

DTE Energy®



**DTE Energy's Five-Year Outlook on the
Economy and Electric Sales Forecast**

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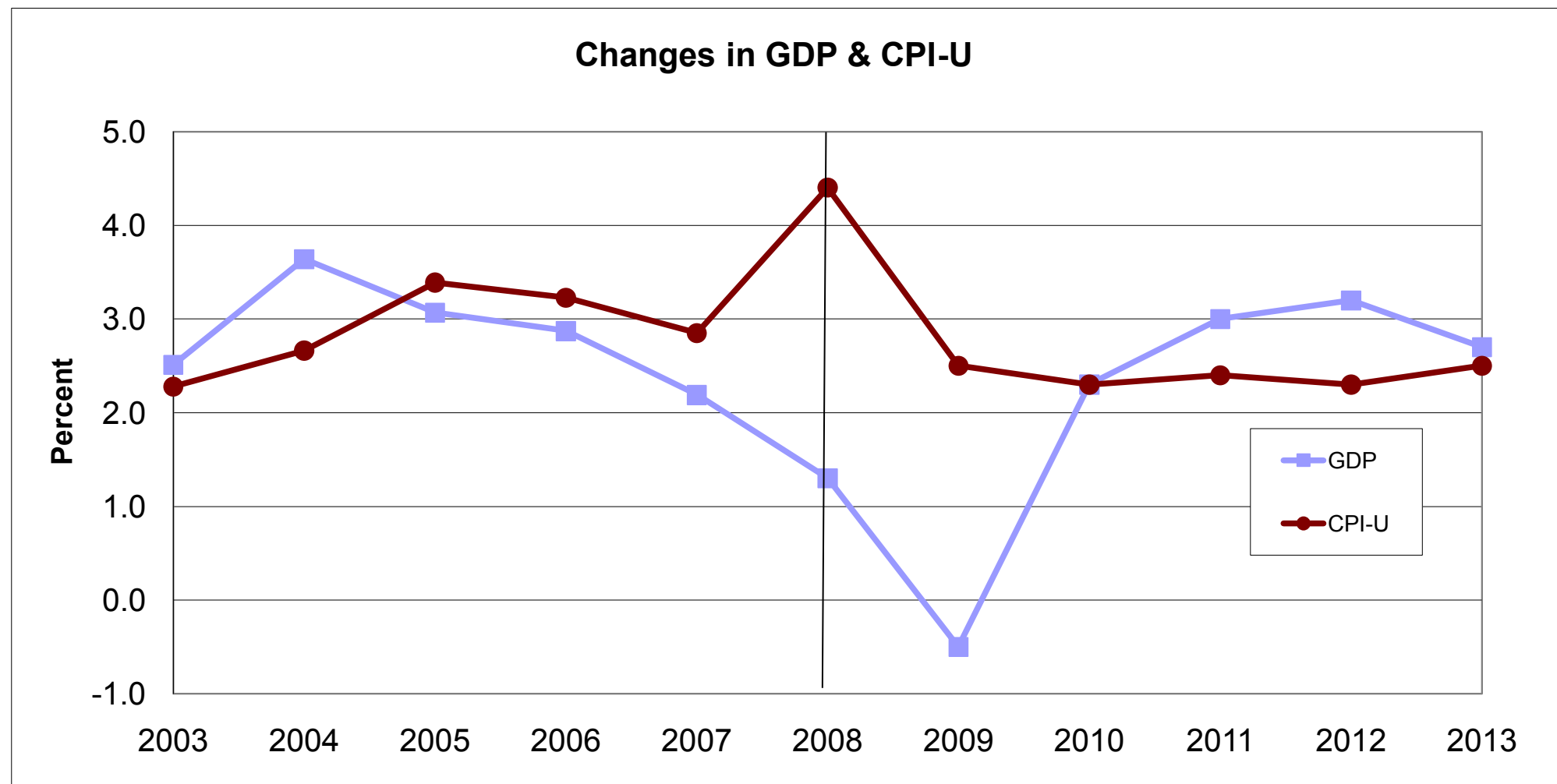
Purpose

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

- Economic outlook
- Sales outlook by class
- Peak Demand outlook

National Economic Outlook

2009 GDP growth slips into negative territory, and downside risks stand to push it lower.



National	AAGR	
	'08-'09	'08-'13
Real Gross Domestic Product	-0.5%	2.1%
CPI-U	2.5%	2.4%

Real GDP growth sinks to -0.5% in 2009

- Lenders stressed until home prices stabilize
- Potential bankruptcy in domestic auto industry
- Global recession undermines U.S. exports

CPI-U inflation eases from 4.4% to 2.5%

- Cheaper energy ripples through economy
- Reduced global demand cuts commodity prices

Unemployment rises from 5.6% to 7.2%

- Housing, construction, finance in crosshairs
- Fewer jobs -> lower income -> less consumption

Industrial production declines 3.2%

- Demand weakens domestically and globally
- Slowing auto production drags down total IP

Housing starts fall from 940,000 to 800,000

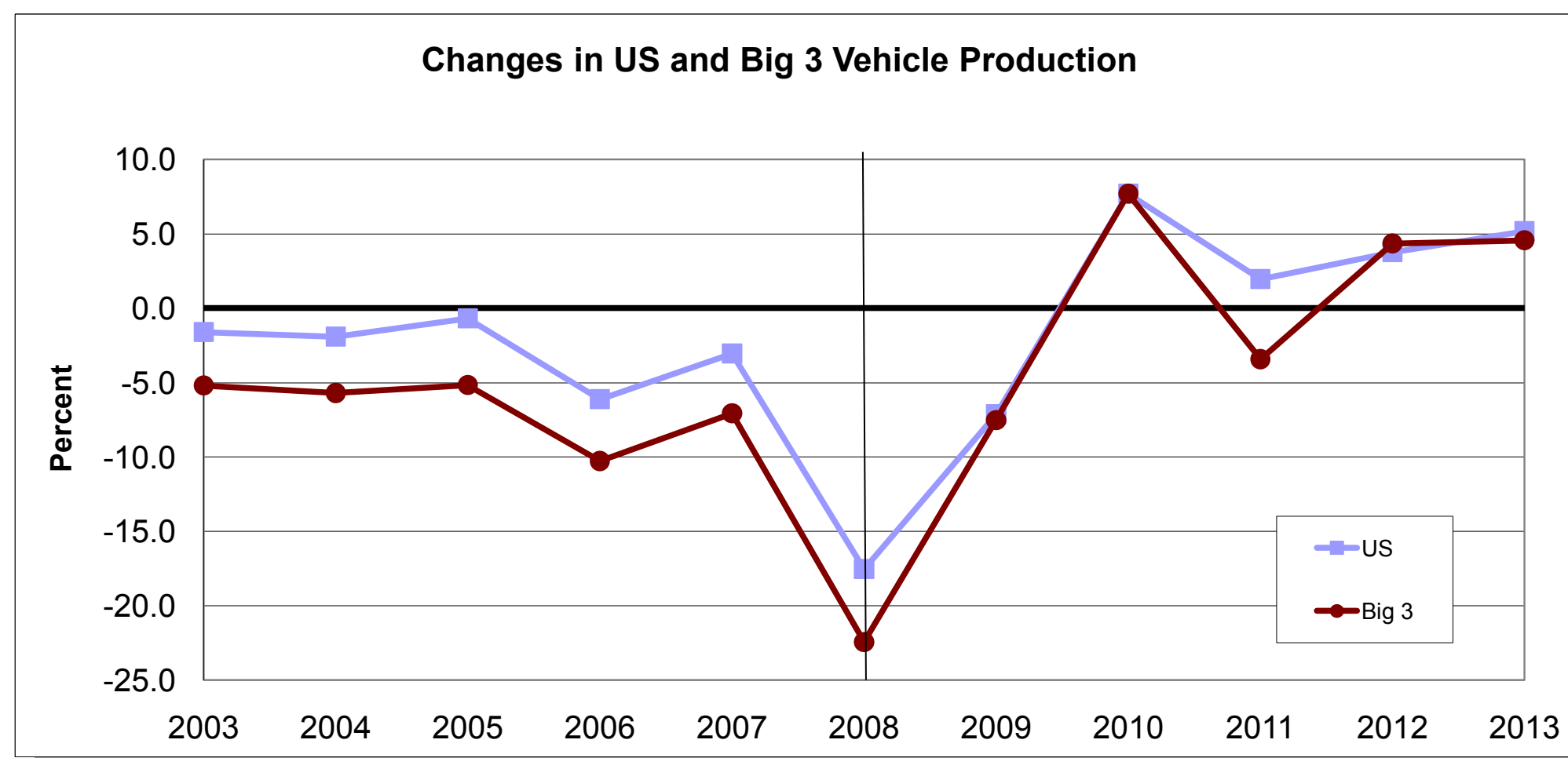
- Starts bottom out 2009-Q2, then grow slowly
- Prices slowly reverse near year end

Vehicle sales sink to 12 million

- Significant industry buyouts, layoffs inevitable
- Rush to small cars can't overcome poor economy

