



Michigan Customer Choice

Information for Customers of AEP

December 3, 2001

Michigan electricity markets open to competition in January

Customer Choice arrives at Michigan's electric utility industry on January 1, 2002. To help you prepare to make the best choices possible, AEP will provide you with information that may help you become a wise shopper for electricity and related services.

A Brief Overview of Electric Restructuring in Michigan

Because you are in an area of the state where electricity rates are low -- and those rates are frozen through 2004 -- it is not likely that you will receive many service offers soon after the market opening. However, we expect a competitive market will develop in time and you eventually will receive offers from which you can choose.

What will change

- *Generation supply*--While Michigan generation supply remains regulated, customers may begin to participate in Electric Choice, which means they may choose a company other than their local utility to supply the electricity they use. Supply companies may compete for your business.
- *Customer bills*--The charges on customer bills will be itemized to show what you pay for the various components of electric service: generation supply, open access and retail transmission and distribution.

What will stay the same

- *Transmission*--Because transmission service generally crosses state lines, the Federal Energy Regulatory Commission (FERC) regulates this service and its rates.
- *Distribution*--AEP will continue to provide safe and reliable distribution service to your business location. The Michigan Public Service Commission (MPSC) will continue to regulate distribution service, including service standards and distribution rates. Please continue to contact AEP if your service is interrupted.

Commitment to Communicate

The Michigan CHOICE Advisory Council -- consisting of representatives of the state's electric energy consumers, utilities and regulators -- has proposed a statewide awareness and education campaign to advise consumers of the Electric Choice program. A mass media effort will begin "when the time is right" as determined by the Advisory Council. Initially it is expected that the Advisory Council will focus its effort on activities such as the development of an Internet web site and a communication program directed toward Alternative Energy Suppliers (AES) in Michigan.

Prices and the Launch of a Competitive Market

AEP's Michigan customers pay some of the lowest rates in the state, and those prices are capped through 2004. The fuel portion of AEP customer rates is frozen through 2003. In addition, AEP's Michigan customers receive a credit on their bill each month, the result of money AEP saves as a result of its merger with CSW in June 2000.

Consequently, it may be difficult for an AES to compete effectively in the AEP service area. This means that consumers may have little actual "choice" on January 1.

Michigan Restructuring and Electric Supply

The creation of a vibrant wholesale market is a necessary prelude to customers truly having supply options. Various interested parties in the state are seeking to develop a workable, competitive electricity market through the addition of new generation and transmission.



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Unlike California and certain other states, Michigan's restructuring law does not deregulate electric generation. Utilities must maintain generation capacity for customers who choose to take service from an AES and later return to their original utility company.

Transmission Upgrades Will Help Build Competitive Market

Another piece of Michigan's restructuring

puzzle focuses on increasing transmission import capacity into the state so power generated elsewhere can be brought into the state for Michigan consumers. AEP, Consumers Energy and Detroit Edison are required to increase transmission import capability by 2,000 megawatts by Summer 2002.

New Shopping Activities Bring New Vocabulary

The arrival of competition to Michigan's electric utility industry brings with it a new vocabulary.

Alternative Electric Supplier (AES) – A competitive retail supplier of electric energy procured for customers and supplied to the local distribution company's system. AESs are licensed by the MPSC.

Customer Choice – The opportunity for retail electric customers to choose their generation service supplier. Also called "direct access" or "retail open access."

Default Service – Electric generation available to customers if the primary supply is unavailable. Also called "standby service." Customers of an AES may default to the electric utility at rates, terms, and conditions approved by the MPSC.

MPSC - Michigan Public Service Commission.

Open Access Service Tariff - A tariff approved by the MPSC allowing customers to purchase generation service from a licensed AES for delivery over the local distribution company system.

Price to Compare – The price a customer pays an electric utility for generation service and, therefore, the price a customer compares to offers from AESs. For AEP customers, this is the sum of the AEP charges for generation service, Power Supply Cost Recovery and OATT transmission service.

Restructuring – The process of changing regulation to permit the price of electric generation to be determined in competitive

markets by allowing customers to purchase electricity from an AES. In Michigan, customers do not have to choose an AES and may remain customers of their existing electric utility under fully regulated rates.

Standard Service Tariff - A tariff under which generation, transmission, distribution, and related customer service is provided to customers by electric utilities at rates regulated by the MPSC.

Switch - A change authorized by a customer from one provider of generation service to another.

Unbundled Services - The separation of electric utility services into basic components such as generation, transmission, distribution, and customer services, some of which may be regulated and others subject to competition. Various electric utility and competitive services may be separately listed on customer bills.

For More Information

Very soon a coalition of representatives of consumer groups, electric utilities, and the MPSC will sponsor a web site that will provide information about Electric Choice. Meanwhile, please call your assigned AEP account representative or call AEP's Michigan Customer Choice hotline at 1-888-237-3344, or visit <http://www.aep.com> choose Customer Choice, State Plans, and then click on Michigan.