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July 26, 2001

Daniel E. Nickerson, Jr.
Administrative Law Judge
611 West Ottawa Street
Ottawa State Office Building 2nd Floor
P.O. Box 30695
Lansing, Michigan 48909-8195

HAND DELIVERY

Re: Electric Restructuring Implementation Plans
MPSC Case Nos. U-12649, U-12650,
U-12651, U-12652 and U-12655

Dear Judge Nickerson:

Enclosed for processing is the Settlement Agreement as signed by the Michigan Public Service Commission Staff, American Electric Power/I&M, Alpena Power Company, Wisconsin Electric Power Company, Xcel Energy, Wisconsin Public Service Corporation, Upper Peninsula Power Company and Edison Sault Electric Company. Also enclosed are copies of the statements of non-objection to the Settlement Agreement filed by the remaining parties to these cases, International Paper Company, Michigan Technological University, Michigan Community Action Agency Association, Michigan Environmental Council and The Public Interest Research Group in Michigan.

As you will note, the Settlement Agreement resolves all issues in these contested cases, with the exception of one issue reserved, in connection with Wisconsin Electric Power Company, in Case No. U-12649. As to that one issue, as set forth in Part II, 3, page 6 of the Settlement Agreement, Wisconsin Electric Power Company will file its direct case on August 10, 2001. Staff and Intervenors will file their cases on August 24, 2001, and rebuttal cases will be filed on September 7, 2001. Cross-examination will be held on September 19, 2001.

Please be advised that the parties are not submitting a proposed order in connection with this Settlement Agreement.

Very truly yours,

LOOMIS, EWERT, PARSLEY,
DAVIS & GOTTING, P.C.

Sherri A. Wellman

Sherri A. Wellman

SAW/kkf
Enclosure
cc: Christine M. Soneral
Robert A. LeFevre
Brian W, Coyer
Larry G. Watterworth
James D. Florip
Don L. Keskey
Richard Aaron
Jim Ault

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **WISCONSIN ELECTRIC POWER COMPANY and EDISON SAULT ELECTRIC COMPANY** for approval of its plan to implement 2000 PA 141.	Case No. U-12649
In the matter of the Application of **WISCONSIN PUBLIC SERVICE CORPORATION** and **UPPER PENINSULA POWER COMPANY** for approval of its plan to implement 2000 PA 141.	Case No. U-12650
In the matter of the Application of **NORTHERN STATES POWER COMPANY-WISCONSIN d/b/a XCEL ENERGY** for approval of its plan to implement 2000 PA 141.	Case No. U-12651
In the matter of the Application of **INDIANA MICHIGAN POWER COMPANY d/b/a AEP** for approval of its plan to implement 2000 PA 141.	Case No. U-12652
In the matter of the Application of **ALPENA POWER COMPANY** for approval of its plan to implement 2000 PA 141.	Case No. U-12655

SETTLEMENT AGREEMENT[1]

The signatories, parties to one or more of the captioned cases, by their respective counsel, enter into this Settlement Agreement (Agreement) to be filed in each docket.

[1] Complete settlement for all captioned cases, except one issue in U-12649 is reserved for hearing as provided in this Agreement.

Part I – Recitals

The following recitals are accepted by all signatories and included in this Agreement to establish the procedural and factual framework for the specific Agreement terms and conditions in Part II, below.

A. The captioned cases are being conducted pursuant to Michigan's Customer Choice and Electricity Reliability Act, 2000 PA 141; MCL 460.10 - 460.10bb; MSA 22.13(10) - 22.13(10bb) ("Act 141").

B. The captioned cases were initiated on October 2, 2000,[2] in response to the Commission's Opinion and Order dated June 19, 2000 in Case No. U-12464, which directed investor-owned utilities (other than Detroit Edison and Consumers Energy) to file restructuring plans.

C. The captioned cases specifically address the implementation of Sections 10a(1) and 10b(2) of Act 141, which provide as follows:

> Sec. 10a(1) No later than January 1, 2002, the Commission shall issue orders establishing the rates, terms, and conditions of service that allow all retail customers of an electric utility or providers to choose an alternative electric supplier. The orders shall provide for full recovery of a utility's net stranded costs and implementation costs as determined by the Commission.
>
> Sec. 10b(2) No later than 1 year from the effective date of the amendatory act that added this section, each electric utility shall file an application with the Commission to unbundle its existing commercial and industrial rate schedules and separately identify and charge for their discrete services. No earlier than 1 year from the effective date of the amendatory act that added this section, the Commission may order the electric utility to file an application to unbundle existing residential rate schedules. The Commission may allow the unbundled rates to be expressed on residential billings in terms of percentages in order to simplify residential billing. The Commission shall allow recovery by electric utilities of all just and reasonable costs incurred by electric utilities to implement and administer the provisions of this subsection.