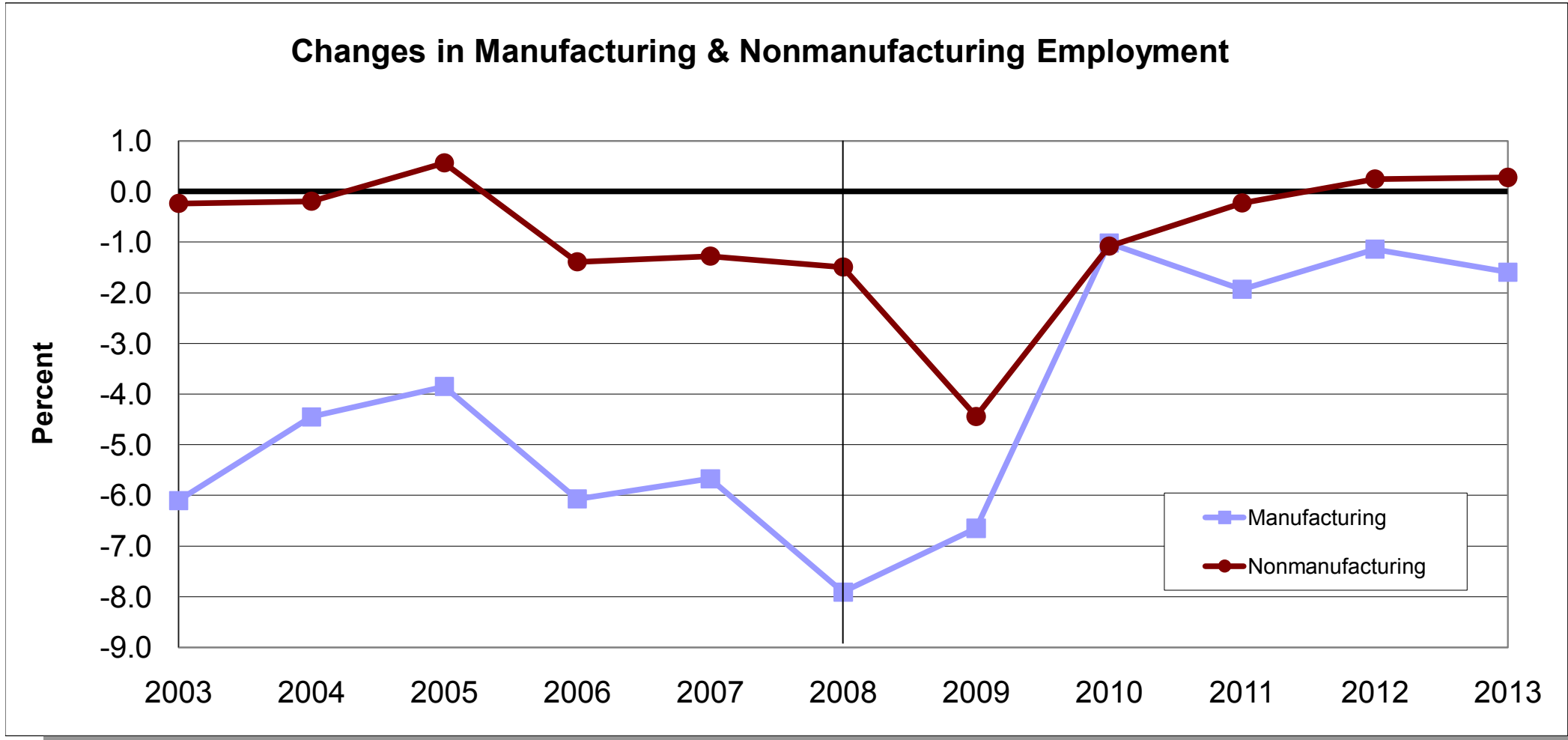
Federal funds rate to remain at 1.0% until end '09

- Soft economy brings weak inflation, even deflation
- Monetary policy less effective at very low rates



Local Economic Outlook

Light vehicle sales sink to 12 million in 2009, pushing Big Three to brink of bankruptcy.



Local	AAGR	
	'08-'09	'08-'13
Auto Production	-8.4%	0.8%
Total Employment	-3.3%	-1.0%

Another rough year for Michigan in 2009
 - Statewide job losses exceed 0.5%
 - Unemployment rate peaks at 9.0% mid-year

Auto sector again drags down local economy
 - SE Michigan auto production falls 8.4%
 - Local population loss of 16,000 in 2009

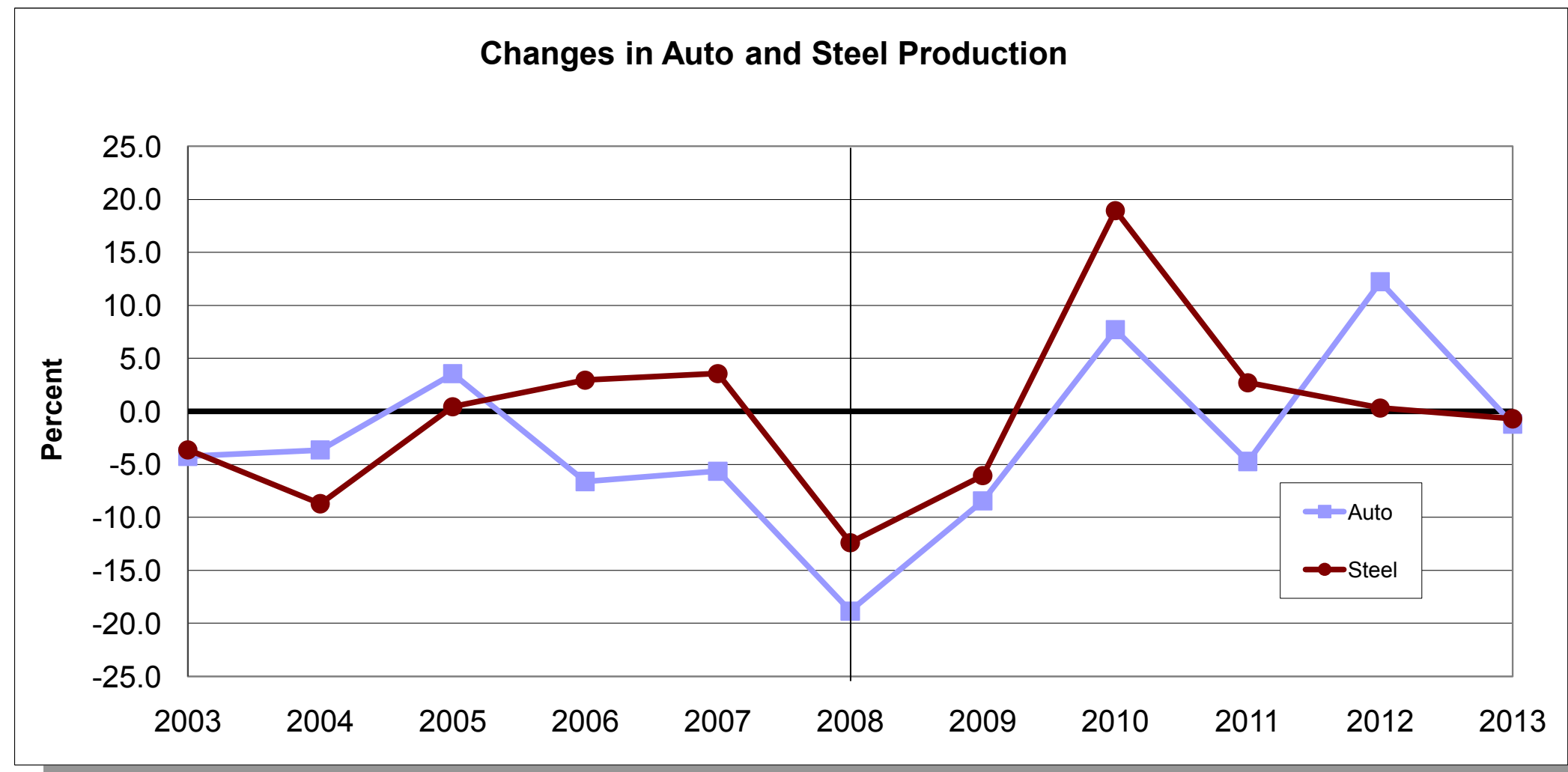
Further Big Three retrenchment
 - Large Assembly plant closed 18 mos. (beg. 12/1/08)
 - No auto merger assumed in forecast

Local employment down 3.3%
 - Construction falls 3.5%, manufacturing 6.6%
 - Substantial loss in financial services

Steel tonnage down 6.1%
 - Local auto down, global too weak to make it up
 - Large steel furnace down through 2009

