulatory structure in the state is constructive. We are focused on continuous improvement, operational excellence and customer satisfaction to maintain that constructive environment. We do continue to see good investment opportunities in our nonutility segments. And when you put that whole description together, we think we have a plan that makes us confident we can achieve the 5% to 6% earnings growth that we've been talking about for some time. With that, I'll turn things over to David Meador.

Dave Meador - *DTE Energy Company - CFO*

Thanks, Gerry and good morning, everybody. I will start on slide 20, where I'll provide our 2010 operating earnings guidance. As you can see on the slide, the total is $563 million to $633 million which is almost $600 million at mid-point, which is 10% higher than our 2009 operating earning at $543 million. Let me walk down this page, starting with Detroit Edison's guidance of $405 million to $435 million.

As you know, the rate case for Detroit Edison was completed in January and as Gerry outlined, it included decoupling and a new bad debt tracker for Detroit Edison. Ongoing cost control will be en enabler for Detroit Edison reaching its goals, as it will be throughout the Company. MichCon, on the next line, will step up its earnings from $80 million last year to $95 million to $105 million in earnings in 2010 and this is going to be driven by self-implemented rates in January. As Gerry talked through, the final case will be resolved in June and we expect this to also include decoupling for this utility. Additionally, ongoing cost control will be a key enabler at MichCon.

Gas storage and pipelines, after a very strong year in 2009, is projected at $50 million to $55 million and this is driven by existing projects. Power and industrial will see a significant increase in earnings, as we just talked through, to $60 million to $75 million in earnings, driven by new projects coming online as well as higher contribution from coal and coke sales to the steel industry. As you can see in the 2009 column here, trading at a great year in 2009, earning $75 million. As we discussed at the October analyst meeting, we expect trading in 2010 to return to a normal earnings level of $45 million to $55 million. And the Holding Company after experiencing one time savings last year, returns to normal expense levels of $85 million.

The total is almost $600 million at mid point or $3.55 per share, which is a 7.5% share increase over 2009. And this is with a projected 168.6 million shares outstanding and I'll talk about equity issuances a little bit later. As we said last year, we've positioned the Company to return to growth at the end of the recession. That is exactly what we are doing.

Slide 22 -- 21, excuse me, is a summary of Detroit Edison load for 2009 compared to 2008, and we also give you a projected variance to 2010. We believe the economy has troughed and we are seeing positive signs, such as unemployment which has peaked and is now slightly improving. We know there will be a long tail on improvement here, but we are seeing improvement. While we are not directly exposed to the economy due to decoupling and attractors, we still keep our eye on the positive events and indicators. And we are seeing them, such as improvement in steel and vehicle production, and new investments in Michigan like General Electric announced $100 million investment in a new technology center that will eventually employ 1,000 people with very well paying professional jobs.

2009's load came in as expected and included some positive nonindustrial recovery at the end of the year. For 2010, we are projecting a rebound in industrial load of 9% year-over-year and this is led by the steel and auto sectors, as we see them leading our way out of this recession. We are still planning conservatively. Even though we are not dependent on the economic recovery, we are predicting a 1% sales increase in load year-over-year and that is net of energy optimization. When we talk about energy optimization, that's in Michigan what we call our energy efficiency program. The sales rebound at a higher level will provide a direct benefit to our customers under decoupling.

On slide 22, let me take you through some of the details for 2010, starting with Detroit Edison. For both utilities, we are focused on achieving our authorized return on equity which is 11%. For Edison, the guidance of $405 million to $435 million includes the full-year benefit of rate increases and normal weather after a cold summer last year. Going forward with decoupling, we will not be exposed to weather at Detroit Edison, as we have been in the past. Partially offsetting that will be higher benefit expense, incremental O&M related to environmental projects and higher depreciation. And then finally, the other category here includes one-time cost savings in 2009 which are now repeated in 2010 inflation and that's offset by ongoing cost reductions.

On slide 23, we'll shift to MichCon. And you'll see that MichCon is expected to return to full earnings power this year with earnings of $95 million to $105 million, and that is driven by the self implementation of rates and ongoing cost controls. We expect this rate case to be completed in June, as we mentioned. We also expect lower margins here due to conservation, and customer comps and storage revenues. Ongoing continuous improvement work will partially offset higher benefit costs and other inflation and one time savings that we experienced in 2009.