[2] Except Alpena Power Company filed its restructuring plan in U-12655 on November 7, 2000.

These provisions contemplate tariff terms and conditions to allow retail customer choice and to provide for unbundling of utility services and rates, as indicated.

D. Each investor-owned utility listed in the captions filed an Implementation Plan as required by the Commission's June 19, 2000 Opinion and Order in Case No. U-12464. Alpena Power Company ("Alpena"), Indiana Michigan Power Company d/b/a AEP ("AEP") and Northern States Power Company – Wisconsin d/b/a Xcel Energy ("Xcel") filed separate plans. Wisconsin Electric Power Company ("WEP") filed a plan jointly with affiliate Edison Sault Electric Company ("ESE"). Wisconsin Public Service Corporation ("WPS") filed a plan jointly with affiliate Upper Peninsula Power Company ("UPP"). Collectively, all of these parties are sometimes referred to herein as the "utility applicants."

E. Administrative Law Judge Daniel Nickerson ("ALJ") consolidated the captioned cases for hearing only, at the duly noticed December 5, 2000 prehearing conference. Interventions were granted as follows: International Paper Company ("International Paper") (U-12649 only)[3], Michigan Technological University ("MTU") (U-12650 only), Michigan Community Action Agency Association ("MCAAA") (all dockets), Michigan Environmental Council ("MEC") (all dockets except U-12655) and Public Interest Research Group in Michigan ("PIRGIM") (all dockets except U-12655). MEC and PIRGIM appeared jointly. Bay Windpower submitted a late petition to intervene, which was never noticed for hearing or granted.

F. The ALJ established a procedural schedule, which provided for review of the terms and conditions for customer choice as well as the unbundled tariffs pursuant

[3] In its November 28, 2000 Petition to Intervene, International Paper represented that it is a customer of WEP and that it has a substantial interest in WEP's implementation plan.

to Act 141, Section 10b(2). The utility applicants filed initial proposed terms and conditions for customer choice, with supporting testimony, on February 20, 2001. The Staff and Intervenors MCAAA and MEC/PIRGIM submitted initial proposed testimony and exhibits on March 19, 2001. International Paper and MTU did not file proposed evidence.

G. In the March 19, 2001 filings, MCAAA submitted proposed testimony and exhibits addressing potential electric energy and load management (also known as demand side management or "DSM") measures. MEC/PIRGIM submitted proposed testimony and exhibits addressing (i) funding support for energy efficiency programs, and (ii) issues concerning nuclear decommissioning costs, spent nuclear fuel charges and related nuclear issues. With the exception of testimony regarding nuclear decommissioning costs, all of the proposed Intervenor evidence was stricken by the ALJ on motion by the Staff. The excluded evidence was ruled to be beyond the scope of the proceeding, insofar as it addressed matters beyond the terms and conditions of retail customer choice or the unbundling of rates. MCAAA and MEC/PIRGIM appealed this ruling and the Commission has not acted on the appeals.

H. On June 5, 2001, the utility parties filed additional testimony and exhibits including the proposed unbundling of tariffs pursuant to Act 141, Section 10b(2). This filing also included revisions and updates to the proposed retail access service tariffs.[4] In its filings, AEP proposed collection of implementation costs by means of a rate surcharge factor subject to annual reconciliation proceedings. The other utility applicants have not proposed specific implementation cost surcharges and instead filed applications in separate dockets seeking Commission approval for accounting deferral

[4] WEP and ESE each filed company-specific proposed tariffs in Case No. U-12649.

of the costs, with recovery to be addressed in future rate proceedings. These other cases are Case No. U-12908 for WPA and UPP, Case No. U-12906 for WEP and ESE, Case No. U-12907 for Xcel and Case No. U-12874 for Alpena.

I. The utility applicants other than AEP developed common terms and conditions for the retail access tariffs through a collaborative effort. AEP based its tariff proposal on similar measures from other states where it has implemented customer choice programs.

J. The parties entered into negotiations for settlement of these implementation proceedings and reached agreement on the specific terms and conditions set forth below.

