THE 2006-2011 ECONOMICS AND ELECTRIC SALES FORECAST FOR SOUTHEASTERN MICHIGAN

DTE Energy

Corporate Energy Forecasting

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Purpose

To provide a review of the 2006-2011 sales and demand forecast for our service territory. This includes:

- Economic outlook

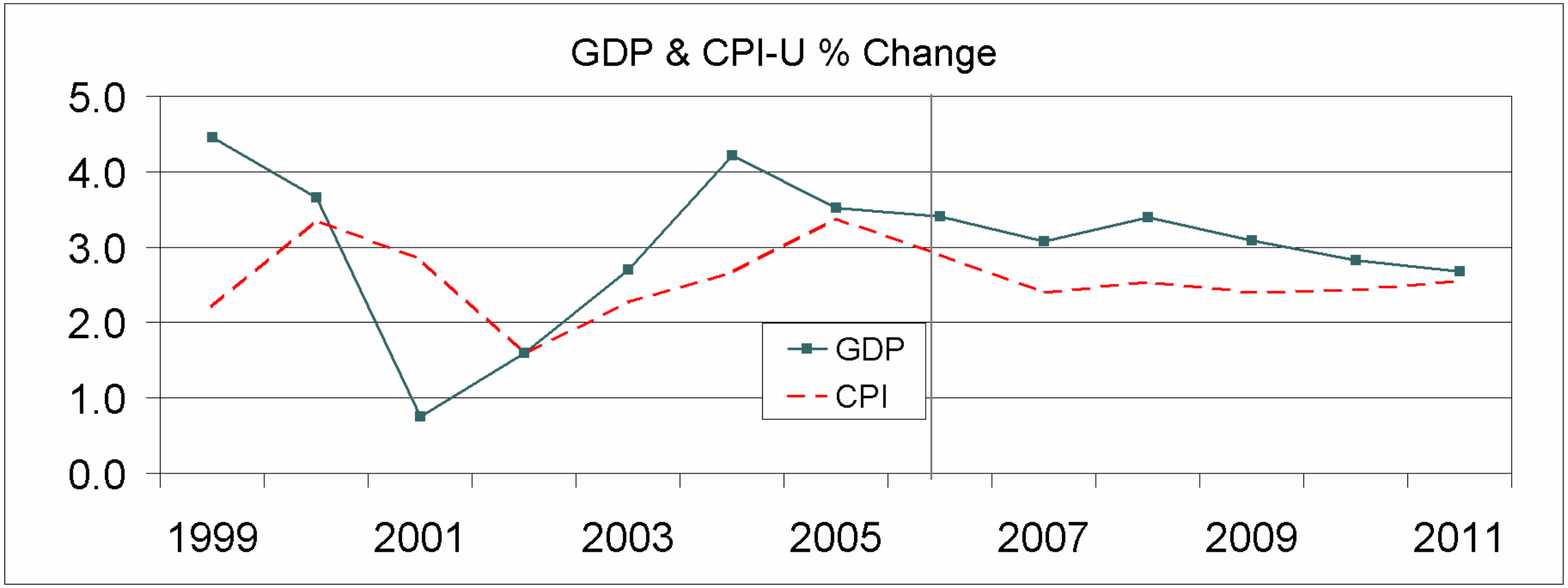
- Service Area sales outlook by class

- Peak demand outlook

To compare this forecast to the 2005 CNF Forecast

National Economic Outlook

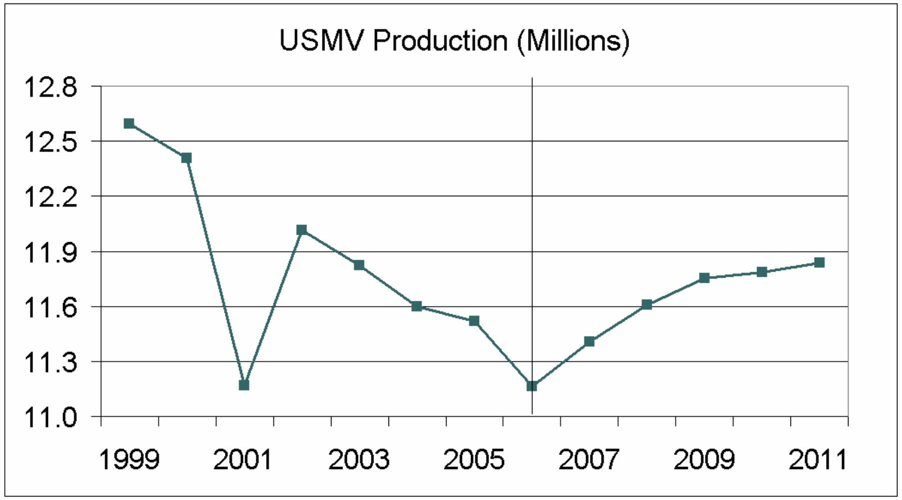
Slower growth in 2006. Greatest threats: prolonged energy prices spike and collapsing dollar.



