Public Liability Insurance

As required by federal law, Detroit Edison maintains $300 million of public liability insurance for a nuclear incident. For liabilities arising from a terrorist act outside the scope of TRIA, the policy is subject to one industry aggregate limit of $300 million. Further, under the Price-Anderson Amendments Act of 1988 (Act), deferred premium charges up to $101 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 expired on August 1, 2002. During 2003, the U.S. Congress extended the Act for commercial nuclear facilities through December 31, 2003. However, provisions of the Act remain in effect for existing commercial reactors. Legislation to extend the Act in conjunction with comprehensive energy legislation is currently under debate in Congress. We cannot predict whether Congress will pass the legislation.

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 recovery of 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. We believe the MPSC and FERC collections will be adequate to fund the estimated cost of decommissioning using the NRC formula.

Detroit Edison has established a restricted external trust to hold funds collected from customers for decommissioning and the disposal of low-level radioactive waste. Detroit Edison collected $38 million in 2004, $36 million in 2003 and $42 million in 2002 from customers for decommissioning and low-level radioactive waste disposal. Net unrealized investment gains of $17 million and $62 million in 2004 and 2003, respectively, and $39 million in losses in 2002, were recorded as adjustments to the nuclear decommissioning trust funds and regulatory assets. At December 31, 2004, investments in the external trust consisted of approximately 55% in publicly traded equity securities, 43% in fixed debt instruments and 2% in cash equivalents.

At December 31, 2004 and 2003, Detroit Edison had external decommissioning trust funds of $546 million and $474 million, respectively, for the future decommissioning of Fermi 2. At December 31, 2004 and 2003, Detroit Edison had an additional $18 million and $22 million in trust funds for the decommissioning of Fermi 1. At December 31, 2004 and 2003, Detroit Edison also had an external decommissioning trust fund for low-level radioactive waste disposal costs of $26 million and $22 million, respectively. It is estimated that the cost of decommissioning Fermi 2, when its license expires in 2025, will be $1.0 billion in 2004 dollars and $3.4 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 of Fermi 1 is expected to be complete by 2009.

As a result of adopting SFAS No. 143, Detroit Edison recorded a retirement obligation liability for the decommissioning of Fermi 1 and 2 and reversed previously recognized decommissioning liabilities. At December 31, 2004, we have recorded a liability for the removal of the non-nuclear portion of the plants of $77 million.

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 1 mill per kWh 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. Detroit Edison is a party in the litigation against the DOE for both past and future costs associated with the DOE's failure to accept spent nuclear fuel under the timetable set forth in the Act.

NOTE 6 - JOINTLY OWNED UTILITY PLANT

Detroit Edison has joint ownership interest in two power plants, Belle River and Ludington Hydroelectric Pumped Storage. Ownership information of the two utility plants as of December 31, 2004 was as follows:

	Belle River	Ludington Hydroelectric Pumped Storage
In-service date	1984-1985	1973
Total plant capacity	1,026 MW	1,872 MW
Ownership interest	*	49 %
Investment (in Millions)	$ 1,581	$ 166
Accumulated depreciation (in Millions)	$ 740	$ 88

*Detroit Edison's ownership interest is 63% in Unit No. 1, 81% of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants and 75% in common facilities used at Unit No. 2.

Belle River

The Michigan Public Power Agency (MPPA) has an ownership interest in Belle River Unit No. 1 and other related facilities. The MPPA is entitled to 19% of the total capacity and energy of the plant and is responsible for the same percentage of the plant's operation, maintenance and capital improvement costs.

Ludington Hydroelectric Pumped Storage

Consumers Energy Company has an ownership interest in the Ludington Hydroelectric Pumped Storage Plant. Consumers Energy is entitled to 51% of the total capacity and energy of the plant and is responsible for the same percentage of the plant's operation, maintenance and capital improvement costs.

NOTE 7 - INCOME TAXES

We are part of the consolidated federal income tax return of DTE Energy. The federal income tax expense for Detroit Edison is determined on an individual company basis with no allocation of tax benefits or expenses from other affiliates of DTE Energy.

