



Texas Electric Choice

Information for Customers of AEP

June 28, 2001

System Benefit Fund will support customer programs

Senate Bill 7 (SB7) provides for establishment of the System Benefit Fund (SBF) in order to facilitate a smoother transition to competition on Jan. 1, 2002. The SBF will provide funding for:

- Customer education about retail competition,
- Low-income customer assistance programs and
- Offsetting reductions in school property tax revenues.

It is funded by a non-bypassable fee set by the Public Utility Commission of Texas (PUCT) and paid by retail electric providers, except in those areas that have not adopted customer choice.

Along with the other non-bypassable charges approved by the PUCT, the transmission/distribution service provider (TDSP or the wires company) will bill retail electric providers (REPs) for the system benefit fee.

Customer Education

The PUCT earlier this year launched Texas Electric Choice, a public education campaign designed to educate and inform Texans of their right to choose a REP. In February and March, investor-owned utility customers received a bill insert informing them about the pilot program set to begin June 1. In early March, the PUCT began its statewide television, radio and print advertising campaign to educate residential customers about their choice in electric service so they can make informed decisions when choosing their REP.

Low-Income Assistance Programs

A portion of the System Benefit Fund provides funding to assist low-income electric customers, including:

- Low-income discount and
- Targeted energy efficiency programs.

Low-Income Discount

SB7 provides for an electricity rate discount for qualifying low-income customers. Eligible customers are those whose household incomes are not more than 125% of federal poverty guidelines *OR* who receive food stamps or medical assistance from a state agency. The discount will be no less than 10%, and may be set as high as 20%. The PUCT will determine the percentage of the rate discount each year.

Beginning Jan. 1, 2002, the rate discount will be applied to the electric bills of eligible customers enrolled in the program. The discount will be identified on each eligible customer's bill and will be applied only to the electric service portion of the bill. Customers will receive the low-income discount no matter which REP they choose as long as the customer qualifies and is enrolled in the program.

Once enrolled, eligible customers will receive the discount rate for 13 months, beginning Jan. 1, 2002. Those who still qualify for the low-income discount after an annual review will continue to receive the discount for the next 13 months.

Information about the rate reduction program and how to enroll is available by calling the PUCT at 1-866-PWR-4-TEX (1-866-797-4839).





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Targeted Energy Efficiency Programs

Qualifying low-income residential customers of retail electric providers, or of municipally-owned utilities or electric cooperatives that offer customer choice, are the intended beneficiaries of these programs.

Existing programs to fund low-income weatherization services under contracts between utilities and the Texas Department of Housing and Community Affairs (TDHCA) will continue until utilities enter the competitive market. After Jan. 1, 2002, low-income weatherization programs administered by the TDHCA will be funded by the System Benefit Fund.

Property Tax Revenues

A portion of the System Benefit Fund will be used to offset any reductions in school property tax revenue that result from reductions in the

property tax values of generating facilities in 2002 through August 2007.

Assessments against electricity generating plants traditionally have been a major source of property tax revenues that support schools. Taxable values for some older and more expensive power plants may decline in a competitive market as new, less expensive, and more efficient plants enter the market.

No later than August 31 of each year the Comptroller of Public Accounts will certify to the Texas Education Agency any property tax value reductions impacting school property tax revenues that are attributable to electric utility restructuring. This will be determined by taking the net difference between current year appraised value and the 1999 appraisal value. This difference will be reconciled through SBF dollars.

For more information about the System Benefit Fund or any of the customer programs it supports, contact the PUCT at 1-866-PWR-4-TEX or visit www.powertochoose.org.