3.4% Real GDP growth in 2006
- Slow housing, high consumer debt drag on economy in Q3 & Q4 of 2006

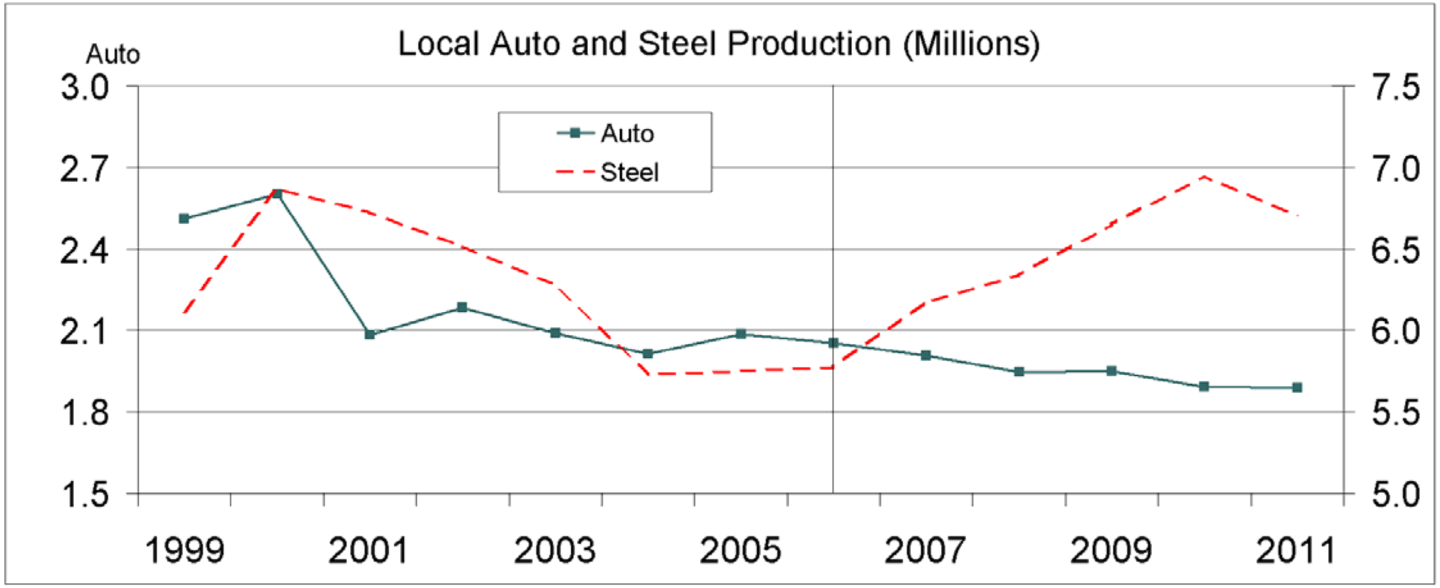
Basic rate of inflation
- 2.4% GDP deflator, 2.9% CPI-U
- Oil politics could surprise on the upside

Business investment offsets some slower growth in personal consumption expenditures.



Local Economic Outlook

After auto jobs, production shakeout, local economy recovers slowly.