On slide 24 is our cash flow guidance. As Gerry laid out, the cash flows in 2009 were very strong. In 2010, cash flow will be down slightly, due to one-time tax savings in 2009 that won't be repeated and higher working capital requirements in energy trading. Capital spending will increase $300 million as we fund our growth plan here and I'll go over capital on the next slide. And then lastly, we will issue about $100 million of debt and $200 million in equity to support our growth plans.

On slide 25 is the capital spending summary which shows we will spend $1.1 billion in the utilities and $300 million in our nonutilities in 2010. The total is 30% higher than 2009. At Detroit Edison, operational capital is up due to our automated meter reading project which we also anticipate receiving $80 million in a DOE grant for that program. Also nuclear fuel costs is another driver in the operational capital. Environmental capital is down slightly. As Gerry explained, we are shifting here as we continue our environmental scrubbing at the remaining two units at Monroe. The environmental capital will be $75 million. Then renewables and energy optimization ramps up significantly in 2010 with $125 million which leads to a total of $950 million for Detroit Edison.

MichCon's operational capital will increase to $130 million, driven by pipeline integrity work. And that will be offset by a reduction in expansion capital, as a major lateral project was completed in 2009 at MichCon. For the nonutility businesses, we are planning $200 million to $300 million in expenditures and this is for as storage and pipelines, the power and industrial group and the unconventional gas group. This does include our Millennium pipeline equity infusion that we'll make this year of $60 million.

On slide 26, I just want to briefly cover our expected 2010 equity issuances. As we outlined, we successfully maintained our balance sheet strength in 2009 and we intend to keep our balance sheet strong as we move to the period of high utility capital investment. Our growth investments continue to outpace our depreciation and we expect to fund that growth with a mix of internal generated cash, debt and equity. For this year, we'll continue our practice of issuing about $100 million of new shares to fund drift and our benefit plan. We expect to issue another $100 million in equity into our pension plans which will improve our funding and our pension plans. The level of equity issuances that you see on this slide are in line with what we communicated at our last analyst meeting in October.

Let me wrap up on slide 27 and then we'll be happy to take your questions. As you would expect, we are very pleased with both our results in 2009 and the guidance we are providing you for 2010. We've shown over the last 15 to 18 months that we can proactively manage in a difficult economy and we can deliver strong results. We've said we wanted our balance sheet strong at the back end of the recession to resume growth and we are well positioned for the 5% to 6% annual growth which Gerry outlined. Both utilities have constructive regulatory structures and ongoing continuous improvement opportunities which will continue to enable us to deliver our authorized returns.

The utility plans that we've laid out for you are driven by mandated investments that we have to make. They are not driven by the economy or load growth, as it is in other territories. And our nonutilities have meaningful low risk growth opportunities which we will continue to invest in that provide diversity and earnings and geography. As we've talked about all last year, we've built our muscle around continuous improvement and we're going to continue to do that which will drive improvements in O&M, capital efficiency and customer satisfaction, with a real focus on customer rates. And finally, our dividend at $2.12 per share is attractive and when added to our earnings growth, provides a very attractive total shareholder return.

With that summary, we would be happy, Elizabeth, to take questions now.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). We'll take our first question from Greg Gordon with Morgan Stanley.

Gerry Anderson - *DTE Energy Company - COO*

Good morning, Greg.

Greg Gordon - *Morgan Stanley - Analyst*

Good morning. Can you give us a little more detail around the assumptions, with regard to the power industrial projects improvement? First, what new projects are coming online? And if you can give us some sense of what the underlying level you think of ongoing earnings power is there and what the potential drivers of volatility are there, if we want to look at milestones in the economy.

Gerry Anderson - *DTE Energy Company - COO*

Sure, Greg. Good morning. The real drivers to the increase this year was full utilization or near full utilization of facilities to serve the steel industry. That's the primary driver. We contracted up our coke capacity and increase use of coal capacity, and that is what took us up to the $60 million to $75 million.

