


**MPSC FORM P-521**

**ANNUAL REPORT OF ELECTRIC UTILITIES, LICENSEES AND OTHERS (Major and Nonmajor)**

IDENTIFICATION		
01 Exact Legal Name of Respondent  Detroit Thermal, LLC	02 Year of Report  December 31, 2008	
03 Previous Name and Date of Change (if name changed during year)		
04 Address of Principal Business Office at End of Year (Street, City, St., Zip)  541 Madison Ave., Detroit, MI 48226		
05 Name of Contact Person  Richard D. Dilley	06 Title of Contact Person  Controller	
07 Address of Contact Person (Street, City, St., Zip)		
08 Telephone of Contact Person, including Area Code:  313-963-3685	09 This Report is:  (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	10 Date of Report (Mo, Da, Yr)  04/30/09
ATTESTATION		
The undersigned officer certifies that he/she has examined the accompanying report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 and including December 31 of the year of the report.		
01 Name  Teri Kechler	03 Signature  	04 Date Signed (Mo, Da, Yr)  April 30, 2009
02 Title Treasurer of Yorktown GP, Inc. General Partner of Thermal Ventures II, LP, sole member of Detroit Thermal, LLC		

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Name of Respondent Detroit Thermal, LLC	This Report Is: (1) [ X ] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2009	Year of Report December 31, 2008
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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)**

Line	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
<b>1</b>	<b>UTILITY PLANT</b>			
2	Utility Plant (101-108, 114)	200-201	32,901,710	35,270,308
3	Construction Work In Progress (107)	200-201	0	10,132
4	TOTAL Utility Plant (Enter total of lines 2 and 3)		<b>32,901,710</b>	<b>35,280,440</b>
5	(Less) Accum.Prov for Depr.Amort.Depl (108,111,115)	200-201	4,058,740	5,769,495
6	Net Utility Plant (Enter total of line 4 less 5)		<b>28,842,970</b>	<b>29,510,945</b>
7	Nuclear Fuel In Process of Ref., Conv., Enrich., and Fab (120.1)			
8	Nuclear Fuel Materials & Assemblies - Stock Account (120.2)			
9	Nuclear Fuel Assemblies in Reactor (120.3)			
10	Spent Nuclear Fuel (120.4)			
11	Nuclear Fuel under Capital Leases (120.6)			
12	Assemblies (120.5)	202-203		
13	Net Nuclear Fuel (Enter total of line 7 less 8)			
14	Net Utility Plant (Enter total of lines 6 and 13)		<b>28,842,970</b>	<b>29,510,945</b>
15	Utility Plant Adjustments (116)	122		
16	Gas Stored Underground-Noncurrent (117)	---		
<b>17</b>	<b>OTHER PROPERTY AND INVESTMENTS</b>			
18	Nonutility Property (121)	221		
19	(Less) Accum.Prov. for Depr. and Amort. (122)	---		
20	Investments In Associated Companies (123)	222-223		
21	Investments In Subsidiary Companies (123.1)	224-225		
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229		
24	Other Investments (124)			
25	Sinking Funds (125)			
26	Depreciation Fund (126)			
27	Amortization Fund - Federal (127)			
28	Other Special Funds (128)			
29	Special Funds (Non-Major Only) (129)			
30	Long-Term Portion of Derivative Assets (175)			
31	Long-Term Portion of Derivative Assets - Hedges (176)			
32	TOTAL Other Property and Investments (Total of lines 18 thru 21, 23 thru 31)		0	0
<b>33</b>	<b>CURRENT AND ACCRUED ASSETS</b>			
34	Cash and Working Funds (Non-Major Only) (130)			
35	Cash (131)	---	1,066,657	2,158,180
36	Special Deposits (132-134)	---		
37	Working Fund (135)	---		
38	Temporary Cash Investments (136)	222-223		
39	Notes Receivable (141)	226A		
40	Customer Accounts Receivable (142)	226A	6,722,189	7,172,289
41	Other Accounts Receivable (143)	226A	1,790,109	1,507,751
42	(Less) Accum.Prov. for Uncoll. Acct.- Credit (144)	226A	(216,711)	(217,000)
43	Notes Receivable from Assoc. Companies (145)	226B		
44	Accounts Receivable from Assoc. Companies (146)	226B		
45	Fuel Stock (151)	227		
46	Fuel Stock Expenses Undistributed (152)	227		
47	Residuals (Elec) and Extracted Products (153)	227		
48	Plant Materials and Operating Supplies (154)	227		
49	Merchandise (155)	227		
50	Other Materials and Supplies (156)	227		
51	Nuclear Materials Held for Sale (157)	202-203, 207		
52	Allowances (158.1 and 158.2)	228-229		

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**COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)**

Line	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
53	(Less) Noncurrent Portion of Allowances	---		
54	Stores Expense Undistributed (163)	227		
55	Gas Stored Underground-Current (164.1)	---	176	0
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	---		
57	Prepayments (165)	---	373,420	566,741
58	Advances for Gas (166-167)	---		
59	Interest and Dividends Receivable (171)	---		
60	Rents Receivable (172)	---		
61	Accrued Utility Revenues (173)	---		
62	Misc Current and Accrued Assets (174)			
63	Derivative Instrument Assets (175)			
64	(Less) LT Portion of Derivative Inst. Assets (175)			
65	Derivative Instrument Assets - Hedges (176)			
66	(Less) LT Portion of Derivative Inst. Assets - Hedges (176)			
67	TOTAL Current and Accrued Assets (Enter total of lines 34 thru 66)		9,735,740	11,187,961
68	<b>DEFERRED DEBITS</b>			
69	Unamortized Debt Expenses (181)	---		
70	Extraordinary Property Losses (182.1)	230		
71	Unrecovered Plant & Regulatory Study Costs (182.2)	230		
72	Other Regulatory Assets	232		
73	Prelim. Survey & Invest. Charges (Elec) (183)	231		
74	Prelim. Survey & Invest. Charges (Gas) (183.1)	---		
75	Other Prelim. Survey & Investigation Charges (183.2)			
76	Clearing Accounts (184)	---		
77	Temporary Facilities (185)	---		
78	Miscellaneous Deferred Debits (186)	233		
79	Def. Losses from Disposition of Utility Plant (187)	235		
80	Research, Devel. and Demonstration Expend (188)	352-353		
81	Unamortized Loss on Reacquired Debt (189)	237		
82	Accumulated Deferred Income Taxes (190)	234		
83	Unrecovered Purchased Gas Costs (191)	---		
84	TOTAL Deferred Debits (Enter total of lines 69 thru 83)		0	0
85	TOTAL Assets and Other Debits (Enter total of lines 14 thru 16, 32, 67, and 84)		38,578,710	40,698,906

