

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001

Commission file number 1-11607

DTE ENERGY COMPANY

(Exact name of registrant as specified in its charter)

Michigan

(State or other jurisdiction of incorporation or
organization)

38-3217752

(I.R.S. Employer
Identification No.)

2000 2nd Avenue, Detroit, Michigan

(Address of principal executive offices)

48226-1279

(Zip Code)

313-235-4000

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, without par value, with contingent preferred stock purchase rights	New York and Chicago Stock Exchanges
8 5/8% Trust Preferred Securities*	New York Stock Exchange
7.8% Trust Preferred Securities **	New York Stock Exchange
<hr/>	
* Issued by MCN Financing II. The payments of dividends and payments on liquidation or redemption are guaranteed by DTE Energy.	
** Issued by DTE Energy Trust I	

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

None

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** ☒ **No** ☐

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

At February 28, 2002, 161,133,959 shares of DTE Energy's Common Stock, substantially all held by non-affiliates, were outstanding, with an aggregate market value of approximately \$6.7 billion based upon the closing price on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information in DTE Energy Company's definitive Proxy Statement for its 2002 Annual Meeting of Common Shareholders to be held April 24, 2002, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A, not later than 120 days after the end of the Registrant's fiscal year covered by this report on Form 10-K, is incorporated herein by reference to Part III (Items 10, 11, 12 and 13) of this Form 10-K.

TABLE OF CONTENTS

DEFINITIONS

PART I

Item 1. Business

Item 2. Properties

Item 3. Legal Proceedings

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

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Item 6. Selected Financial Data

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Item 8. Financial Statements and Supplementary Data

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

Part IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

Signatures

Annual Report for Fiscal Year Ended 12/31/01

Guarantee Agreement

Fourth Supplemental Indenture

Amended & Restated Trust Agreement

Consulting Agreement w/A.R. Glancy, III

2002 Measures & Targets for Stock Incentive Plan

2002 Measures & Target for Annual Incentive Plan

Computation of Ratio of Earnings

Subsidiaries of the Company & Detroit Edison

Consent of Deloitte & Touche LLP

Power of Attorney

DTE Energy Company
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2001

TABLE OF CONTENTS

	PAGE
DEFINITIONS	3
PART I	
Item 1. Business	5
Item 2. Properties	13
Item 3. Legal Proceedings	16
Item 4. Submission of Matters to a Vote of Security Holders	16
PART II	
Item 5. Market for Registrant's Common Equity and Related Stockholder Matters	17
Item 6. Selected Financial Data	18
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	37
Item 8. Financial Statements and Supplementary Data	39
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	87
PART III	
Item 10. Directors and Executive Officers of the Registrant	87
Item 11. Executive Compensation	87
Item 12. Security Ownership of Certain Beneficial Owners and Management	87
Item 13. Certain Relationships and Related Transactions	87
PART IV	
Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K	88
SIGNATURES	94

DEFINITIONS

Company	DTE Energy Company and Subsidiary Companies
Consumers Energy	Consumers Energy Company (a wholly owned subsidiary of CMS Energy Corporation)
Customer Choice	The choice programs are statewide initiatives giving customers in Michigan the option to choose alternative suppliers for electricity and gas.
Detroit Edison	The Detroit Edison Company (a wholly owned subsidiary of DTE Energy Company) and Subsidiary Companies
Enterprises	DTE Enterprises Inc. (successor to MCN Energy)
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
GCR	A gas cost recovery mechanism authorized by the MPSC that was reinstated by MichCon in January 2002 that permits MichCon to pass the cost of natural gas to its customers.
ITC	International Transmission Company (a wholly owned subsidiary of DTE Energy Company)
kWh	Kilowatthour
Ludington	Ludington Hydroelectric Pumped Storage Plant (owned jointly with Consumers Energy)
MCN Energy	MCN Energy Group Inc.
MDEQ	Michigan Department of Environmental Quality
MichCon	Michigan Consolidated Gas Company
MPSC	Michigan Public Service Commission
MW	Megawatt
MWh	Megawatthour
Note(s)	Note(s) to Consolidated Financial Statements of the Company
NRC	Nuclear Regulatory Commission
PSCR	A power supply cost recovery mechanism authorized by the MPSC that allowed Detroit Edison to recover through rates its fuel, fuel-related and purchased power electric expenses. The clause was suspended under Michigan's restructuring legislation signed into law June 5, 2000, which lowered and froze electric customer rates.
Registrant	Company or DTE Energy Company
SEC	Securities and Exchange Commission

[Table of Contents](#)

Securitization	A mechanism used by Detroit Edison to refinance specific stranded costs at lower interest rates through the sale of rate reduction bonds.
SFAS	Statement of Financial Accounting Standards
Stranded Costs	Costs incurred by utilities in order to serve customers in a regulated environment, but some of which may not be recoverable if customers switch to alternative suppliers of electricity and gas.

FORWARD-LOOKING STATEMENTS

Certain information presented herein includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve certain risks and uncertainties that may cause actual future results to differ materially from those contemplated, projected, estimated or budgeted in such forward-looking statements. Factors that may impact forward-looking statements include, but are not limited to, interest rates, access to the capital markets, the level of borrowings, weather, actual sales, changes in the cost of fuel and purchased power due to the suspension of the Power Supply Cost Recovery mechanism, changes in the cost of natural gas, the effects of competition and the implementation of Electric and Gas Choice Programs, the implementation of electric and gas utility restructuring in Michigan, environmental and nuclear requirements, the impact of FERC proceedings and regulations, the timing of the accretive effects of DTE Energy's merger with MCN Energy, and the contributions to earnings by non-regulated businesses.

PART I

Item 1. Business

GENERAL

DTE Energy Company (DTE Energy or the Company), a Michigan corporation incorporated in 1995, is an exempt holding company under the Public Utility Holding Company Act of 1935. The Company is the parent holding company of The Detroit Edison Company (Detroit Edison), the International Transmission Company (ITC), DTE Enterprises Inc. (Enterprises), and other subsidiaries engaged in energy trading, energy services and other energy-related businesses.

On May 31, 2001, DTE Energy completed the acquisition of MCN Energy Group Inc. (MCN Energy). At that time, MCN Energy merged with Enterprises, with Enterprises being the surviving corporation. The operations of Enterprises are included in the Company's consolidated results from the date of acquisition. Enterprises, a Michigan corporation, is an exempt holding company under the Public Utility Holding Company Act of 1935. Enterprises is primarily involved in natural gas production, gathering, processing, transmission, storage, distribution and energy marketing. Enterprises' largest subsidiary, Michigan Consolidated Gas Company (MichCon), is a natural gas utility serving 1.2 million customers in a 14,700 square-mile area in Michigan.

SEGMENTS

The Company currently operates its businesses through six segments: Electric Utility; Gas Utility; Wholesale Marketing & Trading; Energy Services; Other Non-regulated Operations; and Corporate & Other.

(in Millions)

	2001	2000	1999
Operating Revenues			
Electric Utility	\$ 4,051	\$4,129	\$ 4,047
Gas Utility	603	—	—
Wholesale Marketing & Trading	2,580	985	251
Energy Services	577	472	418
Non-regulated other	137	92	39
Eliminations	(99)	(81)	(27)
Consolidated	<u>\$ 7,849</u>	<u>\$5,597</u>	<u>\$4,728</u>

ELECTRIC UTILITY

Electric Utility is comprised of the operations of Detroit Edison and the International Transmission Company. Detroit Edison is a public utility regulated by the Michigan Public Service Commission (MPSC) and the Federal Energy Regulatory Commission (FERC) and is engaged in the generation and distribution of electricity to 2.1 million residential, commercial and industrial customers in a 7,600 square-mile Southeastern Michigan service area. The International Transmission Company is regulated by the FERC and owns transmission assets that are operated by the Midwest Independent System Operator, a regional transmission operator. Prior to June 2001, Detroit Edison owned these transmission assets. As a result of the continued restructuring of the electric industry, the Company is currently contemplating the sale of ITC. Any divestiture will be independently evaluated to maximize shareholder value.

Operating revenues, sales and customer data by rate class are as follows:

	2001	2000	1999
Operating Revenues (in Millions)			
Residential	\$ 1,298	\$ 1,265	\$ 1,300
Commercial	1,533	1,670	1,629
Industrial	773	848	809
Wholesale	196	130	130
Other	251	216	179
	<u>\$ 4,051</u>	<u>\$ 4,129</u>	<u>\$ 4,047</u>
Sales (in Thousands of MWh)			
Residential	14,503	13,903	14,064
Commercial	18,777	19,762	19,546
Industrial	14,430	16,090	15,647
Wholesale	868	2,592	3,672
Other	2,538	2,653	2,595
	<u>51,116</u>	<u>55,000</u>	<u>55,524</u>
Customers (in Thousands)			
Residential	1,938	1,922	1,904
Commercial	184	185	182
Industrial	1	1	1
Other	2	2	2
	<u>2,125</u>	<u>2,110</u>	<u>2,089</u>

[Table of Contents](#)

Detroit Edison's sales and revenues are impacted by weather. Its peak load and highest total system sales generally occur during the third quarter of the year due to air conditioning and cooling-related loads.

During 2001, sales to automotive and automotive-related customers accounted for approximately 8.5 percent of total Detroit Edison operating revenues. Detroit Edison's 30 largest industrial customers accounted for approximately 17 percent of total operating revenues in 2001, 2000 and 1999, and no one customer accounted for more than 5 percent of total operating revenues. Detroit Edison's operations are not dependent upon a limited number of customers and the loss of any one or a few customers is not reasonably likely to have a material adverse effect on Detroit Edison.

Detroit Edison's generating capability is primarily dependent upon coal. Detroit Edison expects to obtain the majority of its coal requirements through long-term contracts with the balance to be obtained through short-term agreements and spot purchases. Detroit Edison has contracts with four coal suppliers for a total purchase of up to 34 million tons of low-sulfur western coal to be delivered during the period from 2002 through 2005. Detroit Edison also has four contracts for the purchase of approximately 16.8 million tons of Appalachian coal to be delivered during the period from 2002 through 2007. These existing long-term coal contracts include provisions for price escalation as well as de-escalation.

Detroit Edison continues to bill and collect transmission revenue as currently authorized in its bundled distribution rates approved by the MPSC. ITC provides transmission services to customers of Detroit Edison and other non-affiliated customers. ITC billed Detroit Edison approximately \$57 million since June 1, 2001, for the costs of providing transmission services to utility customers.

GAS UTILITY

Gas Utility represents the operations of MichCon, which is regulated by the MPSC. MichCon is a public utility engaged in the purchase, distribution, storage and transmission of natural gas throughout Michigan to 1.2 million residential, commercial and industrial customers. As previously discussed, the Company acquired MichCon on May 31, 2001, as part of the MCN Energy merger. Accordingly, the operating results of MichCon are included in the Company's consolidated results from the acquisition date.

MichCon's sales and revenues are impacted by weather and are concentrated in the first and fourth quarters of the year due to heating-related demands.

MichCon's operations are not dependent upon a limited number of customers, and the loss of any one or a few customers is not reasonably likely to have a material adverse effect on MichCon.

MichCon obtains its natural gas supply from various sources in different geographic areas under agreements that vary in both pricing and terms. MichCon has entered into fixed-price contracts for approximately 155 billion cubic feet (Bcf) of its expected 2002 supply requirements of 200 Bcf. The balance of the gas supply requirements will be met through the utilization of existing gas in inventory and purchasing gas at market prices. MichCon owns and operates four natural gas storage fields in Michigan with a capacity of approximately 124 Bcf. MichCon has long-term firm transportation agreements expiring on various dates through 2011.

WHOLESALE MARKETING & TRADING

Wholesale Marketing & Trading consists primarily of the electric, gas and coal trading and marketing operations of DTE Energy Trading Company and the natural gas trading and marketing operations of Enterprises. Wholesale Marketing & Trading enters into forwards, futures, swaps and option contracts as part of its trading strategy. Wholesale Marketing & Trading also purchases and sells electricity and gas to marketers and brokerage companies.

Wholesale Marketing & Trading is an asset-based business that enters into structured back-to-back financial and physical transactions to minimize its risk to commodity prices and enhance returns from its pipeline and storage assets.

ENERGY SERVICES

Energy Services is comprised of various businesses that develop and manage energy-related assets and services. Such projects include coke production, synfuels production, independent power plants, on-site powerhouses and cogeneration facilities, coal services and landfill gas recovery. The economic viability of the synfuels projects is tied to their generation of alternate fuels tax credits.

OTHER NON-REGULATED OPERATIONS

Other Non-Regulated Operations represent the operations of energy businesses primarily involved in emerging technologies, and various other energy operations acquired with the MCN Energy merger, including the exploration and production of gas, the gathering, processing and storing of gas, and the production of methanol. Certain pipeline and storage assets are used to support the Wholesale Marketing & Trading segment.

CORPORATE & OTHER

Corporate & Other includes administrative and general expenses, and interest cost of DTE Energy corporate that have not been allocated to the regulated and non-regulated businesses.

See Note 17 — Segment and Related Information, for financial information by segment for the last three fiscal years.

REGULATION

Detroit Edison and MichCon are subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of generating facilities and regulatory assets, conditions of service, accounting and operating related matters. Detroit Edison is regulated by the FERC with respect to financing authorization. ITC is regulated by the FERC for the transmission of electric energy. The Nuclear Regulatory Commission (NRC) has regulatory jurisdiction over all phases of the operation, construction (including plant modification), licensing and decommission of Detroit Edison's Fermi 2 nuclear plant.

ELECTRIC UTILITY

In June 2000, the Michigan Legislature enacted legislation that established January 2002 as the date for full implementation of the electric Customer Choice program and reduced electric rates by 5%. The legislation also contains provisions preventing rate increases for residential customers through 2005, for small business customers through 2004, and remaining business customers through 2003. In December 2001, the MPSC issued orders designed to increase customer participation in the electric Customer Choice program and to allow Detroit Edison to recover costs not previously securitized related to its generation operations that may not otherwise be recoverable due to Electric Choice related lost sales and margins. Detroit Edison

has requested rehearing, clarification and changes to certain aspects of the December 2001 orders.

Due to MPSC orders issued in 1997 and 1998, which altered the regulatory process in Michigan and provided a plan for transition to competition for the generation business of Detroit Edison, effective December 1998, Detroit Edison's generation business no longer met the criteria of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation."

GAS UTILITY

In December 2001, the MPSC issued orders that continue MichCon's gas Customer Choice program on a permanent and expanding basis and reinstated MichCon's gas cost recovery (GCR) mechanism in January 2002 upon termination of its three-year experimental Gas Sales Program in which its sales rates included a gas commodity component that was fixed at \$2.95 per thousand cubic feet (Mcf).

Please see Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 4 – Regulatory Matters for further discussion of regulation and electric and gas industry restructuring.

ENVIRONMENTAL MATTERS

The Company is subject to extensive environmental regulation. Additional costs may result as the effects of various chemicals on the environment are studied and governmental regulations are developed and implemented. The Company expects that it will continue to recover environmental costs through rates charged to customers.

ELECTRIC UTILITY

Detroit Edison is subject to applicable permit requirements, and to increasingly stringent federal, state and local standards covering among other things, particulate and gaseous stack emission limitations, the discharge of effluents into lakes and streams and the handling and disposal of waste material.

The U.S. Environmental Protection Agency (EPA) issued ozone transport regulations and air quality standards relating to ozone and particulate air pollution. The new rules have led to additional controls on fossil-fueled power plants to reduce nitrogen oxides, sulfur dioxide, carbon dioxide and particulate emissions. The EPA initiated enforcement actions against several major electric utilities citing violations of new source provisions of the Clean Air Act. Detroit Edison received and responded to information requests from the EPA on this subject. The Company cannot predict the future impact of this issue upon Detroit Edison.

Detroit Edison is required to demonstrate that the cooling water intake structures at all of its facilities minimize adverse environmental impact. Detroit Edison filed such demonstrations and

in the event of a final adverse decision, may be required to install additional control technologies to further minimize the impact.

Various state and federal laws regulate Detroit Edison's handling, storage and disposal of its waste materials. The EPA and the Michigan Department of Environmental Quality (MDEQ) have aggressive programs regarding the clean up of contaminated property. Detroit Edison has extensive land holdings and, from time to time, must investigate claims of improperly disposed of contaminants. Detroit Edison anticipates it will be periodically included in these types of environmental proceedings.

GAS UTILITY

Prior to the construction of major natural gas pipelines, gas for heating and other uses was manufactured from processes involving coal, coke or oil. Enterprises owns, or previously owned, 17 such former manufactured gas plant (MGP) sites. Investigations have revealed contamination related to the by-products of gas manufacturing at each site. Enterprises is remediating eight of the former MGP sites and is conducting more extensive investigations at three of the sites. Enterprises has received MDEQ closure of one site and a determination that it is not a responsible party for two other sites. The Company believes that a cost deferral and rate recovery mechanism approved by the MPSC will prevent these costs from having a material adverse impact on the Company's results of operations.

OTHER

The Company's non-regulated affiliates are subject to a number of environmental laws and regulations dealing with the protection of the environment from various pollutants. These non-regulated affiliates are in substantial compliance with all environmental requirements.

Please see Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 – Commitments and Contingencies for further discussion of environmental matters.

COMPETITION

The state of Michigan continues its initiatives to restructure the electric and gas industries by expanding the existing Customer Choice programs to allow customers the opportunity to benefit from lower electric generation and gas costs resulting from competition.

ELECTRIC UTILITY

Competition in the electric business is provided by alternative suppliers of generation services in the wholesale and retail markets. Effective January 1, 2002, the electric Customer Choice program was expanded whereby all electric customers can choose to purchase the electricity from alternative suppliers. It is estimated that approximately 5% to 8% of Detroit Edison's generation sales could be lost as a result of customers participating in the electric Customer Choice program in 2002. Detroit Edison does not earn margins on generation from customers who purchase from alternative suppliers of generation under the electric Customer Choice program. ITC and Detroit

Edison continue to earn margins from providing transmission and distribution services to customers. MPSC orders issued in December 2001 could result in higher numbers of retail customers being lost to Customer Choice.

GAS UTILITY

Competition in the gas business primarily involves alternate fuels and energy sources and alternative suppliers of natural gas. Under the expanded gas Customer Choice program, beginning April 1, 2002, up to approximately 40% of MichCon's customers could purchase gas from alternative suppliers. Beginning April 1, 2003, up to approximately 60% could participate and beginning April 2004, all of MichCon's gas customers could participate in the gas Customer Choice program. As of December 2001, approximately 30,000 customers were participating under the temporary choice program. Due to the reinstatement of the GCR mechanism in January 2002, MichCon's gas sales rates will now include a gas commodity component designed to recover its actual gas costs. MichCon will continue to transport and deliver the gas to participating customers at prices that generate favorable margins.

OTHER

The Company's non-regulated subsidiaries primarily compete with other utilities and energy companies, utility-affiliated and independent developers, power and natural gas marketers, distributed generation developers and venture investment companies.

Please see Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 4 - Regulatory Matters for further discussion of competition and the impact on rates.

EMPLOYEES

As of December 31, 2001, the Company and its subsidiaries had 11,030 employees.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age (a)	Present Position	Present Position Held Since
Anthony F. Earley, Jr.	52	Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer	8-1-98
Gerard M. Anderson	43	Group President	5-31-01
Robert J. Buckler	52	Group President	5-31-01
Stephen E. Ewing	57	Group President	5-31-01
Howard L. Dow	46	Senior Vice President	5-31-01
S. Martin Taylor	61	Senior Vice President	4-28-99
Eric H. Peterson (b)	41	Senior Vice President and General Counsel	9-5-00
David E. Meador	44	Senior Vice President and Chief Financial Officer	5-31-01
Susan M. Beale	53	Vice President and Corporate Secretary	12-11-95
Daniel G. Brudzynski	41	Vice President and Controller	2-8-01

(a) As of December 31, 2001

(b) Effective April 1, 2002, Thomas A. Hughes, age 58, will serve as acting General Counsel

Under the Company's By-Laws, the officers of the Company are elected annually by the Board of Directors at a meeting held for such purpose, each to serve until the next annual meeting of directors or until their respective successors are chosen and qualified. With the exception of Messrs. Peterson, Dow and Ewing, all of the above officers have been employed by the Company in one or more management capacities during the past five years.

Eric H. Peterson was a partner with Worsham Forsythe Wooldridge LLP of Dallas, Texas prior to joining the Company. Effective September 2000, he was elected Senior Vice President and General Counsel. Mr. Peterson resigned from the Company, effective March 31, 2002.

Howard L. Dow was elected senior vice president, strategic planning and development at DTE Energy on May 31, 2001. He joined DTE Energy having previously served as executive vice president and chief financial officer of MCN Energy during the previous five years.

Stephen E. Ewing was elected group president for DTE Energy Gas on May 31, 2001. He joined DTE Energy having previously served as president and chief operating officer of MCN Energy and president and chief executive officer of MichCon during the previous five years.

Pursuant to Article VI of the Company's Articles of Incorporation, directors of the Company will not be personally liable to the Company or its shareholders in the performance of their duties to the full extent permitted by law.

Article VII of the Company's Articles of Incorporation provides that each current or former director or officer of the Company, or each current and former employee or agent of the Company or a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Company to the full extent permitted by the Michigan Business Corporation Act or any other applicable laws as presently or hereafter in effect. In addition, the Company has entered into indemnification agreements with all of its officers and directors, which agreements set

forth procedures for claims for indemnification as well as contractually obligating the Company to provide indemnification to the maximum extent permissible by law.

The Company and its directors and officers in their capacities as such are insured against liability for alleged wrongful acts (to the extent defined) under three insurance policies providing aggregate coverage in the amount of \$100 million.

Item 2. Properties

DTE Energy, through its operating segments, has property investments primarily associated with the generation, transmission and distribution of electricity; the distribution, transmission, production and storage of natural gas; and other non-regulated property.

Substantially all of the net utility properties of Detroit Edison and MichCon are pledged as security for the payment of outstanding mortgage bonds and other secured debt.

ELECTRIC UTILITY

Detroit Edison and ITC own generating, transmission and distribution properties and facilities that are all located in the state of Michigan.

[Table of Contents](#)

Detroit Edison maintains the following generating facilities:

Plant Name	Location by Michigan County	Summer Net Rated Capability (1) (2)		Year in Service
		(MW)	(%)	
Fossil-fueled Steam-Electric				
Belle River (3)	St. Clair	1,026	9.3%	1984 and 1985
Conners Creek	Wayne	200	1.8	1999
Greenwood	St. Clair	785	7.1	1979
Harbor Beach	Huron	103	0.9	1968
Marysville	St. Clair	167	1.5	1930, 1943 and 1947
Monroe (4)	Monroe	3,000	27.1	1971, 1973 and 1974
River Rouge	Wayne	510	4.6	1957 and 1958
St. Clair	St. Clair	1,402	12.7	1953, 1954, 1961 and 1969
Trenton Channel	Wayne	730	6.6	1949, 1968 and 1999
		7,923	71.6	
Oil or Gas-fueled Peaking Units	Various	1,102	10.0	1966-1971, 1981 and 1999
Nuclear-fueled Steam-Electric Fermi 2 (5)	Monroe	1,111	10.1	1988
Hydroelectric Pumped Storage Ludington (6)	Mason	917	8.3	1973
		11,053	100%	

- (1) Summer net rated capabilities of generating units in service are based on periodic load tests and are changed depending on operating experience, the physical condition of units, environmental control limitations and customer requirements for steam, which otherwise would be used for electric generation.
- (2) Excludes one oil-fueled unit, St. Clair Unit No. 5 (250 MW), in economy reserve status.
- (3) The Belle River capability represents Detroit Edison's entitlement to 81.39% of the capacity and energy of the plant. See Note 6 – Jointly Owned Utility Plant.
- (4) The Monroe Power Plant provided 36.62% of Detroit Edison's total 2001 power plant generation.
- (5) Fermi 2 has a design electrical rating (net) of 1,150 MW.
- (6) Represents Detroit Edison's 49% interest in Ludington with a total capability of 1,872 MW. Detroit Edison is leasing 306 MW to First Energy for the six-year period June 1, 1996 through May 31, 2002.

Detroit Edison and Consumers Energy interchange energy through nine interconnections currently owned and operated by their respective affiliates, ITC and Michigan Electric Transmission Company (METC). Detroit Edison and Consumers Energy also have interchange agreements that permit the exchange of electric energy through 12 ITC and METC owned interconnections with First Energy, Indiana Michigan Power Company, Northern Indiana Public Service Company and Ontario Hydro Services Company. In addition, Detroit Edison has interchange agreements for the exchange of electric energy with Michigan South Central Power Agency and the City of Wyandotte.

[Table of Contents](#)

ITC owns and operates 446,903 line transformers with a capacity of 21,742,832 kilovolt (KV) amperes. Electric transmission lines owned and in service as of December 31, 2001 are as follows:

Design Line Voltage - KV	Overhead Lines		Underground Lines
	Pole Miles	Circuit Miles	Cable Miles
Transmission			
120 KV	1,110	1,625	166
140 KV	31	31	—
230 KV	77	87	—
345 KV	525	956	7
	<u>1,743</u>	<u>2,699</u>	<u>173</u>

Detroit Edison owns and operates 619 distribution substations with a capacity of 18,623,000 kilovolt amperes. Electric distribution lines owned and in service as of December 31, 2001 are as follows:

Design Line Voltage - KV	Overhead Lines	Underground Lines	
	Pole Miles	Conduit Bank Miles	Cable Miles
Distribution			
Under 4.8 KV	—	65	659
4.8 KV and 13.2 KV	32,973	459	15,163
24 KV	105	258	1,047
40 KV	2,846	91	338
120 KV	54	—	16
	<u>35,978</u>	<u>873</u>	<u>17,223</u>

GAS UTILITY

MichCon owns distribution, transmission, production and storage properties and facilities that are all located in the state of Michigan.

At December 31, 2001, MichCon's distribution system included 17,570 miles of distribution mains, 1,124,258 service lines and 1,220,623 active meters. MichCon owns 2,590 miles of transmission and production lines that deliver natural gas to the distribution districts and interconnect its storage fields with the sources of supply and the market areas. MichCon owns properties relating to four underground natural gas storage fields with an aggregate working gas storage capacity of approximately 124 Bcf.

OTHER

Non-regulated property consists primarily of coke oven battery facilities in Michigan and Indiana, coal processing facilities in Michigan and Maryland, merchant natural gas turbine facilities in Indiana and Michigan, numerous landfill gas projects located throughout the United States, and natural gas and oil exploration, development and production facilities.

Item 3. Legal Proceedings

The Company is involved in certain legal (including commercial matters), 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, environmental reviews and investigations, and pending judicial matters. Management cannot predict the final disposition of such proceedings. Management regularly reviews legal matters and records provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on the Company's financial statements in the period they are resolved.

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

None during the fourth quarter of 2001.

PART II**Item 5. Market for Registrant's Common Equity and Related Stockholder Matters**

The Company's Common Stock is listed on the New York Stock Exchange, which is the principal market for such stock, and the Chicago Stock Exchange. The following table indicates the reported high and low sales prices of the Company's Common Stock on the Composite Tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Calendar	Quarter	High	Low	Dividends Paid Per Share
2001				
	First	\$ 40.200	\$ 33.125	\$ 0.515
	Second	\$47.130	\$39.790	\$ 0.515
	Third	\$47.040	\$ 41.300	\$ 0.515
	Fourth	\$ 45.000	\$39.900	\$ 0.515
2000				
	First	\$ 41.250	\$28.438	\$ 0.515
	Second	\$35.938	\$28.875	\$ 0.515
	Third	\$ 40.250	\$30.438	\$ 0.515
	Fourth	\$39.313	\$34.938	\$ 0.515

At December 31, 2001, there were 161,133,959 shares of the Company's Common Stock outstanding. These shares were held by a total of 114,556 shareholders of record.

The Company's By-Laws provide that Chapter 7B of the Michigan Business Corporation Act (Act) does not apply to the Company. The Act regulates shareholder rights when an individual's stock ownership reaches 20 percent of a Michigan corporation's outstanding shares. A shareholder seeking control of the Company cannot require the Company's Board of Directors to call a meeting to vote on issues related to corporate control within 10 days, as stipulated by the Act. See Note 8 – Common Stock and Earnings Per Share for additional information, including information concerning the Shareholders' Rights Plan.

The amount of future dividends will depend on the Company's earnings, financial condition and other factors each of which is periodically reviewed by the Company's Board of Directors.

Pursuant to Article I, Section 8. (c) and Article II, Section 3.(c) of the Company's By-laws, as amended through September 1, 1999, notice is given that the 2003 Annual Meeting of the Company's Common Shareholders will be held on Wednesday, April 23, 2003.

Item 6. Selected Financial Data

	2001	2000	1999	1998	1997
(in Millions, except per share amounts)					
Operating Revenues	\$ 7,849	\$ 5,597	\$ 4,728	\$ 4,221	\$ 3,764
Net Income Before Accounting Change	\$ 329	\$ 468	\$ 483	\$ 443	\$ 417
Net Income	\$ 332	\$ 468	\$ 483	\$ 443	\$ 417
Basic Earnings Per Share Before Accounting Change	\$ 2.15	\$ 3.27	\$ 3.33	\$ 3.05	\$ 2.88
Diluted Earnings Per Share Before Accounting Change	\$ 2.14	\$ 3.27	\$ 3.33	\$ 3.05	\$ 2.88
Dividends Declared Per Share of Common Stock	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06	\$ 2.06
At year end:					
Total Assets	\$19,228	\$12,656	\$12,316	\$12,088	\$11,223
Long-Term Debt Obligations (including capital leases) and Redeemable Preferred and Preference Stock Outstanding	\$ 7,928	\$ 4,039	\$ 4,091	\$ 4,323	\$ 3,914

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

Merger Completed - On May 31, 2001, DTE Energy Company (DTE Energy or the Company) completed the acquisition of MCN Energy Group Inc. (MCN Energy). As discussed further in Note 2, MCN Energy merged with DTE Enterprises Inc., (Enterprises), a wholly owned subsidiary of the Company, with Enterprises being the surviving corporation. The operations of Enterprises are included in the Company's consolidated results from the date of acquisition. Enterprises, a Michigan corporation, is an exempt holding company under the Public Utility Holding Company Act of 1935. Enterprises is primarily involved in natural gas production, gathering, processing, transmission, storage, distribution and energy marketing. Enterprises' largest subsidiary, Michigan Consolidated Gas Company (MichCon), is a natural gas utility serving 1.2 million customers in a 14,700 square-mile area in Michigan.

RESULTS OF OPERATIONS

DTE Energy's earnings in 2001 were \$332 million or \$2.16 per diluted share, compared to earnings of \$468 million, or \$3.27 per diluted share in 2000. As subsequently discussed, the comparability of earnings was affected by merger and restructuring charges and goodwill amortization associated with the MCN Energy merger that reduced after-tax earnings by \$204 million, or \$1.32 per diluted share in 2001. The Company also recorded merger-related charges in 2000 that reduced earnings by \$16 million, or \$.12 per diluted share. See Note 3 – Merger and Restructuring Charges included herein for additional information. Excluding the merger and restructuring charges and goodwill amortization, DTE Energy had 2001 earnings of \$536 million, or \$3.48 per diluted share, compared to 2000 earnings of \$484 million, or \$3.39 per diluted share. The significant improvement in earnings primarily reflects contributions from gas operations acquired in the MCN Energy merger and lower income taxes resulting from the generation of additional alternate fuels tax credits by non-regulated businesses. Partially offsetting these improvements were increased interest on long-term debt that was incurred to finance the merger and lower margins from regulated electricity operations.

DTE Energy's earnings in 2000, before merger-related charges, were up \$1 million or \$.06 per share from 1999 earnings of \$483 million, or \$3.33 per share. The slight increase was due to additional tax credits partially offset by a 5% residential rate reduction provided for in the June 2000 Michigan electric industry restructuring legislation (Note 4).

	2001	2000	1999
(in Millions, except per share data)			
Net Income (Loss)			
Before Reconciling Items:			
Regulated Operations			
Electric Utility	\$ 369	\$ 427	\$ 434
Gas Utility	23	—	—
	<u>392</u>	<u>427</u>	<u>434</u>
Non-regulated Operations			
Wholesale Marketing & Trading	44	10	8
Energy Services	124	109	84
Other	(6)	(35)	(23)
	<u>162</u>	<u>84</u>	<u>69</u>
Corporate & Other	<u>(18)</u>	<u>(27)</u>	<u>(20)</u>
	<u>536</u>	<u>484</u>	<u>483</u>
Merger and Restructuring Charges	(175)	(16)	—
MCN Energy Goodwill Amortization	(29)	—	—
	<u>\$ 332</u>	<u>\$ 468</u>	<u>\$ 483</u>
Diluted Earnings (Loss) Per Share			
Before Reconciling Items:			
Regulated Operations			
Electric Utility	\$ 2.40	\$2.99	\$2.99
Gas Utility	.15	—	—
	<u>2.55</u>	<u>2.99</u>	<u>2.99</u>
Non-regulated Operations			
Wholesale Marketing & Trading	.29	.07	.06
Energy Services	.80	.76	.58
Other	(.04)	(.24)	(.16)
	<u>1.05</u>	<u>.59</u>	<u>.48</u>
Corporate & Other	<u>(.12)</u>	<u>(.19)</u>	<u>(.14)</u>
	<u>3.48</u>	<u>3.39</u>	<u>3.33</u>
Merger and Restructuring Charges	(1.13)	(.12)	—
MCN Energy Goodwill Amortization	(.19)	—	—
	<u>\$ 2.16</u>	<u>\$3.27</u>	<u>\$3.33</u>

Strategic direction – The Company remains committed to increasing its earnings growth rate from the current 6% annual level to 8% by 2005. The growth strategy continues to be focused on strengthening the Company's core electric and gas utilities, building its portfolio of non-regulated businesses and leveraging investments in energy technology. There is no assurance that the level of earnings growth will be achieved for 2002 and later years as the growth projections assume, among other things, the realization of anticipated cost savings related to the MCN Energy acquisition, continued growth in non-regulated earnings and a midyear 2002 economic recovery. The Company expects the acquisition to provide pretax cost savings of over \$100 million annually, totaling more than \$650 million in savings over the next five years, primarily in the electric and gas utilities.

Non-regulated growth is expected to shift over the next few years from DTE Energy's current reliance on profits from coal-based fuel businesses that generate alternate fuels tax credits to

growth from energy technologies, on-site energy projects, merchant generation and energy trading.

The Company currently operates its businesses through six segments: Electric Utility; Gas Utility; Wholesale Marketing & Trading; Energy Services; Other Non-regulated Operations; and Corporate & Other.

Electric Utility is comprised of the operations of Detroit Edison and the International Transmission Company. Detroit Edison generates and distributes electricity throughout Southeastern Michigan to 2.1 million residential, commercial and industrial customers. The International Transmission Company owns transmission assets that are operated by the Midwest Independent System Operator, a regional transmission operator. Prior to June 2001, Detroit Edison owned these transmission assets.

Gas Utility represents the operations of MichCon, which purchases, stores and distributes natural gas throughout Michigan to 1.2 million residential, commercial and industrial customers.

Wholesale Marketing & Trading consists primarily of the electric, gas and coal trading and marketing operations of DTE Energy Trading Company and the natural gas trading and marketing operations of Enterprises. Wholesale Marketing & Trading enters into forwards, futures, swaps and option contracts as part of its trading strategy. Wholesale Marketing & Trading also purchases and sells electricity and gas to marketers and brokerage companies.

Energy Services is comprised of various businesses that develop and manage energy-related assets and services. Such projects include coke production, synfuels production, independent power plants, on-site powerhouses and cogeneration facilities, coal services and landfill gas recovery. The economic viability of synfuels projects is tied to their generation of alternate fuels tax credits.

Other Non-regulated Operations represents the operations of energy businesses primarily involved in emerging technologies, and various other energy operations acquired with the MCN Energy merger, including the exploration and production of gas, the gathering, processing and storing of gas, and the production of methanol. Certain pipeline and storage assets are used to support the Wholesale Marketing & Trading segment.

Corporate & Other includes administrative and general expenses, and interest cost of DTE Energy corporate that have not been allocated to the regulated and non-regulated businesses.

Electric Utility

Electric Utility net income before merger and restructuring charges decreased \$58 million in 2001 and decreased \$7 million in 2000, compared to the prior year. As subsequently discussed, the decline in 2001 is primarily attributable to lower commercial and industrial sales reflecting the impact of the current economic recession and customers participating in the Electric Choice Program, as well as higher operation and maintenance costs and the impact of securitization (Note 4).

	2001	2000
Electric Utility		
Increase (Decrease) in Income Compared to Prior Year		
(in Millions)		
Operating revenues		
Rate reduction	\$ (116)	\$ (43)
PSCR rate change	—	82
System sales volume and mix	(69)	24
Wholesale sales	66	—
Other — net	41	19
	(78)	82
Fuel and purchased power	30	(165)
Operation and maintenance	(96)	76
Depreciation and amortization	75	(16)
Taxes, other than income	15	(14)
Interest expense and other	(24)	—
Income taxes	23	30
Cumulative effect of accounting change, net of tax	(3)	—
Total change before merger and restructuring charges	\$ (58)	\$ (7)

Operating revenues decreased \$78 million in 2001 due to a decline in sales rates and electric sales for commercial and industrial customers. Sales rates for commercial and industrial customers were lowered by a 5% legislatively mandated rate reduction that began in April 2001. Commercial sales decreased primarily due to increased participation of customers in the Electric Choice Program. Under this program, participating customers choose to purchase their electricity from suppliers other than Detroit Edison. However, the Electric Utility continues to provide transmission and distribution services for these customers retaining margins from such services. Industrial sales reflect reduced auto and steel production, the impact of Electric Choice participation and the end of a special energy sales agreement with a large steel manufacturer in March of 2001. Partially offsetting these declines were increased revenues from residential and wholesale customers as well as higher revenues from providing other energy related services. Residential customer revenues reflect higher demand resulting from weather, partially offset by the impact of a 5% rate reduction that began in June 2000. Revenues from wholesale customers increased due to gains from settling forward sales contracts. The sales contracts were entered into to effectively close forward purchase contracts that hedged Detroit Edison's power supply costs. Accordingly, the gains from forward sales contracts were substantially offset by losses from forward purchase contracts which are recorded as part of fuel and purchased power costs.

Operating revenues in 2000 increased \$82 million over 1999 due to higher sales to commercial and industrial customers, partially offset by lower residential customer sales. Additionally, under the

[Table of Contents](#)

Power Supply Cost Recovery (PSCR) mechanism which was in effect through June 2000, Detroit Edison increased rates in January 2000 to recover higher power costs. The increased commercial and industrial sales reflected favorable economic conditions in Michigan. Industrial sales also increased due to the special sales agreement with a large steel manufacturer. The decline in residential revenues reflects reduced demand resulting from a cooler summer in 2000 and the impact of the 5% rate reduction. Wholesale sales decreased due to lower demand for energy and less availability of energy for sale. Also impacting revenues in 2000 were higher revenues from other energy-related services.

Revenue and sales data follow:

	2001		2000		1999
(in Millions)					
Residential	\$ 1,298	\$	1,265	\$	1,300
Commercial	1,533		1,670		1,629
Industrial	773		848		809
Wholesale	196		130		130
Other	251		216		179
	<u>\$ 4,051</u>	\$	<u>4,129</u>	\$	<u>4,047</u>
(in Thousands of MWh)					
Residential	14,503		13,903		14,064
Commercial	18,777		19,762		19,546
Industrial	14,430		16,090		15,647
Wholesale	868		2,592		3,672
Other	2,538		2,653		2,595
	<u>51,116</u>		<u>55,000</u>		<u>55,524</u>

Fuel and purchased power expense decreased \$30 million in 2001 and increased \$165 million in 2000. The decline in 2001 is due to lower system output resulting from reduced electric sales, as well as the result of using a more favorable power supply mix reflecting increased usage of lower-cost power from the Company's generating plants and reduced usage of higher-cost purchased power. Also favorably impacting the 2001 comparison was an adjustment of a reserve associated with a contract to purchase steam at above market prices (Note 14). Additionally, losses on the settlement of forward and option contracts to hedge purchase power prices increased purchased power expense in 2001. The 2000 fuel and purchased power expense increase resulted primarily from greater reliance on higher-cost purchased power and higher purchase power prices.

System output and average fuel and purchased power costs for Detroit Edison were as follows:

	2001	2000	1999
(in Thousands of MWh)			
Power generated and purchased			
Power plant generation			
Fossil	39,711	42,100	43,016
Nuclear	8,555	8,239	9,484
Purchased power	7,482	8,877	6,959
System output	55,748	59,216	59,459
Average unit cost (\$/MWh)			
Generation (1)	\$ 12.31	\$ 12.78	\$ 12.51
Purchased power (2)	\$ 78.24	\$ 62.57	\$ 54.80

(1) Represents fuel costs associated with power plants.

(2) The average purchased power amounts include gains and losses from hedging activities.

Operating and maintenance expenses increased \$96 million in 2001 and decreased \$76 million in 2000. The increase in 2001 was primarily due to expenses related to maintenance and reliability work for power generation facilities, which reduces random outages at power plants and Detroit Edison's reliance on purchased power. Additionally, the higher 2001 expenses include the cost of funding the low income and energy efficiency fund required by Michigan legislation which is recovered in current sales rates and costs allocated from DTE Energy corporate for various corporate support services. The increase was partially offset by synergy cost savings related to the MCN Energy merger.

The decrease in 2000 operation and maintenance expenses resulted primarily from lower costs associated with restoring power to customers who lost service during severe storms, as well as the elimination of computer system related costs associated with year 2000 (Y2K) initiatives.

Depreciation and amortization expense decreased \$75 million in 2001 and increased \$16 million in 2000. The 2001 decline reflects the extension of the amortization period from seven years to 15 years for certain regulatory assets that were securitized in March 2001 (Note 4), partially offset by depreciation on higher levels of plant in service. The increase in 2000 was due to increased levels of plant in service and the accelerated amortization of unamortized nuclear costs.

Taxes other than income decreased \$15 million in 2001 and increased \$14 million in 2000. The improvement in 2001 is attributed to an adjustment in property tax expense reflecting a change in method of calculating the taxable value of personal property subject to taxation by local taxing jurisdictions. New valuation tables approved by the Michigan State Tax Commission more accurately recognize the impact of regulation on the value of a utility's personal property based on the property's age. Partially offsetting the 2001 decline and resulting in the 2000 increase were property taxes associated with higher property balances. Lower Michigan Single Business Taxes also affected both years.

Interest expense and other increased \$24 million in 2001 due primarily to debt issued for securitization, partially offset by redemptions of higher cost debt with the proceeds of the

securitization bonds (Note 10). Detroit Edison completed the redemption of debt with securitization proceeds in 2001.

Outlook – The Electric Utility segment expects electric system sales to remain relatively flat in 2002 due to the current economic recession and to grow modestly beginning in 2003. The state of Michigan continues its initiatives to restructure the electric industry by increasing competition among alternative suppliers of electric generation services. Effective January 1, 2002, the Electric Choice Program was expanded whereby all electric customers can choose to purchase their electricity from suppliers other than their local utility (Note 4). Prior to January 2002, electric restructuring legislation limited customer participation in the Electric Choice Program.

Detroit Edison does not earn generation margins on electricity sales to customers who choose to participate in the Electric Choice Program. However, the Electric Utility segment will continue to earn margins from providing transmission and distribution delivery services to participating customers. Detroit Edison expects to lose 5% to 8% of its sales as a result of customers choosing to participate in Electric Choice during 2002. As subsequently discussed, Michigan Public Service Commission (MPSC) orders issued in December 2001 could result in higher numbers of retail customers being lost to Electric Choice. Detroit Edison expects to sell more electricity in the wholesale market as a result of the available capacity left by customers participating in Electric Choice. The additional wholesale revenues are expected to partially offset any decline in revenues from retail customers.

The MPSC issued orders in December 2001 which are designed to increase customer participation in the Electric Choice Program and allow Detroit Edison to recover costs related to its generation operations that may not otherwise be recoverable (stranded costs) due to Electric Choice related lost sales and margins. The MPSC essentially determined that Electric Choice customers should not pay a securitization and tax surcharge that other customers are required to pay and will continue to be credited with an additional 5% rate reduction which is funded by savings from securitization. These provisions will likely result in Detroit Edison's power costs being higher than that of alternative suppliers, encouraging additional customer participation in the Electric Choice Program.

As a result of the MPSC orders, Detroit Edison would recover the net stranded costs associated with its electric generation operations. Specifically there would be an annual filing with the MPSC comparing actual revenues from generation services to the revenue requirements, including an allowance for the cost of capital, to recover the costs of generation operations. The MPSC in its orders determined that Detroit Edison had no stranded costs using 2000 data, established a zero 2002 transition charge and deferred the issues of refining the net stranded costs methodology and the recalculating of net stranded costs to 2002. Detroit Edison has substantive issues with the MPSC's methodology of calculating stranded costs and has asked for rehearing, clarification and substantial changes on certain aspects of the order. For further information concerning the Electric Choice Program and industry restructuring, see Note 4-Regulatory Matters-Electric Industry Restructuring-Michigan Legislation.

Electric Utility future operating results will also vary with a variety of other external factors such as weather, the cost of fuel and purchased power, and changes in economic conditions. The current

economic recession has lowered margins from commercial and industrial customers in the latter half of 2001 and is expected to unfavorably impact margins through the first half of 2002.

Management expects to meet the challenges of the recession, Electric Choice and the imposed retail rate freezes by, among other actions, reducing costs at Detroit Edison as a result of the acquisition of MCN Energy and its wholly owned gas utility, MichCon. Approximately 35% of Detroit Edison's 2.1 million customers are also customers of MichCon. Detroit Edison and MichCon have begun and expect to continue realizing synergies from integrated common, duplicative functions.

As a result of the continued restructuring of the electric industry, the Company is currently contemplating the sale of ITC. Any divestiture will be independently evaluated to maximize shareholder value.

Gas Utility

The Gas Utility, before merger and restructuring charges, had net income of \$23 million for the seven months in 2001. As previously discussed, DTE Energy acquired MichCon on May 31, 2001, as part of the MCN Energy merger. Accordingly, the operating results of MichCon are included in the Company's consolidated results from the acquisition date. The pro forma impact of MCN Energy on the Company is included in Note 2 – MCN Energy Acquisition.

	2001	
	\$	Bcf
(Dollars in Millions)		
Gas Statistics		
Operating revenues		
Gas sales	491	95
End user transportation	50	81
Intermediate transportation	26	304
Other	36	-
	603	480
Cost of Gas Sold	296	n/a
Gross Margin – Actual	307	n/a
Impact of weather – warmer than normal	20	14
Gross Margin – Weather Normalized	327	494

Gas sales and end user transportation services generated 80% of total gross margins for the Gas Utility segment. Margins from providing gas sales and end user transportation services are seasonal and weather dependent with the majority of profits generated in the colder first and fourth quarters. Mild weather, which was 20% warmer than normal in the fourth quarter of 2001, reduced gross margins by \$20 million (\$13 million after taxes) and reduced gas sales by 14 billion cubic feet (Bcf).

Gas sales represent the sale and delivery of natural gas primarily to residential and small-volume commercial and industrial customers. Through December 2001, MichCon operated under a Gas Sales Program in which its sales rates included a gas commodity component that was fixed at \$2.95 per thousand cubic feet (Mcf). Under this program, MichCon had commodity price risk associated with its ability to secure gas supplies at prices less than \$2.95 per Mcf. As discussed in the "Outlook" section that follows, MichCon returned to a Gas Cost Recovery (GCR) mechanism

in January 2002 and no longer has commodity price risk. End user transportation represents a gas delivery service for customers, including customer choice customers, who purchase natural gas directly from producers or brokerage companies and contract with MichCon to deliver that gas to their premises.

Intermediate transportation services represents a gas delivery service for producers, brokers and other gas companies that own the natural gas but are not the ultimate consumers. Although intermediate transportation volumes are a significant part of total deliveries, profit margins on this service are considerably less than margins on gas sales and end user transportation services. Intermediate transportation deliveries include volumes associated with fixed-fee customers. Transportation volumes for fixed-fee customers may fluctuate, however revenues from such customers are not affected.

Other operating revenues include late payment fees, appliance maintenance services and other gas-related services.

Cost of gas is affected by variations in gas sales volumes, cost of purchased gas and related transportation costs, and the effects of any permanent liquidation of inventory gas which is accounted for under the "last-in first-out" (LIFO) method. The 2001 results benefited from a 2.1 Bcf liquidation in inventory gas that was priced at \$0.39 per Mcf. The Gas Utility's 2001 average gas purchase rate was \$2.83 per Mcf higher than the average LIFO liquidation rate.

Outlook – The Gas Utility segment's objective is to expand its role as the preferred provider of natural gas and high-value energy services within Michigan. Management expects to improve the Gas Utility's cost competitiveness as a result of the merger. Approximately 60% of MichCon's 1.2 million customers are also customers of Detroit Edison. Contributions from the Gas Utility segment are expected to increase significantly in 2002 when the financial results reflect a full 12 months of DTE Energy owning MichCon.

The MPSC is continuing its initiatives designed to give all of Michigan's natural gas customers added choices and the opportunity to benefit from lower gas costs resulting from competition. In December 2001, the MPSC issued an order that continues the Gas Choice Program on a permanent and expanding basis beginning with the conclusion of the three-year temporary program on March 31, 2002. Under the expanded program, beginning April 1, 2002, up to approximately 40% of customers could elect to purchase gas from suppliers other than MichCon. Beginning in April 2003, up to approximately 60% of customers could participate and beginning April 2004, all 1.2 million of MichCon's gas customers could choose to participate. MichCon will continue to transport and deliver the gas to the participating customers' premises at prices that generate favorable margins. As of December 2001, approximately 30,000 customers were participating in the temporary Gas Choice Program.

Under the MPSC order, MichCon returned to a GCR mechanism upon termination of its three-year experimental Gas Sales Program in December 2001. MichCon's gas sales rates will now include a gas commodity component designed to recover its actual gas costs. For further information concerning the Gas Choice and Gas Sales Programs, see Note 4-Regulatory Matters-Gas Industry Restructuring.

Gas Utility future operating results will vary as a result of weather and changes in economic conditions. The current economic recession and the significantly warmer 2001-2002 winter lowered margins from residential, commercial and industrial customers in the latter half of 2001.

