



Douglas R. Gipson
Senior Vice President
Nuclear Generation

Fermi 2
6400 North Dixie Highway
Newport, Michigan 48166
(313) 586-5249

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U. S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555

References: 1) Fermi 2
NRC Docket No. 50-341
NRC License No. NPF-43

Subject: Annual Financial Report

Pursuant to 10CFR50.71(b), please find attached one copy of the 1993 Annual Financial Report for the Detroit Edison Company.

If you should have any questions regarding this report, please contact Elizabeth Hare, Senior Compliance Engineer, at (313) 586-1427.

Sincerely,

Enclosure

cc: T. G. Colburn w/enclosure
J. B. Martin w/enclosure
M. P. Phillips w/enclosure
K. R. Riemer w/enclosure
Region III

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**Detroit
Edison**

**1993
Annual
Report**

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OUR VISION

OF THE

FUTURE

IS

BUILT ON

90 YEARS OF

INNOVATION

Highlights

	1993	1992	1991	Percent Change	
				93 vs. 92	92 vs. 91
Operating Revenues (Thousands)	\$3,555,211	\$3,558,143	\$3,591,537	(0.1)	(0.9)
Earnings for Common Stock (Thousands)	\$491,866	\$557,549	\$535,205	(11.9)	4.2
Earnings per Common Share	\$3.34	\$3.79	\$3.64	(11.9)	4.1
Common Shares Outstanding (Average)	147,031,446	146,998,485	146,945,932	-	-
Dividends Declared per Share	\$2.06	\$1.98	\$1.88	4.0	5.3
Gross Utility Plant (Thousands)	\$12,788,445	\$12,402,581	\$11,997,862	3.1	3.4
Capitalization (Thousands)	\$7,507,234	\$7,421,366	\$7,419,073	1.2	-
System Sales of Electricity (kWh-Millions)	42,965	40,697	41,049	5.6	(0.9)
System Capability at Time of Peak (MW)	10,103	10,262	10,121	(1.5)	1.4
System Peak Demand (MW)	9,362	8,704	8,980	7.6	(3.1)
Electric Customers at Year End	1,964,000	1,950,000	1,942,000	0.7	0.4

VISION TO THE FUTURE

Incorporated in 1903, Detroit Edison not only has reflected the transformation of the United States into the world's greatest economic power with a record of living beyond 19th-century dreams, it also has helped power the industrial engine that created the astonishing electrical revolution of the 20th century.

During the first 90 years of this century, more with the confidence to invest in Detroit Edison have shared an unbroken series of quarterly dividends since 1909.

The company's service areas cover more than 1.5 million customers in



7,600 square miles of Southeastern Michigan. With one of the world's most advanced central generating systems, Detroit Edison has ample

capacity and flexibility to meet its customers' needs into the 21st century without building new power plants.

Even as the company's generation of electricity has grown, investors have shared the company's pride in producing the continent's first installation of the world's first electric static precipitator in 1926 to pioneering the use of low-volts for municipal lighting in 1975.

Detroit Edison — helping power the development of advanced technologies aimed at improving virtually every phase of American life — is proud of its service areas and its record of its heritage.

At your service

For investment professionals:
Investor Relations
(313) 257-8050

For shareholders

Shareholder services:
1-800-222-5511 (511) 551-8049
Detroit Edison
2000 2nd Ave.
Detroit, MI 48226-1279

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**Detroit
Edison**

1993

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capacity and flexibility to meet its customers' needs into the 21st century without building new power plants.

Even as the company's generation of electricity has grown, investors have shared the company's pride in protecting the environment, from installation of the world's first electrostatic precipitator in 1926 to pioneering the use of low-sulfur Western coal starting in 1973.

Detroit Edison — helping power the development of advanced technologies aimed at improving virtually every phase of American life — is as enthusiastic about its future as it is proud of its heritage.

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1993 was a good year for Detroit Edison.

We met or exceeded our targets for virtually all of our most critical performance goals – earnings, customer satisfaction, capitalization, safety and a host of effectiveness and efficiency measures.

We continued re-orienting our employees toward stronger customer focus, performance and teamwork.

We continued to meet the expectations of all but the most optimistic observers in the financial community and in the hundreds of local communities we serve.

And our recent five-year record of growth in both shareholder value and customer value has raised eyebrows throughout the electric utility industry. It earned Detroit Edison the designation *Electric Utility of the Year* in 1991.

As anticipated, earnings for common stock fell 11.9 percent in 1993 to \$491.1 million, or \$3.34 per share, from \$557.5 million, or \$3.79 per share, in 1992. While a hot summer and a rebounding local economy helped boost system sales to a record 43-billion kilowatthours – up 5.6 percent from 1992 – a Jan. 1, 1993, rate reduction (\$169 million), a higher federal income tax rate (increasing taxes \$10.4 million) and a number of other factors accounted for the earnings decline. The higher taxes are supposed to reduce the federal deficit; the lower rates are making our company and our business customers more competitive and increasing satisfaction and value for all of our customers.

Probably the most significant example of increased competitiveness – and perhaps the No. 1 business turnaround success story in the nation – is the rebound of Detroit's automotive industry. Increased vehicle sales in 1993 produced the highest U.S. automotive earnings since 1989 and were a major factor in the record electricity sales recorded by Detroit Edison.

We also raised the dividend in 1993 for the fourth consecutive year and further strengthened our balance sheet as common shareholders' equity rose to 43.9 percent of total capitalization, from 42 percent in 1992, 38.4 percent in 1991 and 32.8 percent in 1990.

Actually, until late December, 1993 was an even better year. But as that colorful sports personality Yogi Berra has reminded us, "it ain't over 'til it's over."

On Christmas Day 1993, our Fermi 2 nuclear power plant, ending its most productive year ever – a year in which it also led the nation's boiling-water reactors by far in personnel radiation protection – suffered a turbine-generator failure that probably will take six months or more to fully analyze and repair.

Also in late December, our safety record for the year – which made us one of the safest large electric utilities in the country, and perhaps the safest – was marred by the accidental death of a steam-system employe burned when an expansion joint ruptured at our Willis Heating Plant. The best-in-class record stands, but to us the tragic loss of an employe overshadows our pride in earning a top safety rating.

Finally, three weeks into 1994, the Michigan Public Service Commission responded to our July 1992 request for a \$113-million rate increase. Our request took into account the prevailing higher interest rates at the time of filing, the 1993 federal income tax rate increase, mandated accounting changes to reflect retiree health-care benefits, and increased nuclear power plant decommissioning costs. Still, the commission ordered a \$78-million rate decrease – a more severe cut than most observers had anticipated.

These events serve to remind us that we can never afford to let up in our attention to safety, to operational detail and to what might be called worst-case-scenario planning. These are lessons for which most of us probably need occasional reminders – though we'd prefer them to be less painful.



On the brighter side, these events did not affect our 1993 financial results. Moreover, because we have insurance covering both property damage and replacement power costs in connection with the Fermi 2 incident, none of them is likely to significantly change our long-term results.

Perhaps most important, these events are not apt to interfere with the significant strides we have made to enhance our customer focus and service or to respond to the changing energy marketplace and industry structure. We retain the ability, which we have studiously developed, to remain competitive in the ways most important to our customers and financially successful by the measures most important to our shareholders.

The \$169-million rate cut effective Jan. 1, 1993 - our first since the energy crisis of the mid-1970s sent fuel prices on a 15-year growth trend - was made possible largely by the more recent downturn in fuel prices, by our own quick response in exploiting this downturn, by the top-10-in-the-U.S. efficiency of our power plants, and by the steadily improving performance of Fermi 2, whose fuel costs are the lowest in our system. We believe the same

performance level will be resumed after repairs from the December 1993 equipment failure have been completed.

Detroit Edison's ability to meet customer price demands in the face of increasing choice and competition also has been enhanced by:

- ▶ Our continuing ability to improve operational performance, having downsized staff by more than 20 percent in the last six years while still improving performance in measurable ways throughout the company.
- ▶ Early attention to environmental concerns. When the federal Clean Air Act amendments were enacted in 1990, we already were in compliance with their 1995 key emissions standards, while many other utilities still faced significant investments.
- ▶ Early planning to ensure that we have adequate generating capacity and a reliable transmission and distribution network to meet customer needs. Our actions really paid off during severe cold weather early this year, when we were able to meet our Southeastern Michigan customers' record demand and still sell power to other utilities that were running short. Many utilities in the eastern and southern United States were forced to interrupt service to their customers over a two-day period.

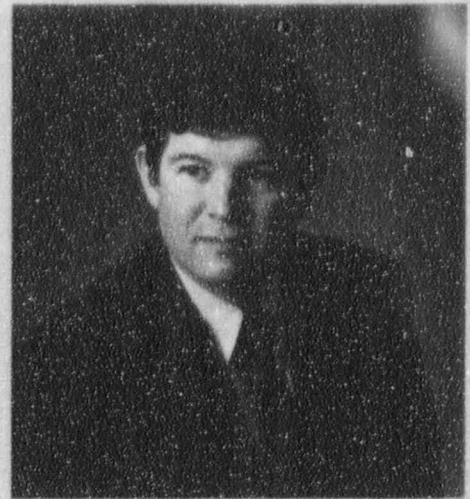
Growing competition and customer choice in our industry already have moved from the writings of theorists and planners to the realities of the marketplace. Accordingly, we are continuing to prepare our organization for the challenge.

Although we had lost very little business to cogeneration and self-generation in the period since the landmark Public Utilities Regulatory Policy Act was enacted in 1978, a number of the few customers that did switch are now returning to us, realizing that the promised lower prices and equal reliability were better in the telling than in the delivery.

Moreover, we are working increasingly in partnership with our large customers to develop ways to lower their energy costs through rates and finding efficiencies in their own operations. While the specters of retail wheeling and other forms of competition are aimed most sharply at utilities like Detroit Edison with large industrial loads, we are finding ways to deal with these threats. In legislative and regulatory debates about competition and industry structural change, we have sought only a

From left, Larry G. Garberding, executive vice president and chief financial officer, and John E. Lobbia, chairman of the board and chief executive officer, are shown at Detroit Edison's System Operations Center.

At right, Anthony F. Earley, Jr., joins Detroit Edison March 1, 1994, as president, chief operating officer and director.



level playing field and sufficient transition time to allow us to adapt. We're making progress with both and are responding accordingly.

These competitive successes have further sustained our resolve to lower our customers' rates as we decrease our own costs. As described earlier, we have been lowering costs by working smarter as well as harder, and are confident that we can continue the trend - even if not as rapidly as in the recent past.

In symbolically casting their lot with Detroit Edison versus a growing array of competitive energy suppliers, our customers have vindicated our actions on the service side as well as the price side of the customer value equation. Our intense \$236-million program to improve customer service reliability and telephone access, begun in 1991, is showing positive results. Our incidence and duration numbers, on a per-customer basis, are approaching best-in-class milestones. Outage incidence was down 50 percent and average duration down 79 percent in 1993, compared with the previous three years' averages. Storms that once did damage - to our electric distribution

system, to our customers' attitudes toward our company and to our storm-restoration budgets - now are far less damaging.

With our expanded telephone capability, a new toll-free 800 number, more service representatives and extended hours, we have virtually eliminated customer busy signals. Predictably, higher customer satisfaction rates have followed, reaching 88 percent for 1993 and a high of 89 percent in the second and third quarters. In 1992, the comparable rate was 85 percent and as recently as 1991 customer satisfaction was only 78 percent.

Meanwhile, because we are in a geographic area not viewed for its growth potential, we naturally are turning our attention to potentially profitable ventures in other energy-related fields. During 1993 we added two new executives with this in mind - Gerard Anderson, vice president, who joined us from McKinsey and Co., and Gary Mittleman, assistant vice president, from Ameritech. They will concentrate on leveraging Detroit Edison skills in energy-related fields both in Detroit Edison's Southeastern Michigan service area and outside the area. We believe we will have positive results from their efforts to report in coming years.

Also, early in 1994 Anthony F. Earley, Jr., president of Long Island Lighting Co. in New York state, agreed to join Detroit Edison as president, chief operating officer and director, effective March 1, 1994.

We are confident that these additions to our management team, together with our existing members, position us well to face the competitive threats and new opportunities the next decade and beyond will bring us. We will continue to strive to make Detroit Edison the energy supplier of choice for our customers, and a profitable investment of choice for our shareholders.

Sincerely,

A handwritten signature in cursive script that reads "Larry G. Garberding".

Larry G. Garberding
Executive Vice President
and Chief Financial Officer

A handwritten signature in cursive script that reads "John E. Lobbia".

John E. Lobbia
Chairman of the Board
and Chief Executive Officer

OPERATIONS REVIEW

Detroit Edison marked its 90th birthday in 1993. This report is dedicated to all the people who have helped the company – and in turn Southeastern Michigan – grow and prosper. Their vision, confidence and dedication have resulted in countless innovations and successes. These same qualities will enable Detroit Edison and the area it serves to deal successfully with rapid change and growing competition now and in the future.

Detroit Edison is the power supplier to the industry that put America on wheels, the energy behind the assembly line that revolutionized production technology, and a vital link in bringing the wondrous convenience of electricity to homes, businesses and institutions. The company draws with pride on its 90-year heritage of helping today's visionaries turn their dreams into tomorrow's realities.

The future of electricity was uncertain when Detroit Edison was incorporated in 1903. In fact, the potential rewards of mining salt from under the fledgling company's new Delray Power Plant inspired more confidence in its 135 original stockholders than did the prospect of increased electricity sales. The company served just 7 percent of the 313,000 inhabitants of Detroit's then 28-square-mile area. Although salt was a more familiar product, early Detroit Edison leader Alex Dow predicted that electricity would prove just as useful and that the company's sales would double and redouble in the coming years.

It didn't take long for Dow to be proven right. Customer demand matched the plant's 5,000-kilowatt (kW) capacity

before 1903 was over as the company generated 11-million kilowatthours (kWh). In 1993, system sales totaled nearly 43-billion kWh and peak demand reached 9.36-million kW.

The rapid growth in electricity sales was spurred in large part by the emergence of Detroit's automobile industry. When Detroit Edison was incorporated, it absorbed the Edison Illuminating Company, whose chief engineer had left to fulfill his own vision of mass-producing automobiles. His name was Henry Ford and he founded Ford Motor Co. in 1903.

The average cost per kilowatthour (kWh) for residential customers in 1903 was about nine cents. The company voluntarily reduced rates time and again as operating efficiencies lowered costs. The price had dropped to less than two and a half cents per kWh by 1970, when rising fuel and construction costs – aggravated by inflation and double-digit interest rates – began to drive rates up again. However, electricity still holds its value; since World War II, Detroit Edison's residential price per kWh has increased only 2.4 percent a year, while the Consumer Price Index has climbed by an average of 4.3 percent annually.

Detroit Edison reduced its rates by \$169 million in 1993 and by another \$78 million in 1994, raising the combined cut since December 1992 to \$247 million, or 7 percent of the total cost. A residential customer in 1994 still pays an average of only about nine and a quarter cents per kWh – less than a penny more than in 1903. The company's goal remains to provide customers, through a combination of service and price, with the kind of value that makes Detroit Edison their energy supplier of choice.

MEETING CUSTOMERS' CHANGING NEEDS

Cost is just one component of customer satisfaction. Seventy years ago, Sarah Sheridan, Detroit Edison vice president for Sales, established the company's tradition of providing superior customer value – stressing the need to meet the public's changing service needs as well as its price expectations.

So focused was Sheridan on serving customers that the company named for her an annual employe awards program instituted in 1988 to recognize outstanding examples of customer service.

One such example, described in Detroit Edison's 1992 Annual Report, is the company's actions to help General Motors Corp. lower its energy costs and

Thomas Edison invented the electric light bulb in 1879.

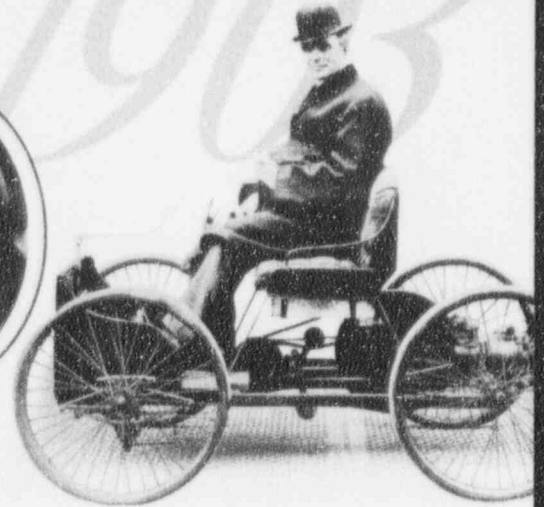


Detroit Edison electricity sales climbed rapidly due in large part to development of the automobile industry.

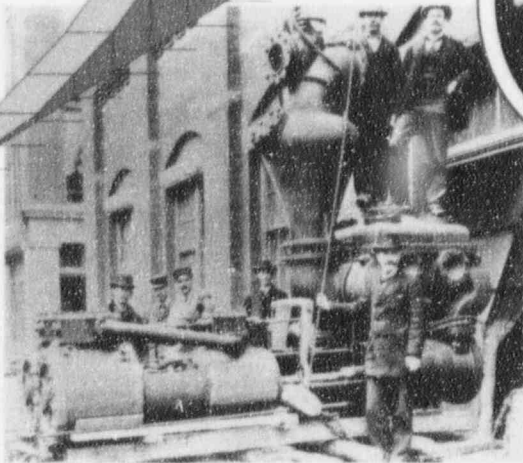
(Kilowattbours)

1993

A former utility engineer, Henry Ford founded Ford Motor Co. in 1903. Detroit Edison was incorporated the same year.



Station A - the first U.S. building designed to produce electricity - was erected in Detroit in 1886.

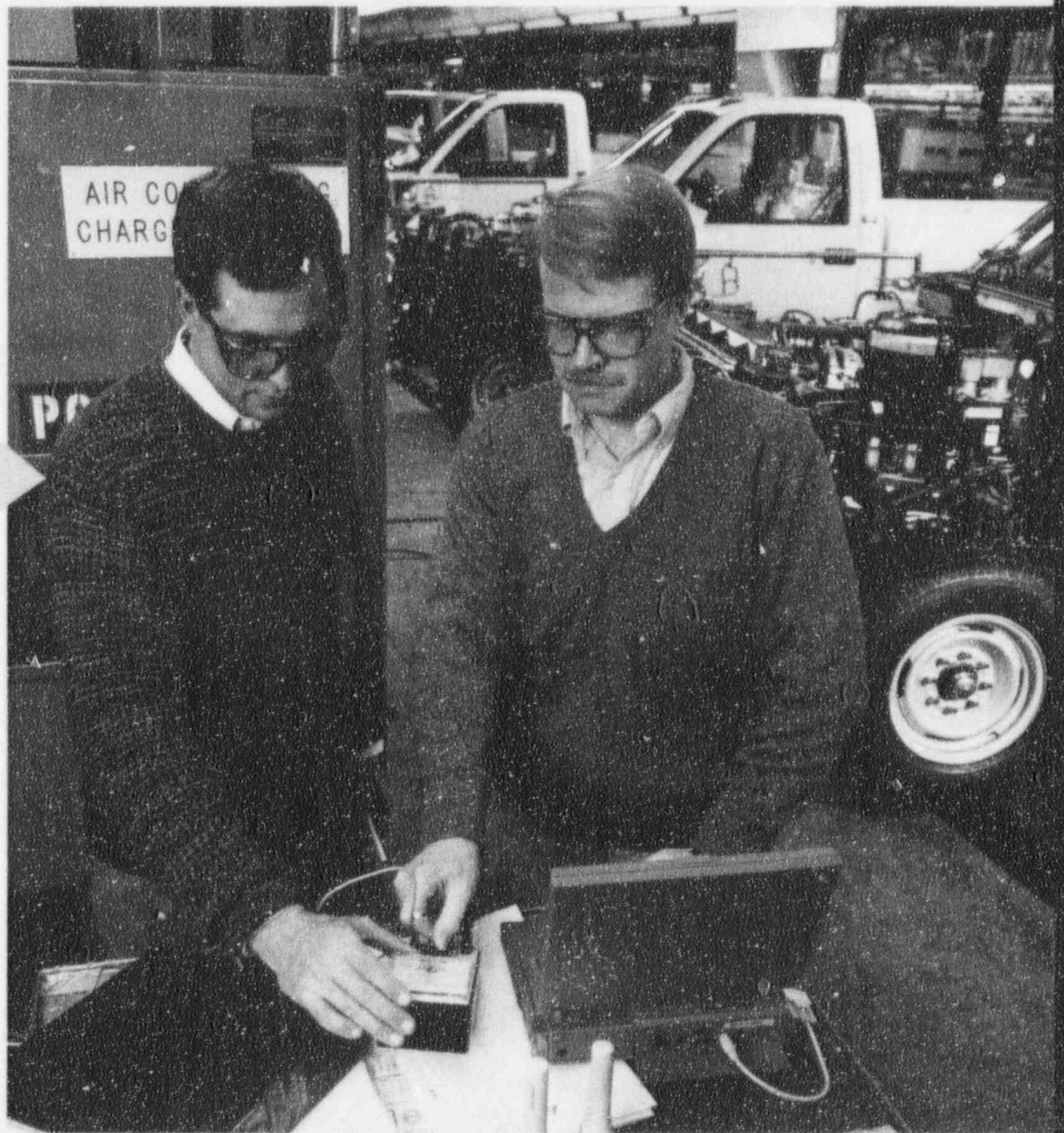


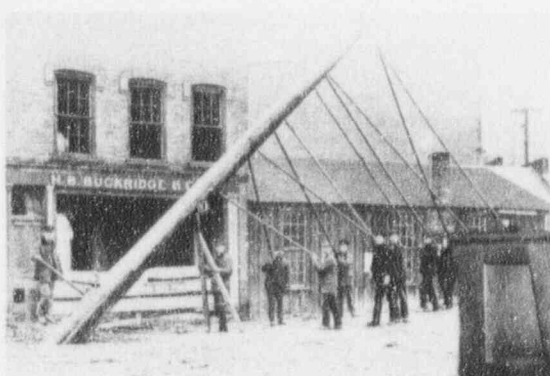
Detroit Edison's business goes beyond generating electricity; it also includes helping customers use energy more efficiently.

improve the automaker's competitiveness. Detroit Edison employees developed a plan to construct a steam line between two GM plants in Detroit. This innovative and cost-effective plan offered the automaker an alternative to cogeneration. These Detroit Edison employees not only helped retain a major industrial customer; they also earned the Sarah Sheridan Customer Value Award, received an Energy Project Competition Award from General Motors and opened the door for further cooperation between the two companies.