Part II – Terms and Conditions

The parties agree to the following specific terms and conditions of settlement and support issuance of a Commission order approving this Agreement:

Retail Access Service Terms and Conditions

1. Except as otherwise addressed in this Agreement, the terms, conditions and implementation plans for retail access service proposed by the utility applicants in their respective filings are reasonable.

2. The retail access service tariff provisions proposed by the utility applicants, as updated in the June 5, 2001 filings, should be approved by the Commission subject to modification only to meet the Commission's requirements for proper filed forms of tariffs and to incorporate measures addressed in this Agreement. The utility applicants other than AEP agree to modify their respective retail access

service tariffs to incorporate changes to Sections 2.4.2, 2.4.5, 2.4.7, 2.4.8, 2.5.1, 2.5.7 and 3.3.2F, shown in Attachment No. 1 hereto.

3. **Return to Full Requirements Service**: Subsections 2.6.1, 2.6.2 and 2.6.3 of the retail access service tariffs submitted by the utility applicants other than WEP and AEP shall be replaced with the provision set forth in Attachment No. 2 hereto. The final, filed tariffs may be adjusted in other sections to the extent necessary to reflect the changes under this Agreement provided that the adjustments do not otherwise change the substantive terms and conditions of the other tariff measures. For AEP, Section 3 of the open access distribution terms and conditions and Section 3 of the supplier terms and conditions will remain as originally proposed in the filings. For WEP, Section 2.6 of its retail access tariff, entitled Return to Full Requirements Service, will be the subject of contested case proceedings in which only the parties in U-12649 will participate. With the exception of WEP's proposal on return to full requirements service, no other issues in Case No. U-12649 are reserved for hearing and the provisions of this Agreement apply to all other issues. The parties to Case No. U-12649 further agree that WEP shall file its direct case on the return to service issue on August 10, 2001; Staff and Intervenor cases will be filed on August 24, 2001 and rebuttal will be filed on September 7, 2001. A hearing for cross-examination of these cases will be held on September 19, 2001. The parties agree to support an expedited briefing and exceptions schedule to be determined by the ALJ so that a final Commission order addressing the contested issue may be issued prior to January 1, 2002.

4. **Creditworthiness**: Section 3.5 of the retail access service tariffs submitted by the utility applicants other than AEP shall be replaced with the provision

now contained in Attachment No. 3 hereto. AEP's retail access service tariff shall contain the creditworthiness provisions set forth in the first two paragraphs in Attachment No. 4 hereto, and AEP shall apply its credit requirements in the manner stated in the remainder of Attachment No. 4.

5. Each utility applicant shall fill in any blanks in the tariff prior to filing its final form with the designated values submitted in its June 5, 2001 filing.

6. The utility applicants other than AEP will remove the statement in the filed tariff indicating that a Company will not disconnect a Customer current on payments to the Company bill but delinquent on AES billings. Instead, the question of shutoffs is left to the specific facts and circumstances of a situation and applicable rules and procedures outside of the retail access service tariff. Attachment No. 5 contains the revised provisions for disconnection of service in Section 2.8.

Unbundled Rates

7. The unbundled rate tariffs filed by the utility applicants on June 5, 2001 satisfy the requirements under Act 141, Section 10b(2) to unbundle rate schedules and separately identify and charge for discrete services.

8. The utility applicants represent that the unbundled rates and charges contained in their June 5, 2001 filings: (i) are revenue neutral to full requirements customers as of January 1, 2002 (i.e. the unbundled rates for a customer adds up to the same amount as the January 1, 2002 bundled rate for that customer), and (ii) the unbundled rates do not incorporate new cost shifting among customer classes. The Staff has reviewed the filings and concurs with this representation.

9. If WEP obtains a final Commission order in its pending rate case, MPSC Case No. U-12725, prior to December 31, 2001, it shall restate and modify its unbundled tariff provisions as necessary to reflect the ordered rates and file the restated tariffs to be effective on and after January 1, 2002. Should an order in case U-12725 not be issued by January 1, 2002, WEP will file unbundled rates to reflect rates in effect on January 1, 2002. Upon issuance of an order in Case No. U-12725 after January 1, 2002, WEP will be required to file restated tariffs reflecting rates ordered in Case No. U 12725. All parties to Case No. U-12649 shall be provided with copies of the restated tariff provisions. This Agreement does not limit or otherwise affect the right of any party to Case No. U-12725 to appeal the Commission's order(s) in that case.