Total income tax expense varied from the statutory federal income tax rate for the following reasons:

(Dollars in Millions)	**2004**	2003	2002
Effective federal income tax rate	**29.9 %**	36.5 %	33.3 %
Income tax expense at 35% statutory rate	**$ 75**	$ 139	$ 187
Investment tax credits	**(7)**	(7)	(7)
Depreciation	**3**	3	3
Employee Stock Ownership Plan dividends	**(4)**	(4)	(3)
Other, net	**(3)**	14	(2)
Total	**$ 64**	$ 145	$ 178

Components of income tax expense were as follows:

(in Millions)	**2004**	2003	2002
Current federal and other income tax expense	**$ (78)**	$ 109	$ 236
Deferred federal and other tax expense (benefit)	**142**	36	(58)
Total	**$ 64**	$ 145	$ 178

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:

(in Millions)	**2004**	2003
Property	**$ (1,147)**	$ (989)
Securitized regulatory assets	**(778)**	(827)
Pension and benefits	**26**	43
Other, net	**(17)**	(2)
	$ (1,916)	$ (1,775)

	2004	2003
Deferred income tax liabilities	$ **(2,326)**	$ (2,117)
Deferred income tax assets	**410**	342
	$ **(1,916)**	$ (1,775)

The Internal Revenue Service is currently conducting audits of Detroit Edison as a component of the DTE Energy federal income tax returns for the years 1998 through 2001. The Company accrues tax and interest related to tax uncertainties that arise due to actual or potential disagreements with governmental agencies about the tax treatment of specific items. At December 31, 2004, the Company had accrued approximately $10 million for such uncertainties. We believe that our accrued tax liabilities are adequate for all years.

NOTE 8 – COMMON STOCK

In March 2004, we issued 4,344,492 shares of common stock to DTE Energy.

NOTE 9 - LONG-TERM DEBT AND PREFERRED SECURITIES

Long-Term Debt

Our long-term debt outstanding and weighted-average interest rates of debt outstanding at December 31, 2004 was:

(in Millions)	**2004**	2003
Detroit Edison Taxable Debt, Principally Secured		
6.1% due 2005 to 2032	$ **1,672**	$ 1,485
Detroit Edison Tax-Exempt Revenue Bonds		
5.6% due 2008 to 2032	**1,145**	1,175
Quarterly Income Debt Securities (QUIDS)		
7.5% due 2026 to 2028	**385**	385
Other Long-Term Debt	**74**	81
	3,276	3,126
Less amount due within one year	**(397)**	(50)
	$ **2,879**	$ 3,076
Securitization Bonds	$ **1,496**	$ 1,585
Less amount due within one year	**(96)**	(89)
	$ **1,400**	$ 1,496

We issued and optionally redeemed long-term debt consisting of the following:

2005

- Issued $400 million of senior notes in two series, $200 million of 4.8% series due 2015 and $200 million of 5.45% series due 2035. The proceeds were used to redeem the $385 million of 7.5% Quarterly Income Debt Securities due 2026 to 2028.
- Redeemed $76 million of 7.5% senior notes and $100 million of 7.0% remarketed secured notes, which matured

February 2005.

2004

- Issued $36 million of 4-7/8% tax-exempt bonds due 2029, the proceeds of which were used to redeem $36 million of 6.55% tax-exempt bonds due 2024.
- Issued $32 million of 4.65% tax-exempt bonds due in 2028, the proceeds of which were used to redeem the following tax-exempt issues: $11.5 million of 6.05% bonds due 2023, $7.5 million of 5.875% bonds due 2024, and $13 million of 6.45% bonds due 2024.
- Issued $200 million of 5.40% senior notes due in 2014. The proceeds were used to repay short-term borrowings and for general corporate purposes.

2003

- Issued $49 million of 5.5% tax-exempt bonds maturing in 2030.
- Redeemed $49 million of 6.55% tax-exempt bonds maturing in 2024.
- Redeemed $314 million of taxable debt with an average interest rate of 7.4% and maturities from 2003-2023.
- Redeemed $34 million of 6.875% tax-exempt bonds maturing in 2022.

In the years 2005- 2009, our long-term debt maturities are $493 million, $126 million, $135 million, $178 million and $158 million, respectively.

Quarterly Income Debt Securities (QUIDS)

Detroit Edison had three series of QUIDS outstanding at December 31, 2004. Detroit Edison redeemed all of its outstanding QUIDS on March 4, 2005.

Cross Default Provisions

Substantially all of the net utility properties of Detroit Edison are subject to the lien of its mortgage. Should Detroit Edison fail to timely pay its indebtedness under this mortgage, such failure will create cross defaults in the indebtedness of DTE Energy.

Preferred and Preference Securities – Authorized and Unissued

At December 31, 2004, Detroit Edison had approximately 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.