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**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)**

Line	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
<b>1</b>	<b>PROPRIETARY CAPITAL</b>			
2	Common Stock Issued (201)	250-251		
3	Preferred Stock Issued (204)	250-251		
4	Capital Stock Subscribed (202, 205)	252		
5	Stock Liability for Conversion (203, 208)	252		
6	Premium on Capital Stock (207)	252		
7	Other Paid-In Capital (208-211)	253	2,000,000	2,000,000
8	Installments Received on Capital Stock (212)	252		
9	(Less) Discount on Capital Stock (213)	254		
10	(Less) Capital Stock Expense (214)	254		
11	Retained Earnings (215, 215.1, 216)	118-119	778,840	3,013,308
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119		
13	(Less) Recquired Capital Stock (217)	250-251		
14	Noncorporate Proprietorship (Non-major only) (218)			
15	Accumulated Other Comprehensive Income (219)	122(a)(b)		
16	TOTAL Proprietary Capital (Enter total of lines 2 thru 15)		2,778,840	5,013,308
<b>17</b>	<b>LONG-TERM DEBT</b>			
18	Bonds (221)	256-257		
19	(Less) Recquired Bonds (222)	256-257		
20	Advances from Associated Companies (223)	256-257		
21	Other Long-Term Debt (224)	256-257	0	23,698,000
22	Unamortized Premium on Long-Term Debt (225)	---		
23	(Less) Unamortized Discount on Long-Term Debt -Debit (226)	---		
24	TOTAL Long-Term Debt (Enter total lines 18 thru 23)		0	23,698,000
<b>25</b>	<b>OTHER NONCURRENT LIABILITIES</b>			
26	Obligations Under Capital Leases-Noncurrent (227)			
27	Accumulated Prov. for Property Insurance (228.1)			
28	Accumulated Prov. for Injuries and Damage (228.2)			
29	Accumulated Prov. for Pensions and Benefits (228.3)			
30	Accumulated Misc. Operating Provisions (228.4)			
31	Accumulated Provision for Rate Refunds (229)		2,217,162	1,638,417
32	Long-Term Portion of Derivative Instrument Liabilities			
33	LT Portion of Derivative Instrument Liabilities - Hedges			
34	Asset Retirement Obligations (230)			
35	TOTAL Other Noncurrent Liabilities (Enter total of lines 26 thru 34)		2,217,162	1,638,417
<b>36</b>	<b>CURRENT AND ACCRUED LIABILITIES</b>			
37	Notes Payable (231)			
38	Accounts Payable (232)		19,208,173	8,441,176
39	Notes Payable to Associated Companies (233)			
40	Accounts Payable to Associated Companies (234)		250	
41	Customer Deposits (235)			
42	Taxes Accrued (236)	262-263		
43	Interest Accrued (237)		1,404,447	196,329
44	Dividends Declared (238)			
45	Matured Long-Term Debt (239)		12,500,000	1,302,000

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**COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued)**

Line	Title of Account (a)	Ref. Page No. (b)	Balance at Beginning of Year (c)	Balance at End of Year (d)
46	Matured Interest (240)			
47	Tax Collections Payable (241)		116,597	362,940
48	Misc. Current and Accrued Liabilities (242)		353,240	46,738
49	Obligations Under Capital Leases -Current (243)			
50	Federal Income Taxes Accrued for Prior Years (244)			
51	Michigan Single Business Taxes Accrued for Prior Years (244.1)			
52	Fed. Inc. Taxes Accrued for Prior Years -Adj. (245)			
53	Michigan Single Business Taxes Accrued for Prior Years - Adj. (245.1)			
54	37 thru 53)		33,582,707	10,349,181
55	<b>DEFERRED CREDITS</b>			
56	Customer Advances for Construction (252)			
57	Accumulated Deferred Investment Tax Credits (255)	266-267		
58	Deferred Gains from Disposition of Utility Plt. (256)	270		
59	Other Deferred Credits (253)	269		
60	Other Regulatory Liabilities	278		
61	Unamortized Gain on Recquired Debt (257)	237		
62	Accum. Deferred Income Taxes-Accel. Amort. (281)			
63	Accum. Deferred Income Taxes-Other Property (282)			
64	Accum. Deferred Income Taxes-Other (283)	272-277		
65	TOTAL Deferred Credits (Enter total of lines 56 thru 64)		0	0
66	TOTAL Liabilities and Other Credits (Enter total of lines 16, 24, 35, 54 and 65)		38,578,709	40,698,906

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**STATEMENT OF INCOME FOR THE YEAR**

- Report amounts for accounts 412 and 413, Revenue and Expenses for Utility Plant Leased to Others, in another utility column (l,k,m,o) in a similar manner to a utility department. Spread the amount(s) over lines 02 thru 24 as appropriate. Include these amounts in column (c) and (d) totals.
- Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.
- Report data for lines 7,9, and 10 for Natural Gas companies using accounts 404.1,404.2, 404.3 407.1, and 407.2
- Use pages 122-123 for important notes regarding the statement of income or any account thereof.
- Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in a material refund to the utility with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to....

Line	Title of Account (a)	Ref. Page No. (b)	TOTAL	
			Current Year (c)	Previous Year (d)
1	<b>UTILITY OPERATING INCOME</b>			
2	Operating Revenues (400)	300-301	40,296,184	43,069,452
3	Operating Expenses			
4	Operation Expenses (401)	320-323	35,685,696	41,122,048
5	Maintenance Expenses (402)	320-323	1,041,983	1,296,454
6	Depreciation Expenses (403)	336-337	1,710,754	1,560,252
7	Depreciation Expenses for Asset Retirement Costs (403.1)			
8	Amortization and Depl. of Utility Plant (404-405)	336-337		
9	Amortization of Utility Plant Acq. Adj (406)	336-337		
10	Amort. Of Property Losses, Unrecovered Plant and Regulatory Study Costs (407)			
11	Amort. Of Conversion Expenses (407)			
12	Regulatory Debits			
13	(Less) Regulatory Credits			
14	Taxes Other Than Income Taxes (408.1)	262-263		
15	Income Taxes-Federal (409.1)	262-263		
16	-Other (409.1)	262-263		
17	Provision for Deferred Income Taxes (410.1)	234,272-276		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234,272-276		
19	Investment Tax Credit Adj.- Net (411.4)	266-267		
20	(Less) Gains from Disp. of Utility Plant (411.7)	270A-B		
21	Losses from Disposition of Utility Plant (411.6)	235A-B		
22	(Less) Gains from Disposition of Allowances			
23	Losses from Disposition of Allowances			
24	Accretion Expense (411.10)			
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		<b>38,438,433</b>	<b>43,978,754</b>
26	Net Utility Operating Income ( Enter Total of line 2 less 25) ( Carry forward to page 117, line 27)		<b>1,857,751</b>	<b>(909,302)</b>