Detroit Edison's Julian Ninichuk (left) helps General Motors' Thomas Stafne save his company money by using electricity more efficiently.

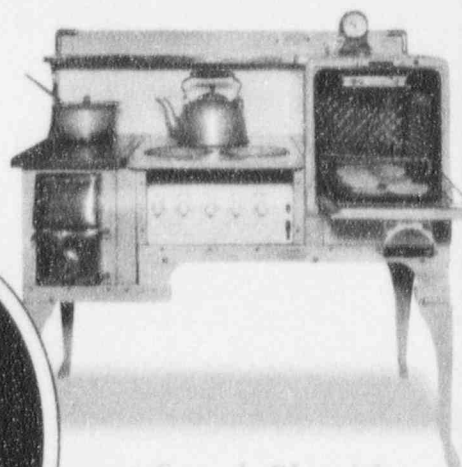
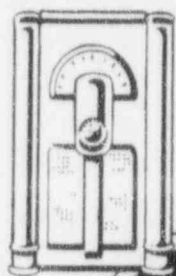
In 1993, Detroit Edison engineers began working side-by-side with GM engineers at the Pontiac Truck and Bus east assembly plant, modifying lighting, compressed air and steam systems to significantly reduce the plant's annual energy bills. Similar arrangements are under way with Ford Motor Co. and Chrysler Corp. as Detroit Edison increases both the scope and the depth of its efforts to help customers better manage their energy use.





Setting utility pole, early 1900s.

Early switchboard operator.



← Sarah Sheridan and her early Detroit Edison sales team promoted new discoveries to make life easier and more enjoyable.

In addition, Detroit Edison will help 10 metal fabricating companies in its service area install energy-efficiency improvements to cut waste and boost productivity as part of a three-year, \$6-million nationwide program. The Environmental Protection Agency, Department of Energy, Sandia National Laboratories and Northeast-Midwest Institute are participating in the project to facilitate use of technology and help firms in Southeastern Michigan be more competitive.

Another 1993 Sarah Sheridan award recognized employes involved in the installation and start-up of Detroit Edison's state-of-the-art automated customer communications telephone system. This innovative use of information technology, which has virtually eliminated customer busy signals, also recently won a Utilities Leadership Technology Recognition Award from Digital Equipment Corporation and *Public Utilities Fortnightly* magazine. Detroit Edison's Customer Communications Center now can handle more than 40,000 calls an hour during storm emergencies - up from the previous capacity of 2,600 calls an hour. Recent customer surveys show a record 95-percent satisfaction among callers.

Customers also give high marks to the company's \$236-million program to improve its electricity distribution system. Detroit Edison has checked 9,600 miles of overhead lines to identify and correct potential trouble spots, tested 60,000 wood poles for structural soundness, and trimmed 750,000 trees to clear limbs from overhead power lines. These improvements - with more to come - already have reduced the number of outages by nearly 50 percent and the length of outages by 79 percent. The company spent \$22 million in 1993 to modernize its aerial truck fleet, the largest truck purchase in its history. The company will save about \$2 million a year by standardizing its fleet and providing vehicles for contract crews. In addition, the order boosted the local economy by specifying vehicles from area manufacturers.

Identifying and meeting its customers' needs has been a Detroit Edison cornerstone from the start - from working with manufacturers to develop efficient, low-cost electric stoves, to spearheading development of a lightweight, low-cost, efficient single-phase induction motor. Electric appliances - so essential they're taken for granted in every home and office today - grew to that level of acceptance many years ago when Sarah Sheridan's early sales team demonstrated

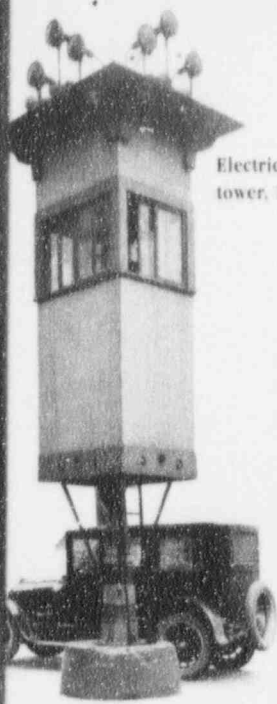
how new electrically powered devices could make life easier and more enjoyable. Air conditioning was another "novelty" promoted by Sheridan - far ahead of its time.

Today Detroit Edison is helping install the latest energy-efficient geothermal heating and cooling systems in Southeastern Michigan homes. These systems combine the earth's natural thermal energy with electric heat pumps to produce highly efficient heating, cooling and water heating. Geothermal systems are four times more efficient than natural gas systems.

OFFERING CUSTOMERS MORE CHOICES

The company also is working with the National Association of Homebuilders on improved solar power cells for new homes in rural areas. The new cells - nearly twice as efficient as past ones - are built by United Solar Systems Corp., a joint venture of a Southeastern Michigan company, Energy Conversion Devices, and a Japanese electronics firm, Canon.

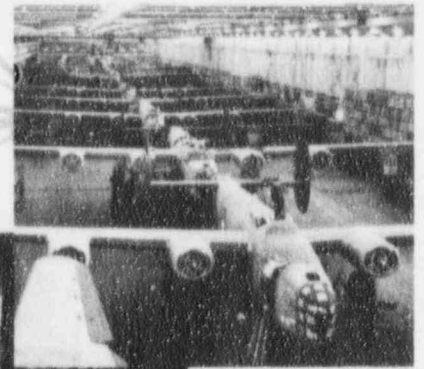
As lifestyles continue to change and technology accommodates, Detroit Edison offers its customers still more choices.



Electric traffic tower, 1922.



The Archives of Labor and Urban Affairs, Wayne State University



Ford's Willow Run bomber assembly plant during World War II.



Central heating workers.



Alex Dow, who led Detroit Edison from 1903 to 1942, committed the company to not only "give service of the highest quality and reliability," but also "share with consumers the benefits of economies resulting from improved methods and machinery and future discoveries and inventions."

Customers calling the highly advanced new Detroit Edison Customer Communications Center are assisted by Rhonda Curtis.

Since 1946, an awards program named for Dow has recognized Detroit Edison employees for outstanding contributions to company operations as well as notable humanitarian achievements in their communities. One 1993 Dow award recognized employees who developed a new method for cooling the bottom-ash-handling system at the Monroe Power Plant, with expected savings of \$1 million a year. Another award went to a group of employees who reduced installation time and extended the usable life of equipment at the Belle River Power Plant, with savings of \$460,000 the first year and \$300,000 annually thereafter.



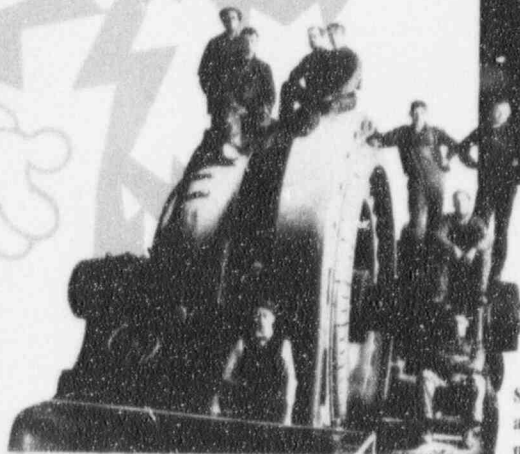
Reddy Kilowatt was the company's mascot for many years.



Early television provided entertainment in the 1950s.



The world's first electrostatic precipitator was built at the company's Trenton Channel Power Plant in the 1920s.



Station 1, an early 100-kV motor generator.



Former Chairman Walker L. Cisler presented an Alex Dow award to Devon Cunningham in 1969 for "his dedication to the community."



FORESIGHT PREVENTS POTENTIAL PROBLEMS

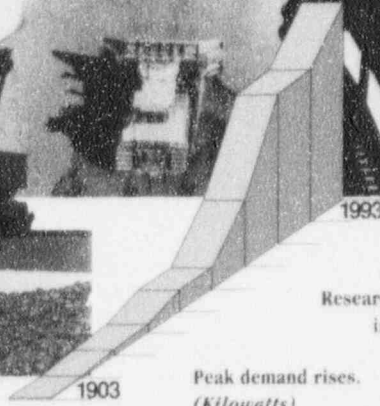
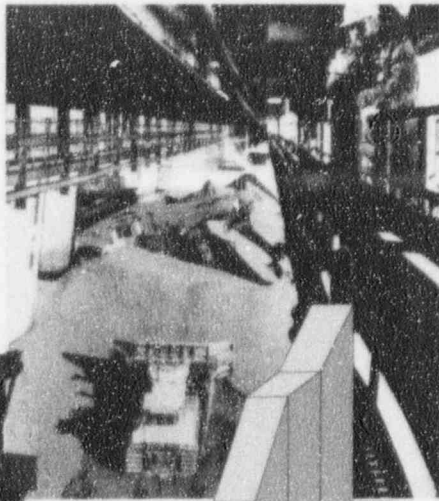
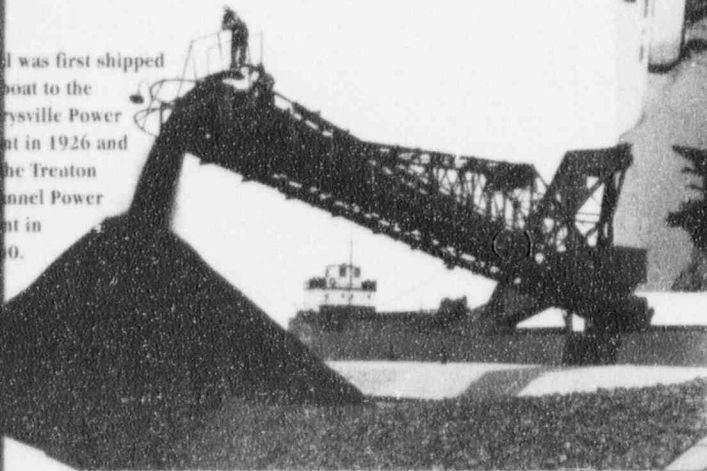
As electrical systems became larger and more complex, so did the risk of blackouts like the one that darkened the Northeastern United States in 1965. Southeastern Michigan escaped a similar fate because, a decade earlier, Detroit Edison had installed automatic devices to protect it and its customers from potential problems with interconnections with neighboring utilities. The foresight, ingenuity and leadership that produced the automatic devices of the 1950s continue to help shield Detroit Edison customers from problems today.

Transmission and Engineering Services' Patrick Fenech inspects power lines from a helicopter using thermovision technology.

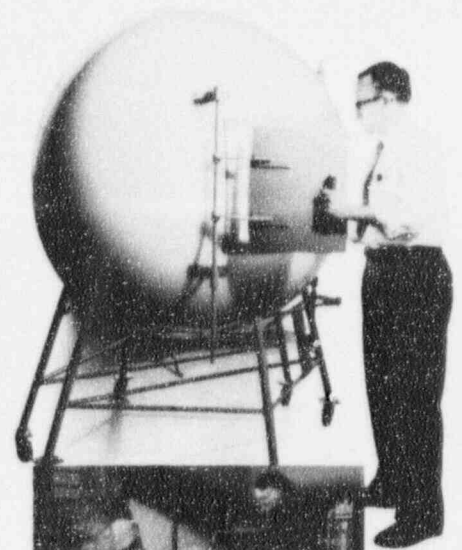
Those qualities recently were turned to improving the reliability of the 27,000-mile Detroit Edison transmission and distribution system, using thermovision infrared technology, computer analysis and visual inspection and judgment to troubleshoot the

One of the largest U.S. power plants, Detroit Edison's Monroe facility also has the country's biggest coal-blending system.

It was first shipped by boat to the Wyssville Power plant in 1926 and the Trenton Channel Power plant in 1960.



Peak demand rises. (Kilowatts)



Engineering Research employees in the 1960s.

system and fix problems. During the record low temperatures in early 1994, when many east coast utilities were imposing rolling blackouts, Detroit Edison met the needs of its customers in Southeastern Michigan and even sold power to other utilities.

Coal, the most abundant and available of all U.S. fossil fuels, powered the company's generating plants in the early years. Although today's plants are far larger and more efficient, coal still fuels nearly 80 percent of the company's electric generation. Further, thanks to Detroit Edison's early sensitivity to environmental protection, sophisticated technology and advanced operating systems make the coal burn cleaner and emit less. Detroit Edison installed the world's first electrostatic precipitator at its Trenton Channel Power Plant in 1926 to clean boiler discharge effluent. For the last two decades the company has been a pacesetter in using low-sulfur Western coal and blending it with other types of coal for environmental protection and energy efficiency. The company already complies with federal clean air requirements that take effect in 1995, while other utilities still struggle to meet the federal mandates. Some utilities are turning to Midwest Energy Resources Company, a Detroit Edison subsidiary, for

help. That unit's Wisconsin transshipment facility, and its Venture Fuels partnership, blend and sell low-sulfur coal to utilities and industries in the United States, Canada and Europe.

Following research by the world's scientific visionaries to find peaceful uses for the atom after World War II, Detroit Edison led a team of scientists who pioneered nuclear power at the experimental Fermi 1 "breeder" reactor south of Detroit in the 1960s and '70s. Fermi 2, a much larger plant using more conventional nuclear reactor technology, produced about 17 percent of Detroit Edison's electrical output at the same site in 1993.

With completion of an extensive construction program in the 1980s, Detroit Edison has ample capacity to meet its customers' projected power needs to 2003, when the company marks its first century of service. Those needs are expected to grow steadily as new applications help make electricity - even more than in the past - the preferred energy source of future generations.

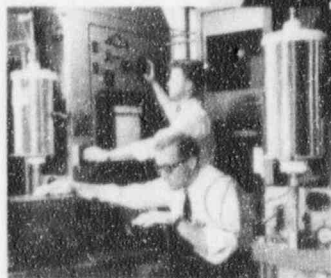
Advances in electric technologies account for about one-third of all technological innovations and patents in the United States today. Computers, facsimile machines, microwave ovens,

lasers and robots are examples of how electric technologies have improved productivity. Devices such as electric arc furnaces for steel making, electric trains and cordless electric lawn mowers also can perform tasks more efficiently, preserve precious natural resources and safeguard the environment.

Nationally, electricity consumption has risen about 70 percent over the past two decades, paralleling growth in the Gross Domestic Product. Total energy use has risen only 20 percent during that same period - proof that greater use of electrotechnologies is improving energy efficiency as it helps the environment. Greater use of these technologies in the future not only can increase energy efficiency and U.S. productivity, but also can protect the environment.

For example, use of electric infrared heaters enables metal foundry operators to clean and recycle the huge volumes of sand used in casting, thus reducing carbon dioxide emissions and preserving landfill space. Detroit Edison helped Northfield Manufacturers, in Southeastern Michigan, install a fluidized-bed sand-reclamation system using high-intensity infrared electricity. The system uses less than a third of the energy of a similar gas-fired one.

Detroit Edison formed the nation's first electric utility research and development group 80 years ago.



Detroit Edison first computerized billing in 1957.

Nirmal Singh and his Warren Service Center team develop methods to improve the reliability of underground cables.



An electrostatic polyester powder coat process, using medium- and short-wave electric infrared quartz emitters for curing, has enabled a Southeastern Michigan manufacturer, United Lighting Standards, Inc., to quadruple its productivity and cut its waste by 90 percent.

A new load-compensation device that controls hydraulic oil pressure is helping Aeroquip, which makes plastic injection molding for interior auto parts, reduce by up to 26 percent the amount of electricity needed to power its equipment.

LEADING RESEARCH AND DEVELOPMENT

The Detroit area, which first attracted worldwide attention for its ingenious techniques to create and produce automobiles, also has been a century-long pioneer in research and development and a leader in applied technologies. During the world wars, Detroit Edison powered the Detroit-centered development and production that made the United States the "Arsenal of Democracy." Today, in addition to continuing automotive advances, Detroit Edison customers produce nearly half the nation's robotics equipment and supply advanced manufacturing

equipment for the aerospace, communications, food processing and chemical industries.

Detroit Edison formed the electric utility industry's first research and development group 80 years ago. In addition to finding new uses for electricity to make life easier and business systems more productive for its customers, Detroit Edison employees continually improve the efficiency of their own generating, transmitting and distributing equipment.

► The company - among the first to use high-voltage underground cables for power transmission and to install high-pressure gas-filled cables for 120-kilovolt transmission - is known internationally for its cable work. In 1993, for example, Detroit Edison's cable experts helped the Puerto Rico Electric Power Authority locate a nitrogen leak in a 38-kilovolt electric cable. Detroit Edison - sponsored by the Electric Power Research Institute - also developed a monitoring system for fluid-filled transmission cables that has been used so far by 20 other utilities.

► The company's reputation for technological leadership extends to its power plants - among the most efficient in the industry. The Belle River Power Plant's water chemistry program is recognized as the best in

the industry. In addition, Detroit Edison has led the nation's environmental engineering community in finding ways to keep pesky zebra mussels from plugging plant lake-water intakes and using innovative composting methods to dispose of the mussels in an environmentally acceptable manner.

► Detroit Edison designed its first computer in 1946, installed it in 1952 and developed computerized billing in 1957. In 1975, the company was one of the first utilities to use computer technology to reduce resources required to maintain mapping and to eliminate order backlogs. In 1993, Detroit Edison received the Automated Mapping/Facilities Management International Excellence Award for its innovative use of information technology to map its entire transmission and distribution network.

Electric Light & Power magazine named Detroit Edison the Electric Utility of the Year in 1991, citing its "outstanding financial performance, excellence in operating utility facilities and positive steps toward ensuring future strength for customers, shareholders and employees."

The company strives to be "utility of the year" every year.

Innovations

Established in 1987, the Detroit Edison Foundation seeks to improve the quality of life in Southeastern Michigan. In 1993, \$3.3 million was given to non-profit organizations, including \$1.1 million to benefit education.



DETROIT EDISON
FOUNDATION



The company discovered zebra mussels in plant water-intake areas in 1988 and has led industry efforts to control the pests.

Application System's Sue Riedel-Mitchell provides technical support for Detroit Edison's new Geographically Enhanced Network Information System (GentSyS).

DRIVING ELECTRIC VEHICLE TESTING

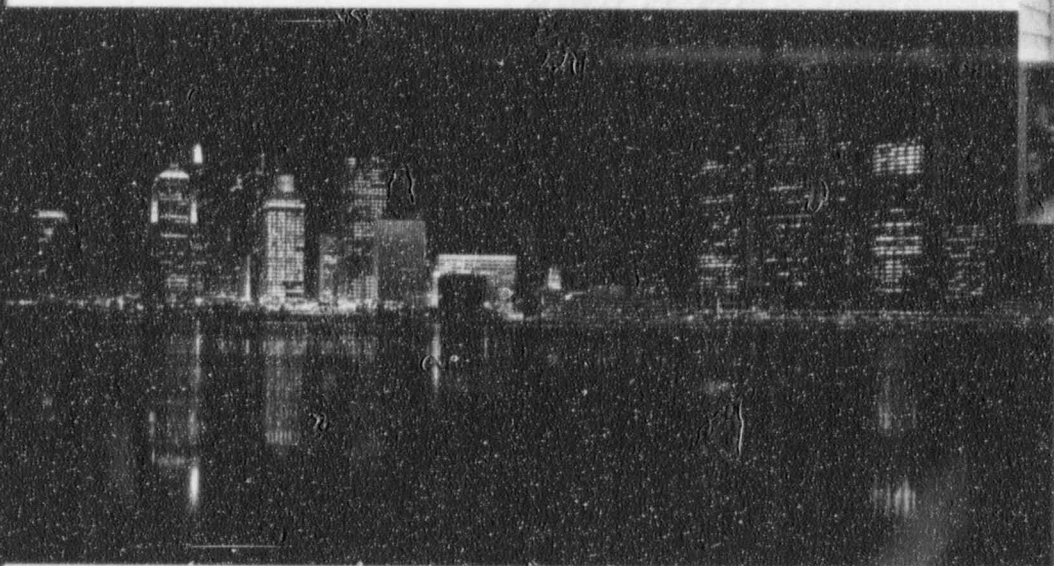
Electric vehicles received national attention in 1993 as the environmentally clean transportation of the future. By that time Detroit Edison, a leader in electric vehicle research, already had recorded more than 700,000 miles in such research - more than any other utility. It also had completed extensive battery testing. In 1982, Detroit Edison engineers developed a credit card-operated "Park and Charge" re-charging station. In 1985, the company was the first U.S. utility to conduct over-the-road evaluations of mass-produced electric vehicles.

This new Ford Ecostar electric van being tested by Detroit Edison could help change people's driving habits in the 21st century.