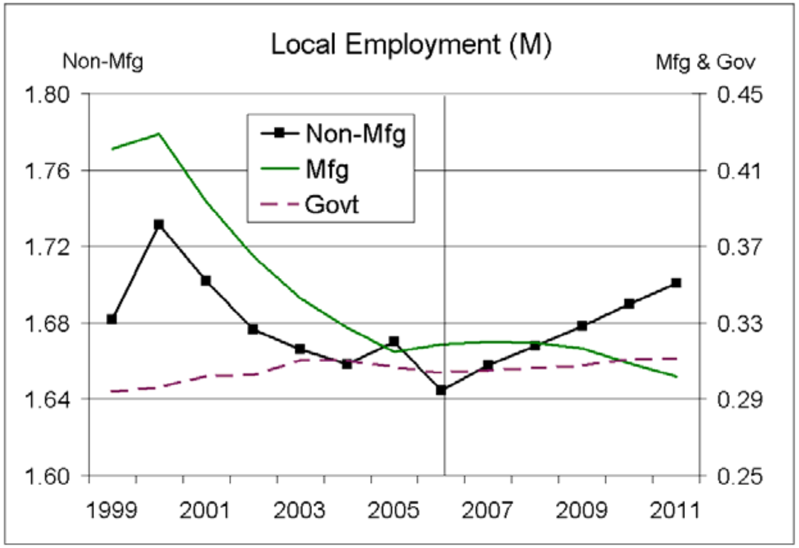


Vehicle production down 1.6% from 2005 levels
- Detroit production declines as market share slips

Steel tonnage up 0.3% after rising 0.4% in 2005
- Gulf rebuilding, commercial investment boost demand

Driven by auto layoffs, local jobs fall by 1.7%
- All major categories decline except government
- Detroit financial difficulty in 2006 but no receivership

Residential building permits down 5.3%
- 30-yr FRM to average 6.5% throughout year



Economic Growth Rates

All indicators grow over the next five years except auto production and manufacturing employment.

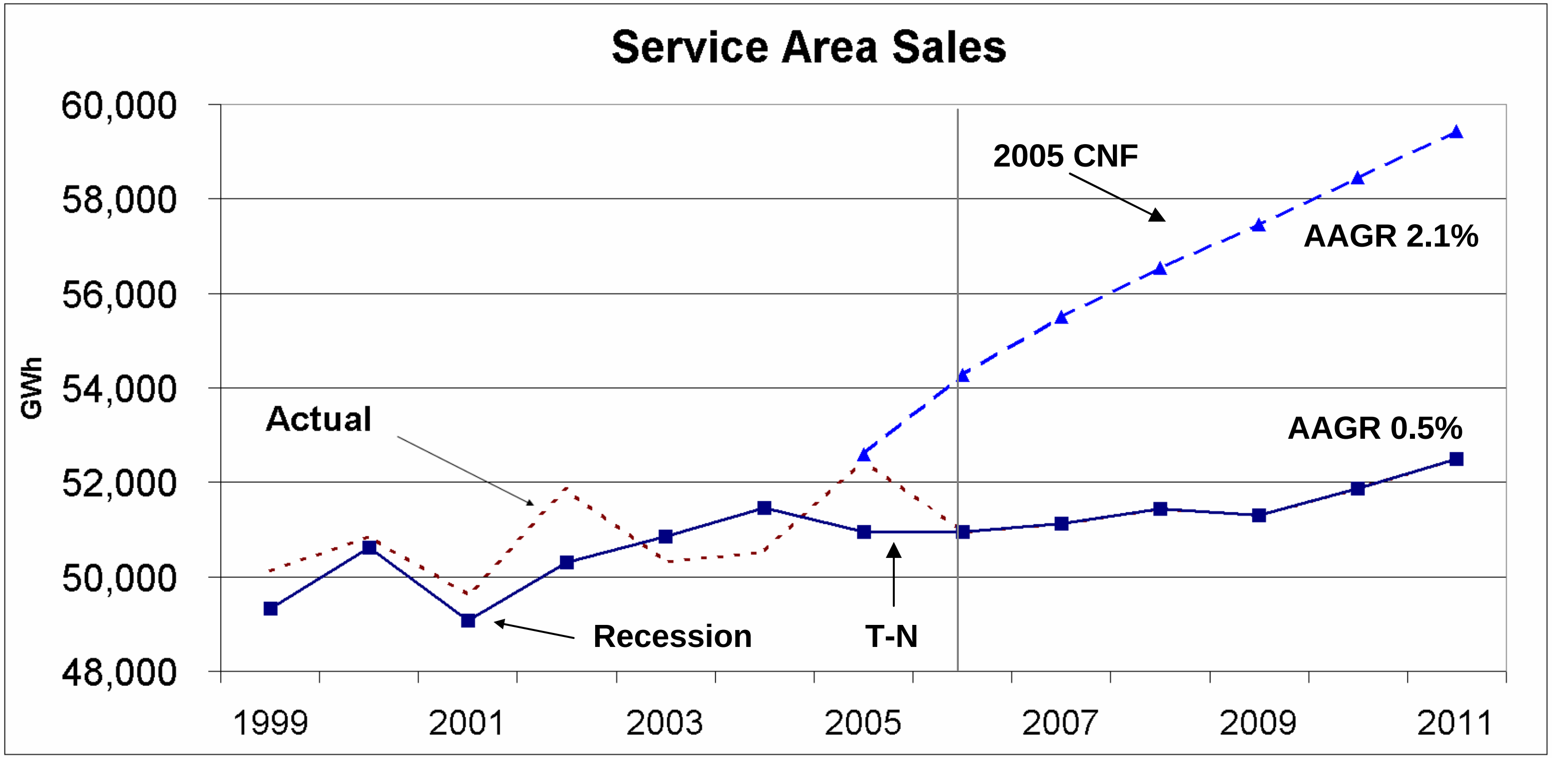
National	**'05-'06**	**'05-'11**
U.S. Industrial Production (FRB)	3.0%	3.0%
Real Gross Domestic Product	3.4%	3.2%

