



Virginia Electric Choice

Information for Customers of AEP

December 11, 2001

Virginia Prepares for Retail Competition Jan. 1, 2002

Electric choice comes to Virginia consumers in just a few weeks. You will have the ability to choose the company that supplies the electricity you use. AEP will continue to deliver your power reliably and safely through the facilities in use today.

A Brief Overview of Electric Restructuring in Virginia

The Virginia General Assembly approved the Electric Utility Restructuring Act in 1999 following several years of study. This legislation introduces electric choice beginning January 2002.

Virginia is taking a careful approach to establish an effective competitive market for the generation and supply of electricity. Lawmakers will continue to monitor Virginia's energy supply market.

Historically, you have received all electricity services – generation, transmission and distribution – from AEP as one product. Things are changing. Here's how.

Electricity Services will be Unbundled

Changes in Virginia will separate – or unbundle – the various components of your electric service that currently comprise the single “rate billing” that appears on your bill. Beginning with January 2002 bills, components of electric service will appear as individual line items.

Generation supply - Various service providers will be able to compete for your supply business and you can choose the company that provides this service to you. Supply service from competitive suppliers and its prices will not be regulated.

Transmission service - The facilities currently in place will carry the power over long distances. Because transmission service generally crosses state lines, the Federal Energy Regulatory Commission (FERC) regulates this service and its rates. You will see two types of transmission service itemized on your bill: service provided under an open-access transmission tariff (OATT) and retail

transmission service. AEP will provide more information about transmission services in a later newsletter.

Distribution service - AEP will continue to provide safe and reliable distribution service to your business location. The State Corporation Commission (SCC) will continue to regulate distribution service, including service standards and distribution rates. You will contact AEP if your service is interrupted.

Other billing line items may include the competitive transition charge and various taxes, some of which already appear on your monthly bill.

Transition to Competition Begins in 2002

The Commonwealth of Virginia will introduce choice into its electricity supply business during a transition period that begins in 2002.

AEP sought and obtained approval from the SCC allowing all AEP customers to be eligible to choose their competitive service provider Jan. 1, 2002. Because of AEP's experience with energy choice in other states and its preparations for the Virginia pilot program, the company is ready to implement energy choice for its more than 475,000 Virginia customers.

Customers of all Virginia utilities will be eligible to choose their competitive service provider by 2004.

Customer Benefits and Protections

Virginia's restructuring legislation provides some specific customer benefits and protections. Energy choice in general will allow customers to have greater control over their energy bills as they choose the products and services that best suit their needs. Additionally,



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competitive markets often bring a wider menu of product and service offerings to customer

Furthermore, the SCC, with input from the state's investor-owned utilities, various market participants and other interested parties, has established a set of customer protection rules. These rules cover a variety of topics such as contract provisions, rescission periods, payment plan offerings, information on bills and marketing guidelines. For example, customers initially can choose not to contract with a new competitive service provider. Instead, they can continue to receive supply service from AEP at

rates that are capped until as late as July 1, 2007.

The Road to Competition Brings Change To AEP Business Practices

In order to prepare for a competitive retail market in Virginia, some services once offered or provided to customers by Virginia electric utilities must be modified. For example, some customers selecting certain service providers may be offered metering or billing services as competitive services.

AEP will provide details on such changes as they become available.

New Activities Bring New Vocabulary

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

Aggregator - A person, local government or organization licensed by the SCC that brings together a group of customers and negotiates the price and other details for electric supply service on their behalf.

Competitive Service Provider (CSP) - A person or company licensed by the SCC to sell competitive energy services in Virginia.

Competitive Transition Charge - This charge, which may be as low as zero and may vary annually, applies to customers who choose a CSP, and is associated with the transition to competition in the electric industry. This charge is sometimes referred to as a transition charge or wires charge.

Distribution service - The delivery of electricity to your home or business over AEP's distribution lines; this service must be purchased from AEP at regulated rates.

Electricity supply service - Consists of generation service and fuel, or when provided together, generation service, fuel and the OATT portion of transmission service. This service

may be purchases from a CSP. In exercising the choice to purchase from a CSP, you will be subject to any Commission-approved Competitive Transition Charge in addition to the CSP's charges for electricity supply service.

Local Distribution Company (LDC) - The public utility that owns, maintains and operates the distribution lines and other equipment necessary to deliver electricity to you; LDCs are regulated by the SCC.

Local utility tax (Local consumers tax) - A tax, imposed on electricity consumers by most localities of the Commonwealth based on kilowatthours used by the consumer.

Price to compare - The price you can use to compare offers from new suppliers. In order for you to save money, a new supplier must offer you a price lower than your price to compare for the same usage. The price to compare shown on your bill is provided as a guidelines only and may vary slightly month-to-month based on actual usage. Price to compare is for generation, fuel factor and OATT transmission services only.



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Information for Customers of AEP

State and local consumption tax (*VA Electric Consumption Tax*) - A tax on electricity consumers in the Commonwealth based on kilowatt-hours used by the consumer and delivered by AEP.

Transmission service – Consists of transmission service provided under the applicable Open Access Transmission Tariff (OATT) and retail transmission service.

Unbundled service - The separation of generation, open-access transmission, retail transmission and distribution services and possibly other related services into service offerings with separate prices for each.

AEP's Commitment To Communicate with You

We hope that you have found this paper to be informative and helpful. AEP is committed to providing information to you that will help you through the transition to a competitive energy supply market in Virginia. To help you prepare to make the best choices possible, over the coming weeks AEP will provide you with information that may help you make decisions about energy and related services.

For More Information

There are several sources for additional information and answers about energy choice in Virginia.

The SCC and investor-owned electric and gas utilities are sponsoring a statewide education campaign, Virginia Energy Choice. You can contact Virginia Energy Choice at www.yesvachoice.com or by calling 1-877-YES-2004.

If you have an assigned account representative from AEP, you always can contact that individual. Or you can call AEP's Virginia Energy Choice information line at 1-888-707-4237 or visit AEP's web site at www.aep.com and choose Customer Choice and Virginia.