Today interest in the electric car has increased - especially in California - due to growing environmental concerns and clean-air requirements.

In November 1993, Detroit Edison took delivery of the first of 10 new Ford "Ecostar" electric vans it will use to

During 1993 Dennis Archer was elected mayor of Detroit and Detroit Edison executives as well as other members of the business community began working with his new administration to foster economic development and opportunity for the city.



Employees help Detroit Edison benefit from changes in the utility industry.



further its research. Three of the vans will be used to deliver Detroit Edison mail and other supplies, while another will be for public demonstrations. The remaining vans are being placed with six of the company's commercial customers to gain additional information on how well the new vehicles perform.

WHAT'S AHEAD FOR DETROIT EDISON?

Company trailblazer Alex Dow once said: "The wise man takes a wide view of life. He is not only diligent in the day's work, but he has his visions of the things that may perchance become the day's work in future years." Although Dow spoke those words more than a half-century ago, they remain true today.

Even considering the enormous changes in the electric utility industry and the world during the years since Detroit Edison was founded, the greatest changes are yet to come. Just as the auto companies and other industries Detroit Edison serves have braced for the test of today's global marketplace, Detroit Edison is ready for continued effective performance under deregulation and new forms of competition in its own industry.

The company is recognized as a leader in Southeastern Michigan's economic development and in dealing creatively with other tough issues facing the communities it serves. Detroit Edison also has championed health care and educational reform to improve quality while controlling costs. A healthy, well-educated workforce is as vital as a strong balance sheet to the future of Detroit Edison, its customers and its owners.

The company continues to emphasize the importance of safety - taking pride in its 1993 record of having the fewest lost-workday cases for a utility of its size, but realizing that any accident is one too many.

EMPLOYEES PROVIDE VISION FOR THE FUTURE

Employees - from Henry Ford before the turn of the century to the latest Alex Dow and Sarah Sheridan award-winners - have exemplified Detroit Edison's record of innovation and achievement. Innovation also takes other forms. For example, the 1993 labor agreement with Local 223 of the Utility Workers Union of America, combined with a new labor-management council, paved the way for improved relations in a vital area of

operations. This spirit of cooperation will improve Detroit Edison's ability to respond to the rapidly changing and increasingly competitive energy marketplace.

Every employee is part of the effort to help Detroit Edison benefit from the opportunities presented by change in the utility industry. New approaches, such as the company's Dialogue employee survey and its Innovations employee-suggestion program, were begun in 1993 to encourage improved communication, work methods and individual and group problem-solving.

As Detroit Edison employees contemplate future innovations and successes, they are following the example set by the inventor who electrified the world more than a century ago. "Genius is 1 percent inspiration and 99 percent perspiration," said Thomas Edison, who perfected the incandescent light bulb only after testing some 6,000 filament materials.

The company's future success depends on similar persistence, despite sometimes difficult conditions. While the obstacles may be different, Detroit Edison employees today are bolstered by their own brand of perseverance as they work to extend the company's successful record of service into the 21st century.

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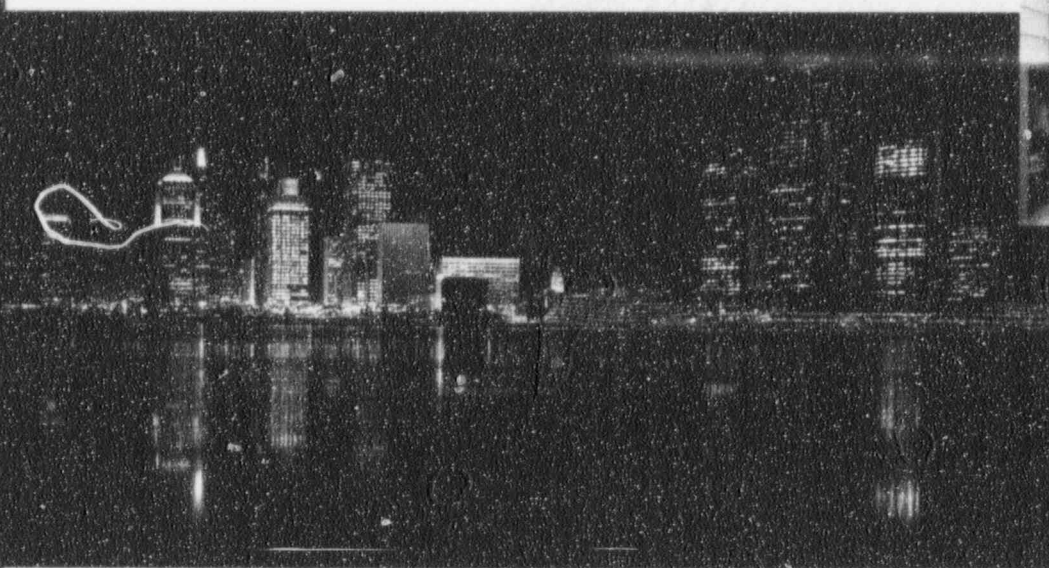
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The company's future success depends on similar persistence, despite some times difficult conditions. While the obstacles may be different, Detroit Edison employees today are bolstered by their own brand of perseverance as they work to extend the company's successful record of service into the 21st century.

Lasting shareholder value comes from intelligent capital investing to improve the quality of customer service, controlling operating costs and improving efficiency to cut prices, and strengthening the company's financial position by reducing debt and the cost of capital. Aggressive implementation of these strategies will help Detroit Edison continue to prosper in an industry that is becoming increasingly competitive.

Detroit Edison increased dividends for a fourth consecutive year in 1993 - the 84th straight year of paying quarterly dividends.

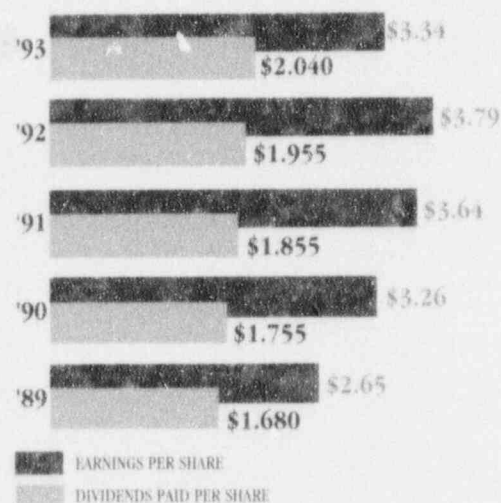
REVENUES STABLE DESPITE PRICE CUT
Thanks to strong kilowatthour sales, Detroit Edison's total 1993 revenues of \$3.56 billion were essentially stable compared with 1992 despite a \$169 million rate reduction effective Jan. 1, 1993. That reduction, combined with an additional \$78-million reduction ordered by the Michigan Public Service Commission effective Jan. 22, 1994, will enhance customer value across the board and in particular help make the businesses served by Detroit Edison more competitive in the global marketplace. These reductions, totaling \$247 million, or 7 percent of the total cost, also will strengthen Detroit Edison's own effectiveness in the increasingly competitive energy marketplace.

SALES UP IN ALL MARKET SECTORS
Warmer summer weather and an improving economy - including increased auto sales - were primarily responsible for a 5.6 percent sales growth in 1993. Residential sales were up 6.4 percent, commercial sales up 4.0 percent and industrial sales up 6.6 percent.

MORE CUSTOMERS SERVED

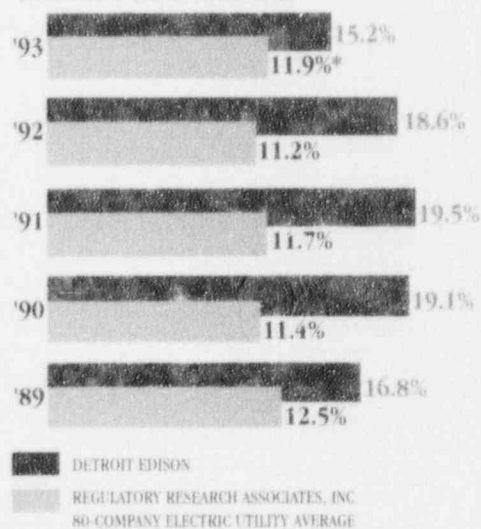
With the addition of nearly 14,000 customers in 1993, Detroit Edison is on line to reach the 2-million-customer milestone before the end of the decade. In a more competitive environment, retaining those customers and attracting new ones is no longer taken for granted. Serving more customers with superior service and lower prices is increasingly critical. Detroit Edison now serves more customers than ever before and improved productivity

EARNINGS PER SHARE VS. DIVIDENDS PAID PER SHARE



RETURN ON AVERAGE COMMON EQUITY

*(12 MONTHS ENDED SEPTEMBER 1993)



has enabled the company to serve an average of 220 customers per employe today, compared with 165 customers per employe in 1987.

EARNINGS DECLINE

Total earnings for common stock decreased from \$558 million in 1992 to \$491 million in 1993. The earnings decline reflects increased operating expenses, including amortization expenses related to the Fermi 2 phase-in plan - a non-cash charge against income - and an increase in the federal corporate tax rate from 34 percent to 35 percent. For a complete analysis, see page 34.

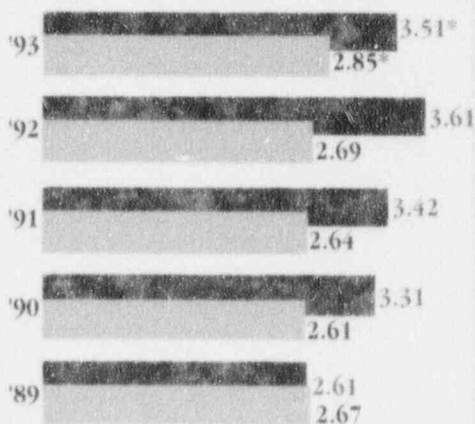
RATE DECREASE EXPECTED TO FURTHER LOWER EARNINGS: CASH FLOW REMAINS STRONG

With reduced earnings and the average number of common shares remaining at 147 million, earnings per share dropped from \$3.79 in 1992 to \$3.34 in 1993. The decline in earnings, coupled with increased dividends, raised the payout ratio to 61 percent. This indicator - showing the ratio of dividends paid per share divided by earnings per share - remains below the industry average of about 83 percent. The recent rate reduction is expected to reduce earnings again in 1994, which would move both the payout ratio and the return on common equity closer to the industry average. The anticipated dip in earnings reflects the January 1994 rate reduction, increased costs related to nuclear decommissioning, new rules for accounting for post-retirement health care costs, and a multi-year demand-side management program to help customers better manage their use of energy.

CASH FLOW COVERAGE OF DIVIDENDS

(TIMES COVERED)

* (12 MONTHS ENDED SEPTEMBER 1993)



■ DETROIT EDISON
 ■ 80-COMPANY ELECTRIC UTILITY AVERAGE

Source: Regulatory Research Associates, Inc.

VALUE FROM CAREFUL INVESTMENTS

Capital expenditures in 1993 were \$399 million, down slightly from \$416 million in 1992. The company has invested heavily since 1991 to improve the quality of its services to customers. The results of this investment - in terms of service improvements and customer satisfaction - are described in the Operations Review on page 6. Customer

SECURITIES ISSUED DURING 1993

Type of Security Sold	Month Sold	Gross Amount (\$ Millions)	Interest Rate (Percent)
<i>General & Refunding Mortgage Bonds</i>			
1993 Series C	January	\$ 225.0	7.939 ⁽¹⁾
1993 Series B	February	50.0	6.830
1993 Series E	March	400.0	6.877 ⁽¹⁾
1993 Series D	April	100.0	6.450
1993 Series G	May	225.0	5.920 ⁽¹⁾
1993 Series J	June	300.0	7.740
1993 Series H	August	50.0	3.383 ⁽²⁾
1993 Series K	October	160.0	4.625 ⁽³⁾
		<u>\$1,510.0</u>	
<i>Pollution Control Bonds</i>			
Series 1993 BB	April	\$ 5.7	6.050
Series 1993 CC	June	5.8	6.050
Series 1993 AA	August	65.0	6.400
		<u>\$ 76.5</u>	
<i>Preferred Stock</i>			
7.75% Series	February	\$ 150.0	7.750
7.74% Series	April	50.0	7.740
		<u>\$ 200.0</u>	
Total Financing		<u><u>\$1,786.5</u></u>	

(1) Average Rate

(2) Variable Rate at December 31, 1993

(3) Fixed Rate until August 1996

reliability and system improvement projects totaling \$159 million were a significant part of the company's capital expenditures in 1993. During the year another \$54.8 million was spent on business extension projects related to the addition of 14,000 new customers. Another \$41.4 million was invested in power plant improvements and \$36.2 million was used for improved

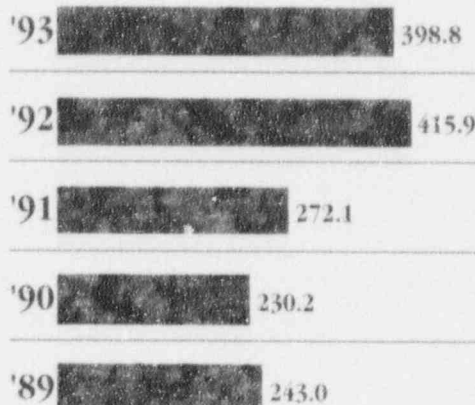
computer information systems. The remaining \$107.4 million funded a variety of other improvement projects.

STRONGER BALANCE SHEET ENABLES COMPANY TO TAKE ADVANTAGE OF OPPORTUNITIES

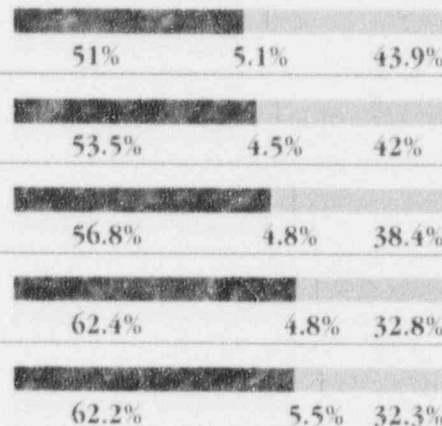
Common shareholder equity as a percentage of total capitalization was 43.9 percent in 1993, up from 42 percent in 1992 and 32.3 percent

CAPITAL EXPENDITURES

(MILLIONS OF DOLLARS)



CAPITALIZATION



■ LONG TERM DEBT
 ■ PREFERRED/PREFERENCE STOCK
 ■ COMMON SHAREHOLDER EQUITY

SECURITIES REDEEMED DURING 1993

	Month Redeemed	Principal Amount (\$ Millions)	Interest Rate (Percent)
Early Redemptions			
<i>General & Refunding Mortgage Bonds</i>			
1987 Series C	February	\$ 225.0	9.750
Series SS	March & April	30.0	10.375
Series V	April	100.0	8.150
1980 Series B	April	20.2	12.750
1986 Series C	April	200.0	9.500
1986 Series A	April	200.0	9.375
1987 Series B	May	175.0	8.750
Series X	June	100.0	8.125
1987 Series A	July	300.0	9.000
1989 Series A	September-November	131.7	9.875
Series Z	October	100.0	7.500
Series Y	November	60.0	7.375
		<u>\$1,641.9</u>	
<i>Pollution Control Bonds</i>			
Series R-1983	November	\$ 65.0	10.570
<i>Loan Agreements</i>			
Series 1988 AA	April	\$ 4.4	8.250
Series W	June	0.8	9.250
Series 1988 BB	August	2.9	8.125
Series V	August	1.0	9.500
Series 1987 BB	September	2.0	8.625
		<u>\$ 11.1</u>	
<i>Preferred & Preference Stock</i>			
9.72% Series	January & March	\$ 27.0	9.720
9.60% Series	March	29.3	9.600
9.32% Series	May	49.9	9.320
\$2.75 Series B	January	2.5	11.000
\$2.28 Series	March	50.0	9.120
		<u>\$ 158.7</u>	
Total Early Redemptions		<u>\$1,876.7</u>	
Mandatory Redemptions		311.8	
Total Redemptions		<u>\$2,188.5</u>	

Debt ratings have remained constant through 1993, with ratings as follows at year-end 1993:

Standard & Poor's Corp.: **BBB+**

Fitch Investors Service: **A-**

Moody's Investors Service: **A3**

Duff & Phelps Corp.: **BBB+**

in 1989. Although Detroit Edison's bond ratings remain unchanged, Standard & Poor's revised its evaluation of the company's rating outlook from "stable" to "negative" because of the credit agency's perception of increased risk in the electric utility industry.

COMPANY TAKES ADVANTAGE OF LOWER INTEREST RATES

Nearly \$2.2 billion in outstanding debt was retired during 1993. Detroit Edison realized significant savings by the early redemption of bonds with higher interest rates and corresponding issuance of nearly \$1.8 billion in new securities at lower interest rates. Interest expense dropped 16 percent to \$325 million in 1993, from \$389 million in 1992. Over the last five years, the company's cost of long-term debt has decreased steadily to an average of 7.4 percent in 1993, from 9.5 percent in 1989. Further reductions - although not as dramatic - are expected if interest rates remain at the lower levels.

COMMON STOCK PRICE CLOSES YEAR AT 30

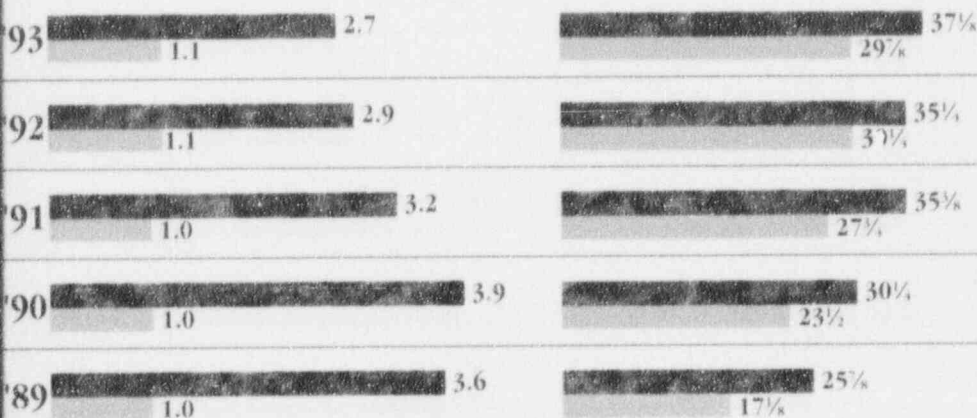
After reaching a 1993 high of 37½ per share, the company's common stock closed the year at 30 per share, just above its 1993 low of 29%. Several factors influenced the recent stock price decline. They include analysts' evaluations of Detroit Edison and other electric utilities in an increasingly competitive market, as well as anticipation of the 1994 Michigan Public Service Commission rate-reduction order and reaction to the Christmas Day 1993 turbine-generator equipment failure at the company's Fermi 2 nuclear power plant. The Fermi 2 incident is described more fully on pages 1, 23 and 36 of this report. The market-to-book ratio at year-end 1993 was 134 percent, down from 155 percent a year ago.

OUTSTANDING LONG-TERM DEBT

(BILLIONS OF DOLLARS)

HIGH/LOW MARKET PRICE

(DOLLARS PER SHARE)



■ TAXABLE ISSUES
□ TAX-EXEMPT ISSUES

■ HIGH MARKET PRICE
□ LOW MARKET PRICE

REPORT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

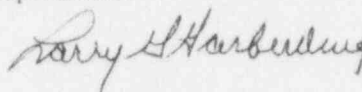
The consolidated financial statements of The Detroit Edison Company and subsidiary companies have been prepared by management in conformity with generally accepted accounting principles, based upon currently available facts and circumstances and management's best estimates and judgments of known conditions. It is the responsibility of management to assure the integrity and objectivity of such financial statements and to assure that these statements fairly report the Company's financial position and the results of its operations.

To meet this responsibility, management maintains a high standard of record keeping and an effective system of internal controls, including an extensive program of internal audits, written administrative policies and procedures, and programs to assure the selection and training of qualified personnel.

These financial statements have been audited by the Company's independent accountants, Price Waterhouse, whose report appears on this page. Their audit was conducted in accordance with generally accepted auditing standards. Such standards include the evaluation of internal accounting controls to establish a basis for developing the scope of the audit, as well as such other procedures they

deem necessary for expressing an opinion as to whether the financial statements are presented fairly

The Board of Directors, through its Audit Committee consisting solely of outside directors, meets with Price Waterhouse, representatives of management and the Company's internal auditors to review the activities of each and to discuss accounting, auditing and financial matters and the carrying out of responsibilities and duties of each group. Price Waterhouse has full and free access to meet with the Audit Committee to discuss its audit results and opinions, without management representatives present, to allow for complete independence.



Larry G. Garberding
Executive Vice President
and Chief Financial Officer



John E. Lobbia
Chairman of the Board
and Chief Executive Officer

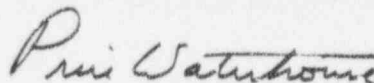
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
The Detroit Edison Company

In our opinion, the consolidated financial statements appearing on pages 17 through 33 of this report present fairly, in all material respects, the financial position of The Detroit Edison Company and its subsidiary companies at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 6 and Note 13 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" and Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1993.