Local	**'05-'06**	**'05-'11**
Non-manufacturing Employment	-1.5%	0.3%
Government Employment	-1.0%	0.2%
Manufacturing Employment	1.2%	-0.7%
Service Area Population	0.3%	0.4%
Local Automotive Production	-1.6%	-1.7%
Local Steel Production	0.3%	2.6%
Housing Permits	-5.3%	1.1%

Growth rates represent annual compound average growth.

Service Area Sales

2006 Service Area sales will remain at the same level as 2005 temperature-normalized sales. The decline in the auto sector is offset by increased sales in the other customer classes.



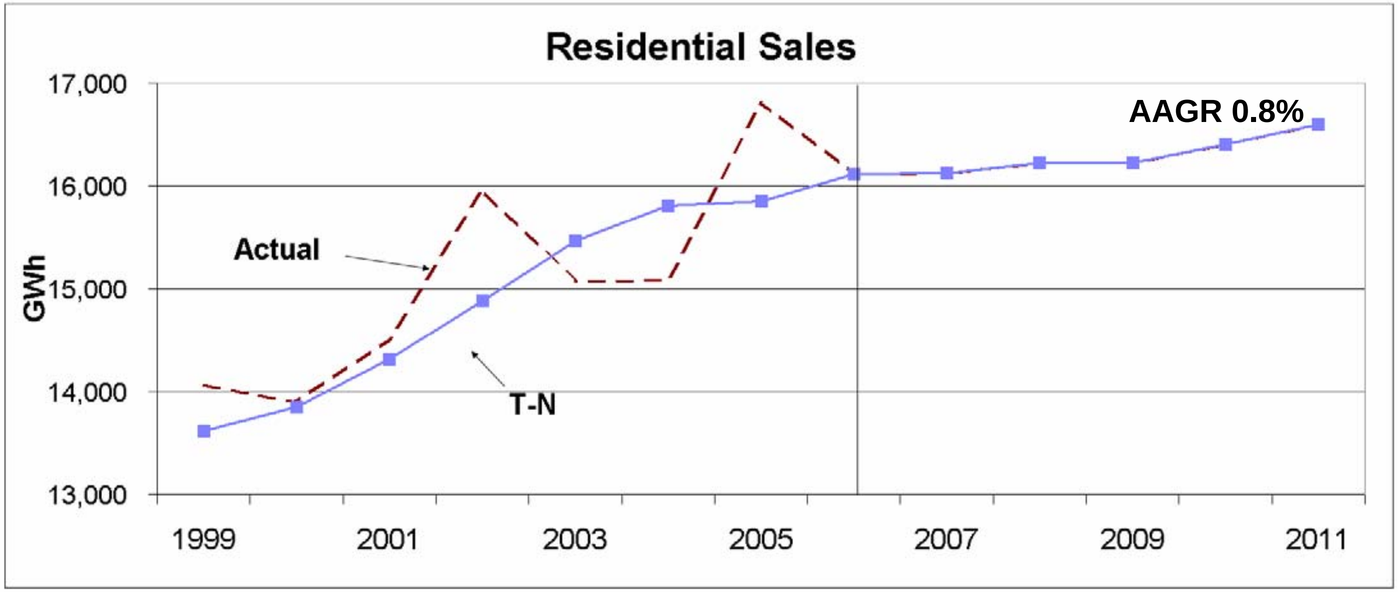
Manufacturing growth is restrained due to auto weakness