Wholesale Marketing & Trading

Wholesale Marketing & Trading's income totaled \$44 million in 2001, an increase of \$34 million from 2000. Income in 2000 increased a slight \$2 million from 1999. The electric marketing and trading portion of the segment contributed \$8 million in 2001, representing realized margins primarily associated with short-term, back-to-back, physical power purchases and sales. The gas portion of the segment contributed the remaining \$36 million, representing mark-to-market gains on long-term gas sales contracts with several cogeneration facilities.

Commodity price risk of the Wholesale Marketing & Trading segment are managed by utilizing derivative financial contracts to offset the risk inherent in its portfolio of electric and gas supply and sales agreements. The segment's objective is to enter into new transactions that are hedgeable and profitable from an economic standpoint. Wholesale Marketing & Trading accounts for this risk minimization strategy by marking to market its commodity forwards, financial derivatives, and corresponding physical positions so there are substantial offsetting amounts. This fair value accounting better aligns financial reporting for the segment with the way management manages the business and measures its performance.

In 2001, Wholesale Marketing & Trading experienced earnings volatility as a result of its production-related gas supply as well as from open positions related to its long-term gas transportation and storage assets. The segment receives gas produced from DTE Energy's exploration & production (E&P) operations which is used to meet its commitments under long-term contracts with cogeneration customers. The E&P gas does not qualify for mark-to-market accounting. Wholesale Marketing & Trading recorded a gain in 2001 totaling approximately \$50 million, net of taxes, primarily attributable to marking to market sales contracts with power generation customers without recording an offsetting loss from marking to market the production-related gas supply. In December 2001, Wholesale Marketing & Trading entered into hedge transactions that substantially mitigate the earnings volatility related to the gas contracts with power generation customers.

Wholesale Marketing & Trading operates a storage trading strategy primarily utilizing the facilities owned and operated by DTE Energy. Employing a combination of physical and financial contracts, in conjunction with the injection and withdrawal capabilities of the storage fields, the segment is able to capture seasonal price spreads. As forward prices change, the timing of the physical flow of gas is optimized to obtain the highest margin. Trades under this strategy are marked to market against the forward curve. Physical gas in storage, however, is marked to the current spot price under fair value accounting rules. This difference in accounting for forward trades and gas in storage occasionally results in earnings volatility when price changes in the spot month do not correspond with those in future delivery months. Gas in storage in December 2001 was priced at a spot market rate of \$2.77 per Mcf, compared to a May 31, 2001, merger date rate of \$5.28 per Mcf. Significantly smaller changes in forward prices

occurred during these same periods. As a result, the mark-to-market losses on gas inventory were only partially offset by mark-to-market gains on the storage-related derivatives.

Outlook – Wholesale Marketing & Trading will focus on expanding its coverage within existing markets in the northeast and midwest United States and eastern Canada. Gas storage and transportation capacity enhances its ability to provide reliable and custom-tailored, bundled services to large-volume end users and utilities. This capacity, coupled with the synergies from DTE Energy's other businesses, positions the segment to capitalize on opportunities for expansion of its market base.

Wholesale Marketing & Trading manages commodity price risk by utilizing derivative financial contracts to more fully balance its portfolio of gas and electric supply and sales agreements. Wholesale Marketing & Trading attempts to maintain a balanced or flat book from an economic standpoint. However, Wholesale Marketing & Trading will experience earnings volatility as a result of open positions related to long-term gas transportation contracts with third parties and due to fluctuations in inventory valuations. The Company is currently evaluating various hedge strategies related to these assets.

Energy Services

Net income increased \$15 million in 2001 and \$25 million in 2000. The improvement in both periods is attributed to an increased generation of alternate fuels tax credits which totaled \$165 million in 2001, compared to \$130 million in 2000 and \$116 million in 1999. The higher tax credits reflect an increased level of operations, and the addition of three new synfuels projects in 2001. Additionally, results reflect increased contributions from the coal services business and the biomass landfill gas recovery operation. Gains on the sale of minority interests in two coke battery projects in 2001 were offset by reduced levels of income generated by the projects. The improved earnings were partially offset by increased new project development costs.

Outlook - The Energy Services segment's objective is to continue developing and relocating synfuel projects and to focus on on-site energy projects and independent power projects. Management expects three new synfuel sites, two electric generation projects and two industrial on-site energy projects to become operational in 2002. Contributions from new synfuel projects will be partially offset by reduced earnings from coke battery projects due to the expiration of related alternate fuels tax credits at the end of 2002. Additionally, tax credits from synfuel projects will expire at the end of 2007 with the possibility of being extended. The focus of this business, which had primarily been to develop, construct, own and operate projects, will shift for the near term to acquiring operating assets or existing projects under construction.

Other Non-regulated Operations

Net losses from Other Non-regulated Operations declined \$29 million in 2001 and increased \$12 million in 2000. Results reflect losses in 2000 from an electric marketing company that was participating in a Pennsylvania customer choice program. The Company has discontinued the operations of the electric marketing company.

Outlook – The Company will continue to invest in emerging technologies, and various other energy operations. Growth in future years is expected from the successful development and marketing of various distributed generation products, including standby generators, external combustion engines, mini-turbines and fuel cells. Additionally, the Company will consider further developing its gas production properties in northern Michigan and its pipelines, processing and storage assets. Non-strategic operations acquired with the MCN Energy merger will be sold to partially fund non-regulated growth.

Corporate & Other

Results from Corporate & Other improved by \$9 million in 2001 and declined by \$7 million in 2000. The improvement in 2001 reflects the allocation of corporate support expenses to regulated and non-regulated operations as well as reduced interest expense resulting from the repayment of debt with proceeds received from Detroit Edison. Upon issuing \$1.75 billion of securitization bonds, Detroit Edison distributed approximately 50% of such proceeds to DTE Energy corporate. DTE Energy used such proceeds to retire debt and repurchase common shares. The Corporate & Other decrease in 2000 reflects higher interest expense and corporate support expenses.

CAPITAL RESOURCES AND LIQUIDITY

	2001	2000	1999
Cash and Cash Equivalents			
(in Millions)			
Cash Flow From (Used For)			
Operating activities	\$ 811	\$1,015	\$1,084
Investing activities	(2,286)	(674)	(712)
Financing activities	1,679	(310)	(469)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 204	\$ 31	\$ (97)

Operating Activities

DTE Energy's consolidated net cash from operating activities decreased \$204 million in 2001 and \$69 million in 2000. The decline in 2001 resulted primarily from higher working capital requirements partially offset by higher net income, after adjusting for noncash items (depreciation, amortization, deferred taxes and certain restructuring charges). The higher working capital primarily reflects the seasonal requirements in the second half of 2001 of the gas business where cash is used to finance increases in gas inventories and customer accounts receivable. The Company uses its cash derived from operating activities primarily to maintain and expand its core electric and gas utility businesses and to build non-regulated businesses. In addition, the Company uses cash from operations to retire long-term debt and to pay dividends. The decline in 2000 resulted from lower net income, after adjusting for noncash items, partially offset by lower working capital requirements.

Investing Activities

DTE Energy's consolidated net cash used for investing activities increased \$1.6 billion in 2001 and decreased \$38 million in 2000. The increase in 2001 was due primarily to the acquisition of MCN Energy in May 2001 and the capital expenditures in regulated and non-regulated businesses, partially offset by proceeds from the sale of non-strategic assets. The higher regulated capital expenditures at Detroit Edison are attributable to new air quality regulations, which require the reduction in nitrogen oxide levels as discussed in the "Environmental Matters" section that follows. The decline in 2000 is attributable to a reduction in restricted cash.

Financing Activities

DTE Energy's consolidated net cash related to financing activities increased \$2 billion in 2001 and decreased \$159 million in 2000. The increase in 2001 was due primarily to the issuance of \$1.75 billion of securitization bonds and the issuance of \$1.35 billion of long-term debt to finance the cash consideration portion of the acquisition of MCN Energy. Proceeds from the securitization bonds were used to repay debt and repurchase approximately \$424 million of DTE Energy common stock. In addition, Detroit Edison issued \$840 million of long-term debt. These proceeds, coupled with proceeds from securitization, were used for general corporate purposes including the redemption of \$1.27 billion of higher cost debt, of which \$1.11 billion represented unscheduled redemptions. MichCon issued \$200 million of long-term debt and used the proceeds for general corporate purposes, including the redemption of \$40 million of unscheduled

debt. Net cash used for financing activities was lower in 2000 due to decreased redemptions of long-term debt, partially offset by repurchases of common stock.

During 2001, the Company, Detroit Edison and MichCon entered into a bank facility arrangement used to support commercial paper in the amounts of \$800 million, \$300 million and \$300 million, respectively. Commercial paper is usually issued in lieu of an equivalent amount of borrowings under these lines of credit. Amounts outstanding under this facility at December 31, 2001, were \$423 million at the Company and \$254 million at MichCon.

Outlook - DTE Energy's strategic direction will result in capital investments and expenditures in 2002 totaling approximately \$950 million, of which approximately \$200 million will be in non-regulated businesses and the remaining \$750 million in regulated electric and gas operations. Approximately \$200 million of the regulated capital expenditures will be incurred by Detroit Edison to comply with new ozone and air quality regulations.

The proposed level of investments and expenditures in future years is expected to be financed primarily with internally generated funds, proceeds from the sale of non-strategic assets and debt. DTE Energy's capitalization objective is to maintain its strong credit ratings through a strong balance sheet. Its capitalization objective is a 50% — 55% leverage target. Management believes that the Company and its subsidiaries will have sufficient capital resources to meet anticipated capital requirements.

CRITICAL ACCOUNTING POLICIES

DTE Energy has operations within six business segments. There are three key types of transactions presented in the consolidated financial statements that require considerable judgment and estimation. Such transactions relate to regulatory assets and liabilities, risk management and trading activities and alternate fuels tax credits.

Regulation

A significant portion of the Company's business is subject to regulation. Detroit Edison's electric distribution operations, MichCon's gas distribution and transportation operations and the transmission operations of International Transmission Company (ITC) currently meet the criteria of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," which results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. SFAS No. 71 requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as revenue and expense in non-regulated businesses. Future regulatory changes or changes in the competitive environment could result in the Company discontinuing the application of SFAS No. 71 for some or all of its businesses and require the write-off of the portion of any regulatory asset or liability that was no longer probable of recovery or refund. If Detroit Edison (excluding its subsidiary, The Detroit Edison Securitization Funding LLC) were to have discontinued the application of SFAS No. 71 for all of its operations as of December 31, 2001, it would have had an extraordinary noncash charge to income of approximately \$58 million. If MichCon were to have discontinued the application of SFAS No. 71, it would have had an extraordinary noncash increase to income of approximately \$60 million. There would be no significant impact to earnings if ITC were to discontinue its application of SFAS No. 71. Management believes that

currently available facts support the continued application of SFAS No. 71 and that all regulatory assets and liabilities are recoverable or refundable through the current rate environment.

Risk Management and Trading Activities

All derivatives are recorded at fair value and shown as "Assets or liabilities from risk management and trading activities" in the consolidated statement of financial position. Risk management activities are accounted for in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Trading activities are accounted for in accordance with Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities." Except for the activities of the Wholesale Marketing & Trading segment, the Company does not hold or issue derivative instruments for trading purposes.

The offsetting entry to "Assets or liabilities from risk management and trading activities" is to other comprehensive income or earnings depending on the use of the derivative and whether it is designated and qualifies for hedge accounting. The fair values of derivative contracts are adjusted each accounting period for changes in the market and are derived from: i) published exchange traded market data; ii) prices from external sources; and iii) prices based on valuation models. Market quotes are more readily available for short duration contracts. The Company has derivative contracts extending to 2016.

Alternate Fuels Tax Credits

DTE Energy generated \$165 million in alternate fuels tax credits in 2001, up from \$130 million in 2000 and \$116 million in 1999. Outside firms assist the Company in calculating the tax credits and evaluating their realizability.

ENVIRONMENTAL MATTERS

Protecting the environment from damage, as well as correcting past environmental damage, continues to be a focus of state and federal regulators. Legislation and/or rulemaking could further impact the electric utility industry including Detroit Edison. The U.S. Environmental Protection Agency (EPA) and the Michigan Department of Environmental Quality have aggressive programs regarding the clean-up of contaminated property. The EPA initiated enforcement actions against several major electric utilities citing violations of new source provisions of the Clean Air Act. Detroit Edison received and responded to information requests from the EPA on this subject. The EPA has not initiated proceedings against Detroit Edison. The National Energy Policy Development Group has undertaken a review of the EPA's interpretation of regulations applying to new source review requirements. The Company expects this review to focus on the ability of fossil-fueled plant owners to perform plant maintenance without additional significant environmentally related modifications. While the Company anticipates a continued ability to economically maintain its plants, the outcome of this governmental review cannot be predicted.

EPA ozone transport regulations and final new air quality standards relating to ozone and particulate air pollution will impact the Company. Detroit Edison has spent approximately \$221

million through December 2001 and estimates that it will incur approximately \$400 million to \$500 million of future capital expenditures over the next three years to comply.

NEW ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities.

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." The most significant change made by SFAS No. 141 requires that the purchase method of accounting be used for all business combinations. The most significant changes made by SFAS No. 142 are that the amortization of goodwill will cease, and goodwill and indefinite-lived intangible assets will be tested for impairment at least annually. In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement establishes a single accounting model for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired.

See Note 1 – Significant Accounting Policies for a further discussion of these pronouncements.

CONTRACTUAL OBLIGATIONS

The following table reflects the payments due by period for the Company's contractual obligations existing at December 31, 2001:

(in Millions)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Contractual Obligations					
Long-Term Debt:					
Mortgage bonds, notes & other	\$ 6,321	\$ 429	\$ 668	\$ 930	\$4,294
Securitization bonds	1,746	73	177	201	1,295
Capital Lease Obligations	147	21	27	25	74
Operating Leases	102	19	34	22	27
Unconditional Purchase Obligations	2,405	552	753	315	785
Other Long-Term Obligations	671	15	293	29	334
Total Obligations	\$11,392	\$1,109	\$1,952	\$1,522	\$6,809

The Company expects that its 2002 capital expenditures will approximate \$950 million. Certain commitments have been made in connection with such capital expenditures and are excluded from the above table.

FAIR VALUE OF CONTRACTS

The following table reflects the maturity and sources of the net fair value gain (loss) of contracts at December 31, 2001:

(in Millions)	Maturity Less Than 1 Year	Maturity 1-3 Years	Maturity 4-5 Years	Maturity Exceeding 5 Years	Total Fair Value
Trading Activities					
Prices From:					
Quotes	\$ 32	\$ 5	\$ 4	\$ —	\$ 41
External sources	14	—	—	—	14
Other sources	—	3	1	—	4
	<u>\$ 46</u>	<u>\$ 8</u>	<u>\$ 5</u>	<u>\$ —</u>	<u>59</u>
Risk Management Activities					(248)
Total Assets & Liabilities from Risk Management and Trading Activities					<u>\$ (189)</u>

The “Prices from quotes” category represents the Company’s positions for which forward price curves were developed using published NYMEX exchange prices and over the counter (OTC) gas and power quotes. The NYMEX currently publishes gas futures prices for the next six years.

The “Prices from external sources” category represents the Company’s forward positions in power at points for which OTC broker quotes are not always directly available. The Company values these positions against internally developed forward market price curves that are constantly validated and recalibrated against OTC broker quotes for closely correlated points. This category also includes “strip” transactions whose prices are obtained from external sources and then modeled to daily or monthly prices as appropriate.

The “Prices from other sources” category contains the value of transactions for which an internally developed price curve was constructed as a result of the long dated nature of the transaction or the illiquidity of the market point.

A reconciliation of the Company’s estimated net fair value of trading contracts follows:

(in Millions)	
Fair value at January 1, 2001	\$ 17
Plus: contracts acquired upon acquisition of MCN Energy	12
Less: contracts realized during 2001	(33)
Other changes in fair value	63
Fair value at December 31, 2001	<u>\$ 59</u>

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

Risk Management Activities

Detroit Edison is subject to commodity price risk in conjunction with the anticipated purchase of electricity to meet reliability obligations during times of peak customer demand. Detroit Edison's exposure to commodity price risk arises from market fluctuations in commodity prices.

To limit the sensitivity to commodity price fluctuations, Detroit Edison has entered into a series of forward electricity contracts and option contracts. See Note 13 – Financial and Other Derivative Instruments herein for a further discussion of these derivative instruments.

The Company is exposed to the risk of market price fluctuations on gas sale and purchase contracts, gas production and gas inventories. To manage this risk, the Company uses natural gas futures, options, forwards and swap agreements.

The Company performed a sensitivity analysis to calculate the impact of changes in fair values utilizing applicable forward commodity rates in effect at December 31, 2001. The Company estimates that if commodity prices were 10% higher or lower, the net fair value of commodity contracts would increase \$24 million and decrease \$35 million, respectively.

Trading Activities

Wholesale Marketing & Trading markets and trades electricity, gas and related fuels, in addition to providing price risk management services using energy commodity derivatives. Wholesale Marketing & Trading performed a sensitivity analysis to calculate the impact of changes in fair values utilizing applicable forward commodity rates in effect at December 31, 2001. The Company estimates that if commodity prices were 10% higher or lower, the fair value of commodity contracts would decrease \$8.4 million and increase \$8.0 million, respectively.

Credit Risk

Electricity and gas is purchased from and sold to numerous companies operating in the steel, automotive, energy and retail industries. A number of customers have filed for bankruptcy in 2001, including certain Enron Corporation affiliates. Certain DTE Energy subsidiaries had open transactions under a variety of agreements with bankrupt Enron affiliates and such subsidiaries had an aggregate net liability of \$24 million to Enron. There are various netting agreements with Enron affiliates. Internal and external counsel are working to determine the Company's rights within these agreements. The Company has not reserved for any of its exposure, in addition to the net liabilities already recorded, as management cannot estimate a probable loss exposure and currently does not believe the resolution of this matter will have a material impact to the Company.

National Steel Company (NSC), customer of the Company, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code on March 6, 2002. The Company has pre-petition receivables of \$35 million from NSC relating to electricity sales by Detroit Edison and coke and pulverized coal sales from its Energy Services segment. No formal motion to assume or reject the coke sales agreement or pulverized coal sales agreement has been filed by NSC with the Bankruptcy Court. The Company currently believes that the coke sales agreement and the pulverized coal sales agreement will be assumed by NSC and that all pre-petition amounts due, including regulated electricity sales, will be paid in full.

Interest Rate Risk

The Company estimates that if interest rates were 10% higher or lower, the fair value of long-term debt at December 31, 2001 would decrease \$234 million and increase \$217 million, respectively.

Item 8. Financial Statements and Supplementary Data

The following consolidated financial statements and schedules are included herein.

	Page
Independent Auditors' Report	40
Consolidated Statement of Operations	41
Consolidated Statement of Financial Position	42
Consolidated Statement of Cash Flows	44
Consolidated Statement of Changes in Shareholders' Equity	45
Notes to Consolidated Financial Statements	46
Schedule II – Valuation and Qualifying Accounts	93

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
DTE Energy Company

We have audited the consolidated statements of financial position of DTE Energy Company and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows, and changes in shareholders' equity for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of DTE Energy Company and subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements of the Company taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 13 to the consolidated financial statements, the Company changed its method of accounting for derivative instruments and hedging activities in 2001.

/s/ DELOITTE & TOUCHE LLP

Detroit, Michigan
February 26, 2002

DTE Energy Company
Consolidated Statement of Operations

	Year Ended December 31		
	2001	2000	1999
(in Millions, Except per Share Amounts)			
Operating Revenues	\$ 7,849	\$ 5,597	\$ 4,728
Operating Expenses			
Fuel, purchased power and gas	3,950	2,233	1,335
Operation and maintenance	1,828	1,455	1,480
Depreciation, depletion and amortization	795	758	735
Taxes other than income	312	296	277
Merger and restructuring charges	268	25	—
Total Operating Expenses	7,153	4,767	3,827
Operating Income	696	830	901
Interest Expense and Other			
Interest expense	468	336	340
Other – net	9	17	18
Total Interest Expense and Other	477	353	358
Income Before Income Taxes	219	477	543
Income Tax Provision (Benefit)	(110)	9	60
Income Before Accounting Change	329	468	483
Cumulative Effect of Accounting Change	3	—	—
Net Income	\$ 332	\$ 468	\$ 483
Basic Earnings per Common Share			
Before accounting change	\$ 2.15	\$ 3.27	\$ 3.33
Cumulative effect of accounting change	.02	—	—
Total	\$ 2.17	\$ 3.27	\$ 3.33
Diluted Earnings per Common Share			
Before accounting change	\$ 2.14	\$ 3.27	\$ 3.33
Cumulative effect of accounting change	.02	—	—
Total	\$ 2.16	\$ 3.27	\$ 3.33
Average Common Shares			
Basic	153	143	145
Diluted	154	143	145
Dividends Declared per Common Share	\$ 2.06	\$ 2.06	\$ 2.06

(See Notes to Consolidated Financial Statements)

DTE Energy Company
Consolidated Statement of Financial Position

	December 31	
	2001	2000
(in Millions, Except Shares)		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 268	\$ 64
Restricted cash	157	88
Accounts receivable		
Customer (less allowance for doubtful accounts of \$57 and \$21, respectively)	851	562
Accrued unbilled revenues	242	188
Other	259	88
Inventories		
Fuel and gas	343	193
Materials and supplies	162	142
Assets from risk management and trading activities	400	289
Deferred income taxes	47	—
Other	97	38
	<u>2,826</u>	<u>1,652</u>
Investments		
Nuclear decommissioning trust funds	417	398
Other	615	269
	<u>1,032</u>	<u>667</u>
Property		
Property, plant and equipment	17,067	13,162
Less accumulated depreciation and depletion	(7,524)	(5,775)
	<u>9,543</u>	<u>7,387</u>
Other Assets		
Goodwill	2,003	24
Regulatory assets	1,204	2,688
Securitized regulatory assets	1,692	—
Assets from risk management and trading activities	149	—
Other	779	238
	<u>5,827</u>	<u>2,950</u>
Total Assets	<u>\$ 19,228</u>	<u>\$ 12,656</u>

(See Notes to Consolidated Financial Statements)

DTE Energy Company
Consolidated Statement of Financial Position

	December 31	
	2001	2000
(in Millions, Except Shares)		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 697	\$ 404
Accrued interest	118	59
Dividends payable	84	73
Accrued payroll	108	103
Short-term borrowings	681	503
Income taxes	54	116
Current portion long-term debt, including capital leases	516	297
Liabilities from risk management and trading activities	425	280
Other	495	212
	<u>3,178</u>	<u>2,047</u>
Other Liabilities		
Deferred income taxes	1,478	1,801
Regulatory liabilities	187	3
Unamortized investment tax credit	180	167
Liabilities from risk management and trading activities	313	—
Other	1,375	590
	<u>3,533</u>	<u>2,561</u>
Long-Term Debt		
Mortgage bonds, notes and other	5,892	3,894
Securitization bonds	1,673	—
Capital lease obligations	89	145
	<u>7,654</u>	<u>4,039</u>
Commitments and Contingencies (Notes 1, 4, 5, 12-15)		
Enterprises-Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries Holding Solely Debentures of Enterprises		
	<u>274</u>	<u>—</u>
Shareholders' Equity		
Common stock, without par value, 400,000,000 shares authorized, 161,133,959 and 142,651,172 shares issued and outstanding, respectively	2,811	1,912
Retained earnings	1,846	2,097
Accumulated other comprehensive loss	(68)	—
	<u>4,589</u>	<u>4,009</u>
Total Liabilities and Shareholders' Equity	<u>\$ 19,228</u>	<u>\$ 12,656</u>

(See Notes to Consolidated Financial Statements)

DTE Energy Company
Consolidated Statement of Cash Flows

	Year Ended December 31		
	2001	2000	1999
(in Millions)			
Operating Activities			
Net income	\$ 332	\$ 468	\$ 483
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation, depletion and amortization	766	758	735
Goodwill amortization	29	—	—
Merger and restructuring charges	215	—	—
Deferred income taxes	(7)	(133)	26
Changes in assets and liabilities:			
Accounts receivable	(2)	(140)	(93)
Inventories	(76)	8	(6)
Prepaid pensions	(14)	65	(51)
Payables	(224)	196	19
Risk management and trading activities	(80)	8	(16)
Other	(128)	(215)	(13)
Net cash from operating activities	811	1,015	1,084
Investing Activities			
Plant and equipment expenditures	(1,096)	(749)	(739)
Acquisition of MCN Energy, net of cash acquired	(1,212)	—	—
Proceeds from sale of assets	216	—	—
Restricted cash for debt redemptions	(70)	43	(10)
Other investments	(124)	32	37
Net cash used for investing activities	(2,286)	(674)	(712)
Financing Activities			
Issuance of long-term debt	4,254	273	265
Redemption of long-term debt	(1,423)	(331)	(548)
Short-term borrowings, net	(282)	116	156
Capital lease obligations	(107)	(2)	(43)
Repurchase of common stock	(438)	(70)	—
Dividends on common stock	(325)	(296)	(299)
Net cash from (used for) financing activities	1,679	(310)	(469)
Net Increase (Decrease) in Cash and Cash Equivalents	204	31	(97)
Cash and Cash Equivalents at Beginning of Period	64	33	130
Cash and Cash Equivalents at End of Period	\$ 268	\$ 64	\$ 33
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 409	\$ 334	\$ 340
Income taxes paid	45	104	152
Noncash Investing and Financing Activities			
Issuance of common stock for acquisition of MCN Energy	1,060	—	—

(See Notes to Consolidated Financial Statements)

DTE Energy Company
Consolidated Statement of Changes in Shareholders' Equity

	Common Stock		Retained Earnings	Accumulated Other	Total
	Shares	Amount		Comprehensive Loss	
(Dollars in Millions, Shares in Thousands)					
Balance, December 31, 1998	145,071	\$ 1,951	\$1,747	\$ —	\$3,698
Net income	—	—	483	—	483
Dividends declared on common stock	—	—	(299)	—	(299)
Repurchase and retirement of common stock	(30)	(1)	—	—	(1)
Unearned stock compensation	—	(7)	—	—	(7)
Other	—	—	28	—	28
Balance, December 31, 1999	145,041	1,943	1,959	—	3,902
Net income	—	—	468	—	468
Dividends declared on common stock	—	—	(294)	—	(294)
Repurchase and retirement of common stock	(2,390)	(32)	(39)	—	(71)
Unearned stock compensation	—	1	—	—	1
Other	—	—	3	—	3
Balance, December 31, 2000	142,651	1,912	2,097	—	4,009
Net income	—	—	332	—	332
Issuance of new shares	29,017	1,060	—	—	1,060
Dividends declared on common stock	—	—	(324)	—	(324)
Repurchase and retirement of common stock	(10,534)	(155)	(270)	—	(425)
Unearned stock compensation	—	(6)	—	—	(6)
Other	—	—	11	—	11
Net change in unrealized losses on derivatives, net of tax	—	—	—	(69)	(69)
Net change in unrealized gain on investments, net of tax	—	—	—	1	1
Balance, December 31, 2001	161,134	\$2,811	\$ 1,846	\$ (68)	\$ 4,589

The Company did not have other comprehensive income (loss) in 2000 and 1999. The following table displays comprehensive income (loss) for 2001:

(in Millions)	
Net income	\$332
Other comprehensive income (loss), net of tax:	
Net unrealized losses on derivatives:	
Cumulative effect of a change in accounting principle, net of taxes of \$24	(42)
Losses arising during the period, net of taxes of \$29	(53)
Amounts reclassified to earnings, net of taxes of \$14	26
	(69)
Net unrealized gain on investments:	
Change in unrealized gain, net of taxes	1
Total other comprehensive loss	(68)
Comprehensive income	\$264

(See Notes to Consolidated Financial Statements)

DTE Energy Company
Notes to Consolidated Financial Statements

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

Corporate Structure

DTE Energy Company (DTE Energy or the Company), a Michigan corporation incorporated in 1995, is an exempt holding company under the Public Utility Holding Company Act of 1935. The Company is the parent holding company of The Detroit Edison Company (Detroit Edison), the International Transmission Company (ITC), DTE Enterprises Inc. (Enterprises), and other subsidiaries engaged in energy trading, energy services and other energy-related businesses.

Detroit Edison is a Michigan public utility engaged in the generation, purchase, distribution and sale of electric energy to 2.1 million customers in a 7,600-square-mile Southeastern Michigan service area and is regulated by the Michigan Public Service Commission (MPSC).

ITC is regulated by the Federal Energy Regulatory Commission (FERC) for the transmission of electric energy. Effective January 2001, the transmission assets of Detroit Edison were transferred to ITC, then a wholly owned subsidiary of Detroit Edison. In May 2001, Detroit Edison distributed 100% of the shares of ITC to the Company.

On May 31, 2001, the Company completed the acquisition of MCN Energy Group Inc. (MCN Energy), now Enterprises, as further discussed in Note 2. Enterprises (an exempt holding company under the Public Utility Holding Company Act of 1935) is a Michigan corporation primarily involved in natural gas production, gathering, processing, transmission, storage, distribution and energy marketing. Enterprises' largest subsidiary, Michigan Consolidated Gas Company (MichCon), is a natural gas utility serving 1.2 million customers in a 14,700-square-mile area in Michigan. MichCon is regulated by the MPSC for the distribution and intrastate transportation of natural gas.

Principles of Consolidation

The Company consolidates all majority owned subsidiaries. The Company accounts for non-majority owned investments, including investments in limited liability companies, partnerships and joint ventures, under the equity method when the Company is able to influence the financial operating policies of the investee. For all other investments, the Company applies the cost method. The Company eliminates all intercompany balances and transactions.

Basis of Presentation

The accompanying consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. In connection with their preparation, management makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

The Company reclassified certain prior year balances to conform to the 2001 presentation.

Revenues

Revenues from deliveries of electricity and the transportation and storage of natural gas are recognized as services are provided. Detroit Edison and MichCon accrue revenues for electric, gas and steam heating services provided but unbilled at month-end. Pursuant to a June 2000 MPSC order, Detroit Edison's rates are frozen for all classes of customers through 2003. Through December 2001, MichCon's rates included a component for cost of gas sold that was fixed at \$2.95 per thousand cubic feet (Mcf). Effective January 2002, MichCon implemented a gas cost recovery (GCR) mechanism that will allow it to recover the prudent and reasonable cost of gas sold through annual proceedings before the MPSC. The Company's Wholesale Marketing & Trading segment applies mark-to-market accounting with unrealized gains and losses recorded to earnings for commodity forwards, financial derivatives and corresponding physical positions.

Comprehensive Income

The Company complies with the provisions of Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive income. SFAS No. 130 defines comprehensive income as the change in common shareholders' equity during a period from transactions and events from non-owner sources, including net income.

Cash Equivalents and Restricted Cash

For purposes of the Consolidated Statement of Cash Flows, the Company considers investments purchased with a maturity of three months or less to be cash equivalents. Cash required to be maintained for debt service requirements is classified as restricted cash.

Inventories

Materials and supplies at Detroit Edison, MichCon and other subsidiaries are valued at average cost. Detroit Edison also values its fuel inventory at average cost.

Gas inventory at MichCon is determined using the last-in, first-out (LIFO) method. At December 31, 2001, the replacement cost of gas remaining in storage exceeded the \$6.2 million LIFO cost by \$90.9 million. During 2001, MichCon liquidated 2.1 billion cubic feet (Bcf) of prior years' LIFO layers at an average cost of \$0.39 per Mcf. MichCon's average gas purchase rate in 2001 was \$2.83 per Mcf higher than the average LIFO liquidation rate. Applying LIFO cost in valuing the liquidation, as opposed to using the average purchase rate, decreased 2001 cost of gas by \$5.8 million and increased earnings by \$3.8 million, net of taxes.

In the Wholesale Marketing & Trading segment, gas inventory is priced using the fair value method.

Property, Retirement and Maintenance, and Depreciation and Depletion

A summary of property by classification at December 31 is as follows:

(in Millions)	2001	2000
Property, Plant and Equipment		
Electric Utility		
Electric Distribution	\$ 5,407	\$ 5,163
Electric Generation	6,165	6,423
Electric Transmission	802	772
Total Electric Utility	12,374	12,358
Gas Utility	2,963	—
Non-regulated and other	1,730	804
	17,067	13,162
Less accumulated depreciation and depletion		
Electric Utility		
Electric Distribution	(2,062)	(1,924)
Electric Generation	(2,948)	(3,346)
Electric Transmission	(407)	(389)
Total Electric Utility	(5,417)	(5,659)
Gas Utility	(1,626)	—
Non-regulated and other	(481)	(116)
	(7,524)	(5,775)
Net Property, Plant and Equipment	\$ 9,543	\$ 7,387

Property is stated at cost and includes construction-related labor and materials. Expenditures for maintenance and repairs are charged to expense as incurred, except for Fermi 2. The cost of properties retired plus removal costs, less salvage, at Detroit Edison and MichCon is charged to accumulated depreciation.

The Company bases depreciation provisions for utility property at Detroit Edison and MichCon on straight-line and units of production rates approved by the MPSC. The composite depreciation rate for Detroit Edison was 3.4% in 2001 and 2000, and 3.3% in 1999. The composite depreciation rate for MichCon was 3.9% in 2001.

Non-regulated property is depreciated over its estimated useful lives using straight-line, declining-balance and units of production methods.

Detroit Edison accrues in advance the incremental costs, including maintenance activities, that it anticipates incurring during the next scheduled Fermi 2 refueling outage. Detroit Edison began accruing approximately \$21 million on a pro-rata basis over an 18-month period beginning in November 2001 for the next scheduled refueling outage in the spring of 2003.

Natural Gas and Oil Exploration and Production

The successful efforts method of accounting is followed for investments in oil and gas properties. Under the successful efforts method, the Company capitalizes the costs of property acquisitions, successful exploratory wells, development costs, and support equipment and facilities. It expenses unsuccessful exploratory wells when they are determined to be non-productive. It also expenses production costs, overheads, and exploration costs other than exploratory drilling. Depreciation and depletion of proved

oil and gas properties are determined using the units-of-production method over the life of the proved reserves.

Long-Lived Assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of the asset exceeds the expected future cash flows expected to be generated by the asset, an impairment loss is recognized, and the asset is written down to its estimated fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Software Costs

The Company capitalizes the cost of software developed for internal use. These costs are amortized on a straight-line basis over a maximum period of five years, beginning with the project's completion.

Deferred Debt Costs

The costs related to the issuance of long-term debt are amortized over the life of each issue. In accordance with MPSC regulations applicable to Detroit Edison and MichCon, the unamortized discount, premium and expense related to debt redeemed with a refinancing are amortized over the life of the replacement issue. Discount, premium and expense on early redemptions of debt are charged to earnings if they relate to the generation business of Detroit Edison or other non-regulated operations of the Company.

Issuance of Stock by Equity Investees

The Company's policy is to recognize gains and losses for the change in its proportionate share of an investee's equity resulting from additional equity raised by the investee. Plug Power Inc. was founded in 1997 as a joint venture of the Company and Mechanical Technology Incorporated to design and develop on-site electric power generation systems utilizing fuel cells. In October 1999, Plug Power completed an initial public offering (IPO) of common stock at \$15 per share. After the IPO, the Company owned approximately 32% of Plug Power's outstanding common stock. Since Plug Power is considered a development stage company, generally accepted accounting principles require the Company to record gains and losses from Plug Power stock issuances as an adjustment to equity. As a result of Plug Power's IPO, the Company recorded an increase of \$44 million in its investment and an after-tax increase of \$28 million to equity in 1999. In July 2001, Plug Power completed another public offering of common stock at \$12 per share. After this public offering, the Company owned approximately 28% of Plug Power's outstanding common stock and recorded an increase of \$17 million in its investment and an after-tax increase of \$11 million to equity.

Recently Issued Accounting Pronouncements

Derivatives - Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS No. 133 requires that companies recognize all derivatives as either assets or liabilities measured at fair value on the statement of financial position. SFAS No. 133 provides an exception for certain contracts that qualify as "normal purchases and sales." To qualify for this exception, certain criteria must be met, including that it must be probable that the contract will result in physical delivery.

[Table of Contents](#)

See Note 13 – Financial and Other Derivative Instruments herein for additional information.

Business Combinations, Goodwill and Intangible Assets - In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets."

The most significant changes made by SFAS No. 141 are: 1) requiring that the purchase method of accounting be used for all business combinations initiated after June 30, 2001; and 2) establishing specific criteria for the recognition of intangible assets separately from goodwill.

SFAS No. 142 primarily addresses the accounting for acquired goodwill and intangible assets. The most significant changes made by SFAS No. 142 are: 1) amortization of goodwill will cease, and goodwill and indefinite-lived intangible assets will be tested for impairment at least annually; and 2) the amortization period of intangible assets with finite lives will continue to be amortized over their useful lives, but will no longer be limited to 40 years.

The Company adopted SFAS No. 141, beginning July 1, 2001, and adopted SFAS No. 142, effective January 1, 2002. These standards only permit prospective application of the new accounting; accordingly, their adoption will not affect previously reported Company financial information. Goodwill was amortized by the Company through December 2001 using the straight-line method principally over 40 years. The Company ceased the amortization of goodwill on January 1, 2002, and will perform an assessment to determine whether goodwill is impaired. The Company will have a transition period from January 1, 2002 to June 30, 2002 to assess the fair value of each reporting unit and determine if goodwill has been impaired. The Company has not yet determined the impact of the adoption of SFAS No. 142 on the consolidated financial statements. The Company recorded approximately \$29 million of goodwill amortization in 2001.

Asset Retirement Obligations - In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement requires that the fair value of an asset retirement obligation be recognized in the period in which it is incurred. The associated asset retirement costs would be capitalized as part of the carrying amount of the long-lived asset. It would apply to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company has not yet determined the impact of this statement on the consolidated financial statements.

Long-Lived Assets - In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement establishes a single accounting model for long-lived assets to be disposed of by sale, whether previously held and used, or newly acquired. This statement is effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company adopted this statement on January 1, 2002, with no impact on the consolidated financial statements.

Other

For significant accounting policies regarding regulatory matters, see Note 4; income taxes, see Note 7; financial and other derivative instruments, see Note 13; retirement benefits and trusteed assets, see Note 15; and stock-based compensation, see Note 16.

NOTE 2 — MCN ENERGY ACQUISITION

On May 31, 2001, the Company completed the acquisition of MCN Energy by acquiring all of its outstanding shares of common stock for a combination of cash and shares of the Company's common stock. See Note 8 – Common Stock and Earnings per Share herein for additional information. The Company purchased the outstanding common stock of MCN Energy for \$2.3 billion and assumed existing MCN Energy debt and preferred securities of \$1.5 billion.

The Company accounted for the acquisition using the purchase method. The allocation of the purchase price included in the consolidated statement of financial position is preliminary and may be revised up to one year from the date of acquisition due to adjustments in the estimated fair value of the assets acquired and liabilities assumed, and refinements of management's plans to divest of certain assets acquired. The Company does not expect that additional revisions to the allocation of the purchase price in 2002 will be material. The excess purchase price over the fair value of net assets acquired totaled approximately \$2 billion and was classified as goodwill. The Company began amortizing goodwill on June 1, 2001, on a straight-line basis using a 40-year life. In accordance with the adoption of SFAS No. 142, "Goodwill and Other Intangible Assets," on January 1, 2002, the amortization of goodwill ceased, and it will be tested for impairment on an annual basis.

The following unaudited pro forma summary presents information for the Company as if the acquisition became effective at the beginning of the respective periods. The pro forma amounts include the impact of certain adjustments, such as acquiring the operations of MCN Energy and issuing \$1.35 billion of debt and 29 million shares of common stock to finance the acquisition. The pro forma amounts do not reflect any benefits from synergies that the Company expects to achieve from combining operations, do not reflect the actual results that would have occurred had the companies been combined for the periods presented, and are not necessarily indicative of future results of operations of the combined companies.

	Pro Forma	
	Year Ended December 31	
	2001	2000
(in Millions, except per share amounts)		
Operating revenues	\$ 9,393	\$ 8,388
Income before accounting change	\$ 534	\$ 426
Net income	\$ 537	\$ 426
Basic earnings per share:		
Before accounting change	\$ 3.23	\$ 2.48
Total	\$ 3.25	\$ 2.48
Diluted earnings per share:		
Before accounting change	\$ 3.21	\$ 2.48
Total	\$ 3.23	\$ 2.48

[Table of Contents](#)

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	At May 31, 2001
<hr/>	
(in Millions)	
Current assets, net of cash acquired	\$ 859
Investments	154
Property, plant and equipment, net	1,648
Other assets	1,218
Assets held for sale	257
Goodwill	1,997
	<hr/>
Total assets acquired	6,133
	<hr/>
Current liabilities	(1,496)
Other liabilities	(1,153)
Preferred securities	(274)
Long-term debt	(938)
	<hr/>
Total liabilities assumed	(3,861)
	<hr/>
Net assets acquired	\$ 2,272
	<hr/>

NOTE 3 — MERGER AND RESTRUCTURING CHARGES

On May 31, 2001, the Company completed the acquisition of MCN Energy. The Company incurred merger-related charges and restructuring charges associated with the acquisition. The merger-related charges of \$27 million (\$18 million after tax) in 2001 and \$25 million (\$16 million after tax) in 2000, consisted primarily of system integration, relocation, legal, accounting and consulting costs. Restructuring charges of \$241 million (\$157 million after tax) in 2001, were primarily associated with a work force reduction plan. The plan included early retirement incentives along with voluntary separation arrangements for 1,186 employees, primarily in overlapping corporate support functions. The merger and restructuring costs had the effect of decreasing earnings by \$268 million (\$175 million after tax) and \$25 million (\$16 million after tax) in 2001 and 2000, respectively. Approximately \$53 million of the merger and restructuring charges have been paid as of December 31, 2001, including approximately \$20 million of benefits, and it is anticipated that the remaining benefits of \$215 million have been or will be paid from retirement plans.

NOTE 4 — REGULATORY MATTERS

Regulation

Detroit Edison and MichCon are subject to the regulatory jurisdiction of the MPSC, which issues orders pertaining to rates, recovery of certain costs, including the costs of generating facilities and regulatory assets, conditions of service, accounting and operating-related matters.

Detroit Edison's electric distribution operations, MichCon's gas distribution and transportation operations, and the transmission operations of ITC meet the criteria of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting standard recognizes the cost-based ratemaking process, which results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. SFAS No. 71 requires the recording of regulatory

assets and liabilities for certain transactions that would have been treated as revenue and expense in non-regulated businesses. Regulatory assets represent costs that will be recovered from customers through the ratemaking process. Regulatory liabilities represent benefits that will be refunded to customers through reduced rates. Continued applicability of SFAS No. 71 requires that rates be designed to recover specific costs of providing regulated services and be charged to and collected from customers. Management believes that currently available facts support the continued application of SFAS No. 71 to these businesses. Future regulatory changes or changes in the competitive environment could result in the Company discontinuing the application of SFAS No. 71 for some or all of its businesses and require the write-off of the portion of any regulatory asset or liability that was no longer probable of recovery through rates or refund.

Regulatory Assets and Liabilities

The Company recorded the following regulatory assets and liabilities at December 31:

	2001	2000
(in Millions)		
Assets		
Unamortized nuclear costs	\$ —	\$2,328
Securitized regulatory assets	1,692	—
Recoverable income taxes related to securitized regulatory assets	928	—
Other recoverable income taxes	120	196
Unamortized loss on reacquired debt	37	82
Electric Choice implementation costs	53	57
Deferred environmental costs	29	—
Accrued GCR revenues	17	—
Other	20	25
Total Assets	<u>\$ 2,896</u>	<u>\$2,688</u>
Liabilities		
Refundable income taxes	\$ 144	2
Other	43	1
Total liabilities	<u>\$ 187</u>	<u>\$ 3</u>

Electric Industry Restructuring

MPSC orders issued in 1997 and 1998 altered the regulatory process in Michigan and provided a plan for transition to competition for the generation business of Detroit Edison. Therefore, effective December 31, 1998, Detroit Edison's generation business no longer met the criteria of SFAS No. 71. Also, at that time, the 1,150 megawatt (MW) Fermi 2 nuclear generating plant was determined to be impaired. Since a December 1998 MPSC order provided for full recovery of Fermi 2 through the regulated transmission and distribution businesses, a regulatory asset was established representing the net book value of Fermi 2 and related assets.

Michigan Legislation - In June 2000, Public Act 141 (PA 141) became effective. PA 141 provided Detroit Edison with the right to recover stranded costs, codified and established January 1, 2002 as the date for full implementation of the MPSC's existing Electric Choice program, and required the MPSC to reduce residential electric rates by 5%. At that time, Public Act 142 (PA 142) also became effective. PA 142 provided for the recovery through securitization of "qualified costs" which consist of an electric

[Table of Contents](#)

utility's regulatory assets, plus various costs associated with, or resulting from, the establishment of a competitive electric market and the issuance of securitization bonds.

Acting pursuant to PA 141, in an order issued in June 2000, the MPSC reduced Detroit Edison's residential electric rates by 5% and imposed a rate freeze for all classes of customers through 2003. In April 2001, commercial and industrial rates were lowered by 5% as a result of savings derived from the issuance of securitization bonds in March 2001, as subsequently discussed.

The legislation also contains provisions preventing rate increases for residential customers through 2005, for small business customers through 2004, and remaining business customers through 2003. Certain costs may be deferred after 2003 and during the period that rates are frozen. This rate cap may be lifted when certain market test provisions are met, specifically, an electric utility has no more than 30% of generation capacity in its relevant market, with consideration for capacity needed to meet a utility's responsibility to serve its customers. Statewide, multi-utility transmission system improvements also are required. Detroit Edison expects that these market and transmission improvement conditions will be met, and the rate cap will not continue after the dates specified in the legislation.

In several orders issued in June 2000, the MPSC determined that adjusting rates for changes in fuel and purchased power expenses through continuance of the power supply cost recovery (PSCR) clause would be inconsistent with the rate freeze. Detroit Edison was not permitted to collect the 1998 PSCR under-recovery of \$9 million, plus accrued interest of \$3 million. Also, Detroit Edison was not required to refund approximately \$55 million of liabilities for over-recoveries of PSCR expenses for 1999 and 2000, and disallowances under the Fermi 2 performance standard mechanism. In January 2002, the Michigan Court of Appeals rejected appeals filed by parties opposing the MPSC's actions in this proceeding.

In October 2000, the MPSC initiated a case to determine the methodology of calculating net stranded costs as required by PA 141. As a result of an MPSC order in December 2001, Detroit Edison would recover the net stranded costs associated with its electric generation operations. Specifically, there would be an annual filing with the MPSC comparing actual revenues from generation services to the revenue requirements, including an allowance for the cost of capital, to recover the costs of generation operations. The MPSC, in its orders, determined that Detroit Edison had no stranded costs using 2000 data, established a zero 2002 transition charge and deferred the issues of refining the net stranded costs methodology and the recalculating of net stranded costs to 2002. The MPSC also determined that Detroit Edison should provide a full and offsetting credit for the securitization and tax charges applied to Electric Choice bills in 2002. In addition, the MPSC ordered an additional credit on Electric Choice bills equivalent to the 5% rate reduction benefiting full service customers funded by savings derived from securitization. The provisions of this order will likely encourage additional customer participation in the Electric Choice program and result in the loss of margins from providing generation services. Detroit Edison has asked for rehearing and clarification on certain aspects of the order and has requested that the MPSC initiate an expedited proceeding to implement those clarifications and interpretations.

In June 2001, pursuant to PA 141, Detroit Edison filed with the MPSC an application outlining a proposal to unbundle its existing rates. Detroit Edison's initial proposal did not unbundle all tariffs but instead included a bill message stating the amount of distribution charges a customer would incur under Electric Choice. A December 2001 MPSC order found that the June 2001 filing did not meet the requirements of PA 141 and ordered Detroit Edison to make a new filing. In February 2002, Detroit Edison made a filing that unbundled existing rates using updated cost data. Detroit Edison is unable to determine the timing or outcome of this proceeding.

In another December 2001 order, the MPSC finalized the prices, terms and conditions contained in the Retail Access Service Tariff (RAST) that will likely encourage additional customer participation in the Electric Choice program. The implementation of the order will result in increased expenses associated

with implementing Electric Choice, including meter installation, meter reading and computer system enhancements. Detroit Edison has asked for rehearing and clarification on certain aspects of the order.

Securitization – In an order issued in November 2000 and clarified in January 2001, the MPSC approved the issuance of securitization bonds to recover qualified costs that include the unamortized investment in Fermi 2, costs of certain other regulatory assets, Electric Choice implementation costs, costs of issuing securitization bonds, and the costs of retiring securities with the proceeds of securitization.

Detroit Edison formed The Detroit Edison Securitization Funding LLC (Securitization LLC), a wholly owned subsidiary, for the purpose of securitizing its qualified costs. In March 2001, the Securitization LLC issued \$1.75 billion of Securitization Bonds, and Detroit Edison sold \$1.75 billion of qualified costs to the Securitization LLC. The Securitization Bonds mature over a period of up to 15 years and have an average interest rate of 6.1%. Detroit Edison used the proceeds to retire debt and equity in approximately equal amounts. The Company likewise retired approximately 50% debt and 50% equity with the proceeds received as the sole shareholder of Detroit Edison. Detroit Edison implemented a non-bypassable surcharge on its customer bills, effective March 26, 2001, for the purpose of collecting amounts sufficient to provide for the payment of interest and principal and the payment of income tax on the additional revenue from the surcharge. As a result of securitization, Detroit Edison established a regulatory asset for securitized costs including costs that had previously been recorded in other regulatory asset accounts.

The Securitization LLC is independent of Detroit Edison, as is its ownership of the securitization property. Due to principles of consolidation, qualified costs sold by Detroit Edison to the Securitization LLC and the \$1.75 billion of securitization bonds appear on the Company's consolidated statement of financial position. The Company makes no claim to these assets. Ownership of such assets has vested in the Securitization LLC and been assigned to the trustee for the Securitization Bonds. Funds collected by Detroit Edison, acting in the capacity of a servicer for the Securitization LLC, are remitted to the trustee for the Securitization Bonds. Neither the securitization property nor funds collected from Detroit Edison's customers for the payment of costs related to the Securitization LLC and Securitization Bonds are available to Detroit Edison's creditors.