NOTE 10 - SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

In October 2004, Detroit Edison entered into a $206.25 million, five-year unsecured revolving credit facility and lowered its existing three-year facility from $137.5 million to $68.75 million. The five-year facility replaces the October 2003 364-day facility, which expired. The three-year revolving credit facility expires in October 2006. The five- and three-year credit facilities are with a syndicate of banks and may be utilized for general corporate borrowings, but primarily are intended to provide liquidity support for Detroit Edison's commercial paper program. Borrowings under the facilities will be available at prevailing short-term interest rates. The agreements require Detroit Edison to maintain a debt to total capitalization ratio of no more than .65 to 1 and "earnings before interest, taxes, depreciation and amortization" (EBITDA) to interest ratio of no less than 2 to 1. Detroit Edison is currently in compliance with these financial covenants.

As of December 31, 2004, we had no outstanding commercial paper.

Detroit Edison has a $200 million short-term financing agreement secured by customer accounts receivable. This agreement contains certain covenants related to the delinquency of accounts receivable. Detroit Edison is currently in compliance with these covenants. We had no balance outstanding under this financing agreement at December 31, 2004.

NOTE 11 – CAPITAL AND OPERATING LEASES

Lessee – We lease various assets under capital and operating leases, including coal cars, computers, vehicles and other equipment. The lease arrangements expire at various dates through 2022.

Future minimum lease payments under non-cancelable leases at December 31, 2004 were:

(in Millions)	Capital Leases	Operating Leases
2005	$ 11	$ 32
2006	13	31
2007	10	26
2008	11	25
2009	11	23
Thereafter	38	155
Total minimum lease payments	94	$ 292
Less imputed interest	(21)	
Present value of net minimum lease payments	73	
Less current portion	(7)	
Non-current portion	$ 66	

Total minimum lease payments for operating leases have not been reduced by future minimum sublease rentals totaling $3 million under non-cancelable subleases expiring at various dates to 2020.

Rental expense for operating leases was $37 million in 2004, $30 million in 2003 and $26 million in 2002.

NOTE 12 – FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS

We comply with SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," as amended by SFAS No. 138 and SFAS No. 149. Listed below are important SFAS No. 133 requirements:

- All derivative instruments must be recognized as assets or liabilities and measured at fair value, unless they meet the normal purchases and sales exemption.

- 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.

- Special accounting is allowed for a derivative instrument qualifying as a hedge and designated as a hedge for the variability of cash flow associated with a forecasted transaction. Gain or loss associated with the effective portion of the hedge is recorded in other comprehensive income. The ineffective portion is recorded to earnings. Amounts recorded in other comprehensive income will be reclassified to net income when the forecasted transaction affects earnings. If a cash flow hedge is discontinued because it is likely the forecasted transaction will not occur, net gains or losses are immediately recorded to earnings.

- Special accounting is also allowed for a derivative instrument qualifying as a hedge and designated as a hedge of the changes in fair value of an existing asset, liability or firm commitment. Gain or loss on the hedging instrument is recorded into earnings. An offsetting loss or gain on the underlying asset, liability or firm commitment is also recorded to earnings.

Our primary market risk exposure is associated with commodity prices and credit. We have risk management policies to monitor and decrease market risks. We use derivative instruments to manage some of the exposure. We do not hold or issue derivative instruments for trading purposes.

Commodity Price Risk

Detroit Edison uses forward energy, capacity, and futures contracts to manage changes in the price of electricity and fuel. These derivatives are designated as cash flow hedges or meet the normal purchases and sales exemption and are therefore accounted for under the accrual method. There were no commodity price risk cash flow hedges at December 31, 2004. Our commodity price risk is limited due to the PSCR mechanism (Note 1).

Credit Risk

We are exposed to credit risk if customers or counterparties do not comply with their contractual obligations. We maintain credit policies that significantly minimize overall credit risk. These policies include an evaluation of potential customers' and counterparties' financial condition, credit rating, collateral requirements or other credit enhancements such as letters of credit or guarantees. We use standardized agreements that allow the netting of positive and negative transactions associated with a single counterparty.

Fair Value of Other Financial Instruments

The fair value of financial instruments is determined by using various market data and other valuation techniques. The table below shows the fair value relative to the carrying value for long-term debt securities. The carrying value of certain other financial instruments, such as notes payable, customer deposits and notes receivable approximate fair value and are not shown.