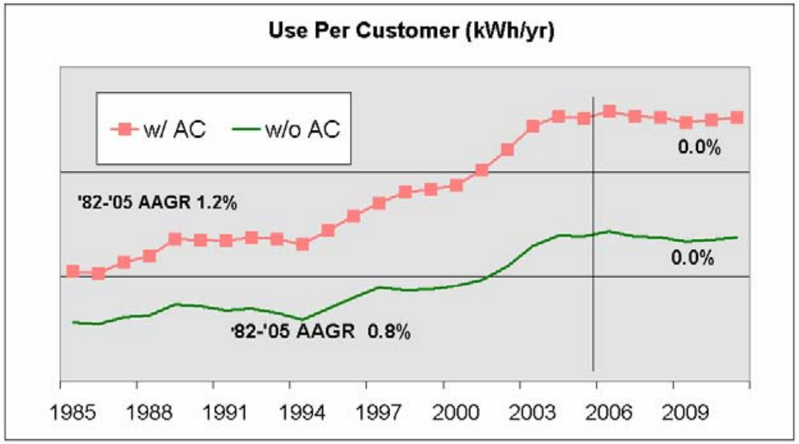
Higher interest rates holding Residential sales growth to low levels

Commercial sales growth of about 1.2% annually

Residential Sales

2006 Residential sales will be about 1.7% higher than 2005 temperature-normalized sales. Residential sales grow at 0.8% annually through the next six years, due to a weaker housing market and conservation by customers due to higher rates.





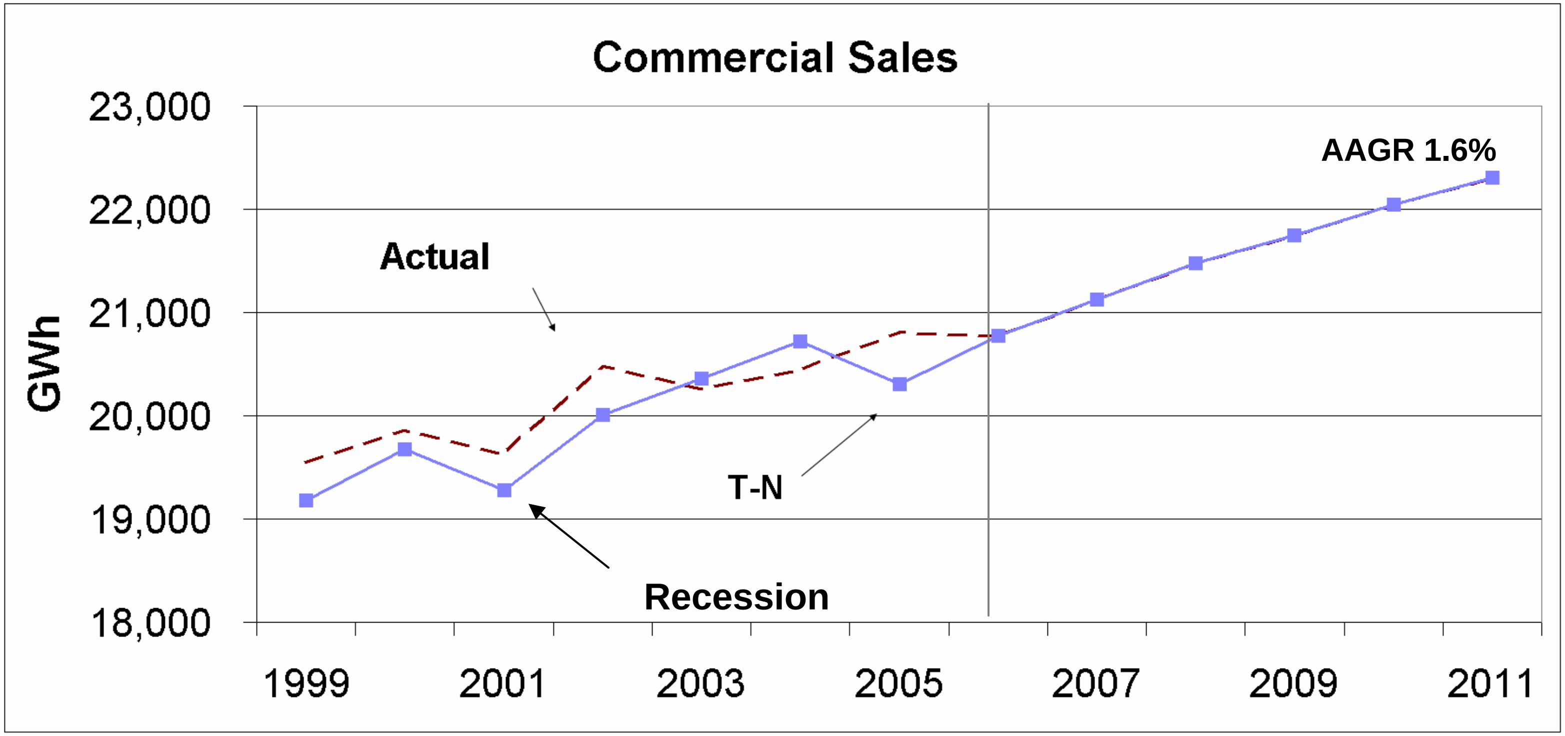
UPC to remain at current levels throughout the forecast. Elasticity vs. electronics