10. When UPP obtains a final Commission rate order in its pending rate case, MPSC Case. No.U-12675, it shall restate and modify its unbundled tariff provisions as necessary to reflect the ordered rates and file the restated tariffs to be effective on or after January 1, 2002. All parties to Case No. U-12650 shall be provided with copies of the restated tariff provisions. This Agreement does not limit or otherwise affect the right of any party to Case No. U-12675 to appeal the Commission's order(s) in that case.

Implementation Cost Recovery

11. The utility applicants other than AEP have proposed separate dockets to obtain Commission approval to apply deferred accounting for implementation costs. The parties do not propose or agree to any specific cost recovery or rate adjustments in this proceeding; however, they agree that approval of deferred accounting by the Commission prior to January 1, 2002 is an acceptable means for the Commission to

comply with the cost recovery provision in Act 141, Section 10a(1). The treatment for implementation costs and regulatory assets for AEP is set forth in Paragraph 12 below.

12. In its June 5, 2001 Application and supporting testimony and exhibits, among other things, AEP requested cost recovery of specifically identified costs pursuant to Section 10a(1) of 2000 PA 141. Section 10a(1) provides that:

> No later than January 1, 2002, the commission shall issue orders establishing the rates, terms, and conditions of service that allow all retail customers of an electric utility or provider to choose an alternative electric supplier. The orders shall provide for full recovery of a utility's net stranded costs and implementation costs as determined by the commission.

The costs AEP identified are as follows:

J.	1.	Implementation Costs	
	a.	Restructuring Plan Filing Expenses	$200,000
	b.	Operational Implementation Costs	$8,457,000
J.2.	Customer Choice Education Costs		$37,000
J.5.	Regulatory Assets		
	a.	SFAS No. 109 Net Regulatory Assets	$31,002,000
	b.	Other Regulatory Assets	$9,976,450
Alliance RTO Costs			$832,000

The identification of the implementation costs and regulatory assets by AEP is not an endorsement of recovery of the specified amounts listed above by any other party in this proceeding and in accordance with this Agreement, AEP does not request rate surcharges for implementation costs and regulatory assets in this proceeding. . Determination of the costs to be recovered, including the carrying charge, will be subject to review by the Commission. The recovery of the specified amounts and the method and period of recovery of implementation costs and regulatory assets will be litigated in later proceedings, which will be determined in AEP's next general rate case along with the recovery of AEP's other costs of providing service to its Michigan jurisdictional customers.

Section 10a(5) of 2000 PA 141 states in pertinent part:

> An electric utility that has not had voluntary commitments to provide customer choice previously approved by orders of the commission shall file a restructuring plan to allow customers to choose an alternative electric supplier no later than the date ordered by the commission. The plan shall propose a methodology to determine the electric utility's net stranded costs and implementation costs.

Sections 10a(9) and (10) of 2000 PA 141 distinguish net stranded costs and implementation costs and identify certain obligations of the Commission and prerequisites that must be satisfied before the Commission may authorize recovery of net stranded costs. As indicated in Section J. 4. of its June 5, 2001 filing, AEP has not requested recovery of any net stranded costs. Since AEP is not seeking to recover stranded costs, AEP and the Staff agree, without any attempt to bind the Commission in Case No. U-12639, that the net stranded cost methodology which is being addressed in Case No. U-12639 shall not apply to the recovery of the implementation costs and regulatory assets which are the subject of this settlement agreement.

Consistent with Section 10a(1) and Section 10a(5), the parties agree that in lieu of addressing AEP's requested surcharge recovery for regulatory asset and implementation costs, the parties agree as follows: (i) the Commission order in this proceeding should authorize AEP to account for the implementation costs on a deferred basis; implementation costs incurred after the June 19, 2000 Order will be debited to Account 186 – Miscellaneous Deferred Debits. AEP should be allowed to accrue a carrying charge on the unamortized balance at a rate of 7% or whatever type of carrying charge the Commission deems appropriate in Case Nos. U-12906, U-12907, and U-12908, if any; (ii) AEP may continue to accrue regulatory assets on its balance sheet without carrying charges; and (iii) on December 16, 1999 the Commission issued orders approving Settlement Agreements between AEP and the Staff in MPSC Case Nos. U-11181-R, U-11531-R and U-11792 and in MPSC Case No. U-12204. Nothing in this Agreement shall be interpreted to alter or vary such Orders and Settlement Agreements.