	2004		2003	
	Fair Value	**Carrying Value**	Fair Value	Carrying Value
Long-Term Debt	**$5.1 billion**	**$4.8 billion**	$5.1 billion	$4.7 billion

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Environmental

Air - The EPA issued ozone transport and acid rain regulations and, in December 2003, proposed additional emission regulations relating to ozone, fine particulate and mercury air pollution. The new rules have led to additional controls on fossil-fueled power plants to reduce nitrogen oxide, sulfur dioxide, carbon dioxide and particulate emissions. To comply with these new controls, Detroit Edison has spent approximately $580 million through December 2004, and estimates that it will spend up to $100 million in 2005 and incur from $700 million to $1.3 billion of additional future capital expenditures over the next five to eight years to satisfy both the existing and proposed new control requirements. 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, could be deferred in ratemaking, until after the expiration of the rate cap period, presently expected to end on December 31, 2005 upon MPSC authorization. Under PA 141 and the MPSC's November 2004 final rate order, we believe that prudently incurred capital expenditures, in excess of current depreciation levels, are recoverable in rates.

Water - Detroit Edison is required to examine alternatives for reducing the environmental impacts of the cooling water intake structures at several of its facilities. Based on the results of the studies to be conducted over the next several years, Detroit Edison may be required to install additional control technologies to reduce the impacts of the intakes. It is estimated that we will incur up to $50 million over the next five to seven years in additional capital expenditures for Detroit Edison.

Contaminated Sites - Detroit Edison conducted remedial investigations at contaminated sites, including two former manufactured gas plant sites, the area surrounding an ash landfill and several underground and aboveground storage tank locations. The findings of these investigations indicated that the cost to remediate these sites is approximately $8 million, which is expected to be incurred over the next several years. As a result of the investigation, Detroit Edison accrued an $8 million liability during 2004.

Personal Property Taxes

Prior to 1999, Detroit Edison and other Michigan utilities 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 determine the taxable 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 currently used to calculate property tax expense. 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 were before the Michigan Tax Tribunal (MTT) which, in April 2002, issued its decision essentially affirming the validity of the STC's new tables. In June 2002, petitioners in the case filed an appeal of the MTT's decision with the Michigan Court of Appeals. In January 2004, the Michigan Court of Appeals upheld the validity of the new tables. With no further appeal by the petitioners available, the MTT began to schedule utility personal property valuation cases for Prehearing General Calls. Detroit Edison has filed motions and the MTT agreed to place the cases in abeyance pending the conclusion of settlement negotiations being conducted by State of Michigan Treasury officials. On February 14, 2005, MTT issued a scheduling order that lifts the prior abeyances in a significant number of Detroit Edison appeals. The scheduling order sets litigation calendars for these cases extending into mid-2006.

Detroit Edison continues to record property tax expense based on the new tables. Detroit Edison will continue through settlement or litigation to seek to apply the new tables retroactively and to ultimately resolve the pending tax appeals related to 1997 through 1999. This is a solution supported by the STC in the past. To the extent that settlements cannot be achieved with the jurisdictions, litigation regarding the valuation of utility property will delay any recoveries by Detroit Edison.

Other Commitments

Detroit Edison has an Energy Purchase Agreement to purchase steam and electricity from the Greater Detroit Resource Recovery Authority (GDRRA). Under the Agreement, Detroit Edison will purchase steam through 2008 and electricity through June 2024. In 1996, a special charge to income was recorded that included a reserve for steam purchase commitments in excess of replacement costs from 1997 through 2008. The reserve for steam purchase commitments is being amortized to fuel and purchased power expense with non-cash accretion expense being recorded through 2008. We purchased $42 million of steam and electricity in 2004, $39 million in 2003 and $37 million in 2002. We estimate steam and electric purchase commitments through 2024 will not exceed $472 million. As discussed in Note 3 – Dispositions, in January 2003, we sold our steam heating business to Thermal Ventures II, LP. Due to terms of the sale, Detroit Edison remains contractually obligated to buy steam from GDRRA until 2008 and recorded an additional liability of $20 million for future commitments. Also, we have guaranteed bank loans that Thermal Ventures II, LP may use for capital improvements to the steam heating system.

At December 31, 2004, we have entered into numerous long-term purchase commitments relating to a variety of goods and services required for our business. These agreements primarily consist of fuel supply commitments. We estimate that these commitments will be approximately $1.4 billion through 2018. We also estimate that 2005 base level capital expenditures will be $800 million. We have made certain commitments in connection with expected capital expenditures.

Bankruptcies

We purchase and sell electricity from and to numerous companies operating in the steel, automotive, energy and retail industries. Several customers have filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. We have negotiated or are currently involved in negotiations with each of the companies, or their successor companies, that have filed for bankruptcy protection. We regularly review contingent matters relating to purchase and sale contracts and record provisions for amounts considered probable of loss. We believe our previously accrued amounts are adequate for probable losses. The final resolution of these matters is not expected to have a material effect on our financial statements in the period they are resolved.