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**STATEMENT OF INCOME FOR THE YEAR (Continued)**

- ...retain such revenues or recover amounts paid with respect to power and gas purchases.
6. Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
7. If any notes appearing in the report to stockholders are applicable to this Statement of Income, such notes may be included on pages 122-123.
8. Enter on pages 122-123 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.
9. Explain in a footnote if the previous year's figures are different from that reported in prior years.
10. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on pages 122-123 or in a footnote.

ELECTIC UTILITY		GAS UTILITY		OTHER UTILITY		Line
Current Year (e)	Previous Year (f)	Current Year (g)	Previous Year (h)	Current Year (i)	Previous Year (j)	
						1
				1,857,751	(909,302)	2
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**STATEMENT OF INCOME FOR THE YEAR (Continued)**

Line	Account (a)	(Ref.) Page No. (b)	Total	
			Current Year (c)	Previous Year (d)
27	Net Utility Operating Income (Carried forward from page 114)		1,857,751	(909,302)
28	OTHER INCOME AND DEDUCTIONS			
29	Other Income			
30	Nonutility Operating Income			
31	Revenues From Merchandising, Jobbing and Contract Work (416)	282		
32	(Less) Costs and Exp. Of Merchandising, Job. And Contract Work (418)	282		
33	Revenues From Nonutility Operations ( 417)	282		
34	(Less) Expenses of Nonutility Operations (417.1)	282		
35	Nonoperating Rental Income (418)	282	360,000	524,086
36	Equity In Earnings of Subsidiary Companies (418.1)	119,282		
37	Interest and Dividend Income (419)	282	118,010	77,935
38	Allowance for Other Funds Used During Construction (419.1)	282		
39	Miscellaneous Nonoperating Income (421)	282	1,448,969	228,574
40	Gain on Disposition of Property (421.1)	280		
41	TOTAL Other Income (enter Total of lines 31 thru 40)		1,926,979	830,595
42	Other Income Deductions			
43	Loss on Disposition of Property (421.2)	280		
44	Miscellaneous Amortization (425)	340		
45	Donations (426.1)			
46	Life Insurance (426.2)			
47	Penalties (426.3)			
48	Exp. For Certain Civic, Political & Related Activities (426.4)			
49	Other Deductions (426.5)			
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		0	0
51	Taxes Applicable to Other Income and Deductions			
52	Taxes Other Than Income Taxes (408.2)	282-283		
53	Income Taxes - Federal (409.2)	282-283		
54	Income Taxes - Other (409.2)	282-283		
55	Provision for Deferred Income Taxes (410.2)	234,272-276		
56	(Less) Provision for Deferred Income Taxes - Cr. (411.2)	234,272-276		
57	Investment Tax Credit Adjustment - Net (411.5)	284-285		
58	(Less) Investment Tax Credits (420)	284-285		
59	TOTAL Taxes on Other Income and Deductions (total of 52 thru 58)		0	0
60	Net Other Income and Deductions (total of lines 41,50 & 59)		1,926,979	830,595
61	INTEREST CHARGES			
62	Interest on Long-Term Debt (427)	287		
63	Amort. Of Debt Disc. And Expense (428)	286-287		
64	Amortization of Loss on Recquired Debt (428.1)			
65	(Less) Amort. Of Premium on Debt-Credit (429)	286-287		
66	(Less) Amort. of Gain on Recquired Debt-Credit (429.1)			
67	Interest on Debt to Associated Companies (430)	287-340		
68	Other Interest Expense (431)	340	(1,550,261)	(2,489,339)
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)			
70	Net Interest Charges (total of lines 62 thru 69)		(1,550,261)	(2,489,339)
71	Income Before Extraordinary Items (total lines 27,60,70)		2,234,468	(2,568,046)
72	EXTRAORDINARY ITEMS			
73	Extraordinary Income (434)	342		8,573,965
74	(Less) Extraordinary Deductions (435)	342		
75	Net Extraordinary Items (total line 73 less line 74)		0	8,573,965
76	Income Taxes-Federal and Other (409.3)	282-283		
77	Extraordinary Items After Taxes (Enter Total of lines 75 less line 76)		0	8,573,965
78	Net Income (Enter Total of lines 71 and 77)		2,234,468	6,005,919

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**STEAM HEATING PLANT IN SERVICE**

This schedule includes account 101, Heating Plant in Service (classified)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)	Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)
1	Heating Plant	15,351,409	16,468				15,367,877
2	Steam Distribution System (473A)	17,550,301	2,352,130				19,902,431
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4							
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10							
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14							
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17							
18							
19							
20	<b>Total Steam Heating Plant</b>	<b>32,901,710</b>	<b>2,368,598</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,270,308</b>

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<b>STEAM HEATING REVENUES (Account 400)</b>				
Line No.	Account (a)	Operating Revenues (b)	Pounds (Thousands) (c)	Average Number of Customers (d)
1				
2	Tariff Customers	20,624,201	998,185	87.5
3				
4	Special Contracts	19,895,709	1,034,690	6.5
5				
6	Adjustments*	(405,534)		
7				
8	Unbilled Revenue	181,808		
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
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31				
32				
33	Total Steam Heating	40,296,184	2,032,875	94
34				
35				
36	Note:			
37	Adjustments*			
38	Represents estimated refunds			
39	calculated for Steam cost			
40	Recovery and credits Issued for			
41	billing corrections			
42				
43				
44				
45				
46				
47				
48				

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**ELECTRIC OPERATION AND MAINTENANCE EXPENSES**

If the amount for previous year is not deprived from previously reported figures, explain in footnotes.