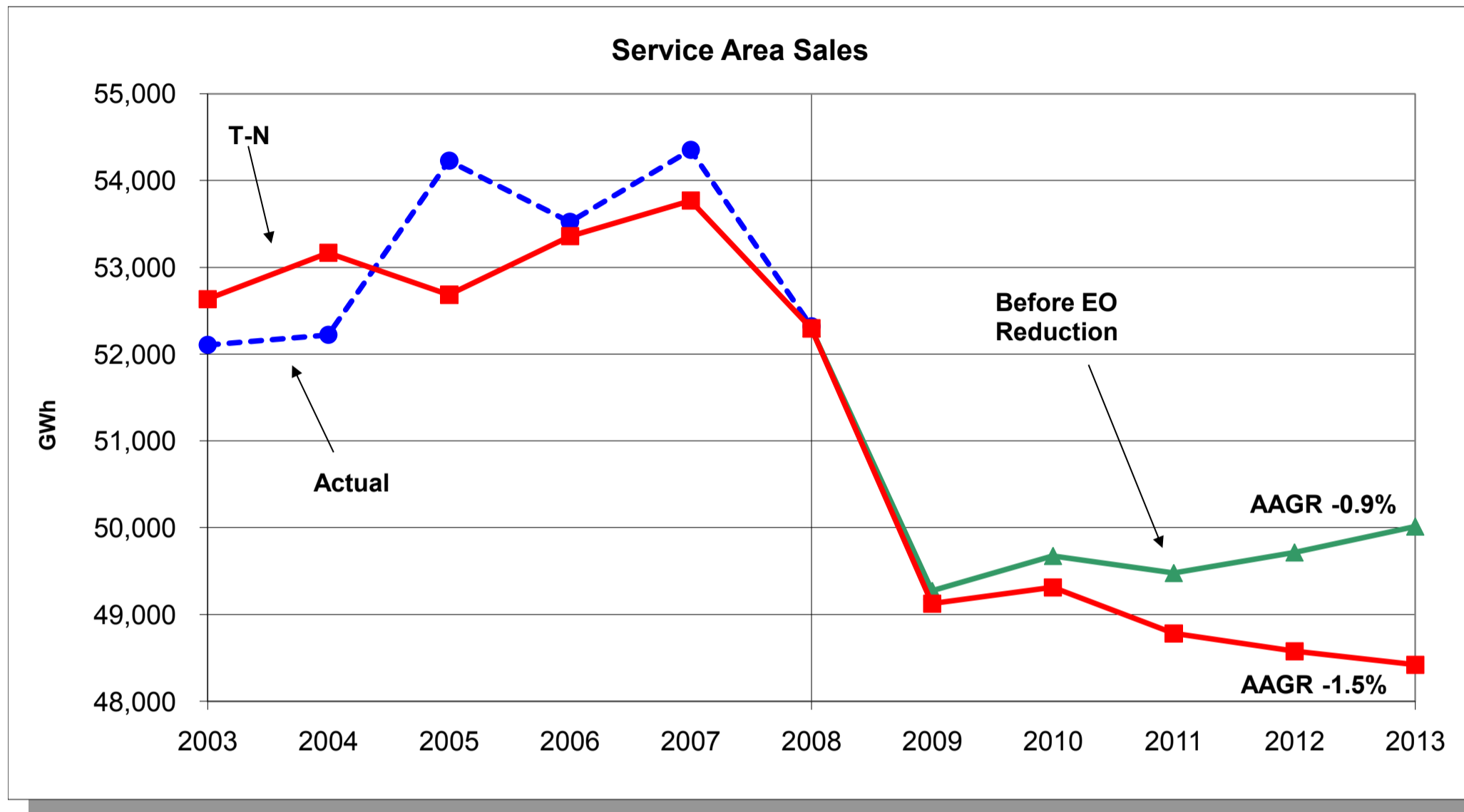
Housing permits down 9.4% to 2,400
 - Job losses, falling values curb home buying
 - Falling values also perpetuate mortgage crisis

National recession accelerates Michigan's tumble
 - Lower consumption hurts auto industry
 - Service industries feel pinch as well



Service Area Sales

Weakness in the housing and auto sectors depress sales through 2013.



Foreclosures peak in 2008, while housing starts continue to be negatively affected by the weak local economy.

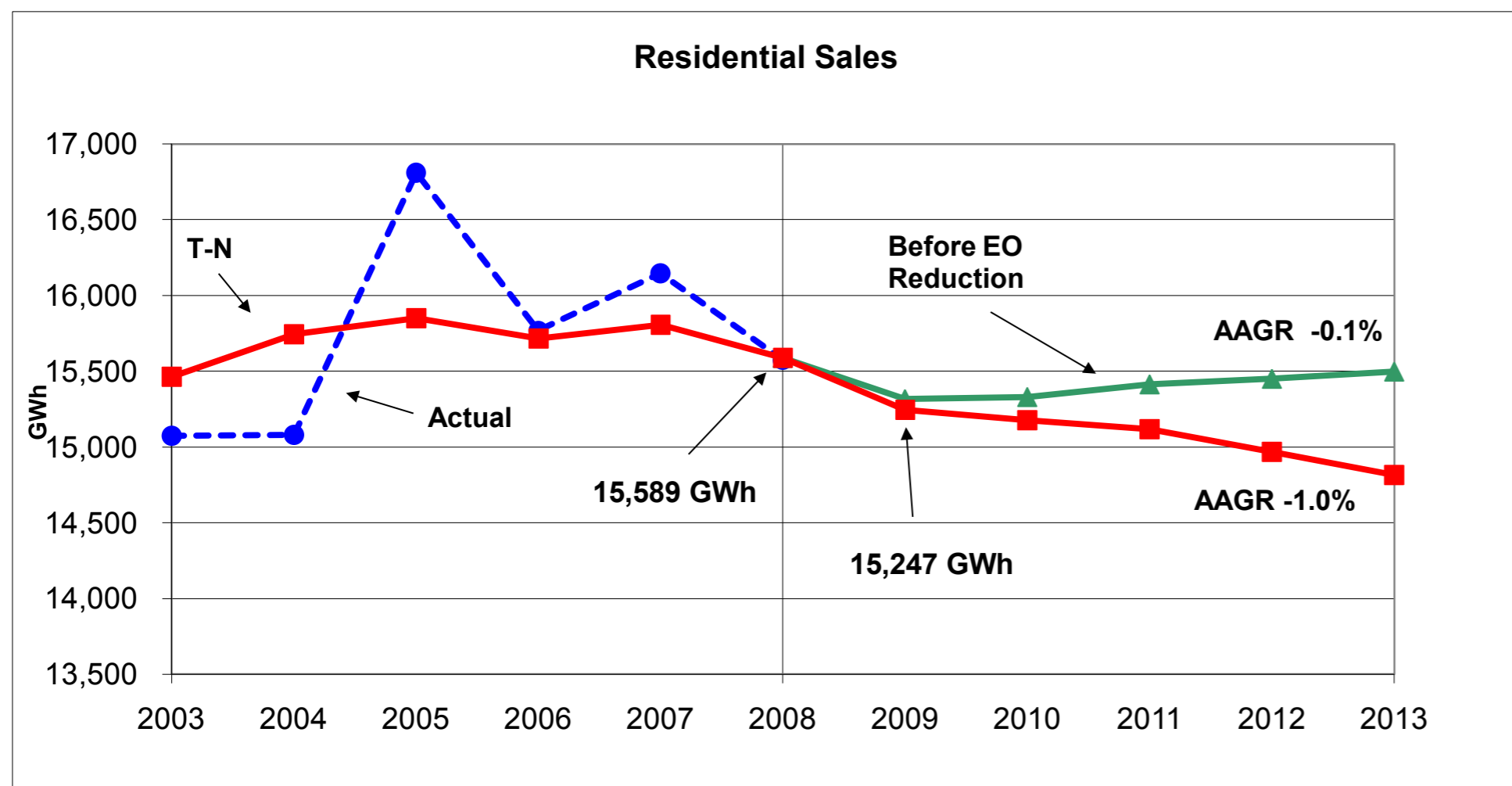
Bad economic times lead to significant consolidation in the auto industry. Plant closings, shift reductions and smaller market share will reduce auto sales through 2013. The consolidation-related plant closings contribute 1,200 GWh to this reduction.

An Energy Optimization Program will reduce Service Area sales by 1,592 GWh by 2013 (or 5.5% of sales), reducing the growth rate 0.6%. The Energy Optimization impacts follow HB 5525 requirements.

	2008 10 + 2 Outlook		Forecast					2008 T-N v. 2009	AAGR 2008 - 2013
	Actual	T-N Sales	2009	2010	2011	2012	2013		
Residential	15,575	15,589	15,247	15,177	15,118	14,968	14,816	-2.2%	-1.0%
Comm. Secondary	10,544	10,529	9,944	9,844	9,706	9,681	9,606	-5.6%	-1.8%
Comm. Primary	<u>9,634</u>	<u>9,616</u>	<u>9,185</u>	<u>9,085</u>	<u>8,996</u>	<u>8,916</u>	<u>8,842</u>	<u>-4.5%</u>	<u>-1.7%</u>
Total Commercial	20,178	20,145	19,129	18,929	18,702	18,598	18,449	-5.0%	-1.7%
Auto	5,994	5,991	4,642	4,468	4,146	4,087	4,100	-22.5%	-7.3%
Steel	3,361	3,361	2,917	3,403	3,477	3,486	3,466	-13.2%	0.6%
Other Mfg.	<u>3,987</u>	<u>3,987</u>	<u>3,953</u>	<u>4,085</u>	<u>4,077</u>	<u>4,165</u>	<u>4,305</u>	<u>-0.9%</u>	<u>1.5%</u>
Total Industrial	13,341	13,338	11,512	11,956	11,700	11,737	11,871	-13.7%	-2.3%
Other	3,227	3,227	3,241	3,253	3,265	3,276	3,288	0.4%	0.4%
Total	52,322	52,298	49,128	49,315	48,784	48,580	48,424	-6.1%	-1.5%

Residential Sales

Residential sales will decline throughout the next five years due to the poor housing market and energy optimization.