Other

We are involved in certain legal, regulatory, administrative and environmental proceedings before various courts, arbitration panels and governmental agencies concerning claims arising in the ordinary course of business. These proceedings include certain contract disputes, environmental reviews and investigations, audits, inquiries from various regulators, and pending judicial matters. We cannot predict the final disposition of such proceedings. We regularly review legal matters and record provisions for claims that are considered probable of loss. The resolution of pending proceedings is not expected to have a material effect on our operations or financial statements in the period they are resolved.

See Note 4 and Note 5 for a discussion of contingencies related to Regulatory Matters and Nuclear Operations.

NOTE 14 - RETIREMENT BENEFITS AND TRUSTEED ASSETS

Measurement Date

In the fourth quarter of 2004, we changed the date for actuarial measurement of our obligations for benefit programs from December 31 to November 30. We believe the one-month change of the measurement date is a preferable change as it allows time for management to plan and execute its review of the completeness and accuracy of its benefit programs results and to fully reflect the impact on its financial results. The change did not have a material effect on retained earnings as of January 1, 2004, and net income amounts for any interim period in 2004. Accordingly, all amounts reported in the following tables for balances as of December 31, 2004 are based on a measurement date of November 30, 2004. Amounts reported in tables for the year ended December 31, 2004 and for balances as of December 31, 2003 are based on a measurement date of December 31, 2003. Amounts reported in tables for the year ended December 31, 2003 are based on a measurement date of December 31, 2002.

Qualified and Nonqualified Pension Plan Benefits

Detroit Edison has a defined benefit retirement plan. The plan is noncontributory, covers substantially all employees and provides retirement benefits based on the employees' years of benefit service, average final compensation and age at retirement. Certain represented and nonrepresented employees are covered under cash balance benefits based on annual employer contributions and interest credits. Detroit Edison operates as the sponsor of the plan, which is treated as a plan covering employees of various affiliates of DTE Energy Company. The annual expense disclosed below is Detroit Edison's portion of the total plan expense. Each affiliate is charged their portion of the expense. Our policy is to fund pension costs by contributing the minimum amount required by the Employee Retirement Income Security Act (ERISA) and additional amounts we deem appropriate. We do not anticipate making a contribution to our qualified pension plan in 2005.

We also maintain supplemental nonqualified, noncontributory, retirement benefit plans for selected management employees. These plans provide for benefits that supplement those provided by Detroit Edison's other retirement plans.

Net pension cost includes the following components:

	Qualified Pension Plans			Nonqualified Pension Plans		
	2004	2003	2002	**2004**	2003	2002
(in Millions)						
Service Cost	$ **47**	$ 40	$ 35	$ **1**	$ 1	$ 1
Interest Cost	**130**	127	124	**2**	2	2
Expected Return on Plan Assets	**(135)**	(129)	(133)	**-**	-	-
Amortization of						
Net loss	**49**	32	2	**1**	1	1
Prior service cost	**9**	9	9	**-**	-	-
Net transition asset	**-**	-	(1)	**-**	-	-
Net Pension Cost	$ **100**	$ 79	$ 36	$ **4**	$ 4	$ 4

The following table reconciles the obligations, assets and funded status of the plan as well as the amount recognized as pension liability in the consolidated statement of financial position at December 31. The results include liabilities and assets for Detroit Edison and all affiliates participating in the combined plan. The prepaid asset contributed to the combined plan by such affiliates is reflected as an amount due to affiliates, $247 million and $219 million at December 31, 2004 and 2003, respectively.

(in Millions)	Qualified Pension Plans 2004	Qualified Pension Plans 2003	Nonqualified Pension Plans 2004	Nonqualified Pension Plans 2003
Measurement Date	**November 30**	December 31	**November 30**	December 31
Accumulated Benefit Obligation-End of Period	**$ 2,447**	$ 2,316	**$ 34**	$ 34
Projected Benefit Obligation-Beginning of Period	**$ 2,498**	$ 2,287	**$ 36**	$ 31
Service Cost	**53**	44	**1**	1
Interest Cost	**153**	150	**2**	2
Actuarial Loss (Gain)	**69**	166	**(1)**	4
Benefits Paid	**(136)**	(145)	**(2)**	(2)
Plan Amendments	**6**	(4)	**-**	-
Projected Benefit Obligation-End of Period	**$ 2,643**	$ 2,498	**$ 36**	$ 36
Plan Assets at Fair Value-Beginning of Period	**$ 2,029**	$ 1,572	**$ -**	$ -
Actual Return on Plan Assets	**172**	380	**-**	-
Company Contributions	**170**	222	**2**	2
Benefits Paid	**(136)**	(145)	**(2)**	(2)
Plan Assets at Fair Value-End of Period	**$ 2,235**	$ 2,029	**$ -**	$ -
Funded Status of the Plans	**$ (408)**	$ (469)	**$ (36)**	$ (36)
Unrecognized				
Net loss	**790**	753	**11**	13
Prior service cost	**41**	41	**2**	3
Net transition assets	**(1)**	-	**-**	-
Net Amount Recognized-End of Period	**$ 422**	$ 325	**$ (23)**	$ (20)
Amount Recorded as				
Accrued pension liability	**$ (212)**	$ (288)	**$ (35)**	$ (33)
Regulatory asset	**594**	572	**10**	11
Intangible asset	**40**	41	**2**	2
	$ 422	$ 325	**$ (23)**	$ (20)