The broadest way to talk about ongoing earnings power is, do we feel comfortable at that level, for example, in 2011. Our take right now is that we do think the earnings level at $60 million to $75 million is sustainable into 2011. There will be some change in mix. We are going to have essentially 100% of our coke on long-term contracts in 2011, but we are going to see new projects coming in. Though the pricing and the long-term contracts will be somewhat lower than what we've termed up for this year, we are going to see backfilling of that by new projects coming on line. We expect the level to be sustainable into next year.

Greg Gordon - *Morgan Stanley - Analyst*

When you say, you have the coke output under long-term contract, what are the durations of those contracts approximately?

Gerry Anderson - *DTE Energy Company - COO*

We have 100% this year under take-or-pay now and we have 90% contracted for take-or-pay next year. And the terms on those tend to go into the 2015, 2017 time frame. They are five, seven-year contracts or longer in some cases.

Greg Gordon - *Morgan Stanley - Analyst*

You have some what indemnified yourself from a potential future -- short-term pull back in steel capacity utilization because they are take-or-pay and they are for multiple years?

Gerry Anderson - *DTE Energy Company - COO*

Yes, they are take-or-pay, both this year and those future contracts.

Greg Gordon - *Morgan Stanley - Analyst*

Thank you.

Operator

We'll take our next question from Paul Ridzon with Keybanc.

Gerry Anderson - *DTE Energy Company - COO*

Hi, Paul.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

How are you?

Gerry Anderson - *DTE Energy Company - COO*

Good. Thanks.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

What percent of your revenue requirement is covered by trackers or decoupling at this point?

Gerry Anderson - *DTE Energy Company - COO*

Wow. I'm looking around the room here, Paul, for anybody who has the perfect number at their fingertips. I'm looking at Don Stanczak, Paul, who is one of our regulatory folks here in the room. Maybe he can try. If we don't nail it right, we can get back to you later with a better answer.

Don Stanczak - *DTE Energy Company - Director, Regulatroy Policy*

You look at uncollectibles for both utilities. Edison, its base is about $66 million. MichCon, its current base is $37 million. I think that will go to about $70 million when we get the final order in the rate case. Edison also has the restoration tracker, that is $117 million. Line clearance tracker, that is about $47 million. And then we have decoupling for Edison and the choice tracker, those are harder to say what the base is because they are on revenue. There's not really a cost associated with them, but that gives you a picture of how many dollars are covered by trackers.

Gerry Anderson - *DTE Energy Company - COO*

Of course, we have fuel trackers at both that are large.

Don Stanczak - *DTE Energy Company - Director, Regulatroy Policy*

For MichCon, the fuel tracker is far and away the biggest part of the revenue requirement. For Edison, it is about one-third of the revenue requirement.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

What do you view as the biggest detriment to earning your authorized?

Gerry Anderson - *DTE Energy Company - COO*

Biggest challenge to earning it?

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Yes.

Gerry Anderson - *DTE Energy Company - COO*

I would say at this point, we need to manage our cost fixture. We need to bring our investments in as targeted and manage our cost fixture. Paul, as I think about the structure that we have in place in Michigan now, we have a structure that has fair returns embedded and has good provisions for the timeliness of getting capital in to be earned on. I think the primary thing we need to deliver is very, very good cost management and excellent customer service. If we deliver those two, and we have our people focused manically on those two because I think it is those two that will continue to earn you constructive regulatory support.

If you let those things fall away, you'll lose some of that constructive support as you should. I think the primary things we need to deliver is really good cost control and good customer service. And then we need to manage the regulatory process of filing new cases and working those through with the public service commission in a sensible way, too, as we bring new capital online and new investments online.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

As you look out over the next couple of years at the equity needs, between your drip programs and potential asset sales, do you envision coming to market with the secondary? And then just as a follow-up on that, besides Barnett, where do you see the monetization opportunities?