Price Waterhouse 

200 RENAISSANCE CENTER
DETROIT, MICHIGAN 48243

January 24, 1994

CONSOLIDATED STATEMENT OF INCOME (DOLLARS IN THOUSANDS)

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

	Year Ended December 31		
	1993	1992	1991
Operating Revenues			
Electric - System	\$3,467,357	\$3,472,583	\$3,458,871
Electric - Interconnection	60,363	58,447	105,399
Steam	27,491	27,113	27,267
Total Operating Revenues	\$3,555,211	\$3,558,143	\$3,591,537
Operating Expenses			
Operation			
Fuel	\$ 750,127	\$ 704,371	\$ 758,467
Purchased power	91,747	126,101	133,498
Other operation	604,882	548,520	567,275
Maintenance	251,149	262,803	289,670
Depreciation and amortization	432,512	423,407	412,253
Deferred Fermi 2 depreciation and amortization	(8,959)	(14,984)	(27,583)
Amortization of deferred Fermi 2 depreciation and return	30,888	—	—
Taxes other than income	261,449	252,011	243,122
Income taxes	297,469	302,758	270,937
Total Operating Expenses	\$2,711,264	\$2,604,987	\$2,647,639
Operating Income	\$ 843,947	\$ 953,156	\$ 943,898
Other Income and Deductions			
Allowance for other funds used during construction	\$ 2,055	\$ 1,363	\$ 1,459
Deferred Fermi 2 return	—	13,785	47,566
Other income and deductions	(24,961)	(21,179)	(34,074)
Income taxes	8,594	7,108	12,215
Accretion income	44,130	45,695	47,298
Income taxes - disallowed plant costs and accretion income	(14,062)	(15,576)	(6,480)
Net Other Income and Deductions	\$ 15,756	\$ 31,196	\$ 67,984
Income Before Interest Charges	\$ 859,703	\$ 984,352	\$1,011,882
Interest Charges			
Long-term debt	\$ 325,194	\$ 388,580	\$ 437,337
Amortization of debt discount, premium and expense	9,114	3,952	4,467
Other	4,928	5,169	4,233
Allowance for borrowed funds used during construction (credit)	(1,436)	(1,396)	(2,192)
Net Interest Charges	\$ 337,800	\$ 396,305	\$ 443,845
Net Income	\$ 521,903	\$ 588,047	\$ 568,037
Preferred and Preference Stock Dividend Requirements	30,837	30,498	32,832
Earnings for Common Stock	\$ 491,066	\$ 557,549	\$ 535,205
Common Shares Outstanding - Average	147,031,446	146,998,485	146,945,932
Earnings Per Share	\$3.34	\$3.79	\$3.64

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED BALANCE SHEET (DOLLARS IN THOUSANDS)

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

	December 31	
	1993	1992
ASSETS		
Utility Properties		
Plant in service		
Electric	\$12,557,267	\$12,199,718
Steam	70,948	68,226
	\$12,628,215	\$12,267,944
Less: Accumulated depreciation and amortization	(4,137,881)	(3,784,843)
	\$ 8,490,334	\$ 8,483,101
Construction work in progress	160,230	134,637
Net utility properties	\$ 8,650,564	\$ 8,617,738
Property under capital leases (less accumulated amortization of \$101,381 and \$127,393, respectively)	\$ 154,837	\$ 170,690
Nuclear fuel under capital lease (less accumulated amortization of \$374,405 and \$296,154, respectively)	184,083	225,727
Net property under capital leases	\$ 338,920	\$ 396,417
Total owned and leased properties	\$ 8,989,484	\$ 9,014,155
Other Property and Investments		
Non-utility property	\$ 10,053	\$ 10,191
Investments and special funds	15,914	16,535
Nuclear decommissioning trust funds	29,929	24,583
	\$ 55,896	\$ 51,309
Current Assets		
Cash and temporary cash investments	\$ 11,071	\$ 9,414
Customer accounts receivable and unbilled revenues (less allowance for uncollectible accounts of \$34,000 and \$32,000, respectively)	195,319	206,052
Other accounts receivable	26,619	24,372
Inventories (at average cost)		
Fuel	129,024	159,288
Materials and supplies	165,187	177,749
Prepayments	10,914	9,650
	\$ 538,134	\$ 586,525
Deferred Debits		
Unamortized debt expense	\$ 45,396	\$ 48,132
Unamortized loss on reacquired debt	124,567	30,568
Recoverable income taxes	771,277	—
Other postretirement benefits	48,568	—
Fermi 2 phase-in plan	475,592	506,480
Fermi 2 deferred amortization	44,794	35,835
Other	41,171	36,057
	\$ 1,551,365	\$ 657,072
Total	\$11,134,879	\$10,309,061

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED BALANCE SHEET (DOLLARS IN THOUSANDS)

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

	December 31	
	1993	1992
LIABILITIES		
Capitalization		
Common stock - \$10 par value, 400,000,000 shares authorized; 147,047,918 and 147,016,691 shares outstanding, respectively (334,002 and 365,273 shares, respectively, reserved for conversion of preferred stock)	\$ 1,470,479	\$ 1,470,167
Premium on common stock	553,966	553,724
Common stock expense	(48,175)	(48,163)
Retained earnings used in the business	1,319,685	1,138,159
Total common shareholders' equity	\$ 3,295,955	\$ 3,113,887
Cumulative preferred stock - \$100 par value, 6,747,484 shares authorized; 3,909,419 and 3,006,562 shares outstanding, respectively (1,539,827 shares unissued)		
Redeemable solely at the option of the Company	380,683	236,759
Subject to mandatory redemption	—	49,344
Cumulative preference stock - \$1 par value, 30,000,000 shares authorized; 2,200,000 shares outstanding at December 31, 1992 (30,000,000 and 27,800,000 shares unissued, respectively)		
Redeemable solely at the option of the Company	—	47,891
Long-term debt	3,830,596	3,973,485
Total Capitalization	\$ 7,507,234	\$ 7,421,366
Other Non-Current Liabilities		
Obligations under capital leases	\$ 141,043	\$ 155,885
Other postretirement benefits	48,567	—
Other	15,130	7,554
	\$ 204,740	\$ 163,439
Current Liabilities		
Short-term borrowings	\$ 138,204	\$ 28,994
Amounts due within one year		
Long-term debt	19,649	306,299
Preferred and preference stock	—	14,250
Obligations under capital leases	197,877	240,532
Accounts payable	159,870	138,517
Property and general taxes	38,592	31,970
Income taxes	16,839	29,684
Accumulated deferred income taxes	63,046	74,413
Interest	66,388	86,157
Dividends payable	83,143	80,192
Payrolls	67,778	62,866
Fermi 2 refueling outage	20,774	2,918
Other	103,193	70,518
	\$ 975,353	\$ 1,167,310
Deferred Credits		
Accumulated deferred income taxes	\$ 1,986,463	\$ 1,103,560
Accumulated deferred investment tax credits	359,205	373,433
Other	101,884	79,953
	\$ 2,447,552	\$ 1,556,946
Commitments and Contingencies (Notes 2, 3, 4, 9, 12 and 13)		
Total	\$11,134,879	\$10,309,061

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENT OF CASH FLOWS (DOLLARS IN THOUSANDS)

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

	Year Ended December 31		
	1993	1992	1991
Operating Activities			
Net Income	\$ 521,903	\$ 588,047	\$ 568,037
Adjustments to reconcile net income to net cash from operating activities:			
Accretion income	(44,130)	(45,695)	(47,298)
Depreciation and amortization	432,512	423,407	412,253
Deferred Fermi 2 depreciation, amortization and return - net	21,929	(28,769)	(75,149)
Deferred income taxes and investment tax credit - net	85,574	132,179	116,778
Fermi 2 refueling outage - net	17,856	(6,084)	(10,998)
Other	32,367	6,714	34,241
Changes in current assets and liabilities:			
Customer accounts receivable and unbilled revenues	10,733	9,068	(29,186)
Other accounts receivable	(2,247)	17,815	(8,791)
Inventories	33,839	5,239	6,066
Accounts payable	21,364	(24,930)	8,773
Taxes payable	(6,499)	(8,109)	(1,595)
Interest payable	(19,769)	(15,199)	(7,570)
Other	35,350	9,807	(13,451)
Net cash from operating activities	\$ 1,140,782	\$ 1,063,490	\$ 952,110
Investing Activities			
Plant and equipment expenditures	\$ (398,809)	\$ (415,937)	\$(272,121)
Changes in current assets and liabilities	10,225	(7,897)	3,137
Other	(25,152)	(3,049)	(11,673)
Net cash used for investing activities	\$ (413,736)	\$ (426,883)	\$(280,657)
Financing Activities			
Sale of cumulative preferred stock	\$ 200,000	\$ —	\$ —
Sale of general and refunding mortgage bonds	1,510,000	350,000	—
Funds received from Trustees: Installment sales contracts and loan agreements	76,510	348,960	159,301
Increase (decrease) in short-term borrowings	109,210	(9,000)	37,994
Redemption of long-term debt	(2,024,289)	(957,859)	(658,129)
Redemption of preferred and preference stock	(164,158)	(22,005)	(22,500)
Premiums on reacquired long-term debt and preferred and preference stock	(81,453)	(16,556)	(14,035)
Dividends on common, preferred and preference stock	(330,792)	(318,349)	(305,893)
Other	(20,417)	(9,225)	(7,296)
Net cash used for financing activities	\$ (725,389)	\$ (634,034)	\$(810,558)
Net Increase (Decrease) in Cash and Temporary Cash Investments	\$ 1,657	\$ 2,573	\$(139,105)
Cash and Temporary Cash Investments at Beginning of the Period	9,414	6,841	145,946
Cash and Temporary Cash Investments at End of the Period	\$ 11,071	\$ 9,414	\$ 6,841
Supplementary Cash Flow Information			
Interest paid (excluding interest capitalized)	\$ 346,542	\$ 406,571	\$ 445,350
Income taxes paid	233,542	178,786	141,839
New capital lease obligations	36,606	39,320	79,002

For purposes of the consolidated financial statements, the Company considers investments purchased with a maturity of three months or less to be temporary cash investments.

(See accompanying Notes to Consolidated Financial Statements.)

CONSOLIDATED STATEMENT OF COMMON SHAREHOLDERS' EQUITY (DOLLARS IN THOUSANDS)

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

	Common Stock		Premium on Common Stock	Common Stock Expense	Retained Earnings Used in the Business
	Shares	\$10 Par Value			
Balance at December 31, 1990	146,921,695	\$1,469,217	\$552,985	\$(47,766)	\$ 614,016
Issuance of common stock on conversion of convertible cumulative preferred stock, 5½% series	61,428	614	478	(24)	
Expense associated with an increase in authorized number of shares of common stock				(360)	
Expense associated with preferred and preference stock redeemed					(623)
Net income					568,037
Cash dividends declared					
Common stock - \$1.88 per share					(276,271)
Cumulative preferred and preference stock*					(32,731)
Balance at December 31, 1991	146,983,123	\$1,469,831	\$553,463	\$(48,150)	\$ 872,428
Issuance of common stock on conversion of convertible cumulative preferred stock, 5½% series	33,568	336	261	(13)	
Expense associated with preferred and preference stock redeemed					(847)
Net income					588,047
Cash dividends declared					
Common stock - \$1.98 per share					(291,066)
Cumulative preferred and preference stock*					(30,403)
Balance at December 31, 1992	147,016,691	\$1,470,167	\$553,724	\$(48,163)	\$1,138,159
Issuance of common stock on conversion of convertible cumulative preferred stock, 5½% series	31,227	312	242	(12)	
Expense associated with preferred and preference stock redeemed					(6,634)
Net income					521,903
Cash dividends declared					
Common stock - \$2.06 per share					(302,894)
Cumulative preferred and preference stock*					(30,849)
Balance at December 31, 1993	147,047,918	\$1,470,479	\$553,966	\$(48,175)	\$1,319,685

*At established rate for each series.

(See accompanying Notes to Consolidated Financial Statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

INDUSTRY SEGMENT – The Detroit Edison Company (“Company”) is a regulated public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy.

REGULATION – The Company is subject to regulation by the Michigan Public Service Commission (“MPSC”) and the Federal Energy Regulatory Commission (“FERC”) with respect to accounting matters and maintains its accounts in accordance with Uniform Systems of Accounts prescribed by these agencies. As a regulated entity, taking into account the cost recovery restrictions contained in the December 1988 and January 21, 1994 MPSC rate orders and the provisions of the Energy Policy Act of 1992 (“Energy Act”), the Company meets the criteria of Statement of Financial Accounting Standards (“SFAS”) No. 71, “Accounting for the Effects of Certain Types of Regulation.” This accounting standard recognizes the ratemaking process which results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses. Such differences concern mainly the time at which various items enter into the determination of net income in order to follow the principle of matching costs and revenues.

PRINCIPLES APPLIED IN CONSOLIDATION – The Consolidated Financial Statements include the accounts of all subsidiary companies, all of which are wholly-owned.

REVENUES – The Company records unbilled revenues for electric and steam heating services provided after cycle billings through month-end.

PROPERTY, RETIREMENT AND MAINTENANCE, DEPRECIATION AND AMORTIZATION – Utility properties are recorded at original cost less regulatory disallowances. In general, the cost of properties retired in the normal course of business is charged to accumulated depreciation. Expenditures for maintenance and repairs are charged to expense, and the cost of new property installed, which replaces property retired, is charged to property accounts. The annual provision for depreciation is calculated on the straight-line remaining life method by applying annual rates approved by the MPSC to the average of year-beginning and year-ending balances of depreciable property by primary plant accounts. Provision for depreciation of Fermi 2, excluding decommissioning expense, was 2.65% of average depreciable property for 1993, 1992 and 1991, except for \$300 million being amortized over 10 years commencing in 1989 and \$513 million being amortized over 19 years commencing in 1990. See Note 3 and Deferred Fermi 2 Amortization below. Provision for depreciation of all other utility plant, as a percent of average depreciable property, was 3.4% for 1993 and 3.3% for 1992 and 1991.

DEFERRED FERMI 2 DEPRECIATION AND RETURN – An MPSC authorized phase-in plan for Fermi 2, effective in January 1988, provides for gradual rate increases in the early years of plant operation rather than a one-time substantial rate increase which conventional ratemaking would provide. SFAS No. 92, “Regulated Enterprises – Accounting for Phase-in Plans,” permits the capitalization of costs deferred for future recovery under a phase-in plan. Accordingly, the Company recorded non-cash income items of deferred depreciation and deferred return totaling \$506.5 million through 1992. Deferred depreciation accruals were \$4.5 million and \$15.7 million in 1992 and 1991, respectively. Deferred return accruals were \$13.8 million and \$47.6 million in 1992 and 1991, respectively. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues. Amortization of deferred depreciation and deferred return in 1993 was \$7.6 million and \$23.3 million, respectively.

DEFERRED FERMI 2 AMORTIZATION – The December 1988 MPSC rate order provides for the Company’s February 1990 purchase of Wolverine Power Supply Cooperative, Inc.’s (“Cooperative”) ownership interest in Fermi 2 for \$513 million to be treated as a regulatory asset with a 19-year principal amortization and associated interest of 8%, which is the composite average of the Cooperative debt assumed by the Company at the time of the purchase. Since the straight-line amortization of the regulatory asset exceeds the revenues provided for such amortization during the first ten years of the recovery period, the Company is recording deferred amortization, a non-cash item of income, totaling \$67.2 million through 1999. For 1993, 1992 and 1991, the amounts deferred were \$9 million, \$10.5 million and \$11.9 million, respectively. The deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues during the years 2000 through 2008.

PROPERTY TAXES – The Company accrues property taxes monthly during the fiscal period of the applicable taxing authority.

INCOME TAXES – Deferred income taxes are provided for temporary differences between book and taxable income to the extent authorized by the MPSC. For federal income tax purposes, the Company computes depreciation using accelerated methods and shorter depreciable lives. Investment tax credits utilized which relate to utility property were deferred and are amortized over the estimated composite service life of the related property. Investment tax credits utilized which relate to disallowed Fermi 2 plant costs were recorded in other income and deductions in the Consolidated Statement of Income in 1991 under the flow-through method. See Note 6.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (“AFUDC”) – AFUDC, a non-operating non-cash item, is defined in the FERC Uniform System of Accounts to

include "the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so used." AFUDC involves an accounting procedure whereby the approximate interest expense and the cost of other (common, preferred and preference shareholders' equity) funds applicable to the cost of construction are transferred from the income statement to construction work in progress in the balance sheet. The cash recovery of AFUDC, as well as other costs of construction, occurs as completed projects are placed in service and related depreciation is authorized to be recovered through customer rates. The Company capitalized AFUDC at 9.65% in 1993, 1992 and 1991.

ACCRETION INCOME – In 1988, the Company adopted SFAS No. 90, "Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs," and recorded indirect losses for Greenwood Unit No. 1, for the abandoned Greenwood Unit Nos. 2 and 3 and for a portion of Fermi 2 as a discount (reduction) of the Company's investment in these units. These net after-tax losses, due to discounting, originally totaled \$198 million, which amounts are being restored to net income over the period 1988-1998 as the Company records a non-cash return (accretion income) on its investment in these units. The Company recorded \$29.5 million, \$30.2 million and \$31.2 million of net after-tax accretion income in 1993, 1992 and 1991, respectively.

CAPITALIZATION – DISCOUNT, PREMIUM AND EXPENSE – The discount, premium and expense related to the issuance of long-term debt are amortized over the life of each issue. In accordance with MPSC regulations, the discount, premium and expense, when related to debt redeemed without refunding, are written off to other income and deductions, and when related to debt redeemed with refunding, are amortized over the life of the replacement issue. Capital stock premium and expense related to redeemed preferred and preference stock are written off against retained earnings used in the business.

FERMI 2 REFUELING OUTAGES – The Company recognizes the cost of Fermi 2 refueling outages over periods in which related revenues are recognized. Under this procedure, the Company records a provision for incremental costs anticipated to be incurred during the next scheduled Fermi 2 refueling outage.

LEASES – See Note 9.

EMPLOYEES' RETIREMENT PLAN, OTHER POSTRETIREMENT BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS – See Note 13.

RECLASSIFICATION – Certain amounts in prior years' consolidated financial statements have been reclassified to conform to the current year presentation.

NOTE 2 – FERMI 2

GENERAL – Fermi 2, a nuclear generating unit, began commercial operation in January 1988. Fermi 2 has a licensed capability of 1,139 megawatts ("MW"). However, due to certain equipment limitations, Fermi 2 has been rated at 1,116 MW until modifications can be made to achieve the Nuclear Regulatory Commission ("NRC") approved rating. This unit, which produced approximately 17% of the Company's electrical output in 1993, represents approximately 29% of total assets, 12% of total operation and maintenance expenses and 11% of summer net rated capability.

See Note 3 for a discussion of Fermi 2 rate matters and the MPSC's treatment of Fermi 2 project costs of \$4.858 billion.

LICENSING AND OPERATION – The NRC maintains jurisdiction over the licensing and operation of Fermi 2.

Fermi 2 has been out of service since December 25, 1993. On that date, the reactor automatically shut down following a turbine trip caused by an apparent turbine failure, with related fire and water damage. Safety systems responded within design and regulatory specifications. The turbine suffered mechanical damage, the exciter and generator incurred mechanical and fire damage, and the condenser has some internal damage. The fire was contained in the turbine building, and there was no release of radioactive contaminants. The nuclear part of the plant was not damaged.

The NRC was promptly notified and that agency has the matter under investigation. Following NRC approval of the Company's inspection plan, an investigation into the root cause of the failure commenced. Investigators have also started to determine the scope and timing of repairs.

The cost of repairs to Fermi 2 and the return to service of the unit cannot be estimated until inspection of the turbine is completed and the root cause of the equipment failure is determined. It is expected that replacement power will be available in amounts sufficient to meet projected electrical demand during the Fermi 2 outage. During the outage, work associated with the scheduled March 1994 fuel reload will be completed.

The Company anticipates that the cost of repair, decontamination cleanup and replacement power, all subject to policy deductibles and terms and conditions, will be recoverable through insurance as discussed in "Insurance" below. Also, see Note 3 for information on the capacity performance standard for Fermi 2.

INSURANCE – The Company insures Fermi 2 with property damage insurance provided by Nuclear Mutual Limited ("NML"), Nuclear Electric Insurance Limited ("NEIL") and American Nuclear Insurers ("ANI"). The NML and NEIL insurance policies provide \$500 million of composite primary coverage (with a \$1 million deductible) and \$1.4 billion of excess coverage, respectively, for stabilization,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

decontamination and debris removal costs and repair and/or replacement of property. Under the NML and NEIL policies, the Company could be liable for maximum retrospective assessments of up to approximately \$21 million per loss if any one loss should exceed the accumulated funds available to NML or NEIL. An additional \$800 million of excess coverage is provided by ANI for which the Company pays an annual premium and is not liable for retrospective assessments. Accordingly, the combined limits provide total property damage insurance of \$2.7 billion.

The Company maintains an insurance policy with NEIL providing for extra expenses, including certain replacement power costs necessitated by Fermi 2's unavailability due to an insured event. This policy, which has a 21-week waiting period, provides for three years of coverage.

As required by federal law, the Company maintains \$200 million of public liability insurance for a nuclear incident. Further, under the Price-Anderson Amendments Act of 1988, deferred premium charges of \$75.5 million could be levied against each licensed nuclear facility, but not more than \$10 million per year per facility. On December 31, 1993, there were 116 licensed nuclear facilities in the United States. Thus, deferred premium charges in the aggregate amount of approximately \$8.8 billion could be levied against all owners of licensed nuclear facilities in the event of a nuclear incident. Accordingly, public liability for a single nuclear incident is currently limited to approximately \$9 billion.