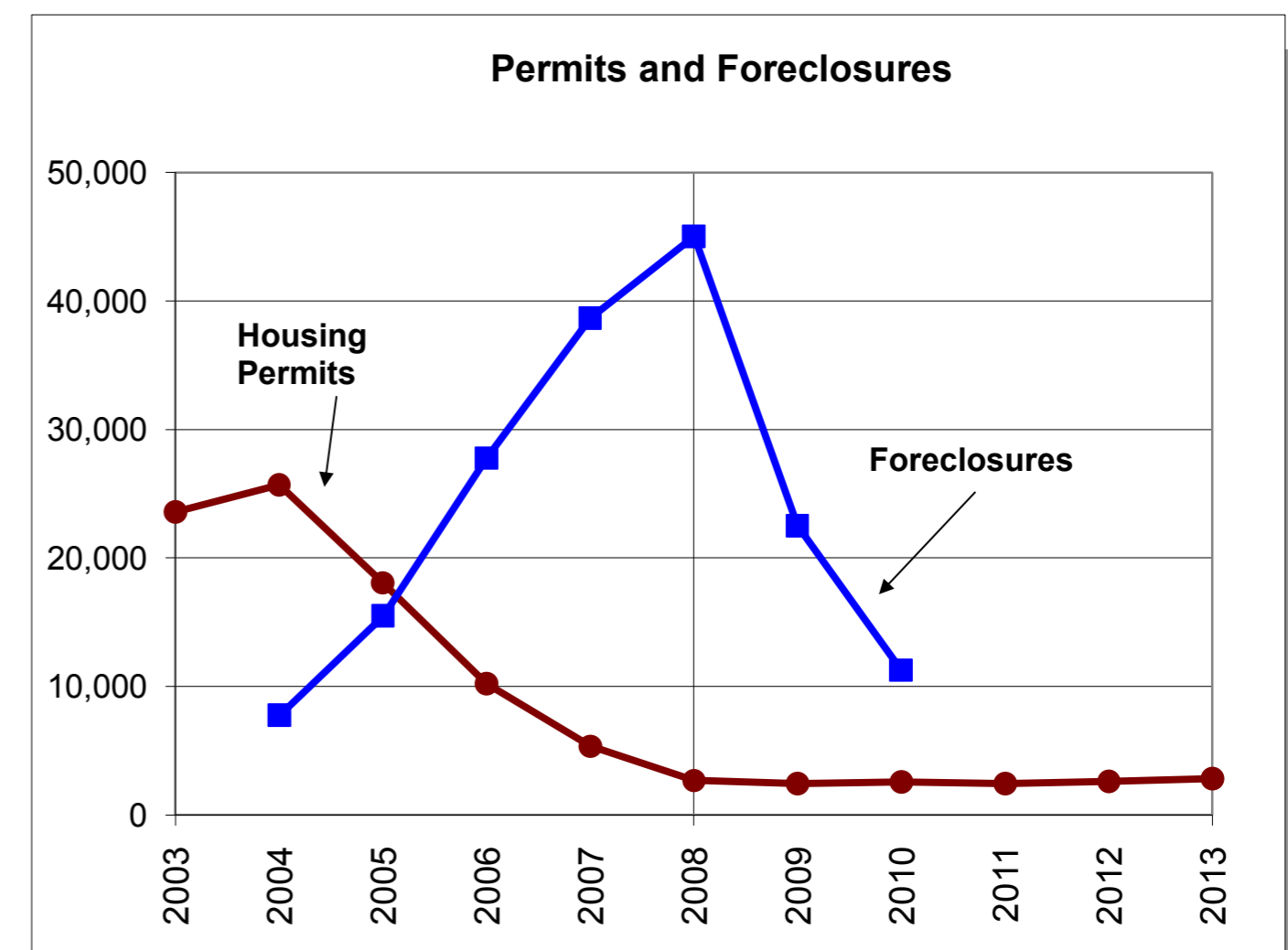
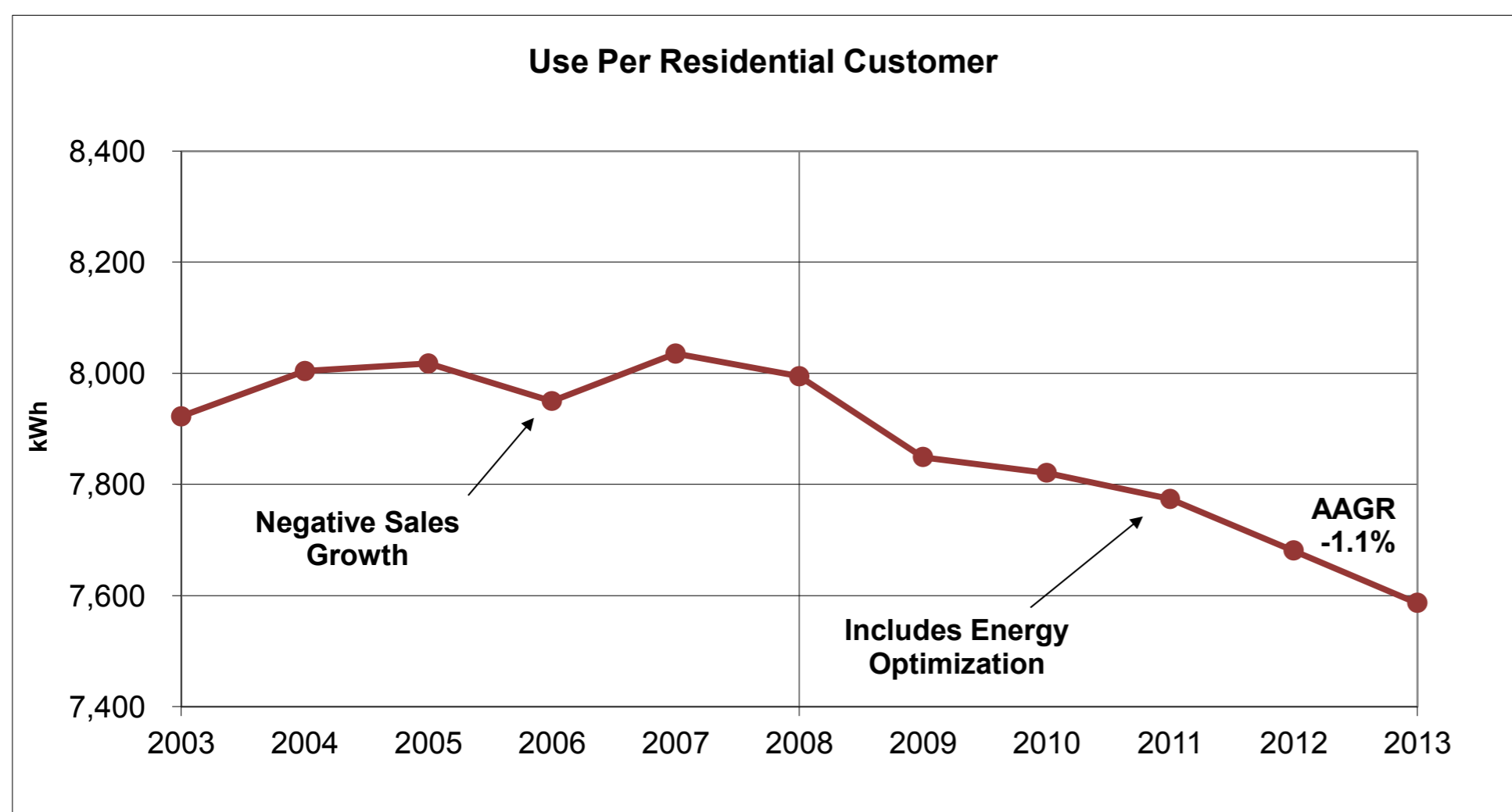


Residential sales are expected to drop 342 GWh from 2008 to 2009, and average a 1.0% decline through 2013. Various factors contribute to this decline.

Air-conditioning, historically a driver of growth, is essentially fully saturated at over 98%. And new air-conditioning units are more efficient, which drives average usage lower.