Gerry Anderson - *DTE Energy Company - COO*

Another way to ask your question is, if we were successful with a significant monetization, could we get through the next few years like we do this year using pension plans and drip programs. The answer is if we are successful with monetization, the answer is yes, we could. If we don't strike monetization, we'll probably be doing something in addition to those. Our goal obviously is to find the right time to monetize and use that to offset equity requirements. We haven't talked about any other monetization opportunities. There are some things we are thinking about here in the Company, but I don't think we are willing to be public with them at this point.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

And just one last question on the biomass. Is there a pipeline there?

Gerry Anderson - *DTE Energy Company - COO*

Of projects?

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Or opportunities or --

Gerry Anderson - *DTE Energy Company - COO*

We have two in operation and two in the works to bring into operation, and I would say there are two more that we are working on that are very analagous. I do see a pipeline. These investments tend to be in the $50 million to $100 million of total capital from us. They are meaningful, but not overly large, and we like the feel of the mix of our skills. These are conversion to coal plants which we know well and about bulk material handling which we know well, and relationships with utilities who are trying to meet their RPS requirements. We also know that process well. They seem to be a nice niche for us and yes, we do see the ability to keep adding one or two of these a year.

Paul Ridzon - *Keybanc Capital Markets - Analyst*

Thank you very much.

Operator

Our next question comes from Leon Dubov with Catapult Capital.

Leon Dubov - *Catapult Capital - Analyst*

Good morning.

Gerry Anderson - *DTE Energy Company - COO*

Good morning.

Leon Dubov - *Catapult Capital - Analyst*

Could you break out for us the nonutility CapEx, the $300 million guidance for 2010 between the various businesses?

Dave Meador - *DTE Energy Company - CFO*

Historically, it would be about $100 million a piece, but because of gas prices, we pulled back on Barnett to the $25 million to $30 million range. If you want to reverse this, just take $25 million to $30 million for Barnett and half for the other two.

Leon Dubov - *Catapult Capital - Analyst*

Okay. And also just on P&I, given that it was the biggest driver of the guidance coming up, could you give us a little bit of a sensitivity as to how to look at -- I know you said, you are close to 100% contracted this year. But is there anything that could change there to swing guidance even further up or maybe down somewhat from that business?

Gerry Anderson - *DTE Energy Company - COO*

We don't feel like there's a lot of downward exposure to the range we've discussed. If we were more successful than we thought in bringing some new things online, it might add to the range, but we are comfortable with the guidance we've provided right now.

Leon Dubov - *Catapult Capital - Analyst*

Are there still coke batteries that are not online?

Gerry Anderson - *DTE Energy Company - COO*

No. Our capacity this year is sold out. We have some capacity available to be sold next year, but -- 10% of it, but this year, we've contracted up.

Leon Dubov - *Catapult Capital - Analyst*

Okay. Do you think we could see a material change in pricing for that on contracted 10% versus what you are getting for the rest of the fleet for next year?

Gerry Anderson - *DTE Energy Company - COO*

Right now, we see that uncontracted 10% as an opportunity because the short-term prices or spot prices are significantly stronger than the long-term prices. That may be an opportunity for us to place that with some upside.

Leon Dubov - *Catapult Capital - Analyst*

Okay. Thank you.

Gerry Anderson - *DTE Energy Company - COO*

Thank you.

Operator

Next we'll go to Paul Patterson with Glenrock Associates.

Gerry Anderson - *DTE Energy Company - COO*

Good morning, Paul.

Paul Patterson - *Glenrock Associates - Analyst*

Hi. How are you?

Gerry Anderson - *DTE Energy Company - COO*

Good. Thanks.

Paul Patterson - *Glenrock Associates - Analyst*

I wanted to ask you about your FFO to debt goals now. As I recall, it was around 20% to 22% for 2010, 2012 and now it looks like for 2010 you are going to be above that. Has there been a change in your goal here? Or is it just that you are doing better than expected or how should we think about that?

Gerry Anderson - *DTE Energy Company - COO*

I am going to turn this one to Nick Khouri, our Treasurer.

Nick Khouri - *DTE Energy Company - Treasurer*

We have -- as you said, we are focusing on cash flow metrics to focus on our debt. We are targeting now as we show here, as we define it here about 24%. As Gerry said in his comments, about the top of our range, so we are looking at somewhere between 22% to 24% moving forward and past 2010.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. That is at the high end of the range. Does that suggest perhaps that you have more debt capacity that you are now looking at in terms of going forward?