Under these circumstances, the parties agree that deferred accounting treatment is an appropriate methodology for the Commission to allow AEP the opportunity to seek recovery of the identified cost consistent with Act 141. Since the relief provided by this settlement does not increase rates for service to customers, the parties acknowledge that the relief may be granted without the expense and time consuming process of an additional application, notice or hearing at this time.

<u>**Nuclear Utility Issues**</u>

13. **Nuclear Decommissioning Surcharge**: The parties agree that existing nuclear decommissioning surcharges incorporated in the rates of nuclear utilities AEP, WEP and WPS shall be part of the non-bypassable distribution component of the retail access service rates. The rates proposed in this case are consistent with this provision.

14. **SNF Disposal Fee**: Issues concerning spent nuclear fuel were excluded from this case by the ALJ's ruling. The nuclear utilities represent that they are collecting the 1 mill/kWh SNF surcharge from retail and wholesale customers using nuclear power. The imposition of the SNF disposal costs on nuclear utilities is governed

by federal law and the recovery of the costs from customers is the subject of state or federal rate proceedings. Any consideration of issues regarding collection and/or allocation of SNF disposal costs among nuclear utility customers may be a matter for future rate or other proceedings.

General Terms and Conditions

15. The signatories recognize that the nature and scope of tariff provisions dealing with customers returning to utility service after choosing an alternate electric service provider is a matter of potential continued controversy. The utility applicants are concerned with avoiding a subsidy by native load customers who remain on system supply to those electing to chose alternate suppliers and then return to full utility service at times when incremental capacity is expensive. Staff is concerned with potential default service rates based on market pricing, which might be viewed by some as a barrier to competition. The measures adopted under this Agreement for return to full requirements service represent a compromise among the positions. As the market for customer choice and supplier competition develops after January 1, 2002, the parties recognize that it may be necessary to revisit the design of terms and conditions for customers returning to utility service. The utility applicants shall keep the Commission Staff informed about adverse cost and potential service impacts on native load customers or the company caused by returning retail access service customers. Staff will support expedited Commission review of the tariff terms and conditions for customers returning to utility service, where circumstances in the market indicate that returning generation service customers are creating excessive costs to the utility and/or other customers, or this situation is likely to occur.

16. This Agreement is made for the purpose of settling the initial terms and conditions of retail access service and the unbundled rates effective on January 1, 2002. This Agreement shall not bar any of the parties from bringing issues to the Commission using established procedural mechanisms, after January 1, 2002, based on developments in the market for retail access service. Nothing in this Agreement shall constitute or be cited as a waiver of any parties' rights to pursue cost, rate or other issues in future proceedings, including issues relating to SNF disposal, energy efficiency, low-income protection, conservation or DSM.

17. With the exception of WEP as relating to the tariff provision on return to full requirements service, within 60 days after execution of this Agreement, the utility applicants shall prepare and submit to the Commission their tariffs for retail open access terms and conditions and unbundled rates, in final form. Copies shall be provided to all parties. Absent written objection by any other party within 30 days from filing the updated tariff language, the Commission shall use the updated tariffs as the approved measures pursuant to this Agreement.

18. The agreement of each signatory is limited to the captioned proceeding(s) in which that signatory is already recognized as a party under the Commission's Rules of Practice and Procedure. This Agreement is not intended to grant party status to any signatory in any of the cases where that status did not previously exist.

19. This Agreement is entered into solely for the purpose of compromise. All discussions relating to this settlement are confidential according to the Michigan Rules of Evidence. This Agreement shall not be offered as evidence in any other proceeding on any issue, except as is necessary to enforce the Agreement and resulting

Commission order, or to establish the specific terms of the Agreement. If this Agreement is not approved in its entirety, it shall be withdrawn.

20. The signatories agree to waive the provisions of Section 81 of the Michigan Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 et seq. except as applicable to the issue reserved for hearing under Part II, Paragraph 3 above.