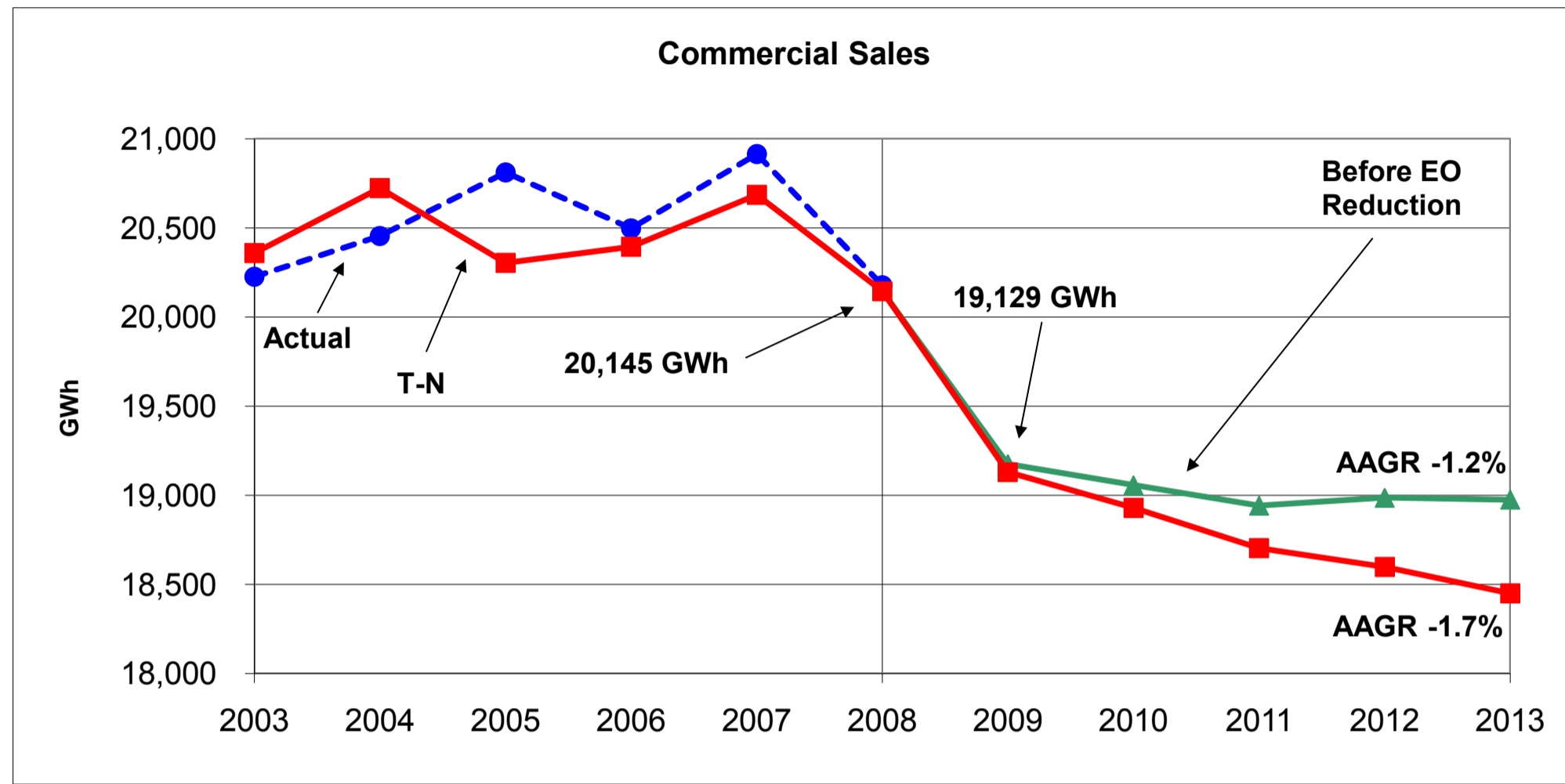
An energy optimization program would encourage Residential customers to replace incandescent lightbulbs with CFL's, purchase ENERGY STAR products, and turn in old, inefficient appliances. As a result, sales will be reduced by 683 GWh by 2013.

Plug-in hybrid electric vehicles penetrate the market beginning in 2011, reaching sales of 129 GWh by 2013.



Commercial Sales

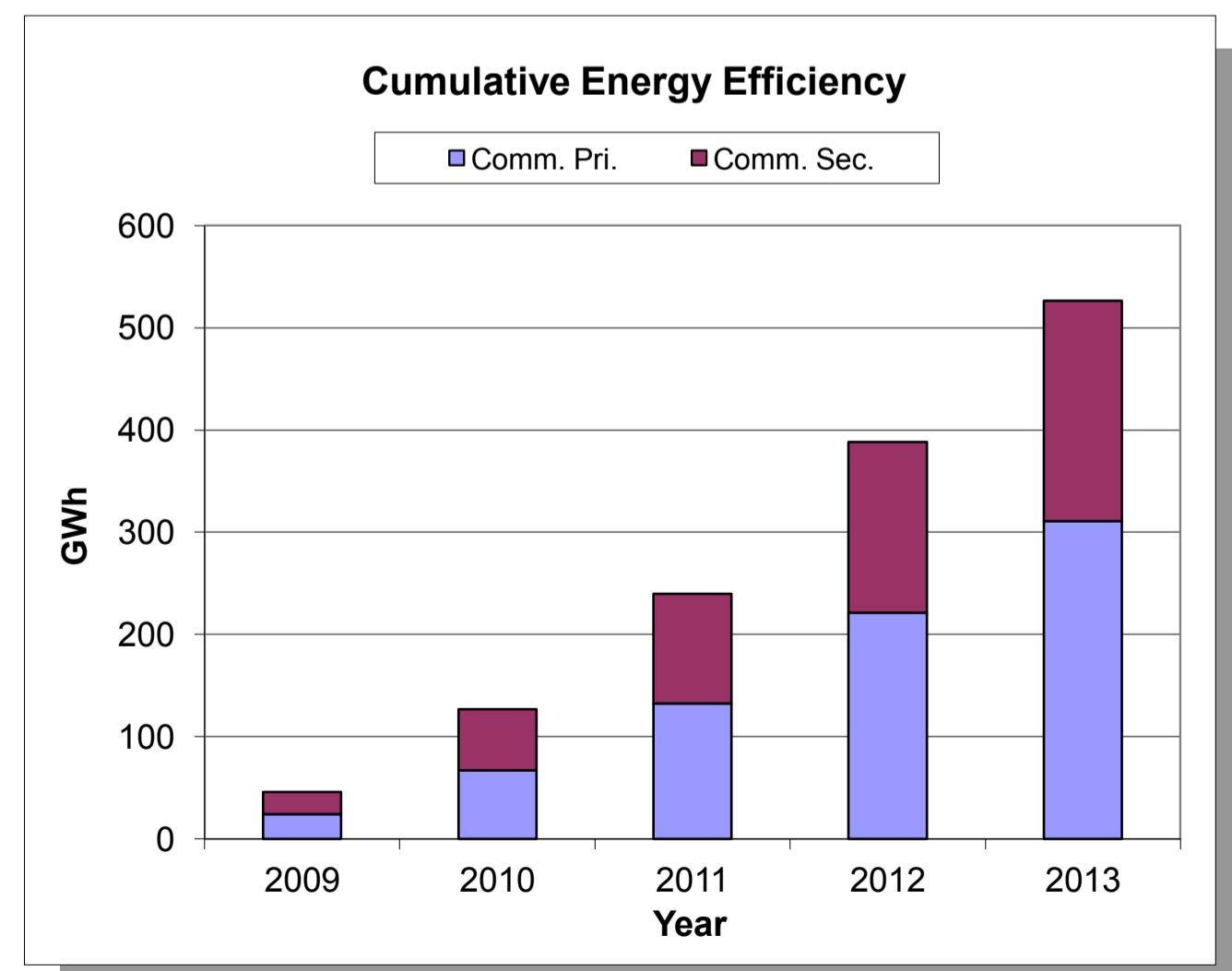
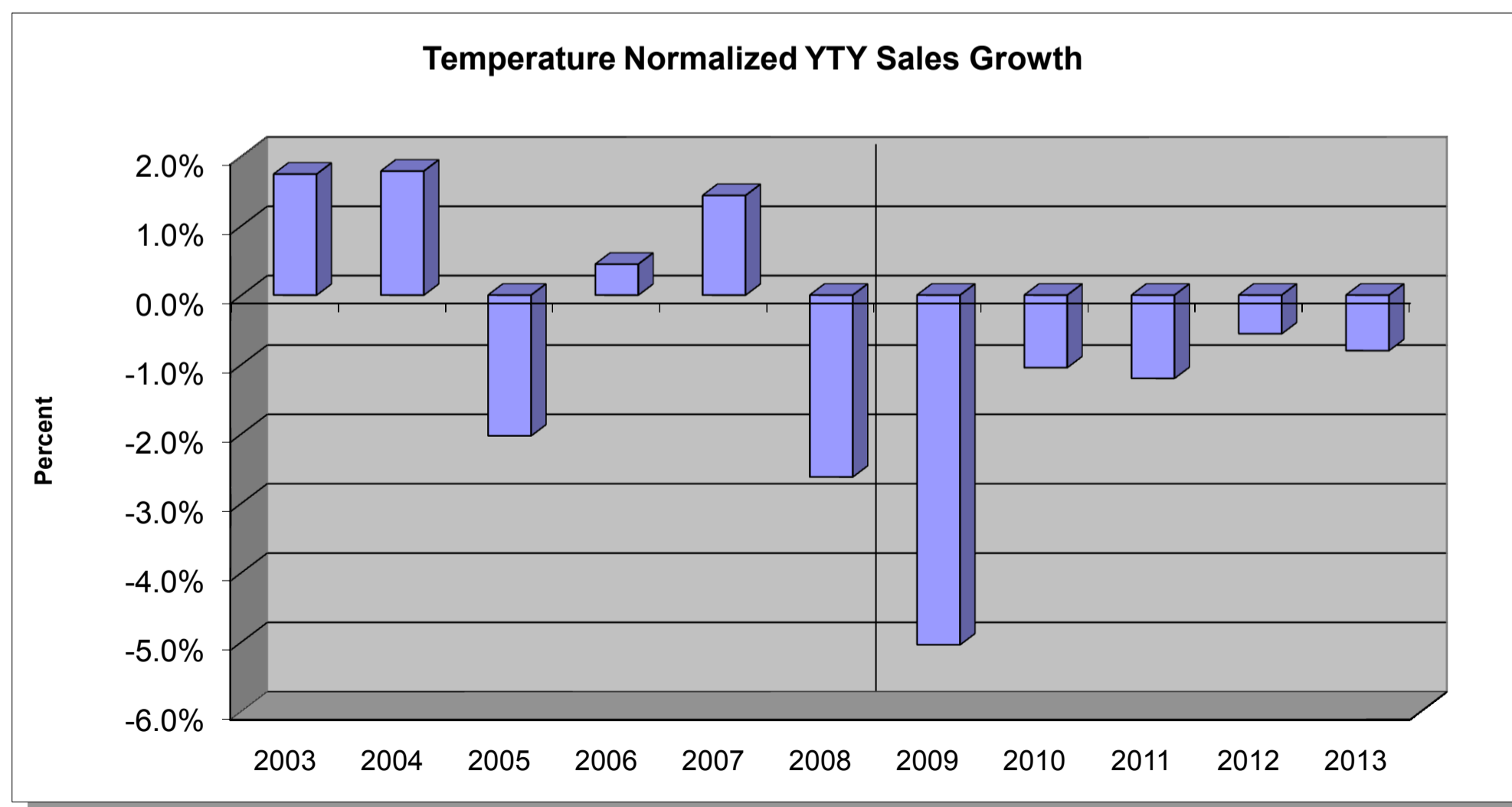
Commercial sales decline by an average of 1.7% annually through 2013.