Assumptions used in determining the projected benefit obligation and net pension costs are listed below:

	2004	2003	2002
Projected Benefit Obligation			
Discount rate	**6.00 %**	6.25 %	6.75 %
Annual increase in future compensation levels	**4.0 %**	4.0 %	4.0 %
Net Pension Costs			
Discount rate	**6.25 %**	6.75 %	7.25 %
Annual increase in future compensation levels	**4.0 %**	4.0 %	4.0 %
Expected long-term rate of return on Plan assets	**9.0 %**	9.0 %	9.5 %

At December 31, 2004, the benefits related to our qualified and nonqualified plans expected to be paid in each of the next five years and in the aggregate for the five fiscal years thereafter are as follows:

(in Millions)		
2005	$	**156**
2006		**160**
2007		**165**
2008		**170**
2009		**175**
2010 - 2014		**981**
Total	$	**1,807**

We employ a consistent formal process in determining the long-term rate of return for various asset classes. We evaluate input from our consultants, including their review of historic financial market risks and returns and long-term historic relationships between the asset classes of equities, fixed income and other assets, consistent with the widely accepted capital market principle that asset classes with higher volatility generate a greater return over the long-term. Current market factors such as inflation, interest rates, asset class risks and asset class returns are evaluated and considered before long-term capital market assumptions are determined. The long-term portfolio return is also established employing a consistent formal process, with due consideration of diversification, active investment management and rebalancing. Peer data is reviewed to check for reasonableness.

We employ a total return investment approach whereby a mix of equities, fixed income and other investments are used to maximize the long-term return of plan assets consistent with prudent levels of risk. The intent of this strategy is to minimize plan expenses over the long-term. Risk tolerance is established through consideration of future plan cash flows, plan funded status, and corporate financial considerations. The investment portfolio contains a diversified blend of equity, fixed income and other investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, growth and value investment styles, and large and small market capitalizations. Other assets such as private equity and absolute return funds are used judiciously to enhance long term returns while improving portfolio diversification. Derivatives may be used to gain market exposure in an efficient and timely manner; however, derivatives may not be used to leverage the portfolio beyond the market value of the underlying investments. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews.

Our plans' weighted-average asset allocations by asset category at December 31 were as follows:

	2004	2003
Equity Securities	**69 %**	67 %
Debt Securities	**26**	27
Other	**5**	6
	100 %	100 %

Our plans' weighted-average asset target allocations by asset category at December 31, 2004 were as follows:

Equity Securities	**65 %**
Debt Securities	**28**
Other	**7**
	100 %

In December 2002, we recognized an additional minimum pension liability as required under SFAS No. 87, "*Employers' Accounting for Pensions*." An additional pension liability may be required when the accumulated benefit obligation of the plan exceeds the fair value of plan assets. Under SFAS No. 87, we recorded an additional minimum pension liability, an intangible asset and other comprehensive loss. In 2003, we reclassified $572 million of other comprehensive loss related to the minimum pension liability to a regulatory asset after the MPSC Staff provided an opinion that the MPSC's traditional rate setting process allowed for the recovery of pension costs as measured by SFAS No. 87. The additional minimum pension liability, regulatory asset and intangible asset are adjusted in December of each year based on the plans' funded status.

We also sponsor defined contribution retirement savings plans. Participation in one of these plans is available to substantially all represented and nonrepresented employees. We match employee contributions up to certain predefined limits based upon eligible compensation and the employee's contribution rate. The cost of these plans was $22 million in 2004, $21 million in 2003 and $20 million in 2002.

Other Postretirement Benefits

We provide certain postretirement health care and life insurance benefits for employees who are eligible for these benefits. Our policy is to fund certain trusts to meet our postretirement benefit obligations. Separate qualified Voluntary Employees Beneficiary Association (VEBA) trusts exist for represented and nonrepresented employees.