Transmission Business - Effective January 2001, the transmission assets owned by Detroit Edison were transferred to a wholly owned subsidiary, ITC. In May 2001, Detroit Edison distributed 100% of the shares of ITC to the Company. Detroit Edison continues to bill and collect transmission revenues as currently authorized in its bundled rates approved by the MPSC. ITC provides transmission services to customers of Detroit Edison and other non-affiliated customers. In August 2001, ITC filed with the FERC to join the Midwest Independent System Operator (MISO) and withdrew from the Alliance Regional Transmission Organization. In September 2001, ITC filed to suspend the effective date of its transmission rates approved by the FERC in 2000, due to the filing of a rate structure by the MISO.

Gas Industry Restructuring

Regulatory Reform Plan – Through December 2001, MichCon was operating under an MPSC-approved Regulatory Reform Plan which included a comprehensive experimental three-year Gas Choice Program, a Gas Sales Program and an income sharing mechanism. The Gas Choice Program allowed a limited number of customers to purchase gas from suppliers other than MichCon. The Gas Sales Program suspended the GCR mechanism for customers who continue to purchase gas from MichCon, and fixed the gas commodity component of MichCon's sales rates at \$2.95 per Mcf. The income sharing mechanism allowed customers to share in profits when actual returns on equity from utility operations exceed predetermined thresholds. Based on the MPSC approved formula, the Company believes that no income sharing is required in 2001.

Regulatory Changes - MichCon returned to the GCR mechanism in January 2002 when the Gas Sales Program expired. Under the GCR mechanism, the gas commodity component of MichCon's gas sales rates will be based on market prices and set through the GCR process. In December 2001, the MPSC issued an order that permitted MichCon to implement GCR factors of up to \$3.62 per Mcf for January 2002 billings and up to \$4.38 per Mcf for the remainder of 2002. The order also allowed MichCon to recognize a regulatory asset of approximately \$14 million representing the difference between the \$4.38 factor and the \$3.62 factor for volumes that were unbilled at December 31, 2001. The regulatory asset will be subject to the 2002 GCR reconciliation process.

In December 2001, the MPSC also approved MichCon's application for a voluntary, expanded permanent Gas Choice Program which would replace the experimental program that expires in March 2002. Effective April 2002, up to approximately 40% of MichCon's customers could elect to purchase gas from suppliers other than MichCon. Effective April 2003, up to approximately 60% of customers would be eligible and by April 2004, all of MichCon's 1.2 million customers can participate in the program. The MPSC also approved the use of deferred accounting for the recovery of implementation costs of the Gas Choice Program.

Other

In accordance with a November 1997 MPSC order, Detroit Edison reduced rates by \$53 million annually to reflect the scheduled reduction in the revenue requirement for Fermi 2. The \$53 million reduction was effective in January 1999. In addition, the November 1997 MPSC order authorized the deferral of \$30 million of storm damage costs and amortization and recovery of the costs over a 24-month period commencing January 1998. After various legal appeals, the Michigan Court of Appeals remanded back to the MPSC for hearing the November 1997 order. In December 2000, the MPSC issued an order reopening the case for hearing. The parties in the case have agreed to a stipulation of fact and waiver of hearing. In February 2002, an MPSC administrative law judge issued a proposal for decision that supports Detroit Edison's actions in this matter. A final order is expected in 2002.

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

NOTE 5 — FERMI 2

General

Fermi 2, a nuclear generating unit, began commercial operation in January 1988. The Nuclear Regulatory Commission (NRC) maintains jurisdiction over the licensing and operation of Fermi 2. Fermi 2 has a design electrical rating (net) of 1,150 MW. This unit represents approximately 10% of Detroit Edison's summer net rated capability. The net book balance of the Fermi 2 plant was written off at December 31, 1998, and an equivalent regulatory asset was established. In 2001, the Fermi 2 regulatory asset was securitized. See Note 4 - Regulatory Matters.

Ownership of an operating nuclear generating unit subjects Detroit Edison to significant additional risks. Fermi 2 is regulated by a number of different governmental agencies concerned with public health, safety and environmental protection.

Insurance

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

Detroit Edison maintains an insurance policy with NEIL providing for extra expenses, including certain replacement power costs necessitated by Fermi 2's unavailability due to an insured event. These policies have a 12-week waiting period and provide for three years of coverage.

Terrorism coverage under the NEIL policies has been modified for multiple terrorism losses occurring within one year after the first loss from terrorism. NEIL would make available to all insured entities up to \$3.2 billion and any amounts it recovers from reinsurance, government indemnity or other sources for such losses.

Under the NEIL policies, Detroit Edison could be liable for maximum assessments of up to approximately \$27 million per event if the loss associated with any one event should exceed the accumulated funds available to NEIL.

As required by federal law, Detroit Edison maintains \$200 million of public liability insurance for a nuclear incident. For liabilities arising out of terrorist acts, the policy is now subject to one industry aggregate limit of \$200 million. Further, under the Price-Anderson Amendments Act of 1988 (Act), deferred premium charges up to \$84 million could be levied against each licensed nuclear facility, but not more than \$10 million per year per facility. Thus, deferred premium charges could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident at any of these facilities. The Act will expire on August 1, 2002. It is unknown whether this statute will be renewed or modified.

Decommissioning

The NRC has jurisdiction over the decommissioning of nuclear power plants and requires decommissioning funding based upon a formula. The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants and both require the use of external trust funds to finance the decommissioning of Fermi 2. Rates approved by the MPSC provide for the decommissioning costs of Fermi 2. Detroit Edison is continuing to fund FERC jurisdictional amounts for decommissioning even though explicit provisions are not included in FERC rates. The Company believes that the MPSC and FERC collections will be adequate to fund the estimated cost of decommissioning using the NRC formula.

Detroit Edison has established external trust funds to hold decommissioning and low-level radioactive waste disposal funds collected from customers. During 2001, 2000 and 1999, Detroit Edison collected \$38 million in each year from customers for decommissioning and low-level radioactive waste disposal. Such amounts were recorded as components of depreciation, depletion and amortization expense, and in other liabilities. Net unrealized losses of \$23 million and \$18 million in 2001 and 2000, respectively, were recorded as adjustments to the nuclear decommissioning trust funds and other liabilities. At December 31, 2001, investments in the external trust funds consisted of approximately 50.7% in publicly traded equity securities, 46.1% in fixed debt instruments and 3.2% in cash equivalents. Investments in debt and equity securities held within the external trust funds are classified as "available for sale."

At December 31, 2001 and 2000, Detroit Edison had reserves of \$373 million and \$351 million for the future decommissioning of Fermi 2, and \$29 million and \$32 million for the decommissioning of Fermi 1, a nuclear unit that has been shut down since 1972, respectively. Detroit Edison also had a reserve of \$15 million for low-level radioactive waste disposal costs at December 31, 2001 and 2000. These reserves are included in other liabilities, with an equivalent amount deposited in external trust funds. It is estimated that the cost of decommissioning Fermi 2, when its license expires in 2025, will be \$913 million in 2001 dollars and \$3.5 billion in 2025 dollars, using a 6% inflation rate. In 2001, the Company began the decommissioning of Fermi 1, with the goal of removing the radioactive material and terminating the Fermi 1 license. The decommissioning is expected to be completed by 2007.

Nuclear Fuel Disposal Costs

In accordance with the Federal Nuclear Waste Policy Act of 1982, Detroit Edison has a contract with the U.S. Department of Energy (DOE) for the future storage and disposal of spent nuclear fuel from Fermi 2. Detroit Edison is obligated to pay the DOE a fee of one mill per net kilowatthour of Fermi 2 electricity generated and sold. The fee is a component of nuclear fuel expense. Delays have occurred in the DOE's program for the acceptance and disposal of spent nuclear fuel at a permanent repository. Until the DOE is able to fulfill its obligation under the contract, Detroit Edison is responsible for the spent nuclear fuel storage. Detroit Edison estimates that existing storage capacity will be sufficient until 2007.

NOTE 6 — JOINTLY OWNED UTILITY PLANT

Detroit Edison's portion of jointly owned utility plant at December 31, 2001 is as follows:

	Belle River	Ludington Pumped Storage
In-service date	1984-1985	1973
Ownership interest	*	49%
Investment (millions)	\$ 1,031	\$ 194
Accumulated depreciation (millions)	\$ 461	\$ 102

* Detroit Edison's ownership interest is 62.78% in Unit No. 1, 81.39% of the portion of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants, 49.59% in certain transmission lines and, at December 31, 2001, 75% in facilities used in common with Unit No. 2.

Belle River

The Michigan Public Power Agency (MPPA) has an ownership interest in Belle River Unit No. 1 and certain other related facilities. MPPA is entitled to 18.61% of the capacity and energy of the entire plant (1,026 MW) and is responsible for the same percentage of the plant's operation and maintenance expenses and capital improvements.

Ludington Pumped Storage

Operation, maintenance and other expenses of the Ludington Pumped Storage Plant (1,872 MW) are shared by Detroit Edison and Consumers Energy Company in proportion to their respective ownership interests in the plant.

NOTE 7 — INCOME TAXES

DTE Energy files a consolidated federal income tax return.

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

	2001	2000	1999
Statutory income tax rate	35.0%	35.0%	35.0%
Alternate fuels credit	(75.3)	(27.1)	(21.3)
Removal costs	0.2	(5.0)	(2.3)
Investment tax credit	(3.6)	(2.2)	(1.9)
Depreciation	(5.7)	2.3	1.5
Goodwill amortization	4.7	—	—
Research expenditures tax credit	(3.0)	—	—
ESOP	(1.9)	—	—
Other-net	(0.7)	(1.1)	0.1
Effective income tax rate	(50.3) %	1.9%	11.1%

Components of income tax expense (benefit) were as follows:

	2001	2000	1999
(in Millions)			
Current federal and other income tax expense	\$ 176	\$ 268	\$ 260
Deferred federal income tax benefit	(113)	(118)	(73)
Alternate fuels credit	(165)	(130)	(116)
Investment tax credit	(8)	(11)	(11)
Total	\$ (110)	\$ 9	\$ 60

Internal Revenue Code Section 29 provides a tax credit (alternate fuels credit) for qualified fuels produced and sold by a taxpayer to an unrelated party during the taxable year. Alternate fuels credits earned but not utilized of \$274 million are carried forward indefinitely as alternative minimum tax credits.

At December 31, 2001, the Company had a net operating loss carryforward of \$424 million expiring in 2019 and 2020. The Company does not believe that a valuation allowance is required, as it expects to utilize these losses prior to their expiration.

[Table of Contents](#)

Deferred tax assets and liabilities are recognized for the estimated future tax effect of temporary differences between the tax basis of assets or liabilities and the reported amounts in the financial statements. Deferred tax assets and liabilities are classified as current or noncurrent according to the classification of the related assets or liabilities. Deferred tax assets and liabilities not related to assets or liabilities are classified according to the expected reversal date of the temporary differences.

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

	2001	2000
(in Millions)		
Property	\$(1,341)	\$(1,212)
Securitized regulatory assets	(909)	—
Unamortized nuclear costs	—	(822)
Alternative minimum tax credit carryforward	274	125
Property taxes	(83)	(68)
Investment tax credit	90	90
Contributions in aid of construction	102	90
Merger basis differences	213	—
Net operating loss	148	—
Other	75	(66)
	\$(1,431)	\$(1,863)
Deferred income tax liabilities	\$(2,479)	\$(2,414)
Deferred income tax assets	1,048	551
	\$(1,431)	\$(1,863)

The federal income tax returns of the Company are settled through 1992.

NOTE 8 – COMMON STOCK AND EARNINGS PER SHARE

Common Stock

On May 31, 2001, the Company issued approximately 29 million shares of common stock, valued at \$1.06 billion, as part of the consideration to purchase all of the outstanding shares of MCN Energy common stock. See Note 2 – MCN Energy Acquisition. The newly issued shares were valued at the average market price of the Company's common stock for a period of five days, including February 28, 2001, which was the date the Company and MCN Energy announced the revised merger agreement.

During 2001, the Company repurchased approximately 10.5 million shares of common stock at an aggregate cost of approximately \$438 million. In 2000, the Company repurchased approximately 2.3 million shares of common stock at an aggregate cost of approximately \$70 million.

The Company records unearned compensation as a reduction in common stock. The unearned compensation represents the value of non-vested stock awards granted under the DTE Energy Company 2001 Stock Incentive Plan and the Long-Term Incentive Plan adopted in 1995. The number of non-vested stock awards is included in the number of common shares outstanding; however, for purposes of computing basic earnings per share, non-vested stock awards are excluded.

Shareholders' Rights Plan

The Company has a Shareholders' Rights Plan that is designed to maximize shareholders' value in the event the Company is acquired. The rights are attached to and trade with shares of the Company's common stock until they are exercisable upon certain triggering events. The rights will expire in 2007.

Earnings per Share

The Company reports both basic and diluted earnings per share. Basic earnings per share is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. 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. These include the assumed exercise of stock options, vesting of non-vested stock awards, and issuance of performance share awards. A reconciliation of both calculations is presented in the table below.

Options to purchase approximately 2.34 million shares of common stock at an average price of \$43.86 per share were outstanding during 2001. These securities were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares, thus making these securities anti-dilutive.

(in Thousands, except per share amounts)

	2001	2000	1999
Basic Earnings per Share			
Income before accounting change	\$ 328,745	\$ 468,550	\$ 482,653
Average number of common shares outstanding	153,120	143,116	145,047
Earnings per share of common stock based on average number of shares outstanding	\$ 2.15	\$ 3.27	\$ 3.33
Diluted Earnings per Share			
Income before accounting change	\$ 328,745	\$ 468,550	\$ 482,653
Average number of common shares outstanding	153,120	143,116	145,047
Incremental shares from stock-based awards	639	149	89
Average number of dilutive shares outstanding	153,759	143,265	145,136
Earnings per share of common stock assuming issuance of incremental shares	\$ 2.14	\$ 3.27	\$ 3.33

NOTE 9 — PREFERRED SECURITIES

DTE Energy and Enterprises-Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries

DTE Energy has established a trust, and Enterprises has established various trusts and a partnership, each formed for the sole purpose of issuing preferred securities and lending the gross proceeds thereof to their respective parent. The sole assets of the trusts and partnership are debentures of the parent with terms similar to those of the related preferred securities. Summarized information for obligated mandatorily redeemable preferred securities of subsidiaries holding solely debentures of the parent is as follows:

	December 31, 2001	Liquidation Value Per Share	Maturity of Underlying Security	Earliest Redemption Date
(in Millions, except per share amounts)				
MCN Financing I				
8-5/8% Trust Originated Preferred Securities (3,200,000 preferred securities) Dividends payable quarterly	\$ 77	\$ 25	2036	2001
MCN Financing II				
8-5/8% Trust Preferred Securities (4,000,000 preferred securities) Dividends payable quarterly	98	25	2038	2003
MCN Michigan Ltd. Partnership				
9-3/8% Redeemable Cumulative Preferred Securities (4,000,000 preferred securities) Dividends payable monthly	97	25	2024	1999
MCN Financing III				
7.25% Preferred Securities (30,600 preferred securities) Dividends payable quarterly	2	50	2002	2002
	\$ 274			

The preferred securities carry similar provisions relating to their respective parent as described below.

The preferred securities allow the parent the right to extend interest payment periods on the debentures and, as a consequence, dividend payments on the preferred securities can be deferred by the trusts and partnership during any such interest payment period. In the event that the parent exercises this right, the parent may not declare dividends on its common stock.

In the event of default, holders of the preferred securities will be entitled to exercise and enforce the trusts' and partnership's creditor rights against the parent, which may include acceleration of the principal amount due on the debentures. The Company and Enterprises have issued guaranties with respect to payments on the preferred securities. These guaranties, when taken together with the parent's obligations under the debentures, the related indenture, and the trusts and partnership documents, provide full and unconditional guaranties of the trusts' and partnership's obligations under the preferred securities.

Financing costs for these issuances were deferred and are reflected as a reduction in the carrying value of the preferred securities. These costs are being amortized using the straight-line method over the estimated lives of the related securities.

In January 2002, DTE Energy Trust I, a wholly owned trust of the Company, issued \$180 million of 7.8% Trust Preferred Securities with a liquidation value of \$25 per share. The maturity date of the underlying security is February 2032. The earliest date the securities can be redeemed is February 2007. The proceeds were used to redeem the 8-5/8% Trust Originated Preferred Securities and the 9-3/8% Redeemable Cumulative Preferred Securities in February 2002.

Preferred and Preference Securities – Authorized and Unissued

At December 31, 2001, the Company had 5 million shares of preferred stock without par value authorized, with no shares issued. Of such amount, 1.6 million shares were reserved for issuance in accordance with the Shareholders' Rights Plan.

At December 31, 2001, Detroit Edison had 6.75 million shares of preferred stock with a par value of \$100 per share and 30 million shares of preference stock with a par value of \$1 per share authorized, with no shares issued.

At December 31, 2001, Enterprises had 25 million shares of preferred stock without par value authorized, with no shares issued.

At December 31, 2001, MichCon had 7 million shares of preferred stock with a par value of \$1 per share and 4 million shares of preference stock with a par value of \$1 per share authorized, with no shares issued.

NOTE 10 — LONG-TERM DEBT

The Company's long-term debt outstanding and weighted average interest rates of debt outstanding at December 31 were:

	2001	2000
(in Millions)		
Mortgage Bonds		
7.5% due 2001 to 2023	\$ 1,073	\$ 1,564
Remarketed Notes		
Secured		
6.1% due 2034 to 2038	253	410
Unsecured		
6.7% due 2002 to 2038	603	400
Tax Exempt Revenue Bonds		
Secured		
Installment Sales Contracts 6.6% due 2004 to 2024	125	125
Loan Agreements 5.8% due 2008 to 2030	882	882
Unsecured		
Installment Sales Contracts 6.4% due 2004	24	24
Loan Agreements 4.8% due 2024 to 2030	113	113
Senior Notes		
Secured		
6.2% due 2005 to 2039	1,007	—
Unsecured		
6.3% due 2002 to 2011	1,557	—
Quarterly Income Debt Securities (QUIDS)		
7.5% due 2026 to 2028	385	385
Non-Recourse Debt		
7.7% due 2001 to 2017	196	247
Other Long-Term Debt	103	—
	<u>6,321</u>	<u>4,150</u>
Less amount due within one year	<u>(429)</u>	<u>(256)</u>
	<u>\$ 5,892</u>	<u>\$ 3,894</u>
Securitization Bonds		
6.1% due 2002 to 2016	\$ 1,746	\$ —
Less amount due within one year	<u>(73)</u>	<u>—</u>
	<u>\$ 1,673</u>	<u>\$ —</u>

In the years 2002 — 2006, the Company's long-term debt maturities are \$502 million, \$379 million, \$466 million, \$448 million and \$683 million, respectively.

Substantially all of the net utility properties of Detroit Edison and MichCon, totaling approximately \$8.3 billion, are pledged as security for the payment of outstanding mortgage bonds and other secured debt.

Each series of QUIDS provides that interest will be paid quarterly. However, Detroit Edison has the right to extend the interest payment period on the QUIDS for up to 20 consecutive interest payment periods.

Interest would continue to accrue during the deferral period. If this right is exercised, Detroit Edison may not declare or pay dividends on, or redeem, purchase or acquire, any of its capital stock during the deferral period.

At December 31, 2001, \$856 million of notes were subject to periodic remarketings. Remarketing agents remarket these securities at the lowest interest rate necessary to produce a par bid. In the event that a remarketing fails, Standby Note Purchase Agreements and/or Letters of Credit are in place for a portion of the notes that provide that banks will purchase the securities and, after the conclusion of all necessary proceedings, remarket the bonds. In the event the banks' obligations under the Standby Note Purchase Agreements and/or Letters of Credit are not honored, then the Company would be required to purchase any securities subject to a failed remarketing.

The Company financed the cash consideration of the acquisition of MCN Energy through the issuance of \$1.35 billion of debt in May 2001. The Company issued three series of senior notes with differing maturities ranging from three to 10 years in the following denominations: (i) \$250 million of 6.00% senior notes due 2004; (ii) \$500 million of 6.45% senior notes due 2006; and (iii) \$600 million of 7.05% senior notes due 2011. Interest is payable on a semi-annual basis beginning December 1, 2001.

Detroit Edison formed the Securitization LLC, a wholly owned subsidiary, for the purpose of securitizing its stranded costs. In March 2001, the Securitization LLC issued \$1.75 billion of Securitization Bonds, Series 2001-1, and Detroit Edison sold \$1.75 billion of qualified costs to the Securitization LLC. During the year ended December 31, 2001, Detroit Edison used proceeds from securitization along with other refinancings to redeem \$1.3 billion in debt, of which \$1.1 billion represented unscheduled redemptions.

During 2001, Detroit Edison issued \$200 million of 5.05% senior secured notes due 2005, and \$500 million of 6.125% senior secured notes due 2010. Interest is payable on a semi-annual basis beginning April 1, 2002. Detroit Edison also issued \$139.9 million of 5.45% tax-exempt bonds due 2029. Interest is payable on a semi-annual basis beginning March 1, 2002.

During 2001, Detroit Edison entered into a financing arrangement for certain equipment with a value of approximately \$90 million. The arrangement has an implicit interest rate of 7.6% with a term of approximately nine years.

During 2001, MichCon issued \$200 million of 6.125% senior secured notes due 2008. Interest is payable on a semi-annual basis beginning March 1, 2002. During 2001, MichCon paid the entire outstanding balance of a \$40 million mortgage bond that was due in 2021.

NOTE 11 — SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

During 2001, the Company, Detroit Edison and MichCon entered into a bank facility arrangement used to support commercial paper in the amounts of \$800 million, \$300 million and \$300 million, respectively. Commercial paper is usually issued in lieu of an equivalent amount of borrowings under these lines of credit. Amounts outstanding under this facility at December 31, 2001, were \$423 million at the Company and \$254 million at MichCon. At December 31, 2000, \$45 million of commercial paper was outstanding at Detroit Edison under a prior facility. The weighted average interest rates for short-term borrowings at December 31, 2001 and 2000 were 2.8% and 6.6%, respectively.

At December 31, 2001, the Company had letters of credit from a bank that allowed the Company to use approximately \$88 million of cash previously classified as restricted on the Company's statement of financial position. There were no outstanding draws on these letters of credit at December 31, 2001.

Detroit Edison also has a \$200 million short-term financing agreement secured by its customer accounts receivable and unbilled revenues portfolio under which there were no outstanding amounts at December 31, 2001. There was \$200 million outstanding at December 31, 2000, with a weighted average interest rate of 6.8%.

During 2001, DTE Capital was merged into the Company. At December 31, 2000, DTE Capital had \$258 million of commercial paper outstanding, with a weighted average interest rate of 7.7%.

NOTE 12 — CAPITAL AND OPERATING LEASES

Lessee – The Company, Detroit Edison, Enterprises and MichCon lease various assets under capital and operating leases including lake vessels, locomotives and coal cars, office buildings, a parking structure, a warehouse, computers, vehicles and other equipment. The lease arrangements expire at various dates through 2016, with renewal options extending beyond that date. Portions of the office buildings and parking structure are subleased to various tenants.

In July 2001, Detroit Edison terminated its nuclear fuel financing arrangement and purchased the leased nuclear fuel for \$79 million.

Future minimum lease payments under non-cancelable leases at December 31, 2001 were:

	Capital Leases	Operating Leases
(in Millions)		
2002	\$ 21	\$ 19
2003	15	18
2004	12	16
2005	12	13
2006	13	9
2007 and thereafter	74	27
Total minimum lease payments	147	\$ 102
Less imputed interest	(44)	
Present value of net minimum lease payments	103	
Less current portion	(14)	
Noncurrent portion	\$ 89	

Total minimum lease payments for operating leases have not been reduced by future minimum sublease rentals totaling \$12.7 million under non-cancelable subleases expiring at various dates to 2008.

Rental expenses for operating leases were \$19 million, \$13 million and \$5 million for 2001, 2000 and 1999, respectively.

[Table of Contents](#)

Lessor – MichCon leases a portion of its pipeline system to the Vector Pipeline Partnership through a capital lease arrangement that expires in 2020, with renewal options extending for five years. The components of the net investment in the capital lease at December 31, 2001 follow:

(in Millions)	
2002	\$ 9
2003	9
2004	9
2005	9
2006	9
Thereafter	125
	<hr/>
Total minimum future lease receipts	170
Residual value of leased pipeline	40
Less — unearned income	(125)
	<hr/>
Net investment in capital lease	85
Less — current portion	(1)
	<hr/>
	\$ 84
	<hr/>

NOTE 13 — FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities, measured at fair value. The accounting for changes in fair value depends upon the purpose of the derivative instrument and whether it is designated as a hedge and qualifies for hedge accounting. To the extent derivative instruments qualify as hedges and are designated as hedges of the variability of cash flows associated with forecasted transactions, the effective portion of the gain or loss on such derivative instruments is reported in other comprehensive income. The ineffective portion, if any, is reported in net income. Such amounts reported in other comprehensive income are reclassified into net income when the forecasted transaction affects earnings. If a cash flow hedge is discontinued because it is probable that the forecasted transaction will not occur, the net gain or loss is immediately reclassified into earnings. To the extent derivative instruments qualify as hedges and are designated as hedges of changes in fair value of an existing asset, liability or firm commitment, the gain or loss on the hedging instrument is recognized in earnings along with the changes in fair value of the hedged asset, liability or firm commitment attributable to the hedged risk.

SFAS No. 133 requires that as of the date of initial adoption, the difference between the fair value of derivative instruments and the previous carrying amount of those derivatives be reported in net income or other comprehensive income, as appropriate, as the cumulative effect of a change in accounting principle in accordance with Accounting Principles Board (APB) Opinion 20, "Accounting Changes."

As of January 1, 2001, the Company adopted SFAS No. 133, as required. The financial statement impact of recording the various SFAS No. 133 transactions at January 1, 2001 was as follows:

Financial Statement Line Item	Increase (Decrease)
(in Millions)	
Assets from risk management and trading activities	\$ 26
Liabilities from risk management and trading activities	\$ 85
Deferred income taxes payable	\$ (20)
Cumulative effect of a change in accounting principle:	
Other comprehensive loss	\$ 42
Net income	\$ 3

The Company's primary market risk exposures are associated with interest rates and commodity prices. The Company has risk management policies to monitor and assist in mitigating these market risks and uses derivative instruments to manage some of the exposures. Except for the activities of the Wholesale Marketing & Trading segment, the Company does not hold or issue derivative instruments for trading purposes. All derivatives are recorded at fair value and shown as "assets or liabilities from risk management and trading activities" in the consolidated statement of financial position.

The FASB continues to develop interpretive guidance for SFAS No. 133. Accordingly, any future interpretations of SFAS No. 133 may impact the Company's ultimate application of the standard.

RISK MANAGEMENT ACTIVITIES

Credit Risk

The Company is exposed to credit risk in the event of nonperformance by customers or counterparties of its contractual obligations. The company maintains credit policies with regard to its customers and counterparties that management believes significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition and credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees, and the use of standardized agreements which allow for the netting or offsetting of positive and negative exposures associated with a single counterparty.

Interest Rate Risk

During 2000, the Company entered into a series of forward-starting interest rate swaps and treasury locks in order to limit its sensitivity to market interest rate risk associated with its issuance of long-term debt used to finance the acquisition of MCN Energy. Such instruments were formally designated as cash flow hedges. In the first quarter of 2001, a loss of approximately \$5 million was reclassified from accumulated other comprehensive loss into earnings, since management determined it was probable that certain transactions associated with the issuance of long-term debt would not occur within the time frame originally anticipated. This loss was reported as a component of interest expense within the consolidated statement of operations. In May 2001, the Company issued long-term debt, and terminated these hedges at a cost of \$83 million, with the corresponding loss on these instruments included in other comprehensive loss. During the next 30 years, amounts recorded in other comprehensive loss will be reclassified to interest expense as the related interest affects earnings. At December 31, 2001, the estimated amount of existing losses that is expected to be reclassified into earnings within the next 12 months is approximately \$ 10 million.

Commodity Price Risk

Electric Utility

Detroit Edison uses forward energy, capacity, and futures contracts to manage the risk of fluctuations in the market price of electricity and natural gas. Certain of these contracts have been formally designated as cash flow hedges of the forecasted purchase of power and natural gas. For the year ended December 31, 2001, Detroit Edison recorded a loss of \$23 million, net of tax, in other comprehensive loss for these hedges. Amounts recorded in other comprehensive loss will be reclassified to fuel, purchased power and gas expense as the forecasted purchases of electricity and natural gas affect earnings. At December 31, 2001, the estimated net amount of existing loss expected to be reclassified into earnings within the next 12 months is approximately \$21 million. The maximum length of time over which Detroit Edison is hedging its exposure to the variability of future cash flows is two years. Ineffectiveness recognized in these hedging relationships was immaterial for the year ended December 31, 2001.

Certain of Detroit Edison's forward electric contracts are considered "normal purchases and sales" and therefore are excluded from the scope of SFAS No. 133.

In June 2001, the FASB provided guidance on the implementation of SFAS No. 133 regarding certain contracts in the power generation industry. In June 2001, issue No. C15, "Scope Exceptions: Normal Purchases and Normal Sales Exception for Option-Type Contracts and Forward Contracts in Electricity," was issued. The FASB concluded that because electricity cannot be readily stored in significant quantities, and the entity engaged in selling electricity is obligated to maintain sufficient capacity to meet the electricity needs of its customer base, an option-like contract for the purchase of electricity that meets certain criteria is eligible for the normal purchases and sales exception. Detroit Edison adopted this new guidance on July 1, 2001, as required, classified certain contracts as normal, and began amortizing the previously recorded liability on option-like contracts over their remaining lives. In December 2001, the FASB issued revisions to issue No. C15 that are effective in April 2002. The revised guidance differentiates characteristics of traditional capacity contracts used by electric utilities to meet electric load and financial options on electricity. Traditional capacity contracts are eligible for settlement accounting under the normal purchases and sales exception. Financial options on electricity will not be eligible for settlement accounting. Financial options on electricity will be recorded at fair value on the statement of financial position using mark-to-market accounting.

Gas Utility

MichCon has firm-priced contracts for a substantial portion of its expected gas supply requirements through 2002. These contracts are designated and qualify for the "normal purchases" exception under SFAS No.133. Accordingly, MichCon does not account for such contracts as derivatives.

Non-regulated Operations

Natural gas forwards, futures, options and swap agreements are used to manage exposure to the risk of market price and volume fluctuations on gas sale and purchase contracts, gas production and gas inventories. Enterprises has determined that this risk minimization strategy will be accounted for by marking to market its commodity forwards, financial derivatives, and corresponding physical positions so there are substantial offsetting amounts. This fair value accounting better aligns financial reporting with the way such business is managed and its performance measured. Additionally, certain transportation contracts are considered derivatives and marked to market under SFAS No. 133. Unrealized gains and losses resulting from marking to market commodity-related derivatives are recorded as an adjustment to revenues.

Although it attempts to maintain a balanced or flat book from an economic standpoint, Enterprises experiences earnings volatility as a result of its owned gas reserves, as well as from open positions related to its long-term transportation and storage assets. Gas produced from owned reserves does not meet the definition of a derivative under SFAS No. 133.

TRADING ACTIVITIES

Wholesale Marketing & Trading markets and trades electricity and natural gas physical products and financial instruments, and provides risk management services utilizing energy commodity derivative instruments, which include futures, exchange-traded and over-the-counter options, and forward purchase and sales contracts. Contracts used in trading activities are accounted for under Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading Activities and Risk Management Activities." Accordingly, such contracts are marked to market with unrealized gains and losses recorded in revenues. All derivatives are recorded at fair value and are shown as "assets or liabilities from risk management and trading activities" in the consolidated statement of financial position. Contracts for physical delivery are recorded gross in revenues or expenses, as appropriate. Gains or losses on financial contracts are recorded net in the consolidated statement of operations.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined by reference to various market data and other valuation techniques as appropriate. The carrying amount of financial instruments, except for long-term debt and preferred securities, approximate fair value. The estimated fair value of total long-term debt at December 31, 2001 and 2000 was \$ 8.2 billion and \$4.2 billion, respectively, compared to the carrying amount of \$ 8.1 billion and \$4.1 billion, respectively. The estimated fair value of preferred securities at December 31, 2001 was \$276 million compared to the carrying amount of \$274 million.

NOTE 14 — COMMITMENTS AND CONTINGENCIES

Personal Property Taxes

Detroit Edison, MichCon and other Michigan utilities have asserted that Michigan's valuation tables result in the substantial overvaluation of utility personal property. Valuation tables established by the Michigan State Tax Commission (STC) are used to estimate the reduction in value of personal property based on the property's age. In November 1999, the STC approved new valuation tables that more accurately recognize the value of a utility's personal property. The new tables became effective in 2000 and are being used for current year assessments in most jurisdictions. However, several local taxing jurisdictions have taken legal action attempting to prevent the STC from implementing the new valuation tables and have continued to prepare assessments based on the superseded tables. The legal actions regarding the appropriateness of the new tables are currently before the Michigan Tax Tribunal (MTT) which issued an order in June 2000 stating that the tables are presumed to be correct, thus assigning the burden of proving otherwise to the taxing jurisdictions. The hearing before the MTT concluded in June 2001, with the STC subsequently filing a motion for summary judgment. All briefs related to that motion have been filed, and the parties now await the MTT decision.

Detroit Edison and MichCon accrue property tax expense based on the new tables. Detroit Edison and MichCon will seek to apply the new tables retroactively and to ultimately settle the pending tax appeals related to 1997 through 1999. This is a solution supported by the STC in the past. The legal action, along

with possible additional appeals by local taxing jurisdictions, is expected to delay any recoveries realized by Detroit Edison and MichCon related to the new valuation tables.

Gas Environmental Matters

Former manufactured gas plant sites – Prior to the construction of major natural gas pipelines, gas for heating and other uses was manufactured from processes involving coal, coke or oil. Enterprises owns, or previously owned, 17 such former manufactured gas plant (MGP) sites.

During the mid-1980's, Enterprises conducted preliminary environmental investigations at former MGP sites, and some contamination related to the by-products of gas manufacturing was discovered at each site. The existence of these sites and the results of the environmental investigations have been reported to the Michigan Department of Environmental Quality (MDEQ). None of these former MGP sites is on the National Priorities List prepared by the U.S. Environmental Protection Agency (EPA).

Enterprises is involved in an administrative proceeding before the EPA regarding one of the former MGP sites. Enterprises has executed an order with the EPA, pursuant to which Enterprises is legally obligated to investigate and remediate the MGP site. Enterprises is remediating eight of the former MGP sites and conducting more extensive investigations at three other former MGP sites. In 1998, Enterprises received state closure of one of the former MGP sites. Additionally, the MDEQ has determined with respect to two other former MGP sites that Enterprises is not a responsible party for the purpose of assessing remediation expenditures. In September 2001, Enterprises was advised of one additional MGP site for which it has some responsibility. After review of the extent of the necessary environmental clean-up required, remediation costs for this site are not expected to exceed \$500,000.

In 1984, Enterprises established a \$12 million reserve for environmental investigation and remediation. During 1993, MichCon received MPSC approval of a cost deferral and rate recovery mechanism for investigation and remediation costs incurred at former MGP sites in excess of this reserve.

Enterprises employed outside consultants to evaluate remediation alternatives for these sites, to assist in estimating its potential liabilities and to review its archived insurance policies. The findings of these investigations indicate that the estimated total expenditures for investigation and remediation activities for these sites could range from \$30 million to \$170 million based on undiscounted 1995 costs. As a result of these studies, Enterprises accrued an additional liability and a corresponding regulatory asset of \$35 million during 1995.

During 2001, Enterprises spent \$4 million investigating and remediating these former MGP sites. At December 31, 2001, the reserve balance was \$25 million of which \$5 million was classified as current. 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, therefore, have an effect on the Company's financial position and cash flows. However, management believes that the cost deferral and rate recovery mechanism approved by the MPSC will prevent environmental costs from having a material adverse impact on the Company's results of operations.

Commitments

Detroit Edison has an Energy Purchase Agreement for the purchase of steam and electricity from the Detroit Resource Recovery Facility. Under the Agreement, Detroit Edison will purchase steam through 2008 and electricity through June 2024. In 1996, a special charge to income was recorded that included a reserve for steam purchase commitments in excess of replacement costs from 1997 through 2008. The

[Table of Contents](#)

reserve for steam purchase commitments is being amortized to fuel, purchased power and gas expense with non-cash accretion expense being recorded through 2008. During 2001, the reserve for future steam purchase commitments was reduced by \$22 million due to changes in estimated future replacement costs. Purchases of steam and electricity were approximately \$41 million, \$35 million and \$35 million for 2001, 2000 and 1999, respectively. Annual steam and electric purchase commitments are approximately \$40 million, \$41 million, \$42 million, \$44 million and \$45 million for 2002, 2003, 2004, 2005 and 2006, respectively.

The EPA has issued ozone transport regulations and final new air quality standards relating to ozone and particulate air pollution. In September 1998, the EPA issued a State Implementation Plan (SIP) call giving states a year to develop new regulations to limit nitrogen oxide emissions because of their contribution to ozone formation. Detroit Edison has spent approximately \$221 million through December 2001 and estimates that it will incur approximately \$400 million to \$500 million of future capital expenditures over the next three years to comply. In March 2000, the U.S. Court of Appeals ruled in favor of the EPA's SIP call regulations. The new air quality standards have been upheld in legal challenges in the U.S. Court of Appeals, but the U.S. Supreme Court has agreed to hear the appeal. Until the legal issues are resolved, management is unable to predict the full impact of the new air quality standards. Under the June 2000 Michigan restructuring legislation, beginning January 1, 2004, annual return of and on this capital expenditure, in excess of current depreciation levels, would be deferred in ratemaking, until after the expiration of the rate cap period, presently expected to end December 31, 2005.

In 1997, Enterprises' 50%-owned partnership, Washington 10 Storage Partnership (W-10), entered into a leveraged lease transaction to finance the conversion of a depleted natural gas reservoir into a 42 Bcf storage facility. The storage facility began operations in mid-1999 and cost \$160 million to develop. Enterprises has entered into a contract with W-10 to market 100% of the capacity of the storage field through 2029. Under the terms of the marketing contract, Enterprises is obligated to generate sufficient revenues to cover W-10's lease payments and certain operating costs, which average approximately \$15 million annually.

To ensure a reliable supply of natural gas at competitive prices, Enterprises has entered into long-term purchase and transportation contracts with various suppliers and producers. In general, purchases are under fixed price and volume contracts or formulas based on market prices. Enterprises has firm purchase commitments through 2015 for approximately 707 Bcf of gas. Enterprises expects that sales, based on warmer-than-normal weather, will exceed its minimum purchase commitments. Enterprises has long-term transportation and storage contracts with various companies expiring on various dates through the year 2016. Enterprises is also committed to pay demand charges of approximately \$89 million during 2002 related to firm purchase and transportation agreements. Of this total, approximately \$37 million relates to MichCon.

The Company has also entered into long-term fuel supply commitments of approximately \$1 billion at December 31, 2001. The Company expects that its 2002 capital expenditures will approximate \$950 million. Certain commitments have been made in connection with such capital expenditures.

Other Contingencies

Electricity and gas is purchased from and sold to numerous companies operating in the steel, automotive, energy and retail industries. A number of customers have filed for bankruptcy in 2001, including certain Enron Corporation affiliates. Certain DTE Energy subsidiaries had open transactions under a variety of agreements with bankrupt Enron affiliates, and such subsidiaries had an aggregate net liability of \$24 million to Enron. There are various netting agreements with Enron affiliates. Internal and external counsel are working to determine the Company's rights within these agreements. The Company has not

reserved for any exposure, in addition to the net liabilities already recorded, as management cannot estimate a probable loss exposure and currently does not believe the resolution of this matter will have a material impact to the Company.

The Company is involved in certain legal (including commercial matters), 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, environmental reviews and investigations, and pending judicial matters. Management cannot predict the final disposition of such proceedings. Management regularly reviews legal matters and records provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on the Company's financial statements in the period they are resolved.

See Notes 4 and 5 for a discussion of contingencies related to Regulatory Matters and Fermi 2.

NOTE 15 — RETIREMENT BENEFITS AND TRUSTEED ASSETS

Pension Plan Benefits

The Company has defined benefit retirement plans for all eligible union and nonunion employees. Prior to December 31, 2001, the Company had three separate defined benefit retirement plans. Effective December 31, 2001, two of the defined benefit retirement plans merged into one plan. All of the plans are noncontributory, cover substantially all employees and provide retirement benefits based on the employees' years of benefit service, average final compensation and age at retirement. The Company's policy is to fund pension cost calculated under the projected unit credit actuarial cost method.

Net pension cost for the years ended December 31 includes the following components:

(in Millions)	2001	2000	1999
Service Cost	\$ 40	\$ 35	\$ 35
Interest Cost	140	107	92
Expected Return on Plan Assets	(193)	(139)	(124)
Amortization of			
Prior service cost	10	10	5
Net transition asset	(5)	(4)	(4)
Special Termination Benefits (Note 3)	167	—	—
Net Pension Cost	\$ 159	\$ 9	\$ 4

[Table of Contents](#)

The following table sets forth a reconciliation of the obligations, assets and funded status of the plans as well as the amounts recognized as prepaid pension cost in the consolidated statement of financial position at December 31:

(in Millions)	2001	2000
Accumulated Benefit Obligation at the End of the Period	\$2,023	\$1,408
Projected Benefit Obligation at the Beginning of the Period	\$1,540	\$1,457
Service Cost	40	35
Interest Cost	140	107
Actuarial Loss	103	21
Special Termination Benefits (Note 3)	167	—
Benefits Paid	(206)	(82)
MCN Energy Acquisition	481	—
Plan Amendments	(46)	2
Projected Benefit Obligation at the End of the Period	\$2,219	\$1,540
Plan Assets at Fair Value at the Beginning of the Period	\$1,416	\$1,585
Actual Return on Plan Assets	(36)	(87)
Company Contributions	35	—
Benefits Paid	(206)	(82)
MCN Energy Acquisition	974	—
Plan Assets at Fair Value at the End of the Period	\$2,183	\$1,416
Funded Status of the Plans	\$ (36)	\$ (124)
Unrecognized		
Net loss	442	112
Prior service cost	31	85
Net transition asset	(2)	(7)
Prepaid Pension Cost	\$ 435	\$ 66

Assumptions used in determining the projected benefit obligation at December 31 were as follows:

	2001	2000	1999
Discount rate	7.25%	7.5%	7.5%
Annual increase in future compensation levels	4.0	4.0	4.0
Expected long-term rate of return on Plan assets	9.5	9.5	9.5

There are several supplemental nonqualified, noncontributory, retirement benefit plans for certain management employees.

The Company also sponsors defined contribution retirement savings plans. Participation in one of these plans is available to substantially all union and nonunion employees. The Company matches employee contributions up to certain predefined limits based upon salary and years of credited service. The cost of these plans was \$26 million in 2001, \$22 million in 2000 and \$21 million in 1999.

Other Postretirement Benefits

The Company provides certain postretirement healthcare and life insurance benefits for retired employees who may become eligible for these benefits if they reach retirement age while working for the Company.

Net postretirement cost for the years ended December 31 includes the following components:

(in Millions)	2001	2000	1999
Service Cost	\$ 27	\$ 22	\$ 23
Interest Cost	67	48	41
Expected Return on Plan Assets	(57)	(46)	(39)
Amortization of			
Net loss	1	—	—
Net transition obligation	20	20	21
Special Termination Benefits (Note 3)	46	—	—
Net Postretirement Cost	\$ 104	\$ 44	\$ 46

[Table of Contents](#)

The following table sets forth a reconciliation of the obligations, assets and funded status of the plans as well as the amounts recorded as accrued postretirement cost in the consolidated statement of financial position at December 31:

(in Millions)	2001	2000
Accumulated Postretirement Benefit Obligation at the Beginning of the Period	\$ 751	\$ 607
Service Cost	27	22
Interest Cost	67	48
Actuarial Loss	62	105
Special Termination Benefits (Note 3)	46	—
MCN Energy Acquisition	236	—
Plan Amendments	(12)	—
Benefits Paid	(50)	(31)
Accumulated Postretirement Benefit Obligation at the End of the Period	\$ 1,127	\$ 751
Plan Assets at Fair Value at the Beginning of the Period	\$ 517	\$ 501
Actual Return on Plan Assets	(25)	2
Company Contributions	11	23
Benefits Paid	(54)	(9)
MCN Energy Acquisition	175	—
Plan Assets at Fair Value at the End of the Period	\$ 624	\$ 517
Funded Status of the Plans	\$ (503)	\$(234)
Unrecognized		
Net loss	187	44
Prior service cost	(12)	—
Net transition obligation	226	246
Accrued Postretirement Asset (Liability)	\$ (102)	\$ 56

Assumptions used in determining the projected benefit obligation at December 31 were as follows:

	2001	2000	1999
Discount rate	7.25%	7.5%	7.5%
Expected long-term rate of return on Plan assets	9.5	9.0	9.0

Benefit costs were calculated assuming health care cost trend rates beginning at 8.5% for 2002 and decreasing to 5% in 2008 and thereafter for persons under age 65 and decreasing from 9% to 5% for persons age 65 and over. A one-percentage-point increase in health care cost trend rates would have increased the aggregate of the service cost and interest cost components of benefit costs by \$17 million and would have increased the accumulated benefit obligation by \$142 million at December 31, 2001. A one-percentage-point decrease in the health care cost trend rates would have decreased the aggregate of the service cost and interest cost components of benefit costs by \$14 million and would have decreased the accumulated benefit obligation by \$118 million at December 31, 2001.

Grantor Trust

MichCon maintains a Grantor Trust which invests in life insurance contracts and income securities. Employees and retirees have no right, title or interest in the assets of the Grantor Trust, and MichCon can revoke the trust subject to providing the MPSC with prior notification.

NOTE 16 – STOCK-BASED COMPENSATION

The DTE Energy Company 2001 Stock Incentive Plan was approved by shareholders in 2001. The plan permits the grant of incentive stock options, non-qualifying stock options, stock awards, performance shares and performance units. The maximum aggregate number of shares of common stock that may be issued under this plan is 18 million shares. Participants in the plan include employees of the Company and its Board members. As of December 31, 2001, no performance units have been granted under the plan.

Prior to 2001, stock options, stock awards and performance shares were issued under the Long-Term Incentive Plan adopted in 1995.

Options

Options are exercisable at a rate pursuant to the terms of the individual stock option award agreements. The options will expire 10 years after the date of the grant. The option exercise price equals the fair market value of the stock on the date that the option was granted. Stock option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 1999 (58,750 exercisable)	607,375	\$ 33.70
Granted	428,000	\$ 41.30
Exercised	(11,675)	\$ 30.99
Canceled	(24,625)	\$ 31.96
Outstanding at December 31, 1999 (194,371 exercisable)	999,075	\$ 37.03
Granted	2,023,400	\$ 32.12
Exercised	(10,750)	\$ 28.50
Canceled	(29,500)	\$ 41.14
Outstanding at December 31, 2000 (442,431 exercisable)	2,982,225	\$ 33.69
Granted	2,775,341	\$ 42.74
Exercised	(402,442)	\$ 32.31
Canceled	(73,500)	\$ 36.26
Outstanding at December 31, 2001 (1,678,870 exercisable at a weighted average exercise price of \$35.45)	5,281,624	\$ 38.51

[Table of Contents](#)

The range of exercise prices for options outstanding at December 31, 2001, was \$27.62 to \$46.63. The number, weighted average exercise price and weighted average remaining contractual life of options outstanding were as follows:

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
\$27.62 - \$38.04	1,987,067	\$ 31.57	7.87 years
\$38.60 - \$42.44	1,277,887	\$ 40.51	8.08 years
\$42.60 - \$43.85	918,650	\$ 42.66	9.22 years
\$45.28 - \$46.63	1,098,020	\$ 45.29	9.29 years
	<u>5,281,624</u>	<u>\$ 38.51</u>	<u>8.45 years</u>

The Company applies APB Opinion 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense has been recorded for options granted. As required by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company has determined the pro forma information as if it had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a modified Black/Scholes option pricing model – American style and the following weighted average assumptions:

	2001	2000	1999
Risk-free interest rate	5.40%	6.57%	5.64%
Dividend yield	4.73%	6.48%	4.95%
Expected volatility	19.78%	18.51%	17.28%
Expected life	10 years	10 years	10 years
Fair value per option	\$ 8.81	\$ 5.19	\$ 7.18

The pro forma effect of these options would be to reduce pretax income by \$14.4 million, \$2.7 million and \$1.3 million for the years ended December 31, 2001, 2000 and 1999, respectively, and to reduce diluted earnings per share by \$0.06, \$0.02, and \$0.01 for the years ended December 31, 2001, 2000 and 1999, respectively.

Stock Awards

Under the plan, stock awards are granted and restricted for a period not exceeding four years. Certain shares are subject to forfeiture if specified performance objectives are not met. A participant will have all rights of a shareholder with respect to a stock award, including the right to receive dividends and vote the shares; provided, however, that during such period (i) a participant may not sell, transfer, pledge, exchange or otherwise dispose of shares granted pursuant to a stock award; (ii) the Company shall retain custody of the certificates evidencing shares granted pursuant to a stock award; and (iii) the participant will deliver to the Company a stock power with respect to each stock award.

The stock awards are recorded at cost, which approximates the market value on the date of grant. The Company accounts for stock awards as unearned compensation, which is reported as a reduction to

common stock. The cost is amortized to compensation expense over the vesting period. Stock award activity for the years ended December 31 was:

	2001	2000	1999
Restricted common shares awarded	247,640	29,565	99,500
Weighted average market price of shares awarded	\$ 44.35	\$ 32.00	\$ 40.99
Compensation cost charged against income (in thousands)	\$ 2,484	\$ 1,130	\$ 945

Performance Share Awards

Under the plan, performance shares means an award stated with reference to a specified number of shares of common stock that entitles the holder to receive a cash payment or shares of common stock or a combination thereof. The final number of shares of common stock awarded is determined by the achievement of certain performance objectives, as defined in the Plan. The awards vest as of the end of a specified period. Beginning with the grant date, the Company accounts for performance share awards by accruing an amount based on the following: (i) the number of shares expected to be awarded based on the probable achievement of certain performance objectives, (ii) the market value of the shares, and (iii) the vesting period. For the year ended December 31, 2001, the Company accrued \$1.2 million in compensation expense related to performance share awards.