The current economic weakness is reducing the demand for services and slowing commercial building expansion. Building construction will not be a driver for sales growth in the current environment.

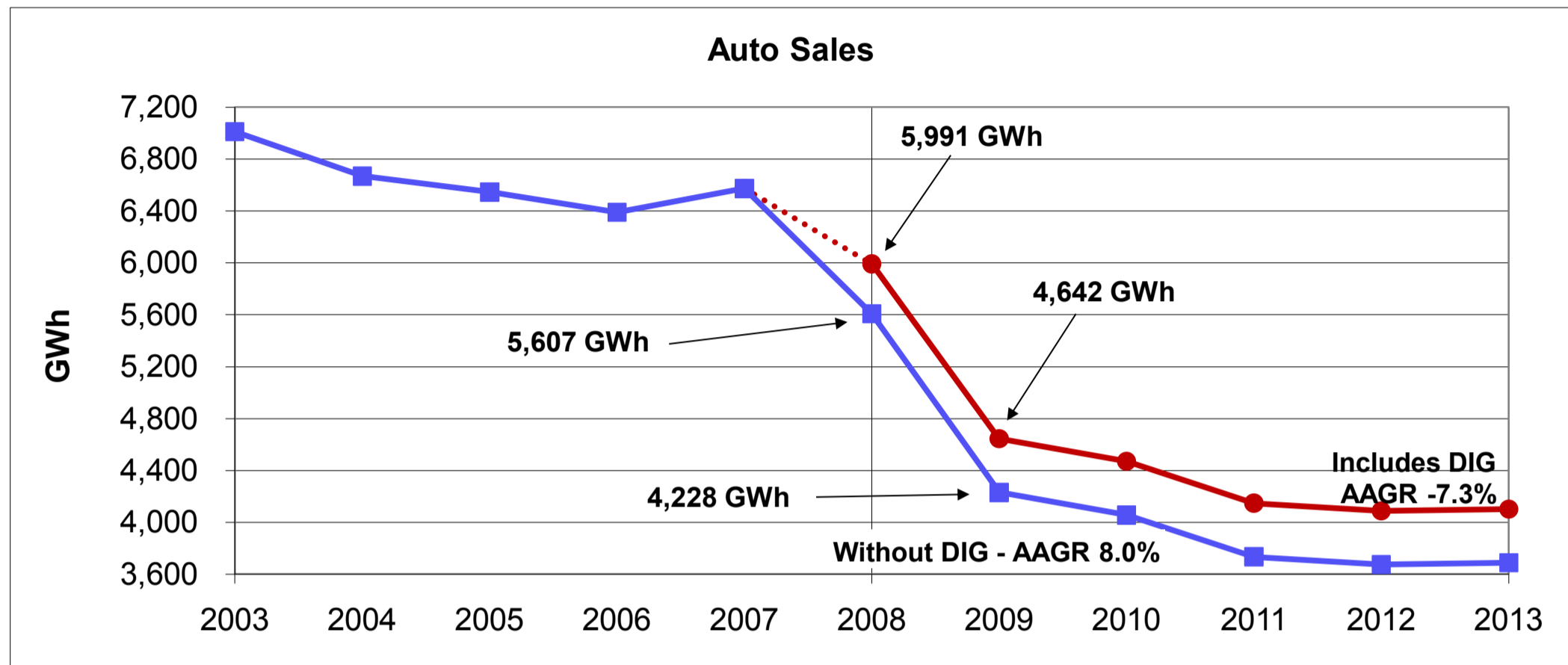
An energy optimization program targeting high-efficiency lighting, HVAC, and motors will reduce Commercial sales by 526 GWh by 2013. More than half of the sales reductions will occur in Commercial Primary, as shown below.

Energy optimization reduces average annual growth by 0.5%.



Auto Sales

Auto sales decline through the next 5 years as restructuring/downsizing continues.