Customer growth will be over 0.8%.

Higher interest rates will weaken housing starts

Commercial Sales

2006 Service Area Commercial sales will be 2.3% higher than 2005 T-N sales. Commercial sales will grow by an average of 1.6% annually through 2011.



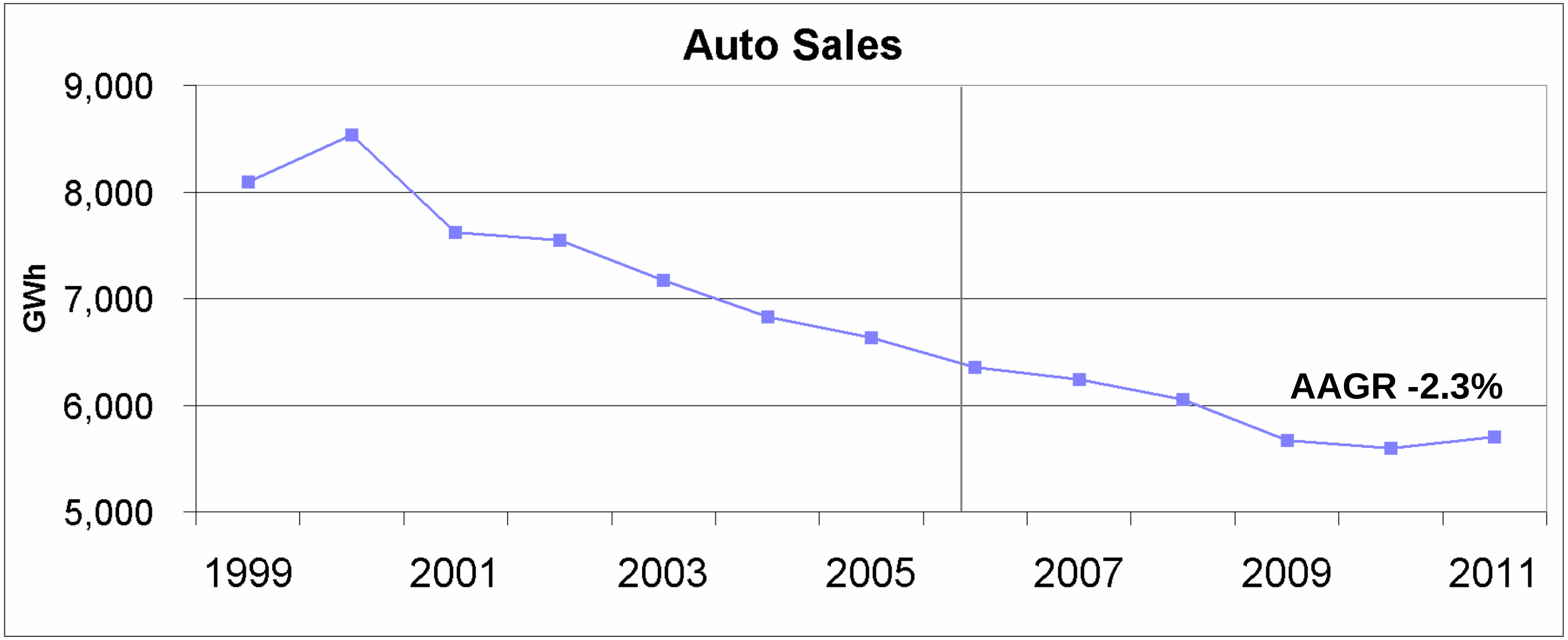
2006 Bounceback is comparable to, but less robust than, the experience in 2001-2002 after the recession.

Floor stock grows 1.1%. Intensity grows at 0.5%. Combined, services growth is 1.7%.

Commercial manufacturing grows at 1.3%.