DECOMMISSIONING—The MPSC and FERC regulate the recovery of costs of decommissioning nuclear power plants. A January 1987 MPSC order authorized the establishment of a \$100 million external trust fund (in 1987 dollars) to finance the decommissioning of Fermi 2 when its operating license expires in the year 2025. The order approves a decommissioning surcharge on customer bills under which the Company is collecting approximately \$3 million annually, with a like amount charged to operations through depreciation expense. The FERC has approved the recovery of decommissioning expense in base rates, most recently in its June 1993 order. At December 31, 1993, the Company had a reserve of \$24 million, which is included in accumulated depreciation and amortization in the Consolidated Balance Sheet, for the future decommissioning of Fermi 2, with a like amount deposited in external trust funds.

The NRC has jurisdiction over the decommissioning of nuclear power plants. An NRC rule requires decommissioning funding based upon a site-specific estimate or a predetermined NRC formula. Using the NRC's formula, the Company estimates that the cost of decommissioning Fermi 2 is \$471.3 million (in 1993 dollars). The January 21, 1994 MPSC rate order includes an increase in rates for the decommissioning of Fermi 2 which the Company believes will be adequate to fund the estimated cost of decommissioning using the NRC formula. See Note 3.

The Company also has a reserve of \$13.5 million at

December 31, 1993, which is included in other deferred credits in the Consolidated Balance Sheet, for the future decommissioning of Fermi 1, an experimental nuclear unit on the Fermi 2 site that has been shut down since 1972. At December 31, 1993, \$5.9 million of this reserve was deposited in an external trust fund for the future payment of decommissioning costs, which are estimated at \$17.7 million (in 1993 dollars).

The Energy Act provided for a fund to be established for the decommissioning and decontamination of existing United States Department of Energy ("DOE") uranium enrichment facilities. Utilities with nuclear units are required to pay for a portion of the cost by making annual payments into the fund over a 15 year period. The law directs state regulators to treat these payments as a necessary and reasonable cost of fuel and, accordingly, the Company has recorded a regulatory asset and liability in the Consolidated Balance Sheet to reflect these costs. In 1993, the Company began making annual payments of \$1,050,000.

NUCLEAR FUEL DISPOSAL COSTS—The Company has a contract with the DOE for the future storage and disposal of spent nuclear fuel from Fermi 2. Under the terms of the contract, the Company makes quarterly payments to the DOE based upon a fee of 1 mill per kilowatthour applied to the Fermi 2 electricity generated and sold. The spent nuclear fuel disposal cost is included as a component of the Company's nuclear fuel expense. The DOE has stated that it will be unable to store spent nuclear fuel at a permanent repository until after 2010. However, the DOE and utilities with nuclear units are pursuing other interim storage options. The Company estimates that existing temporary storage capacity at Fermi 2 will be sufficient until the year 2006, or until 2015 with the expansion of such storage capacity.

NOTE 3 — RATE MATTERS

The Company is subject to the primary regulatory jurisdiction of the MPSC, which, from time to time, issues its orders pertaining to the Company's conditions of service, rates and recovery of certain costs including the costs of generating facilities. MPSC orders issued in April 1986, December 1988 and on January 21, 1994 are currently in effect with respect to the Company's rates and certain other revenue and operating-related matters.

During the period 1988-1993, excluding surcharges, the Company was granted base rate increases aggregating \$433.8 million and other rate changes totaling \$68.3 million under the Fermi 2 rate phase-in plan. Also, see Note 1 for a discussion of Deferred Fermi 2 Depreciation and Return and Deferred Fermi 2 Amortization.

The Company had pending before the MPSC an application, as amended, requesting an increase in rates in the annual amount of \$113 million based upon a 1994 test

year and a 12.5% return on common equity, with common equity at 43.4% of total capitalization.

On January 21, 1994, the MPSC issued an order reducing the Company's rates in the amount of \$78 million annually. The rate reduction was determined by using a 1994 test year and an overall rate of return of 7.66%, incorporating an 11% return on common equity and a capital structure comprised of 40% common equity, 55.01% long-term debt and 4.99% preferred stock. The MPSC order includes the recovery of (1) increased Fermi 2 decommissioning costs of \$28.1 million annually, which includes the recovery of low level radioactive waste disposal, (2) full recovery of 1994 other postretirement benefit costs plus recovery and amortization of the 1993 deferred cost over 19 years (see Note 13), (3) costs associated with the return to rate base of Greenwood Unit No. 1, (4) Fermi 2 phase-in plan revenue requirements of \$70.8 million in 1994 and (5) costs associated with a three-year \$41.5 million (\$7.6 million in 1994, \$14.9 million in 1995 and \$19 million in 1996) demand-side management program. The order is effective for service rendered on and after January 22, 1994.

In approving an increased nuclear decommissioning surcharge, the MPSC provided for three-year reporting of nuclear decommissioning costs.

The January 1994 MPSC order recognized the need for industrial customers to become or remain competitive and, accordingly, confirmed the continuation of an interruptible rate for industrial customers, commonly known as R-10. Under this rate, the 400 MW currently available was increased such that 525 MW and 650 MW will be available with incentive pricing in 1994 and 1995, respectively. In addition, the order noted that shareholders would absorb revenue losses associated with the additional 250 MW being made available under this rate. The annual cost for the discount associated with the R-10 rate is estimated to be \$5 million for each 125 MW.

Also, in keeping with the MPSC's recognition of the need for industrial customers to be competitive, the rate reduction is to be allocated among the various classes of customers approximately as follows:

Industrial	\$43 million
Commercial	\$24 million
Residential	\$10 million
Governmental	\$ 1 million

The January 1994 MPSC order did not make an adjustment for either the increase in income tax expense due to an increase in the corporate federal income tax rate from 34% to 35% or the possible change in Michigan tax expense as a result of enacted legislation providing alternative state and local tax plans to finance public education in Michigan beginning with the 1994-1995 school fiscal year.

A December 1988 MPSC order approved a settlement agreement among the Company, MPSC Staff, Michigan Attorney General and other intervenors, which together with a previous April 1986 MPSC order, among other things,

suspended the Power Supply Cost Recovery ("PSCR") Clause for the four-year period ending December 31, 1992 and provided for a five-year moratorium on base rate changes through December 31, 1993.

In addition, for the period January 1989 through December 2003, the December 1988 MPSC order established (1) a cap on Fermi 2 capital additions of \$25 million per year, in 1988 dollars adjusted by the Consumers Price Index ("CPI"), cumulative, (2) a cap on Fermi 2 non-fuel operation and maintenance expenses adjusted by the CPI and (3) a capacity factor performance standard based on a three-year rolling average commencing in 1991. For a capital investment of \$200 million or more (in 1988 dollars adjusted by the CPI), the Company must obtain prior MPSC approval to be included in rate base. See Note 1 - Regulation.

Under the cap on Fermi 2 capital expenditures, the cumulative amount available totals \$44 million (in 1993 dollars) at December 31, 1993. Under the cap on non-fuel operation and maintenance expenses, the cumulative amount available totals \$47 million (in 1993 dollars) at December 31, 1993.

Under the capacity factor performance standard, effective January 1, 1993, a disallowance of net incremental replacement power cost will be imposed for the amount by which the Fermi 2 three-year rolling average capacity factor is less than the greater of either the average of the top 50% of U.S. boiling water reactors or 50%. For purposes of the capacity factor performance standard, the capacity for Fermi 2 for the period 1989-1993 shall be 1,093 MW and 1,139 MW for each year thereafter until December 31, 2003. The plant's capacity factor was 86.5%, 76.6% and 64.6% during 1993, 1992 and 1991, respectively, or a three-year rolling average of 75.9%. The 1993 three-year rolling average capacity factor for the top 50% of U.S. boiling water reactors is estimated at 77%. Therefore, the capacity factor disallowance for 1993 is estimated to be approximately \$600,000 which was expensed in 1993.

As discussed in Note 2, on December 25, 1993, Fermi 2 experienced a forced outage. As a result, the three-year rolling average capacity factor will be unfavorably affected in 1994, 1995 and 1996. The Company will utilize the insurance proceeds from its extra expense and business interruption policy, which includes replacement power, to substantially offset any capacity factor disallowance that may be imposed in 1994, 1995 and 1996.

In accordance with December 1988 and April 1986 MPSC rate orders, ratemaking treatment of the Company's Fermi 2 project costs of \$4.858 billion is as follows: (1) \$3.018 billion in rate base with recovery and return, (2) \$300 million amortized over 10 years with no return, (3) \$513 million amortized over 19 years with associated interest of 8% and (4) \$1.027 billion disallowed and written off by the Company in 1988.

At December 31, 1993, the Company's net plant investment in Fermi 2 was \$3.2 billion (\$3.9 billion less accumulated depreciation and amortization of \$0.7 billion).

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Under the December 1988 MPSC order, if nuclear operations at Fermi 2 permanently cease, amortization in rates of the \$300 million and \$513 million investments in Fermi 2 would continue and the remaining net rate base investment amount shall be removed from rate base and amortized in rates, without return, over ten years with such amortization not to exceed \$290 million per year. In this event, unamortized amounts of deferred depreciation and deferred return, recorded in the Consolidated Balance Sheet under the phase-in plan prior to the removal of Fermi 2 from rate base, will continue to be amortized, with a full return on such unamortized balances, so that all amounts deferred are recovered during the period ending no later than December 31, 1998. The December 1988 and January 21, 1994 rate orders do not address the costs of decommissioning if operations at Fermi 2 prematurely cease.

In October 1992, the MPSC approved a settlement agreement providing for reinstatement of the PSRC Clause in 1993. Implementation of the provisions of this order together with the termination of the expense stabilization procedure surcharge on January 1, 1993, reduced the Company's operating revenues by approximately \$169 million in 1993. In December 1993, the MPSC approved a settlement agreement supporting a credit PSRC billing factor for the 1994 plan year. The PSRC revenue credit is expected to be \$6 million for 1994.

The Company has and believes it will continue to operate under the terms of all applicable MPSC orders with no significant adverse effects as a result of any cost recovery restrictions contained therein.

NOTE 4 – JOINTLY-OWNED UTILITY PLANT

The Company's portion of jointly-owned utility plant is as follows:

	Belle River	Ludington Pumped Storage
In-service date	1984-1985	1973
Undivided ownership interest	*	49%
Investment (millions)	\$1,025.8	\$171.7
Accumulated depreciation (millions)	\$ 273.6	\$ 63.1

* The Company's undivided ownership interest is 62.78% in Unit No. 1, 81.39% of the portion of the facilities applicable to Belle River used jointly by the Belle River and St. Clair Power Plants, 49.59% in certain transmission lines and, at December 31, 1993, 75% in facilities used in common with Unit No. 2.

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

improvements. The Company is obligated to provide MPPA with backup power when either unit is out of service.

The Company has contracted to purchase MPPA's capacity and energy entitlement through 1994. Such purchases were 90% for 1991, 80% for 1992 and 20% for 1993 and are contracted to be 10% for 1994. The cost for the buyback of power is based on MPPA's plant-related investment, interest costs incurred by MPPA on their original project financing plus 2.5%, and certain other costs such as depreciation and operation and maintenance expenses. Buyback payments to MPPA were \$58.1 million, \$50.9 million and \$12.5 million for 1991, 1992 and 1993, respectively, and are currently estimated at \$6.1 million for 1994.

LUDINGTON PUMPED STORAGE – Operation, maintenance and other expenses of the Ludington Pumped Storage Plant ("Ludington") are shared by the Company and Consumers Power Company ("Consumers") in proportion to their respective interests in the plant. See Note 12 for a discussion of contingencies related to Ludington.

One-sixth of the Company's Ludington generating capability was leased to The Toledo Edison Company through December 31, 1993.

NOTE 5 – SALE OF ACCOUNTS RECEIVABLE AND UNBILLED REVENUES

The Company entered into a program for the sale and assignment of an undivided ownership interest in \$200 million of the Company's customer accounts receivable and unbilled revenues and has made arrangements to continue the program through February 1995. At December 31, 1993 and 1992, customer accounts receivable and unbilled revenues in the Consolidated Balance Sheet have been reduced by \$200 million reflecting the sale. All expenses associated with the program are being charged to other income and deductions in the Consolidated Statement of Income.

NOTE 6 – INCOME TAXES

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

	Percent of Income Before Tax		
	1993	1992	1991
Statutory income tax rate	35.0%	34.0%	34.0%
Deferred Fermi 2 depreciation and return	1.1	(0.6)	(2.1)
Investment tax credit	(1.7)	(1.9)	(2.8)
Depreciation	3.9	3.3	3.3
Other – net	(1.6)	(0.2)	(0.6)
Effective income tax rate	36.7%	34.6%	31.8%

Components of income taxes were applicable to the following:

	1993	1992	1991
	<i>(Thousands)</i>		
Operating expenses			
Current	\$243,480	\$204,346	\$179,736
Deferred - net			
Borrowed funds component of AFUDC	(1,081)	(1,081)	(1,081)
Depreciation and amortization	74,567	70,864	72,814
Property taxes	(9,590)	3,952	(3,822)
Alternative minimum tax	28,174	50,537	-
Fermi 2 capitalized labor and expenses	(1,692)	(1,692)	(1,692)
Indirect construction costs	(1,268)	(1,268)	(1,268)
Uncollectible accounts	(700)	(3,060)	(4,420)
Contributions in aid of construction	(3,756)	(4,877)	(3,548)
Fermi 2 refueling outage	(6,136)	2,068	3,740
Michigan Single Business Tax	(29)	-	6,324
Shareholder value improvement plan	559	(2,256)	(2,899)
PSCR property tax refund	-	30	5,563
Coal contract buyouts	(1,411)	(1,918)	(773)
Injuries and damages	(5,855)	-	-
Steam purchase reserve	(3,850)	-	-
Employee reorganization expenses	(4,200)	-	-
Pensions and benefits	4,925	3,708	(1,366)
Other	(441)	173	560
	68,216	115,180	68,132
Investment tax credit - net			
Utilized	250	(417)	36,408
Amortized	(14,477)	(16,351)	(13,339)
	(14,227)	(16,768)	23,069
Total	297,469	302,758	270,937
Other income and deductions			
Current	(7,712)	(5,464)	(11,188)
Deferred - net	(882)	(1,644)	(1,027)
Total	(8,594)	(7,108)	(12,215)
Disallowed plant costs and accretion income			
Current	(18,405)	(19,835)	(20,125)
Deferred - net			
Disallowed plant costs	17,863	19,874	20,135
Accretion income	14,604	15,537	16,081
Investment tax credit	-	-	(9,611)
Total	14,062	15,576	6,480
Total income taxes	\$302,937	\$311,226	\$265,202

The Fermi 2 phase-in plan required the Company to record additional deferred income tax expense related to deferred depreciation totaling \$33.5 million, with this amount amortized to income over the six-year period ending December 31, 1998.

As authorized by the MPSC, deferred income taxes are recorded for tax credits generated under the Alternative Minimum Tax ("AMT") system created by the federal Tax Reform Act of 1986. These deferred income taxes are amortized at such time as the AMT credits are used on the

Company's federal income tax return. It is estimated that \$28.2 million of AMT credits will be used to reduce the Company's 1993 federal income taxes currently payable; therefore, an equal amount was amortized to deferred income tax expense in 1993. At December 31, 1993, the Company had no AMT credit carryforward.

Effective January 1, 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 requires an asset and liability approach for financial accounting and reporting for income taxes. At January 1, 1993, the Company recorded an increase in accumulated deferred income tax liabilities of \$740 million representing (a) the tax effect of temporary differences not previously recognized and (b) the recomputing of its tax liability at the current tax rate. The liability increase was offset by a regulatory asset of equal value, titled "Recoverable Income Taxes" in the Consolidated Balance Sheet. This regulatory asset represents the future revenue recovery from customers for these taxes as they become payable, with no effect on net income. In addition, SFAS No. 109 required the Company to reclassify \$63.0 million and \$74.4 million to current accumulated deferred income tax liabilities at December 31, 1993 and 1992, respectively, for those deferred tax amounts that relate to current assets or liabilities.

In August 1993, President Clinton signed into law the Omnibus Budget Reconciliation Act of 1993, which provides for, among other things, an increase in the federal corporate income tax rate from 34% to 35% retroactive to January 1, 1993. As a result of the increase in the income tax rate, the Company recorded (1) an increase of \$88.1 million in accumulated deferred income tax liabilities, offset by a corresponding increase in "Recoverable Income Taxes," and (2) an increase of \$10.4 million in income tax expense.

At December 31, 1993, "Recoverable Income Taxes" totaled \$771.3 million (deferrals of \$828.1 million less amortization of \$56.8 million).

Deferred income tax assets (liabilities) are comprised of the following at December 31, 1993:

	<i>(Thousands)</i>
Property	\$(2,021,358)
Fermi 2 deferred depreciation and return	(207,724)
Property taxes	(74,626)
Investment tax credit	195,000
Other	59,199
	\$(2,049,509)
Deferred income tax liabilities	\$(2,590,034)
Deferred income tax assets	540,535
	\$(2,049,509)

In 1993, the MPSC issued an order, in a generic proceeding, authorizing accounting procedures consistent with SFAS No. 109 and providing assurance that the effects of previously flowed-through tax benefits will continue to be allowed rate recovery.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The federal income tax returns of the Company are settled through the year 1986. The Company believes that adequate provisions for federal income taxes have been made through December 31, 1993.

NOTE 7 - COMMON STOCK AND CUMULATIVE PREFERRED AND PREFERENCE STOCK

At December 31, the outstanding Cumulative Preferred Stock redeemable solely at the option of the Company was:

	Date of Issuance	1993	1992
<i>(Thousands)</i>			
Cumulative Preferred Stock			
5 1/2% Convertible Series, 59,419 and 64,982 shares, respectively	Oct. 1967	\$ 5,942	\$ 6,498
9.32% Series, 499,080 shares (redeemed May 1993)	Oct. 1970	-	49,908
7.68% Series, 500,000 shares	Mar. 1971	50,000	50,000
7.45% Series, 600,000 shares	Nov. 1971	60,000	60,000
7.36% Series, 750,000 shares	Dec. 1972	75,000	75,000
7.75% Series, 1,500,000 shares	Feb. 1993	150,000	-
7.74% Series, 500,000 shares	Apr. 1993	50,000	-
Preferred stock expense		(10,259)	(4,647)
Total Cumulative Preferred Stock		\$380,683	\$236,759

The Convertible Cumulative Preferred Stock, 5 1/2% Series, is convertible by the holder into Common Stock. The conversion price was \$17.79 per share at December 31, 1993. The number of shares converted during 1993, 1992 and 1991 was 5,563, 5,978 and 10,937, respectively. The number of shares of Common Stock reserved for issuance upon conversion and the conversion price are subject to further adjustment in certain events. This Series may be redeemed at any time in whole or in part at the option of the Company at \$100 per share, plus accrued dividends.

The Company's 7.68% Series, 7.45% Series and 7.36% Series Cumulative Preferred Stock are redeemable solely at the option of the Company at a per share redemption price of \$101, plus accrued dividends.

On February 25, 1993 and April 28, 1993, the Company issued 1,500,000 shares and 500,000 shares of its Cumulative Preferred Stock (\$100 par value), 7.75% Series and 7.74% Series, respectively. These shares of each series were offered to the public as Depositary Shares, with each such Depositary Share representing a 1/4 interest in a share of the 7.75% and 7.74% Cumulative Preferred Stock. A bank was appointed to serve as Depositary. The Company's 7.75% Series and 7.74% Series Cumulative Preferred Stock are redeemable solely at the option of the Company at a per share redemption price of \$100 (equivalent to \$25 per Depositary Share), plus accrued dividends, on and after April 15, 1998 and July 15, 1998, respectively.

Apart from MPSC approval and the requirement that

common, preferred and preference stock be sold for at least par value, there are no legal restrictions on the issuance of additional authorized shares of such stock.

In addition, the Company redeemed the following series of Cumulative Preferred and Preference Stock during 1993:

	Shares Redeemed	Par Value	Redemption Date	Redemption Price
Preferred Stock				
9.72% Series	60,000	\$100	1-15-93	\$100
9.72% Series	240,000	100	3-26-93	102.90
9.60% Series	292,500	100	3-26-93	104
9.32% Series	499,080	100	5-28-93	101
Preference Stock				
\$2.75 B Series	200,000	1	1-15-93	25
\$2.28 Series	2,000,000	1	3-26-93	25.25

At December 31, 1993, there was no outstanding Cumulative Preferred and Preference Stock subject to mandatory redemption.

NOTE 8 - SHORT-TERM CREDIT ARRANGEMENTS AND BORROWINGS

As described below, at December 31, 1993, the Company had total short-term credit arrangements of approximately \$389 million under which \$138.2 million of borrowings were outstanding.

The Company had bank lines of credit of \$200 million, all of which had commitment fees in lieu of compensating balances. Commitment fees incurred in 1993 for bank lines of credit were approximately \$0.3 million. The Company uses bank lines of credit to support the issuance of commercial paper and bank loans. All borrowings are at prevailing money market rates which are below the banks' prime lending rates.

On May 26, 1993, FERC issued its order authorizing the continuation of the Company's \$1 billion of short-term borrowing authority. This authority will be in effect through May 31, 1995.

The Company has a nuclear fuel financing arrangement (heat purchase contract) with Renaissance Energy Company ("Renaissance"), an unaffiliated company. Renaissance may issue commercial paper borrow from participating banks on the basis of promissory notes. To the extent the maximum amount of funds available to Renaissance (currently \$400 million) is not needed by Renaissance to purchase nuclear fuel, such funds may be loaned to the Company for general corporate purposes pursuant to a separate Loan Agreement. At December 31, 1993, approximately \$189 million was available to the Company under such Loan Agreement. See Note 9 for a discussion of the Company's heat purchase contract with Renaissance.