Nick Khouri - *DTE Energy Company - Treasurer*

As Gerry said, after 2010 you'll see a step up in some of the capital as (inaudible) for both environmental and renewables. As we leave 2010, we want to make sure the balance sheet is in a good shape to support that, so --

Paul Patterson - *Glenrock Associates - Analyst*

Okay. In terms of the continuous improvement, how much is there? It's -- you guys have done a very impressive -- done very impressively in that business -- in that area, excuse me. How should we think about that and what opportunities might you have in the future? Is this the gift that keeps on giving or there are some limits?

Gerry Anderson - *DTE Energy Company - COO*

What I see there, Paul, is people who think about cost reductions is [asantodic], meaning you do it for awhile and then it gets harder and the opportunities are gone. That's the wrong way to think about it. I don't think that's true. I'll tell you what we are asking through our budgeting process. Where people are in the first quartile in terms of their cost structure when we benchmark them versus the industry, we are asking them to absorb inflation. And in most cases, people are stepping up and doing that.

In other cases where we are not in first quartile, we are asking them to absorb inflation and move towards their benchmarks. And that's just a way for us to drive ongoing productivity. And then with that, we see other cost elements that you really can't work this on in quite the same way. Pension costs for example are volatile and depend on market returns. We are seeing some new costs, like the operational of scrubbers and SCRs come into our cost structure and so forth, but that's the general philosophy. We are working with this to keep the right level of pension and pressure in the organization. In the end, it's really targeted at trying to manage rate increases.

Paul Patterson - *Glenrock Associates - Analyst*

Right. Are you looking at CapEx that is allowing you to lower the operational cost or is this just keep on finding more efficiencies in the existing business that keep on showing up? How should we think of those two?

Gerry Anderson - *DTE Energy Company - COO*

I think there are three categories that we are working. One would be pure operational efficiency that has either no or modest capital investment. Second, we are looking for investments that drive cost reductions to customers. For example, not unique to us, but people have found ways to expand capacity at their nuclear plants, materially reduces our purchase power cost to customers. If we find those opportunities, we are going to jump on them.

And then the third is to work on continuous improvement in our capital expenditure itself, because we all know what drives or a principal driver of rates over the next five years in the industry is capital investments. We have plenty of capital investments. We are really trying to make it more efficient and minimize the capital investments as much as possible to keep the the rate increases as low as possible. And we are finding opportunities inside those projects to drive efficiencies and deliver the same results with a lower capital investment.

Paul Patterson - *Glenrock Associates - Analyst*

Then finally, the monetization of the gas properties, you mentioned a favorable commodity environment. From hearing your comments to Paul Ridzon, you feel that the commodity market right now is still favorable when you look out (inaudible)?

Gerry Anderson - *DTE Energy Company - COO*

My comment on this would be that we have seen some sales of assets at favorable valuations in recent months. But if you were to follow on a question and say, are you working on something right now related to the Barnett asset monetization, the answer is no, we aren't. We are going to continue to evaluate the environment. We do think it will provide opportunities for good monetizations down there, but there's nothing eminent.

Paul Patterson - *Glenrock Associates - Analyst*

Okay. And then the corporate and other seems to be higher than what you guys expected in 2009, and it looks like it's a little higher than what you expected for 2010. Any long-term trend we should be thinking about there?

Dave Meador - *DTE Energy Company - CFO*

For the guidance, we do -- did make a contribution to our DTE Energy Foundation. That is the change between the last guidance and the actual results. Actually, ongoing, we do see a step up. There was a realignment change. It was related to when we made the purchase in MCN and MichCon, there was some legacy costs related to some of the expense around that. We pulled that to the holding company. It really wasn't part of our rate structure in MichCon. It is really going to get a pure utility, we've aligned those costs. You are not expecting to see any change from that. It's mainly debt at the holding company, as well as this purchase accounting related expense.

Paul Patterson - *Glenrock Associates - Analyst*

Thanks a lot, guys.