During the applicable restriction period, the recipient of a performance share award has no shareholder rights until common stock is actually distributed. However, recipients will be paid an amount equal to the dividend equivalent on such shares. Performance share awards are nontransferable and are subject to risk of forfeiture. As of December 31, 2001, there were 277,355 performance share awards outstanding.

NOTE 17 — SEGMENT AND RELATED INFORMATION

The Company's reportable business segments are: Electric Utility – Detroit Edison and ITC; Gas Utility – MichCon; Wholesale Marketing & Trading, which consists of the trading and marketing operations of DTE Energy Trading and the natural gas trading and marketing operations of Enterprises; Energy Services, which consists of various businesses that develop and manage energy-related projects and services; Non-regulated other, which represents the operations of energy businesses primarily involved in emerging technologies and various other non-regulated gas operations acquired with the MCN Energy merger; and Corporate & Other, which includes expenses of the Company's corporate operation. The income tax provisions or benefits of DTE Energy's subsidiaries are determined on an individual company basis and recognize the tax benefit of alternate fuels 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 tax return. Inter-segment revenues are not material. Financial data for business segments are as follows:

(in Millions)

	2001	2000	1999
Operating Revenues			
Electric Utility	\$ 4,051	\$4,129	\$4,047
Gas Utility	603	—	—
Wholesale Marketing & Trading	2,580	985	251
Energy Services	577	472	418
Non-regulated other	137	92	39
Reconciliation and eliminations	(99)	(81)	(27)
Consolidated	\$ 7,849	\$5,597	\$4,728
Depreciation, Depletion and Amortization			
Electric Utility	\$ 644	\$ 719	\$ 703
Gas Utility	60	—	—
Wholesale Marketing & Trading	1	—	—
Energy Services	42	34	31
Non-regulated other	17	5	1
Corporate & Other	31	—	—
Consolidated	\$ 795	\$ 758	\$ 735
Interest Expense			
Electric Utility	\$ 306	\$ 277	\$ 284
Gas Utility	33	—	—
Wholesale Marketing & Trading	13	—	—
Energy Services	23	30	38
Non-regulated other	10	4	1
Corporate & Other	147	46	31
Reconciliation and eliminations	(64)	(21)	(14)
Consolidated	\$ 468	\$ 336	\$ 340
Income Tax Provision (Benefit)			
Electric Utility	\$ 92	\$ 172	\$ 211
Gas Utility	(20)	—	—
Wholesale Marketing & Trading	24	5	5
Energy Services	(186)	(141)	(132)
Non-regulated other	(5)	(18)	(12)
Corporate & Other	(15)	(9)	(12)
Consolidated	\$ (110)	\$ 9	\$ 60
Net Income			
Electric Utility	\$ 369	\$ 427	\$ 434
Gas Utility	23	—	—
Wholesale Marketing & Trading	44	10	8
Energy Services	124	109	84
Non-regulated other	(6)	(35)	(23)
Corporate & Other	(18)	(27)	(20)
Merger and restructuring charges	(175)	(16)	—
MCN goodwill amortization	(29)	—	—
Consolidated	\$ 332	\$ 468	\$ 483

(in Millions)

	2001	2000	1999
Total Assets			
Electric Utility	\$ 11,508	\$10,986	\$ 11,051
Gas Utility	2,520	—	—
Wholesale Marketing & Trading	1,048	468	109
Energy Services	1,352	942	945
Non-regulated-other	1,212	268	175
Corporate & Other	2,025	798	509
Reconciliation and eliminations	(437)	(806)	(473)
Consolidated	\$ 19,228	\$12,656	\$12,316
Capital Expenditures			
Electric Utility	\$ 712	\$ 587	\$ 638
Gas Utility	69	—	—
Wholesale Marketing & Trading	—	—	—
Energy Services	258	100	95
Non-regulated-other	57	62	6
Consolidated	\$ 1,096	\$ 749	\$ 739

NOTE 18 – CONSOLIDATING FINANCIAL STATEMENTS

Debt securities issued by Enterprises are subject to a full and unconditional guaranty between DTE Energy and Enterprises. The following DTE Energy consolidating financial statements are presented and include separately DTE Corporate, Enterprises and all other subsidiaries. Enterprises includes MichCon and other non-regulated subsidiaries. The other subsidiaries include Detroit Edison and other non-regulated subsidiaries.

DTE ENERGY COMPANY
CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2001

	DTE Energy Company	DTE Energy Enterprises	Other Subsidiaries	Eliminations and Reclasses	Consolidated Total
<i>(in Millions)</i>					
Operating Revenues	\$ —	\$ 1,129	\$ 6,792	\$ (72)	\$ 7,849
Operating Expenses					
Fuel, purchased power and gas	—	690	3,280	(20)	3,950
Operation and maintenance	(65)	197	1,748	(52)	1,828
Depreciation, depletion and amortization	—	104	691	—	795
Taxes other than income	—	29	283	—	312
Merger and restructuring charges	—	82	186	—	268
Total Operating Expenses	(65)	1,102	6,188	(72)	7,153
Operating Income	65	27	604	—	696
Interest Expense and Other					
Interest expense	115	56	335	(38)	468
Other-net	(379)	6	10	372	9
Total Interest Expense and Other	(264)	62	345	334	477
Income (Loss) Before Income Taxes	329	(35)	259	(334)	219
Income Tax Benefit	(3)	(5)	(102)	—	(110)
Net Income (Loss) Before Accounting Change	332	(30)	361	(334)	329
Cumulative Effect of Accounting Change	—	—	(3)	6	3
Net Income (Loss)	\$ 332	\$ (30)	\$ 358	\$ (328)	\$ 332

DTE ENERGY COMPANY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

Year Ended December 31, 2001

	DTE Energy Company	DTE Energy Enterprises	Other Subsidiaries	Eliminations and Reclasses	Consolidated Total
<i>(in Millions, Except Shares)</i>					
ASSETS					
Current Assets					
Cash and cash equivalents	8	9	251	—	268
Restricted cash	—	—	157	—	157
Accounts receivable					
Customer less allowance for doubtful accounts	—	246	605	—	851
Accrued unbilled revenues	—	112	130	—	242
Other	358	184	413	(696)	259
Inventories					
Fuel and gas	—	143	200	—	343
Materials and supplies	—	21	141	—	162
Assets from risk management and trading activities	—	133	271	(4)	400
Deferred income taxes	—	47	—	—	47
Other	—	61	36	—	97
	<u>366</u>	<u>956</u>	<u>2,204</u>	<u>(700)</u>	<u>2,826</u>
Investments					
Nuclear decommissioning trust funds	—	—	417	—	417
Other	6,466	362	442	(6,655)	615
	<u>6,466</u>	<u>362</u>	<u>859</u>	<u>(6,655)</u>	<u>1,032</u>
Property					
Property, plant and equipment	—	3,590	13,480	(3)	17,067
Less accumulated depreciation, depletion and amortization	—	(1,934)	(5,590)	—	(7,524)
	<u>—</u>	<u>1,656</u>	<u>7,890</u>	<u>(3)</u>	<u>9,543</u>
Other Assets					
Goodwill	—	1,968	35	—	2,003
Regulatory assets	—	62	1,142	—	1,204
Securitized regulatory assets	—	—	1,692	—	1,692
Assets from risk managements and trading activities	—	139	10	—	149
Other	11	682	191	(105)	779
	<u>11</u>	<u>2,851</u>	<u>3,070</u>	<u>(105)</u>	<u>5,827</u>
Total Assets	<u>\$ 6,843</u>	<u>\$ 5,825</u>	<u>\$ 14,023</u>	<u>\$ (7,463)</u>	<u>\$ 19,228</u>

DTE ENERGY COMPANY
CONSOLIDATING STATEMENTS OF OPERATIONS

Year Ended December 31, 2001

	DTE Energy Company	DTE Energy Enterprises	Other Subsidiaries	Eliminations and Reclasses	Consolidated Total
<i>(in Millions, Except Shares)</i>					
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable	266	365	797	(731)	697
Accrued interest	11	22	85	—	118
Dividends payable	83	1	74	(74)	84
Accrued payroll	—	9	99	—	108
Short-term borrowings	425	667	286	(697)	681
Income taxes	(1)	(69)	124	—	54
Current portion long-term debt, including capital leases	—	211	305	—	516
Liabilities from risk management and trading activities	—	134	291	—	425
Other	1	150	348	(4)	495
	<u>785</u>	<u>1,490</u>	<u>2,409</u>	<u>(1,506)</u>	<u>3,178</u>
Other Liabilities					
Deferred income taxes	(208)	(224)	1,910	—	1,478
Regulatory liabilities	—	144	43	—	187
Unamortized investment tax credit	—	24	156	—	180
Liabilities from risk management and trading activities	—	302	11	—	313
Other	(70)	559	999	(113)	1,375
	<u>(278)</u>	<u>805</u>	<u>3,119</u>	<u>(113)</u>	<u>3,533</u>
Long-Term Debt					
Mortgage bonds, notes and other	1,747	1,000	3,145	—	5,892
Securitization bonds	—	—	1,673	—	1,673
Capital lease obligations	—	2	87	—	89
	<u>1,747</u>	<u>1,002</u>	<u>4,905</u>	<u>—</u>	<u>7,654</u>
Enterprises-Obligated Mandatorily Redeemable Preferred Securities of Subsidiaries Holding Solely Debentures of Enterprises					
	<u>—</u>	<u>274</u>	<u>—</u>	<u>—</u>	<u>274</u>
Shareholders' Equity					
Common stock, without par value, 400,000,000 shares authorized 161,133,959 shares issued and outstanding	2,811	2,534	2,620	(5,154)	2,811
Retained earnings	1,846	(282)	994	(712)	1,846
Accumulated other comprehensive loss	(68)	2	(24)	22	(68)
	<u>4,589</u>	<u>2,254</u>	<u>3,590</u>	<u>(5,844)</u>	<u>4,589</u>
Total Liabilities and Shareholders' Equity	<u>\$ 6,843</u>	<u>\$ 5,825</u>	<u>\$ 14,023</u>	<u>\$ (7,463)</u>	<u>\$ 19,228</u>

DTE ENERGY COMPANY
CONSOLIDATING STATEMENTS OF CASH FLOWS

Year Ended December 31, 2001

	DTE Energy Company	DTE Energy Enterprises	Other Subsidiaries	Eliminations and Reclasses	Consolidated Total
<i>(in Millions)</i>					
Net Cash From (Used For) Operating Activities	\$ 275	\$ (360)	\$ 1,193	\$ (297)	\$ 811
Investing Activities					
Plant and equipment expenditures	—	(85)	(1,011)	—	(1,096)
Acquisition of MCN, net of cash acquired	(1,221)	9	—	—	(1,212)
Proceeds from common stock redeemed by subsidiary	846	—	—	(846)	—
Proceeds from sale of assets	—	113	103	—	216
Restricted cash for debt redemptions	—	—	(70)	—	(70)
Other Investments	—	—	(124)	—	(124)
Net cash from (used for) investing activities	(375)	37	(1,102)	(846)	(2,286)
Financing Activities					
Issuance of long-term debt	1,350	200	2,704	—	4,254
Redemption of long-term debt	—	(73)	(1,350)	—	(1,423)
Short-term borrowings, net	(494)	205	16	(9)	(282)
Capital Lease obligations	—	—	(107)	—	(107)
Repurchase of common stock	(438)	—	(846)	846	(438)
Dividends on common stock	(325)	—	(306)	306	(325)
Net cash from financing activities	93	332	111	1,143	1,679
Net Increase (Decrease) in Cash and Cash Equivalents	(7)	9	202	—	204
Cash and Cash Equivalents, January 1, 2001	15	—	49	—	64
Cash and Cash Equivalents, December 31, 2001	\$ 8	\$ 9	\$ 251	\$ —	\$ 268

NOTE 19 — SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly earnings per share may not total for the years, since quarterly computations are based on weighted average common shares outstanding during each quarter.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
(in Millions, except per share amounts)					
2001					
Operating Revenues	\$1,842	\$1,790	\$2,081	\$2,136	\$7,849
Operating Income (Loss)	244	(88)	212	328	696
Net Income (Loss) before accounting change	135	(87)	63	218	329
Net Income (Loss)	138	(87)	63	218	332
Basic Earnings (Loss) per Share before accounting change	.96	(.60)	.38	1.35	2.15
Diluted Earnings (Loss) per Share before accounting change	.95	(.60)	.38	1.34	2.14
2000					
Operating Revenues	\$1,182	1,428	\$1,547	\$1,440	\$5,597
Operating Income	215	203	172	240	830
Net Income	117	108	104	139	468
Basic and Diluted Earnings per Share	.81	.76	.73	.97	3.27

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management

Item 13. Certain Relationships and Related Transactions

Information required by Part III (Items 10, 11, 12 and 13) of this Form 10-K is incorporated by reference from the Company's definitive Proxy Statement for its 2002 Annual Meeting of Common Shareholders to be held April 24, 2002, which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the Company's fiscal year covered by this report on Form 10-K, all of which information is hereby incorporated by reference in, and made part of, this Form 10-K, except that the information required by Item 10 with respect to executive officers of the Registrant is included in Part I of this report.

Part IV

Item 14. Exhibits, Financial Statement Schedule and Reports on Form 8-K

- (a) The following documents are filed as part of this Annual Report on Form 10-K.
- (1) Consolidated financial statements. See “Item 8 – Financial Statements and Supplementary Data” on page 39.
 - (2) Financial statement schedule. See “Item 8 – Financial Statements and Supplementary Data on Page 39.
 - (3) Exhibits.
 - (i) Exhibits filed herewith.

Exhibit Number	Description
4-227	Guaranty of Enterprises securities
4-228	Fourth Supplemental Indenture creating 7.8% Subordinated Debentures.
4-229	Amended and Restated Trust Agreement of DTE Energy Trust I.
10-41	Consulting Agreement with A.R. Glancy, III.
10-42	2002 Measures and Targets for Stock Incentive Plan.
10-43	2002 Measures and Target for Annual Incentive Plan.
12-30	DTE Energy Company Computation of Ratio of Earnings to Fixed Charges.
21-6	Subsidiaries of the Company and Detroit Edison.
23-15	Consent of Deloitte & Touche LLP.
(ii)	Exhibits incorporated herein by reference.
2-1	Agreement and Plan of Merger, among DTE Energy Company, MCN Energy Group Inc. and DTE Enterprises, Inc., dated as of October 4, 1999, as amended as of November 12, 1999, as further amended as of February 28, 2001. (Exhibit 2-2 to Form 10-K for year ended December 31, 2000.)
3(a)	Amended and Restated Articles of Incorporation of DTE Energy Company, dated December 13, 1995 (Exhibit 3-5 to Form 10-Q for quarter ended

Exhibit Number	Description
	September 30, 1997).
3(b)	Certificate of Designation of Series A Junior Participating Preferred Stock of DTE Energy Company. Exhibit 3-6 to Form 10-Q for quarter ended September 30, 1997.
3(c)	Restated Articles of Incorporation of Detroit Edison, as filed December 10, 1991 with the State of Michigan, Department of Commerce – Corporation and Securities Bureau (Exhibit 3-13 to Form 10-Q for quarter ended June 30, 1999).
3(d)	Rights Agreement, dated as of September 23, 1997, by and between DTE Energy Company and The Detroit Edison Company, as Rights Agent (Exhibit 4-1 to DTE Energy Company Current Report on Form 8-K, dated September 23, 1997).
3(e)	Bylaws of DTE Energy Company, as amended through September 22, 1999 (Exhibit 3-3 to Registration No. 333-89175).
4(a)	Amended and Restated Indenture, dated as of April 9, 2002, between DTE Energy Corporation and The Bank of New York, as Trustee (Exhibit 4-1 to Registration No. 333-588834).
4(b)	First Supplemental Indenture, dated as of April 9, 2001, between DTE Energy and The Bank of New York (Exhibit 4-223 to Form 10-Q for quarter ended March 31, 2001).
4(c)	Second Supplemental Indenture, dated as of April 9, 2001, between DTE Energy and The Bank of New York, as trustee (Exhibit 4-224 to Form 10-Q for quarter ended March 31, 2001).
4(d)	Third Supplemental Indenture, dated as of April 9, 2001, among DTE Capital Corporation, DTE Energy and The Bank of New York, as trustee (Exhibit 4-225 to Form 10-Q for quarter ended March 31, 2001).
4(e)	Supplemental Indenture dated as of May 30, 2001 to Indenture dated as of April 2001 (Exhibit 4-226 to Form 10-Q for quarter ended March 31, 2001).
10(a)	DTE Energy Annual Incentive Plan (Exhibit 10-44 to Form 10-Q for quarter ended March 31, 2001).
10(b)	Form of Change-in-Control Severance Agreement, dated as of October 1, 1997, between DTE Energy Company and its officers (Exhibit 10-9 to Form 10-Q for quarter ended September 30, 1997).
10(c)	Form of 1995 Indemnification Agreement between the Company and its directors and officers (Exhibit 3L (10-1) to DTE Energy Company Form 8-

[Table of Contents](#)

Exhibit Number	Description
	B dated January 2, 1996).
10(d)	Certain arrangements pertaining to the employment of S. Martin Taylor (Exhibit 10-38 to Detroit Edison's Form 10-Q for quarter ended March 31, 1998).
10(e)	Amended and Restated Post-Employment Income Agreement dated March 23, 1998, between Detroit Edison and Anthony F. Earley, Jr. (Exhibit 10-20 to Form 10-Q for quarter ended March 31, 1998).
10(f)	Restricted Stock Agreement, dated March 23, 1998, between Detroit Edison and Anthony F. Earley, Jr. (Exhibit 10-20 to Form 10-Q for quarter ended March 31, 1998).
10(g)	Amended and Restated Detroit Edison Savings Reparation Plan (February 23, 1998) (Exhibit 10-19 for quarter ended March 31, 1998).
10(h)	Certain arrangements pertaining to the employment of Larry G. Garberding (Exhibit 10-23 to Form 10-Q for quarter ended March 31, 1998).
10(i)	Fourth Restatement of The Benefit Equalization Plan for Certain Employees of The Detroit Edison Company (October 1997) (Exhibit 10-11 to Form 10-K for year ended December 31, 1997).
10(j)	Amended and Restated Executive Incentive Plan (Exhibit 10-35 to Form 10-Q for the quarter ended March 31, 2000).
10(k)	Trust Agreement for DTE Energy Company Change-In-Control Severance Agreements between DTE Energy Company and Wachovia Bank, N.A. (Exhibit 10-16 to Form 10-K for year ended December 31, 1997).
10(l)	Certain arrangements pertaining to the employment of David E. Meador (Exhibit 10-5 to Form 10-K for year ended December 31, 1997).
10(m)	Amended and Restated Supplemental Long-Term Disability Plan, dated January 27, 1997 (Exhibit 10-4 to Form 10-K for year ended December 31, 1996).
10(n)	Fourth Restatement of the Retired Reparation Plan for Certain Employees of The Detroit Edison Company (October 1997) (Exhibit 10-10 to 10-K for year ended December 31, 1997).
10(o)	Sixth Restatement of The Detroit Edison Company Management Supplemental Benefit Plan (1998) (Exhibit 10-27 to Form 10-K for year ended December 31, 1998).
10(p)	DTE Energy Company Plan for Deferring the Payment of Directors' Fees

Exhibit Number	Description
	(As Amended and Restated Effective As of January 1, 1999) (Exhibit 10-29 to Form 10-K for year ended December 31, 1998).
10(q)	DTE Energy Company Deferred Stock Compensation Plan for Non-Employee Directors, effective as of January 1, 1999 (Exhibit 10-30 to Form 10-K for year ended December 31, 1998).
10(r)	DTE Energy Company Retirement Plan for Non-Employee Directors (As Amended and Restated Effective As Of December 31, 1998) (Exhibit 10-31 to Form 10-K for year ended December 31, 1998).
10(s)	Certain arrangement pertaining to the employment of Eric H. Peterson (Exhibit 10-39 to Form 10-Q for the quarter ended September 30, 2000).
10(t)	Executive Vehicle Plan (Exhibit 10-41 to Form 10-Q for quarter ended March 31, 2001).
10(u)	DTE Energy 2001 Stock Incentive Plan (Exhibit 10-43 to Form 10-Q for quarter ended March 31, 2001).
99(a)	Master Trust Agreement ("Master Trust"), dated as of June 30, 1994, between Detroit Edison and Fidelity Management Trust Company relating to the Savings and Investment Plans (Exhibit 4-167 to Form 10-Q for quarter ended June 30, 1994).
99(b)	First Amendment, effective as of February 1, 1995, to Master Trust (Exhibit 4-10 to Registration No. 333-00023).
99(c)	Second Amendment, effective as of February 1, 1995 to Master Trust (Exhibit 4-11 to Registration No. 333-00023).
99(d)	Third Amendment, effective January 1, 1996, to Master Trust (Exhibit 4-12 to Registration No. 333-00023).
99(e)	Fourth Amendment to Trust Agreement between Fidelity Management Trust Company and The Detroit Edison Company (July 1996) (Exhibit 4-185 to Form 10-K for the year ended December 31, 1997).
99(f)	Fifth Amended to Trust Agreement Between Fidelity Management Trust Company and The Detroit Edison Company (December 1997) (Exhibit 4-186 to Form 10-K for the year ended December 31, 1997).
99(g)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Savings Repatriation Plan (Exhibit 99-1 to Form 10-K for

[Table of Contents](#)

Exhibit Number	Description
	year ended December 31, 1996).
99(h)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Retirement Reparation Plan (Exhibit 99-2 to Form 10-K for year ended December 31, 1996).
99(i)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Management Supplemental Benefit Plan (Exhibit 99-3 to Form 10-K for year ended December 31, 1996).
99(j)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Benefit Equalization Plan (Exhibit 99-4 to Form 10-K for year ended December 31, 1996).
99(k)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Plan for Deferring the Payment of Directors' Fees (Exhibit 99-5 to Form 10-K for year ended December 31, 1996).
99(l)	The Detroit Edison Company Irrevocable Grantor Trust for The DTE Energy Company Retirement Plan for Non-Employee Directors (Exhibit 99-6 to Form 10-K for year ended December 31, 1996).
99(m)	DTE Energy Company Irrevocable Grantor Trust for the DTE Energy Company Plan for Deferring the Payment of Directors' Fees (Exhibit 99-7 to Form 10-K for year ended December 31, 1996).
99(n)	\$800 Million Credit Agreement dated as of November 7, 2001 (Exhibit 99-1 to Form 10-Q for the quarter ended September 30, 2001).
(b)	Reports on Form 8-K
	The Company filed a Report on Form 8-K dated October 29, 2001, in which the Company included a press release discussing its third quarter 2001 earnings and adjustment of its 2001 and 2002 earnings guidance.

DTE Energy Company
Schedule II – Valuation and Qualifying Accounts

	Year Ending December 31,		
	2001	2000	1999
(in Thousands)			
Allowance for Doubtful Accounts (shown as deduction from accounts receivable in the consolidated statement of financial position)			
Balance at Beginning of Period	\$ 21,000	\$ 21,000	\$ 20,000
Additions:			
Charged to costs and expenses	35,490	18,219	21,363
Balance acquired with MCN Energy acquisition	30,256	—	—
Charged to other accounts (a)	11,346	3,677	3,357
Deductions (b)	(41,343)	(21,896)	(23,720)
Balance At End of Period	\$ 56,749	\$ 21,000	\$ 21,000
Fermi 2 Refueling Outage Accrual (included in other current liabilities in the consolidated statement of financial position)			
Balance at Beginning of Period	\$ 9,789	\$ 18,221	\$ 3,156
Charged to costs and expenses	12,837	14,002	15,065
Deductions (c)	(21,459)	(22,434)	—
Balance At End of Period	\$ 1,167	\$ 9,789	\$ 18,221

- (a) Collection of accounts previously written off.
(b) Non-collectible accounts written off.
(c) Actual amounts paid during the refueling outage.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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: March 28, 2002

By /s/ ANTHONY F. EARLEY, JR.

Anthony F. Earley, Jr.
Chairman of the Board,
Chief Executive Officer, President
and Chief Operating Officer

By /s/ ANTHONY F. EARLEY, JR.

Anthony F. Earley, Jr.
Chairman of the Board,
Chief Executive Officer, President
and Chief Operating Officer

By /s/ DAVID E. MEADOR

David E. Meador
Senior Vice President and Chief
Financial Officer

By /s/ DANIEL G. BRUDZYNSKI

Daniel G. Brudzynski
Vice President and Controller

By /s/ FRANK M. HENNESSEY

Frank M. Hennessey, Director

By *

Terence E. Adderley, Director

By *

Theodore S. Leipprandt, Director

By *

Lillian Bauder, Director

By /s/JOHN E. LOBBIA

John E. Lobbia, Director

By *

David Bing, Director

By /s/ EUGENE A. MILLER

Eugene A. Miller, Director

By /s/ ALLAN D. GILMOUR

Allan D. Gilmour, Director

By /s/ CHARLES W. PRYOR, JR.

Charles W. Pryor, Jr., Director

By /s/ ALFRED R. GLANCY III

Alfred R. Glancy III, Director

By /s/ HOWARD F. SIMS

Howard F. Sims, Director

*By

/s/ SUSAN M. BEALE

Susan M. Beale
Attorney-in-Fact

Exhibit Index

Exhibit Number	Description
4-227	Guaranty of Enterprises securities
10-41	Consulting Agreement with A.R. Glancy, III.
10-42	2002 Measures and Targets for Stock Incentive Plan.
10-43	2002 Measures and Target for Annual Incentive Plan.
12-30	DTE Energy Company Computation of Ratio of Earnings to Fixed Charges.
21-6	Subsidiaries of the Company and Detroit Edison.
23-15	Consent of Deloitte & Touche LLP.
(ii)	Exhibits incorporated herein by reference.
2-1	Agreement and Plan of Merger, among DTE Energy Company, MCN Energy Group Inc. and DTE Enterprises, Inc., dated as of October 4, 1999, as amended as of November 12, 1999, as further amended as of February 28, 2001. (Exhibit 2-2 to Form 10-K for year ended December 31, 2000.)
3(a)	Amended and Restated Articles of Incorporation of DTE Energy Company, dated December 13, 1995 (Exhibit 3-5 to Form 10-Q for quarter ended

[Table of Contents](#)

Exhibit Number	Description
	September 30, 1997).
3(b)	Certificate of Designation of Series A Junior Participating Preferred Stock of DTE Energy Company. Exhibit 3-6 to Form 10-Q for quarter ended September 30, 1997.
3(c)	Restated Articles of Incorporation of Detroit Edison, as filed December 10, 1991 with the State of Michigan, Department of Commerce – Corporation and Securities Bureau (Exhibit 3-13 to Form 10-Q for quarter ended June 30, 1999).
3(d)	Rights Agreement, dated as of September 23, 1997, by and between DTE Energy Company and The Detroit Edison Company, as Rights Agent (Exhibit 4-1 to DTE Energy Company Current Report on Form 8-K, dated September 23, 1997).
3(e)	Bylaws of DTE Energy Company, as amended through September 22, 1999 (Exhibit 3-3 to Registration No. 333-89175).
4(a)	Amended and Restated Indenture, dated as of April 9, 2002, between DTE Energy Corporation and The Bank of New York, as Trustee (Exhibit 4-1 to Registration No. 333-588834).
4(b)	First Supplemental Indenture, dated as of April 9, 2001, between DTE Energy and The Bank of New York (Exhibit 4-223 to Form 10-Q for quarter ended March 31, 2001).
4(c)	Second Supplemental Indenture, dated as of April 9, 2001, between DTE Energy and The Bank of New York, as trustee (Exhibit 4-224 to Form 10-Q for quarter ended March 31, 2001).
4(d)	Third Supplemental Indenture, dated as of April 9, 2001, among DTE Capital Corporation, DTE Energy and The Bank of New York, as trustee (Exhibit 4-225 to Form 10-Q for quarter ended March 31, 2001).
4(e)	Supplemental Indenture dated as of May 30, 2001 to Indenture dated as of April 2001 (Exhibit 4-226 to Form 10-Q for quarter ended March 31, 2001).
10(a)	Certain arrangements pertaining to the employment of Michael C. Porter (Exhibit 10-8* to Form 10-Q for quarter ended September 30, 1997).
10(b)	Form of Change-in-Control Severance Agreement, dated as of October 1, 1997, between DTE Energy Company and its officers (Exhibit 10-9* to Form 10-Q for quarter ended September 30, 1997).
*10(c)	Form of 1995 Indemnification Agreement between the Company and its directors and officers (Exhibit 3L (10-1) to DTE Energy Company Form 8-

[Table of Contents](#)

Exhibit Number	Description
	B dated January 2, 1996).
*10(d)	Certain arrangements pertaining to the employment of S. Martin Taylor (Exhibit 10-38 to Detroit Edison's Form 10-Q for quarter ended March 31, 1998).
*10(e)	Amended and Restated Post-Employment Income Agreement dated March 23, 1998, between Detroit Edison and Anthony F. Earley, Jr. (Exhibit 10-20 to Form 10-Q for quarter ended March 31, 1998).
*10(f)	Restricted Stock Agreement, dated March 23, 1998, between Detroit Edison and Anthony F. Earley, Jr. (Exhibit 10-20 to Form 10-Q for quarter ended March 31, 1998).
10(g)	Amended and Restated Detroit Edison Savings Reparation Plan (February 23, 1998) (Exhibit 10-19 for quarter ended March 31, 1998).
10(h)	Certain arrangements pertaining to the employment of Larry G. Garberding (Exhibit 10-23 to Form 10-Q for quarter ended March 31, 1998).
10(i)	Fourth Restatement of The Benefit Equalization Plan for Certain Employees of The Detroit Edison Company (October 1997) (Exhibit 10-11 to Form 10-K for year ended December 31, 1997).
10(j)	Amended and Restated Executive Incentive Plan (Exhibit 10-35 to Form 10-Q for the quarter ended March 31, 2000).
10(k)	Trust Agreement for DTE Energy Company Change-In-Control Severance Agreements between DTE Energy Company and Wachovia Bank, N.A. (Exhibit 10-16 to Form 10-K for year ended December 31, 1997).
10(l)	Certain arrangements pertaining to the employment of David E. Meador (Exhibit 10-5 to Form 10-K for year ended December 31, 1997).
*10(m)	Amended and Restated Supplemental Long-Term Disability Plan, dated January 27, 1997 (Exhibit *10-4 to Form 10-K for year ended December 31, 1996).
*10(n)	Fourth Restatement of the Retired Reparation Plan for Certain Employees of The Detroit Edison Company (October 1997) (Exhibit *10-10 to 10-K for year ended December 31, 1997).
*10(o)	Sixth Restatement of The Detroit Edison Company Management Supplemental Benefit Plan (1998) (Exhibit *10-27 to Form 10-K for year ended December 31, 1998).
*10(p)	DTE Energy Company Plan for Deferring the Payment of Directors' Fees

[Table of Contents](#)

Exhibit Number	Description
	(As Amended and Restated Effective As of January 1, 1999) (Exhibit 10-29* to Form 10-K for year ended December 31, 1998).
*10(q)	DTE Energy Company Deferred Stock Compensation Plan for Non-Employee Directors, effective as of January 1, 1999 (Exhibit *10-30 to Form 10-K for year ended December 31, 1998).
*10(r)	DTE Energy Company Retirement Plan for Non-Employee Directors (As Amended and Restated Effective As Of December 31, 1998) (Exhibit 10-31 to Form 10-K for year ended December 31, 1998).
*10(s)	Certain arrangement pertaining to the employment of Eric H. Peterson (Exhibit 10-39 to Form 10-Q for the quarter ended September 30, 2000).
10(t)	Executive Vehicle Plan (Exhibit 10-41 to Form 10-Q for quarter ended March 31, 2001).
10(u)	DTE Energy 2001 Stock Incentive Plan (Exhibit 10-43 to Form 10-Q for quarter ended March 31, 2001).
10(v)	DTE Energy Annual Incentive Plan (Exhibit 10-44 to Form 10-Q for quarter ended March 31, 2001).
99(a)	Master Trust Agreement ("Master Trust"), dated as of June 30, 1994, between Detroit Edison and Fidelity Management Trust Company relating to the Savings and Investment Plans (Exhibit 4-167 to Form 10-Q for quarter ended June 30, 1994).
99(b)	First Amendment, effective as of February 1, 1995, to Master Trust (Exhibit 4-10 to Registration No. 333-00023).
99(c)	Second Amendment, effective as of February 1, 1995 to Master Trust (Exhibit 4-11 to Registration No. 333-00023).
99(d)	Third Amendment, effective January 1, 1996, to Master Trust (Exhibit 4-12 to Registration No. 333-00023).
99(e)	Fourth Amendment to Trust Agreement between Fidelity Management Trust Company and The Detroit Edison Company (July 1996) (Exhibit 4-185 to Form 10-K for the year ended December 31, 1997).
99(f)	Fifth Amended to Trust Agreement Between Fidelity Management Trust Company and The Detroit Edison Company (December 1997) (Exhibit 4-186 to Form 10-K for the year ended December 31, 1997).
99(g)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Savings Reparation Plan (Exhibit 99-1 to Form 10-K for

[Table of Contents](#)

Exhibit Number	Description
	year ended December 31, 1996).
99(h)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Retirement Reparation Plan (Exhibit 99-2 to Form 10-K for year ended December 31, 1996).
99(i)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Management Supplemental Benefit Plan (Exhibit 99-3 to Form 10-K for year ended December 31, 1996).
99(j)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Benefit Equalization Plan (Exhibit 99-4 to Form 10-K for year ended December 31, 1996).
99(k)	The Detroit Edison Company Irrevocable Grantor Trust for The Detroit Edison Company Plan for Deferring the Payment of Directors' Fees (Exhibit 99-5 to Form 10-K for year ended December 31, 1996).
99(l)	The Detroit Edison Company Irrevocable Grantor Trust for The DTE Energy Company Retirement Plan for Non-Employee Directors (Exhibit 99-6 to Form 10-K for year ended December 31, 1996).
99(m)	DTE Energy Company Irrevocable Grantor Trust for the DTE Energy Company Plan for Deferring the Payment of Directors' Fees (Exhibit 99-7 to Form 10-K for year ended December 31, 1996).
99(n)	\$800 Million Credit Agreement dated as of November 7, 2001 (Exhibit 99-1 to Form 10-Q for the quarter ended September 30, 2001).
(b)	Reports on Form 8-K
	The Company filed a Report on Form 8-K dated October 29, 2001, in which the Company included a press release discussing its third quarter 2001 earnings and adjustment of its 2001 and 2002 earnings guidance.

GUARANTEE AGREEMENT
BETWEEN
DTE ENERGY COMPANY
AND
DTE ENTERPRISES, INC.

Agreement dated as of December 13, 2001 (this "Agreement"), made by and between DTE Energy Company (the "Parent"), a corporation incorporated under the laws of the State of Michigan, and DTE Enterprises, Inc. (the "Subsidiary"), a corporation incorporated under the laws of the State of Michigan.

WHEREAS, on May 31, 2001, the Parent completed the acquisition of MCN Energy Group Inc. ("MCN"), and thereafter merged MCN into the Subsidiary with the Subsidiary being the surviving company; and

WHEREAS, the Parent is the direct parent and owner of 100% of the outstanding common stock of the Subsidiary; and

WHEREAS, MCN, prior to the merger, had issued the debentures listed in Attachment A hereto, (the "Debt Securities"); and

WHEREAS, MCN Financing I, MCN Financing II, MCN Financing III, and MCN Michigan Ltd. Partnership, as special purpose financing vehicles (the "Financing Companies") sponsored by MCN, had issued, prior to the merger, the preferred securities and common securities, if any, together with MCN's guarantees of such preferred and common securities listed in Attachment B hereto (the guarantees of such preferred and common securities, hereinafter "Securities Guarantees"); and

WHEREAS, under the Securities Guarantees, MCN irrevocably and unconditionally agreed, to the extent set forth in such agreements, to guarantee the obligations of the Financing Companies to the holders of their securities on the terms and conditions set forth in such guarantee agreements; and

WHEREAS, by operation of law the Subsidiary succeeded to and assumed all of the rights, duties and obligations of MCN; and

WHEREAS, the Parent desires irrevocably and unconditionally to agree, to the extent set forth in this Agreement, to support, on a joint and several basis with the Subsidiary (i) the obligations of Subsidiary under the terms of the Debt Securities and (ii) the obligations under the preferred securities and common securities of the Financing Companies to the extent set forth in the Securities Guarantees (Debt Securities and Securities Guarantees, collectively "Securities");

NOW THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parent

hereby agrees as follows (a reference to the singular includes the plural and vice versa, and capitalized terms used in this Agreement but not defined in the preamble above have the respective meanings assigned to them in this Agreement):

Section 1. Payment Provision. If, during the term of this Agreement, the Subsidiary fails to make any scheduled payment of interest, principal or premium, if any, or any other payment under the terms and provisions of the Securities, Parent shall be obligated, to the fullest extent permitted by law to either make, or cause Subsidiary to make, the scheduled payment immediately following notice of such failure (the obligations set forth in this Section 1 being herein called the "Supported Obligations"). The obligation hereunder is full and unconditional.

Section 2. Remedies. The Parent agrees that if Subsidiary defaults in the timely payment of any Supported Obligations when due, the holder of a Security may proceed directly against Parent to obtain payment of such defaulted Supported Obligation owed to such holder.

Section 3. Payment on Demand. The Parent shall make payment of the amount of the Supported Obligations and all other amounts payable by it to the holder of the Security after demand therefor is made in writing to it. Such demand shall be deemed to have been effectively made when either an envelope containing such demand is addressed to Parent at 2000 2nd Ave, Detroit, Michigan 48226-1279 for the attention of the Treasurer, or is personally delivered to such address, or a facsimile transmission containing such demand is sent to Parent, for the attention of the Treasurer, at the following fax number: (313) 235-8741.

Section 4. Subrogation. Upon receipt by a holder of any payment or payments on account of liability under this Agreement, the Parent shall not be entitled to claim repayment against the Subsidiary until the claims of the holders against the Subsidiary in respect of the defaulted Supported Obligations have been repaid in full. If any amount shall be paid to the Parent on account of any subrogation rights at any time when all the defaulted Supported Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the holders of the defaulted Security and shall be paid to the holders of the defaulted Security.

Section 5. Waivers. The Parent hereby waives any failure or delay on the part of Subsidiary in asserting or enforcing any of its rights or in making any claims or demands hereunder. Subsidiary, any holder of a Security, or any trustee of a Security, may at any time, without Parent's consent, without notice to Parent and without affecting or impairing Subsidiary's or such holders or trustee's rights or Parent's obligations hereunder, do any of the following with respect to the Securities: (a) make changes, modifications, amendments or alterations, by operation of law or otherwise, (b) grant renewals and extensions of time, for payment or otherwise, (c) accept new or additional documents, instruments or agreements relating to or in substitution of the Securities, or (d) otherwise handle the enforcement of their respective rights and remedies in accordance with their business judgment.

Section 6. Amendment.

- (a) With the written consent of the holders of a majority in principal amount of the outstanding Securities, this Agreement may be amended to add any provisions or change or eliminate any provisions of this Agreement, or modify in each case in any manner, the rights of the holders of the Securities under this Agreement. The holders of a majority in principal amount of the outstanding Securities affected by such waiver, by notice to the trustee of the applicable Securities, may waive compliance by the Parent with any provision of this Agreement; provided, however, without the consent of each holder of Securities affected, an amendment or waiver may not (i) reduce the amount of Securities whose holders must consent to an amendment or waiver or (ii) make any changes in Section 1; and
- (b) Notwithstanding the provisions of Section 6(a), the Parent may amend this Agreement to cure any ambiguity, defect or inconsistency herein or to make any other change; provided, however, no such action shall adversely affect the rights of any holder of Securities.

Section 7. Reinstatement. This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Supported Obligations is rescinded or must otherwise be refunded by

the holders of Securities upon the insolvency, bankruptcy or reorganization of the Subsidiary or otherwise, regardless of whether the holders of Securities contested the order requiring the return of such payment, all as though such payment had not been made.

Section 8. No Recourse. Any right of subrogation acquired by the Parent by reason of payment under or pursuant to this Agreement shall not be exercised until the Supported Obligations and other amounts due to the holders of Securities hereunder have been paid or repaid in full and shall be no greater than the right held by the holders of Securities, and the Parent shall have no recourse against the holders of Securities for any irregularity or defect in the manner or procedure by which the holders of Securities make demand or pursue any rights or remedies they may have.

Section 9. Representations and Warranties. The Parent represents and warrants that:

- a) Organization and Qualification. It is a corporation duly incorporated and validly existing under the laws of the State of Michigan.
- b) Corporate Power. It has full corporate right, power and authority to own its property and assets and to carry on its business as now conducted and as contemplated to be conducted and to enter into and perform this Agreement.
- c) Conflict with Other Instruments. Neither the execution and delivery of this Agreement nor the consummation of the transactions herein contemplated nor compliance with the terms, conditions and provisions hereof (i) conflicts with or

3

results in a breach of any of the terms, conditions or provisions of (A) its charter documents or by-laws; (B) any material law, rule or regulation having the force of law; (C) any material contractual restriction binding on or affecting it or its properties; or (D) any material judgment, injunction, determination or award which is binding on it; or (ii) results in, or requires the creation or imposition of any lien upon or security interest in or with respect to the properties now owned or hereafter acquired by it under any contractual provision binding on or affecting it.

- d) Authorization, Governmental Approvals, etc. The execution and delivery of this Agreement and the consummation by it of the transactions herein contemplated have been duly authorized by all necessary corporate action and no authorization, consent, approval, license or exemption under any applicable law, rule or regulation having the force of law, and no registration, qualification, designation, declaration, recording, or filing with any official body, is or was necessary therefor or to perfect the same or to preserve the benefit thereof to the holders of the Securities, except such as are in full force and effect at the date hereof.
- e) Execution and Binding Obligation. This Agreement has been duly executed and delivered by it, and constitutes the legal, valid and binding obligation of it enforceable against it in accordance with its terms, subject to the effect of any applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and the effect of general principles of equity (regardless of whether such

enforceability is considered in a proceeding in equity or at law).

- f) Actions. There is no pending or threatened action or proceeding affecting it before any court, governmental agency or arbitrator, which may materially adversely affect its financial condition or operations or impair the ability of the Parent to perform its obligations under this Agreement. The Parent is not in default with respect to any order of any court, governmental authority or arbitrator, the effect of which would have a material adverse effect on the Parent and its subsidiaries on a consolidated basis.
- g) Shares. The Parent is the registered and beneficial holder of 100% of the issued and outstanding shares of common stock of the Subsidiary.

Section 10. Governing Law. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

Section 11. Headings, Etc. The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation hereof.

Section 12. Severability. Any provision of this Agreement which is invalid or not enforceable shall not affect any other provision and shall be deemed to be severable.

4

Section 13. Successors and Assigns. This Agreement shall extend to and inure to the benefit of the trustee of the Securities and the holders of the Securities and their respective successors and assigns.

IN WITNESS WHEREOF, the Parent has duly executed this Agreement as of the day and year first above written.

DTE ENERGY COMPANY

By: _____
Name: N.A. Khouri
Title: Vice President and
Treasurer

5

ATTACHMENT A

DTE ENTERPRISES OUTSTANDING SUBORDINATED DEBT

8 5/8% Junior Subordinated Debentures due 2036

8 5/8% Junior Subordinated Deferrable Interest Debentures due November 15, 2038

7 1/4% Junior Subordinated Debentures due 2002

Series A Subordinated Deferrable Interest Debt Securities

ATTACHMENT B

GUARANTIES OF FINANCING COMPANY COMMON AND PREFERRED SECURITIES

Preferred Securities Guarantee Agreement dated as of July 26, 1996 relating to the 8 5/8% Trust Originated Preferred Securities of MCN Financing I and Common Securities Guarantee Agreement dated as of July 26, 1996 relating to the Common Securities of MCN Financing I

Preferred Securities Guarantee Agreement dated as of November 18, 1998 relating to the 8 5/8% Trust Preferred Securities of MCN Financing II and Common Securities Guarantee Agreement dated as of November 18, 1998 relating to the Common Securities of MCN Financing II

Preferred Securities Guarantee Agreement dated as of March 19, 1997 relating to the 7.25% Preferred Securities of MCN Financing III and the Common Securities Guarantee Agreement dated as of March 25, 1997 relating to the Common Securities of MCN Financing III

Payment and Guarantee Agreement dated October 26, 1994 relating to the 9 3/8% Redeemable Cumulative Preferred Securities, Series A of MCN Michigan Ltd. Partnership

DTE ENERGY COMPANY
AND
THE BANK OF NEW YORK
TRUSTEE

FOURTH SUPPLEMENTAL INDENTURE
DATED AS OF JANUARY 15, 2002

SUPPLEMENTING THE AMENDED AND RESTATED INDENTURE
DATED AS OF APRIL 9, 2001

PROVIDING FOR

7.8% JUNIOR SUBORDINATED DEBENTURES DUE 2032

FOURTH SUPPLEMENTAL INDENTURE, dated as of the 15th day of January, 2002 (the "Supplemental Indenture"), between DTE ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan (the "Company"), and THE BANK OF NEW YORK, a New York banking corporation, having its principal office in The City of New York, New York, as trustee (the "Trustee");

WHEREAS, the Company has heretofore executed and delivered to the Trustee an Amended and Restated Indenture, dated as of April 9, 2001 (the "Original Indenture"), as amended, supplemented or modified, including by this Supplemental Indenture (as so amended, supplemented or modified, the "Indenture"), providing for the issuance by the Company from time to time of its debt securities; and

WHEREAS, the Company now desires to provide for the issuance of a series of its unsecured, subordinated debt securities pursuant to the Original Indenture; and

WHEREAS, the Company, in the exercise of the power and authority conferred upon and reserved to it under the provisions of the Original Indenture, including Section 901 thereof, and pursuant to appropriate resolutions of the Board of Directors, has duly determined to make, execute and deliver to the Trustee this Supplemental Indenture to the Original Indenture as permitted by Section 201 and Section 301 of the Original Indenture in order to establish the form or terms of, and to provide for the creation and issue of, a series of its debt securities under the Original Indenture, which shall be known as the "7.8% Junior Subordinated Debentures due 2032" (the "Debentures"); and

WHEREAS, DTE Energy Trust I, a Delaware statutory business trust (the "Trust"), has offered to the public \$180,000,000 aggregate liquidation amount of its 7.8% Trust Preferred Securities (the "Trust Preferred Securities"), representing a preferred undivided beneficial interest in the assets of the

Trust, and proposes to invest the proceeds from such offering, together with the proceeds of the issuance and sale by the Trust to the Company of \$5,567,025 aggregate liquidation amount of its 7.8% common securities (the "Common Securities" and, together with the Trust Preferred Securities, the "Trust Securities"), in \$185,567,025 aggregate principal amount of the Debentures; and

WHEREAS, all things necessary to make such debt securities, when executed by the Company and authenticated and delivered by the Trustee or any Authenticating Agent and issued upon the terms and subject to the conditions hereinafter and in the Original Indenture set forth against payment therefor, the valid, binding and legal obligations of the Company and to make this Supplemental Indenture a valid, binding and legal agreement of the Company, have been done;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH that, in order to establish the terms of a series of debt securities, and for and in consideration of the premises and of the covenants contained in the Original Indenture and in this Supplemental

Indenture and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, it is mutually covenanted and agreed as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions. Each capitalized term that is used herein and is defined in the Original Indenture shall have the meaning specified in the Original Indenture unless such term is otherwise defined herein; provided, that the following terms shall have the meanings given to them in the Agreement: (i) Underwriting Agreement; (ii) Underwriters; (iii) Delaware Trustee; (iv) Distributions; (v) Investment Company Event; (vi) Property Trustee; (vii) Trust Preferred Securities Guarantee; (viii) Tax Event; (ix) Trust Preferred Security Certificate; and (x) Administrative Trustee; and, provided further that:

"Additional Interest" has the meaning set forth in Section 202(c).

"Agreement" means the Amended and Restated Trust Agreement of the Trust, dated as of January 15, 2002.

"Business Day" means any day that is not a Saturday, Sunday, a day on which banking institutions in The City of New York are permitted or required by any applicable law or executive order to close, or a day on which the Corporate Trust Office of the Property Trustee or the Trustee is closed for business.

"Capital Stock" means with respect to any Person organized as a Corporation, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) corporate stock, and (ii) with respect to any Person that is not organized as a Corporation, the partnership, membership or other equity interests or participations in such Person.

"Certificated Security" means a security in substantially the form attached hereto as Exhibit A, except for the legend thereon, which is applicable only to Global Debentures.

"Common Securities" has the meaning specified in the recitals above.

"Compound Interest" has the meaning set forth in Section 205.

"Coupon Rate" has the meaning set forth in Section 204(a).

"Creditor" has the meaning set forth in Section 401(d).

"Deferred Interest" has the meaning set forth in Section 205(a).

"Dissolution Event" means the dissolution of the Trust and distribution of the Debentures held by the Property Trustee pro rata to the holders of the Trust Securities in accordance with the Agreement, such event to occur at the option of the Company at any time.

"Extension Period" has the meaning set forth in Section 205(a).

"Indebtedness ranking equally with the Debentures" means (i) Indebtedness, whether outstanding on the date of issuance of the Debentures or thereafter created, assumed or incurred, to the extent the Indebtedness specifically by its terms ranks equally with and not prior to the Debentures in the right of payment upon the happening of the dissolution, winding-up, liquidation or reorganization of the Company and (ii) any Indebtedness between or among the Company or its affiliates, including all other debt securities and guarantees in respect of those debt securities, issued to any other trust, or a trustee of such trust, a partnership or other entity affiliated with the Company that is a financing vehicle of the Company (a "financing entity") in connection with the issuance by such financing entity of equity securities or other securities guaranteed by the Company pursuant to an instrument that ranks pari passu with or junior in right of payment to the Trust Preferred Securities Guarantee. The securing of any Indebtedness otherwise constituting Indebtedness ranking equally with the Debentures will not prevent the Indebtedness from constituting Indebtedness ranking equally with the Debentures.

"Indebtedness ranking junior to the Debentures" means any Indebtedness, whether outstanding on the date of issuance of the Debentures or thereafter created, assumed or incurred, to the extent the Indebtedness by its terms ranks junior to and not equally with or prior to

- (i) the Debentures, and
- (ii) any other Indebtedness ranking equally with the Debentures,

in right of payment upon the happening of the dissolution, winding-up, liquidation or reorganization of the Company. The securing of any Indebtedness otherwise constituting Indebtedness ranking junior to the Debentures will not prevent the Indebtedness from constituting Indebtedness ranking junior to the Debentures.