Line No.	Account (a)	Amt. For Current Year (b)	Amt. For Previous Year (c)
1	<b>1. POWER PRODUCTION EXPENSES</b>		
2	<b>A. Steam Power Generation</b>		
3	Operation		
4	(500) Operation Supervision and Engineering	1,696,027	2,079,527
5	(501) Fuel	9,720,291	11,663,860
6	(502) Steam Expenses	419,376	1,082,400
7	(503) Steam from Other Sources	13,798,336	15,600,018
8	(Less) (504) Steam Transferred -CR.		
9	(505) Electric Expenses	827,145	907,412
10	(506) Miscellaneous Steam Power Expenses	978,166	1,899,709
11	(507) Rents	331,462	6,444
12	Allowances		
13	<b>TOTAL Operation (Enter Total of Lines 4 thru 12)</b>	<b>27,770,803</b>	<b>33,239,370</b>
14	Maintenance		
15	(510) Maintenance Supervision and Engineering	632,100	813,670
16	(511) Maintenance of Structures	23,605	2,448
17	(512) Maintenance of Boiler Plant	59,158	251,957
18	(513) Maintenance of Electric Plant		
19	(514) Maintenance of Miscellaneous Steam Plant	327,119	228,379
20	<b>TOTAL Maintenance (Enter Total of Lines 15 thru 19)</b>	<b>1,041,983</b>	<b>1,296,454</b>
21	<b>TOTAL Power Production Expenses-Steam Power (Total of lines 13 &amp; 20)</b>	<b>28,812,786</b>	<b>34,535,824</b>
22	<b>B. Nuclear Power Generation</b>		
23	Operation		
24	(517) Operation Supervision and Engineering		
25	(518) Fuel		
26	(519) Coolants and Water		
27	(520) Steam Expenses		
28	(521) Steam from Other Sources		
29	(Less) (522) Steam Transferred -CR		
30	(523) Electric Expenses		
31	(524) Miscellaneous Nuclear Power Expenses		
32	(525) Rents		
33	<b>TOTAL Operation (Enter Total of lines 24 thru 32)</b>	<b>0</b>	<b>0</b>
34	Maintenance		
35	(528) Maintenance Supervision and Engineering		
36	(529) Maintenance of Structures		
37	(530) Maintenance of Reactor Plant Equipment		
38	(531) Maintenance of Electric Plant		
39	(532) Maintenance of Miscellaneous Nuclear Plant		
40	<b>TOTAL Maintenance (Enter Total of Lines 35 thru 39)</b>		
41	<b>TOTAL Power Production Expenses-Nuclear Power (Total of lines 33 &amp; 40)</b>	<b>0</b>	<b>0</b>
42	<b>C. Hydraulic Power Generation</b>		
43	Operation		
44	(535) Operation Supervision and Engineering		
45	(536) Water for Power		
46	(537) Hydraulic Expenses		
47	(538) Electric Expenses		
48	(539) Miscellaneous Hydraulic Power Generation Expenses		
49	(540) Rents		
50	<b>TOTAL Operation (Enter Total of Lines 44 thru 49)</b>	<b>0</b>	<b>0</b>

Name of Respondent		This Report Is:	Date of Report	Year of Report
Detroit Thermal, LLC		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 4/30/2009	December 31, 2008
<b>ELECTRIC OPERATION AND MAINTENANCE EXPENSES (cont'd)</b>				
If the amount for previous year is not deprived from previously reported figures, explain in footnotes.				
Line No.	Account (a)	Amt. For Current Year (b)	Amt. For Previous Year (c)	
51	<b>C. Hydraulic Power Generation (Continued)</b>			
52	Maintenance			
53	(541) Maintenance Supervision and Engineering			
54	(542) Maintenance of Structures			
55	(543) Maintenance of Reservoirs, Dams, and Waterways			
56	(544) Maintenance of Electric Plant			
57	(545) Maintenance of Miscellaneous Hydraulic Plant			
58	TOTAL Maintenance (Total of Lines 53 thru 57)			
59	TOTAL Pwr. Production Expenses-Hydraulic Pwr. (Total of lines 50 & 58)	0		
60	<b>D. Other Power Generation</b>			
61	Operation			
62	(546) Operation Supervision and Engineering			
63	(547) Fuel			
64	(548) Generation Expenses			
65	(549) Miscellaneous Other Power Generation Expenses			
66	(550) Rents			
67	TOTAL Operation (Total of Lines 62 thru 66)	0		0
68	Maintenance			
69	(551) Maintenance Supervision and Engineering			
70	(552) Maintenance of Structures			
71	(553) Maintenance of Generating and Electric Plant			
72	(554) Maintenance of Miscellaneous Other Power Generation Plant			
73	TOTAL Maintenance (Total of Lines 69 thru 72)			
74	TOTAL Pwr. Production Expenses-Other Power (Total of Lines 67 & 73)	0		0
75	<b>E. Other Power Supply Expenses</b>			
76	(555) Purchased Power			
77	(556) System Control and Load Dispatching			
78	(557) Other Expenses			
79	Total Other Power Supply Expenses (Total of Lines 76 thru 78)	0		0
80	Total Pwr. Production Expenses (Total of lines 21, 41, 59, 74 & 79)	28,812,786		34,535,824
81	<b>2. TRANSMISSION EXPENSES</b>			
82	Operation			
83	(560) Operation Supervision and Engineering			
84	(561) Load Dispatching			
85	(562) Station Expenses			
86	(563) Overhead Lines Expenses			
87	(564) Underground Lines Expenses			
88	(565) Transmission of Electricity by Others			
89	(566) Miscellaneous Transmission Expenses			
90	(567) Rents			
91	TOTAL Operation (Total of Lines 83 thru 90)	0		0
92	Maintenance			
93	(568) Maintenance Supervision and Engineering			
94	(569) Maintenance of Structures			
95	(570) Maintenance of Station Equipment			
96	(571) Maintenance of Overhead Lines			
97	(572) Maintenance of Underground Lines			
98	(573) Maintenance of Miscellaneous Transmission Plant			
99	TOTAL Maintenance (Total of Lines 93 thru 98)	0		0
100	TOTAL Transmission Expenses (Total of Lines 91 & 99)	0		0
101	<b>3. DISTRIBUTION EXPENSES</b>			
102	Operation			
103	(580) Operation Supervision and Engineering	966,709		960,534