NOTE 9 — LEASES

Future minimum lease payments under long-term noncancellable leases, consisting of nuclear fuel (\$238 million computed on a projected units of production basis), lake vessels (\$54 million), locomotives and coal cars (\$163 million), office space (\$30 million) and computers, vehicles and other equipment (\$19 million) at December 31, 1993 are as follows:

	(Millions)		(Millions)
1994	\$ 61	1997	\$ 63
1995	114	1998	41
1996	79	Remaining years	146
		Total	\$504

The Company has a heat purchase contract with Renaissance which provides for the purchase by Renaissance for the Company of up to \$400 million of nuclear fuel, subject to the continued availability of funds to Renaissance to purchase such fuel. Title to the nuclear fuel is held by Renaissance. The Company makes quarterly payments under the heat purchase contract based on the consumption of nuclear fuel for the generation of electricity. Renaissance's investment in nuclear fuel was \$184 million and \$226 million at December 31, 1993 and 1992, respectively. The decrease in 1993 from 1992 of \$42 million includes additions of \$36 million (purchases of \$33 million and capitalized interest of \$3 million) less \$78 million for the amortization of nuclear fuel consumed in 1993.

Under SFAS No. 71, amortization of leased assets is modified so that the total of interest on the obligation and amortization of the leased asset is equal to the rental expense allowed for ratemaking purposes. For ratemaking purposes, the MPSC has treated all leases as operating leases. Net income is not affected by capitalization of leases.

Rental expenses for both capital and operating leases were \$126 million (including \$89 million for nuclear fuel), \$108 million (including \$70 million for nuclear fuel) and \$106 million (including \$67 million for nuclear fuel) for 1993, 1992 and 1991, respectively.

NOTE 10 — LONG-TERM DEBT

The Company's 1924 Mortgage and Deed of Trust ("Mortgage"), the lien of which covers substantially all of the Company's properties, provides for the issuance of additional bonds. At December 31, 1993, approximately \$2.9 billion principal amount of Mortgage Bonds could have been issued on the basis of property additions, combined with an earnings test provision, assuming an interest rate of

7.5% on any such additional Mortgage Bonds. An additional \$1.1 billion principal amount of Mortgage Bonds could have been issued on the basis of bond retirements. The Mortgage originally provided for an October 2024 expiration date. Over a period of time, 85% of the holders of all outstanding Mortgage Bonds consented to the deletion of the expiration date and accordingly, in April 1993, the Mortgage was amended to delete the expiration date.

Long-term debt outstanding at December 31 was:

	Interest Rate	1993	1992
(Thousands)			
General and Refunding Mortgage Bonds			
Series R, due 12/1/96	6 %	\$ 100,000	\$ 100,000
Series S, due 10/1/98	6.4	150,000	150,000
Series V, due 12/15/00	8.15	—	100,000
Series X, due 6/15/01	8%	—	100,000
Series Y, due 11/15/01	7%	—	60,000
Series Z, due 1/15/03	7½	—	100,000
Series SS, due 3/15/96	10%	—	40,000
1980 Series B, due 4/1/97	12%	—	26,850
1986 Series A, due 4/15/16	9%	—	200,000
1986 Series C, due 12/15/16	9½	—	200,000
1987 Series A, due 2/15/17	9	—	300,000
1987 Series B, due 4/15/97	8%	—	175,000
1987 Series C, due 4/15/14	9%	—	225,000
1987 Series E, due 6/15/93	9%	—	200,000
1989 Series A, due 7/1/19	9%	168,285	300,000
1990 Series A, due 3/31/20	7.904	169,533	175,812
1990 Series B, due 3/31/16	7.904	218,868	228,384
1990 Series C, due 3/31/14	8.357	71,799	75,218
1992 Series D, due 8/1/02 and 8/1/22	7.629*	300,000	300,000
1992 Series E, due 12/15/99	6.83	50,000	50,000
1993 Series B, due 12/15/99	6.83	50,000	—
1993 Series C, due 1/15/03 and 1/13/23	7.939*	225,000	—
1993 Series D, due 4/1/99	6.45	100,000	—
1993 Series E, due 3/15/00, 3/17/03 and 3/15/23	6.877*	400,000	—
1993 Series G, due 5/1/97 and 5/1/01	5.921*	225,000	—
1993 Series H, due 7/15/28	3.383**	50,000	—
1993 Series J, due 6/1/18	7.74	300,000	—
1993 Series K, due 8/15/33	4½**	160,000	—
Less: Unamortized net discount		(2,087)	(10,324)
Amount due within one year		(19,214)	(235,864)
		<u>\$2,717,184</u>	<u>\$2,860,076</u>

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	Interest Rate	1993	1992
(Thousands)			
Tax Exempt Revenue Bond Obligations			
Secured by corresponding amounts of General and Refunding Mortgage Bonds			
Installment Sales Contracts, due 6/1/94 - 9/1/24	7.45%*	\$ 306,440	\$ 371,875
Less: Unamortized net discount		(293)	(308)
Funds on deposit with Trustee		(160)	(148)
Amount due within one year		(435)	(435)
		<u>\$ 305,552</u>	<u>\$ 370,984</u>
Loan Agreements, due 7/15/08 - 8/1/24	6.75*	\$ 467,025	\$ 390,515
Unsecured			
Installment Sales Contracts, due 12/15/15 - 12/1/19	9.16*	\$ 290,360	\$ 290,360
Loan Agreements, due 4/15/09 - 10/1/24	5.46*	\$ 50,475	\$ 61,550
		<u>\$1,113,412</u>	<u>\$1,113,409</u>
Total Long-Term Debt		<u>\$3,830,596</u>	<u>\$3,973,485</u>

*Weighted average interest rate at December 31, 1995.

**Variable rate at December 31, 1993.

In 1994, 1995, 1996, 1997 and 1998, long-term debt maturities consist of \$20 million, \$19 million, \$119 million, \$144 million and \$169 million, respectively.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and temporary cash investments/Short-term borrowings

The carrying amount approximates fair value because of the short maturity of those instruments.

Other investments

The fair value of the Company's other investments was not estimated since they are not material and because some are already recorded at fair value.

Nuclear decommissioning trust funds

The fair value of the Company's nuclear decommissioning trust funds is estimated based on quoted market prices for the bonds and common stocks and carrying amount for the cash equivalents.

Sale of accounts receivable and unbilled revenues

The carrying amount approximates fair value because of the short maturity of accounts receivable and unbilled revenues pledged for sale.

Cumulative preferred/preference stock

The fair value of the Company's preferred and preference stock outstanding is estimated based on the quoted market prices for the same or similar issues.

Long-term debt

The fair value of the Company's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

Customer surety deposits

Surety deposits, including interest as specified by MPSC regulation, are returned to customers. The carrying amount approximates fair value.

The estimated fair values of the Company's financial instruments at December 31 are as follows:

	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Thousands)				
Cash and temporary cash investments	\$ 11,071	\$ 11,071	\$ 9,414	\$ 9,414
Other investments	2,809	2,809	5,536	5,536
Nuclear decommissioning trust funds	29,929	31,290	24,583	25,590
Sale of accounts receivable and unbilled revenues	200,000	200,000	200,000	200,000
Cumulative preferred/preference stock	390,942	396,154	355,656	355,068
Long-term debt	3,850,405	4,106,216	4,279,932	4,473,540
Short-term borrowings	138,204	138,204	28,994	28,994
Customer surety deposits	10,819	10,819	9,803	9,803

NOTE 12 - COMMITMENTS AND CONTINGENCIES

COMMITMENTS - The Company has entered into purchase commitments of approximately \$434 million at December 31, 1993. The Company has also entered into substantial long-term fuel supply and transportation commitments.

The Company has an Energy Purchase Agreement ("Agreement") for the purchase of steam and electricity from the Detroit Resource Recovery Facility. Under the Agreement, the Company will purchase steam through the year 2008 and electricity through June 30, 2024. Purchases of steam and electricity were \$23.6 million for 1993 and annual purchase commitments are approximately \$27.5

million, \$29.3 million, \$32.5 million, \$35.9 million and \$37.1 million for 1994, 1995, 1996, 1997 and 1998, respectively.

See Note 4 for a discussion of buyback commitments to MPPA related to the Belle River Power Plant.

CONTINGENCIES – In 1986, the Michigan Attorney General (“AG”) and the Michigan Natural Resources Commission filed a lawsuit against the Company and Consumers as co-owners of Ludington. The Company is a 49% co-owner of Ludington. The suit, which alleges violations of the Michigan Environmental Protection Act and the common law for claimed aquatic losses, seeks past damages (including interest) of approximately \$148 million and future damages (from the time of the filing of the lawsuit) in the amount of approximately \$89,500 per day (of which 49% would be applicable to the Company). In November 1990, the Court granted the Company’s motion seeking dismissal of the case upon which the AG filed a claim of appeal. On September 21, 1993, the Michigan Court of Appeals reversed the trial court’s dismissal of the AG’s lawsuit and remanded the matter to the lower court for trial. An application for leave to appeal was filed with the Michigan Supreme Court. Thereafter, on October 12, 1993, the Michigan Court of Appeals issued a Notice of Rehearing, which was followed by the issuance of an amended opinion on October 14, 1993. The amended opinion did not affect the reversal of the trial court’s dismissal of the lawsuit. The appeal to the Michigan Supreme Court remains pending.

In 1986, two environmental organizations requested FERC to withdraw the Ludington license or provide some mitigation for fish mortality. In April 1989, Consumers and the Company were ordered by the FERC to install a temporary barrier net around the plant to protect fish on an interim basis until permanent measures could be developed. At this time, a net has been in operation for five seasons and the companies have proposed that it be utilized as part of the permanent solution. The Company is unable to determine what the total cost of the permanent measures will be, however, pending a decision by the FERC, the companies intend to continue to operate the seasonal net at an estimated annual cost of \$3 million.

In January 1989, the Environmental Protection Agency (“EPA”) issued an administrative order under the Comprehensive Environmental Response, Compensation and Liability Act ordering the Company and 23 other potentially responsible parties (“PRPs”) to begin removal activities at the Carter Industrials superfund site. On June 4, 1993, the Consent Decree agreed to by the EPA, the U.S. Justice Department, the Company and 11 other PRPs was entered by the U.S. District Court for the Eastern District of Michigan. It included a provision for the payment of past costs incurred by the EPA of which the Company’s share was approximately \$1.3 million, paid in June 1993. The Company has recorded a liability of \$8.8 million, which amount was charged to other operation expense in the Consolidated Statement of Income

in 1989-1992, as its anticipated cost of the clean-up in 1994-1997. There is, however, the possibility that EPA may, through subsequent proceedings, require a clean-up of the sewer and sewer outfall emptying into the Detroit River.

On August 4, 1993, the Company, along with approximately 28 other parties, received a “Notice of Demand” from the Michigan Department of Natural Resources (“MDNR”), acting pursuant to a Michigan statute, for all past (\$142,000) and future costs incurred by the state in performing response activities related to the Carter Industrials site. In addition, the notice indicated the need to conduct a PCB-sediment sampling program at the sewer outfall emptying into the Detroit River. In response to the “Notice of Demand,” the Carter Industrials Site Group (the group, including the Company, of PRPs formed to jointly remediate the Carter Industrials site) offered to pay a portion of the past cost incurred by the MDNR, declined to commit to pay future costs which the MDNR may incur and declined to conduct the Detroit River sediment sampling and analysis requested by the MDNR. At this time, it is impossible to predict what impact, if any, this matter will have upon the Company.

The Energy Act became effective in October 1992. While the Company is unable to predict the ultimate impact of this legislation on its operations, the Company expects that, over time, non-utility generation resources will be developed which will result in greater competition for power sales.

In addition to the matters reported herein, the Company is involved in litigation and environmental matters dealing with the numerous aspects of its business operations. The Company believes that such litigation and the matters discussed above will not have a material effect on its financial position or results of operations.

See Notes 2 and 3 for a discussion of contingencies related to Fermi 2.

NOTE 13 – EMPLOYEES’ RETIREMENT PLAN, OTHER POSTRETIREMENT BENEFITS AND OTHER POSTEMPLOYMENT BENEFITS

EMPLOYEES’ RETIREMENT PLAN – The Company has a trustee and non-contributory defined benefit retirement plan (“Plan”) covering all eligible employees who have completed six months of service. The Plan provides retirement benefits based on the employee’s years of benefit service, average final compensation and age at retirement. The Company’s policy is to fund pension cost calculated under the projected unit credit actuarial cost method, provided that this amount is at least equal to the minimum funding requirement of the Employee Retirement Income Security Act of 1974, as amended, and is not greater than the maximum amount deductible for federal income tax

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purposes. The Company was operating under the Internal Revenue Service full funding limitation and, therefore, did not make a contribution to the Plan in 1991. Contributions were made to the Plan totaling \$23.7 million in 1992 and \$29.4 million in 1993.

Net pension cost included the following components:

	1993	1992	1991
	(Thousands)		
Service cost – benefits earned during the period	\$ 22,945	\$ 21,644	\$ 18,058
Interest cost on projected benefit obligation	74,490	70,511	65,487
Actual return on Plan assets	(119,037)	(56,208)	(180,225)
Net deferral and amortization:			
Deferral of net gain (loss) during current period	33,435	(23,528)	104,796
Amortization of unrecognized prior service cost	3,297	2,776	1,164
Amortization of unrecognized net asset resulting from initial application	(4,507)	(4,507)	(4,507)
Net pension cost	\$ 10,623	\$ 10,688	\$ 4,773

Assumptions used in determining net pension cost are as follows:

	1993	1992	1991
Discount rate	8.0%	8.0%	8.5%
Annual increase in future compensation levels	5.0	5.0	5.0
Expected long-term rate of return on Plan assets	9.5	9.5	9.5

The following reconciles the funded status of the Plan to the amount recorded in the Company's Consolidated Balance Sheet:

	December 31	
	1993	1992
	(Thousands)	
Plan assets at fair value, primarily equity and debt securities	\$1,059,775	\$967,000
Less actuarial present value of benefit obligation:		
Accumulated benefit obligation, including vested benefits of \$872,138 and \$793,436, respectively	892,761	813,947
Increase in future compensation levels	152,279	137,066
Projected benefit obligation	1,045,040	951,013
Plan assets in excess of projected benefit obligation	14,735	15,987
Unrecognized net asset resulting from initial application	(37,795)	(42,302)
Unrecognized net gain	(7,315)	(12,804)
Unrecognized prior service cost	45,518	35,456
Asset (Liability) recorded as Other Deferred Debits (Credits) in the Consolidated Balance Sheet	\$ 15,143	\$ (3,663)

Assumptions used in determining the projected benefit obligation are as follows:

	December 31	
	1993	1992
Discount rate	7.5%	8.0%
Annual increase in future compensation levels	4.5	5.0

The unrecognized net asset at date of initial application is being amortized over approximately 15.4 years, which was the average remaining service period of employees at January 1, 1987.

In addition to the Plan, the Company has several supplemental non-qualified, non-contributory, unfunded retirement benefit plans for certain management employees.

OTHER POSTRETIREMENT BENEFITS – The Company provides certain postretirement health care and life insurance benefits for retired employees. Substantially all of the Company's employees will become eligible for such benefits if they reach retirement age while still working for the Company. These benefits are provided principally through insurance companies and other organizations.

Effective January 1, 1993, the Company adopted the provisions of SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The new standard required the Company to change its accounting for postretirement benefits from the pay-as-you-go (cash) basis to the accrual of such benefits during the active service periods of employees to the date they attain full eligibility for benefits. The transition obligation at the time of adoption is being amortized over 20 years. The Company's incremental cost upon adoption of the new standard was \$49 million for 1993 which is being deferred in accordance with the January 21, 1994 MPSC rate order. See Note 3. Pursuant to a settlement agreement with sales for resale customers, recovery of the FERC jurisdictional portion reduced the asset deferral for 1993 by \$580,000.

Net other postretirement benefits cost for 1993 included the following components:

	(Thousands)
Service cost – benefits earned during the period	\$15,312
Interest cost on accumulated postretirement benefit obligation	33,787
Actual return on assets	(18)
Amortization of unrecognized transition obligation	21,685
Net other postretirement benefits cost	\$70,766

The status at December 31, 1993 was as follows:

	<i>(Thousands)</i>
Actuarial present value of benefit obligation:	
Retirees	\$(242,787)
Fully eligible active participants	(65,933)
Other active participants	(129,075)
Accumulated postretirement benefit obligation	(437,795)
Less assets at fair value, primarily equity and debt securities	599
Benefit obligation in excess of assets	(437,196)
Unrecognized transition obligation	392,026
Unrecognized net gain	(3,397)
Liability recorded as Other Non-Current Liabilities in the Consolidated Balance Sheet	<u>\$ (48,567)</u>

Assumptions used in determining net other postretirement benefits cost for 1993 include a discount rate of 8%, an increase in future compensation levels of 5% annually and an expected long-term rate of return on assets of 9.5%.

Assumptions used in determining the accumulated benefit obligation at December 31, 1993 include a discount rate of 7.5% and an increase in future compensation levels of 4.5% annually. Benefit costs were calculated assuming health care cost trend rates beginning at 13.4% for 1993 and decreasing to 5.5% in 2008 and thereafter for persons under age 65 and decreasing from 7.6% to 5.5% for persons age 65 and over. A one-percentage-point increase in health care cost trend rates would increase the aggregate of the service cost and interest cost components of benefit costs by \$6 million for 1993 and increase the accumulated benefit obligation by \$43 million at December 31, 1993.

OTHER POSTEMPLOYMENT BENEFITS – In November 1992, the Financial Accounting Standards Board ("FASB") issued SFAS No. 112, "Employers' Accounting for Postemployment Benefits", which establishes financial accounting and reporting standards for employers who provide benefits to former or inactive employees after employment but before retirement. The Company has accounted for certain of these benefits, principally workers' compensation, on a pay-as-you-go (cash) basis. SFAS No. 112 requires the accrual of postemployment benefits. The Company adopted the provisions of SFAS No. 112 in 1993 with no significant effect on net income.

NOTE 14 – SUPPLEMENTARY QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	1993 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	<i>(Thousands, except per share amounts)</i>			
Operating Revenues	\$874,847	\$835,171	\$976,248	\$868,945
Operating Income	221,732	186,498	228,436	207,281
Net Income	135,203	102,664	153,365	130,671
Earnings for Common Stock	127,060	94,799	145,950	123,257
Earnings Per Share	0.86	0.64	0.99	0.84

	1992 Quarter Ended			
	Mar. 31	June 30	Sept. 30	Dec. 31
	<i>(Thousands, except per share amounts)</i>			
Operating Revenues	\$895,827	\$864,902	\$911,546	\$885,868
Operating Income	250,936	219,522	245,443	237,255
Net Income	156,105	125,774	155,370	150,798
Earnings for Common Stock	148,353	118,072	147,771	143,353
Earnings Per Share	1.01	0.80	1.01	0.98

Earnings per share amounts for each quarter are required to be computed independently and, therefore, may not equal the amount computed for the total year.

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This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and accompanying Notes thereto, contained herein.

RESULTS OF OPERATIONS

In 1993, the Company's earnings for common stock were \$491.1 million, or \$3.34 per share, a decrease of 11.9% from the \$557.5 million, or \$3.79 per share earned in 1992. The earnings decrease for the year was due to a 5 percent reduction in electric rates, effective January 1, 1993, which reduced 1993 operating revenues by approximately \$169 million, or 75 cents per share, higher operating expenses (including higher federal income tax expense of \$10.4 million for the full year 1993, or 7 cents per share, due to an increase in the corporate income tax rate from 34 percent to 35 percent retroactive to January 1, 1993) and lower non-operating income, partially offset by higher sales and lower interest expense due to the early redemption and refinancing of higher cost debt and the redemption of maturing debt. Warm summer weather and improved economic conditions in Southeastern Michigan contributed to a sales increase.

At December 31, 1993, the book value of the Company's common stock was \$22.34 per share, an increase of 5.7% since December 31, 1992. Return on average total common shareholders' equity was 15.2% in 1993, 18.6% in 1992 and 19.5% in 1991.

The ratio of earnings to fixed charges for 1993, 1992 and 1991 was 3.25, 3.09 and 2.74, respectively. The ratio of earnings to fixed charges and preferred and preference stock dividend requirements for 1993, 1992 and 1991 was 2.88, 2.79 and 2.50, respectively.

OPERATING REVENUES

Total operating revenues increased (decreased) due to the following factors:

	1993	1992
	(Millions)	
Rate changes		
Fermi 2 phase-in plan	\$ -	\$ 96
Expense stabilization procedure	(63)	8
Power Supply Cost Recovery Clause	(106)	-
	(169)	104
System sales volume and mix	158	(86)
Interconnection sales	2	(47)
Other - net	6	(4)
Total	\$ (3)	\$ (33)

Rate Changes

A December 1988 Michigan Public Service Commission ("MPSC") rate order, issued as a result of a settlement agreement, provided for a Fermi 2 phase-in plan and granted \$527.1 million of rate increases and other rate changes for Fermi 2 to be phased in over the seven-year period 1988-1994. The order also provided for a moratorium on other

base rate changes for the five-year period 1989-1993, an expense stabilization procedure ("ESP"), which provided annual revenues of \$55 million in 1991 and \$63 million in 1992 for the effects of inflation and a suspension of the Power Supply Cost Recovery ("PSCR") Clause for the four-year period 1989-1992. The ESP expired for service rendered on and after January 1, 1993 and the PSCR Clause was reinstated in 1993. As a result of these two items, 1993 operating revenues were reduced by approximately \$169 million.