"Non Book-Entry Trust Preferred Securities" has the meaning set forth in Section 203(c).

"NYSE" means the New York Stock Exchange.

"Redemption Price" has the meaning set forth in Section 301.

"Rights Plan" means a plan of the Company providing for the issuance by the Company to all holders of its Common Stock of rights entitling the holders thereof to subscribe for or purchase shares of Common Stock or any class or series of preferred stock, which rights (i) are deemed to be transferred with such shares of Common Stock, (ii) are not exercisable and (iii) are

also issued in respect of future issuances of Common Stock, in each case until the occurrence of a specified event or events.

"Senior Indebtedness" means all Indebtedness, whether outstanding on the date of issuance of the Debentures or thereafter created, assumed or incurred, except Indebtedness ranking equally with the Debentures or Indebtedness ranking junior to the Debentures; provided, however, that "Senior Indebtedness" of the Company does not include (a) obligations to trade creditors or (b) any indebtedness of the Company to any of its Subsidiaries. Senior

Indebtedness with respect to the Debentures will continue to be Senior Indebtedness with respect to the Debentures and be entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

"Special Event" means a Tax Event or an Investment Company Event, as the case may be.

"Trust" has the meaning specified in the recitals above.

"Trust Preferred Securities" has the meaning specified in the recitals above.

"Trust Securities" has the meaning specified in the recitals above.

SECTION 102. Section References. Each reference to a particular section set forth in this Supplemental Indenture shall, unless the context otherwise requires, refer to this Supplemental Indenture.

ARTICLE TWO

TITLE AND TERMS OF THE SECURITIES; STATED MATURITY

SECTION 201. Title of the Securities; Stated Maturity. This Supplemental Indenture hereby establishes a series of Securities, which shall be known as the Company's "7.8% Junior Subordinated Debentures due 2032" (referred to herein as the "Debentures"). For purposes of the Original Indenture, the Debentures shall constitute a single series of Securities. The Stated Maturity on which the principal of the Debentures shall be due and payable will be February 1, 2032.

SECTION 202. Variations from the Original Indenture. (a) Notwithstanding the provisions of the Original Indenture, the Debentures shall be subordinated to Senior Indebtedness as and to the extent provided in Article Six of this Supplemental Indenture. The provisions relating to defeasance and covenant defeasance in Section 403 of the Original Indenture shall not apply to the Debentures. Section 1009 of the Original Indenture shall not be applicable to the Debentures.

4

(b) With respect to the Debentures issued under this Supplemental Indenture, Section 501 of the Original Indenture is hereby replaced in its entirety as follows:

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether or not it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon the Debentures when such interest becomes due and payable, and continuance of such default for a period of 30 days, except during an Extension Period; or

(2) default in the payment of the principal of the Debentures when they become due and payable at their Maturity; or

(3) default in the performance of, or breach of, any covenant of the Company in the Indenture (other than a covenant a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has been expressly included in the Indenture solely for the benefit of a series of Securities other than the Debentures), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Debentures a written notice specifying such default or breach and requiring it

to be remedied and stating that such notice is a "Notice of Default" hereunder;
or

(4) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency or other similar law or (B) a decree or order appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(5) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the taking of corporate action by the Company in furtherance of any such action.

5

With respect to the Debentures, (i) references elsewhere in the Original Indenture to Section 501(4), (6) or (7) shall be deemed to be Section 501(3), (4) or (5), respectively, as restated above, and (ii) the provisions of Section 502 of the Original Indenture, without limitation, shall be subject to the subordination provisions relating to the Debentures.

(c) The following shall be additional covenants of the Company with respect to the Debentures:

(i) In the event that the Property Trustee is the holder of all of the Outstanding Debentures, the Company shall pay to the Trust (and any permitted successor or assign under the Agreement) for so long as the Trust (or its permitted successor or assignee) is the registered holder of any Debentures, such additional amounts as may be necessary in order that the amount of Distributions then due and payable by the Trust on the related Trust Preferred Securities and Common Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of any taxes, duties, assessments and governmental charges of whatever nature imposed by the United States or any other taxing authority to which the Trust has become subject as a result of such Tax Event (but not including withholding taxes imposed on holders of such Trust Preferred Securities and Common Securities) (the "Additional Interest"). Whenever in the Indenture or the Debentures there is a reference in any context to the payment of principal of or interest on the Debentures, such reference shall be deemed to include payment of the Additional Interest provided for in this paragraph to the extent that, in such context, Additional Interest is, were or would be payable in respect thereof pursuant to the provisions of this Section and express reference to the payment of Additional Interest (if applicable) in any provisions hereof shall not be construed as excluding Additional Interest in those provisions hereof where such express reference is not made.

(ii) The Company covenants and agrees with each holder of Debentures that it shall not

(A) declare or pay any dividends or distributions on,

or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Company's Capital Stock;

(B) make any payment of principal of or premium or interest on or repay, repurchase or redeem any indebtedness of the Company that ranks equally with or junior in right of payment to the Debentures;

(C) make any guarantee payments with respect to any guarantee by the Company of the indebtedness of any Subsidiary thereof or any other party if such guarantee ranks equally with or junior in right of payment to the Debentures

6

(other than (a) dividends or distributions payable solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock of the Company, (b) any declaration of a dividend in connection with the implementation of a Rights Plan, (c) the issuance of any Capital Stock of the Company under any Rights Plan, or the redemption or repurchase of any rights distributed pursuant to a Rights Plan, (d) payments under the Trust Preferred Securities Guarantee, (e) reclassification of the Company's Capital Stock or the exchange or the conversion of one class or series of the Company's Capital Stock for another class or series of the Company's Capital Stock, (f) the purchase of fractional interests in shares of the Company's Capital Stock pursuant to the conversion or exchange provisions of such Capital Stock or the security being converted or exchanged, and (g) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Company's benefit plans for its directors, officers, employees, consultants or advisors or any of the Company's dividend reinvestment plans);

if at such time (x) there shall have occurred and be continuing an Event of Default under the Debentures or any event of which the Company has actual knowledge that is, or with the giving of notice or the lapse of time, or both, would be an Event of Default under the Debentures, and the Company has not taken reasonable steps to cure such Event of Default (y) the Company shall be in default with respect to its payment or other obligations under the Trust Preferred Securities Guarantee or (z) the Company shall have given notice of its election to begin an Extension Period as provided in Section 205 and shall not have rescinded such notice or such Extension Period, or any extension thereof, shall have commenced and be continuing.

(iii) The Company also covenants with each holder of Debentures (A) to maintain directly or indirectly 100% ownership of the Common Securities of the Trust; provided, however, that any permitted successor or assignee of the Company hereunder may succeed to the Company's ownership of such Common Securities, (B) not to voluntarily terminate, wind up or liquidate the Trust, except (x) in connection with a prepayment in full of the Debentures or a distribution of the Debentures to the holders of Trust Preferred Securities in liquidation of the Trust or (y) in connection with certain mergers, consolidations or amalgamations permitted by the Agreement and (C) to use its commercially reasonable efforts, consistent with the terms and provisions of the Agreement, to cause the Trust to remain classified as a grantor trust and not an association taxable as a corporation for United States federal income tax purposes.

(d) In addition to any right of Direct Action granted under Section 3.8(e) of the Agreement to the holders of Trust Preferred Securities, if the Property Trustee fails to enforce its rights under the Agreement or the Indenture to the fullest extent permitted by law and subject to the terms of the Agreement and the Indenture, then a holder of Trust Preferred Securities may directly institute a proceeding against the Company to enforce the Property

under the Agreement or the Indenture without first instituting a legal proceeding against the Property Trustee or any other person.

SECTION 203. Amount, Form and Denominations; DTC. (a) The aggregate principal amount of Debentures that may be issued under this Supplemental Indenture is limited to \$185,567,025, which amount shall be as set forth in any written Company Order for the authentication and delivery of Debentures (except as provided in Section 301(2) of the Original Indenture). The Debentures shall be issuable only in fully registered form and, as permitted by Section 301 and Section 302 of the Original Indenture, issuable, transferable, exchangeable or redeemable in denominations of \$25 and integral multiples thereof.

(b) The Debentures initially shall be issued to the Property Trustee. Principal and interest on the Debentures issued in definitive form will be payable, the transfer of such Debentures will be registrable and such Debentures will be exchangeable for Debentures bearing identical terms and provisions at the Corporate Trust Office; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered holder at such address as shall appear in the Security Register. Notwithstanding the foregoing, so long as the registered holder of any Debentures is the Property Trustee, the payment of the principal of and interest (including Compound Interest and Additional Interest, if any) on such Debentures held by the Property Trustee will be made at such place, or by wire transfer of immediately available funds to such account, as may be designated by the Property Trustee. The Security Register for the Debentures shall be kept at the Corporate Trust Office, and the Trustee is hereby appointed Security Registrar for the Debentures.

(c) In connection with a Dissolution Event, the Debentures in certificated form may be presented to the Trustee by the Property Trustee in exchange for one or more global Debentures in an aggregate principal amount equal to the aggregate principal amount of all outstanding Debentures (each, a "Global Debenture"), to be registered in the name of the Depository, or its nominee, and delivered by the Trustee to the Depository for crediting to the accounts of its participants pursuant to the instructions of the Administrative Trustees. The Company upon any such presentation shall execute a Global Debenture or Debentures in such aggregate principal amount and deliver the same to the Trustee for authentication and delivery in accordance with the Original Indenture and this Supplemental Indenture. Payments on the Debentures issued as a Global Debenture will be made to the Depository. The Depository Trust Company, as depository ("DTC"), or its nominee, is hereby designated as "U.S. Depository" and Depository" under the Original Indenture for the Global Debenture.

If any Trust Preferred Securities are held in non book-entry certificated form, the Debentures in certificated form may be presented to the Trustee by the Property Trustee and any Trust Preferred Security Certificate which represents Trust Preferred Securities other than Trust Preferred Securities held by the Depository or its nominee ("Non Book-Entry Trust Preferred Securities") will be deemed to represent beneficial interests in Debentures presented to the Trustee by the Property Trustee having an aggregate principal amount equal to the aggregate liquidation amount of the Non Book-Entry Trust Preferred Securities until such Trust Preferred

Security Certificates are presented to the Security Registrar for transfer or reissuance, at which time such Trust Preferred Security Certificates will be canceled and a Debenture, registered in the name of the holder of the Trust Preferred Security Certificate or the transferee of the holder of such Trust Preferred Security Certificate, as the case may be, with an aggregate principal amount equal to the aggregate liquidation amount of the Trust Preferred Security Certificate canceled, will be executed by the Company and delivered to the

Trustee for authentication and delivery in accordance with the Original Indenture and this Supplemental Indenture. On issue of such Debentures, Debentures with an equivalent aggregate principal amount that were presented by the Property Trustee to the Trustee will be deemed to have been canceled.

(d) Further to Section 305 of the Original Indenture, any Global Debenture shall be exchangeable for Debentures registered in the name of, and a transfer of a Global Debenture may be registered to, any Person other than the Depositary for such Debenture or its nominee only if (i) such Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Debenture or if at any time such Depositary ceases to be a clearing agency registered under the Exchange Act, and, in either such case, the Company does not appoint a successor Depositary within 90 days thereafter, (ii) the Company executes and delivers to the Trustee a Company Order that such Global Debenture shall be so exchangeable and the transfer thereof so registrable or (iii) there shall have occurred and be continuing an Event of Default or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default with respect to the Debentures. Upon the occurrence in respect of any Global Debenture of any or more of the conditions specified in clause (i), (ii) or (iii) of the preceding sentence, such Global Debenture may be exchanged for Debentures registered in the name of, and the transfer of such Global Debenture may be registered to, such Persons (including Persons other than the Depositary with respect to such series and its nominees) as such Depositary, in the case of an exchange, and the Company, in the case of a transfer, shall direct.

(e) Each Debenture issued hereunder shall provide that the Company and, by its acceptance of a Debenture or a beneficial interest therein, the holder of, and any Person that acquires a beneficial interest in, such Debenture agree that for United States federal, state and local tax purposes it is intended that such Debenture constitute indebtedness.

(f) The Debentures shall have such other terms and provisions as are set forth in the form of Debenture attached hereto as Exhibit A (all of which incorporated by reference in and made a part of this Supplemental Indenture as if set forth in full at this place).

SECTION 204. Interest.

(a) Each Debenture will bear interest at the rate of 7.8% per annum (the "Coupon Rate") from and including the original date of issuance until the principal thereof becomes due and payable, and on any overdue principal and, to the extent that payment of such interest is enforceable under applicable law, on any overdue installment of interest at the Coupon Rate, compounded quarterly, payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (each, an "Interest Payment Date"), commencing on May 1, 2002 to

the Person in whose name such Debenture or any predecessor Debenture is registered at the close of business on the relevant Regular Record Date, which will be, (i) as long as the Trust Preferred Securities remain in book-entry form (or if no Trust Preferred Securities remain outstanding, as long as the Debentures remain in book-entry form), one Business Day prior to the relevant Interest Payment Date and, (ii) in the event the Trust Preferred Securities are not in book-entry form (or if no Trust Preferred Securities remain outstanding, in the event the Debentures are not in book-entry form), the Administrative Trustees (or, if no Trust Preferred Securities remain outstanding, the Company) will have the right to select the Regular Record Date, which will be more than one Business Day but less than 60 Business Days prior to the relevant Interest Payment Date, except as otherwise provided pursuant to the provisions of Section 205 below.

Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on the Regular Record Date, and may either be paid to the person in whose name the Debenture (or one or more Predecessor Securities) is registered at the close of business

on a Special Record Date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of this series of Debentures not less than ten days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Original Indenture. The principal of and the interest on the Debentures shall be payable at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered Holder at the close of business on the Regular Record Date at such address as shall appear in the Security Register.

(b) The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Except as provided in the following sentence, the amount of interest payable for any period shorter than a full quarterly period for which interest is computed, will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on the Debentures is not a Business Day, then payment of interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date that such interest otherwise would have been payable.

(c) Maturity or redemption of a Debenture shall cause interest to cease to accrue on such Debenture subject to the Company's obligation to pay interest on overdue amounts in accordance with Section 503 of the Original Indenture and the terms of this Supplemental Indenture and the Debentures.

10

SECTION 205. Extension of Interest Payment Period.

(a) So long as no Event of Default with respect to the Debentures has occurred and is continuing, the Company shall have the right, at any time and from time to time during the term of the Debentures, to defer payments of interest by extending the interest payment period of such Debentures not exceeding 20 consecutive quarters (the "Extension Period"), during which Extension Period no interest shall be due and payable; provided that no Extension Period may extend beyond the Stated Maturity. To the extent permitted by applicable law, interest, the payment of which has been deferred because of the extension of the interest payment period pursuant to this Section 205, will bear interest thereon at the Coupon Rate compounded quarterly for each quarter of the Extension Period ("Compound Interest"). At the end of the Extension Period, the Company shall pay all interest accrued and unpaid on the Debentures, including any Additional Interest and Compound Interest (together, "Deferred Interest") that shall be payable to the Holders in whose names the Debentures are registered in the Security Register on the record date for the first Interest Payment Date after the end of the Extension Period. Before the termination of any Extension Period, the Company may shorten or further extend such period, provided that such period together with all such further extensions thereof shall not exceed 20 consecutive quarters, or extend beyond the Stated Maturity of the Debentures. Upon the termination of any Extension Period and upon the payment of all Deferred Interest then due, the Company may commence a new Extension Period, subject to the foregoing requirements. No interest shall be due and payable during an Extension Period, except at the end thereof, but the Company may prepay at any time all or any portion of the interest accrued during an Extension Period.

(b) (i) If the Property Trustee is the sole registered Holder at the time the Company selects an Extension Period or any shortening or extension thereof, the Company shall give written notice to the Administrative Trustees, the Property

Trustee and the Trustee of its selection of such Extension Period or any shortening or extension thereof one Business Day before the earlier of (x) the next succeeding date on which Distributions on the Trust Securities are payable, or (y) the date the Trust is required to give notice of the record date, or the date such Distributions are payable, to the NYSE or other applicable self-regulatory organization where the Trust Preferred Securities are then listed or to holders of the Trust Preferred Securities, but in any event at least one Business Day before such record date.

(ii) If the Property Trustee is not the sole Holder at the time the Company selects an Extension Period, the Company shall give the Holders of the Debentures and the Trustee written notice of its selection of such Extension Period or any shortening or extension thereof at least ten Business Days before the earlier of (x) the next succeeding Interest Payment Date, or (y) if the Debentures are then listed, the date the Company is required to give notice of the record date or the Interest Payment Date to the NYSE or other applicable self-regulatory organization or to Holders of the Debentures.

11

(iii) The quarter in which any notice is given pursuant to subparagraphs (i) or (ii) of this paragraph (b) shall be counted as one of the 20 quarters permitted in the maximum Extension Period permitted under paragraph (a).

(c) The Company shall cause the Trust to give written notice of the selection, shortening or extension of any Extension Period to the holders of the Trust Preferred Securities.

SECTION 206. Form of Debentures. Attached hereto as Exhibit A is a form of the definitive Debentures.

ARTICLE THREE

REDEMPTION OF THE DEBENTURES

SECTION 301. Optional Redemption.

The Debentures are redeemable prior to the Stated Maturity at the option of the Company (i) in whole or in part, from time to time, on or after February 1, 2007 or (ii) at any time prior to February 1, 2007, in whole but not in part, within 90 days following the occurrence of a Special Event, in either case at a redemption price (the "Redemption Price") equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Interest and Compound Interest, if any) to the date of prepayment.

The Company's right to redeem the Debentures under the preceding paragraph shall be subject to the condition that if at the time there is available to the Company or the Trust the opportunity to eliminate a Special Event, within 90 days following the occurrence and continuation of such Special Event, by taking some ministerial action ("Ministerial Action"), such as filing a form or making an election, or pursuing some other similar reasonable measure that will have no adverse effect on the Company, the Trust or the holders of the Trust Securities issued by the Trust and will involve no material cost, the Company shall pursue such measures in lieu of redemption; provided further, that the Company shall have no right to redeem the Debentures while the Company or the Trust is pursuing any Ministerial Action pursuant to the Agreement.

SECTION 302. Redemption Procedures.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Debentures to be prepaid at its registered address. Unless the Company defaults in payment of the

Redemption Price, on and after the Redemption Date interest shall cease to accrue on such Debentures called for redemption. If the Debentures are only partially redeemed pursuant to Section 301, the Debentures will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided, that if at the time of redemption the Debentures are registered as a Global Debenture, the Depositary shall determine, in accordance with its procedures, the principal amount of such Debentures held by each

12

Depositary participant to be redeemed. The Redemption Price shall be paid prior to 12:00 noon, New York time, on the date of such redemption or at such earlier time as the Company determines; provided that the Company shall deposit with the Trustee an amount sufficient to pay the Redemption Price by 10:00 a.m., New York time, on the date such Redemption Price is to be paid.

SECTION 303. No Sinking Fund.

The Debentures are not entitled to the benefit of any sinking fund.

ARTICLE FOUR

EXPENSES

SECTION 401. Payment of Expenses.

In connection with the offering, sale and issuance of the Debentures and in connection with the sale of the Trust Securities by the Trust, the Company, in its capacity as borrower with respect to the Debentures, shall:

(a) pay all costs and expenses relating to the offering, sale and issuance of the Debentures, including commissions to the Underwriters payable pursuant to the Underwriting Agreement and compensation of the Trustee under the Indenture in accordance with the provisions of Section 606 of the Original Indenture;

(b) be responsible for and shall pay all debts and obligations (other than with respect to the Trust Securities) and all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization, maintenance and dissolution of the Trust, the offering, sale and issuance of the Trust Securities (including commissions to the Underwriters in connection therewith), the fees and expenses (including reasonable counsel fees and expenses) of the Property Trustee, the Delaware Trustee and the Administrative Trustees (including any amounts payable under Article 10 of the Agreement), the costs and expenses relating to the operation of the Trust, including without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, paying agent(s), registrar(s), transfer agent(s), duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets and the enforcement by the Property Trustee of the rights of the holders of the Trust Preferred Securities);

(c) be liable for any indemnification obligations arising with respect to the Agreement; and

13

(d) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

The Company's obligations under this Section 401 shall be for the benefit of, and shall be enforceable by, any Person to whom such debts, obligations, costs, expenses and taxes are owed (a "Creditor") whether or not such Creditor has received notice hereof. Any such Creditor may enforce the

Company's obligations under this Section 401 directly against the Company and the Company irrevocably waives any right of remedy to require that any such Creditor take any action against the Trust or any other Person before proceeding against the Company. The Company agrees to execute such additional agreements as may be necessary or desirable in order to give full effect to the provisions of this Section 401.

The provisions of this Section shall survive the termination of this Supplemental Indenture.

SECTION 402. Payment Upon Resignation or Removal.

Upon termination of this Supplemental Indenture or the Indenture or the removal or resignation of the Trustee, unless otherwise stated, the Company shall pay to the Trustee all amounts accrued to the date of such termination, removal or resignation that are payable pursuant to Section 606 of the Original Indenture. Upon termination of the Agreement or the removal or resignation of the Delaware Trustee or the Property Trustee, as the case may be, pursuant to Section 5.6 of the Agreement, the Company shall pay to the Delaware Trustee or the Property Trustee, as the case may be, all amounts accrued to the date of such termination, removal or resignation.

ARTICLE FIVE

COVENANT TO LIST ON EXCHANGE

SECTION 501. Listing on an Exchange.

If the Debentures are distributed to the holders of the Trust Securities, and the Trust Preferred Securities are then listed, the Company will use its best efforts to list such Debentures on the NYSE or on such other exchange as the Trust Preferred Securities are then listed.

ARTICLE SIX

SUBORDINATION OF DEBENTURES

SECTION 601. Debentures Subordinate to Senior Indebtedness. The Company for itself, its successors and assigns, covenants and agrees, and each Holder of Debentures issued, whether upon original issue or upon transfer or assignment thereof, by its acceptance thereof

14

likewise covenants and agrees, that the payment of principal of and interest on each and all of the Debentures is hereby expressly subordinated, to the extent and in the manner hereinafter in this Article set forth, in right of payment to the prior payment in full of all existing and future Senior Indebtedness of the Company.

SECTION 602. Payments to Securityholders. (a) (i) In the event and during the continuation of any default beyond any grace period in the payment of principal of or interest on or any other monetary amounts due in respect of any Senior Indebtedness, or in the event that any other event of default with respect to any Senior Indebtedness shall have occurred and be continuing and shall have resulted in such Senior Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable and the Trustee has received written notice from the Company, from holders of Senior Indebtedness or from any trustee, representative or agent therefor, unless and until such event of default shall have been cured, waived or remedied or shall have ceased to exist and such acceleration shall have been rescinded or annulled or all amounts due on such Senior Indebtedness are paid in full in cash or other permitted consideration, or otherwise provided for, then no payment of the principal of or interest on the Debentures shall be made by the Company.

(ii) Upon any payment or distribution of assets of the Company of any

kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding-up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal, premium, if any, and interest, if any, due upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth in accordance with its terms, before any payment is made on account of the principal of or interest on the indebtedness evidenced by the Debentures, and upon any such dissolution, winding-up, liquidation or reorganization, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holders of the Debentures under the terms of this Supplemental Indenture would be entitled, except for the provisions hereof, shall (subject to the power of a court of competent jurisdiction to make other equitable provision reflecting the rights conferred by the provisions hereof upon the Senior Indebtedness and the holders thereof with respect to the Debentures and the Holders thereof by a lawful plan of reorganization under applicable bankruptcy law), be paid by the Company or any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by the Holders of the Debentures if received by them, directly to the holders of Senior Indebtedness (pro rata to each such holder on the basis of the respective amounts of Senior Indebtedness held by such holder) or their representatives, to the extent necessary to pay all Senior Indebtedness (including interest thereon) in full, in money or money's worth, in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the holders of the indebtedness evidenced by the Debentures. The consolidation of the Company with, or a merger of the Company into, another Person or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another Person upon the terms and conditions

15

provided in Section 801 of the Original Indenture shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 602(a).

(b) In the event that any payment or distribution of assets of the Company of any kind or character not permitted by Section 602(a), whether in cash, property or securities, shall be received by the Trustee or the Holders of Debentures before all Senior Indebtedness is paid in full, or provision made for such payment, in accordance with its terms, upon written notice to the Trustee or, as the case may be, such Holder, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of such Senior Indebtedness or their representative or representatives, or to the Trustee or trustees under any indenture pursuant to which any instruments evidencing any of such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all such Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the holders of such Senior Indebtedness. Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 606 of the Original Indenture. In addition, nothing in this Article shall prevent the Company from making or the Trustee from receiving or applying any payment in connection with the redemption of the Debentures if the first publication of notice of such redemption (whether by mail or otherwise in accordance with this Supplemental Indenture) has been made, and the Trustee has received such payment from the Company, prior to the occurrence of any of the contingencies specified in this Section 602.

SECTION 603. Subrogation to Rights of Holders of Senior Indebtedness. From and after the payment in full of all Senior Indebtedness, the Holders of the Debentures (together with the holders of any other indebtedness of the Company which is subordinate in right of payment to the payment in full of all Senior Indebtedness, which is not subordinate in right of payment to the Debentures and which by its terms grants such right of subrogation to the holder thereof) shall be subrogated to the rights of the holders of Senior Indebtedness

to receive payments or distributions of assets or securities of the Company applicable to the Senior Indebtedness until the Debentures shall be paid in full, and, for the purposes of such subrogation, no such payments or distributions to the holders of Senior Indebtedness of assets or securities, which otherwise would have been payable or distributable to Holders of the Debentures, shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Debentures, be deemed to be a payment by the Company to or on account of the Senior Indebtedness, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Debentures, on the one hand, and the holders of the Senior Indebtedness, on the other hand, and nothing contained herein is intended to or shall impair as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Debentures, the obligation of the Company, which is unconditional and absolute, to pay to the Holders of the Debentures the principal of and interest on the Debentures as and when the same shall become due and payable in accordance with their terms, or to affect the relative rights of the Holders of the Debentures and creditors of the Company other than the holders of the Senior Indebtedness, nor shall anything herein or therein

16

prevent the Trustee or the Holder of Debentures from exercising all remedies otherwise permitted by applicable law upon default hereunder with respect to the Debentures subject to the rights of the holders of Senior Indebtedness, under Section 602, to receive cash, property or securities of the Company otherwise payable or deliverable to the Trustee or the Holders of the Debentures or to a representative of such Holders, on their behalf.

Upon any distribution or payment in connection with any proceedings or sale referred to in Section 602(a), the Trustee and each Holder of the Debentures then Outstanding, shall be entitled to rely upon a certificate of the liquidating trustee or agent or other Person making any distribution or payment to the Trustee or such Holder for the purpose of ascertaining the holders of Senior Indebtedness entitled to participate in such payment or distribution, the amount of such Senior Indebtedness or the amount payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

SECTION 604. No Impairment of Subordination. Nothing contained in this Article or elsewhere in this Supplemental Indenture or the Debentures shall prevent at any time the Company from making payments at any time of principal of or interest on the Debentures, except under the conditions described in Section 602 or during the pendency of any proceedings or sale therein referred to.

SECTION 605. Trustee to Effectuate Subordination. Each Holder of Debentures by his acceptance thereof, whether upon original issue or upon transfer or assignment, authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provisions in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

No rights of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Trustee or any Holder of the Debentures then Outstanding, or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by any such holder, with the terms, provisions and covenants of this Supplemental Indenture, regardless of any knowledge thereof which any such holder may have or otherwise be charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Holders of the Debentures, without incurring responsibility to the Holders of the Debentures and without impairing or releasing the subordination provided in this Article or the obligations of the Holders of the Debentures to the holders of Senior Indebtedness, do any one

or more of the following: (i) change the manner, place or terms of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the

17

collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 606. Notice to Trustee. The Company shall give prompt written notice to the Trustee in the form of an Officers' Certificate of any fact known to the Company which would prohibit the making of any payment of money to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article. Notwithstanding the provisions of this Article or any other provisions of this Supplemental Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Debentures pursuant to the provisions of this Article, unless and until the Trustee shall have received at its Corporate Trust Office written notice thereof from the Company or a holder or holders of Senior Indebtedness or from any trustee therefor at least two Business Days prior to such payment date; and, prior to the receipt of any such written notice, the Trustee, shall be entitled in all respects to assume that no such facts exist.

The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a trustee on behalf of such holder) to establish that such notice has been given by a holder of Senior Indebtedness or a trustee on behalf of any such holder. In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and, if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 607. Reliance on Certificate of Liquidating Agent. Upon any payment or distribution referred to in this Article, the Trustee and the Holders of the Debentures shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which a dissolution, winding up or total or partial liquidation or reorganization of the Company is pending, or a certificate of the trustee in bankruptcy, liquidating trustee, custodian, receiver, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of the Debentures, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article.

SECTION 608. Trustee Not Fiduciary for Holders of Senior Indebtedness. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of the Debentures or to the Company or to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

18

SECTION 609. Rights of Trustee as Holder of Senior Indebtedness. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Supplemental Indenture shall deprive the Trustee of any of its rights as such holder.

SECTION 610. Article Applicable to Paying Agent. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that this Section shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

ARTICLE SEVEN

MISCELLANEOUS PROVISIONS

The Trustee makes no undertaking or representations in respect of, and shall not be responsible in any manner whatsoever for and in respect of, the validity or sufficiency of this Supplemental Indenture or the proper authorization or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein, all of which recitals and statements are made solely by the Company.

Except as expressly amended hereby, the Original Indenture shall continue in full force and effect in accordance with the provisions thereof and the Original Indenture is in all respects hereby ratified and confirmed. This Supplemental Indenture and all its provisions shall be deemed a part of the Original Indenture in the manner and to the extent herein and therein provided.

This Supplemental Indenture and the Debentures shall be governed by, and construed in accordance with, the laws of the State of New York.

This Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

19

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed as of the day and year first above written.

DTE ENERGY COMPANY

By: _____
Name: D.R. Murphy
Title: Assistant Treasurer

THE BANK OF NEW YORK

By: _____
Name:
Title:

FORM OF SUBORDINATED DEBENTURE

[THIS DEBENTURE IS A GLOBAL DEBENTURE WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR DEBENTURES IN CERTIFICATED FORM, THIS DEBENTURE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TRUST COMPANY ("DTC"), TO A NOMINEE OF DTC OR BY DTC OR ANY SUCH NOMINEE TO A SUCCESSOR OF DTC OR A NOMINEE OF SUCH SUCCESSOR. UNLESS THIS DEBENTURE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY DEBENTURE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR IN SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL, INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

CUSIP NO.: 233331 AF4

\$ -

NO. R- -

DTE ENERGY COMPANY
7.8% JUNIOR SUBORDINATED DEBENTURES DUE 2032

DTE ENERGY COMPANY, a corporation duly organized and existing under the laws of the State of Michigan (herein referred to as the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of \$_____ on February 1, 2032 ("Stated Maturity"), unless previously redeemed, and to pay interest at the rate of 7.8% per annum on said principal sum from the date of issuance until the principal of this Debenture becomes due and payable, and on any overdue principal and (to the extent that payment of such interest is enforceable under applicable law) on any overdue installment of interest at the same rate per annum during such overdue period. Interest on this Debenture will be payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (each such date, an "Interest Payment Date"), commencing May 1, 2002.

A-1

The amount of interest payable for any period shall be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full quarterly interest period, will be computed on the basis of the actual number of days elapsed per 30-day month. In the event that any date on which interest is payable on this Debenture is not a Business Day, then payment of the amount payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day without reduction in the amount due to such early payment, in each case with the same force and effect as if made on such date. Payments of interest may be deferred by the Company pursuant to the provisions of Article Two of the Supplemental Indenture (as defined herein) to the Indenture (as defined herein). The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date with respect to this Debenture will, as provided in the Indenture, be paid to the person in whose name this Debenture (or one or more Predecessor Securities) is registered at the close of business on the relevant Regular Record Date prior to the relevant Interest Payment Date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such Regular Record Date, and

may either be paid to the person in whose name this Debenture (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of this series of Debentures not less than ten days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Debentures may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. Except as otherwise provided in the Indenture, the principal of and the interest on this Debenture shall be payable at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest may be made at the option of the Company by check mailed to the registered Holder at the close of business on the Regular Record Date at such address as shall appear in the Security Register.

All references in this Debenture to interest shall include Additional Interest, if any, and Compound Interest, if any.

This Debenture is one of a duly authorized series of Securities of the Company, designated as the "7.8% Junior Subordinated Debentures due 2032" (the "Debentures"), limited to an aggregate principal amount of \$185,567,025 (except for Debentures authenticated and delivered upon transfer of, or in exchange for, or in lieu of other Debentures), all issued under and pursuant to an Amended and Restated Indenture, dated as of April 9, 2001, as supplemented by the Fourth Supplemental Indenture dated as of January 15, 2002, with respect to the Debentures (the "Supplemental Indenture"), as further amended, supplemented or otherwise modified from time to time (as so amended, supplemented or modified, the "Indenture"), duly executed and delivered between the Company and The Bank of New York, a New York banking corporation, as Trustee

A-2

(herein referred to as the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture reference is hereby made for a description of the respective rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the registered Holders of the Debentures and of the terms upon which the Debentures are, and are to be, authenticated and delivered.

Payment of the principal of and interest on this Debenture is, to the extent provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all existing and future Senior Indebtedness of the Company and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each registered Holder of this Debenture, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee as his or her attorney-in-fact for any and all such purposes. Each registered Holder hereof, by his or her acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such Holder upon said provisions.

The Company and, by its acceptance of this Debenture or a beneficial interest herein, the registered Holder of, and any Person that acquires a beneficial interest in, this Debenture agree that for United States federal, state and local tax purposes it is intended that this Debenture constitute indebtedness.

Notwithstanding the provisions of the Indenture, this Debenture shall be without benefit of any security and shall be subordinated to Senior Indebtedness.

This Debenture is not subject to repayment at the option of the Holder hereof. Except as provided below, this Debenture is not redeemable by the Company prior

to maturity and is not subject to any sinking fund.

This Debenture shall be redeemable prior to its Stated Maturity at the option of the Company (i) in whole or in part, from time to time, on or after February 1, 2007 or (ii) at any time prior to February 1, 2007, in whole but not in part, within 90 days following the occurrence of a Special Event, in either case at a redemption price (the "Redemption Price") equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Interest and Compound Interest, if any) to the date of redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the Holder hereof at its registered address. Unless the Company defaults in payment of the Redemption Price, on and after the redemption date interest will cease to accrue on the principal amount of this Debenture called for redemption.

If money sufficient to pay the Redemption Price with respect to the principal amount of and accrued interest on the principal amount of this Debenture to be redeemed on the redemption

A-3

date is deposited with the Trustee or Paying Agent on or before the redemption date and certain other conditions are satisfied, then on or after such date, interest will cease to accrue on the principal amount of this Debenture called for redemption.

If the Debentures are only partially redeemed by the Company, the Debentures will be redeemed pro rata or by lot or by any other method utilized by the Trustee; provided that if, at the time of redemption, the Debentures are registered as a Global Debenture, the Depositary shall determine by lot the principal amount of such Debentures held by each Debenture Holder to be redeemed.

In the event of redemption of this Debenture in part only, a new Debenture or Debentures of this series for the unredeemed portion hereof will be issued in the name of the registered Holder hereof upon the cancellation hereof.

In case an Event of Default, as defined in the Indenture, shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The provisions relating to defeasance and covenant defeasance in the Indenture in Section 403 thereof shall not apply to this Debenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Debentures under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority of the aggregate principal amount of all Debentures issued under the Indenture at the time outstanding and affected thereby; provided, however, that no such amendment shall without the consent of the Holder of each Debenture so affected, among other things (i) change the stated maturity of the principal of, or any installment of principal of or interest on any Debentures of any series, or reduce the principal amount thereof, or reduce the rate of interest thereon, or reduce any premium payable upon the redemption thereof, (ii) reduce the aforesaid percentage of the Holders of which are required to consent to any such supplemental indenture or (iii) modify any of the subordination provisions contained herein in a manner adverse to the Holder hereof. The Indenture also contains provisions permitting (i) the registered Holders of at least 66 2/3% in aggregate principal amount of the Securities of all series at the time outstanding affected thereby, on behalf of the registered Holders of the Securities of such series, to waive compliance by the Company with certain provisions of the Indenture and (ii) the registered Holders of not less than a majority in aggregate principal amount of the Securities of any series at the time outstanding affected thereby, on behalf of the registered Holders of the

Securities of such series, to waive certain past defaults under the Indenture and their consequences. Any such consent or waiver by the registered Holder of this Debenture (unless revoked as provided in the Indenture) shall be conclusive and binding upon such registered Holder and upon all future registered Holders and owners of this Debenture and of any Debenture issued in exchange hereof or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Debenture.

A-4

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Debenture at the time and place and at the rate and in the coin or currency herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Debenture is registrable in the Security Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Company in any place where the principal of and any interest on this Debenture are payable or at such other offices or agencies as the Company may designate, duly endorsed by or accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Security Registrar or any transfer agent duly executed by the registered Holder hereof or his or her attorney duly authorized in writing, and thereupon one or more new Debentures of this series and of like tenor, of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee, any Paying Agent and any Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Debenture shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any paying agent nor any Security Registrar shall be affected by any notice to the contrary.

The Debentures of this series are issuable only in fully registered form without coupons in denominations of \$25 and any integral multiple thereof. This Global Debenture is exchangeable for Debentures in definitive form only under certain limited circumstances set forth in the Indenture. Debentures of this series so issued are issuable only in registered form without coupons in denominations of \$25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Debentures of this series are exchangeable for a like aggregate principal amount of Debentures of this series of a different authorized denomination, as requested by the registered Holder surrendering the same.

As set forth in, and subject to the provisions of, the Indenture, no registered owner of any Debenture will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless (i) such registered owner shall have previously given to the Trustee written notice of a continuing Event of Default with respect to the Debentures of this series, (ii) the registered owners of not less than 25% in principal amount of the Outstanding Debentures of this series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, (iii) the Trustee shall have failed to institute such proceeding within 60 days and (iv) the Trustee shall not have received from the registered owners of a majority in principal amount of the outstanding Debentures of this series a direction inconsistent

with such request within such 60-day period; provided, however, that such limitations do not apply to a suit instituted by the registered owner hereof for the enforcement of payment of the principal of or any interest on this Debenture on or after the respective due dates expressed herein.

Unless the Certificate of Authentication hereon has been executed by the Trustee or a duly appointed Authentication Agent referred to herein, this Debenture shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

The Indenture and this Debenture shall be governed and construed in accordance with the laws of the State of New York.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

IN WITNESS WHEREOF, the Company has caused this Instrument to be duly executed.

DTE ENERGY COMPANY

By _____
Name:
Title:

Date:

Attest:

By _____
Corporate Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Debentures of the series of Debentures described in the within mentioned Indenture.

THE BANK OF NEW YORK
as Trustee

By _____
Authorized Signatory

Date:

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please insert Social Security or Other Identifying Number of Assignee)

(Please print or type name and address, including zip code of assignee)

the within Debenture and all rights thereunder, hereby irrevocably constituting and appointing such person attorneys to transfer the within Debenture on the books of the Issuer, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature of this assignment must correspond with the name as written upon the face of the within Debenture in every particular, without alteration or enlargement or any change whatever and NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange, Inc. Medallion Signature Program ("MSP"). When assignment is made by a guardian, trustee, executor or administrator, an officer of a corporation, or anyone in a representative capacity, proof of his or her authority to act must accompany this Debenture.

AMENDED AND RESTATED TRUST AGREEMENT

OF

DTE ENERGY TRUST I

Dated as of January 15, 2002

CROSS REFERENCE TABLE(1)

Section of Trust Indenture Act
of 1939, as amended

Section of Agreement

310 (a)	.....5.3(a)
310 (b)	.....5.3(c), 5.3(d)
310 (c)	.....Inapplicable
311 (a)	.....2.2 (b)
311 (b)	.....2.2 (b)
311 (c)	.....Inapplicable
312 (a)	.....2.2 (a)
312 (b)	.....2.2 (b)
312 (c)	.....Inapplicable
313.....	.....2.3
314 (a)	.....2.4, 2.7, 3.6(e)
314 (b)	.....Inapplicable
314 (c)	.....2.5
314 (d)	.....Inapplicable
314 (e)	.....2.5
314 (f)	.....Inapplicable
315 (a)	.....3.9(b); 3.10(a)
315 (b)	.....2.7(a)
315 (c)	.....3.9(a)
315 (d)	.....3.9(b)
316 (a)	.....2.6
316 (b)	.....2.6
316 (c)	.....3.6(e)
317 (a)	.....3.8(h)
317 (b)	.....3.8(c); 7.2(a)
318.....	.....2.1(c)

(1) This Cross-Reference Table does not constitute part of the Agreement and shall not have any bearing upon the interpretation of any of its terms or provisions.

Table of Contents

	Page

ARTICLE I	
INTERPRETATION AND DEFINITIONS	
Section 1.1 Definitions.....	1
ARTICLE II	
TRUST INDENTURE ACT	
Section 2.1 Trust Indenture Act; Application.....	9
Section 2.2 Lists of Holders of Securities.....	9
Section 2.3 Reports by the Property Trustee.....	10
Section 2.4 Periodic Reports to Property Trustee.....	10
Section 2.5 Evidence of Compliance With Conditions Precedent.....	10

Section 2.6	Events of Default; Waiver.....	10
Section 2.7	Event of Default; Notice.....	12

ARTICLE III ORGANIZATION

Section 3.1	Name.....	13
Section 3.2	Office.....	13
Section 3.3		

Purposes.....	13	
Section 3.4	Authority.....	14
Section 3.5	Title to Property of the Trust.....	14
Section 3.6	Powers and Duties of the Administrative Trustees.....	14
Section 3.7	Prohibition of Actions by the Trust and the Trustees.....	17
Section 3.8	Powers and Duties of the Property Trustee.....	18
Section 3.9	Certain Duties and Responsibilities of the Property Trustee.....	20
Section 3.10	Certain Rights of the Property Trustee.....	22
Section 3.11	Delaware Trustee.....	24
Section 3.12	Not Responsible for Recitals or Issuance of Securities.....	24
Section 3.13	Duration of Trust.....	25
Section 3.14	Mergers.....	25

ARTICLE IV SPONSOR

Section 4.1	Sponsor's Purchase of Common Securities.....	27
Section 4.2	Covenants of the Sponsor.....	27
Section 4.3	Rights and Responsibilities of the Sponsor.....	27
Section 4.4	Right to Proceed.....	28
Section 4.5	Expenses.....	28

ARTICLE V TRUSTEES

Section 5.1	Number of Trustees.....	29
Section 5.2	Delaware Trustee.....	29
Section 5.3	Property Trustee; Eligibility.....	30
Section 5.4	Certain Qualifications of Administrative Trustees and Delaware Trustee Generally.....	30
Section 5.5	Administrative Trustees.....	31
Section 5.6	Appointment; Removal and Resignation of Trustees.....	31
Section 5.7	Vacancies Among Trustees.....	33
Section 5.8	Effect of Vacancies.....	33
Section 5.9	Meetings.....	33
Section 5.10	Delegation of Power.....	34

i

Section 5.11	Merger, Conversion, Consolidation or Succession to Business.....	34
--------------	--	----

ARTICLE VI DISTRIBUTIONS

Section 6.1	Distributions.....	34
-------------	--------------------	----

ARTICLE VII ISSUANCE OF SECURITIES

Section 7.1	General Provisions Regarding Securities.....	35
Section 7.2	Paying Agent and Registrar.....	38

ARTICLE VIII TERMINATION OF TRUST

Section 8.1	Termination of Trust.....	39
-------------	---------------------------	----

ARTICLE IX TRANSFER OF INTERESTS

Section 9.1	Transfer of Securities.....	40
Section 9.2	Transfer or Exchange of Certificates.....	40
Section 9.3	Deemed Security Holders.....	41
Section 9.4	Book Entry Interests.....	41
Section 9.5	Notices to Clearing Agency.....	42
Section 9.6	Appointment of Successor Clearing Agency.....	42
Section 9.7	Definitive Trust Preferred Security Certificates.....	42
Section 9.8	Mutilated, Destroyed, Lost or Stolen Certificates.....	43

ARTICLE X LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 10.1	Liability.....	43
Section 10.2	Exculpation.....	44
Section 10.3	Fiduciary Duty.....	44
Section 10.4	Indemnification.....	45
Section 10.5	Outside Businesses.....	48
Section 10.6	Trustees' Fees and Expenses.....	48

ARTICLE XI ACCOUNTING

Section 11.1	Fiscal Year.....	48
Section 11.2	Certain Accounting Matters.....	48
Section 11.3	Banking.....	49
Section 11.4	Withholding.....	49

ARTICLE XII AMENDMENTS AND MEETINGS

Section 12.1	Amendments.....	50
Section 12.2	Meetings of the Holders of Securities; Action by Written Consent.....	52
ARTICLE XIII		
REPRESENTATIONS OF PROPERTY TRUSTEE AND DELAWARE TRUSTEE		
Section 13.1	Representations and Warranties of Property Trustee.....	53
Section 13.2	Representations and Warranties of Delaware Trustee.....	54
ARTICLE XIV		
MISCELLANEOUS		
Section 14.1	Notices.....	55

ii

Section 14.2	Governing Law.....	56
Section 14.3	Intention of the Parties.....	56
Section 14.4	Headings.....	56
Section 14.5	Successors and Assigns.....	56
Section 14.6	Partial Enforceability.....	56
Section 14.7	Entire Agreement.....	57
Section 14.8	Remedies.....	57
Section 14.9	Counterparts.....	57

EXHIBIT A	Terms and Conditions of Securities
EXHIBIT A-1	Form of Trust Preferred Security Certificate
EXHIBIT A-2	Form of Common Security Certificate

iii

AMENDED AND RESTATED TRUST AGREEMENT OF DTE ENERGY TRUST I

AMENDED AND RESTATED TRUST AGREEMENT (the "Agreement") dated and effective as of January 15, 2002, among the Trustees (as defined herein), for the benefit of the Holders (as defined herein), and the Sponsor (as defined herein).

WHEREAS, certain of the Trustees and the Sponsor created DTE Energy Trust I (the "Trust"), a Delaware business trust under the Business Trust Act (as defined herein), pursuant to a Trust Agreement dated as of November 28, 2001 (the "Original Agreement"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 29, 2001;

WHEREAS, prior to the date hereof, no Securities (as defined herein) have been issued);

WHEREAS, all of the Trustees and the Sponsor, by this Agreement, intend to amend and restate each and every term and provision of the Original Agreement;

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a Delaware business trust under the Business Trust Act and to constitute this as the governing instrument of the Trust, in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

ARTICLE I INTERPRETATION AND DEFINITIONS

Section 1.1 Definitions

Unless the context otherwise requires or unless specified in

an Exhibit hereto:

(a) each capitalized term used in this Agreement but not defined in the preamble has the respective meaning assigned to it in this Section 1.1;

(b) a term defined anywhere in this Agreement has the same meaning throughout;

(c) all references to "the Agreement" or "this Agreement" are to this Agreement as modified, supplemented or amended from time to time, and include Exhibits to this Agreement;

(d) all references in this Agreement to Articles, Sections and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act, either directly or by reference therein, has the same meaning when used in this Agreement unless otherwise defined in this Agreement;

(f) a reference to the singular includes the plural and vice versa;

(g) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation;"

(h) all accounting terms used but not defined herein have the meanings assigned to them in accordance with United States generally accepted accounting principles as in effect at the time of computation; and

(i) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Exhibit or other subdivision.

"Administrative Trustee" has the meaning set forth in Section 5.1.

"Affiliate" has the meaning given to that term in Rule 405 under the Securities Act or any successor rule thereunder.

"Agent" means any Paying Agent or Registrar.

"Authorized Newspaper" means a daily newspaper, in the English language, customarily published on each day that is a Business Day in The City of New York and of general circulation in The City of New York.

"Authorized Officer" of a Person means any Person that is authorized to bind such Person.

"Book Entry Interest" means a beneficial interest in a Global Certificate registered in the name of a Clearing Agency or its nominee, ownership and transfers of which shall be maintained and made through book entries by a Clearing Agency as described in Section 9.4.

"Business Day" means any day that is not a Saturday, Sunday, a day on which banking institutions in The City of New York are permitted or required by any applicable law or executive order to close, or a day on which the Corporate Trust Office of the Property Trustee or the Debenture Trustee is closed for business.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Section 3801, et seq., as it may be amended from time to time, or any successor legislation.

"Certificate" means a Common Security Certificate or a Trust Preferred Security Certificate.

"Clearing Agency" means an organization registered as a "Clearing Agency" pursuant to Section 17A of the Exchange Act that is acting as depository for the Trust Preferred Securities and in whose name or in the name of a nominee of that organization shall be registered a Global Certificate and which shall undertake to effect book entry transfers and pledges of the Trust Preferred Securities. Unless otherwise specified in the Terms and Conditions, DTC shall be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time the Clearing Agency effects book entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Date" means the "First Time of Delivery" under the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission, as from time to time constituted and existing under the Exchange Act, or, if at any time after the execution of this instrument such commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Security" has the meaning set forth in Section 7.1.

"Common Securities Guarantee" means the guarantee agreement dated as of the date hereof and executed and delivered by the Sponsor and The Bank of New York, as trustee, for the benefit of the Holders of the Common Securities, as such agreement may be modified, supplemented or amended from time to time.

"Common Securities Agreement" means the Common Securities Subscription Agreement, dated the date hereof, between the Trust and the Sponsor.

"Common Security Certificate" means a definitive certificate in fully registered form representing a Common Security, which shall be prepared by the Sponsor and a specimen of which shall be substantially in the form attached hereto as Exhibit A-2.

"Company Indemnified Person" means (a) any Administrative Trustee; (b) any Affiliate of any Administrative Trustee; (c) any officers, directors, shareholders, members, partners, employees, representatives or agents of any Administrative Trustee or any Affiliate of any Administrative Trustee; or (d) any officer, employee or agent of the Trust or its Affiliates.

"Corporate Trust Office" means the office of the Property Trustee in The City of New York at which the corporate trust business of the Property Trustee shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at 101 Barclay Street, 21 West, New York, New York 10286, Attention: Corporate Trust Trustee Administration.