Gerry Anderson - *DTE Energy Company - COO*

You bet.

Operator

We'll next go to Mark Segal with Canaccord Adams.

Mark Segal - *Canaccord Adams - Analyst*

Good morning.

Gerry Anderson - *DTE Energy Company - COO*

Good morning.

Mark Segal - *Canaccord Adams - Analyst*

Just wondering if you can provide a status update on your AMI deployment and perhaps how you see that project progressing in 2010? And then lastly, when you might expect to get clarity on the DOE grant award.

Gerry Anderson - *DTE Energy Company - COO*

A couple of comments. Last year, it was really a year for us to pilot the technology that we've chosen in two phases. We've been working our way through those pilots to troubleshoot the technology, and find any trips and implementation that we want to know about before we do this at larger scale. The other development last year was the one you pointed to which was the DOE grant which we'll match 50/50. We had an $89 million grant from the DOE that will be a significant source of funding for AMI work over the next few years.

I think you know that in the industry, the DOE has been working its way through a couple of large initial grant recipients. Our discussion with some of those folks as that process is moving its way toward completion or is near completion now, we expect to be in the next tranch of people that they will work with on trying to bring the grant to resolution. We expect to be working with the DOE late this winter and into the spring, trying to finalize that and hope to come out of that process late in the spring or middle of the year ready to begin implementation.

Mark Segal - *Canaccord Adams - Analyst*

Okay. Great. Thanks a lot.

Gerry Anderson - *DTE Energy Company - COO*

You bet. Thank you.

Operator

Our next question will come from Yiktat Fung with Zimmer Lucas Partners.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Good morning. Congratulation on your achievements in 2009.

Gerry Anderson - *DTE Energy Company - COO*

Thank you very much.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

I would like to clarify the renewables project at the power segment. This conversions, can you just give us a sense of their magnitude?

Gerry Anderson - *DTE Energy Company - COO*

In megawatts or dollars?

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Can you give me both? And also the capital expenditures related to them and the earnings pickup from them.

Gerry Anderson - *DTE Energy Company - COO*

Sure. I'll just give you rough figures. The play out in the 25 to 100-megawatt range, they tend to be smaller coal plants that were built by municipalities or utilities that either are no longer efficient for coal use or people are beginning to look at for carbon reductions down the road, and repair those off with states that have RPS requirements. We usually can deliver these at a favorable price compared to other renewables, plus they are 24/7 power as opposed to intermittent. And in terms of capital investments, they've also been in the $25 million to $100 million range. Typically you are using a fair amount of the infrastructure at the facility, but have to modify the boiler and fuel feed mechanisms to do the conversion. Does that answer the question?

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Yes. Do you get tax incentives for investing in these projects?

Gerry Anderson - *DTE Energy Company - COO*

Yes. You get incentives just like you do for other renewables. There is a closed biomass incentive that is out there that is analogous to what you would get for land field gas.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

I see. Is this cash return from the government or a PTC that you get over time?

Gerry Anderson - *DTE Energy Company - COO*

You can -- with the provisions that were passed, you can choose it either way. From a MPV perspective or a value perspective, it's a toss up.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

And what returns do you target on these projects?

Gerry Anderson - *DTE Energy Company - COO*

I won't be too specific to the project since we discuss and negotiate with people on the other side. Our goal in this segment has been to have, depending on the risk profile of the projects, to have after tax returns on total capital in the 10% to 15% range.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

I see. Going back to financing needs, I think during your analyst day, one of your slides highlighted that from 2010 to 2012 you expect to have somewhere around $600 million to $800 million of cash coming in from equity and other items. Is that still -- is that guidance still true, given your strong FFO to debt metrics in 2009 and your expected metrics in 2010?

Gerry Anderson - *DTE Energy Company - COO*

I'll put this back to Nick Khouri, our Treasurer.

Nick Khouri - *DTE Energy Company - Treasurer*

We did say at the analyst meeting that somewhere between $600 million to $800 million of equity use or monetization. That guidance still holds true. As Gerry said, we'll have to see how both internal cash and monetizations play out over the next few years. And certainly, as Dave said, the $200 million we are targeting next year is consistent with that.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

What credit rating does the Company target?