Name of Respondent		This Report Is:	Date of Report	Year of Report
Detroit Thermal, LLC		(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	(Mo, Da, Yr) 4/30/2009	December 31, 2008
<b>ELECTRIC OPERATION AND MAINTENANCE EXPENSES (cont'd)</b>				
If the amount for previous year is not deprived from previously reported figures, explain in footnotes.				
Line No.	Account (a)	Amt. For Current Year (b)	Amt. For Previous Year (c)	
104	<b>3. DISTRIBUTION EXPENSES (Continued)</b>			
105	(581) Load Dispatching			
106	(582) Station Expenses			
107	(583) Overhead Line Expenses			
108	(584) Underground Line Expenses	331,011	372,062	
109	(585) Street Lighting and Signal System Expenses			
110	(586) Meter Expenses		639	
111	(587) Customer Installations Expenses			
112	(588) Miscellaneous Expenses	418,876	393,282	
113	(589) Rents	334,322	38,038	
114	TOTAL Operation (Total of Lines 103 thru 113)	2,050,917	1,764,555	
115	Maintenance			
116	(590) Maintenance Supervision and Engineering			
117	(591) Maintenance of Structures			
118	(592) Maintenance of Station Equipment			
119	(593) Maintenance of Overhead Lines			
120	(594) Maintenance of Underground Lines			
121	(595) Maintenance of Line Transformers			
122	(596) Maintenance of Street Lighting and Signal Systems			
123	(597) Maintenance of Meters			
124	(598) Maintenance of Miscellaneous Distribution Plant			
125	TOTAL Maintenance (Total of Lines 116 thru 124)			
126	TOTAL Distribution Expenses (Total of Lines 114 & 125)	2,050,917	1,764,555	
127	<b>4. CUSTOMER ACCOUNTS EXPENSES</b>			
128	Operation			
129	(901) Supervision			
130	(902) Meter Reading Expenses			
131	(903) Customer Records and Collection Expenses		36,418	
132	(904) Uncollectible Accounts	186,456		
133	(905) Miscellaneous Customer Accounts Expenses			
134	TOTAL Customer Accounts Expenses (Total of Lines 129 thru 133)	186,456	36,418	
135	<b>5. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES</b>			
136	Operation			
137	(907) Supervision	209,780	260,661	
138	(908) Customer Assistance Expenses			
139	(909) Informational and Instructional Expenses			
140	(910) Miscellaneous Customer Service and Informational Expenses	90,867	53,795	
141	TOTAL Cust. Service and Informational Exp. (Total of Lines 137 thru 140)	300,647	314,456	
142	<b>6. SALES EXPENSE</b>			
143	Operation			
144	(911) Supervision	125,323	202,862	
145	(912) Demonstrating and Selling Expenses			
146	(913) Advertising Expenses	222,005	274,322	
147	(916) Miscellaneous Sales Expenses	27,013	12,440	
148	Total Sales Expenses (Total of Lines 144 thru 147)	374,341	489,624	
149	<b>7. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
150	Operation			
151	(920) Administrative and General Salaries	553,266	685,138	
152	(921) Office Supplies and Expenses	43,103	35,277	
153	(Less) (922) Administrative Expenses Transferred -CR			

Name of Respondent Detroit Thermal, LLC		This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 4/30/2009	Year of Report December 31, 2008
<b>ELECTRIC OPERATION AND MAINTENANCE EXPENSES (cont'd)</b>				
If the amount for previous year is not deprived from previously reported figures, explain in footnotes.				
Line No.	Account (a)	Amt. For Current Year (b)	Amt. For Previous Year (c)	
154	<b>7. ADMINISTRATIVE AND GENERAL EXPENSES (Continued)</b>			
155	(923) Outside Services Employed	1,624,560	1,366,524	
156	(924) Property Insurance	541,669	367,819	
157	(925) Injuries and Damages	1,310,277	1,612,697	
158	(926) Employee Pensions and Benefits			
159	(927) Franchise Requirements			
160	(928) Regulatory Commission Expenses	61,628	64,254	
161	(929) Duplicate Charges - CR			
162	(930.1) General Advertising Expenses			
163	(930.2) Miscellaneous General Expenses	851,104	1,125,895	
164	(931) Rents	16,924	20,121	
165	<b>TOTAL Operation (Total of Lines 151 thru 164)</b>	<b>5,002,532</b>	<b>5,277,625</b>	
166	<b>Maintenance</b>			
167	(935) Maintenance of General Plant			
168	<b>TOTAL Administrative and General Expenses (Total of Lines 165 &amp; 167)</b>	<b>5,002,532</b>	<b>5,277,625</b>	
169	<b>TOTAL Electric Operation and Maintenance Expenses (Enter total of lines 80, 100, 126, 134, 141, 148, and 168)</b>	<b>36,727,678</b>	<b>42,418,502</b>	

<b>NUMBER OF ELECTRIC DEPARTMENT EMPLOYEES</b>			
<p>1. The data on number of employees should be reported for the payroll period ending nearest to October 31, or any payroll period ending 60 days before or after October 31.</p> <p>2. If the respondent's payroll for the reporting period includes any special construction personnel, include such employees on line 3, and show the number of such special construction employees in a footnote.</p>		<p>3. The number of employees assignable to the electric department from joint functions of combination utilities may be determined by estimate, on the basis of employee equivalents. Show the estimated number of equivalent employees attributed to the electric department from joint functions.</p>	
1. Payroll Period Ended (Date)		12/21/2007	12/30/2008
2. Total Regular Full-Time Employees		73	53
3. Total Part-Time and Temporary Employees		1	
4. Total Employees		74	53



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*Since*  
1923

**PACKER • THOMAS**

Certified Public Accountants & Business Consultants

# DETROIT THEREMAL, LLC

*AUDIT OF FINANCIAL STATEMENTS*

Years ended  
December 31, 2008 and 2007

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## REPORT OF INDEPENDENT AUDITORS

TO THE DIRECTORS OF  
DETROIT THERMAL, LLC

We have audited the accompanying balance sheet of Detroit Thermal, LLC as of December 31, 2008 and 2007, and the related statements of income, member's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, the financial statements referred to above present fairly, in all material respects, the financial position of Detroit Thermal, LLC as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Youngstown, Ohio  
April 30, 2009

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**Detroit Thermal, LLC**  
**BALANCE SHEET**