Kilowatthour Sales

Kilowatthour sales increased (decreased) as follows:

	1993	1992
Residential	6.4%	(7.5)%
Commercial	4.0	(1.2)
Industrial	6.6	2.3
Other (includes primarily sales for resale)	6.7	28.6
Total System	5.6	(0.9)
Interconnection	12.7	(42.1)
Total	6.1	(5.8)

1993 includes unbilled sales by rate class while 1992 includes unbilled sales in the other sales category.

1993

Residential and commercial sales increased due primarily to substantially warmer summer weather resulting in increased air conditioning and cooling-related loads, partially offset by warmer winter weather reducing heating-related sales. Industrial sales increased due to higher automotive and steel production and improved economic conditions. The increased sales to other customers reflect increased load requirements of wholesale for resale customers.

1992

The decreases in residential and commercial sales were due primarily to cooler weather during the second and third quarters which resulted in reduced air conditioning and cooling-related loads, partially offset by growth in the number of customers. Industrial sales increased primarily as a result of higher sales to automotive and other manufacturing customers reflecting better economic conditions. The increased sales to other customers reflect increased load requirements of wholesale for resale customers.

Interconnection Sales

Interconnection sales represent sales between utilities to meet short- and long-term energy needs as a result of demand and/or generating unit availability.

1993

Interconnection sales increased due primarily to increased sales to Consumers Power Company, partially offset by a decrease in sales to Ontario Hydro.

1992

Interconnection sales decreased as a result of lower sales to Consumers Power Company and Ontario Hydro.

OPERATING EXPENSES

Fuel and Purchased Power

Fuel and purchased power expenses increased (decreased) due to the following factors:

	1993	1992
	<i>(Millions)</i>	
Net system output	\$ 43	\$(47)
Average unit cost	(37)	(21)
Other	5	7
Total	\$ 11	\$(61)

Net system output and average unit costs were as follows:

	1993	1992	1991
	<i>(Thousands of Megawatthours)</i>		
Power plant generation			
Fossil	38,882	36,689	40,243
Nuclear	8,274	7,338	6,157
Purchased power	2,211	2,705	3,133
Net system output	49,367	46,732	49,533
Average unit cost (\$/Megawatthour)	\$15.73	\$16.49	\$16.94

The decreases in average unit cost were due to declining fuel prices resulting from greater use of lower-cost Western low-sulfur coal, increases in lower-cost nuclear generation, decreases in the buyback of Belle River Power Plant capacity and energy from the Michigan Public Power Agency and, in 1992, lower purchases of energy from other utilities.

Other Operation

1993

Other operation expense increased due primarily to the write-off of obsolete and excess stock material, higher injuries and damages expenses, a provision for employee reorganization expenses, a reserve for steam purchases under the agreement with the Greater Detroit Resource Recovery Authority, incentive award expenses related to a shareholder value improvement plan and expenses related to the new collective bargaining agreement with employees represented by the Utility Workers Union of America - Local 223. These increases were partially offset by lower uncollectible expenses and a 1992 accrual for low-level nuclear waste disposal.

1992

Other operation expense decreased due primarily to expenses incurred in 1991 under an arrangement which provided for the voluntary separation from service of certain employees, lower incentive award expenses related to a shareholder value improvement plan and lower environmental, fossil plant and storm expenses. These decreases were partially offset by an accrual for low-level nuclear waste disposal and higher retirement plan and uncollectible expenses.

Maintenance

1993

Maintenance expense decreased due primarily to lower line clearance and storm expenses, partially offset by expenses related to the new collective bargaining agreement with employees represented by the Utility Workers Union of America - Local 223.

1992

Maintenance expense decreased due primarily to lower nuclear plant maintenance and storm expenses.

Depreciation and Amortization

1993 and 1992

Depreciation and amortization expense increased due to increases in plant in service.

Deferred Fermi 2 Depreciation and Amortization

1993 and 1992

Deferred Fermi 2 depreciation, a non-cash item of income, was recorded beginning with the implementation of the Fermi 2 rate phase-in plan in January 1988. The annual amount deferred decreased each year through 1992. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues. Deferred Fermi 2 amortization, also a non-cash item of income, was recorded beginning with the Company's purchase of the Wolverine Power Supply Cooperative, Inc.'s ownership interest in Fermi 2 in February 1990. The annual amount deferred decreases each year through 1999.

Amortization of Deferred Fermi 2 Depreciation and Return

1993

Beginning in 1993, the Company began amortizing to operating expense deferred Fermi 2 depreciation and return as discussed herein.

Taxes Other Than Income Taxes

1993

Taxes other than income taxes increased due primarily to higher Michigan Single Business Tax ("MSBT") expense and higher property taxes.

1992

Taxes other than income taxes increased due primarily to higher property taxes and an increase in MSBT expense due to the 1991 reversal of a liability for the Capital Acquisition Deduction applicable to 1990, partially offset by lower MSBT expense recorded for the current and prior years.

Income Taxes

1993

Income taxes decreased due primarily to lower pretax income and prior years' federal income tax accrual, partially offset by an increase in the federal corporate income tax rate from 34% to 35% retroactive to January 1, 1993 and higher taxes due to the reduction of deferred Fermi 2 depreciation, amortization and return.

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1992

Income taxes increased due primarily to higher pretax income and the reduction of deferred Fermi 2 depreciation, amortization and return.

Deferred Fermi 2 Return

1993 and 1992

Deferred Fermi 2 return, a non-cash item of income, was recorded beginning with the implementation of the Fermi 2 rate phase-in plan in January 1988. The annual amount deferred decreased each year through 1992. Beginning in 1993 and continuing through 1998, these deferred amounts will be amortized to operating expense as the cash recovery is realized through revenues.

Other Income and Deductions

1993

Other deductions increased due primarily to an increase in the accrual for decommissioning expenses for Fermi 1, an experimental nuclear unit that has been shut down since 1972.

1992

Other deductions decreased due primarily to premiums and expenses incurred in 1991 for the early redemption of General and Refunding Mortgage Bonds ("Mortgage Bonds").

Accretion Income

1993 and 1992

Accretion income, a non-cash item of income, was recorded beginning in January 1988 to restore to income, over the period 1988-1998, losses recorded due to discounting indirect disallowances of plant costs. The annual amount of accretion income recorded decreases each year through 1998.

Income Taxes - Disallowed Plant Costs and Accretion Income

1992

Income taxes increased due to utilization in 1991 of investment tax credit carryforwards related to disallowed Fermi 2 plant costs, which were recorded under the flow-through method when utilized.

Interest Charges

1993 and 1992

Interest expense on long-term debt decreased due to the early redemption and refinancing of securities when economic and the redemption of maturing securities.

Preferred and Preference Stock Dividend Requirements

1993

Preferred and preference stock dividend requirements increased slightly due to issuance of cumulative preferred stock, partially offset by optional and mandatory redemption of outstanding shares.

1992

Preferred and preference stock dividend requirements decreased due to optional and mandatory redemptions of outstanding shares.

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity has improved since the 1988 commercial operation of Fermi 2, a nuclear generating unit comprising 29% of the Company's total assets and 11% of the Company's summer net rated capability, as a result of scheduled rate increases in accordance with the Company's December 1988 MPSC rate order and lower levels of capital expenditures.

Fermi 2

The commercial operation of Fermi 2 completed the Company's power plant construction program. The Company has no current plans for additional generating plants. Ownership of an operating nuclear generating unit such as Fermi 2 subjects the Company to significant additional risks. Nuclear plants are highly regulated by a number of governmental agencies concerned with public health and safety as well as the environment, and consequently, are subject to greater risks and scrutiny than conventional fossil-fueled plants.

Fermi 2 has been out of service since December 25, 1993. On that date, the reactor automatically shut down following a turbine trip caused by an apparent turbine failure, with related fire and water damage. Safety systems responded within design and regulatory specifications. The turbine suffered mechanical damage, the exciter and generator incurred mechanical and fire damage, and the condenser has some internal damage. The fire was contained in the turbine building, and there was no release of radioactive contaminants. The nuclear part of the plant was not damaged.

The cost of repairs to Fermi 2 and the return to service of the unit cannot be estimated until inspection of the turbine is completed and the root cause of the equipment failure is determined. It is expected that replacement power will be available in amounts sufficient to meet projected electrical demand during the Fermi 2 outage. During the outage, work associated with the scheduled March 1994 fuel reload will be completed.

The Company anticipates that the cost of repair, decontamination cleanup and replacement power, all subject to policy deductibles and terms and conditions, will be recoverable through insurance.

At December 31, 1993, Fermi 2 was insured for property damage in the amount of \$2.7 billion and the Company had available approximately \$9 billion in public liability insurance. To the extent that insurable claims for replacement power, property damage, decontamination, repair and replacement and other costs arising from a nuclear incident at Fermi 2 exceed the policy limits of insurance, or to the extent that such insurance becomes unavailable in the future, the Company will retain the risk of loss.

Cash Generation and Cash Requirements

Consolidated Statement of Cash Flows

The Company generates substantial cash flows from operating activities as shown in the Consolidated Statement of Cash Flows. Net cash from operating activities, which is the Company's primary source of liquidity, was \$952 million in 1991, \$1,063 million in 1992 and \$1,141 million in 1993. Net cash from operating activities increased in 1993 due to lower non-cash items of income (deferred Fermi 2 depreciation and return), higher depreciation and amortization, an increase in accounts payable and a decrease in fuel inventories, partially offset by lower net income and deferred income taxes. Net cash from operating activities increased in 1992 due to higher net income, higher non-cash charges to income (depreciation, amortization and deferred income taxes), lower non-cash items of income (deferred Fermi 2 depreciation and return) and changes in current assets and liabilities.

Net cash used for investing activities decreased in 1993 and increased in 1992 due primarily to changes in the level of plant and equipment expenditures.

The Company has increasingly used cash for financing activities and to increase dividends paid on common stock. Optional and mandatory redemptions of higher-cost long-term debt and preferred and preference stock increased following completion of the Company's power plant construction program in 1988. In 1993 and 1992, there was a substantial increase in debt refinancing. Assuming favorable economic conditions, the Company expects that it will continue to refinance existing higher-cost debt and equity securities.

Additional Information

A November 1992 MPSC order permits the Company to issue approximately \$3.5 billion of securities for the purpose of refinancing debt and preferred and/or preference stock (issued prior to 1993) prior to maturity (when economic) and at maturity, and to replace funds used for those purposes. The Company also has MPSC authority to refinance substantially all non-taxable debt obligations issued prior to 1990.

Cash requirements for scheduled long-term debt redemptions are expected to be \$20 million, \$19 million, \$119 million, \$144 million and \$169 million for 1994, 1995, 1996, 1997 and 1998, respectively.

Effective April 15, 1992 and 1993, the quarterly common stock dividend was increased from \$0.47 per share to \$0.495 per share and from \$0.495 per share to \$0.515 per share, respectively.

Cash requirements for capital expenditures were \$395 million in 1993 and are expected to be approximately \$1.8 billion for the period 1994 through 1998. In 1994, cash requirements for capital expenditures are estimated at \$382 million. Environmental expenditures are expected to approximate \$56 million for the period 1994 through 1998, includ-

ing expenditures for Clean Air Act compliance requirements. See "Environmental Matters" herein.

The Company's internal cash generation is expected to be sufficient to meet cash requirements for capital expenditures as well as scheduled long-term debt redemption requirements.

The Company had total short-term credit arrangements of approximately \$389 million at December 31, 1993, under which \$138.2 million of borrowings were outstanding.

In December 1993, the Michigan legislature enacted legislation providing two alternative state and local tax plans to finance public education in Michigan beginning with the 1994-1995 school fiscal year. Michigan voters will choose between the two plans in a special statewide election to be held on March 15, 1994. Each plan calls for new taxes and increases in existing taxes to replace over \$6 billion of local property taxes for school operating purposes which the legislature eliminated last summer. If one plan is approved by the voters, annual Company state and local tax costs would be reduced by about \$13.5 million. If this plan does not receive voter approval, state and local tax costs would increase by about \$6.5 million annually.

Capitalization

The Company's capital structure ratios (excluding amounts of long-term debt and preferred and preference stock due within one year) were as follows:

	December 31		
	1993	1992	1991
Common Shareholders' Equity	43.9%	42.0%	38.4%
Preferred and Preference Stock	5.1	4.5	4.8
Long-Term Debt	51.0	53.5	56.8
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Competition

An electric public utility must compete with other energy suppliers to meet its customers' energy needs. Serious issues facing the entire electric utility industry include deregulation, municipalization, cogeneration, independent power production, open access to transmission lines and a more competitive bulk power supply market. Utility customers have the option of self-generation or cogeneration and, depending on the extent of future deregulation, may be able to enter into contracts with other power suppliers. In the future, rather than being solely a supplier of electricity, electric utilities may be required to unbundle the pricing of their products and services.

As a result of the Energy Policy Act of 1992, the Company expects that, over time, non-utility generation resources will be developed which will result in greater competition for power sales. In addition, the MPSC is currently considering an experimental retail wheeling rate (applicable to approxi-

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mately 90 megawatts) which could potentially allow retail consumers access to generation resources other than the Company's.

In response to the changing market for electricity, the Company has developed a number of programs designed to increase its efficiency and competitive status and address customer needs. An aggressive demand-side management program has been developed, an integral part of which is an interruptible rate for large industrial customers. This rate, commonly referred to as R-10 and approved by the MPSC, permits its customers to achieve economic benefits while enabling the Company to reduce its peak demand requirements. See "Regulation and Rates" herein.

In 1992, the Company implemented an accelerated reliability improvement program to upgrade its transmission and distribution system. This program is expected to be completed in 1994 at a total cost of \$236 million. Customers choosing an electric energy supplier believe that reliability is a key consideration and as such the Company expects to benefit from enhanced reliability.

The Company is reviewing potential energy services as a method of remaining competitive while diversifying within the scope of its core business.

Meeting Energy Demands

During the past 15 years, compound annual sales growth was 1.8 percent and peak demand growth was 2 percent (after adjusting for the effects of unusual weather). System sales and demand are expected to grow at a compound annual rate of about 1.5 percent per year for the next 15 years. Future sales growth may be limited by the economic base in the Company's service territory.

Sales to the non-manufacturing segment, which include customers such as agribusiness, grocery stores, restaurants and government, are projected to grow at a strong pace in the next 15 years, a compound annual increase of 1.6 percent per year. This projected increase indicates the Company's customer base is becoming more diverse and less dependent on the manufacturing segment.

The Company expects to meet its near-term demand for energy by the return to service, subject to environmental regulations, of power plant units currently in economy reserve status when energy demand and consumption requirements provide economic justification. The return to service of these units is conditioned upon the outcome of a competitive bidding process which was established by an MPSC order issued in July 1992. The Company will submit a new plan to the MPSC detailing its proposed method of meeting energy demands on or before February 1, 1995.

The Fermi 2 forced outage is expected to limit the Company's ability to generate sufficient energy to meet 1994 summer peak demand. The Company believes that sufficient amounts of replacement power will be available to meet peak demand and that insurance coverage will substantially offset the costs of such replacement power. See "Fermi 2" herein.

Inflation

Inflation is a measure of the purchasing power of the dollar. In 1993, the inflation rate, as defined by the Consumer Price Index, was 2.7%. Although the current inflation rate is relatively low, its compound effect through time can be significant, primarily in its effect on the Company's ability to replace its investment in utility plant.

The regulatory process limits the amount of depreciation expense recoverable through revenues to the historical cost of the Company's investment in utility plant. Such amount produces cash flows which are inadequate to replace such property in future years. However, the Company believes that it will be able to recover the increased cost of replacement facilities when, and if, replacement occurs.

Regulation and Rates

The December 1988 MPSC rate order was designed to permit the Company to recover from the effects of a major construction program and the write-off of certain plant costs. While the order provided for a moratorium on most base rate changes, it permitted the Company to adjust rates for the effects of inflation on operation and maintenance expenses through the ESP during the years 1990-1992. In addition, the PSCR Clause was suspended during the years 1989-1992, which allowed the Company to immediately realize the benefits of improved generating system performance and cost cutting efforts during the moratorium period.

On January 21, 1994, the MPSC issued an order reducing the Company's rates in the amount of \$78 million annually. The rate reduction was determined by using a 1994 test year and an overall rate of return of 7.66%, incorporating an 11% return on common equity and a capital structure comprised of 40% common equity, 55.01% long-term debt and 4.99% preferred stock. The MPSC order includes the recovery of (1) increased Fermi 2 decommissioning costs of \$28.1 million annually, which includes the recovery of low level radioactive waste disposal, (2) full recovery of 1994 other postretirement benefit costs plus recovery and amortization of the 1993 deferred cost over 19 years, (3) costs associated with the return to rate base of Greenwood Unit No. 1, (4) Fermi 2 phase-in plan revenue requirements of \$70.8 million in 1994 and (5) costs associated with a three-year \$41.5 million (\$7.6 million in 1994, \$14.9 million in 1995 and \$19 million in 1996) demand-side management program. The order is effective for service rendered on and after January 22, 1994.

The January 1994 MPSC order recognized the need for industrial customers to become or remain competitive and, accordingly, confirmed the continuation of an interruptible rate for industrial customers, commonly known as R-10. Under this rate, the 400 megawatts ("MW") currently available was increased such that 525 MW and 650 MW will be available with incentive pricing in 1994 and 1995, respectively. In addition, the order noted that shareholders would absorb revenue losses associated with the additional

250 MW being made available under this rate. The annual cost for the discount associated with the R-10 rate is estimated to be \$5 million for each 125 MW.

The January 1994 MPSC order did not make an adjustment for either the increase in income tax expense due to an increase in the corporate federal income tax rate from 34% to 35% or the possible change in Michigan tax expense as a result of enacted legislation providing alternative state and local tax plans to finance public education in Michigan beginning with the 1994-1995 school fiscal year.

The December 1988 MPSC order established a capacity factor performance standard for Fermi 2. Under this procedure, effective January 1, 1993, a disallowance of net incremental replacement power cost will be imposed for the amount by which the Fermi 2 three-year rolling average capacity factor is less than the greater of either the average of the top 50% of U.S. boiling water reactors or 50%. For purposes of the capacity factor performance standard, the capacity for Fermi 2 for the period 1989-1993 shall be 1,093 MW, and 1,139 MW for each year thereafter until December 31, 2003. The plant's capacity factor was 86.5%, 76.6% and 64.6% during 1993, 1992 and 1991, respectively, or a three-year rolling average of 75.9%. The 1993 three-year rolling average capacity factor for the top 50% of U.S. boiling water reactors is estimated at 77%. Therefore, the capacity factor disallowance for 1993 is estimated to be approximately \$600,000 which was expensed in 1993. As a result of the Fermi 2 forced outage on December 25, 1993, the three-year rolling average capacity factor will be unfavorably affected in 1994, 1995 and 1996. The Company will utilize the insurance proceeds from its replacement power insurance policy to substantially offset any capacity factor disallowance that may be imposed in 1994, 1995 and 1996.

Environmental Matters

Protecting the environment from damage, as well as correcting past environmental damage, continues to be the focus of state and federal regulators. Committees at both the state and federal level are studying the effects of a wide array of chemicals and electromagnetic fields as well as global warming (as potentially affected by carbon dioxide emissions). Legislation and/or rulemaking resulting from these and any future studies could impact the electric utility industry including the Company.

The Environmental Protection Agency ("EPA") and the Michigan Department of Natural Resources have aggressive programs regarding the cleanup of contaminated property. The Company anticipates that it will be periodically included in these types of environmental proceedings. Further, additional environmental expenditures, although difficult to quantify, will be necessary as the Company prepares to comply with the phase-in of the 1990 Amendments to the federal Clean Air Act. The Company currently meets the first phase of sulfur dioxide emissions and nitrogen oxides

emissions requirements. The second phase begins in the year 2000. The Company currently burns low-sulfur coal (less than one percent sulfur) at all its coal-fired units and believes it can meet the second phase sulfur dioxide emission requirements through additional blending of coals. Current projections indicate that annual fuel costs may increase by \$10-20 million in the period 2000-2009 in order to comply with new sulfur dioxide emissions requirements. In addition, approximately \$160 million in capital expenditures may be necessary for nitrogen oxides emissions requirements.

The Company expects that substantially all of the costs of environmental compliance will be recovered through the ratemaking process.

1994 EARNINGS

As a result of the January 21, 1994 MPSC rate order, total and per share earnings for common stock are expected to be lower in 1994, as compared to 1993. This expected decrease in earnings would reflect the \$78 million annual decrease in rates as well as increased operating expenses for decommissioning Fermi 2, other postretirement health care and life insurance benefits, and the demand-side management program. See "Regulation and Rates" herein for additional information regarding the January 21, 1994 MPSC rate order.