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(all captioned cases)

Dated: July 24, 2001

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(Case No. U-12655)

Dated: 7/23/01

Changes to Retail Access Service Tariff Provisions

2.4.2 The AES shall submit to the Company a Switch Request via a Uniform Data Transaction after a required ten (10) day customer rescission period. ~~The information required in the Switch Request for validation purposes shall be defined by the Company.~~

2.4.5 The Company will normally validate a Switch Request within three (3) business days of the receipt of the Switch Request and will transmit a Switch Response to the AES. As part of the validation process, the Company shall notify the Customer in writing that ~~a switch has been made~~ a Switch Request has been received and is being processed. For valid Switch Requests, the Company will at the same time send to the AES currently serving the Customer, via the appropriate Uniform Data Transaction, notice that the AES's service is to be terminated, including the scheduled Customer Switch Date. In the event that the Customer or the new AES cancels the Switch before the Switch Date, the Company will send to the current AES, via appropriate Uniform Data Transaction, notice reinstating the current AES's service unless the current AES has submitted a valid Drop Request. Cut-off time for the receipt of Switch Requests is eight (8) business days in advance of the Customer's Switch Date. In the case of errors or omissions, final disposition of exceptions may take up to five (5) business days.

2.4.7 Other than in situations where Customers require new meter installations as part of a Switch, Customer Switches will be scheduled to take place on the scheduled meter reading date, and will be effective on the actual meter reading date or the date of an estimated meter reading for billing purposes. The Switch Date shall be effective on the next scheduled meter read date that is not less than eight (8) ~~calendar~~ business days after a valid Switch Request has been confirmed by the Company. The AES change shall occur at midnight (00:00) local time at the beginning of the effective date.

2.4.8 The Company shall process Drop Requests submitted by AESs in the same manner as it processes Switch Requests including customer notification. AESs shall be subject to the same timing and validation requirements for Drop Requests as for Switch Requests. An AES shall inform the Customer of the Drop Request in writing.

2.5.1 Metering equipment for Customers taking Retail Access Service shall be furnished, installed, read, maintained and owned by the Company. Customer accounts with a threshold of ____________ or more that receive service under Retail Access Service shall be required to have an Interval Demand Meter and ~~associated incremental costs will be assessed to the Customer through a standard monthly fee by rate class~~time and material costs to install the Interval Demand Meter will be assessed to the Customer unless charges are otherwise stated in the applicable distribution service tariff.

2.5.7 The Company reserves the right to require the installation of an Interval Demand Meter for a Customer not meeting the criteria in Section 2.5.1 of this tariff at the Company's expense, for the purpose of determining the Customer's hourly load for settlement. The Customer will not be subject to a ~~monthly~~ fee for this service unless the growth in the Customer's load reaches or surpasses the criteria in Section 2.5.1 of this tariff.

Customers who choose Retail Access Service but do not meet the criteria in Section 2.5.1 of this tariff, will have, unless the Company has exercised its right to require an Interval Demand Meter under Section 2.5.1, the option to use a calculated Load Profile to estimate Energy consumption patterns. If a Customer chooses to install an Interval Demand Meter, that Customer will be assessed ~~a standard monthly fee for the cost of~~time and material costs to install the Interval Demand Meter ~~and its installation.~~unless charges are otherwise stated in the applicable distribution service tariff.

3.3.2

F. The Company will not pursue collections action for any AES ~~unless mutually agreed upon as an optional billable service~~.

2.6 Return to Company Service From AES Service

2.6.1 Return to Company Service

2.6.1.1 The AES shall transmit a Customer Drop transaction to the Company when the Customer requests return to Company service or when AES service is not being continued for any reason.

2.6.1.2 The actual switch of the Customer from AES service to Company service will be processed on the next meter read date after the AES submits the necessary Customer Drop request to the Company, provided that the request is received no later than five business days prior to the next meter read date. The switch will otherwise be processed on the next subsequent meter read date.

2.6.2 Return of Normal Load Customers

All customers whose total load is less than 4 MW Maximum Demand shall return to Company Full Requirements service on the same terms as any new customer applying for Full Requirements Service. Any such Customer returning to Full Requirements service shall be ineligible to switch to an AES for a period of twelve months thereafter.

2.6.3 Return of Large Load Customers

Customers whose total load is greater than or equal to 4 MW Maximum Demand ("large load Customers" as used herein) shall return to the Company's Default Service tariff initially and will not be eligible for Full Requirements Service until after a notice period, not to exceed 12 months, to allow the Company to secure incremental generating capacity to serve the returning large load Customer without adversely impacting Customers who have chosen to remain with the Company. The Company will return the large load Customer to Full Requirements Service from Default Service no later than 12 months after the Customer has returned to utility service. Customers may switch to another AES at any point during the period that they are on Default Service.