<b>ASSETS</b>	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,158,180	\$ 1,066,558
Accounts receivable--trade, net allowance for doubtful accounts of \$217,000 in 2008 and 2007	6,955,289	6,505,478
Unbilled revenue	181,808	753,440
Inventories	-	176
Accounts receivable--other	1,325,943	1,036,669
Prepaid expenses	566,741	373,420
<b>TOTAL CURRENT ASSETS</b>	<b>11,187,961</b>	<b>9,735,741</b>
<b>PROPERTY AND EQUIPMENT (at cost)</b>		
Land	1,000,000	1,000,000
Structure improvements	146,041	146,041
Transportation equipment	121,073	121,073
Furniture and fixtures	635,501	615,806
Machinery and equipment	33,367,693	31,018,790
<b>PROPERTY AND EQUIPMENT</b>	<b>35,270,308</b>	<b>32,901,710</b>
Less accumulated depreciation	5,769,495	4,058,740
	<b>29,500,813</b>	<b>28,842,970</b>
Construction in progress	10,132	-
<b>NET PROPERTY AND EQUIPMENT</b>	<b>29,510,945</b>	<b>28,842,970</b>
<b>TOTAL ASSETS</b>	<b>\$ 40,698,906</b>	<b>\$ 38,578,711</b>

The accompanying notes are an integral part of these financial statements.

**LIABILITIES AND MEMBER'S EQUITY**

December 31,

	2008	2007
<b>CURRENT LIABILITIES</b>		
Accounts payable--trade	\$ 8,441,176	\$ 19,208,173
Current portion of long-term debt	1,302,000	12,500,000
Regulatory liability	1,638,417	2,217,162
Accrued expenses	4,502	32,512
Accrued payroll and related expenses	42,234	320,978
Accrued state and local taxes	362,940	116,597
Accrued interest	196,329	1,404,447
<b>TOTAL CURRENT LIABILITIES</b>	<b>11,987,598</b>	<b>35,799,869</b>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt--Bank (less payments due within one year) - See Note D	11,198,000	-
Subordinated long-term debt--Detroit Edison - See Note D	12,500,000	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>23,698,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>35,685,598</b>	<b>35,799,869</b>
<b>MEMBER'S EQUITY</b>	<b>5,013,308</b>	<b>2,778,842</b>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$ 40,698,906</b>	<b>\$ 38,578,711</b>

**Detroit Thermal, LLC**  
**STATEMENT OF INCOME**

	Years ended December 31,			
	2008	%	2007	%
<b>NET STEAM SALES</b>	\$ 40,406,626	99.12	\$ 43,069,452	98.36
<b>NON-STEAM REVENUE</b>	360,000	0.88	720,215	1.64
<b>TOTAL NET SALES</b>	<b>40,766,626</b>	<b>100.00</b>	<b>43,789,667</b>	<b>100.00</b>
<b>COST OF SALES</b>	<b>24,861,804</b>	<b>60.99</b>	<b>29,261,385</b>	<b>66.82</b>
<b>GROSS PROFIT</b>	<b>15,904,822</b>	<b>39.01</b>	<b>14,528,282</b>	<b>33.18</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	4,273,354	10.48	5,067,596	11.57
Payroll taxes	425,320	1.04	503,369	1.15
Taxes--other	1,534,927	3.77	957,840	2.19
Insurance--property	421,669	1.03	512,805	1.17
Employee benefits	908,111	2.23	1,108,639	2.53
Supplies	491,867	1.21	564,500	1.29
Professional fees	1,291,193	3.17	1,222,645	2.79
Contracted services	753,550	1.85	632,695	1.44
Office expense	90,619	0.22	152,218	0.35
Repairs and maintenance	224,929	0.55	511,454	1.17
Travel and entertainment	85,290	0.21	55,370	0.13
Utilities	274,854	0.67	180,488	0.41
Rent	120,975	0.30	58,569	0.13
Depreciation	1,710,754	4.20	1,560,252	3.56
Contributions	1,350	-	17,675	0.04
Miscellaneous expense	412,783	1.01	469,870	1.07
Vehicle expense	60,080	0.15	51,038	0.12
Bad debt expense	186,456	0.46	36,418	0.08
Dues and subscriptions	26,146	0.06	15,606	0.04
Licenses and permits	40,024	0.10	30,291	0.07
Training & seminars	34,429	0.08	8,031	0.02
<b>TOTAL OPERATING EXPENSES</b>	<b>13,368,680</b>	<b>32.79</b>	<b>13,717,369</b>	<b>31.32</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,536,142</b>	<b>6.22</b>	<b>810,913</b>	<b>1.86</b>
<b>OTHER INCOME (EXPENSE)</b>				
Miscellaneous income	2,130,575	5.23	32,445	0.07
Interest income	81,894	0.20	77,936	0.18
Corporate support	(1,000,000)	(2.45)	(1,000,000)	(2.28)
Interest expense	(1,514,145)	(3.71)	(2,489,339)	(5.68)
Debt forgiveness - See Note D	-	-	8,573,965	19.58
<b>NET OTHER (EXPENSE) INCOME</b>	<b>(301,676)</b>	<b>(0.73)</b>	<b>5,195,007</b>	<b>11.87</b>
<b>NET INCOME</b>	<b>\$ 2,234,466</b>	<b>5.49</b>	<b>\$ 6,005,920</b>	<b>13.73</b>

The accompanying notes are an integral part of these financial statements.

Detroit Thermal, LLC  
**STATEMENT OF MEMBER'S EQUITY**

	Years ended December 31,	
	2008	2007
<b>BALANCE--beginning of year</b>	<b>\$ 2,778,842</b>	<b>\$ (3,227,078)</b>
Net income	2,234,466	6,005,920
<b>BALANCE--end of year</b>	<b>\$ 5,013,308</b>	<b>\$ 2,778,842</b>