Net postretirement cost includes the following components:

(in Millions)	**2004**	2003	2002
Service Cost	**$ 33**	$ 31	$ 25
Interest Cost	**69**	66	59
Expected Return on Plan Assets	**(45)**	(36)	(44)
Amortization of			
Net loss	**33**	23	2
Net transition obligation	**8**	13	19
Net Postretirement Cost	**$ 98**	$ 97	$ 61

The following table reconciles the obligations, assets and funded status of the plans including amounts recorded as accrued postretirement cost in the consolidated statement of financial position at December 31:

(in Millions)	**2004**	2003
Measurement Date	**November 30**	December 31
Accumulated Postretirement Benefit Obligation-Beginning of Period	**$ 1,192**	$ 1,131
Service Cost	**33**	31
Interest Cost	**69**	66
Actuarial Loss	**106**	122
Plan Amendments	**21**	(106)
Benefits Paid	**(60)**	(52)
Accumulated Postretirement Benefit Obligation-End of Period	**$ 1,361**	$ 1,192
Plan Assets at Fair Value-Beginning of Period	**$ 468**	$ 425
Actual Return on Plan Assets	**43**	91
Company Contributions	**40**	-
Benefits Paid	**-**	(48)
Plan Assets at Fair Value-End of Period	**$ 551**	$ 468
Funded Status of the Plans	**$ (810)**	$ (724)
Unrecognized		
Net loss	**594**	518
Prior service cost	**30**	1
Net transition obligation	**58**	74
Accrued Postretirement Liability at Measurement Date	**(128)**	(131)
Company Contribution And Benefit Payments in December 2004	**(14)**	-
Accrued Postretirement Liability-End of Period	**$ (142)**	$ (131)

Assumptions used in determining the projected benefit obligation and net benefit costs are listed below:

	2004	2003	2002
Projected Benefit Obligation			
Discount rate	**6.00 %**	6.25 %	6.75 %
Net Benefit Costs			
Discount rate	**6.25 %**	6.75 %	7.25 %

Expected long-term rate of return on Plan assets	**9.0 %**	9.0 %	9.5 %

Benefit costs were calculated assuming health care cost trend rates beginning at 9.0% for 2005 and decreasing to 5.0% in 2010 and thereafter for persons under age 65 and decreasing from 8.0% to 5.0% for persons age 65 and over. A one-percentage-point increase in health care cost trend rates would have increased the total service cost and interest cost components of benefit costs by $15 million and increased the accumulated benefit obligation by $128 million at December 31, 2004. A one-percentage-point decrease in the health care cost trend rates would have decreased the total service and interest cost components of benefit costs by $13 million and would have decreased the accumulated benefit obligation by $114 million at December 31, 2004.

Effective 2005, we amended our postretirement health care plan to provide for some enhancements. The changes increased our expected 2005 postretirement cost by $6 million.

At December 31, 2004, the benefits expected to be paid, including prescription drug benefits, in each of the next five years and in the aggregate for the five fiscal years thereafter are as follows:

(in Millions)	
2005	$ **74**
2006	**81**
2007	**84**
2008	**87**
2009	**92**
2010 - 2014	**504**
Total	$ **922**

The process used in determining the long-term rate of return for assets and the investment approach for our other postretirement benefits plan is similar to those previously described for our qualified pension plans.

Our plans' weighted-average asset allocations by asset category at December 31 were as follows:

	2004	2003
Equity Securities	**68 %**	65 %
Debt Securities	**28**	30
Other	**4**	5
	100 %	100 %

Our plans' weighted-average asset target allocations by asset category at December 31, 2004 were as follows:

Equity Securities	**65 %**
Debt Securities	**28**
Other	**7**
	100 %

In December 2003, the Medicare Act was signed into law which provides for a non-taxable federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least "actuarially equivalent" to the benefit established by law. As discussed in Note 2, we adopted FSP No. 106-2 in 2004, which provides guidance on the accounting for the Medicare Act. As a result of the adoption, our accumulated postretirement benefit obligation for the subsidy related to benefits attributed to past service was reduced by approximately $70 million at January 1, 2004 and was accounted for as an actuarial gain. The effects of the subsidy reduced net periodic postretirement benefit costs by $12 million in 2004. The impact of the Medicare Act on the components of other postretirement benefit costs for the year ended December 31 was as follows:

(in Millions)		**2004**
Reduction in service cost	$	2
Reduction in interest cost		4
Amortization of actuarial gain		6
Decrease in postretirement benefit cost	$	12