"Covered Person" means: (a) any officer, director, shareholder, partner, member, representative, employee or agent of (i) the Trust or (ii) the Trust's Affiliates; and (b) any Holder of Securities.

"Creditor" has the meaning set forth in Section 4.5.

"Debenture Event of Default" means an event of default under

the Debentures.

"Debenture Issuer" means DTE Energy Company, a Michigan corporation, or any successor entity, in its capacity as issuer of the Debentures under the Indenture.

"Debenture Trustee" means The Bank of New York, a New York banking corporation, as trustee under the Indenture with respect to the Debentures until a successor is appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the debt securities to be purchased by the Trust specified in the Terms and Conditions.

"Delaware Trustee" has the meaning set forth in Section 5.2.

"Direction" by a Person means a written direction signed:

(a) if the Person is a natural person, by that Person; or

(b) in any other case, in the name of such Person by one or more Authorized Officers of that Person.

"Direct Action" has the meaning set forth in Section 3.8(e).

"Distribution" has the meaning set forth in the Terms and Conditions.

"DTC" means The Depository Trust Company or any successor entity.

"Event of Default" means a Debenture Event of Default has occurred and is continuing.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor legislation.

"Fiduciary Indemnified Person" means (a) the Property Trustee, (b) the Delaware Trustee, (c) any Affiliate of the Property Trustee or the Delaware Trustee, and (d) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Property Trustee or the Delaware Trustee.

"Global Certificate" has the meaning set forth in Section 9.4.

"Holder" or "holder" means a Person in whose name a Security is registered, such Person being a beneficial owner within the meaning of the Business Trust Act.

4

"Indemnified Person" means a Company Indemnified Person or a Fiduciary Indemnified Person.

"Indenture" means the Indenture specified in the Terms and Conditions, between the Debenture Issuer and the Debenture Trustee under which the Debentures are issued, as such indenture may be modified, supplemented or amended from time to time, and includes any indenture supplemental thereto with respect to the Debentures.

"Investment Company" means an entity required to register as an investment company under the Investment Company Act.

"Investment Company Act" means the Investment Company Act of 1940, as amended from time to time or any successor legislation.

"Legal Action" has the meaning set forth in Section 3.6(g).

"Majority in liquidation amount" with respect to Securities of any class means, except as provided elsewhere in this Agreement or by the Trust Indenture Act, more than 50% of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus any accrued and unpaid Distributions to the date upon which the voting or written consent percentages are determined) of all outstanding Securities of such class.

"Officers' Certificate" means, with respect to (A) the Sponsor, a certificate signed by the Chairman of the Board, a Vice Chairman, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Sponsor and (B) any other Person, a certificate signed by any two Authorized Officers of such Person. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Agreement shall comply with Section 314 of the Trust Indenture Act and shall include:

(a) a statement that the individuals signing the Officers' Certificate have read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate are based;

(c) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as, in such individual's opinion, is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such individuals, such condition or covenant has been complied with.

"Outstanding," with respect to any Securities, means, as of the date of determination, all Securities theretofore executed and delivered under this Agreement, except:

5

(a) Trust Preferred Securities theretofore cancelled by the Property Trustee or delivered to the Property Trustee for cancellation or Common Securities theretofore cancelled by an Administrative Trustee or delivered to the Administrative Trustees for cancellation;

(b) Securities for whose payment, repayment or redemption money in the necessary amount and currency has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Securities, provided that if such Securities are to be repaid or redeemed, notice of such repayment or redemption has been duly given pursuant to this Agreement;

(c) Securities which have been paid or in exchange for or in lieu of which other securities have been executed and delivered pursuant to this Agreement; and

(d) if the Securities are convertible or exchangeable into other securities or other property, Securities converted or exchanged as contemplated by this Agreement if such other securities have or other property has been either (i) delivered to the Holders of such Securities in accordance with this Agreement or (ii) deposited with and are held by the Property Trustee or any Paying Agent in trust for the Holders of such Securities in accordance with this Agreement, provided in the case of this clause (ii) that any applicable notice of conversion or exchange has been duly given to the Holders thereof pursuant to this Agreement;

provided, however, that in determining whether the Holders of the requisite liquidation amount of outstanding Trust Preferred Securities have given any

request, demand, authorization, direction, notice, consent or waiver hereunder, Trust Preferred Securities owned by the Sponsor or any Administrative Trustee or any Affiliate of the Sponsor or any Administrative Trustee shall be disregarded and deemed not to be outstanding, except that (i) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Trust Preferred Securities that such Trustee actually knows to be so owned shall be so disregarded and (ii) the foregoing shall not apply at any time when all of the outstanding Trust Preferred Securities are owned by the Sponsor, one or more of the Trustees and/or any such Affiliate. Trust Preferred Securities so owned which have been pledged in good faith may be regarded as outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to act with respect to such Trust Preferred Securities and that the pledgee is not the Sponsor or any Affiliate of the Sponsor.

"Paying Agent" has the meaning set forth in Section 7.2(a).

"Payment Amount" has the meaning set forth in Section 6.1.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Property Trustee" means the Trustee meeting the eligibility requirements set forth in Section 5.3.

6

"Property Trustee Account" has the meaning set forth in Section 3.8(c).

"Quorum" means, with respect to the Administrative Trustees, a majority of the Administrative Trustees or, if there are only two Administrative Trustees, both of them or, if there is only one Administrative Trustee, such Person.

"Registrar" has the meaning set forth in Section 7.2(b).

"Related Party" means, with respect to the Sponsor, any direct or indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Property Trustee, any officer within the Corporate Trust Office of the Property Trustee with direct responsibility for the Property Trustee's obligations under this Agreement and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Securities" means the Common Securities and the Trust Preferred Securities.

"Securities Guarantees" means the Common Securities Guarantee and the Trust Preferred Securities Guarantee.

"Securities Act" means the Securities Act of 1933, as amended from time to time, or any successor legislation.

"Sponsor" means DTE Energy Company, a Michigan corporation, or any successor entity, in its capacity as sponsor of the Trust.

"State" means any of the 50 states in the United States or the District of Columbia.

"Subordinated Debenture Agreement" means the Subordinated Debenture Purchase Agreement, dated the date hereof, between the Sponsor and the Trust

"Successor Delaware Trustee" has the meaning set forth in Section 5.6(b) (ii).

"Successor Entity" has the meaning set forth in Section 3.14(b) (i).

"Successor Property Trustee" has the meaning set forth in Section 3.8(f) (ii).

"Super Majority" has the meaning set forth in Section 2.6(a) (ii).

"10% in liquidation amount" with respect to either the Common Securities or the Trust Preferred Securities means, except as provided elsewhere in this Agreement or by the Trust Indenture Act, 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus any accrued and unpaid

7

Distributions to the date upon which the voting percentages are determined) of all such outstanding Common Securities or Trust Preferred Securities.

"Terms and Conditions" means the terms and conditions of the Common Securities and the Trust Preferred Securities in the form attached hereto as Exhibit A.

"Trustee" or "Trustees" means each Person who has signed this Agreement as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended from time to time, or any successor legislation.

"Trust Preferred Security" has the meaning set forth in Section 7.1(a).

"Trust Preferred Security Beneficial Owner" means, with respect to a Book Entry Interest, a Person who is the beneficial owner of such Book Entry Interest, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

"Trust Preferred Security Certificate" means a certificate representing a Trust Preferred Security, which shall be prepared by the Sponsor and a specimen of which shall be substantially in the form attached hereto as Exhibit A-1.

"Trust Preferred Securities Guarantee" means the guarantee agreement dated as of the date hereof executed and delivered by the Sponsor and The Bank of New York, as trustee, for the benefit of the Holders, as such agreement may be modified, supplemented or amended from time to time.

"Trust Property" means (a) the Debentures, (b) any cash on deposit in, or owing to, the Property Trust Account, and (c) all proceeds and rights in respect of the foregoing or any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to this Agreement.

"Underwriting Agreement" means the underwriting agreement for the offering and sale of Trust Preferred Securities, including any amendments or supplements thereto, and "Underwriters" means the underwriters party to the Underwriting Agreement.

8

ARTICLE II
TRUST INDENTURE ACT

Section 2.1 Trust Indenture Act; Application.

(a) This Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Agreement and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) Any application of the Trust Indenture Act to this Agreement shall not affect the nature of the Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

Section 2.2 Lists of Holders of Securities.

(a) In accordance with Section 312(a) of the Trust Indenture Act, the Administrative Trustees, on behalf of the Trust, shall provide to the Property Trustee:

(i) within 14 days after each record date for payment of Distributions or such other dates as are set forth in the Terms and Conditions, a list, in such form as the Property Trustee may reasonably require, of the names and addresses of the Holders of the Securities ("List of Holders") as of such date, provided that the Administrative Trustees, on behalf of the Trust, shall not be obligated to provide such List of Holders at any time that the Property Trustee is the Registrar or the List of Holders does not differ from the most recent List of Holders given to the Property Trustee by the Administrative Trustees on behalf of the Trust; and

(ii) at any other time, within 30 days of receipt by the Trust of a written request by the Property Trustee for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Property Trustee. The Property Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in the Lists of Holders given to it or which it receives in the capacity as Paying Agent or Registrar (if acting in such capacity), provided that the Property Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Property Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

9

Section 2.3 Reports by the Property Trustee.

Within 60 days after June 15 of each year, commencing with the June 15 that first occurs following the issuance of the Securities, the Property Trustee shall provide to the Holders of the Trust Preferred Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act.

The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4 Periodic Reports to Property Trustee.

The Administrative Trustees, on behalf of the Trust, shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5 Evidence of Compliance With Conditions Precedent.

Each of the Sponsor and the Administrative Trustees, on behalf of the Trust, shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6 Events of Default; Waiver.

(a) The Holders of not less than a Majority in liquidation amount of Trust Preferred Securities may, by vote or written consent, on behalf of the Holders of all of the Trust Preferred Securities, waive any past Event of Default in respect of the Trust Preferred Securities and its consequences, provided that, if the corresponding Debenture Event of Default:

(i) is not waivable under the Debentures, the Event of Default under this Agreement shall also not be waivable; or

(ii) requires the consent or vote of greater than a majority in principal amount of the holders of the Debentures (a "Super Majority"), to be waived under the Indenture, the Event of Default under this Agreement may only be waived by the vote of the relevant Super Majority in liquidation amount of Holders of the Trust Preferred Securities.

The foregoing provisions of this Section 2.6(a) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Agreement and the Securities, as permitted by the Trust Indenture Act. Upon such waiver, any such Debenture Event of Default shall cease to exist, and any Event of Default with respect to the Trust Preferred Securities arising therefrom shall be deemed to have been cured, for every purpose of this Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Trust Preferred Securities or impair any right consequent thereon. Any waiver by the Holders of the Trust Preferred Securities of an Event of Default with respect to the Trust Preferred Securities shall also be deemed to constitute a waiver

by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Agreement without any further act, vote, or consent of the Holders of the Common Securities.

The Holders of a Majority in liquidation amount of the Trust Preferred Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee, including the right to direct the Property Trustee to exercise the remedies available to it under the Indenture as a holder of the Debentures; provided, however, that (subject to the provisions of Section 3.9) the Property Trustee shall have the right to decline to follow any such direction if the Property Trustee shall determine that the action so directed would be unjustly prejudicial to the Holders not taking part in such direction or if the Property

Trustee, being advised by competent legal counsel, determines that the action or proceeding so directed may not lawfully be taken or if the Property Trustee, in good faith, by its board of directors or trustees, executive committee, or a trust committee of directors or trustees, and/or Responsible Officers, shall determine that the action or proceeding so directed would involve the Property Trustee in personal liability.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote or consent, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences, provided that, if the underlying Event of Default under the Indenture:

(i) is not waivable under the Debentures, except where the Holders of the Common Securities are deemed to have waived such Event of Default under this Agreement as provided elsewhere in this Section 2.6, the Event of Default under this Agreement shall also not be waivable; or

(ii) requires the consent or vote of a Super Majority to be waived, except where the Holders of the Common Securities are deemed to have waived such Event of Default under this Agreement as provided below in this Section 2.6, such Event of Default under this Agreement may only be waived by the vote or consent of the Holders of at least the proportion in aggregate liquidation amount of the Common Securities that the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding;

provided further, that, notwithstanding (i) or (ii) above, each Holder of the Common Securities shall be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Trust Preferred Securities have been cured, waived or otherwise eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Property Trustee will be deemed to be acting solely on behalf of the Holders of the Trust Preferred Securities and only the Holders of the Trust Preferred Securities will have the right to direct the Property Trustee in accordance with the terms of this Agreement and the Securities. The foregoing provisions of this Section 2.6(b) shall be in lieu of Sections 316(a)(1)(A) and 316 (a)(1)(B) and of the Trust Indenture Act and such Sections 316(a)(1)(A) and 316 (a)(1)(B) of the Trust Indenture Act are hereby expressly excluded from this Agreement and the Securities, as permitted by the Trust Indenture Act.

11

Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such Debenture Event of Default shall cease to exist, and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of a Debenture Event of Default by the Property Trustee at the direction of the Holders of the Trust Preferred Securities constitutes a waiver of the corresponding Event of Default with respect to the Trust Preferred Securities under this Agreement. Any waiver of a Debenture Event of Default by the Property Trustee at the direction of the Holders of the Trust Preferred Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of the corresponding Event of Default under this Agreement with respect to the Common Securities for all purposes of this Agreement without further act, vote or consent of the Holders of the Common Securities. The foregoing provisions of this Section 2.6(c) shall be in lieu of Section 316(a)(1)(B) of the Trust Indenture Act and such Section 316(a)(1)(B) of the Trust Indenture Act is hereby expressly excluded from this Agreement and the Securities, as permitted by the Trust Indenture Act.

(d) The right of any Holder to receive payment of

Distributions in accordance with this Agreement and the terms of the Securities on or after the respective payment dates therefor, or to institute suit for the enforcement of any such payment on or after such payment dates, shall not be impaired without the consent of each such Holder.

Section 2.7 Event of Default; Notice.

(a) The Property Trustee shall, within 90 days after a Responsible Officer of the Property Trustee obtains actual knowledge of the occurrence of a default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all defaults known to the Property Trustee other than defaults that have been cured or waived before the giving of such notice (the term "defaults" for the purposes of this Section 2.7(a) being hereby defined to include Debenture Events of Default, not including any periods of grace provided for therein and irrespective of the giving of any notice provided therein); provided that, except for a default in the payment of principal of (or premium, if any) or interest on, or in the delivery of any cash, securities or other property in exchange for or upon conversion or redemption of or otherwise in accordance with the terms of, any Debenture or the Securities, the Property Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Property Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Property Trustee shall not be deemed to have knowledge of any default except:

(i) a default under Sections 501(1) and 501(2) of the Indenture;

(ii) any failure to deliver any cash, securities or other property in exchange for or upon conversion or redemption of or otherwise in accordance with the terms of the Debentures or the Securities; and

12

(iii) any default as to which the Property Trustee shall have received written notice or of which a Responsible Officer of the Property Trustee shall have actual knowledge.

(c) The Sponsor and the Administrative Trustee shall file annually within 30 days after June 15 of each year, commencing with the June 15 that first occurs following the issuance of the Securities, with the Property Trustee in accordance with Section 314(a) (4) of the Trust Indenture Act a certification as to whether or not they are in compliance with all the conditions applicable to them under this Agreement.

ARTICLE III ORGANIZATION

Section 3.1 Name.

The Trust is named "DTE Energy Trust I," as such name may be modified from time to time in accordance with the Business Trust Act. The Administrative Trustees shall give prompt written notice of any change in the name of the Trust to the Delaware Trustee, the Property Trustee and the Holders of the Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Administrative Trustees.

Section 3.2 Office.

The address of the principal office of the Trust is c/o DTE Energy Company, 2000 2nd Avenue, Detroit, Michigan 48226-1279. On ten Business Days prior written notice to the Property Trustee and Holders of the Securities, the Administrative Trustees may designate another principal office.

Section 3.3 Purposes.

The exclusive purposes and functions of the Trust are and the Trust shall have the power and authority (a) to issue and sell the Securities and use the gross proceeds from such sale to acquire the Debentures and to own property and conduct its business all as described herein and in the Prospectus (as defined in the Underwriting Agreement) (b) to enter into and perform its obligations under the Underwriting Agreement, the Subordinated Debenture Agreement, the Common Securities Agreement, and each other document to which the Trust is a party in connection herewith and (c) to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, execute mortgages or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust not to be classified for United States federal income tax purposes as a grantor trust. It is the intent of the parties to this Agreement for the Trust to be classified as a grantor trust for United States federal income tax purposes under Subpart E of Subchapter J of the Code, pursuant to which the owners of the Trust Preferred Securities and the Common Securities will be the owners of the Trust for United States federal income tax purposes, and such owners will include directly in their gross income the income, gain, deduction or loss of the Trust as if the Trust did not exist. By the acceptance of this Agreement, neither the Trustees nor the Sponsor or the Holders of the Trust Preferred Securities or Common Securities will take any position for United States federal income tax purposes, or

13

permit the Trust to make any election, which is contrary to the classification of the Trust as a grantor trust.

Section 3.4 Authority.

Subject to the limitations provided in this Agreement and to the specific duties of the Property Trustee, the Administrative Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Administrative Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Property Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind the Trust. In dealing with the Trustees acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Agreement.

Section 3.5 Title to Property of the Trust.

Except as provided in Section 3.8 with respect to the Trust Property and the Property Trustee Account or as otherwise provided in this Agreement, legal title to all assets of the Trust shall be vested in the Trust. A Holder shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

Section 3.6 Powers and Duties of the Administrative Trustees.

The Administrative Trustees shall have the power, duty and authority, which shall be exclusive except as otherwise set forth herein, and are hereby authorized and directed to cause the Trust to engage in the following activities:

(a) execute, deliver, issue and sell the Trust Preferred Securities and the Common Securities in accordance with this Agreement; provided, however, that the Trust may issue no more than one series of Trust Preferred Securities and no more than one series of Common Securities, and, provided further, that there shall be no interests in the Trust other than the Securities, and the issuance of Securities shall be limited to a simultaneous issuance of both Trust Preferred Securities and Common Securities on each Closing Date;

(b) in connection with the issue and sale of the Trust Preferred Securities:

(i) assist in filing with the Commission any registration statement and any prospectus relating to the registration statement on Form S-3 prepared by the Sponsor, including any amendments or supplements thereto, pertaining to the Trust Preferred Securities and to take any other action relating to the registration and sale of the Trust Preferred Securities under federal and state securities laws;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Trust Preferred Securities in any State in which the Sponsor has determined to qualify or register such Trust Preferred Securities for sale;

14

(iii) execute and file an application, prepared by the Sponsor, to the New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing or quotation of any Trust Preferred Securities;

(iv) execute and file with the Commission any registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Trust Preferred Securities under Section 12(b) or 12(g) of the Exchange Act;

(v) execute and enter into and deliver the Underwriting Agreement providing for the sale of the Trust Preferred Securities;

(vi) execute and deliver letters, documents or instruments with DTC and other Clearing Agencies relating to the Trust Preferred Securities;

(vii) execute and deliver the Common Securities Agreement and the Subordinated Debenture Agreement;

(viii) execute the Terms and Conditions and attach them to this Agreement; and

(ix) execute, enter into or file any other instrument, agreement, certificate or other document negotiated or prepared by the Sponsor on behalf of the Trust, and to take such other action, in each case as the Administrative Trustees or any of them deem necessary or incidental (and not otherwise covered by the power of the other Trustees hereunder or under the Securities), in connection with the issuance, the sale or the terms of any Securities and the investment by the Trust in the Trust Property, including any remarketing, auction or similar agreements;

(c) acquire the Debentures with the proceeds of the sale of the Trust Preferred Securities and the Common Securities; provided, however, that the Administrative Trustees shall cause legal title to the Debentures to be acquired by the Trust on the Closing Date to be held of record in the name of the Property Trustee for the benefit of the Trust and the Holders of the Trust Preferred Securities and the Holders of Common Securities;

(d) give the Sponsor and the Property Trustee prompt written notice of the occurrence of any Special Event (as defined in the Terms and Conditions) or any event that, in accordance with this Agreement, may require that a notice be sent to Holders, including events that may result in an Event of Default, or any redemption, conversion or exchange of or deferral of distributions on the Securities;

(e) establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with

respect to, for the purposes of Section 316(c) of the Trust Indenture Act, Distributions, voting rights, any repayments, any redemptions, any conversions and any exchanges, and to issue relevant notices to the Holders of Trust Preferred Securities and Holders of Common Securities as to such actions and applicable record dates;

15

(f) take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of the Securities and this Agreement;

(g) to the fullest extent permitted by law, bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e) the Property Trustee has the exclusive power to bring such Legal Action;

(h) employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(j) give the certificate required by Section 314(a)(4) of the Trust Indenture Act to the Property Trustee, which certificate may be executed by any Administrative Trustee;

(k) incur expenses that are necessary, appropriate, convenient or incidental to carry out any of the purposes of the Trust;

(l) act as, or appoint another Person to act as, Registrar and transfer agent for the Securities;

(m) take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Trust Preferred Securities or to enable the Trust to effect the purposes for which the Trust was created;

(n) take any action, not inconsistent with this Agreement or with applicable law, that the Administrative Trustees determine in their discretion to be necessary or incidental in carrying out the activities of the Trust, including:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust to be classified for United States federal income tax purposes as a grantor trust; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes,

provided, in each case, that such action does not adversely affect the interests of Holders;

16

(o) take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed on behalf of the Trust; and

(p) execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters which the Administrative Trustees deem necessary or incidental to the foregoing.

The Administrative Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes of the Trust set out in Section 3.3. None of the Administrative Trustees shall take any action that is inconsistent with the purposes of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Administrative Trustees shall have none of the powers or the authority of the Property Trustee set forth in Section 3.8. No permissive power or authority available to the Administrative Trustees shall be construed to be a duty.

Any expenses incurred by the Administrative Trustees pursuant to this Section 3.6 shall be reimbursed by the Sponsor.

The Administrative Trustees shall take all actions on behalf of the Trust that are not specifically required by this Agreement to be taken by any other Trustee.

Section 3.7 Prohibition of Actions by the Trust and the Trustees.

(a) The Trust shall not, and the Trustees shall not cause the Trust to, engage in any activity other than as required or authorized by this Agreement. In particular, the Trust shall not and the Trustees shall not cause the Trust to:

(i) invest any proceeds received by the Trust from holding the Debentures or other Trust Property, but shall distribute all such proceeds to Holders of Securities pursuant to the terms of this Agreement and of the Securities;

(ii) acquire or vary any assets other than as expressly provided herein;

(iii) possess Trust Property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness for borrowed money, other than loans represented by the Debentures or other Trust Property;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Securities in any way whatsoever;

(vi) sell, assign, transfer, exchange, mortgage, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Holders, except as provided in this Agreement;

17

(vii) take or consent to any action that would result in the placement of a lien on any Trust Property;

(viii) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Securities; or

(ix) other than as provided in this Agreement, (A) direct or exercise any remedy, trust or power with respect to the Debentures, or any other instrument or agreement constituting Trust Property, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the

principal of or other amounts payable or other property deliverable under the Debentures shall be due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures, in the case of each of clauses (A) through (D), (x) without the approval of a Majority in liquidation amount with respect to the Securities or, where a consent under the Indenture would require the consent of each holder of Debentures affected thereby, of each Holder of Securities, and (y) unless the Trust shall have received an opinion of nationally recognized independent tax counsel to the effect that the Trust will not, as a result of such action, fail to be classified as a grantor trust for such purposes.

Section 3.8 Powers and Duties of the Property Trustee.

(a) The legal title to the Trust Property shall be owned by and held of record in the name of the Property Trustee in trust for the benefit of the Trust and the Holders of the Securities. The right, title and interest of the Property Trustee to the Trust Property shall vest automatically in each Person who may hereafter be appointed as Property Trustee in accordance with Section 5.6. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Trust Property have been executed and delivered.

(b) The Property Trustee shall not transfer its right, title and interest in the Trust Property to the Administrative Trustees or to the Delaware Trustee (if the Property Trustee does not also act as Delaware Trustee) or, except in accordance with the provisions of this Agreement and the Securities, any other Person.

(c) The Property Trustee shall:

(i) establish and maintain one or more segregated non-interest bearing trust accounts (collectively, the "Property Trustee Account") in the name of and under the exclusive control of the Property Trustee on behalf of the Trust and the Holders and, upon the receipt of funds in respect of the Trust Property, deposit such funds into the Property Trust Account and, upon the receipt of funds distributed to the Property Trustee in respect of the Trust Property held by the Property Trustee, deposit such funds into the Property Trustee Account, and make distributions of such funds out of the Property Trust Account to the Holders of the Trust Preferred Securities and the Holders of the Common Securities in accordance with the terms of this Agreement and the Securities. Funds in the Property Trustee Account shall be held uninvested until disbursed in accordance with this Agreement and the Securities. The Property Trustee Account shall be one or more

18

accounts maintained with one or more banking institutions (which may include the Property Trustee if it qualifies hereunder) the rating on whose long-term unsecured indebtedness is rated at least "A" or above by a "nationally recognized statistical rating organization," as that term is defined for purposes of Rule 436(g)(2) under the Securities Act;

(ii) upon receipt of any Trust Property on the Closing Date and the receipt of any property other than funds distributed to the Property Trustee in respect of Trust Property held by the Property Trustee, hold such other property in safe keeping and make distributions of such other property to the Holders of the Trust Preferred Securities and the Holders of the Common Securities in accordance with the terms of this Agreement and the Securities; and

(iii) engage in such ministerial activities as shall be necessary or incidental to hold the Trust Property in accordance with the provisions hereof and to effect distributions on and any

redemption, repayment, conversion or exchange of the Trust Preferred Securities or the Common Securities and the distribution of all or any part of the Trust Property to Holders in liquidation of the Trust or otherwise, in each case in accordance with the terms of this Agreement and the Securities.

(d) The Property Trustee shall take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of the Securities and this Agreement.

(e) Subject to Section 3.9(a), the Property Trustee shall take any Legal Action which arises out of or in connection with an Event of Default of which a Responsible Officer of the Property Trustee has actual knowledge or the Property Trustee's duties and obligations under this Agreement, the Business Trust Act or the Trust Indenture Act; provided, however, that if the Property Trustee fails to enforce its rights under this Agreement and the Debentures after a Holder of Trust Preferred Securities has made a written request, such Holder of Trust Preferred Securities may, to the fullest extent permitted by applicable law and subject to the terms of this Agreement and the Indenture, institute a legal proceeding against the Debenture Issuer without first instituting any legal proceeding against the Property Trustee or any other Person. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal of the Debentures on the date such interest or principal is otherwise payable (including, in the case of repayment or redemption, on the repayment or redemption date), and not during an authorized Extension Period (as defined in the Terms and Conditions), or, if the Debentures are exchangeable or convertible, the failure of the Debenture Issuer to convert or exchange the Debentures into or for other property in accordance with the terms thereof, then a Holder of Trust Preferred Securities may directly institute a proceeding (a "Direct Action") for enforcement of payment or delivery to such Holder of the principal of or interest on or other property deliverable upon the exchange or conversion of Debentures having a principal amount equal to the aggregate liquidation amount of the Trust Preferred Securities of such holder on or after the due date specified in the Debentures equal to the percentage of outstanding securities represented by such Holder's Securities. In connection with such Direct Action, the rights of the Holders of Common Securities will be subordinated to the rights of such Holders of Trust

19

Preferred Securities. Except as provided in the preceding sentences, the Holders of Trust Preferred Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

(f) The Property Trustee shall continue to serve as a Trustee until either:

(i) the Trust has been completely dissolved and wound up and the proceeds of the liquidation distributed to the Holders of Securities and the Trust is terminated, in accordance with the terms of the Securities and this Agreement; or

(ii) a successor Property Trustee has been appointed and has accepted that appointment in accordance with Section 5.6 (a "Successor Property Trustee").

(g) The Property Trustee shall have the legal power to exercise all of the rights, powers and privileges of the Trust as holder of Debentures under the Indenture and, if an Event of Default actually known to a Responsible Officer of the Property Trustee occurs and is continuing, the Property Trustee shall, for the benefit of Holders of the Securities, enforce the rights of the Trust as holder of the Debentures subject, in each case, to the rights of the Holders pursuant to the terms of the Securities and this Agreement.

(h) The Property Trustee shall be authorized to undertake any

actions set forth in Section 317(a) of the Trust Indenture Act.

(i) Subject to this Section 3.8, the Property Trustee shall have none of the duties, liabilities, powers or the authority of the Administrative Trustees set forth in Section 3.6.

(j) For such time as the Property Trustee is the Paying Agent, the Property Trustee may authorize one or more Persons to act as additional Paying Agents and to make distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Securities. Any such additional Paying Agent may be removed by the Property Trustee, at any time, so long as the Property Trustee remains as Paying Agent and a successor Paying Agent or additional Paying Agents may be (but are not required to be) appointed at any time by the Property Trustee.

(k) The Property Trustee must exercise the powers set forth in this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Property Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

(l) The Property Trustee shall give prompt written notice to the Holders of the Securities of any notice received by it from the Debenture Issuer of the Debenture Issuer's election to defer payments of interest on the Debentures by extending the interest payment period with respect thereto.

Section 3.9 Certain Duties and Responsibilities of the Property Trustee.

(a) The Property Trustee, before the occurrence of any Event of Default and after the curing or waiver of all Events of Default that may have occurred, shall undertake to perform

20

only such duties as are specifically set forth in this Agreement and no implied covenants shall be read into this Agreement against the Property Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6) of which a Responsible Officer of the Property Trustee has actual knowledge, the Property Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) No provision of this Agreement shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, its bad faith or its own willful misconduct, except that:

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Agreement and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Property Trustee; and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the

requirements of this Agreement; provided, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Agreement;

(iv) no provision of this Agreement shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that the repayment of such funds or liability is not

21

reasonably assured to it under the terms of this Agreement or if indemnity reasonably satisfactory to the Property Trustee against such risk or liability is not reasonably assured to it;

(v) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Trust Property and the Property Trustee Account shall be to deal with such property in a manner that is similar to the manner in which the Property Trustee deals with similar property for its fiduciary accounts generally, subject to the protections and limitations on liability afforded to the Property Trustee under this Agreement, the Business Trust Act and the Trust Indenture Act;

(vi) the Property Trustee shall have no duty or liability for or with respect to the value, genuineness, existence or sufficiency of the Trust Property or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree in writing with the Sponsor; money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Property Trustee Account maintained by the Property Trustee pursuant to Section 3.8(c) (i) and except to the extent otherwise required by law; and

(viii) the Property Trustee shall not be responsible for monitoring the compliance by the Administrative Trustees or the Sponsor with their respective duties under this Agreement, nor shall the Property Trustee be liable for any default or misconduct of the Administrative Trustees or the Sponsor.

Section 3.10 Certain Rights of the Property Trustee.

(a) Subject to the provisions of Section 3.9:

(i) the Property Trustee may conclusively rely and shall

be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Sponsor or the Administrative Trustees contemplated by this Agreement shall be sufficiently evidenced by a Direction or an Officers' Certificate;

(iii) whenever in the administration of this Agreement, the Property Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Property Trustee (unless other evidence is herein specifically prescribed) may, in the absence of negligence or bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Sponsor or the Administrative Trustees;

22

(iv) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof;

(v) the Property Trustee may consult with competent legal counsel or other competent experts and the advice or written opinion of such counsel and experts with respect to legal matters or advice within the scope of such legal counsel's or experts' area of expertise shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Sponsor or any of its Affiliates, and may include any of its employees; and the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Agreement from any court of competent jurisdiction;

(vi) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any Holder, unless (A) such Holder shall have provided to the Property Trustee reasonable security and indemnity, reasonably satisfactory to the Property Trustee, against the reasonable costs, expenses (including reasonable attorneys' fees and expenses and the reasonable expenses of the Property Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Property Trustee and (B) the Property Trustee has obtained the legal opinions, if any, required by the applicable provisions of this Agreement, provided that nothing contained in this Section 3.10(a)(vi) shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Agreement;

(vii) the Property Trustee shall be under no obligation to conduct an investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Property Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(viii) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, custodians, nominees or attorneys, and the

Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(ix) any action taken by the Property Trustee or its agents hereunder shall bind the Trust and the Holders of the Securities, and the signature of the Property Trustee or its agents alone shall be sufficient and effective to perform any such action, and no third party shall be required to inquire as to the authority of the Property Trustee to so act or as to its compliance with any of the terms and provisions of this Agreement, both of which shall be conclusively evidenced by the Property Trustee's or its agent's taking such action;

23

(x) whenever in the administration of this Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (A) may request instructions from the Holders (which instructions may only be given by the Holders of the same proportion in liquidation amount of the Securities as would be entitled to direct the Property Trustee under the terms of the Securities in respect of such remedy, right or action), (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be protected in conclusively relying on or acting in accordance with such instructions, provided that the Property Trustee shall not take any action unless it shall have obtained the legal opinions required by the applicable provisions of this Agreement;

(xi) except as otherwise expressly provided by this Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Agreement; and

(xii) the Property Trustee shall not be liable for any action taken, suffered, or omitted to be taken by it in good faith, without negligence, and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Agreement.

(b) No provision of this Agreement shall be deemed to impose any duty or obligation on the Property Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Property Trustee shall be construed to be a duty.

Section 3.11 Delaware Trustee.

Notwithstanding any other provision of this Agreement other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Trustees (except as required under the Business Trust Act) described in this Agreement. Except as set forth in Section 5.2, the Delaware Trustee shall be a Trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act. In the event that the Delaware Trustee shall at any time be required to take any action or perform any duty hereunder, the Delaware Trustee shall be entitled to the benefits of Section 3.9(b) (ii) and (viii) and Section 3.10. No implied covenants or obligations shall be read into this Agreement against the Delaware Trustee.

Section 3.12 Not Responsible for Recitals or Issuance of Securities.

The recitals contained in this Agreement and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Agreement or the Securities.

24

Section 3.13 Duration of Trust.

The Trust, unless dissolved pursuant to the provisions hereof, shall dissolve on February 1, 2037.

Section 3.14 Mergers.

(a) The Trust may not consolidate, amalgamate, merge or convert with or into, or be replaced by, or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to, any Person, except for the sole purpose of changing its domicile and as set forth in Section 3.14(b) and (c).

(b) Subject to Section 3.14(a), the Trust may, at the request of the Sponsor, with the consent of the Administrative Trustees or, if there are more than two, a majority of the Administrative Trustees and without the consent of the Holders of the Trust Preferred Securities, the Delaware Trustee or the Property Trustee, consolidate, amalgamate, merge or convert with or into, or be replaced by a trust organized as such under the laws of any State; provided that:

(i) the successor entity (the "Successor Entity") expressly assumes all of the obligations of the Trust under any agreement to which the Trust is a party and either:

(A) expressly assumes all of the obligations of the Trust under the Securities; or

(B) substitutes for the Trust Preferred Securities other securities having substantially the same terms as the Trust Preferred Securities (the "Successor Trust Preferred Securities"), so long as the Successor Trust Preferred Securities rank the same as the Trust Preferred Securities rank with respect to distributions of Trust Property and payments upon liquidation, redemption, repayment and otherwise and substitutes for the Common Securities other securities having substantially the same terms as the Common Securities (the "Successor Common Securities," and together with the Successor Trust Preferred Securities, the "Successor Securities"), so long as the Successor Common Securities rank the same as the Common Securities rank with respect to distributions of Trust Property and payments upon liquidation, redemption, repayment and otherwise;

(ii) the Successor Entity has a trustee that possesses substantially the same powers and duties as the Property Trustee;

(iii) the Trust Preferred Securities or any Successor Securities will be listed, quoted or included for trading, or any Successor Securities will be listed, quoted or included for trading upon notification of issuance if applicable, on any national securities exchange or with another system on which the Trust Preferred Securities are then listed, quoted or included for trading;

(iv) such merger, conversion, consolidation, amalgamation or replacement does not cause the Trust Preferred Securities (including

any Successor Securities) to be

25

downgraded or placed under surveillance for review by any nationally recognized statistical rating organization;

(v) such merger, conversion, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities and any Successor Trust Preferred Common Securities) in any material respect;

(vi) such Successor Entity has a purpose substantially identical to that of the Trust;

(vii) prior to such merger, conversion, consolidation, amalgamation or replacement, the Sponsor has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that:

(A) such merger, conversion, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Securities (including any Successor Securities) in any material respect;

(B) following such merger, conversion, consolidation, amalgamation or replacement, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, conversion, consolidation, amalgamation or replacement, the Trust (or the Successor Entity) will continue to be classified as a grantor trust for United States federal income tax purposes;

(viii) the Sponsor, directly or indirectly, owns all of the Successor Common Securities and guarantees the obligations of such Successor Entity under the Successor Trust Preferred Securities at least to the extent provided by the Securities Guarantees.

(ix) the Property Trustee has received an Officers' Certificate from the Sponsor and an opinion of counsel, each to the effect that all conditions precedent to the transaction as set forth in this Agreement have been satisfied.

(c) Notwithstanding Section 3.14(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Securities, consolidate, amalgamate, merge or convert with or into, or be replaced by any other Person or permit any other Person to consolidate, amalgamate, or merge with or into, or replace it if such consolidation, amalgamation, merger, conversion, or replacement would cause the Trust or Successor Entity to be classified as other than a grantor trust for United States federal income tax purposes.

26

ARTICLE IV SPONSOR

Section 4.1 Sponsor's Purchase of Common Securities.

On the Closing Date, the Sponsor shall purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3.0% of

the Securities of the Trust issued on the Closing Date, at the same time as the Trust Preferred Securities are sold.

Section 4.2 Covenants of the Sponsor.

For so long as the Trust Preferred Securities remain outstanding, the Sponsor shall:

(i) cause the Trust to remain a statutory business trust and not to voluntarily dissolve, wind up, liquidate, or terminate, except as permitted by this Agreement;

(ii) use its commercially reasonable efforts to ensure that the Trust will not be (A) an Investment Company or (B) classified as other than a grantor trust for United States federal income tax purposes.

Section 4.3 Rights and Responsibilities of the Sponsor.

In connection with the issue and sale of the Trust Preferred Securities and so long as the Securities are outstanding, the Sponsor shall have the right and responsibility (which shall be exclusive except as otherwise set forth herein) to engage in the following activities:

(a) determine the Terms and Conditions;

(b) prepare, execute and file on behalf of the Trust with the Commission a registration statement on Form S-3 and any prospectus or prospectus supplement relating to such registration statement in relation to the Trust Preferred Securities, including any amendments thereto;

(c) if deemed necessary or advisable by the Sponsor, determine the States in which to take appropriate action to qualify or register for sale all or part of the Trust Preferred Securities and to do any and all such acts on behalf of the Trust, and prepare, execute and file any documents on behalf of the Trust as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such States;

(d) if deemed necessary or advisable by the Sponsor, prepare, execute and file on behalf of the Trust an application to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing upon notice of issuance of any Trust Preferred Securities;

(e) if necessary, prepare, execute and file on behalf of the Trust with the Commission, a registration statement on Form 8-A relating to the registration of the Trust

27

Preferred Securities under Section 12(b) or 12(g) of the Exchange Act, including any amendments thereto; and

(f) negotiate the Underwriting Agreement and any other instrument or agreement which, in the opinion of the Sponsor, the Trust should be a party to, bound by or a beneficiary of, including any remarketing, auction or exchange agreement.

Section 4.4 Right to Proceed.

(a) The Sponsor acknowledges the rights of Holders to institute a Direct Action as set forth in Section 3.8(e) hereto.

Section 4.5 Expenses.

In connection with the offering, sale and issuance of the Debentures to the Property Trustee and in connection with the sale of the Securities by the Trust, the Sponsor shall:

(a) pay all costs and expenses relating to the offering, sale and issuance of the Debentures, including commissions to the underwriters payable pursuant to the Underwriting Agreement and compensation of the Trustee under the Indenture in accordance with the provisions of the Indenture;

(b) be responsible for and shall pay all debts and obligations (other than with respect to the Securities) and all costs and expenses of the Trust (including, but not limited to, costs and expenses relating to the organization, maintenance and dissolution of the Trust), the offering, sale and issuance of the Securities (including commissions to the underwriters in connection therewith), the fees and expenses (including reasonable counsel fees and expenses) of the Property Trustee, the Delaware Trustee and the Administrative Trustees (including any amounts payable under Article X of this Agreement), the costs and expenses relating to the operation of the Trust, including, without limitation, costs and expenses of accountants, attorneys, statistical or bookkeeping services, expenses for printing and engraving and computing or accounting equipment, Paying Agents, Registrars, transfer agents, duplicating, travel and telephone and other telecommunications expenses and costs and expenses incurred in connection with the acquisition, financing, and disposition of Trust assets and the enforcement by the Property Trustee of the rights of the Holders;

(c) be primarily liable for any indemnification obligations arising under Section 10.4 with respect to this Agreement; and

(d) pay any and all taxes (other than United States withholding taxes attributable to the Trust or its assets) and all liabilities, costs and expenses with respect to such taxes of the Trust.

The Sponsor's obligations under this Section 4.5 shall be for the benefit of, and shall be enforceable by, any Person to whom such debts, obligations, costs, expenses and taxes are owed (a "Creditor") whether or not such Creditor has received notice hereof. Any such Creditor may enforce the Sponsor's obligations under this Section 4.5 directly against the Sponsor and the Sponsor irrevocably waives any right or remedy to require that any such

28

Creditor take any action against the Trust or any other Person before proceeding against the Sponsor. The Sponsor agrees to execute such additional agreements as may be necessary or desirable in order to give full effect to the provisions of this Section 4.5.

ARTICLE V TRUSTEES

Section 5.1 Number of Trustees.

The number of Trustees initially shall be five (5), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Securities, the number of Trustees may be increased or decreased by the Holders of a Majority in liquidation amount of the Common Securities; provided, however, that, the number of Trustees shall in no event be less than two (2), provided further that (1) one Trustee shall meet the requirements of Section 5.2(a) or (b); (2) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Sponsor (an "Administrative Trustee"); and (3) one Trustee shall be the Property Trustee for so long as this Agreement is required to qualify as an indenture under the Trust Indenture Act, and such Property Trustee may also serve as Delaware Trustee if it meets the applicable requirements.

Section 5.2 Delaware Trustee.

If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the State of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law (including Section 3807, of the Business Trust Act), provided that, if the Property Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Property Trustee shall also be the Delaware Trustee and Section 3.11 shall have no application.

(c) The initial Delaware Trustee shall be:

The Bank of New York (Delaware)
White Clay Center (or P.O. Box 6973)
Route 273
Newark, Delaware 19711
Attn: Corporate Trust Trustee Administration

29

Section 5.3 Property Trustee; Eligibility.

(a) There shall at all times be one Trustee which shall act as Property Trustee for so long as this Agreement is required to qualify as an Indenture under the Trust Indenture Act, which shall:

(i) not be an Affiliate of the Sponsor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then for the purposes of this Section 5.3(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Property Trustee shall cease to be eligible to so act under Section 5.3(a), the Property Trustee shall immediately resign in the manner and with the effect set forth in Section 5.6(c).

(c) If the Property Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Property Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Trust Preferred Securities Guarantee and the Indenture shall be deemed to be specifically described in this Agreement and the Indenture for purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Property Trustee shall be:

The Bank of New York

101 Barclay Street, 21 West
New York, New York 10286
Attention: Corporate Trust Trustee Administration

Section 5.4 Certain Qualifications of Administrative Trustees and Delaware
Trustee Generally.

Each Administrative Trustee and the Delaware Trustee (unless the Property Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

30

Section 5.5 Administrative Trustees.

The initial Administrative Trustees shall be:

K. Hier
N.A. Khouri
D.R. Murphy

(a) Except as otherwise expressly set forth in this Agreement and except if a meeting of the Administrative Trustees is called in accordance with Section 5.9 with respect to any matter over which the Administrative Trustees have power to act, any power of the Administrative Trustees may be exercised by, or with the consent of, any one such Administrative Trustee.

(b) Unless otherwise determined by the Administrative Trustees in accordance with Section 5.9, and except as otherwise required by the Business Trust Act or applicable law, any Administrative Trustee is authorized to execute on behalf of the Trust any documents which the Administrative Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6.

Section 5.6 Appointment; Removal and Resignation of Trustees.

(a) Subject to Section 5.6(b), Trustees may be appointed or removed without cause at any time:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor;

(ii) after the issuance of any Securities, by the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities unless an Event of Default shall have occurred and be continuing, and

(iii) if an Event of Default shall have occurred and be continuing, after the issuance of the Securities, with respect to:

(A) the Administrative Trustees, by vote or written consent of the Holders of a Majority in liquidation amount of the Common Securities acting separately as a class; and

(B) the Property Trustee and the Delaware Trustee, by vote or written consent of the Holders of a Majority in liquidation amount of the Trust Preferred Securities, acting separately as a class.

(b) (i) The Property Trustee shall not be removed in accordance with Section 5.6(a) until a Successor Property Trustee possessing the qualifications to act as Property Trustee under Sections 5.2 and 5.3 has been appointed and has accepted such appointment by written instrument executed by such Successor Property Trustee and delivered to the Administrative

Trustees, the Delaware Trustee (if the removed Property Trustee is not also the Delaware Trustee) and the Sponsor.

(ii) The Delaware Trustee shall not be removed in accordance with Section 5.6(a) until a successor possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Administrative Trustees, the Property Trustee (if the removed Delaware Trustee is not also the Property Trustee) and the Sponsor.

(c) A Trustee appointed to office shall hold office until such Trustee's successor shall have been appointed or until such Trustee's death, bankruptcy, dissolution, termination, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the other Trustees, the Sponsor, the Trust and, after an Event of Default has occurred and is continuing, the Holders of Trust Preferred Securities, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) no such resignation of the Property Trustee shall be effective:

(A) until a Successor Property Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Property Trustee and delivered to the Trust, the Sponsor, the Delaware Trustee, the resigning Property Trustee and, after an Event of Default has occurred and is continuing, the Holders of Trust Preferred Securities; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the Holders of the Securities and the Trust is terminated pursuant to the terms of this Agreement and the Securities; and

(ii) no such resignation of the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor, the Property Trustee, the resigning Delaware Trustee and, after an Event of Default has occurred and is continuing, the Holders of Trust Preferred Securities.

(d) The Holders of the Common Securities or, if an Event of Default has occurred and is continuing after the issuance of any Securities, the Holders of Trust Preferred Securities shall use all reasonable efforts to promptly appoint a Successor Delaware Trustee or Successor Property Trustee, as the case may be, if the Property Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.6.

(e) If no Successor Property Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.6 within 60 days after delivery to the other Trustees, the Sponsor, the Trust and, after an Event of Default has occurred and is continuing, the Holders of the Trust Preferred Securities of an instrument of resignation, the resigning Property Trustee or Delaware Trustee, as applicable, may petition any court of

competent jurisdiction for appointment of a Successor Property Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(f) No Property Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Property Trustee or Successor Delaware Trustee, as the case may be.

(g) At the time of the resignation or removal of the Property Trustee or the Delaware Trustee, the Sponsor shall pay to such Trustee any amounts that may be owed to such Trustee pursuant to Section 10.4.

Section 5.7 Vacancies Among Trustees.

If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Administrative Trustees or, if there are more than two Administrative Trustees, a majority of the Administrative Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.6.

Section 5.8 Effect of Vacancies.

The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to dissolve, terminate or annul the Trust. Whenever a vacancy among the Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 5.6, the Administrative Trustees in office, regardless of their number, shall have all the powers granted to the Administrative Trustees and shall discharge all the duties imposed upon the Administrative Trustees by this Agreement.

Section 5.9 Meetings.

If there is more than one Administrative Trustee, meetings of the Administrative Trustees shall be held from time to time upon the call of any Administrative Trustee. Regular meetings of the Administrative Trustees may be held at a time and place fixed by resolution of the Administrative Trustees. Notice of any in-person meetings of the Administrative Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Administrative Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of an Administrative Trustee at a meeting shall constitute a waiver of notice of such meeting except where an Administrative Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Agreement, any action of the Administrative Trustees may be taken at (i) a meeting by vote of a majority of the Administrative Trustees

present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or (ii) without a meeting and without prior notice by the unanimous written consent of the Administrative Trustees. In the event there is only one Administrative Trustee, any and all action of such Administrative Trustee shall be evidenced by a written consent of such Administrative Trustee.

Section 5.10 Delegation of Power.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6.

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.11 Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Property Trustee or the Delaware Trustee, as the case may be, may be merged or converted or with which either may be consolidated, or any Person resulting from any merger, conversion or consolidation to which the Property Trustee or the Delaware Trustee, as the case may be, shall be a party, or any Person succeeding to all or substantially all the corporate trust business of the Property Trustee or the Delaware Trustee, as the case may be, shall be the successor of the Property Trustee or the Delaware Trustee, as the case may be, hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however that such successor shall promptly notify the Sponsor (except that a Successor Delaware Trustee shall file an appropriate amendment to the Certificate of Trust of the Trust, if required by the Business Trust Act).

ARTICLE VI DISTRIBUTIONS

Section 6.1 Distributions.

If and to the extent that the Trust receives income on any Debenture whether in cash, securities or other property as proceeds from the redemption, repayment, exchange, maturity or other disposition of any Debenture (including any interest on or the principal of the Debentures, any securities or other property received in exchange for the Debentures (collectively, the "Payment Amount"), then, unless otherwise specified in this Agreement, the Property Trustee shall distribute the Payment Amount to the Holders of the Securities in accordance with the terms of the Securities they hold as set forth in this Agreement, including the Terms and Conditions. The Property Trustee shall make the distributions on the Trust Preferred Securities and the Common Securities in accordance with the relative rights, preferences and privileges that apply to each of those classes of Securities as set forth in this Agreement.

ARTICLE VII ISSUANCE OF SECURITIES

Section 7.1 General Provisions Regarding Securities

(a) The Administrative Trustees shall, on behalf of the Trust, issue one class of preferred securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in the Terms and Conditions (the "Trust Preferred Securities") and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in the Terms and Conditions (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Trust Preferred Securities and the Common Securities.