Auto Sales

2006 Service Area Auto sales will be 3.3% lower than 2005 T-N sales. Massive reorganization plans of local auto makers significantly weakens outlook over the next six years.



Big 3 market share will decrease from 74% in 1995 to 52% in 2011
Currently at 58%.

Local production to decrease of 1.7% annually

Plant closings will outweigh additions thru 2007

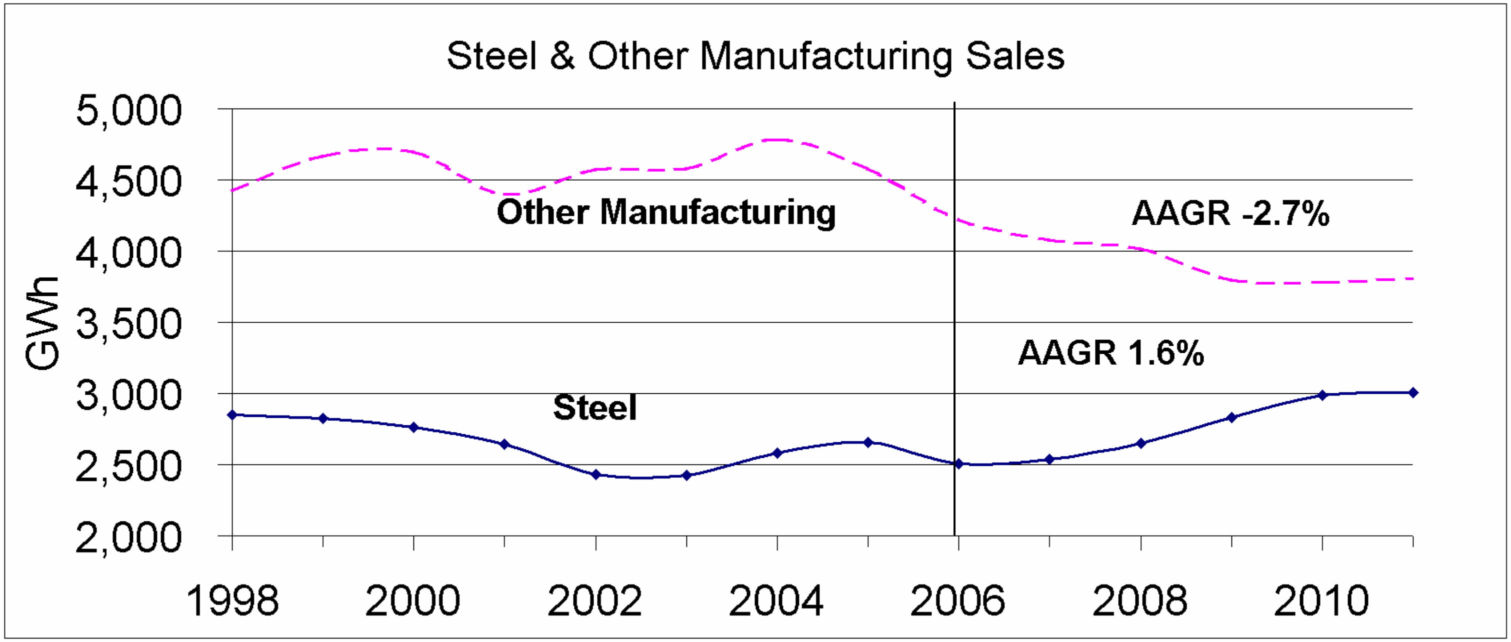
Reducing supplier costs will lead to further conservation

Expected Changes (GWh)

	2006	2007+
Additions	201	242
Losses	-337	-494
Total	-136	-252

Steel and Other Manufacturing Sales

2006 Service Area Steel and Other Manufacturing sales will be lower than 2005 by 5.7% and 7.9% respectively. Both sectors are being weakened by the local auto manufacturers. Industrial Class sales decline by 1.6% annually through 2011.