Detroit Thermal, LLC  
**STATEMENT OF CASH FLOWS**

	Years ended December 31,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,234,466	\$ 6,005,920
Adjustments to reconcile net income to net cash provided by operating activities:		
Forgiveness of debt	-	(8,573,965)
Depreciation and amortization	1,710,754	1,560,252
Change in the allowance for losses on accounts receivable	289	(415,289)
Increase (decrease) in cash due to changes in:		
Accounts receivable	(739,374)	(1,514,331)
Unbilled revenue	571,632	(753,440)
Regulatory asset	-	450,495
Inventories	176	1,174,744
Prepaid expenses	(193,321)	(230,667)
Accounts payable	1,733,003	3,258,033
Regulatory liability	(578,745)	1,420,393
Accrued expenses	(1,268,529)	1,174,668
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,470,351</b>	<b>3,556,813</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,368,597)	(3,269,445)
Investment in construction in progress	(10,132)	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<b>(2,378,729)</b>	<b>(3,269,445)</b>
<b>NET INCREASE IN CASH</b>	<b>1,091,622</b>	<b>287,368</b>
<b>CASH--BEGINNING OF YEAR</b>	<b>1,066,558</b>	<b>779,190</b>
<b>CASH--END OF YEAR</b>	<b>\$ 2,158,180</b>	<b>\$ 1,066,558</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 2,722,263	\$ 1,277,165
Refinance of Detroit Edison payable to long-term Debt (Note D and L)	\$ 12,500,000	\$ -
Principal amount - long-term debt forgiven (Note D)	\$ -	\$ 7,700,000
Accrued interest forgiven (Note D)	\$ -	\$ 873,965



## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

### NOTE A--NATURE OF BUSINESS

Detroit Thermal, LLC, an Ohio limited liability company (the Company) is engaged in the business of providing and/or maintaining steam heat in Detroit, Michigan and surrounding areas.

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Regulation

The Company is a registered public utility company subject to regulation under federal and state regulatory commissions. The Company has been granted a default tariff rate by the Michigan Public Service Commission (MPSC). The Company is subject to the provisions of SFAS 71 "Accounting for the Effects of Certain Types of Regulation," which provides that rate-regulated public utilities record certain costs and credits allowed in the rate making process in different periods than for non-regulated entities. These are deferred as regulatory assets or accrued as regulatory liabilities and are recognized at the time they are reflected in the rates. Regulatory liabilities resulted from refunds due to customers which will be recovered over the next year by a decrease in customer revenues.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, in banks and cash equivalents with maturities of three months or less when purchased.

#### Accounts Receivable

The Company establishes an allowance for uncollectible accounts receivable based on historical experience and any specific customer collection issues that the Company has identified. Uncollectible accounts receivable are written off when a settlement is reached for an amount that is less than the outstanding balance or when the Company has determined the balance will not be collected. See estimate footnote for details related to the refund calculation offsetting accounts receivable.

#### Unbilled Revenue

Unbilled revenue represents income earned on contracts for which billings have not been presented to customers. When billed, these amounts are included in accounts receivable.

#### Inventory

Inventories are stated at the lower of cost or market value with cost determined using the first-in, first-out method.

#### Property and Equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

In September 2005, the Michigan Public Service Commission (MPSC) approved a tariff rate effective immediately. As part of the MPSC order, the Company is required to issue refunds for the difference in billings of the original rate billed beginning in November 2003 as compared to the September 2005 tariff rate. The Company is required to include interest on these refunds at 12% per annum. The amount of refund is offset against accounts receivable – trade. The refund liability at December 31, 2008 and 2007 is \$94,071 and \$615,441, respectively. The interest due on these refunds has been accrued in the amount of \$10,000 and \$12,000 at December 31, 2008 and 2007, respectively.

#### Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes", provides detailed guidance for financial statement recognition, measurement and disclosure of uncertain tax positions recognized in a company's financial statements. With the issuance of FSP FIN 48-3, FIN 48 is effective for periods beginning after December 15, 2008 for private companies. Accordingly, the company will follow the requirements of FAS No. 5, "Accounting for Contingencies", until it adopts FIN 48. The company does not expect that the adoption of FIN 48 will have a material effect on its financial statements.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008 and 2007

**NOTE C--ACCOUNTS RECEIVABLE – OTHER**

Accounts receivable – other includes amounts due from the City of Detroit and Wayne County for refunds of real property taxes due as a result of negotiations with the City of Detroit from protests filed with the Michigan Tax Tribunal over values assessed for Tax years 2004 through 2007. On March 10, 2009 the Michigan Tax Tribunal issued an order approving the stipulated values agreed to by the City of Detroit and ordered that refunds be issued for all real and personal property assessments collected for tax years 2004 through 2008. The receivable at December 31, 2008 relates to the case noted above. The receivable at December 31, 2007 relates to property taxes that were paid in amounts in excess of the invoice totals and thus, were overpaid. As of December 31, 2008 and 2007 the total amount owed to the Company from Wayne County was \$ 1,285,273 and \$902,140, respectively. See Note H.

Additionally, accounts receivable – other includes amounts related to settlement agreements between customers and the Company reached during 2006. The amounts owed at December 31, 2008 and 2007 were \$-0- and \$87,880, respectively.

The remaining receivables are miscellaneous receivables due from employees. The amounts owed at December 31, 2008 and 2007 were \$40,670 and \$46,649, respectively.

**NOTE D--LONG-TERM DEBT**

Following is a summary of long-term debt at December 31:

	2008	2007
Term loan—bank. Floating interest rate, unpaid principal and interest due January 30, 2012, secured by all business assets. (See Note L)	<b>\$12,500,000</b>	\$12,500,000
Subordinated debt—Detroit Edison. Increasing scale interest rate, 3.5% beginning January 30, 2009, unpaid principal and interest due December 1, 2012. (See Note L)	<b>12,500,000</b>	-
	<b>25,000,000</b>	12,500,000
Less current portion	<b>1,302,000</b>	12,500,000
<b>LONG-TERM PORTION</b>	<b>\$23,698,000</b>	\$ -

Current maturities of long-term debt for each of the five years succeeding December 31, 2008 are as follows:

Years ended December 31,	Amount
2009	\$ 1,302,000
2010	2,803,000
2011	2,803,000
2012	18,092,000
	<u>\$ 25,000,000</u>

The 2006 long-term portion of the debt payable to The Detroit Edison Company was forgiven during 2007 as fully described in the Purchase and Sale Agreement by and between The Detroit Edison Company and Detroit Thermal, LLC and Thermal Ventures II, L.P. dated January 24, 2003. (see below.)

The Company's current reducing credit loan is due January 30, 2009; however, prepayments may be made at the Company's discretion and their cash flow ability. See Note L.

The Company's reducing credit loan contains various restrictions and covenants. The total amount available and outstanding is \$12,500,000 at December 31, 2008. These funds are to be used solely for approved

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

### NOTE D--LONG-TERM DEBT (con't.)

capital expenditures as defined by the Purchase and Sale Agreement by and between The Detroit Edison Company and Detroit Thermal, LLC and Thermal Ventures II, L.P. (the Company's sole member) dated January 24, 2003. The Company has an option of having interest calculated based on various indices (including Prime and LIBOR) with various adjustments. The Company may elect to convert a loan, or a portion thereof, from one rate to another. At December 31, 2008 and 2007, the interest rates were 2.98125% and 6.3125%, respectively. See Note L.