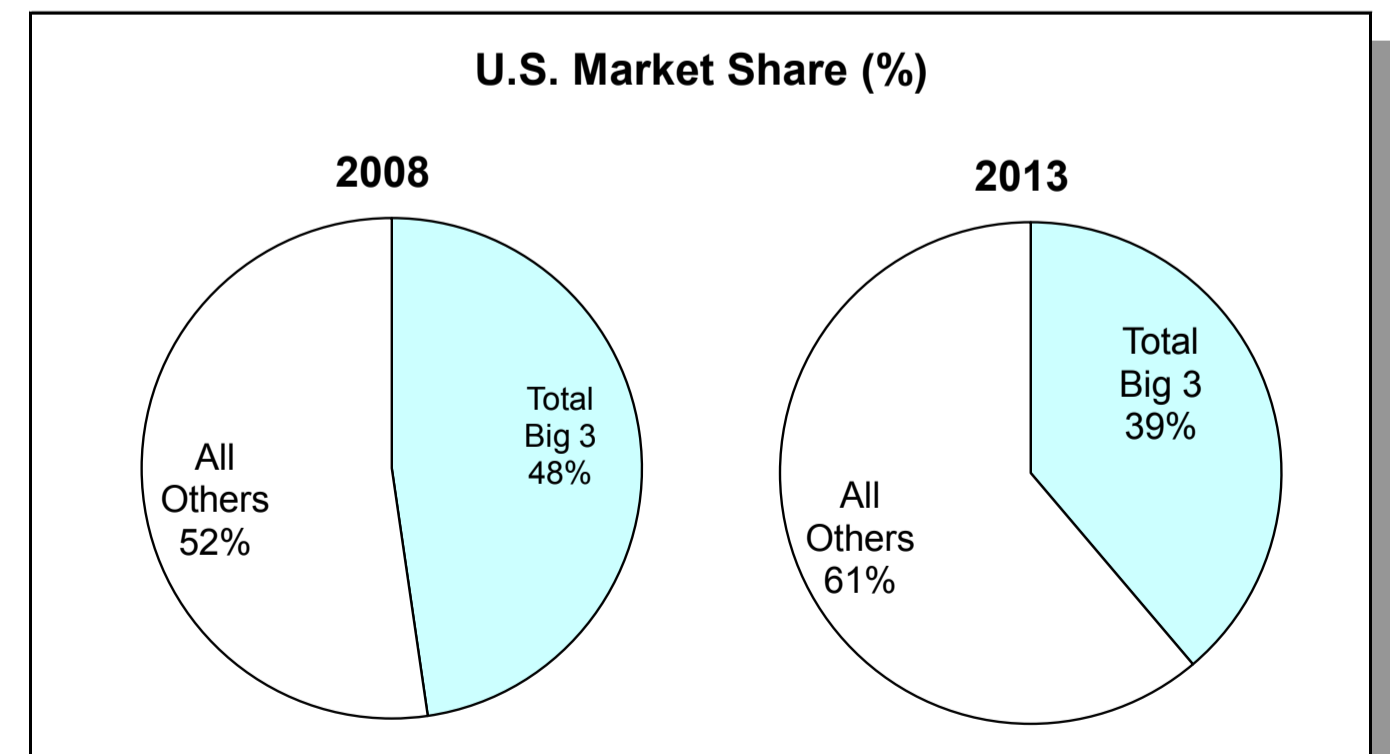
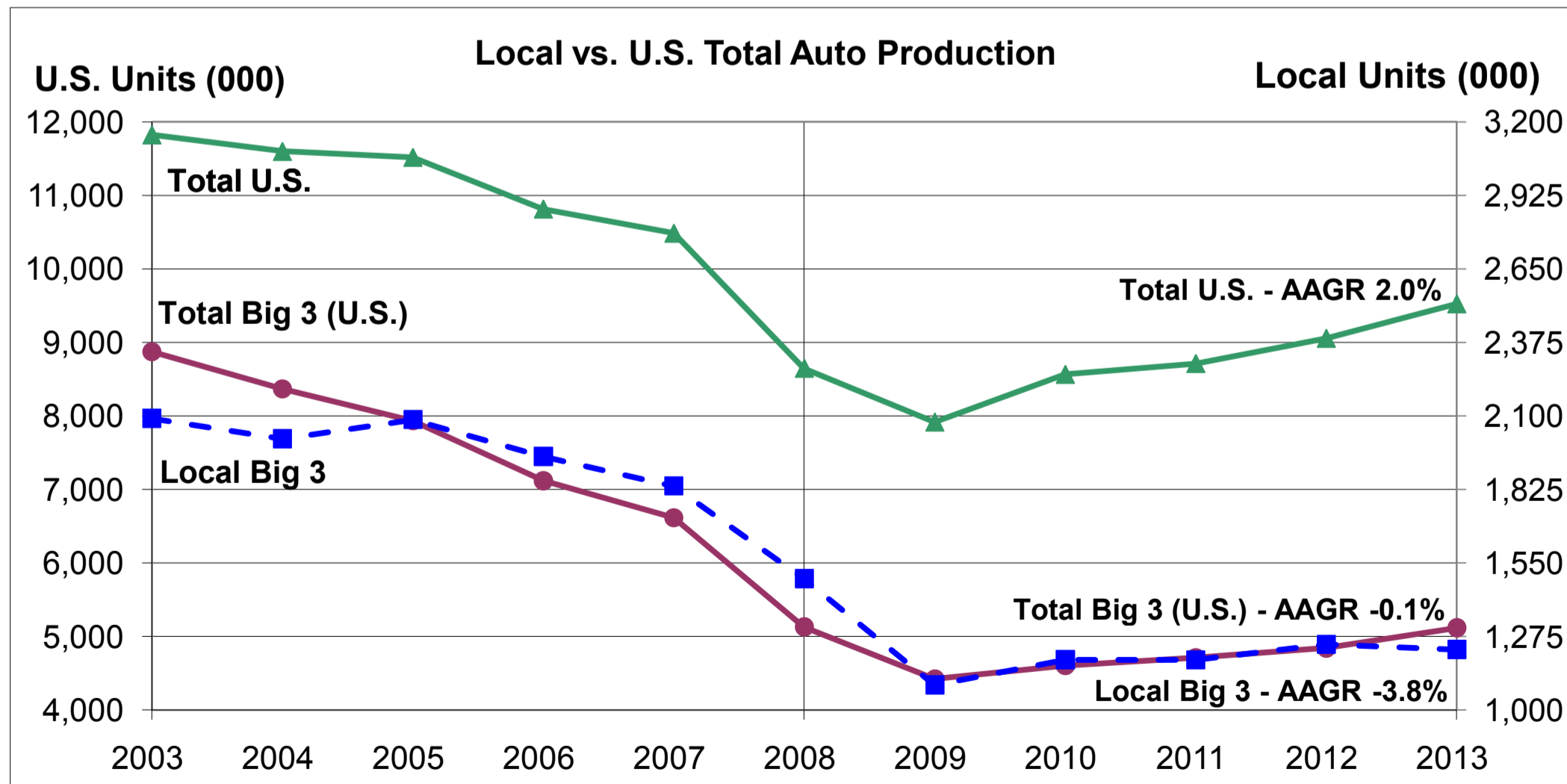
2009 vehicle demand of 12 million units will force the Big 3 to reduce capacity.

Production locally is expected to decline from 1.49 million units in 2008 to 1.09 million in 2009.

In response to this and pressure from Congress, four assembly plants, ten engine / drive train / stamping plants, three technical / research facilities, and numerous other smaller plants will close in 2009 in our service area. This represents the loss of over 1,200 GWh in 2009 and beyond.

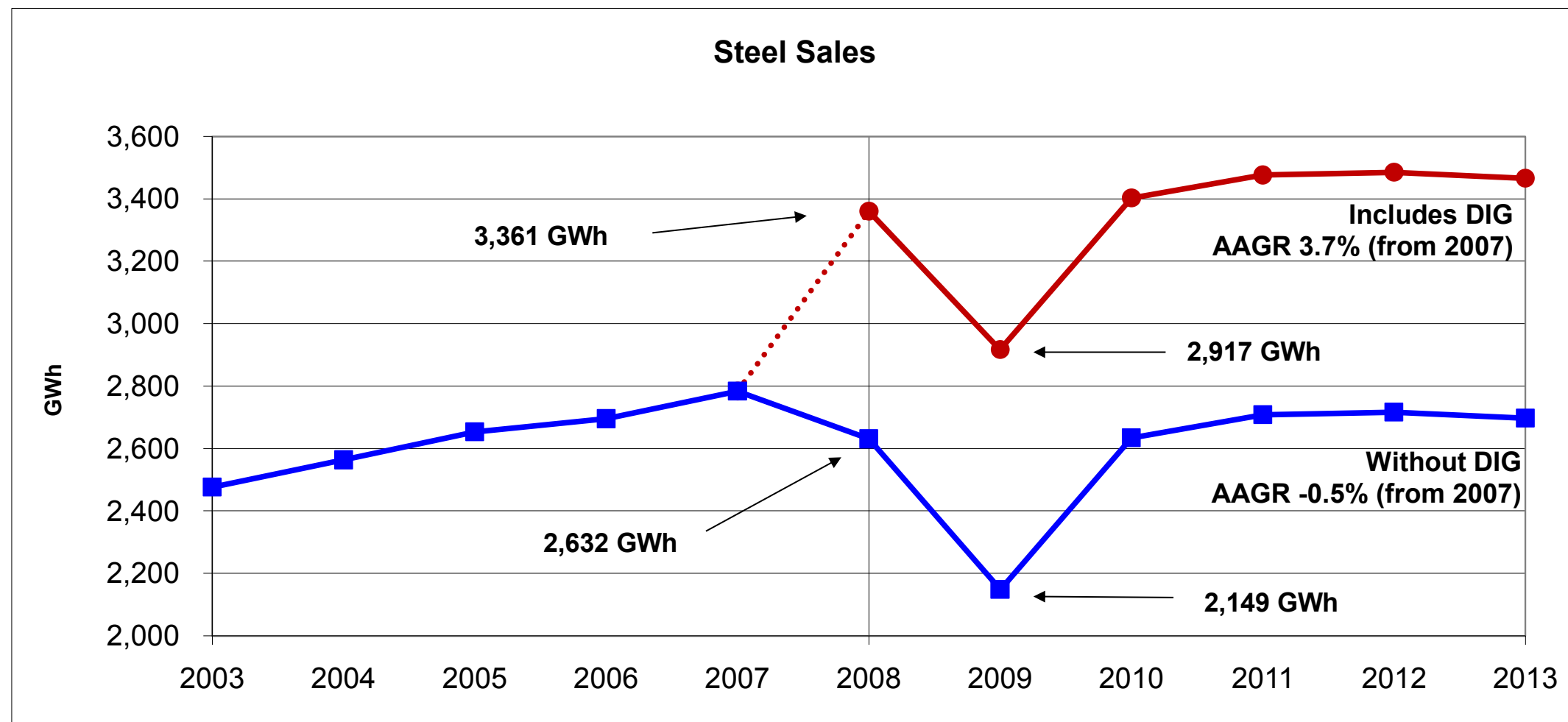
Big 3 market share is expected to decline in the forecast period from 48% in 2008 to 39% in 2013. This is due to greater transplant presence in the U.S. and less appealing products by the Big 3.

An energy optimization program reduces sales 199 GWh by 2013.



Steel and Other Manufacturing Sales

Steel and Other Manufacturing sales are strong through 2013. Growth, as a whole, averages 1.2% per year.