At December 31, 2004, the gross amount of federal subsidies expected to be received in each of the next five years and in the aggregate for the five fiscal years thereafter was as follows:

(in Millions)		
2005	**$**	**-**
2006		**9**
2007		**9**
2008		**10**
2009		**10**
2010 - 2014		**53**
Total	**$**	**91**

NOTE 15 – RELATED PARTY TRANSACTIONS

We have transactions with affiliated companies to sell energy for resale, provide fuel supply services and power plant operation and maintenance services for the delivery of electric energy. Under a service agreement with DTE Energy, various DTE Energy affiliates, including Detroit Edison provide corporate support functions consisting of financial, auditing, tax, legal, treasury, cash management, human resources, information technology, regulatory and other services, which are billed to DTE Energy corporate. As these functions essentially support the entire DTE Energy Company, their costs are fully allocated to the various DTE Energy affiliates based on services utilized. The net of these billings included in the consolidated statement of operations was income of $19 million in 2004 and $18 million in 2003, and expenses of $7 million in 2002.

In addition, we had intercompany revenue, primarily from the sale of energy to affiliates, of $255 million, $71 million and $108 million in 2004, 2003 and 2002, respectively. We had intercompany expenses, primarily for purchased power, of $66 million, $45 million and $100 million in 2004, 2003 and 2002, respectively.

Our accounts receivable from affiliated companies totaled $29 million and $34 million at December 31, 2004 and 2003, respectively. Our accounts payable to affiliated companies totaled $56 million and $67 million at December 31, 2004 and 2003, respectively.

We had a short-term note receivable from DTE Energy of $85 million and $7 million at December 31, 2004 and 2003, respectively. This note is subject to a credit agreement with DTE Energy whereby short-term excess cash or cash shortfalls are remitted to or funded by DTE Energy. This credit arrangement involves the charge and payment of interest at market-based rates.

We declared dividends to DTE Energy of $305 million in 2004, $295 million in 2003 and $296 million in 2002. We paid dividends to DTE Energy of $303 million in 2004 and $295 million in 2003 and 2002. We received a $470 million capital contribution from DTE Energy in 2003. We issued 4,344,492 shares of our common stock to DTE Energy and in return DTE Energy contributed 4,344,492 shares of its common stock, valued at $170 million, to our defined benefit retirement plan.

NOTE 16- SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(in Millions)	First Quarter (1)	Second Quarter	Third Quarter	Fourth Quarter	Year
2004					
Operating Revenues	**$ 886**	**$ 835**	**$ 958**	**$ 889**	**$ 3,568**
Operating Income	**$ 145**	**$ 92**	**$ 169**	**$ 111**	**$ 517**
Net Income	**$ 44**	**$ 8**	**$ 62**	**$ 36**	**$ 150**
2003					
Operating Revenues	$ 937	$ 870	$ 1,017	$ 871	$ 3,695
Operating Income	$ 116	$ 112	$ 219	$ 227	$ 674
Net Income	$ 15	$ 30	$ 96	$ 105	$ 246

(1) Previously reported first quarter 2004 amounts have been adjusted to reflect the retroactive adoption of FSP No. 106-2, relating to the impact of the Medicare Act on postretirement benefit costs (Note 2).

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
The Detroit Edison Company	(1) [X] An Original (2) [ ] A Resubmission	/ /	End of 2004/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b),(c),(d) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceding Quarter/Year				
2	Preceding Quarter/Year Reclassification from Account 219 to Net Income				
3	Preceding Quarter/Year Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Quarter/Year / Beginning of				
6	Current Quarter/Year Reclassifications from Account 219 to Net Income				
7	Current Quarter/Year Changes in Fair Value				720,423
8	Total (lines 6 and 7)				720,423
9	Balance of Account 219 at End of Current Quarter/Year				720,423

Name of Respondent The Detroit Edison Company	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2004/Q4

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

Line No.	Other Cash Flow Hedges Interest Rate Swaps (f)	Other Cash Flow Hedges [Specify] (g)	Totals for each category of items recorded in Account 219 (h)	Net Income (Carried Forward from Page 117, Line 72) (i)	Total Comprehensive Income (j)
1		(2,030,410)	(2,030,410)		
2		(5,700,000)	(5,700,000)		
3		8,804,762	8,804,762		
4		3,104,762	3,104,762	260,427,618	263,532,380
5		1,074,352	1,074,352		
6					
7			720,423		
8			720,423	161,274,776	161,995,199
9		1,074,352	1,794,775		