Nick Khouri - *DTE Energy Company - Treasurer*

Solid BBB at unsecured debt level for all three agencies. We are there for Moody's and Fitch and we are looking for an upgrade at S&P.

Yiktat Fung - *Zimmer Lucas Partners - Analyst*

Thank you very much.

Gerry Anderson - *DTE Energy Company - COO*

Thank you.

Operator

Our last question will come from [Danielle Seitz with Dudad Research].

Danielle Seitz - *Dudad Research - Analyst*

Thank you. Are you recovering automatically all of the expenditures on environmental and renewable expenditures at Detroit? Or do you have to file for rate increases?

Gerry Anderson - *DTE Energy Company - COO*

When you say renewable and environmental, they are --

Danielle Seitz - *Dudad Research - Analyst*

On the Detroit side.

Gerry Anderson - *DTE Energy Company - COO*

The investments that we make in our power generation fleet scrubber, SDR, mercury controls, those are recovered through the normal rate process. The renewables are recovered differently. They have their own funding source. You may recall, there was a surcharge that was actually implemented last year for renewables. Just to give you a feel for it, at the residential level, it's $3 a month per customer, and that is going to be a flat surcharge for the duration of the program. The rate increases associated with the renewables are done. The customers have seen it and what we do then is we use the funds that come in to finance the investments in the renewables over time.

Danielle Seitz - *Dudad Research - Analyst*

And are you also getting revenues from the [DSL] demand -- the 1% that you hoped to achieve?

Gerry Anderson - *DTE Energy Company - COO*

Yes. Similar to the renewables, there is a separate surcharge for the -- and we call it energy optimization. Other states call it management or energy efficiency. But there's a separate energy optimization surcharge that would also have its own revenue stream which we use to fund both the capital that goes into this program and there is a significant proportion of these expenses that are expensed annually and their surcharge covers those.

Danielle Seitz - *Dudad Research - Analyst*

If you have to put these three together -- or mostly flat surcharge? There is no increases going on or do you anticipate that this revenue will grow in time?

Gerry Anderson - *DTE Energy Company - COO*

The renewables is flat. That's the larger of the two. The energy optimization, we have -- the majority of the fees being collected now, but we will see some increases in the future although it's modest. I think on residential bills, it might be $0.50 a bill increase. The majority -- if you were to look at the renewables in energy optimization combined, the vast majority are in place. We'll see a little bit of increase in the energy optimization in the future.

Dave Meador - *DTE Energy Company - CFO*

And in environmental, you had asked, do we have a tracker or mechanism in place. We don't. But we have a long history of getting 100% recovery in rates and we have our file and implement structure now in Michigan. If you look at Detroit Edison, that environmental expenditures will be the reason for us to be in regular rate cases that will be the fundamental driver of rates going forward.

Danielle Seitz - *Dudad Research - Analyst*

I was wondering how long you could stay without going back, especially if you are spending your CapEx. It seems that you can stay away for at least two years as long as you get all of these riders. Is that about what you are looking at?

Gerry Anderson - *DTE Energy Company - COO*

In terms of timing in the rate case, this is Detroit Edison, MichCon still playing through it currently. We have not determined a date where we will go back for the next rate case. We are still evaluating the current rate case which is fairly recent and other factors that impact us. I think when we determine that, we'll be out and communicate that.

The primary driver now is new capital being brought in. As we laid out, we have significant expenditures, particularly when you set aside the energy optimization and renewables which have their own stream, they tend to be in the clean air emission and the base capital. It's really the combination of those two that would drive timing.

Danielle Seitz - *Dudad Research - Analyst*

Thank you.

Gerry Anderson - *DTE Energy Company - COO*

You're welcome.

Operator

With no questions remaining, I will turn the call back over to your presenters for any additional or closing remarks.

Dave Meador - *DTE Energy Company - CFO*

I wanted to thank everybody for joining us again today. As we've said in our comments, we are very pleased with our results last year and also what we've outlined for you in 2010, and we look forward to providing periodic updates during the year. Thanks again.

Operator

Once again, that does conclude today's conference call and we thank you for your participation.