Steel Sales

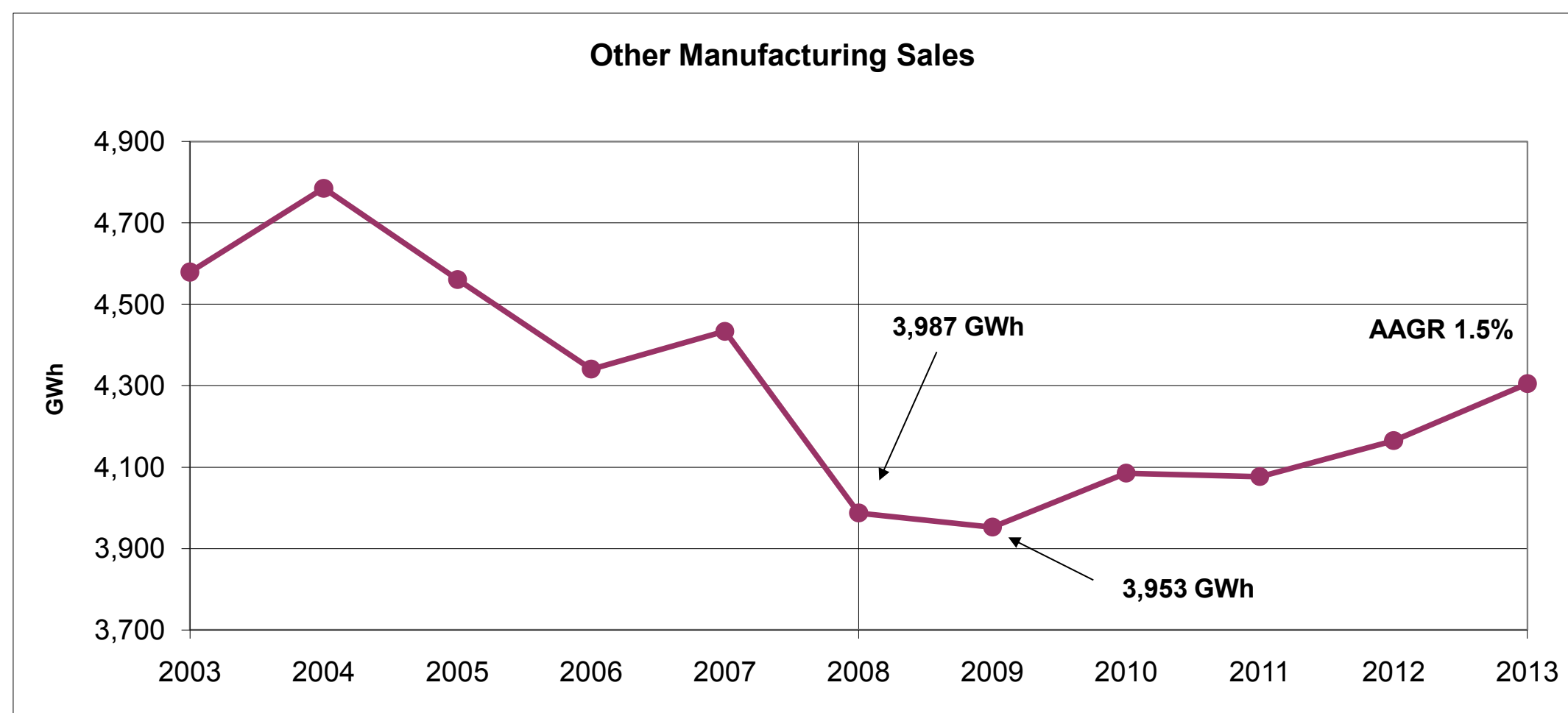
Steel production rebounds in 2010 with the return to service of a large blast furnace, and remains stable throughout the forecast.

Steel intensity (kWh used per ton) has been essentially flat the past four years at 455 kWh/ton. This trend is expected to continue in the forecast period.

In the Service Area, no new production capacity is expected, limiting growth of steel production.

Auto plant consolidation causes a Steel sales drop of 200 GWh.

A new casting facility (70 GWh) is planned to begin operating in the fourth quarter of 2009.



Other Manufacturing Sales

Big 3 Suppliers will experience sales declines due to weakness in the auto industry. Sales to this market decline by 43 GWh from 2008 to 2013.

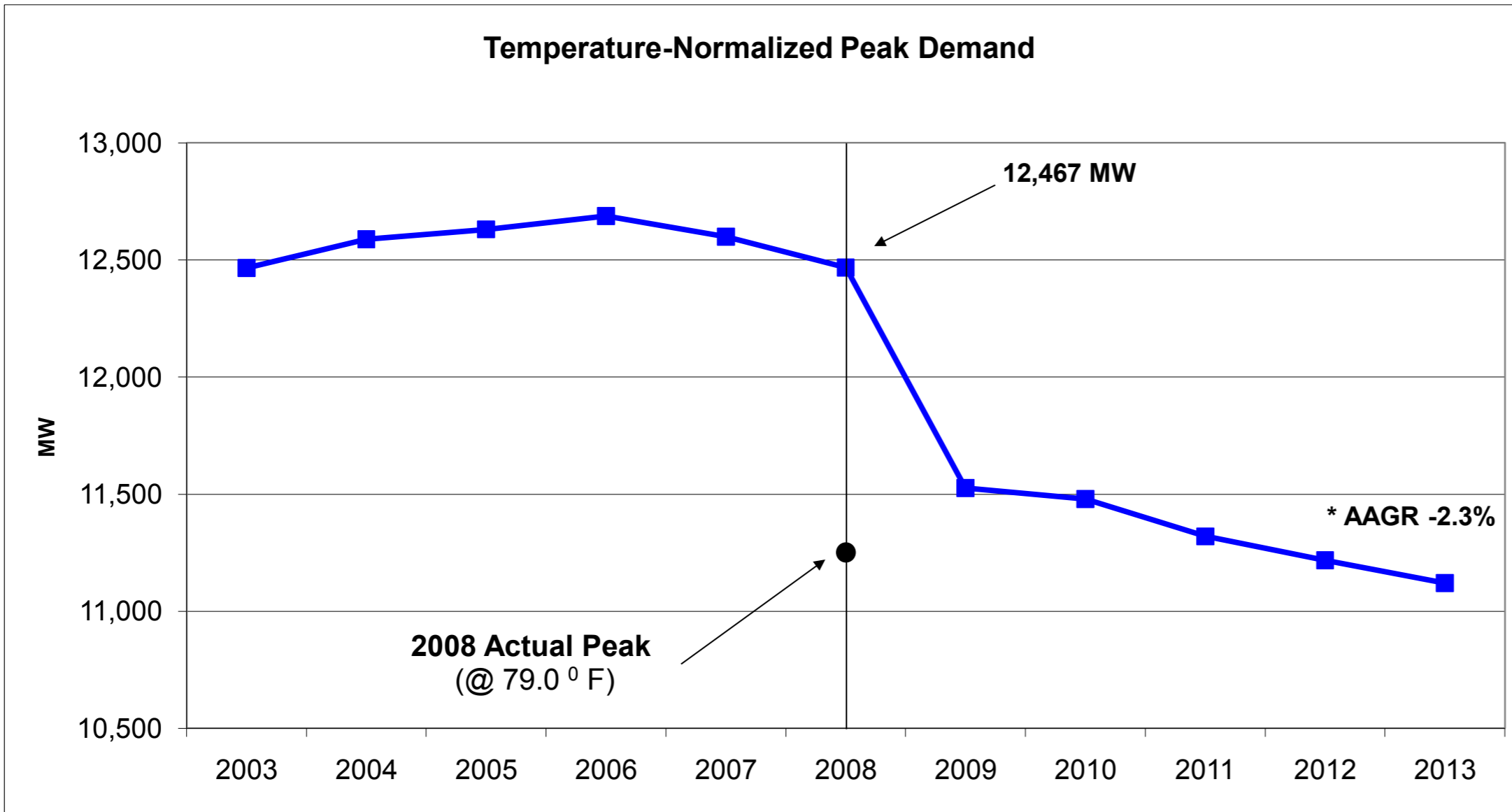
Cutbacks at 2 chemical plants in 2008 will result in a 46 GWh sales reduction.

A refinery expansion will be completed by late 2012, increasing sales by 143 GWh in 2013 and beyond. Without this addition, Other Manufacturing sales growth would average only 0.9%.

An energy optimization program targeting high-efficiency lighting, HVAC, and motors reduces Other Manufacturing sales by 184 GWh by 2013.

Peak Demand Outlook

The Service Area peak growth rate is projected to be -2.3% for the period of 2008-2013. A weak economy and energy optimization are driving this trend.



Peak Demand

The TN Service Area Peak load for 2008 was 12,467 MW, 1,216 MW higher than the actual peak load of 11,251 MW. Since the average temperature on the peak day was 79.0 degrees and the average afternoon heat index was only 90.7 degrees, both temperature and humidity corrections were necessary to temperature normalize the actual value.**

The Service Area Peak load for 2009 is projected to be 11,526 MW, 941 MW lower than the 2008 temperature normal peak. Weakness in the local economy and energy optimization assumptions will decrease the peak load by a further 406 MW during the 5-year period.

* Growth rate utilizes 2008 T-N Service Area peak of 12,467 MW as the base year.

** Temperature normal conditions are represented by an 83 degree average temperature and 94.3 degree average afternoon heat index.

	2008		Forecast					2008 T-N v. 2009	AAGR* 2008 - 2013
	Actual	T-N	2009	2010	2011	2012	2013		
Service Area	11,251	12,467	11,526	11,479	11,320	11,218	11,120	-7.5%	-2.3%
Load Factor	NA	NA	52.0	52.4	52.6	52.8	53.1	NA	NA
Average Temperature	79.0	83.0	83.0	83.0	83.0	83.0	83.0	NA	NA