(b) The terms of the Securities shall be set forth in the Terms and Conditions and shall be attached to this Agreement as Exhibit A. Such Terms and Conditions are incorporated herein by reference and shall set forth the following to the extent not provided by, or in lieu or modification of, the other provisions of this Agreement:

- (1) the designation of the Trust Preferred Securities and the designation of the Common Securities;
- (2) any limit upon the number and/or aggregate liquidation amount of the Trust Preferred Securities or the Common Securities to be executed and delivered under this Agreement (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such class pursuant to Section 9.2, 9.7 or 9.8, upon repayment or redemption in part of any Security or upon surrender in part of any Security for conversion or exchange into other securities pursuant to its terms);
- (3) the amounts payable out of the assets of the Trust to, and any other rights of the Holders upon, the liquidation of the Trust and any provisions for the dissolution and liquidation of the Trust, including the obligation, if any, of the Sponsor, the Trust or any other party to liquidate the Trust and any terms and conditions of such liquidation;
- (4) the date or dates, or the method or methods, if any, by which such date or dates shall be determined, on which the liquidation amount and premium, if any, of the Securities are distributable;
- (5) the rate or rates at which income on the Trust Property shall be distributed to Holders, or the method or methods, if any, by which such rate or rates are to be determined, the date or dates, if any, from which such income shall accrue or the method or methods, if any, by which such date or dates are to be determined, the date or dates, if any, on which such income shall be payable, including any deferral provisions, and the record date or dates, if any, for the income payable on the Securities on any such income payment date, the notice, if any, to Holders regarding the determination of income on a floating rate Security and the manner of giving

35

such notice, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;

- (6) whether the Distributions on the Securities will be cumulative and, if so, the dates from which and upon which distributions will accumulate and be payable;
- (7) whether, in addition to or other than the Borough of Manhattan, The City of New York, the place or places where the distributions on the Securities may be made, the Securities may be surrendered for registration of transfer, exchange, redemption, repayment, conversion or upon maturity, and notices or demands to or upon the Trust in respect of the Securities and this Agreement may be served;
- (8) whether the Trust is obligated or entitled to redeem or purchase any of such Securities at its option, pursuant to any sinking fund or analogous provision or at the option of any Holder thereof or otherwise, and, if so, the date or dates on which, the period or periods within which, the price or prices at which and the other terms and conditions upon which such

Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and any provisions for the remarketing, auction or other secondary sales of Securities so redeemed or purchased;

- (9) the denominations in which the Securities shall be issuable if other than denominations of \$1,000 and any integral multiple;
- (10) whether the Securities will be convertible into and/or exchangeable for other securities or property or both, and if so, the terms and conditions upon which the Securities will be so convertible or exchangeable;
- (11) any voting rights granted to the Holders of the Trust Preferred Securities or the Common Securities in addition to or in lieu of the voting rights set forth elsewhere in this Agreement;
- (12) if other than U.S. dollars, the currency in which cash distributions on the Securities shall be payable;
- (13) if cash distributions with respect to the Securities are to be payable, at the election of the Trust or a Holder thereof or otherwise, in a currency other than that in which the Securities are stated to be payable, the date or dates on which, the period or periods within which, and the other terms and conditions upon which, such election may be made, and the time and manner of determining the exchange rate between the currency in which the Securities are stated to be payable and the currency in which the Securities or any of them are to be paid pursuant to such election;
- (14) whether any distributions may be determined with reference to an index, formula or other method or methods (which index, formula or method or methods may be based, without limitation, on one or more currencies, commodities, equity indices or other indices), and, if so, the terms and conditions upon which and the manner in which such amounts shall be determined and paid or payable;

36

- (15) the title and amount of the Debentures to be acquired with the proceeds of the sale of the Securities;
- (16) the ranking of the Trust Preferred Securities and the Common Securities; and
- (17) any other rights, preferences, restrictions, limitations or conditions relative to the Trust Preferred Securities or the Common Securities permitted by Delaware law and any deletions from or modifications or additions to this Agreement, including any Events of Default or covenants of any of the parties hereto, in respect of the Securities, provided no covenant in this Agreement may be modified without the consent of the party giving such covenant.

(c) The Certificates shall be in the forms prepared by the Sponsor and signed on behalf of the Trust by at least one Administrative Trustee. Such signature shall be the manual or facsimile signature of any present or any future Administrative Trustee. In case any Administrative Trustee who shall have signed any of the Securities shall cease to be such Administrative Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Administrative Trustee; and any Certificate may be signed on behalf of the Trust by any persons who, at the actual date of execution of such Certificate, shall be an Administrative

Trustee of the Trust, although at the date of the execution and delivery of the Agreement any such person was not such an Administrative Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustee, as evidenced by such individual's execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Administrative Trustee that signs such Certificates may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage.

A Trust Preferred Security Certificate shall not be valid until authenticated by the manual signature of an authorized officer of the Property Trustee. Such signature shall be conclusive evidence that a Trust Preferred Security Certificate has been authenticated under this Agreement.

Each Trust Preferred Security Certificate shall be dated the date of its authentication by the Property Trustee. Each Common Security Certificate shall be dated the date it is executed by an Administrative Trustee.

Upon a written order of the Trust signed by one Administrative Trustee, the Property Trustee shall authenticate Trust Preferred Security Certificates, provided the aggregate liquidation amount or number of the Trust Preferred Securities shall not exceed the aggregate liquidation amount or number, as the case may be, of Trust Preferred Securities designated in the Terms and Conditions, as such liquidation amount or number, as the case may be, may be reduced by redemptions, repayments, exchanges, conversions or liquidating distributions.

The Property Trustee may appoint an authenticating agent acceptable to the Administrative Trustees to authenticate Trust Preferred Security Certificates. An authenticating

37

agent may authenticate Trust Preferred Security Certificates whenever the Property Trustee may do so. Each reference in this Agreement to authentication by the Property Trustee includes authentication by such agent. An authenticating agent has the same rights as the Property Trustee to deal with the Sponsor or an Affiliate of the Sponsor.

(d) The consideration received by the Trust for the issuance of the Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(e) Upon issuance of the Securities as provided in this Agreement, the Securities so issued shall be deemed to be validly issued, fully paid and, subject to Section 10.1(b), non-assessable.

(f) Every Person, by virtue of having become a Holder or a Trust Preferred Security Beneficial Owner in accordance with the terms of this Agreement, shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Agreement.

(g) The Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 7.2 Paying Agent and Registrar.

In the event that the Trust Preferred Securities are not in book-entry only form:

(a) The Trust shall maintain in the Borough of Manhattan, The City of New York, an office or agency where the Trust Preferred Securities may be presented for payment ("Paying Agent"), and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. The Administrative

Trustees on behalf of the Trust may appoint the Paying Agent and may appoint one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Administrative Trustees on behalf of the Trust may change any Paying Agent without prior notice to any Holder. The Administrative Trustees on behalf of the Trust shall notify the Property Trustee of the name and address of any Paying Agent not a party to this Agreement. If the Administrative Trustees on behalf of the Trust fail to appoint or maintain another entity as Paying Agent, the Property Trustee shall act as such. The Administrative Trustees on behalf of the Trust or any of its Affiliates (including the Sponsor) may act as Paying Agent. The Property Trustee at its Corporate Trust Office shall initially act as Paying Agent for the Trust Preferred Securities and the Common Securities.

(b) The Trust shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Trust Preferred Securities may be presented for registration of transfer or exchange ("Registrar"). The Registrar shall keep a register of the Trust Preferred Securities and of their transfer or exchange. The Administrative Trustees on behalf of the Trust may appoint the Registrar and may appoint one or more co-registrars in such other locations as it shall determine. The term "Registrar" includes any such additional registrar. The Administrative Trustees on behalf of the Trust may change any Registrar or co-registrar without prior notice to any Holder. The Administrative Trustees on behalf of the Trust shall notify the Property Trustee of the name and address of any Agent not a party to this Agreement. If the

38

Administrative Trustees on behalf of the Trust fail to appoint or maintain another entity as Registrar, the Property Trustee shall act as such. The Trust or any of its Affiliates (including the Sponsor) may act as Registrar. The Administrative Trustees on behalf of the Trust shall act as Registrar for the Common Securities.

(c) Notwithstanding Sections 3.6(b)(vi) and 3.6(l), the Trust initially appoints the Property Trustee as Registrar for the Trust Preferred Securities and authorizes it to execute and deliver letters, documents and instruments with DTC and other Clearing Agencies relating to the Trust Preferred Securities.

ARTICLE VIII TERMINATION OF TRUST

Section 8.1 Termination of Trust.

(a) The Trust shall dissolve and its affairs shall be wound up upon the first of the following to occur:

(i) the expiration of the term of the Trust provided in Section 3.13 of this Agreement;

(ii) upon the bankruptcy of the Sponsor or the Trust;

(iii) (other than in connection with a merger, consolidation or similar transaction not prohibited by this Agreement or any Trust Property) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor;

(iv) upon the vote of the Holders of at least a Majority in liquidation amount of the Securities, voting together as a single class to dissolve the Trust;

(v) the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(vi) upon the distribution to the Holders of the Debentures and all other amounts they are required to receive in

accordance with the terms of this Agreement and the Securities, provided that the Property Trustee has received written notice from the Sponsor directing the Property Trustee to dissolve the Trust (which direction is optional and, except as otherwise expressly provided herein, within the discretion of Sponsor),

(vii) upon the entry of a decree of judicial dissolution of the Sponsor or the Trust;

(viii) when all the Securities shall have been called for redemption and the amounts necessary for redemption shall have been distributed to the Holders in accordance with the terms of this Agreement and the Securities; and

(ix) any other event specified in the Terms and Conditions.

39

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a) and upon completion of the winding-up of the Trust, a certificate of cancellation of the Certificate of Trust of the Trust shall be filed with the Secretary of State of the State of Delaware in accordance with the Business Trust Act.

(c) The provisions of Section 4.4 and Article X shall survive the termination of the Trust.

ARTICLE IX TRANSFER OF INTERESTS

Section 9.1 Transfer of Securities.

(a) Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Agreement and in the terms of the Securities. To the fullest extent permitted by law, any transfer or purported transfer of any Security not made in accordance with this Agreement shall be null and void.

(b) Subject to this Article IX and the Terms and Conditions, Trust Preferred Securities shall be freely transferable.

(c) To the fullest extent permitted by applicable law, subject to this Article IX, the Sponsor and any Related Party may only transfer Common Securities to the Sponsor or a Related Party of the Sponsor; provided that, any such transfer is subject to the condition precedent that the transferor obtain the written opinion of nationally recognized independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:

(i) the Trust would not be classified for United States federal income tax purposes as a grantor trust; and

(ii) the Trust would be an Investment Company or the transferee would become an Investment Company.

Section 9.2 Transfer or Exchange of Certificates.

The Registrar shall provide for the registration of Certificates and of transfers or exchanges of Certificates, which shall be effected without charge but only upon payment (with such indemnity as the Administrative Trustees may require) in respect of any tax or other government charges that may be imposed in relation to it. The Trust will not be required to register or cause to be registered the transfer of its trust preferred securities after they have been converted, exchanged, repaid, redeemed or called for redemption. Upon surrender for registration of transfer or exchange of any Certificate at the Corporate Trust Office of the Property Trustee, the

applicable Registrar shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees or the party requesting the exchange, as the case may be. Every Certificate surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer or exchange in form satisfactory to the applicable Registrar and duly executed by the Holder or such Holder's attorney duly authorized

40

in writing. Each Certificate surrendered for registration of transfer or exchange shall be canceled by the applicable Registrar. A transferee of a Certificate and the recipient of one or more Certificates issued in exchange for cancelled Certificates shall be entitled to the rights and subject to the obligations of a Holder hereunder upon the receipt by such transferee or recipient of a Certificate or Certificates duly executed by an Administrative Trustee and, in the case of a Trust Preferred Security Certificate, authenticated by the Property Trustee. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Agreement.

Section 9.3 Deemed Security Holders.

The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

Section 9.4 Book Entry Interests.

Unless otherwise specified in the Terms and Conditions, the Trust Preferred Securities Certificates, on original issuance, shall be issued in the form of one or more, fully registered, global Trust Preferred Security Certificates (each a "Global Certificate"), to be delivered to DTC, the initial Clearing Agency, by, or on behalf of, the Trust. Each such Global Certificate shall initially be registered on the books and records of the Trust in the name of Cede & Co., the nominee of DTC, and no Trust Preferred Security Beneficial Owner will receive a definitive Trust Preferred Security Certificate representing such Trust Preferred Security Beneficial Owner's interests in any Global Certificate, except as provided in Section 9.7. Except for the definitive Trust Preferred Security Certificates issued to the Trust Preferred Security Beneficial Owners pursuant to Section 9.7 or in accordance with the Terms and Conditions:

(a) the provisions of this Section 9.4 shall be in full force and effect;

(b) the Trust, the Trustees and any Agent shall be entitled to deal with the Clearing Agency for all purposes of this Agreement (including the payment of distributions on any Global Certificate and receiving approvals, votes or consents hereunder) as the Holder of the Trust Preferred Securities and the sole holder of any Global Certificate and shall have no obligation to the Trust Preferred Security Beneficial Owners;

(c) to the extent that the provisions of this Section 9.4 conflict with any other provisions of this Agreement other than the Terms and Conditions, the provisions of this Section 9.4 shall control; and

(d) the rights of the Trust Preferred Security Beneficial Owners shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between the Trust Preferred Security Beneficial Owners and the Clearing Agency and/or the Clearing Agency Participants to receive and transmit payments and other distributions on the Global Certificates to such Clearing Agency Participants. DTC will make book entry transfers among the Clearing Agency Participants; provided, that, solely

for the purposes of

41

determining whether the Holders of the requisite amount of Trust Preferred Securities have voted on any matter provided for in this Agreement, the Trustees may conclusively rely on, and shall be protected in relying on, any written instrument (including a proxy) delivered to the Trustees by the Clearing Agency setting forth the Trust Preferred Security Beneficial Owners' votes or assigning the right to vote on any matter to any other Persons either in whole or in part.

Section 9.5 Notices to Clearing Agency.

Whenever a notice or other communication to the Trust Preferred Security Holders is required under this Agreement, unless and until definitive fully registered Trust Preferred Security Certificates shall have been issued to the Trust Preferred Security Beneficial Owners pursuant to Section 9.7 or otherwise, the Administrative Trustees shall give all such notices and communications specified herein to be given to the Trust Preferred Security Holders to the Clearing Agency, and shall have no notice obligations to the Trust Preferred Security Beneficial Owners.

Section 9.6 Appointment of Successor Clearing Agency.

If any Clearing Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities, the Administrative Trustees may, in their sole discretion, appoint a successor Clearing Agency with respect to such Trust Preferred Securities.

Section 9.7 Definitive Trust Preferred Security Certificates.

If:

(a) a Clearing Agency elects to discontinue its services as securities depository with respect to the Trust Preferred Securities and a successor Clearing Agency is not appointed within 90 days after such discontinuance pursuant to Section 9.6; or

(b) the Administrative Trustees elect after consultation with the Sponsor to terminate the book-entry system through the Clearing Agency with respect to the Trust Preferred Securities, then:

(1) definitive fully registered Trust Preferred Security Certificates shall be prepared and executed by the Administrative Trustees and authenticated by the Property Trustee on behalf of the Trust with respect to such Trust Preferred Securities; and

(2) upon surrender of any Global Certificate by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees shall cause definitive fully registered Trust Preferred Securities Certificates to be executed, and the Property Trustee shall cause such Trust Preferred Securities Certificates to be authenticated and delivered to Trust Preferred Security Beneficial Owners in accordance with the instructions of the Clearing Agency. Neither the Trustees nor the Trust shall be liable for any delay in delivery of such instructions and each of them may conclusively rely on and shall be protected in relying on, said instructions of the Clearing Agency. The definitive fully registered Trust

42

Preferred Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is

reasonably acceptable to the Administrative Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Administrative Trustees and the Property Trustee may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Trust Preferred Securities may be listed, or to conform to usage.

Section 9.8 Mutilated, Destroyed, Lost or Stolen Certificates.

If: (a) any mutilated Certificate shall be surrendered to the Administrative Trustees, or if the Administrative Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and (b) there shall be delivered to the Administrative Trustees and the Property Trustee such security or indemnity as may be required by them to keep each of the Trustees and the Trust harmless, then, in the absence of notice that such Certificate shall have been acquired by a protected purchaser, any Administrative Trustee on behalf of the Trust shall execute and deliver, and, in the case of a Trust Preferred Securities Certificate, the Property Trustee shall authenticate, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.8, the Administrative Trustees and the Property Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X

LIMITATION OF LIABILITY OF HOLDERS OF SECURITIES, TRUSTEES OR OTHERS

Section 10.1 Liability.

(a) Except as expressly set forth in this Agreement, the Debentures, any other instrument or agreement, the Securities Guarantees and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Securities, which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Securities any deficit upon dissolution of the Trust or otherwise.

43

(b) The Sponsor, as the Debenture Issuer, shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Trust Preferred Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

Section 10.2 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a

manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence (or, in the case of the Property Trustee, negligence), bad faith or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

Section 10.3 Fiduciary Duty.

(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Agreement shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Property Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Persons and any Indemnified Person; or

(ii) whenever this Agreement or any other instrument or agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner

44

that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Agreement or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Agreement an Indemnified Person is permitted or required to make a decision:

(i) in its "sole discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by

this Agreement or by applicable law.

Section 10.4 Indemnification.

(a) (i) The Sponsor shall indemnify, to the fullest extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Sponsor shall indemnify, to the fullest extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including reasonable attorneys' fees) actually and

45

reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Administrative Trustees by a majority vote of a Quorum consisting of such Administrative Trustees who were not parties to such action, suit or proceeding, (2) if such a Quorum is not obtainable, or, even if obtainable, if a Quorum of disinterested Administrative Trustees so directs, by independent legal counsel in a written opinion, or (3) by the Common Security Holder of the Trust.

(iv) Expenses (including reasonable attorneys' fees) incurred by a Company Indemnified Person in defending a civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such Company Indemnified Person to repay such amount if it shall ultimately be determined that such person is not entitled to be

indemnified by the Sponsor as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Sponsor if a determination is reasonably and promptly made (i) by the Administrative Trustees by a majority vote of a Quorum of disinterested Administrative Trustees, (ii) if such a Quorum is not obtainable, or, even if obtainable, if a Quorum of disinterested Administrative Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Administrative Trustees, independent legal counsel or Common Security Holder at the time such determination is made, such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Administrative Trustees, independent legal counsel or Common Security Holder reasonably determine that such person deliberately breached such person's duty to the Trust or its Common or Trust Preferred Security Holders.

(v) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of

46

expenses may be entitled under any agreement, vote of shareholders or disinterested directors of the Sponsor or Trust Preferred Security Holders of the Trust or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Sponsor and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vi) The Sponsor or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Sponsor would have the power to indemnify him against such liability under the provisions of this Section 10.4(a).

(vii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a consolidation or merger, so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as such person would have with respect to such constituent entity if its separate existence had continued.

(viii) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the successors, heirs, executors and administrators of such a person.

(b) To the fullest extent permitted by law, the Sponsor agrees to indemnify each Fiduciary Indemnified Person for, and to hold each Fiduciary Indemnified Person harmless against, any loss, liability or expense to the

extent incurred without gross negligence (or in the case of the Property Trustee, pursuant to Section 3.9, negligence), bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The provisions of this Section 10.4(b) shall survive the satisfaction and discharge of this Agreement and any resignation or removal of the Property Trustee or the Delaware Trustee, as the case may be.

47

Section 10.5 Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee (subject to Section 5.3(c)) may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee or the Property Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Property Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Property Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Sponsor or its Affiliates.

Section 10.6 Trustees' Fees and Expenses.

Each Trustee shall receive as compensation for its services hereunder such fees and expenses as have been separately agreed upon before the date hereof between the Sponsor and such Trustee, and each Trustee shall be entitled to be reimbursed by the Sponsor for other reasonable expenses hereunder, including the reasonable compensation, expenses and disbursements of such agents, representatives, experts and counsel as such Trustee may employ in connection with the exercise and performance of its rights and duties hereunder.

ARTICLE XI ACCOUNTING

Section 11.1 Fiscal Year.

The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

Section 11.2 Certain Accounting Matters.

(a) At all times during the existence of the Trust, the Administrative Trustees on behalf of the Trust shall keep, or cause to be kept, full books of account, records and supporting documents, all of which shall reflect in reasonable detail each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes.

(b) The Administrative Trustees, on behalf of the Trust, shall cause to be duly prepared and delivered to each of the Holders of Securities,

any annual United States federal income tax information statement required by the Code and the Treasury Regulations, containing

48

such information with regard to the Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Administrative Trustees on behalf of the Trust shall endeavor to deliver all such statements within 30 days after the end of each Fiscal Year of the Trust.

(c) The Administrative Trustees on behalf of the Trust shall cause to be duly prepared and filed with the appropriate taxing authority an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Trust with any state or local taxing authority.

Section 11.3 Banking.

The Administrative Trustees, on behalf of the Trust, shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments for the benefit of holders of Securities of funds in respect of Trust Property shall be made directly to the Property Trustee Account and no other funds of the Trust shall be deposited in the Property Trustee Account. The sole signatories for such accounts shall be designated by the Administrative Trustees; provided, however, that the Property Trustee shall designate the signatories for the Property Trustee Account.

Section 11.4 Withholding.

The Administrative Trustees on behalf of the Trust shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Administrative Trustees on behalf of the Trust shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual distributions made, the Trust may reduce subsequent distributions by the amount of such withholding.

49

ARTICLE XII AMENDMENTS AND MEETINGS

Section 12.1 Amendments.

Except as otherwise provided in this Agreement or by any applicable terms of the Securities:

(a) this Agreement may only be amended by a written instrument approved and executed by the Sponsor and the Administrative Trustees (or, if there are more than two Administrative Trustees, a majority of the Administrative Trustees) and:

(i) if the amendment affects the rights, powers, duties,

obligations or immunities of the Property Trustee, also by the Property Trustee; and

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, also by the Delaware Trustee;

(b) no amendment shall be made:

(i) unless, in the case of any proposed amendment, the Property Trustee shall have first received an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Agreement (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Property Trustee, the Property Trustee shall have first received:

(A) an Officers' Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Agreement (including the terms of the Securities); and

(B) an opinion of qualified independent counsel that such amendment is permitted by, and conforms to, the terms of this Agreement (including the terms of the Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the Trust to fail to continue to be classified for purposes of United States federal income taxation as a grantor trust;

(B) reduce or otherwise adversely affect the powers of the Property Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

50

(c) after the Trust has issued any Securities that remain outstanding, without the consent of the Holders of a Majority in liquidation amount of each class of Securities affected, this Agreement may not be amended for any reason in a manner that would adversely affect the rights, privileges or preferences of such class of Securities, provided that, except as may be provided in the Terms and Conditions, without the consent of each Holder of Securities affected thereby, this Agreement may not be amended to:

(i) change the Distribution rate, or manner of calculation of the Distribution rate, amount, timing or currency or otherwise adversely affect the method of any required payment;

(ii) change the purpose of the Trust;

(iii) authorize the issuance of any additional beneficial interests in the Trust;

(iv) change the conversion, exchange, redemption or repayment provisions, if any;

(v) change the conditions precedent for the Sponsor to elect to dissolve the Trust and distribute the Debentures held by the Trust to the Holders of the Securities, if applicable;

(vi) change the liquidation, distribution or other provisions relating to the distribution of amounts payable upon the dissolution and liquidation of the Trust;

(vii) affect the limited liability of any Holder of the Securities; or

(viii) restrict the right of a Holder of the Securities to institute suit for the enforcement of any required payment on or, if applicable, after the due date therefor or for the conversion or exchange of the Securities in accordance with their terms.

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Securities;

(e) Article IV shall not be amended without the consent of the Sponsor;

(f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove, Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) subject to Section 12.1(c) and the Terms and Conditions, this Agreement may be amended by the Trustees and the Sponsor without the consent of the Holders of the any Securities that are outstanding to:

(i) cure any ambiguity;

51

(ii) correct or supplement any provision in this Agreement that may be defective or inconsistent with any other provision of this Agreement;

(iii) add to the covenants, restrictions or obligations of the Sponsor;

(iv) modify, add or eliminate provisions necessary to ensure classification as a grantor trust for United States federal income tax purposes or to ensure that the Trust will not be subject to the Investment Company Act, conform to any change in the Investment Company Act or the Trust Indenture Act or the rules and regulations promulgated thereunder or any written change in interpretation or application of such act or such rules or regulations by any legislative body, court, government agency or regulatory authority;

(v) comply with the requirements of the Trust Indenture Act to ensure that this Agreement is qualified under the Trust Indenture Act, or cause the Trust to continue to be classified for United States federal income tax purposes as a grantor trust.

Any amendments to this Agreement adopted pursuant to Section 12.1(g) shall become effective when notice thereof is given to the Holders.

Section 12.2 Meetings of the Holders of Securities; Action by Written Consent.

(a) Except as otherwise provided in the Terms and Conditions, meetings of the Holders of any class of Securities may be called at any time by the Administrative Trustees (or as provided in the terms of the Securities) to consider and act on any matter on which Holders of Securities are entitled to act under the terms of this Agreement, the terms of the Securities or the rules of any stock exchange on which the Trust Preferred Securities are listed or

admitted for trading. The Administrative Trustees shall call a meeting of the Holders if directed to do so by the Holders of at least 10% in liquidation amount of Securities. Such direction shall be given by delivering to the Administrative Trustees one or more calls in a writing stating that the signing Holders of Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Securities calling a meeting shall specify in writing the Certificates held by the Holders of Securities exercising the right to call a meeting and only those Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Securities, the following provisions shall apply to meetings of Holders of Securities:

(i) notice of any such meeting shall be given to all the Holders of Securities having a right to vote thereat at least 7 days and not more than 60 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Securities is permitted or required under this Agreement, the terms of the Securities or the rules of any stock exchange on which the Trust Preferred Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Securities. Any action that may be taken at a meeting of the Holders of Securities may be taken without a meeting and without prior notice if a consent in writing setting forth the action so taken is signed by the Holders of Securities owning not less

52

than the minimum amount of Securities in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Securities entitled to vote who have not consented in writing. The Administrative Trustees may specify that any written ballot submitted to the Holder of Securities for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Administrative Trustees;

(ii) each Holder of a Security may authorize any Person to act for it by proxy on all matters in which a Holder of Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Securities shall be conducted by the Administrative Trustees or by such other Person that the Administrative Trustees may designate; and

(iv) unless the Business Trust Act, this Agreement, the terms of the Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Trust Preferred Securities are then listed or trading otherwise provides, the Administrative Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum

requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII
REPRESENTATIONS OF PROPERTY TRUSTEE AND
DELAWARE TRUSTEE

Section 13.1 Representations and Warranties of Property Trustee.

The Trustee that acts as initial Property Trustee represents and warrants to the Trust and to the Sponsor at the date of this Agreement, and each Successor Property Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Property Trustee's acceptance of its appointment as Property Trustee, that:

(a) the Property Trustee is a banking corporation, a national banking association or a bank with trust powers, duly organized, validly existing and in good standing under the laws

53

of the United States of America or any State of the United States, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Agreement;

(b) the Property Trustee satisfies the requirements set forth in Section 5.3(a);

(c) the execution, delivery and performance by the Property Trustee of this Agreement has been duly authorized by all necessary corporate action on the part of the Property Trustee. The Agreement has been duly executed and delivered by the Property Trustee, and it constitutes a legal, valid and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(d) the execution, delivery and performance of this Agreement by the Property Trustee does not conflict with or constitute a breach of the Articles of Organization or By-laws of the Property Trustee; and

(e) no consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Property Trustee, of this Agreement.

Section 13.2 Representations and Warranties of Delaware Trustee.

The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Agreement, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee, that:

(a) the Delaware Trustee is a banking corporation or national banking association, duly organized, validly existing and in good standing under the laws of the State of Delaware or the United States, as the case may be, with power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Agreement;

(b) the execution, delivery and performance by the Delaware Trustee of this Agreement has been duly authorized by all necessary corporate action on the part of the Delaware Trustee. This Agreement has been duly executed and delivered by the Delaware Trustee, and it constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization,

moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) no consent, approval or authorization of, or registration with or notice to, any State or Federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of this Agreement; and

54

(d) the execution, delivery and performance of the Agreement by the Delaware Trustee does not conflict with or constitute a breach of the Articles of Organization or By-laws of the Delaware Trustee; and

(e) the Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 Notices.

All notices provided for in this Agreement shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by registered or certified mail, as follows:

(a) if given to the Administrative Trustees or the Trust, in care of the Administrative Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Securities and the other Trustees):

DTE Energy Company
2000 2nd Avenue
Detroit, Michigan 48226-1279
Attention: Treasurer

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as Delaware Trustee may give notice of to the Holders of the Securities):

The Bank of New York (Delaware)
White Clay Center (or P.O. Box 6973)
Route 273
Newark, Delaware 19711
Attention: Corporate Trust Trustee Administration

(c) if given to the Property Trustee, at its Corporate Trust Office to the attention of Capital Markets Fiduciary Services (or such other address as the Property Trustee may give notice of to the Holders of the Securities):

The Bank of New York
101 Barclay Street, 21 West
New York, New York 10286
Attention: Corporate Trust Trustee Administration

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust and the other Trustees):

c/o DTE Energy Company
2000 2nd Avenue
Detroit, Michigan 48226-1279
Attention: Treasurer

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 14.2 Governing Law.

This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

Section 14.3 Intention of the Parties.

It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Agreement shall be interpreted to further this intention of the parties.

Section 14.4 Headings.

Headings contained in this Agreement are inserted for convenience of reference only and do not affect the interpretation of this Agreement or any provision hereof.

Section 14.5 Successors and Assigns.

Whenever in this Agreement any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Agreement by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

Section 14.6 Partial Enforceability.

If any provision of this Agreement, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Section 14.7 Entire Agreement.

This Agreement constitutes the entire agreement among the parties. It supersedes any prior agreement or understandings among them, and it may not be modified or amended in any manner other than as set forth herein.

Section 14.8 Remedies.

The failure of any party to seek redress for violation of, or to insist upon the strict performance of, any provision of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other

rights the parties may have by law, statute, ordinance or otherwise.

Section 14.9 Counterparts.

This Agreement may contain more than one counterpart of the signature page and this Agreement may be executed by affixing the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

57

IN WITNESS WHEREOF, the undersigned have caused these presents to be executed as of the day and year first above written.

K. Hier, as Administrative Trustee
of the Trust

N.A. Khouri, as Administrative Trustee
of the Trust

D.R. Murphy, as Administrative Trustee
of the Trust

The Bank of New York (Delaware),
as Delaware Trustee

By:_____
Name:
Title:

The Bank of New York,
as Property Trustee

By:_____
Name:
Title:

DTE Energy Company,
as Sponsor

By:_____
Name:
Title:

58

EXHIBIT A

7.8% COMMON SECURITIES

Pursuant to Section 7.1(a) of the Amended and Restated Trust Agreement, dated as of January 15, 2002, of DTE Energy Trust I (as amended from time to time, the "Agreement"), hereby established are the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Trust Preferred Securities and the Common Securities:

(1) These Terms and Conditions form a part of the Agreement, except as otherwise provided herein or unless the context otherwise requires, and all of the provisions of the other parts of the Agreement, including the definitions of capitalized terms, apply to these Terms and Conditions. Furthermore, unless the context otherwise requires, in these Terms and Conditions, references to paragraphs mean paragraphs of these Terms and Conditions and:

"Additional Interest" has the meaning set forth in paragraph 3(d).

"Capital Stock" means (i) with respect to any Person organized as a corporation, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interest in (however designated) corporate stock, and (ii) with respect to any Person that is not organized as a corporation, the partnership, membership or other equity interests or participations in such Person.

"Change in 1940 Act Law" has the meaning set forth in paragraph 5(b).

"Compound Interest" has the meaning set forth in paragraph 3(a).

"Coupon Rate" has the meaning set forth in paragraph 3(a).

"Debentures" means the 7.8% Junior Subordinated Debentures due 2032 of the Debenture Issuer.

"Distribution Payment Date" has the meaning set forth in paragraph 3(b).

"Extension Period" has the meaning set forth in paragraph 3(b).

"Indenture" means the Amended and Restated Indenture, dated as of April 9, 2001, as supplemented by the supplemental indenture, dated as of January 15, 2002, with respect to the Debentures, between the Debenture Issuer and the Debenture Trustee.

"Investment Company Event" has the meaning set forth in paragraph 5(b).

"Liquidation" has the meaning set forth in paragraph 4.

"Liquidation Distribution" has the meaning set forth in paragraph 4.

A-1

"90 Day Period" has the meaning set forth as paragraph 5(b).

"Ministerial Action" has the meaning set forth in paragraph 5(b).

"Pro Rata" has the meaning specified in paragraph 11.

"Redemption/Distribution Notice" has the meaning set forth in

paragraph 6(a).

"Redemption Price" has the meaning set forth in paragraph 5(a).

"Rights Plan" means a plan of the Debenture Issuer providing for the issuance by the Debenture Issuer to all holders of its Common Stock of rights entitling the holders thereof to subscribe for or purchase shares of Common Stock or any class or series of preferred stock, which rights (i) are deemed to be transferred with such shares of Common Stock, (ii) are not exercisable and (iii) are also issued in respect of future issuances of Common Stock, in each case until the occurrence of a specified event or events.

"Stated Maturity" means, with respect to the Debentures, February 1, 2032.

"Special Event" means an Investment Company Event or a Tax Event, as the case may be.

"Special Event Redemption" has the meaning set forth in paragraph 5(b).

"Special Event Redemption Date" has the meaning set forth in paragraph 5(b).

"Tax Event" has the meaning set forth in paragraph 5(b).

"Treasury Regulations" means the income tax regulations, including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

(2) Designation and Number.

(a) Trust Preferred Securities. 7,200,000 Trust Preferred Securities of the Trust, with an aggregate liquidation amount with respect to the assets of the Trust of One Hundred and Eighty Million Dollars (\$180,000,000) and a liquidation amount with respect to the assets of the Trust of \$25 per security, are hereby designated for the purposes of identification only as "7.8% Trust Preferred Securities" (the "Trust Preferred Securities"). The Trust Preferred Security Certificates evidencing the Trust Preferred Securities shall be substantially in the form of Exhibit A-1 to the Agreement, with such changes and additions thereto or deletions therefrom as may be required by applicable law or the rules of any stock exchange on which the Trust Preferred Securities are listed or to conform to ordinary usage, custom or practice.

(b) Common Securities. 222,681 Common Securities of the Trust, with an aggregate liquidation amount with respect to the assets of the Trust of Five Million Five Hundred Sixty Seven Thousand Twenty Five Dollars (\$5,567,025) and a liquidation amount with

A-2

respect to the assets of the Trust of \$25 per security, are hereby designated for the purposes of identification only as "7.8% Common Securities" (the "Common Securities"). The Common Security Certificates evidencing the Common Securities shall be substantially in the form of Exhibit A-2 to the Agreement, with such changes and additions thereto or deletions therefrom as may be required by applicable law or to conform to ordinary usage, custom or practice.

(c) The maximum liquidation amount of Trust Preferred Securities and Common Securities referred to above excludes Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of other Securities pursuant to Section 9.2, 9.7 or 9.8 of the Agreement, upon repayment, redemption or exchange into other securities in accordance with its terms.

(d) The Trust Preferred Securities and the Common Securities represent undivided beneficial interests in the assets of the Trust.

(e) In connection with the purchase of the Securities, the Sponsor will deposit in the Trust, and the Trust will purchase, respectively, as trust assets, Debentures of the Sponsor having an aggregate principal amount equal to \$185,567,025, and bearing interest at an annual rate equal to the annual Distribution rate on the Preferred Securities and Common Securities and having payment and redemption provisions which correspond to the payment and redemption provisions of the Trust Preferred Securities and Common Securities.

(3) Distributions.

(a) Cash distributions will be payable on each Security at the rate per annum of 7.8% (the "Coupon Rate") of the stated liquidation amount of \$25 per Security, such rate being the rate of interest payable on the Debentures. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the rate of 7.8% ("Compound Interest") (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable, and Additional Interest, if any, payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year consisting of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

(b) Distributions on the Securities will be cumulative, will accrue from January 15, 2002, and will be payable quarterly in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2002, when, as and if available for payment, except as otherwise described below (a "Distribution Payment Date"). So long as there is no Event of Default under the Indenture with respect to the Debentures, the Debenture Issuer has the right under the Indenture to defer payments of interest on the Debentures by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures, provided that no Extension Period shall last beyond the Stated

A-3

Maturity of the Debentures. As a consequence of such deferral, Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accumulate with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly to the extent permitted by law during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may shorten or further extend such Extension Period; provided that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarters or extend beyond the Stated Maturity of the Debentures. Any interest accrued on the Debentures during an Extension Period shall be paid Pro Rata to holders of Debentures on the first payment date following the Extension Period and the Payment Amount shall be paid Pro Rata to the Holders on the first Distribution Payment Date following the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

If (A) there shall have occurred and be continuing an Event of Default or any event of which the Debenture Issuer has actual knowledge that is, or with the giving of notice or the lapse of time, or both, would be an Event of Default and the Debenture Issuer has not taken reasonable steps to cure such Event of Default, (B) the Debenture Issuer shall be in default with respect to its payment or other obligations under the Trust Preferred Securities Guarantee or (C) the Debenture Issuer shall have given notice of its election to begin an

Extension Period as provided in the Indenture and shall not have rescinded such notice or such Extension Period, or any extension thereof, shall have commenced and be continuing, then the Debenture Issuer shall not:

- (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of the Debenture Issuer's Capital Stock;
- (ii) make any payment of principal of or premium, if any, or interest on or repay repurchase or redeem any indebtedness of the Debenture Issuer that ranks equally with or junior in right of payment to the Debentures;
- (iii) make any guarantee payments with respect to any guarantee by the Debenture Issuer of the indebtedness of any Subsidiary thereof or any other party if such guarantee ranks equally with or junior in right of payment to the Debentures;

(other than (a) dividends or distributions payable solely in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock of the Debenture Issuer, (b) any declaration of a dividend in connection with the implementation of a Rights Plan, (c) the issuance of any Capital Stock of the Debenture Issuer under any Rights Plan, or the redemption or repurchase of any rights distributed pursuant to a Rights Plan, (d) payments under the Trust Preferred Securities Guarantee, (e) reclassification of the Debenture Issuer's Capital Stock or the exchange or the conversion of one class or series of the Debenture Issuer's Capital Stock for another class or series of the Debenture Issuer's Capital Stock, (f) the purchase of fractional interests in shares of the Debenture Issuer's Capital Stock pursuant to the conversion or exchange

A-4

provisions of such Capital Stock or the security being converted or exchanged, and (g) purchases of Common Stock related to the issuance of Common Stock or rights under any of the Debenture Issuer's benefit plans for its directors, officers, employees, consultants or advisors or any of the Debenture Issuer's dividend reinvestment plans).

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust at the close of business on the Business Day immediately preceding each of the relevant payment dates on the Securities. Subject to any applicable laws and regulations and the provisions of the Agreement, each such payment in respect of the Trust Preferred Securities will be made as described under the heading "Description of the trust preferred securities -- Distributions" in the Prospectus Supplement dated January 10, 2002 to the Prospectus dated December 11, 2001 (collectively, the "Prospectus") of the Trust relating to the Registration Statement on Form S-3 (file no. 74338-01) of the Sponsor and the Trust. The relevant record dates for the Common Securities shall be the same record date as for the Trust Preferred Securities. If the Trust Preferred Securities shall not continue to remain in book-entry only form or are not in book-entry only form at issuance, the relevant record dates for the Trust Preferred Securities shall conform to the rules of any securities exchange on which the securities are listed and, if none, as shall be selected by the Administrative Trustees, which dates shall be at least more than one, but less than 60 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. Distributions payable on any Securities that are not punctually paid on any Distribution Payment Date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, will cease to be payable

to the Person in whose name such Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Securities are registered on the special record date or other specified date determined in accordance with the Indenture; provided, however, that Distributions shall not be considered payable on any Distribution Payment Date falling within an Extension Period unless the Debenture Issuer has elected to make a full or partial payment of interest accrued on the Debentures on such Distribution Payment Date. If any date on which Distributions are payable on the Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. Distributions on the Securities will be paid by the Trust.

(d) If at any time while the Property Trustee is the holder of any Debentures, the Trust or the Property Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes imposed on Holders of Trust Preferred Securities or Common Securities) imposed by the United States, or any other taxing authority, then, in any such case, the Debenture Issuer will pay as additional interest ("Additional Interest") on the Debentures held by the Property Trustee, such amounts as shall be required so that the net amounts received and retained by the Trust and the Property Trustee after paying any such taxes, duties, assessments or other governmental charges will be equal to the amounts the Trust and the Property Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

A-5

(e) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Securities.

(4) Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each, a "Liquidation"), the Holders of the Securities on the date of the dissolution will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, distributions in an amount equal to the aggregate stated liquidation amount of such Securities, plus accumulated and unpaid Distributions on such Securities to the date of payment (such amount being "Liquidation Distribution"), unless, in connection with such Liquidation, Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate equal to the Coupon Rate of, and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on, such Securities, shall be distributed on a Pro Rata basis to the Holders in exchange for such Securities.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Securities shall be paid on a Pro Rata basis.

Holders of Common Securities will be entitled to receive distributions upon any liquidation Pro Rata with the holders of the Trust Preferred Securities. However, if an Event of Default has occurred and is continuing, the Trust Preferred Securities will have a preference over the Common Securities with regard to those distributions.

(5) Redemption and Distribution.

(a) Upon the repayment of the Debentures at maturity, the proceeds from such repayment shall, after satisfaction of liabilities to

creditors of the Trust, be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid at a redemption price of \$25 per Security plus an amount equal to accumulated and unpaid Distributions thereon at the date of the redemption, payable in cash.

The Debentures are redeemable prior to the Stated Maturity at the option of the Debenture Issuer (i) in whole or in part, from time to time, on or after February 1, 2007 or (ii) at any time prior to February 1, 2007, in whole but not in part, within 90 days following the occurrence and continuation of a Special Event, in either case at a redemption price (the "Redemption Price") equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon (including Additional Interest and Compound Interest, if any) to the date of redemption.

Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption, the proceeds from such repayment or payment shall be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal

A-6

amount of the Debenture so repaid or redeemed at the Redemption Price. If fewer than all the outstanding Securities are to be so redeemed, the Securities will be redeemed Pro Rata and the Trust Preferred Securities to be redeemed will be as described in Section 6.

(b) If an Investment Company Event (as defined herein) or a Tax Event occurs, the Debentures are redeemable at the option of the Debenture Issuer, in whole but not in part within 90 days following the occurrence of such Investment Company Event or Tax Event (the "90 Day Period") on not less than 30 nor more than 60 days notice prior to the date fixed for redemption; provided, however, that, if at the time there is available to the Trust the opportunity to eliminate, within the 90 Day Period, the Investment Company Event or Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that will have no adverse effect on the Trust, the Debenture Issuer, the Sponsor or the Holders of the Securities and will involve no material cost ("Ministerial Action"), the Administrative Trustees will pursue such Ministerial Action in lieu of dissolution (either, a "Special Event Redemption"). If the Debenture Issuer redeems the Debentures upon the occurrence and continuance of a Investment Company Event or Tax Event, the proceeds from such redemption shall simultaneously be applied by the Trust to redeem the Securities having an aggregate stated liquidation amount equal to the aggregate principal amount of the Debentures so redeemed at the Redemption Price per Security. To the extent the Redemption Price is received by the Property Trustee, the Property Trustee will distribute, to each record Holder of the Securities the Redemption Price payable in liquidation of such Holder's interests in the Trust.

"Investment Company Event" means that the Administrative Trustees shall have received an opinion of independent counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority (a "Change in 1940 Act Law"), which Change in 1940 Act Law becomes effective on or after the date of the Prospectus, there is a more than an insubstantial risk that the Trust is or will be considered an investment company which is required to be registered under the Investment Company Act.

"Tax Event" means the receipt by the Administrative Trustees of an opinion of a nationally recognized independent tax counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority or (c) any

interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the generally accepted position on the date the Securities are issued, which amendment or change is effective or which interpretation or pronouncement is announced on or after the date of the Prospectus, there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such opinion, subject to United States federal income tax with respect to the income received or accrued on the Debentures, (ii) interest payable by the Debenture Issuer on the Debentures is not, or within 90 days of the date thereof would not be, deductible, in whole or in part, by the Debenture Issuer for United States federal income tax purposes or (iii) the Trust is, or within 90

A-7

days of the date thereof would be, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

On and from the date fixed by the Administrative Trustees for any distribution of Debentures upon dissolution of the Trust: (i) the Securities shall no longer be deemed to be outstanding, (ii) DTC or its nominee (or any successor Clearing Agency or its nominee) or the record Holder of the Trust Preferred Securities, will receive a registered global certificate or certificates representing the Debentures to be delivered upon such distribution and (iii) any certificates representing Securities, except for certificates representing Trust Preferred Securities held by DTC or its nominee (or any successor Clearing Agency or its nominee), will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of such Securities, with an interest rate of 7.8% and accumulated and unpaid interest equal to accrued and unpaid Distributions on such Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissue.

(c) The Trust may not redeem fewer than all the outstanding Securities unless all accumulated and unpaid Distributions have been paid on all Securities for all quarterly Distribution periods terminating on or before the date of redemption.

(d) The Debenture Issuer will have the right at any time to liquidate the Trust and cause the Debentures to be distributed to the Holders. If the Debentures are distributed to the Holders and the Trust Preferred Securities are then listed on an exchange, the Debenture Issuer will use its best efforts to cause the Debentures to be listed on the NYSE or on such other exchange as the Trust Preferred Securities are then listed.

(6) Redemption or Distribution Procedures.

(a) Notice of any redemption (other than in connection with the maturity of the Debentures) of, or notice of distribution of Debentures in exchange for, the Securities (a "Redemption/Distribution Notice") will be given by the Property Trustee by mail to each Holder of Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 6(a), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(b) In the event that fewer than all the outstanding Securities are to be redeemed, the Securities to be redeemed shall be redeemed Pro Rata from each Holder, it being understood that, in respect of Trust Preferred Securities registered in the name of and held of record by the Clearing Agency (as defined in the Agreement) or its nominee, the distribution

of the proceeds of such redemption will be made to each Clearing Agency Participant (as defined in

A-8

the Agreement) (or Person) on whose behalf such nominee holds such securities) in accordance with the procedures applied by such agency or nominee.

(c) If Securities are to be redeemed and the Property Trustee gives a Redemption/Distribution Notice, which notice may only be issued if the Debentures are redeemed as set out in this Section 6 (such notice will be irrevocable), then (A) while the Trust Preferred Securities are in book-entry only form, with respect to the Trust Preferred Securities, by 12:00 noon, New York City time, on the redemption date, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures by 10:00 a.m. New York City time on such Redemption Date, the Property Trustee will deposit irrevocably with DTC or its nominee (or any successor Clearing Agency or its nominee), funds sufficient to pay the applicable Redemption Price with respect to the Trust Preferred Securities and will give DTC irrevocable instructions and authority to pay the Redemption Price to the Holders of the Trust Preferred Securities so called for redemption, and (B) with respect to Trust Preferred Securities issued in definitive form and Common Securities, provided that the Debenture Issuer has paid the Property Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Property Trustee will irrevocably deposit with the Paying Agent funds sufficient to pay the relevant Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay such Redemption Price to the Holders of such Securities upon surrender of their Certificates evidencing their Securities. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the distributions will cease to accumulate on the Securities so redeemed and all rights of Holders of such Securities so called for redemption will cease, except the right of the Holders of such Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Administrative Trustees nor the Trust shall be required to register or cause to be registered the transfer of any Securities that have been so called for redemption. If any date fixed for redemption of Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Securities is improperly withheld or refused and not paid either by the Property Trustee or by the Sponsor as guarantor pursuant to the relevant Securities Guarantee, Distributions on such Securities will continue to accumulate from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price and such Securities shall cease to be outstanding.

(d) Redemption/Distribution Notices shall be sent by the Property Trustee to (A) in respect of the Trust Preferred Securities, DTC or its nominee (or any successor Clearing Agency or its nominee) if the Global Certificates have been issued or, if Definitive Trust Preferred Security Certificates have been issued, to the Holder thereof, and (B) in respect of the Common Securities, to the Holder thereof.

A-9

(e) The Trust shall not be required to (i) issue, or register the transfer or exchange of, any Securities during a period beginning at the opening of business 15 days before the mailing of a notice of redemption of Securities and ending at the close of business on the day of the mailing of the relevant notice of redemption and (ii) register the transfer or exchange of any

Securities so selected for redemption, in whole or in part, except the unredeemed portion of any Securities being redeemed in part.

(f) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws) the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Trust Preferred Securities by tender, in the open market or by private agreement.

(7) Reserved.

(8) Voting Rights - Trust Preferred Securities.

(a) Except as provided under Sections 8(b) and 10 and as otherwise required by law and the Agreement, including these Terms and Conditions, the Holders of the Trust Preferred Securities will have no voting rights.

(b) Subject to the requirements set forth in this paragraph, the Holders of a Majority in liquidation amount of the Trust Preferred Securities, acting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or the exercise of any trust or power conferred upon the Property Trustee under the Agreement, including (i) directing the time, method and place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waiving any past default and its consequences that is waivable under the Indenture, (iii) exercising any right to rescind or annul a Agreement that the principal of all the Debentures shall be due and payable, or (iv) consenting to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required, provided, however, that, where a consent or action under the Indenture specifically would require the consent or act of the Holders of greater than a majority of the Holders in principal amount of Debentures affected thereby (a "Super Majority"), the Property Trustee may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Trust Preferred Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding; and, provided further, that if a Debenture Event of Default has occurred and is continuing, then the Holders of 25% of the aggregate liquidation amount of the Trust Preferred Securities then Outstanding may direct the Property Trustee to declare the principal of and interest on the Debentures immediately due and payable. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Trust Preferred Securities except by a subsequent vote of Holders of the Trust Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Debenture Trustee as set forth above, the Property Trustee shall not take any action in accordance with the directions of the Holders of the Trust Preferred Securities under this paragraph unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as

A-10

other than a grantor trust on account of such action. If the Property Trustee fails to enforce its rights under the Debentures after a Holder of Trust Preferred Securities has made a written request, such Holder of Trust Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Debenture Issuer to enforce the Property Trustee's rights under the Debentures without first instituting a legal proceeding against the Property Trustee or any other Person. Notwithstanding the foregoing, if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Trust Preferred Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures

having a principal amount equal to the aggregate liquidation amount of the Trust Preferred Securities of such Holder on or after the respective due date specified in the Debentures. Except as provided in the preceding sentence, the Holders of Trust Preferred Securities shall not exercise directly any other remedy available to the holders of the Debentures.