On January 24, 2003, Detroit Thermal, LLC and Thermal Ventures II, L.P. (the Company's sole member) purchased the steam assets of The Detroit Edison Company (Seller). In accordance with the terms of the Purchase and Sale Agreement, the Company was required to pay to the seller an amount equal to 3.5 times the Company's EBITDA for the calendar year ("contingent consideration") by April 2007. The agreement provides that the contingent consideration payment be applied first to retire the bank debt, second to retire The Detroit Edison Company debt and third to the account of The Detroit Edison Company. Additionally, if the contingent consideration is not sufficient to satisfy and retire all outstanding amounts of the bank debt and The Detroit Edison Company debt, any unpaid balance of The Detroit Edison Company debt shall be discharged. Given the 2006 EBITDA, the Company was not required to make the contingent consideration payment and the unpaid balance of \$7,700,000 due to The Detroit Edison Company was discharged and recognized in income during 2007. Additionally, interest accrued on the debt of \$7,700,000 in the amount of \$873,965 was also discharged and recognized in income during 2007.

### NOTE E--INCOME TAXES

As a single member limited liability company, the Company is treated as a disregarded entity for federal income tax purposes. The Company's results of operations are included on the income tax return of Thermal Ventures II, LP, its sole member. Accordingly, no provision for income taxes is included in the financial statements.

### NOTE F--LEASES

The Company leases office and warehouse facilities in Detroit, Michigan. The lease is a non-cancellable operating lease, which expired in February 2006. The lease calls for minimum annual rental of \$33,600 and \$33,556 in 2008 and 2007, respectively. Beginning in February of 2007, the company operates on a month to month lease with monthly rental of \$2,800.

All other rent expense is for equipment held on a month to month basis. Rental expense for facilities and equipment charged to operations during the years ended December 31, 2008 and 2007 was \$120,975 and \$58,569, respectively.

### NOTE G--PENSION PLAN

The Company participates in a 401(k) plan covering all of its employees. Participants may contribute a percentage of compensation, limited to the maximum allowable under the Internal Revenue Code. The plan provides for a partial matching contribution by the Company, which amounted to \$66,720 in 2008 and \$75,867 in 2007.

### NOTE H--COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

In 2008, the Company protested the values placed upon its real and personal property for property tax purposes for the 2004-2008 tax years and sought refunds of excess taxes paid before the Michigan Tax Tribunal. On March 10, 2009, the Tribunal entered the parties' proposed consent judgment in the Valuation Cases. On March 26, 2009, Wayne County paid \$1,285,274 in refunds on the overvalued real property for tax years 2004-2007. These amounts were recorded as miscellaneous income in 2008. Additional refunds of real property tax for the tax year 2008 are presently not determined. Substantial refunds for personal property assessments included in the order are due from the City of Detroit by May 10, 2009 without interest, but are presently undetermined by the City of Detroit.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

### NOTE H--COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES (continued)

In addition to the above case, the Company has protested a specific property, called the Phantom Property. The Company has filed for full refunds based on the argument that this particular parcel of

property does not exist. The Company case has been filed before the Michigan Tax Tribunal, however, no decision has been made and thus, no income has been recorded in 2008 related to the Phantom Property.

The Company is involved in various lawsuits, claims, and proceedings incidental to its business, some of which allege monetary damages. Management believes that the outcome of such matters will not have a material adverse effect on the Company's financial position.

### NOTE I--RELATED PARTY TRANSACTIONS

The Company paid management fees of \$1,000,000 to its sole member during 2008 and 2007. The sole member is in a position to influence the profits of the Company.

### NOTE J--COLLECTIVE BARGAINING AGREEMENT

The Company has a collective bargaining agreement with a union representing approximately 70% of employees. The contract will expire July 2009.

### NOTE K--CONCENTRATIONS

The Company maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's cash balances typically exceed the insured limit.

During 2008, sales to three customers individually exceeded more than 10% of the Company's total. Sales to these customers were approximately

\$16,575,911 during the year ended December 31, 2008. At December 31, 2008, approximate amounts due from these customers included in accounts receivable were \$2,740,150.

In 2007, sales to four customers individually exceeded more than 10% of the Company's total. Sales to those customers were approximately \$22,000,000 during the year ended December 31, 2007. At December 31, 2007, approximate amounts due from these customers included in accounts receivable were \$3,488,000.

During the year ended December 31, 2008 and 2007, approximately 65% and 61% of the Company's purchases were from two suppliers. As of December 31, 2008 and 2007, the amounts due to these suppliers that are included in accounts payable were \$17,170,000 and \$16,730,000, respectively.

### NOTE L—SUBSEQUENT EVENTS

The Company had \$25,000,000 of debt outstanding at December 31, 2008 that was due currently, but has been partially classified as non-current in accordance with Statement of Financial Accounting Standards (SFAS) No. 6 "Classification of short-term debt obligations expected to be refinanced."

Effective January 30, 2009, the Company entered into a new financing arrangement with a bank. The new agreement includes a \$3,000,000 revolving credit facility and a refinance of the \$12,500,000 bank debt to a three year term loan with a one time payment on June 30, 2009 of \$260,417 and quarterly principal payments of \$520,834 beginning in September 2009 through December 2011. The final principal payment is due January 30, 2012. The Company has an option of having interest calculated based on various indices (including Prime and LIBOR) with various adjustments. Detroit Edison is a guarantor on this debt. (see below)

In connection with the refinancing of the bank debt, Detroit Edison agreed to refinance \$12,500,000 of the steam payables owed to them by the Company. The agreement is part of a subordination agreement. The principal balance is due December 1, 2012. Interest

## NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

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### NOTE L—SUBSEQUENT EVENTS (con't.)

payments are required monthly and the interest rate is based on an increasing scale, beginning January 2009, the interest rate is 3.5% and increases by .5% bi-annually. If at a future date, Detroit Edison is released from its guarantee of the bank debt, they have agreed to forgive the remaining principal balance, on a sliding scale. If released by June 30, 2009, the entire balance will be forgiven. This percentage is reduced by 10% bi-annually.



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