A 3.8% average annual increase in local steel production is forecast through 2008

Strong global demand for U.S. steel implies full capacity utilization

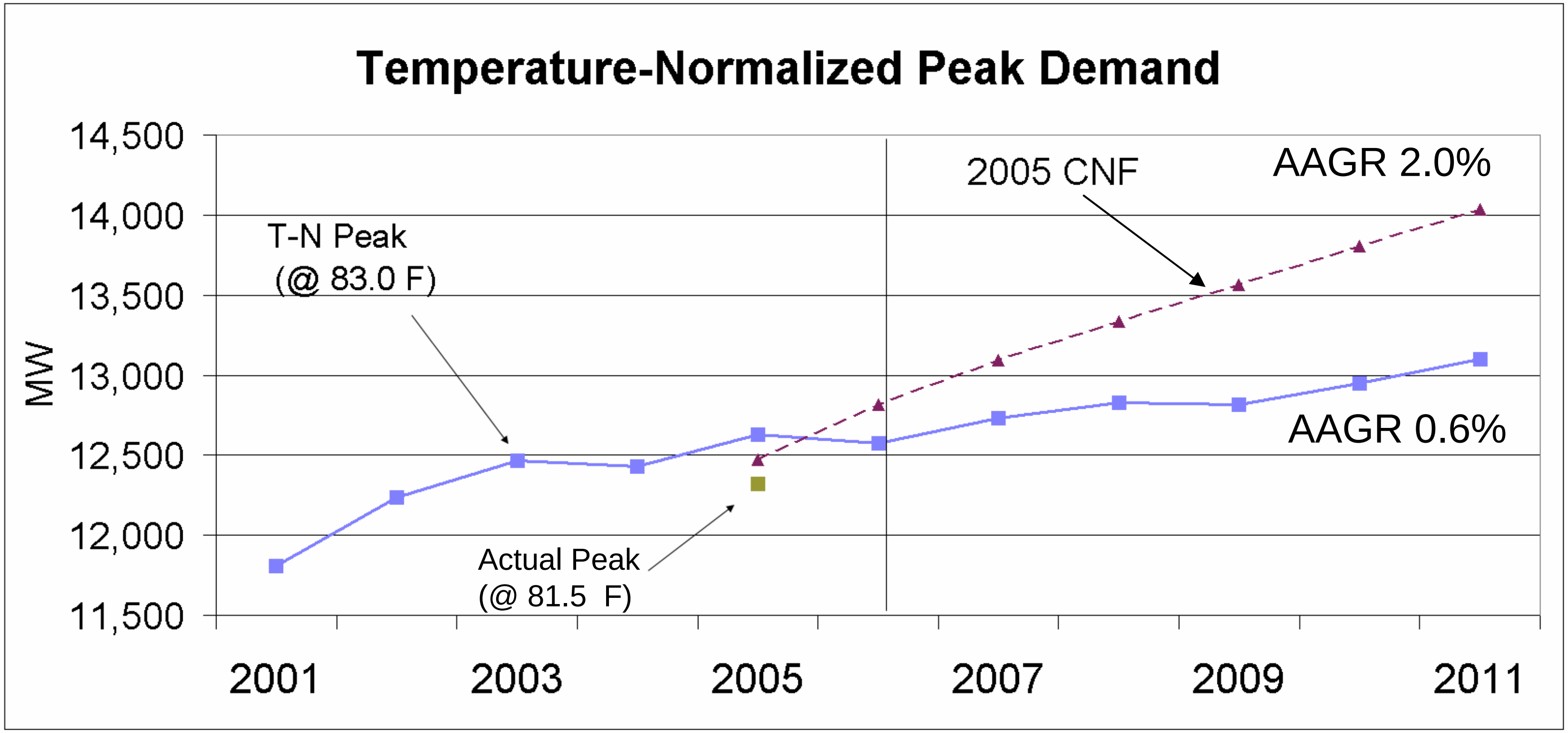
No new local steel mill capacity expansions

Auto industry restructuring and continued emigration of suppliers

Increased energy costs will reinforce conservation in near future

Peak Demand Outlook

The Service Area peak growth rate is projected to be 0.6% for the period of 2005 - 2011.



Slow growth in Residential sales will moderate peak demand growth

Industrial sales decline depresses peak demand growth also.

Comparison to 2005 Outlook

Class level sales declined because of a weaker economic outlook, more customer conservation and efficiency improvements.

Sales Differences in 2007 (GWh)

	2005	2006	Diff
Residential	16875	16127	-748
Commercial	22124	21122	-1002
Industrial	15551	12855	-2696
Other *	949	1029	80
Total	55499	51133	-4366

Residential Sales decreases due to fewer customers, less usage due to efficiencies and customer conservation

Commercial Sales decreases due to decreased construction in services and contraction among small manufacturers

Industrial sales decreases due to auto plant closings, lower car production, auto supplier contraction and conservation

* Other Sales does not include wholesale contracts reported by other utilities in Michigan