Any approval or direction of Holders of Trust Preferred Securities may be given at a separate meeting of Holders of Trust Preferred Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which Holders of Trust Preferred Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Trust Preferred Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Trust Preferred Securities will be required for the Trust to repay and cancel Trust Preferred Securities or to distribute the Debentures in accordance with the Agreement and the terms of the Securities. Notwithstanding that Holders of Trust Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Trust Preferred Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

(9) Voting Rights - Common Securities.

(a) Except as provided under Sections 9(b) and (c) and 10 and as otherwise required by law and the Agreement, including these Terms and Conditions, the Holders of the Common Securities will have no voting rights.

(b) The Holders of the Common Securities are entitled, in accordance with Article V of the Agreement, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Agreement and only after any Event of Default with respect to the Trust Preferred Securities has been cured, waived, or otherwise

A-11

eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under the Agreement, including (i) directing the time, method, and place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under the Indenture, or (iii) exercise any right to rescind or annul a Agreement that the principal of all the Debentures shall be due and payable, provided that, where a consent or action under the Indenture specifically would require the consent or act of the Holders of a Super Majority, the Property Trustee may only give such consent or take such action at the written direction of the Holders of at least the proportion in liquidation amount of the Common Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding. Pursuant to this Section 9(c), the Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Trust Preferred Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Property Trustee or the Debenture Trustee as set forth above,

the Property Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action. If the Property Trustee fails to enforce its rights under the Agreement, any Holder of Common Securities may institute a legal proceeding directly against any Person to enforce the Property Trustee's rights under the Agreement, without first instituting a legal proceeding against the Property Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Agreement and the terms of the Securities.

(10) Amendments to Agreement and Indenture.

(a) In addition to any requirements under Section 12.1 of the Agreement, if any proposed amendment to the Agreement provides for, or the Administrative Trustees otherwise propose to effect, (i) any action that would materially adversely affect the powers, preferences or special rights of the Securities, whether by way of amendment to the Agreement or otherwise, or

A-12

(ii) the dissolution of the Trust, other than as described in Section 8.1 of the Agreement, then the Holders of outstanding Securities as a class will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Securities, voting together as a single class; provided, however, if any amendment or proposal referred to in clause (i) above would adversely affect only the Trust Preferred Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Securities.

(b) In the event the consent of the Property Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination on the Indenture or the Debentures, the Property Trustee shall request the written direction of the Holders with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Securities voting together as a single class; provided, however, that where a consent under the Indenture specifically would require a Super Majority, the Property Trustee may only give such consent at the direction of the Holders of at least the proportion in liquidation amount of the Securities which the relevant Super Majority represents of the aggregate principal amount of the Debentures outstanding; provided further, that the Property Trustee shall not take any action in accordance with the directions of the Holders under this Section 10(b) unless (i) the Property Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be classified as other than a grantor trust on account of such action or (ii) such action would not reduce or

otherwise adversely affect powers of the Property Trustee or (iii) cause the Trust to be deemed an "investment company" which is required to be registered under the Investment Company Act.

(11) Pro Rata.

A reference in these terms of the Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Securities according to the aggregate liquidation amount of the Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Securities outstanding unless, in relation to a payment, an Event of Default under the Agreement has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Trust Preferred Securities pro rata according to the aggregate liquidation amount of Trust Preferred Securities held by the relevant Holder relative to the aggregate liquidation amount of all Trust Preferred Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Trust Preferred Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

(12) Listing.

The Administrative Trustees shall use their best efforts to cause the Trust Preferred Securities to be listed for quotation on the New York Stock Exchange.

A-13

(13) Ranking.

The Trust Preferred Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing under the Indenture in respect of the Debentures held by the Property Trustee, the rights of Holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of the Holders of the Trust Preferred Securities.

(14) Acceptance of Securities Guarantee and Indenture.

Each Holder of Trust Preferred Securities and Common Securities by the acceptance thereof, agrees to the provisions of the Trust Preferred Securities Guarantee and the Common Securities Guarantee, respectively, including the subordination provisions therein, and to the provisions of the Indenture.

(15) No Preemptive Rights.

The Holders shall have no preemptive rights to subscribe for any additional securities.

(16) Additional Provisions.

Reserved.

(17) Miscellaneous.

These terms constitute a part of the Agreement.

The Sponsor will provide a copy of the Agreement, the Trust Preferred Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.

FORM OF TRUST PREFERRED SECURITY CERTIFICATE

[IF THE TRUST PREFERRED SECURITY IS TO BE A GLOBAL CERTIFICATE
 INSERT - This Trust Preferred Security is a Global Certificate within the meaning of the Agreement hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Trust Preferred Security is exchangeable for Trust Preferred Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Agreement and no transfer of this Trust Preferred Security (other than a transfer of this Trust Preferred Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Trust Preferred Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Trust or its agent for registration of transfer, exchange or payment, and any Trust Preferred Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

Certificate Number _____ Number of Trust Preferred Securities _____

CUSIP NO. _____

Certificate Evidencing Trust Preferred Securities
 of
 DTE Energy Trust I

7.8% Trust Preferred Securities
 (liquidation amount \$25 per Trust Preferred Security)

DTE Energy Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that _____ (the "Holder") is the registered owner of _____ Trust Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust designated as the 7.8% Trust Preferred Securities (liquidation amount \$25 per Trust Preferred Security) (the "Trust Preferred Securities"). The Trust Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Trust Preferred Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Trust Agreement of the Trust dated as of January 15, 2002 as the same may be amended from time to time (the

A1-1

"Agreement"), including the designation of the terms of the Trust Preferred Securities as set forth in Exhibit A to the Agreement. Capitalized terms used herein but not defined shall have the meaning given them in the Agreement. The Holder is entitled to the benefits of the Trust Preferred Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Agreement, the Trust Preferred Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Agreement and is entitled to the benefits thereunder.

In addition, the Holder is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debenture are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined in the Indenture) as and to the extent provided in the Indenture and (ii) agreed to the terms of the Trust Preferred Securities Guarantee, including that the Trust Preferred Securities Guarantee is subordinate and junior in right of payment to all other liabilities of the Sponsor, including the Debentures, except those made pari passu or subordinate by their terms, and pari passu with any guarantee now or hereafter entered into by the Sponsor in respect of any preferred or preference stock of any Affiliate of the Sponsor.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Trust Preferred Securities as evidence of indirect beneficial ownership in the Debentures.

Unless the Property Trustee's Certificate of Authentication hereon has been properly executed, the Trust Preferred Securities evidenced by this Certificate shall not be entitled to any benefit under the Agreement or be valid or obligatory for any purpose.

A1-2

IN WITNESS WHEREOF, the Trust has executed this certificate
this ____ day of _____, _____.

DTE ENERGY TRUST I

By: _____

Name:

Title: Administrative Trustee

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Trust Preferred Securities referred to in the within-mentioned Agreement

Dated _____, _____

The Bank of New York,
as Property Trustee

By: _____

Authorized Signatory

A1-3

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Trust Preferred Security will be fixed at a rate per annum of 7.8% (the "Coupon Rate") of the stated liquidation amount of \$25 per Trust Preferred Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate ("Compound Interest") (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest (including Additional Interest and Compound Interest) payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has actually received and holds funds available therefor. The amount of Distributions payable for any period

will be computed for any full quarterly Distribution period on the basis of a 360-day year consisting of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, Distributions on the Trust Preferred Securities will be cumulative, will accrue from January 15, 2002 and will be payable quarterly in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2002, to holders of record on the relevant record dates, which will be, as long as the Trust Preferred Securities remain in book-entry form, one Business Day prior to such payment date, which payment dates shall correspond to the interest payment dates on the Debentures. In the event that the Trust Preferred Securities are not in book-entry form, the record date will conform to the rules of any securities exchange on which the securities are listed and, if none, as shall be selected by the Administrative Trustees, which dates will be at least more than one, but less than 60 Business Days before the relevant payment date, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period"), provided that no Extension Period shall last beyond the date of the maturity of the Debentures and, as a consequence of such deferral, quarterly Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may shorten or further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements and the Indenture.

The Trust Preferred Securities shall be redeemable as provided in the Agreement.

A1-4

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Trust Preferred Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Trust Preferred Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Dated: _____

Signature: _____

Signature Guarantee: _____

(Sign exactly as your name appears on the other side of this Trust Preferred Security Certificate)

(Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

A1-5

EXHIBIT A-2

FORM OF COMMON SECURITY CERTIFICATE

The Common Securities may only be transferred by the Debenture Issuer and any Related Party to the Debenture Issuer or a Related Party of the Debenture Issuer; provided that, any such transfer is subject to the condition precedent that the transferor obtain the written opinion of nationally recognized independent counsel experienced in such matters that such transfer would not cause more than an insubstantial risk that:

(i) the Trust would not be classified for United States federal income tax purposes as a grantor Trust; and

(ii) the Trust would be an Investment Company or the transferee would become an Investment Company.

Certificate Number One

Number of Common Securities 222,681

Certificate Evidencing Common Securities of DTE Energy Trust I

7.8% Common Securities
(liquidation amount \$25 per Common Security)

DTE Energy Trust I, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that DTE Energy Company (the "Holder") is the registered owner of 222,681 common securities of the Trust representing common undivided beneficial interests in the assets of the Trust designated as the 7.8% Common Securities (liquidation amount \$25 per common security) (the "Common Securities"). The Common Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Trust Agreement of the Trust dated as of January 15, 2002, as the same may be amended from time to time (the "Agreement"), including the designation of the terms of the Common Securities as set forth in Exhibit A to the Agreement. Capitalized terms used herein but not defined shall have the meaning given them in the Agreement. The Holder is entitled to the benefits of the Common Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Agreement, the Common Securities Guarantee and the Indenture to a Holder without charge upon written request to the Sponsor at its principal place of business.

A2-1

Upon receipt of this certificate, the Sponsor is bound by the Agreement and is entitled to the benefits thereunder.

In addition, the Holder is deemed to have (i) agreed to the terms of the Indenture and the Debentures, including that the Debentures are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined in the Indenture) as and to the extent provided in the Indenture and (ii) agreed to the terms of the Common Securities Guarantee, including that the Common Securities Guarantee is subordinate and junior in right of payment to all other liabilities of the Sponsor, including the Debentures, except those made pari passu or subordinate by their terms, and pari passu with any guarantee now or hereafter entered into by the Sponsor in respect of any preferred or preference stock of any Affiliate of the Sponsor.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Common Securities as evidence of indirect beneficial ownership in the Debentures.

A2-2

IN WITNESS WHEREOF, the Trust has executed this certificate
this ____ day of _____, ____.

DTE ENERGY TRUST I

By: _____
Name:
Title: Administrative Trustee

A2-3

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of 7.8% (the "Coupon Rate") of the stated liquidation amount of \$25 per Common Security, such rate being the rate of interest payable on the Debentures to be held by the Property Trustee. Distributions in arrears for more than one quarter will bear interest thereon compounded quarterly at the Coupon Rate ("Compound Interest") (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest (including Additional Interest and Compound Interest) payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Property Trustee and to the extent the Property Trustee has actually received and holds funds available therefor. The amount of Distributions payable for any period will be computed for any full quarterly Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full quarterly Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per 30-day month.

Except as otherwise described below, distributions on the Common Securities will be cumulative, will accrue from January 15, 2002 and will be payable quarterly in arrears, on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2002, to Holders of record on the relevant record dates, which will be, as long as the Common Securities remain in book-entry form, one Business Day prior to such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding 20 consecutive quarters (each an "Extension Period"),

provided that no Extension Period shall last beyond the date of the maturity of the Debentures and, as a consequence of such deferral, quarterly Distributions will also be deferred. Despite such deferral, quarterly Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded quarterly during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may shorten or further extend such Extension Period; provided that such Extension Period together with all such previous and further extensions thereof may not exceed 20 consecutive quarters or extend beyond the maturity date of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Agreement.

A2-4

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

(Insert assignee's social security or tax identification number)

(Insert address and zip code of assignee)

and irrevocably appoints

agent to transfer this Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Dated:_____

Signature:_____

Signature Guarantee:_____

(Sign exactly as your name appears on the other side of this Common Security Certificate)

(Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)

A2-5

TERMINATION AND CONSULTING AGREEMENT

This Termination and Consulting Agreement by and among DTE Energy Company, a Michigan corporation ("Parent"), MCN Energy Group Inc., a Michigan corporation ("the Company"), and DTE Enterprises Inc. ("Sub"), a Michigan corporation, and Alfred R. Glancy III (the "Executive") is dated as of the 4th day of October, 1999.

WHEREAS, the Company, Parent and Sub are entering into an Agreement and Plan of Merger of even date herewith (the "Merger Agreement"), pursuant to which the Company will merge with Sub (the "Merger"); and

WHEREAS, the Executive and the Company are parties to an Employment Agreement dated as of July 1, 1997 (the "Employment Agreement"), the Executive has been granted certain stock options and other incentive compensation awards pursuant to the Company's plans (collectively, the "Incentive Awards"), and the Executive is entitled to various benefits under employee benefit plans, programs and policies of the Company (collectively, the "Employee Benefits"); and

WHEREAS, it is acknowledged by the parties hereto that as a result of the shareholder approval and consummation of the Merger and the other transactions contemplated by the Merger Agreement, as of the Closing (as defined in the Merger Agreement), the Employment Agreement shall have become effective and the Executive will have "Good Reason" to terminate his employment pursuant to the Employment Agreement; and

WHEREAS, the Company and Parent have determined that it is in the best interests of their respective shareholders to provide for the continuing availability to the Company and Parent of the Executive's services and expertise following the Closing, all on the terms and conditions set forth below;

NOW, THEREFORE, it is hereby agreed as follows:

1. Termination of Employment. The Executive shall resign from his employment immediately following the Closing (as defined in the Merger Agreement). The date of such resignation is hereinafter referred to as the "Date of Termination." Such resignation shall be deemed to be a termination of his employment for "Good Reason" under the Employment Agreement, with the result that the Executive will be entitled to the payments and benefits set forth in Sections 6 and 7 of the Employment Agreement. In addition, it is acknowledged that the Executive may be entitled to certain additional payments pursuant to Section 9 of the Employment Agreement before and/or after such resignation. Parent and Sub hereby expressly assume, effective as of the Effective Date, all obligations of the Company pursuant to the Employment Agreement.

2. Incentive Awards and Employee Benefits. The Executive's Incentive Awards and Employee Benefits shall be treated as provided in the Merger Agreement, and in accordance with the terms of the applicable plans, programs and agreements. Parent and Sub hereby

expressly assume, effective as of the Effective Date, all obligations of the Company with respect to the Incentive Awards and Employee Benefits.

3. Post-Merger Services. (a) Parent shall cause the Executive to be nominated to its Board of Directors (the "Board") for a term beginning at the Effective Time (as defined in the Merger Agreement), and renominated in accordance with normal Board procedures until he reaches the mandatory retirement age for members of the Board. For so long as the Executive remains a member of the Board, Parent shall provide the Executive with a home security system on terms and conditions no less favorable to the Executive than those on

which such system is provided to the Chief Executive Officer of Parent.

(b) From the Date of Termination through the Executive's 65th birthday, or such shorter period as may be provided pursuant to Section 3(e) or (f) below (the "Consulting Term"), in consideration for the compensation and benefits provided for below, the Executive shall make himself available to Parent and the Company, at mutually convenient times and places, for such consulting services as may be requested by the Board or the Chief Executive Officer of Parent. The Executive expressly agrees to render 50 hours of such services per calendar month during the Consulting Term, if so requested by the Board. The Executive's consulting services may include, but shall not be limited to, advice regarding natural gas industry matters, diversification strategy, public and civic relations, and merger transition issues.

(c) During the Consulting Term, Parent shall pay the Executive a fee of \$25,000 per month, payable monthly in advance, and an additional fee of \$500 per hour of service that he renders in excess of 50 in any given calendar month, payable promptly following the end of the calendar month (such fees, together, are hereinafter referred to as the "Fee"). Further, Parent shall reimburse the Executive for all expenses incurred by him in the performance of services hereunder, within thirty days of receipt by Parent of invoices setting forth a description of the items for which reimbursement is sought, with appropriate supporting documentation.

(d) During the Consulting Term, Parent shall provide the Executive with an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial assistance, at least equal to that provided to the Executive as of the date of this Agreement or, if more favorable to the Executive, as provided generally at any time thereafter to senior executives of Parent.

(e) If the Executive should die or become permanently disabled before the first anniversary of the Date of Termination, the Consulting Term shall end on the date of such death or permanent disability, Parent shall pay to the Executive's estate or to the Executive or his legal guardian, as applicable, any portion of the Fee and any expense reimbursements pursuant to Section 3(c) above that remain unpaid, and the provisions of this Section 3 shall have no further force or effect.

(f) Parent may terminate the Consulting Term for Cause, in which event the Executive shall not be required to render any further services and no further payments of the Fee shall be made. For purposes of this Agreement, "Cause" shall mean:

-2-

- (i) the willful and continued failure of the Executive to perform substantially the Executive's duties under this Section 3 (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of Parent which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or
- (ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent or the Company.

For purposes of this Section 3(f), no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of Parent. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted

by the Board or upon the instructions of the Chief Executive Officer of Parent or based upon the advice of counsel for Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of Parent. The Consulting Term shall not be terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(g) The Executive's status during the Consulting Term shall be that of an independent contractor and not, for any purpose, that of an employee or agent with authority to bind the Company in any respect. Except as provided above, the Executive shall not be eligible for any additional compensation or benefits provided by Parent or Sub. All payments and other consideration made or provided to the Executive under this Section 3 shall be made or provided without withholding or deduction of any kind, and the Executive shall assume sole responsibility for discharging, and he hereby agrees to indemnify and defend Parent and the Company against, all tax or other obligations associated therewith.

4. Confidentiality. The Executive shall hold in a fiduciary capacity for the benefit of Parent, Sub and the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which he obtained during his employment by the Company or any of its affiliated companies, and all such information, knowledge or data relating to Parent or any of its affiliated companies, and their respective businesses, which he obtains during his service as a consultant hereunder, and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Consulting Term, the Executive shall not, without the prior written consent of Parent or as may

-3-

otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than Parent and those designated by it. In no event shall an asserted violation of the provisions of this Section 4 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under the Employment Agreement or otherwise (except pursuant to Section 3 of this Agreement).

5. Noncompetition. During the Consulting Term, the Executive shall not, without the consent of the Board, serve as an employee, officer, director (or in any other position of comparable function) of, or consultant to, acquire any financial or beneficial interest in (except as provided in the next sentence), own, manage, operate or control, any other business or entity engaged in any business which is in competition with Parent and its subsidiaries; provided, that the foregoing shall not prevent the Executive from continuing to serve as a member of the Boards of Directors on which he currently serves. Notwithstanding the preceding sentence, the Executive shall not be prohibited from owning less than 5% of any publicly traded entity, whether or not such entity is in competition with the Parent. In no event shall an asserted violation of the provisions of this Section 5 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under the Employment Agreement or otherwise (except pursuant to Section 3 of this Agreement).

6. Indemnification. Parent and the Company agree to indemnify, protect, defend and hold the Executive and his estate, heirs, and personal representatives, harmless from and against any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), and all losses, liabilities, damages and expenses,

including reasonable attorney's fees incurred by counsel reasonably designated or approved by him, in connection with this Agreement or his services hereunder, provided that any consulting services giving rise to such indemnification shall have been performed by the Executive in good faith and, to the best of his knowledge, in a lawful manner.

7. Certain Additional Payments. It is expressly acknowledged and agreed that the provisions of Section 9 of the Employment Agreement will apply to payments and benefits provided to the Executive under this Agreement upon any determination or claim by the Internal Revenue Service that any such payments and benefits constitute "excess parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended. In addition, if the Executive is subject to any federal, state or local income, self-employment, social security or other taxes as a result of receiving the benefits provided for Section 3(a) or Section 3(d), Parent shall make such additional payments as may be required to put the Executive in the same position (after payment of all such taxes and any associated interest and penalties with respect to the underlying benefits and the additional payments) as he would have been in if no such taxes had been imposed.

8. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of Parent shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

-4-

(b) This Agreement shall inure to the benefit of and be binding upon Parent, the Company and their respective successors and assigns.

(c) Parent and Sub shall each require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of their respective businesses and/or assets to assume expressly and agree to perform this Agreement in the same manner and to the same extent that Parent or Sub (as applicable) would be required to perform it if no such succession had taken place. As used in this Agreement, "Parent," "Sub" and the "Company" shall mean Parent, Sub and the Company, respectively, as hereinbefore defined and any successor to their respective businesses and/or assets which assumes and agrees to perform this Agreement by operation of law, or otherwise.

9. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:
Alfred R. Glancy III

If to Parent:
DTE Energy Company
2000 Second Avenue
Detroit, MI 48226

Attention: General Counsel

If to the Company:
MCN Energy Group Inc.
500 Griswold Street
Detroit, MI 48226

Attention: General Counsel

If to Sub:

-5-

DTE Enterprises Inc.
2000 Second Avenue
Detroit, MI 48226

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision (or portion thereof) of this Agreement shall not affect the validity or enforceability of any other provision (or portion thereof) of this Agreement.

(d) From and after the Date of Termination, except to the extent provided herein, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof, other than the Employment Agreement.

(e) This Agreement may be executed in several counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument.

(f) This Agreement shall be null and void, ab initio, and of no further effect if the Merger Agreement is terminated before the Closing.

-6-

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from their respective Boards of Directors, Parent, Sub and the Company have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Alfred R. Glancy III

Alfred R. Glancy III

DTE ENERGY COMPANY

By /s/ Illegible

MCN ENERGY GROUP

By /s/ Illegible

DTE ENTERPRISES INC.

By /s/ Illegible

-7-

[MCN LETTERHEAD]

September 13, 2000

PERSONAL & CONFIDENTIAL

Mr. Anthony F. Earley
Chairman and Chief Executive Officer
DTE Energy Company
2000 Second Avenue
Detroit, MI 48226

RE: TERMINATION AND CONSULTING AGREEMENT

Dear Tony:

As you will recall, I executed the attached Termination and Consulting Agreement (Agreement) dated October 4, 1999. The Agreement provides in Section 3(d) that DTE shall provide me "...exclusive personal secretarial assistance, at least equal to that provided to the Executive as of the date of this Agreement...". You may or may not be aware that, as of such date and continuing through the present time, I have two secretaries, one full-time and one three days a week.

With the close of our merger now finally at least in sight, I am beginning to focus on my retirement plans. While, as noted, our Agreement entitles me to eight days of secretarial support until my 65th birthday, I have concluded that I can work effectively after the closing with just three days of support.

I intend to maintain an office either downtown, most likely in the Madden Building or on the East Side until at least age 70. Subject to recommendation of the DTE Board and shareholders, I would anticipate serving on the DTE Board until age 70. My Agreement also states that DTE will provide an office comparable to what I currently have until age 65. I do not propose to change the period of time in which DTE provides office space (I will pay for it after age 65), but I would propose to extend the period of time, until I attain age 70, during which DTE would provide the services of one secretary of my choosing for three days a week.

If you do the math and assume our transaction closes at the end of this year, the cost of one secretary for three days a week until age 70 is roughly equivalent to the cost of eight days of secretarial support until age 65, as provided for in our current Agreement.

Mr. Anthony F. Earley

September 13, 2000

Page Two

I do not believe that this request is unreasonable, nor do I hope it requires lengthy discussions between Wachtel, Hunton & Williams and Dykema Gossett.

Thank you for consideration of my request, which will help facilitate my services on the Board of Directors of DTE. If you are in agreement with my proposal, please execute both copies of this letter, which will constitute an Amendment to my Agreement, and return one copy for my records.

Sincerely,

/s/ Alfred R. Glancy III

Alfred R. Glancy III

APPROVED AS TO FORM AND
CONTENT:

/s/ Alfred R. Glancy III

Dated: September 13, 2000

Alfred R. Glancy III

DTE ENERGY COMPANY

/s/ Anthony F. Earley

Dated: September 24, 2000

By: Anthony F. Earley

DTE ENTERPRISES, INC.

/s/ Anthony F. Earley

Dated: September 24, 2000

By: Anthony F. Earley

MCN ENERGY GROUP, INC.

[SIG]

Dated: September 13, 2000

By:

DTE ENERGY COMPANY
2002 STOCK INCENTIVE PLAN
PERFORMANCE SHARE GRANT MEASURES & TARGETS
JANUARY 23, 2002

	Weight	Threshold 50% Payout	Target 100% Payout	Maximum 200% Payout
Earnings Growth	60%	2%	4%	8%
Total Shareholder Return - S&P Utility Index	25%	25th %ile	50th %ile	90th %ile
Employee Satisfaction/Engagement	15%	30th %ile	50th %ile	75th %ile

NOTES:

To determine final payouts, the actual results will be interpolated between the Threshold and Target, and between the Target and Maximum for each of the three measures.

THESE PROPOSED MEASURES, TARGETS, AND WEIGHTINGS ARE IDENTICAL TO THE 2001 DESIGN.

DTE ENERGY COMPANY
1998 RESTRICTED STOCK GRANT PRELIMINARY RESULTS
JANUARY 23, 2002

	Weight	Level 1	Level 2	Level 3	Actual Results	Weighted Payout
Total Shareholder Return	55%	Positive & 90th %ile of DJEU	Positive & 50th to 90th %ile of DJEU	Positive & 25th %ile of DJEU	10th Position 73rd %ile	35.4%
	PAYOUT Equal To or Greater Than	100%	50% - 75%	25%		
Customer Satisfaction	15%	Top Decile	Upper Quartile	Upper Third	80% 73rd %ile	3.8%
	PAYOUT Equal To or Greater Than	100%	50% - 100%	25%		
Total Production Cost (\$/MWh)	15%	\$18.93 or Less	\$18.93 to \$19.13	\$19.13 to \$19.32	TBD	TBD
	PAYOUT Equal To or Greater Than	100%	50% - 100%	25%		
INPO Performance Indicator Index	15%	Upper Quartile	Above Median	Third Quartile	Below Third Quartile	0.0%
	PAYOUT Equal To or Greater Than	100%	50% - 75%	25% - 50%		
					Total Payout =	TBD

DTE ENERGY COMPANY
2002 ANNUAL INCENTIVE PLAN - MEASURES & TARGETS
JANUARY 23, 2002

2001 Plan Design				2002 Plan Design				
Weight	Threshold 50% Payout	Target 100% Payout	Maximum 200% Payout	Weight	Threshold 50% Payout	Target 100% Payout	Maximum 200% Payout	2001 Results
50%	11.3% (\$3.30)	12.0% (\$3.50)	12.6% (\$3.70)					ROE for 2001 (1) (Pro-forma 2001 EPS) EPS for 2002 (1)
				50%	\$3.55	\$3.75	\$4.00	12.6% p \$3.45 p
20%	\$50	\$75	\$125					Cash Flow (\$ in Millions) (2)
				25%	\$50	\$100	\$200	\$64 p
10%	82%	83%	85%					Customer Satisfaction (3)
				15%	76%	82%	86%	83%

5%	7%	9%	11%	Diversity - Minority Spending	N/A	Goals established for individual organizations				14%
<hr/>										
5%				Diversity Placements (4)	10%					
	22%	25%	26%	- Minorities		22%	25%	26%		27%
	25%	28%	30%	- Women		25%	28%	30%		31%
<hr/>										
10%	40	35	27	Safety -	N/A	Goals established for individual organizations				38
<hr/>										
<hr/>										
<hr/>										

NOTES:

- (1) For 2001, ROE (and pro-forma EPS) excluded goodwill amortization and restructuring charges. For 2002, EPS targets are on an "as reported" (all inclusive) basis.
- (2) For 2002, cash flow is defined as cash from operations; less regulated and non-regulated capital expenditures and dividends; plus MCN out-of-region asset sales.
- (3) For 2002 approximately 90% of DTE's customers will be included in this measurement (both electric and gas, residential, small businesses and some large businesses).
- (4) For 2002 Diversity Placements will be measured across the entire DTE enterprise.
- (5) To determine final payouts, the actual results will be interpolated between the Threshold and Target, and between the Target and Maximum for each of the four measures.

DTE ENERGY COMPANY
2002 ANNUAL INCENTIVE PLAN - MEASURES & TARGETS
JANUARY 23, 2002

2001 Plan Design					2002 Plan Design				
	Threshold	Target	Maximum			Threshold	Target	Maximum	2001
Weight	50% Payout	100% Payout	200% Payout		Weight	50% Payout	100% Payout	200% Payout	Results
50%	11.3% (\$3.30)	12.0% (\$3.50)	12.6% (\$3.70)	ROE for 2001 (1) (Pro-forma 2001 EPS) EPS for 2002 (1)	50%	\$3.55	\$3.75	\$4.00	12.6% p \$3.45 p
20%	\$50	\$75	\$125	Cash Flow (\$ in Millions) (2)	25%	\$50	\$100	\$200	\$64 p
10%	82%	83%	85%	Customer Satisfaction (3)	15%	76%	82%	86%	83%
5%	7%	9%	11%	Diversity - Minority Spending	N/A	Goals established for individual organizations			14%
5%	22% 25%	25% 28%	26% 30%	Diversity Placements (4) - Minorities - Women	10%	22% 25%	25% 28%	26% 30%	27% 31%
10%	40	35	27	Safety - Lost Work Day Incidents	N/A	Goals established for individual organizations			38

NOTES:

- (1) For 2001, ROE (and pro-forma EPS) excluded goodwill amortization and restructuring charges. For 2002, EPS targets are on an "as reported" (all inclusive) basis.
- (2) For 2002, cash flow is defined as cash from operations; less regulated and non-regulated capital expenditures and dividends; plus MCN out-of-region asset sales.
- (3) For 2002 approximately 90% of DTE's customers will be included in this measurement (both electric and gas, residential, small businesses and some large businesses).
- (4) For 2002 Diversity Placements will be measured across the entire DTE enterprise.
- (5) To determine final payouts, the actual results will be interpolated between the Threshold and Target, and between the Target and Maximum for each of the four measures.

DTE ENERGY COMPANY
2002 STOCK INCENTIVE PLAN
PERFORMANCE SHARE GRANT MEASURES & TARGETS
JANUARY 23, 2002

	Weight	Threshold 50% Payout	Target 100% Payout	Maximum 200% Payout
Earnings Growth	60%	2%	4%	8%
Total Shareholder Return - S&P Utility Index	25%	25th %ile	50th %ile	90th %ile
Employee Satisfaction/Engagement	15%	30th %ile	50th %ile	75th %ile

NOTES:

To determine final payouts, the actual results will be interpolated between the Threshold and Target, and between the Target and Maximum for each of the three

measures.

THESE PROPOSED MEASURES, TARGETS, AND WEIGHTINGS ARE IDENTICAL TO THE 2001
DESIGN.

DTE ENERGY COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31				
	2001	2000	1999	1998	1997
	=====	=====	=====	=====	=====
	(Millions, except for ratio)				
EARNINGS:					
Pretax earnings	\$219	\$480	\$546	\$600	\$ 678
Add:					
Loss from equity investee	22	26	15	5	3
Fixed charges	501	370	378	360	349
Distributed income from equity investees	9	--	--	--	--
	----	----	----	----	-----
NET EARNINGS	751	876	939	965	1,030
	----	----	----	----	-----
FIXED CHARGES:					
Interest expense	470	336	344	319	297
Interest factor of rents	8	34	34	34	34
Preferred stock dividend factor	23	--	--	7	18
	----	----	----	----	-----
Total fixed charges	\$501	\$370	\$378	\$360	\$ 349
	----	----	----	----	-----
Ratio of earnings to fixed charges	1.50	2.37	2.48	2.68	2.95
	====	====	====	====	=====

DTE ENERGY COMPANY

AND

SUBSIDIARIES

DTE Energy Company

A. DTE Energy Resources, Inc.

1. DTE Biomass Energy, Inc.

- a. Belleville Gas Producers, Inc.
- b. Birmingham Gas Producers, L.L.C.
- c. Coopersville Gas Producers, L.L.C.
- d. DTE Arbor Gas Producers, Inc.
- e. Escambia Gas Producers, Inc. - fka ESCA Gas Producers, Inc.
- f. Fayetteville Gas Producers, L.L.C. - fka Fayetteville Gas Company, L.L.C.
- g. Fort Worth Gas Producers, L.L.C. - (50%)
- h. Hillside Gas Producers, L.L.C.
- i. Kansas City Gas Producers, L.L.C.
- j. Lycoming Gas Producers, Inc.
- k. Montgomery Gas Producers, L.L.C.
- l. Oklahoma Gas Producers, L.L.C.
- m. Orlando Gas Producers, Inc.
- n. Phoenix Gas Producers, L.L.C.
- o. Plainville Gas Producers, Inc. - fka Sumpter Gas Producers, Inc.
- p. Polk Gas Producers, L.L.C. - (99%)
- q. RES Power, Inc.
- r. Riverview Gas Producers, Inc.
- s. Roxana Gas Producers, Inc.
- t. Sonoma Energy Systems, Inc.
- u. South Side Gas Producers, L.L.C.
- v. Wake Gas Producers, L.L.C.
- w. Westside Gas Producers, L.L.C.
- x. Wichita gas producers, L.L.C. - (90%)
- y. Winston Gas Producers, L.L.C. - (99%)

2. DTE Energy Trading, Inc. - fka Huron Energy Services, Inc.

3. DTE Energy Marketing, Inc. fka Great Lakes Energy Products, Inc.

4. DTE Generation, Inc.

5. DTE Energy Services, Inc.

a. DTE ES Holdings, Inc.

- (1) DTE Indiana Harbor, L.L.C. - (75%) DTE ES and (25%) DTE ES Holdings

b. PCI Enterprises Company

c. CBC I, L.L.C.

d. EES Coke Battery, L.L.C. - (99.5%) DTE ES and (.5%) CBC I, L.L.C.

e. EES Coke Battery Company, Inc.

f. DTE BH Holdings, Inc.

- (1) Burns Harbor Coke Energy Company, Inc.

- (a.) DTE Burns Harbor, L.L.C. - (39%) Burns Harbor and (12%) DTE BH
 - g. DTE Sparrows Point Operations, Inc.
 - h. DTE Sparrows Point Holdings, L.L.C.
 - i. DTE Georgetown Holdings, Inc.
 - j. DTE Georgetown, L.P. - (99%) DTE ES and (1%) DTE Georgetown Holdings, Inc.
 - k. DTE Northwind Operations, L.L.C.
 - l. DTE Northwind, L.L.C.
 - m. DTE Sparrows Point, L.L.C.
 - n. DTE Synfuels, L.L.C.
 - (1) DTE Buckeye Operations, L.L.C.
 - (2) DTE Synfuel Partners, L.L.C.
 - (a) DTE Smith Branch, L.L.C. - (95%) Synfuels and (5%) Synfuel Partners
 - (b) DTE Clover, L.L.C. - fka CRC No. 6, L.L.C. - (95%) Synfuels and (5%) Synfuel Partners
 - (c) DTE IndyCoke, L.L.C. - fka CRC No. 1, L.L.C. -. (95%) Synfuels and (5%) Synfuel Partners
 - (d) DTE Belews Creek, L.L.C. - fka CRC No. 3, L.L.C - (95%) Synfuels and (5%) Synfuel Partners
 - (e) DTE Utah Synfuels, L.L.C. - fka DTE Kentucky, L.L.C. - (95%) Synfuels and (5%) Synfuel Partners
 - (f) CRC No.2 L.L.C. - (95%) Synfuels and (5%) Synfuel Partners
 - (g) CRC No. 4 L.L.C - (95%) Synfuels and (5%) Synfuel Partners
 - (h) DTE Riverhill, L.L.C. - (95%) DTE Synfuels, L.L.C. and (5%) DTE Synfuel Partners
 - (3) DTE Smith Branch Operations, L.L.C.
 - (4) DTE Synfuel Operations, L.L.C. - (95%) Synfuels and (5%) Synfuel Partners
 - o. DTE Backup Generation Equipment Leasing, L.L.C.
 - p. Power Energy Partners, L.L.C.
 - (1) Crete Energy Venture, L.L.C. - (50%) Power Energy Partners
- 2
- (2) Crete Turbine Holdings, L.L.C. - (50%) Power Energy Partners
 - (3) DTE Crete Operations, L.L.C.
 - q. Chicago Heights Energy Partners, L.L.C. - sold in February 2002.
 - r. DTE Moraine, L.L.C.

- s. DTE East China, L.L.C.
- t. DTE East China Operations, L.L.C.
- u. DTE Tonawanda, L.L.C.
- 6. DTE Coal Services, Inc.
 - a. DTE Rail Services, Inc., formerly DTE CS Rail Services, Inc.
 - (1) DTE Transportation Services, Inc.
 - b. DTECS Holdings, Inc. - owns a 1% general partnership interest in DTECS Limited Partnership.
 - (1) DTECS Limited Partnership
- B. Syndeco Realty Corporation
 - 1. Syndeco Plaza L.L.C.
 - 2. Ashley Mews L.L.C.
- C. The Detroit Edison Company
 - 1. Midwest Energy Resources Company
 - 2. The Edison Illuminating Company of Detroit
 - 3. St. Clair Energy Corporation
 - 4. The Detroit Edison Securitization Funding, L.L.C.
- D. International Transmission Company
- E. Wolverine Energy Services, Inc.
 - 1. DTE Edison America, Inc.
 - 2. DTE Energy Technologies, Inc.
 - a. Alliance Energy Companies, Ltd.
 - (1) Alliance Energy Systems, Inc.
 - (2) Alliance Energy Services, Inc.
 - (3) Alliance Energy Systems Canada, Ltd.
- 3. DTE Edison America Catalog Sales, Inc. - merged into Wolverine on March 16, 2001.
- 4. DTE Energy Solutions, Inc.
 - a. DTE Engineering Services, Inc.
- F. Edison Development Corporation
 - 1. DTE Solar Company of California
 - 2. EdVenture Capital Corp.

- G. DTE Capital Corporation - dissolved in April 2001.
- H. DTE ENTERPRISES, INC.: Except where otherwise indicated, DTEE owns directly or indirectly all of the outstanding common stock of MichCon Holdings, Inc., Citizens Gas Fuel Company (Citizens), MCN Energy Enterprises Inc. (MCNEE), various MCN financing companies and a 95% interest in Southern Missouri Gas Company, L.P.
1. MICHCON HOLDINGS, INC. is the holding company for Michigan Consolidated Gas Company and MichCon Enterprises, Inc.

Except where otherwise indicated, the companies set forth below are wholly owned subsidiaries of MichCon:

- a. MichCon Development Corporation, through its various partnership arrangements, owns an interest in Harbortown
- b. Blue Lake Holdings, Inc. - 25% interest in Blue Lake Gas Storage Company, a partnership
- c. MichCon Pipeline Company
- (1) MichCon Gathering Company.
- (2) Saginaw Bay Pipeline Company
- (3) Saginaw Bay Lateral Company - sole general partner and owns 46% of Saginaw Bay Lateral Limited Partnership
- (4) Westside Pipeline Company owns 80.2% of the Jordan Valley Partnership
- (5) Thunder Bay Gathering Company
- (6) MichCon Lateral Company - inactive
- d. Huron Pipeline Company - inactive
- (1) Huron Gas Services Company - inactive
- e. Kalkaska Gas Storage Limited Partnership, of which MichCon owns 31%, holds a 53.5% general partnership interest in the Cold Springs Gas Storage Limited Partnership which was dissolved in 2001.

The companies set forth below are wholly owned subsidiaries of MichCon Enterprises, Inc.:

- a. MichCon Fuel Services Company - became inactive in 2001.
- b. MichCon Home Services Company - In December 2000, MichCon Home Services Company changed its name to Flame Furnace Company. Flame Furnace Company was sold in January 2001.

2. CITIZENS GAS FUEL COMPANY

3. SOUTHERN MISSOURI GAS COMPANY, L.P.: DTEE acquired an additional 47.5% interest during 2001 and currently holds a 95% interest in Southern Missouri Gas Company, L.P.
4. MCN ENERGY ENTERPRISES INC.: MCNEE is the holding company for DTEE's various diversified energy subsidiaries. Except where otherwise indicated, the companies set forth below are wholly owned subsidiaries of MCNEE:

a. MCNIC Pipeline & Processing Company

- (1) MCNIC Offshore Pipeline & Processing Company - 33% interest in the Blue Dolphin System and 100% of MCNIC Black Marlin Offshore Company, which held a 33.3% interest in the Black Marlin Pipeline System, sold in January 2001.
- (2) MCNIC Michigan Holdings, Inc.
 - (a) Bagley Processing Company (47% general partnership interest)
 - (b) Warner Treating Company (90% interest)
 - (c) Terra-Westside Processing Company (85% interest)
 - (d) MCNIC Thunder Bay Processing Company, L.L.C. (90% interest)
- (3) MCNIC East Coast Pipeline Company - 16.4% interest in the 292-mile Portland Pipeline Project.
- (4) MCNIC Gulf Coast Gathering Corporation - 1% general partnership interest in Copano Pipeline & Processing Group, L.P. MCNIC Gulf Coast Gathering Corporation and Copano Pipeline & Processing Group, L.P., sold in November 2001.
- (5) MCNIC Gulf Coast Limited, Inc. - 49% limited partnership interest in Copano Pipeline & Processing Group, L.P., and a 90% limited partnership interest in CFS/Upper Gulf Coast, L.P., Copano Pipelines/Upper Gulf Coast, L.P., and CES/Upper Gulf Coast, L.P. MCNIC Gulf Coast Limited, Inc. and all the limited partnerships it held were sold in November 2001.
- (6) MCNIC Mobile Bay Gathering Company - 34.5% interest in Dauphin Island Gathering Partners ("DIGP"). DIGP was sold in July 2001.
- (7) MCNIC Mobile Bay Processing L.L.C. - 28.8% interest in Mobile Bay Processing Partners which, in turn, operates a processing facility. Mobile Bay Processing Partners, sold in July 2001.
- (8) MCNIC Mobile Bay NGL Pipeline, L.L.C. - 28.9% interest in Gulf Coast NGL Pipeline L.L.C. which, in turn, holds a 16.6% interest in Tri-States NGL Pipeline L.L.C. and a 16.6% interest in Belle Rose NGL Pipeline, L.L.C. Gulf Coast NGL Pipeline L.L.C., sold in July 2001.
- (9) MCNIC South Texas Gathering Company - 1% general partnership interest in each of CFS/Copano Bay, L.P., CFS/South Texas, L.P., CFS/Agua Dulce, L.P. and CFS/Upper Gulf Coast, L.P. MCNIC South Texas Gathering Company and all the general partnerships it held were sold in November 2001.
- (10) MCNIC Upper Gulf Coast Pipeline & Processing Company - 1% interest in Copano Pipeline/Upper Gulf Coast, L.P., MCNIC Upper Gulf Coast Pipeline & Processing Company and Copano Pipeline/Upper Gulf Coast, L.P. were sold in November 2001.
- (11) MCNIC General Methanol Company - 1% general partnership interest in Lyondell Petrochemical Methanol Co. L.P.
- (12) MCNIC Methanol Holdings Company - 24% limited partnership interest in Lyondell Petrochemical Methanol Co. L.P.
- (13) American Central Western Oklahoma Gas Company, L.L.C. (40% interest)
- (14) Crown Asphalt Ridge, L.L.C. (75% interest)
- (15) MCNIC East Texas Gathering Company - 39.9% limited partnership interest in American Central Eastern Texas Gas Company, L.P.
- (16) MCNIC East Texas Pipeline & Processing Company - 0.1% general

partnership interest in American Central Eastern Texas Gas Company, L.P.

- (17) MCNIC Permian Basin Company - 0.99% general partnership interest in PSC02, L.P. In December 2000, PetroSource Partners which was 56.5% owned by PSC02 L.P. was sold.
- (18) MCNIC Rodeo Gathering Inc.- 18.55% interest in Keyes Helium Company, L.L.C.
- (19) Crown Asphalt Distribution, L.L.C. (50% interest)
- (20) MCNIC Millennium Company - 10.5% interest in the Millennium Pipeline Company, L.P.
- (21) MCNIC L.L.C. Millennium Company - 10.5% interest in the Millennium Pipeline Management Company, L.L.C., which holds a 1% interest in the Millennium Pipeline Company L.P.
- (22) MCNIC Vector Company - 24.75% limited partnership interest in Vector Pipeline, L.P., a Delaware Limited Partnership, which owns and operates the Vector Pipeline.

5

- (23) MCNIC Vector II Company - 25% interest in Vector Pipeline Inc., which owns a 1% general partnership interest in Vector Pipeline, L.P., a Delaware Limited Partnership, which owns and operates the Vector Pipeline.
- (24) MCNIC Vector Canada, Inc. - 24.75% limited partnership interest in Vector Pipeline L.P., an Alberta, Canada limited partnership, which owns the Canadian portion of the Vector Pipeline.
- (25) MCNIC Vector Canada II, Inc. - 25% interest in Vector Pipeline Limited, which owns a 1% general partnership interest in Vector Pipeline L.P., an Alberta, Canada limited partnership, which owns the Canadian portion of the Vector Pipeline.
- (26) MCNIC Compression GP, Inc.- .1% general partnership interest in the KCI Compression Company, L.P. KCI Compression Company, L.P. was sold in July 2001.
- (27) MCNIC Compression L.P., Inc. - 42.9% limited partnership interest in the KCI Compression Company, L.P. KCI Compression Company, L.P. was sold in July 2001.

b. MCN Power Company

- (1) South Norwalk Power Partners, L.L.C.
- (2) Metro Energy, L.L.C. - (50%)

c. MCN International Corporation.

- (1) MCNIC Nepal Limited of Grand Cayman - 100% of the Class B Capital Stock of Panda Bhote Koshi, which gives MCNIC Nepal a 90% ownership interest in Panda Bhote Koshi, a Cayman Island company that holds a 100% interest in Panda of Nepal. Panda of Nepal which holds a 75% interest in Bhote Koshi Power Company Private Limited which owns a 36 MW hydroelectric power project in Nepal.
- (2) MCNIC UAE Limited - 39% interest in an United Arab Emirate fertilizer plant project. Subsequently, MCNIC UAE Limited converted its equity interest into a loan.

d. CoEnergy Trading Company - Except where otherwise indicated, the companies set forth below are 50% owned by CoEnergy Trading Company:

- (1) U.S. CoEnergy Services
- (2) SEMCO Energy Services, Inc. - inactive
- (3) CoEnergy Development Company - inactive

e. MCNIC Canadian Holdings Ltd

f. CoEnergy Supply Company

g. CoEnergy Sales Company - inactive

h. MCNIC Gas Storage Company

- (1) South Romeo Gas Storage Company - (50%), owns and operates the Washington 28 Gas Storage Field, South Romeo Gas Storage Company holds a 50% interest in South Romeo Gas Storage Corporation.
- (2) W-10 Holdings, Inc. - 50% interest in Washington 10 Storage Partnership
- (3) The Orchards Golf Limited Partnership - (50%)

i. MCN Oil & Gas Company (MOG) is engaged in natural gas and oil exploration, development and production through the following subsidiaries:

- (1) Green Oak Development Company
- (2) Otsego Exploration Company, L.L.C.
- (3) MCNIC Enhanced Production, Inc. - 75% interest in Otsego EOR, L.L.C.
- (4) MCNIC Oil & Gas Midcontinent, Inc.

6

- (5) MCNIC Oil & Gas Properties, Inc.
- (6) Pageant Corporation

j. Bridgewater Holdings, Inc.

k. Combustion Concepts, Inc.

l. MCN Energy Holdings Inc.

m. MCN Energy Marketing, Inc.

n. MCN Midstream & Supply, Inc.

o. MCNEE Shelf Corporation - inactive.

5. MCN MICHIGAN LIMITED PARTNERSHIP: MCN is the 1% general partner in MCN Michigan, a Michigan limited partnership. MCN Michigan exists for the sole purpose of issuing its limited partnership interests in the form of preferred securities and investing the gross proceeds thereof in MCN debt securities. The preferred securities were redeemed in February 2002.

6. MCN FINANCING I: MCN is the sole owner of MCN Financing I, a Delaware Business Trust. MCN Financing I exists for the sole purpose of issuing preferred securities and investing the gross proceeds thereof in MCN debt securities. The preferred securities were redeemed in February 2002.

7. MCN FINANCING II: MCN is the sole owner of MCN Financing II, a Delaware

Business Trust. MCN Financing II exists for the sole purpose of issuing preferred securities and investing the gross proceeds thereof in MCN debt securities.

8. MCN FINANCING III: MCN is the sole owner of MCN Financing III, a Delaware Business Trust. MCN Financing III exists for the sole purpose of issuing preferred securities and investing the gross proceeds thereof in MCN debt securities.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference of our report dated February 26, 2002, appearing in the Annual Report on Form 10-K of DTE Energy Company for the year ended December 31, 2001 in the following registration statements:

FORM	REGISTRATION NUMBER
Form S-3	33-57545
Form S-4	333-89175
Form S-8	333-00023
Form S-3	333-58834
Form S-8	333-61992
Form S-8	333-62192

Detroit, Michigan
March 28, 2002

DIRECTORS' POWER OF ATTORNEY

State of Michigan)
County of Washtenaw)

The undersigned, each a Director of DTE Energy Company ("Company"), a Michigan corporation, do hereby grant to each of Susan M. Beale, Daniel Brudzynski, N. A. Khouri, and David E. Meador, full power and authority to sign the Company's Annual Report on Form 10-K for the year ended December 31, 2001 on our individual behalfs. This power of attorney shall be effective for the period February 28, 2002 through and including April 1, 2002.

In witness whereof we have set our hands this 27th day of February 2002.

/s/ Terence E. Adderley

Terence E. Adderley

/s/ Lillian Bauder

Lillian Bauder

/s/ David Bing

David Bing

Anthony F. Earley, Jr.

Allan D. Gilmour

Alfred R. Glancy III

Frank M. Hennessey

/s/ Theodore S. Leipprandt

Theodore S. Leipprandt

John E. Lobbia

Eugene A. Miller

Charles W. Pryor, Jr.

Howard F. Sims

Subscribed and sworn to before me, a notary public, this 27th day of February 2002.

/s/ Nancy K. Steck

Nancy K. Steck
Notary Public Macomb Co, MI
My Commission Expires May 14, 2006

Witness:

/s/ Janet G. Seefried

Janet G. Seefried

/s/ Betty Steehler-Chirolla

Betty Steehler-Chirolla