STATISTICAL REVIEW

THE DETROIT EDISON COMPANY AND SUBSIDIARY COMPANIES

		1993	1992	1991	1990
Operating Revenues (Thousands)	Residential	\$ 1,125,624	\$ 1,098,027	\$ 1,154,440	\$ 1,045,081
	Commercial*	1,428,321	1,438,258	1,410,708	1,328,170
	Industrial*	720,002	749,240	723,984	740,401
	Other	220,901	214,171	197,006	193,087
	Total System	\$ 3,494,848	\$ 3,499,696	\$ 3,486,138	\$ 3,306,739
	Interconnection	60,363	58,447	105,399	269,542
	Total	\$ 3,555,211	\$ 3,558,143	\$ 3,591,537	\$ 3,576,281
Sales (Millions of kWh)	Residential	12,033	11,309	12,222	11,513
	Commercial*	15,996	15,384	15,571	15,145
	Industrial*	12,618	11,827	11,564	12,250
	Other	2,318	2,177	1,692	1,596
	Total System	42,965	40,697	41,049	40,504
	Interconnection	3,611	3,204	5,534	11,887
	Total	46,576	43,901	46,583	52,391
Electric Customers (Year End)	Residential	1,790,197	1,777,914	1,770,859	1,757,878
	Commercial*	170,453	169,080	168,255	166,850
	Industrial*	850	813	814	808
	Other	2,041	1,992	1,968	1,939
	Total	1,963,541	1,949,799	1,941,896	1,927,475
Average Annual Use Per Residential Customer (kWh)		6,747	6,375	6,929	6,583
Average Annual Bill Per Residential Customer		\$631.21	\$618.93	\$654.54	\$597.51
Average Revenue Per kWh	Residential	9.35¢	9.71¢	9.45¢	9.08¢
	Commercial*	8.93	9.35	9.06	8.77
	Industrial*	5.71	6.33	6.26	6.04
Capitalization (Thousands)	Long-Term Debt	\$ 3,830,596	\$ 3,973,485	\$ 4,218,264	\$ 4,923,999
	Preferred/Preference Stock	380,683	333,994	353,237	376,183
	Common Shareholders' Equity	3,295,955	3,113,887	2,847,572	2,588,452
	Total	\$ 7,507,234	\$ 7,421,366	\$ 7,419,073	\$ 7,888,634
Capitalization (Percent)	Long-Term Debt	51.0	53.5	56.8	62.4
	Preferred/Preference Stock	5.1	4.5	4.8	4.8
	Common Shareholders' Equity	43.9	42.0	38.4	32.8
	Total	100.0	100.0	100.0	100.0
Common Stock Data	Earnings (Loss) Per Share	\$3.34	\$3.79	\$3.64	\$3.26
	Dividend Paid Per Share	\$2.04	\$1.955	\$1.855	\$1.755
	Payout	61%	52%	51%	54%
	Dividend Declared Per Share	\$2.06	\$1.98	\$1.88	\$1.78
	Shares Outstanding - Average	147,031,446	146,998,485	146,945,932	146,888,809
	Return on Average Common Equity	15.23%	18.56%	19.55%	19.11%
	Book Value Per Share	\$22.34	\$21.33	\$19.32	\$17.56
	Market Price: High	\$37 1/8	\$35 1/8	\$35	\$30
	Low	\$29 7/8	\$30 1/8	\$27 1/8	\$23 1/2
Miscellaneous Financial Data	Avg. Interest Rate Long-Term Debt	7.4%	8.6%	9.1%	9.2%
	Avg. Dividend Rate Preferred/Preference Stock	7.8%	8.5%	8.6%	8.7%
	Net Income (Loss) (Thousands)	\$ 521,903	\$ 588,047	\$ 568,037	\$ 514,459
	Earnings (Loss) for Common Stock (Thousands)	\$ 491,066	\$ 557,549	\$ 535,205	\$ 479,280
	Long-Term Debt and Redeemable Preferred/Preference Stock (Thousands)	\$ 4,007,622	\$ 4,525,504	\$ 4,900,020	\$ 5,300,962
	Total Assets (Thousands)	\$11,134,879	\$10,309,061	\$10,463,624	\$10,573,325
	Gross Utility Plant (Thousands)	\$12,788,445	\$12,402,581	\$11,997,862	\$11,749,142
	Net Utility Plant (Thousands)	\$ 8,650,564	\$ 8,617,738	\$ 8,558,227	\$ 8,624,923
	Capital Expenditures (Thousands)	\$ 398,809	\$ 415,937	\$ 272,121	\$ 230,201
	Miscellaneous Operating Data	System Capability at Year End - MW	10,274	10,410	10,267
System Capability at Time of Peak - MW		10,103	10,262	10,121	9,953
System Peak Demand - MW		9,362	8,704	8,980	9,032
Reserve Margin at Time of Peak		7.9%	17.9%	12.7%	10.2%
System Load Factor		55.8%	56.9%	55.9%	54.9%
Heat Rate - Btu per kWh		10,080	9,990	9,980	9,940
Fuel Cost - ¢ Per Million Btu		148.2¢	150.5¢	153.3¢	155.8¢
Number of Employees at Year End		8,910	9,183	9,357	9,669

*Non-manufacturing industrial revenues, sales and customers have been reclassified from industrial to commercial for the period 1983-1992 to conform with the 1993 classification

	1989	1988	1987	1986	1985	1984	1983
	\$ 1,013,677	\$ 984,689	\$ 905,208	\$ 880,205	\$ 827,210	\$ 758,124	\$ 741,399
	1,259,513	1,160,024	1,068,072	1,057,749	984,340	857,587	774,918
	739,982	739,794	690,109	698,873	701,593	631,985	557,034
	189,859	217,665	193,342	232,457	275,014	250,509	236,307
	\$ 3,203,031	\$ 3,102,172	\$ 2,856,731	\$ 2,869,284	\$ 2,788,157	\$ 2,498,205	\$ 2,309,658
	202,574	133,518	128,473	78,041	77,916	76,856	70,014
	\$ 3,405,605	\$ 3,235,690	\$ 2,985,204	\$ 2,947,325	\$ 2,866,073	\$ 2,575,061	\$ 2,379,672
	11,524	11,723	11,134	10,492	10,077	10,150	10,256
	14,816	14,345	13,574	12,859	12,033	11,553	11,026
	12,498	13,045	12,524	11,882	11,710	11,621	10,615
	1,846	2,031	2,260	2,807	2,875	2,563	2,402
	40,684	41,144	39,492	38,040	36,695	35,887	34,299
	9,301	6,671	6,665	3,252	2,870	2,797	3,406
	49,985	47,815	46,157	41,292	39,565	38,684	37,705
	1,738,494	1,718,835	1,697,326	1,664,226	1,642,981	1,629,668	1,621,172
	164,138	160,680	156,986	150,670	146,608	144,012	142,025
	788	762	737	701	648	629	631
	1,934	1,926	1,928	1,905	1,892	1,894	1,886
	1,905,354	1,882,203	1,856,977	1,817,502	1,792,129	1,776,203	1,765,714
	6,668	6,866	6,635	6,350	6,165	6,253	6,332
	\$586.50	\$576.70	\$539.44	\$532.74	\$506.06	\$467.03	\$457.74
	8.80%	8.40%	8.13%	8.39%	8.21%	7.47%	7.23%
	8.50	8.09	7.87	8.23	8.18	7.42	7.03
	5.92	5.67	5.51	5.88	5.99	5.44	5.25
	\$ 4,561,005	\$ 4,238,536	\$ 4,693,687	\$ 3,656,569	\$ 3,770,863	\$ 3,845,272	\$ 3,542,438
	399,188	416,212	521,894	742,273	879,497	894,168	907,505
	2,370,060	2,226,949	2,919,985	2,716,403	2,588,025	2,379,998	2,195,361
	\$ 7,330,253	\$ 6,881,697	\$ 8,135,566	\$ 7,115,245	\$ 7,238,385	\$ 7,119,438	\$ 6,645,304
	62.2	61.6	57.7	51.4	52.1	54.0	53.3
	5.5	6.0	6.4	10.4	12.1	12.6	13.7
	32.3	32.4	35.9	38.2	35.8	33.4	33.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	\$2.65	\$(2.92)	\$3.25	\$2.58	\$2.33	\$2.20	\$2.21
	\$1.68	\$ 1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
	63%	-%	52%	65%	72%	76%	76%
	\$1.68	\$ 1.68	\$1.68	\$1.68	\$1.68	\$1.68	\$1.68
	146,816,363	146,761,458	146,729,292	146,643,377	143,183,133	135,230,827	120,274,269
	16.75%	(15.91)%	16.69%	14.09%	13.31%	12.87%	13.03%
	\$16.07	\$15.10	\$19.75	\$18.34	\$17.47	\$16.91	\$16.63
	\$25%	\$17½	\$19	\$19%	\$17%	\$16%	\$16
	\$17%	\$12	\$12½	\$15%	\$14	\$11½	\$13
	9.5%	9.6%	9.5%	9.2%	9.9%	9.9%	9.5%
	8.8%	8.9%	10.7%	11.5%	11.6%	11.6%	11.6%
	\$ 425,951	\$ (378,826)	\$ 554,974	\$ 477,095	\$ 437,515	\$ 401,937	\$ 364,622
	\$ 388,933	\$ (428,583)	\$ 476,734	\$ 378,292	\$ 334,251	\$ 297,778	\$ 266,008
	\$ 5,028,961	\$ 5,148,498	\$ 5,232,662	\$ 4,774,495	\$ 4,731,589	\$ 4,460,381	\$ 4,155,329
	\$ 9,949,599	\$10,060,293	\$11,158,214	\$10,377,125	\$ 9,863,760	\$9,276,614	\$8,477,218
	\$11,024,368	\$10,766,755	\$11,893,418	\$11,062,449	\$10,466,039	\$9,752,346	\$8,845,779
	\$ 8,236,553	\$ 8,303,644	\$ 9,682,875	\$ 9,034,716	\$ 8,612,890	\$8,076,168	\$7,320,570
	\$ 242,973	\$ 235,127	\$ 709,084	\$ 645,196	\$ 710,699	\$ 938,004	\$1,014,568
	10,081	10,004	9,164	9,070	9,296	8,898	8,162
	9,942	10,038	9,020	9,199	9,367	9,271	7,810
	8,704	9,133	8,427	8,050	7,172	7,350	7,063
	14.2%	9.9%	7.0%	14.3%	30.6%	26.1%	10.6%
	57.3%	55.2%	57.4%	57.9%	65.5%	60.2%	60.2%
	9,940	9,990	10,060	10,090	9,990	9,990	10,040
	169.2¢	173.8¢	172.9¢	189.2¢	202.0¢	190.6¢	190.2¢
	10,254	10,614	11,221	10,967	11,086	11,136	11,152

MISCELLANEOUS CORPORATE DATA

THE DETROIT EDISON COMPANY

MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's Common Stock is listed on the New York Stock Exchange and the Chicago Stock Exchange (symbol DTE). The following table indicates the reported high and low sales prices of the Company's Common Stock on the composite tape of the New York Stock Exchange and dividends paid per share for each quarterly period during the past two years:

Calendar Quarter		Price Range		Dividends Paid Per Share
		High	Low	
1992	First	35 $\frac{1}{4}$	30 $\frac{1}{4}$	\$0.47
	Second	34 $\frac{1}{4}$	30 $\frac{1}{4}$	0.495
	Third	33 $\frac{3}{4}$	31 $\frac{1}{4}$	0.495
	Fourth	33 $\frac{1}{4}$	31	0.495
1993	First	37 $\frac{1}{4}$	32	0.495
	Second	36 $\frac{3}{4}$	33 $\frac{3}{4}$	0.515
	Third	36	33 $\frac{1}{4}$	0.515
	Fourth	34 $\frac{1}{4}$	29 $\frac{3}{4}$	0.515

At December 31, 1993, 147,047,918 shares of the Company's Common Stock were outstanding. These shares were held by a total of 155,984 shareholders.

The amount of future dividends will depend upon the Company's earnings, financial condition and other factors.

DISTRIBUTION OF OWNERSHIP OF DETROIT EDISON COMMON STOCK

(DECEMBER 31, 1993)

Type of Owner:

	Owners	Shares
Individuals	75,213	18,426,022
Joint Accounts	68,621	23,550,034
Trust Accounts	11,006	6,342,492
Nominees	69	85,737,717
Institutions and Foundations	215	98,527
Brokers and Security Dealers	15	11,709
Others	845	12,881,417
Total	155,984	147,047,918

State and Country:

	Owners	Shares
Michigan	73,848	36,293,186
Florida	11,772	4,764,115
California	9,020	2,802,159
New York	7,470	85,897,614
Illinois	6,877	3,469,133
Ohio	5,309	1,479,679
44 Other States	41,093	12,167,424
Foreign Countries	595	174,608
Total	155,984	147,047,918

ANNUAL MEETING OF SHAREHOLDERS

The 1994 Annual Meeting of Shareholders will be held at 10 a.m. Detroit time Monday, April 25, as announced in the proxy statement. Shareholders will be asked to (1) elect members of the Board of Directors and (2) ratify the appointment of Price Waterhouse as independent accountants.

At the April 26, 1993 Annual Meeting of Shareholders, five directors, all of whom were incumbents, were elected, and the appointment of independent accountants was ratified. Shareholders rejected a shareholder proposal to separate the positions of Chief Executive Officer and Chairman of the Board.

CORPORATE ADDRESS

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
Telephone: (313) 237-8000

INDEPENDENT ACCOUNTANTS

Price Waterhouse
200 Renaissance Center, Detroit, Michigan 48243

FORM 10-K

Copies of Form 10-K, Securities and Exchange Commission Annual Report, are available.

Requests should be directed to:

Susan M. Beale
Corporate Secretary
The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279

TRANSFER AGENTS

The Detroit Edison Company
2000 2nd Ave., Detroit, Michigan 48226-1279
Susan M. Beale Cathy M. Lewis
Ronald J. Gdowski Janet A. Scullen
Elaine M. Godfrey Jack L. Somers
Sophie J. Koziatek Gloria A. Williams

Shareholder Services: (800) 551-5009

REGISTRAR OF STOCK

The Detroit Edison Company
2000 2nd Ave., Detroit, MI 48226-1279
(Preferred and Common Stock)

OTHER SHAREHOLDER INFORMATION

Shareholders who hold stock in street form may request quarterly reports by writing to the address below. Shareholders of record automatically receive quarterly reports.

As a service to shareholders of record, Detroit Edison offers direct deposit of dividend payments. Payments can be electronically transferred directly to the bank or savings and loan account of choice on the payment date. Please write to the address below to receive an authorization form to request direct deposit of dividend payments.

The Detroit Edison Company
c/o Shareholder Services, Room 434 W.C.B.
2000 2nd Ave., Detroit, MI 48226-1279

BOARD OF DIRECTORS

THE DETROIT EDISON COMPANY



Terence E. Adderley
President and Chief Executive Officer, Kelly Services, Incorporated (A provider of temporary help, business services and home care services)



Wendell W. Anderson, Jr.
Retired Chairman of the Board and Chief Executive Officer, Bundy Corporation (Manufacturer of steel tubing, flexible hose and engineered plastic products)



Lillian Bauder
President and Chief Executive Officer, Cranbrook Educational Community



David Bing
Chairman of the Board, Bing Steel, Inc. (A steel service center)



Anthony E. Earley, Jr.
President and Chief Operating Officer, The Detroit Edison Company (effective March 1, 1994)



Larry G. Garberding
Executive Vice President and Chief Financial Officer, The Detroit Edison Company



Theodore S. Leipprandt
Marketing Specialist, Cooperative Elevator Company (handling export and domestic marketing of dry beans in the Thumb area)



John E. Lobbia
Chairman of the Board and Chief Executive Officer, The Detroit Edison Company



Patricia S. Longe
Economist, Senior Partner, The Longe Company (An economic consulting and investment firm)



Walter J. McCarthy, Jr.
Retired Chairman of the Board and Chief Executive Officer, The Detroit Edison Company



Eugene A. Miller
Chairman and Chief Executive Officer, Comerica Incorporated and Chairman and Chief Executive Officer, Comerica Bank



Dean E. Richardson
Retired Chairman of the Board, Manufacturers National Corporation



Alan E. Schwartz
Partner, Honigman Miller Schwartz and Cohn (attorneys at law)



William Wegner
Consultant, Owner of W-Squared, Incorporated (A consulting firm engaged in providing services to nuclear utility companies)

BOARD OF DIRECTORS — COMMITTEES

THE DETROIT EDISON COMPANY

AUDIT

Patricia S. Longe*
Lillian Bauder
David Bing
Theodore S. Leipprandt
Dean E. Richardson

NOMINATING

Alan E. Schwartz*
Wendell W. Anderson, Jr.
Patricia S. Longe
Walter J. McCarthy, Jr.
Eugene A. Miller

ENERGY RESOURCES PLANNING

David Bing*
Wendell W. Anderson, Jr.**
Theodore S. Leipprandt
Walter J. McCarthy, Jr.
William Wegner

NUCLEAR REVIEW

William Wegner*
Lillian Bauder
Patricia S. Longe
Walter J. McCarthy, Jr.

EXECUTIVE

John E. Lobbia*
Terence E. Adderley
Lillian Bauder
Anthony F. Earley, Jr.
(effective March 1, 1994)
Larry G. Garberding
Dean E. Richardson
Alan E. Schwartz

ORGANIZATION & COMPENSATION

Wendell W. Anderson, Jr.*
Terence E. Adderley**
Eugene A. Miller
Dean E. Richardson
Alan E. Schwartz

FINANCE

Dean E. Richardson*
Patricia S. Longe**
Terence E. Adderley
Larry G. Garberding
Eugene A. Miller
Alan E. Schwartz

*Chairman **Vice Chairman

OFFICERS

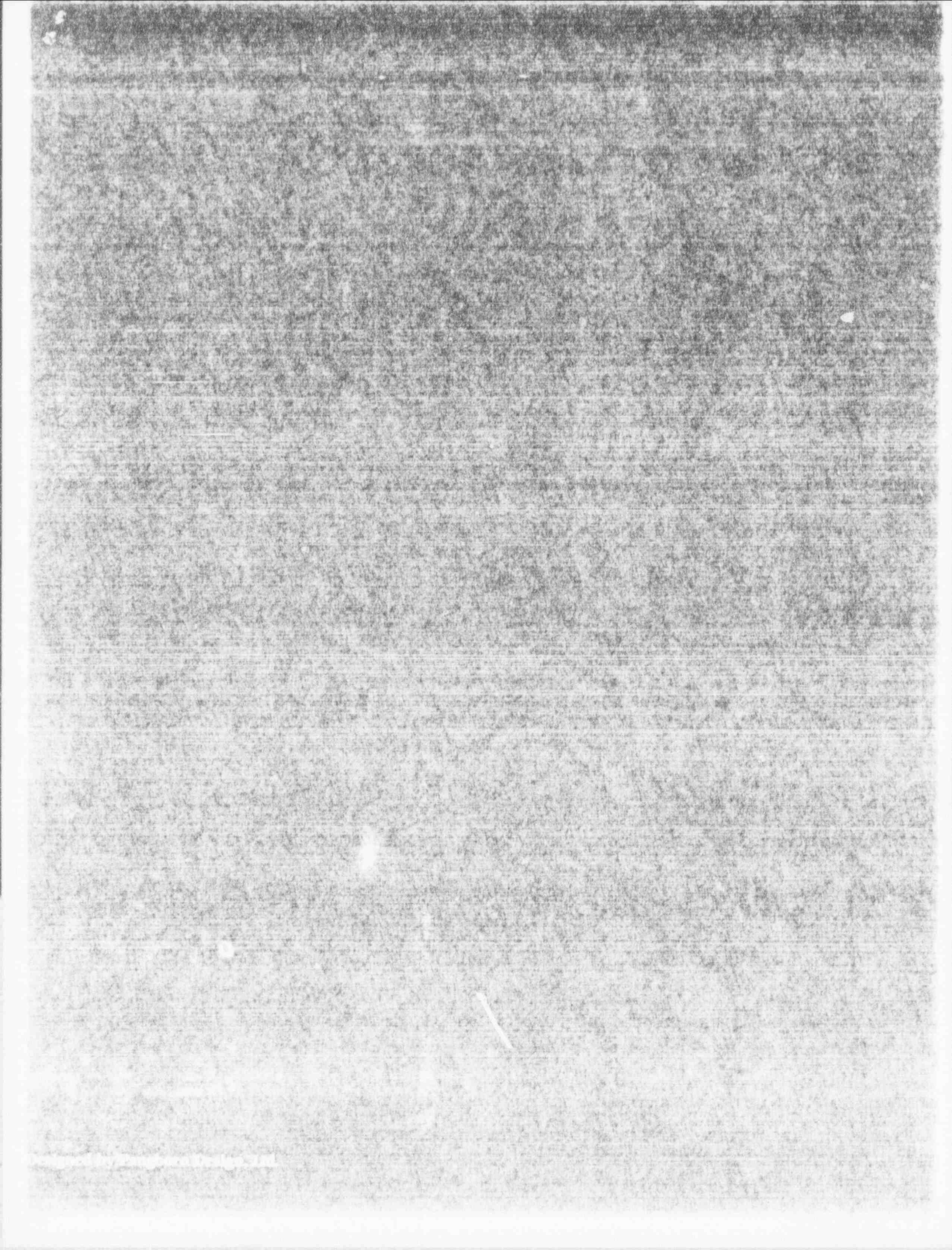
THE DETROIT EDISON COMPANY

John E. Lobbia	Chairman of the Board and Chief Executive Officer	Michael E. Champley	Vice President - Marketing and Sales
Anthony F. Earley, Jr.	President and Chief Operating Officer <i>(effective March 1, 1994)</i>	Malcolm G. Dade, Jr.	Vice President - Human Resources
Larry G. Garberding	Executive Vice President and Chief Financial Officer	Ronald W. Gresens	Vice President and Controller
Frank E. Agosti	Senior Vice President	Leslie L. Loomans	Vice President and Treasurer
Robert J. Buckler	Senior Vice President	Christopher C. Nern	Vice President and General Counsel
Douglas R. Gipson	Senior Vice President	S. Martin Taylor	Vice President - Community and Governmental Affairs
Gerard M. Anderson	Vice President	Saul J. Waldman	Vice President - Corporate Communications
		Susan M. Beale	Corporate Secretary
		Thomas J. Howlin	Acting General Auditor

OFFICER RETIREMENT

Leon S. Cohan, Senior Vice President and General Counsel, retired June 1, 1993 after more than 20 years of service.





Detroit
Edison

A good part of your life.

2000 ZIFU AVE.
DETROIT, MI 48226-1279
(313) 237-8000