[Note: Default Service rates to be based on individual company top incremental power supply costs addressed in separate tariff provisions previously filed or to be filed to reflect the settlement]

3.5 Security Deposits and Creditworthiness

3.5.1 Except as otherwise provided in Sections 3.5.2 and 3.5.3 below, an AES must provide security for performance of its obligations to the Company in the form of cash deposit, surety bond, letter of credit, acceptable affiliate guarantee or a combination of these methods. The total amount of the security shall be equal to one third of the estimated total annual amount to be billed under this tariff by Company to the AES, to be revised as needed to account for AES customer additions during the year. The Company shall be a named beneficiary of any bond or letter of credit, and providers of such instruments shall have an acceptable credit rating. Interest earned on security deposits held by the Company shall be payable to the AES and deposits shall be returned when no longer required. Absent previous business interactions between the AES and the Company, or where the business interactions span a time period of less than two (2) years, the AES shall provide to Company a historical record, of up to two (2) years, documenting prompt and timely payment for all charges previously incurred with other business entities involved in the delivery of Power to customers whether in Michigan or another jurisdiction, if available. The AES shall provide copies of its financial statements and credit bureau rating(s) to Company on request.

3.5.2 The security deposit under Subsection 3.5.1 shall no longer be required after the AES has made timely payments of all amounts due under this tariff and has not otherwise defaulted on any obligations to Company for a period of twenty four (24) consecutive months. If the AES fails to make a timely payment or otherwise defaults on its obligations to Company following removal of the security deposit requirement under this subsection, then the security deposit obligation under Subsection 3.5.1 applies and continues in the same manner as provided above for an AES with no established payment and compliance history.

3.5.3 [same language as in June 5 filed tariff subsection 3.5.2 – allows use of standards from other tariffs]

3.5.4 [same language as in June 5 filed tariff subsection 3.5.3 – requires notice of adverse changes in financial conditions]

AEP CREDITWORTHINESS PROVISIONS

For an AES without the requisite investment grade bond rating, or whose credit requirements exceed a level appropriate for its financial resources and bond rating, the AES must provide to the Company three (3) years of audited financial statements, including notes, have an amount of positive tangible net worth acceptable to the Company, and meet risk parameters derived from the Company's analysis of its financial statements. The Company, in its sole judgment, will determine the appropriate amount of unsecured credit to be extended to an AES as a result of this analysis. The AES may provide alternative security to credit enhancement, such as a guarantee of payment in a form acceptable to the Company, a letter of credit in a form and from a financial institution acceptable to the Company, or prepayment. The Company will use reasonable credit review procedures which may include, but are not limited to, review of the AES's financial statements, verification that the AES is not operating under state or federal bankruptcy laws, and has no pending lawsuits or regulatory proceedings or judgments outstanding which would have a material adverse effect on the AES and its ability to perform its obligations. Affiliates of the Company are subject to these same requirements and must provide proof of creditworthiness consistent with the code of conduct approved by the Commission.

A twenty-four month timely payment history of the Company shall be an acceptable alternative proof of creditworthiness.

The Company will apply the above credit requirements as follows:

- "have an amount of positive tangible net worth acceptable to the Company." The minimum tangible net worth must cover risks to its creditors created by an AES, operating not just in any single utility service territory, but risks created by total AES corporate-wide operations, as well. To obtain an unsecured line of credit using this criteria, the Company requires a minimum tangible net worth of $250 million.

- "meet risk parameters derived from Company analysis of its financial statements". The Company will examine the following as examples of appropriate risk parameters.

    - Liquidity
    - Degree of leverage, that is, ratio of debt in the AES' capital structure
    - Asset size and diversification of assets
    - Cash flow
    - Quality of management
    - Number of years in business
    - Location

- "The Alternative Energy Supplier may provide . . . a guarantee of payment in a form acceptable to the Company, letter of credit in a form and from a financial institution acceptable to the Company". The Company will provide to an AES an appropriate guarantee of payment form. Any financial institution issuing a letter of credit must be known to the Company, with a debt rating of A- or higher from either Standard & Poor's or Moody's.

2.8 Disconnection of Service

2.8.1 The Company is the only Person allowed to physically shut off service to a Customer.

2.8.2 Disconnection of service to a Customer for nonpayment of the Company's bill or for any violation of the Company's tariffs shall be in accordance with applicable Commission rules and Company tariffs. The Company will provide notice to the AES of the intent to disconnect, and the date/time of actual disconnection. The Company shall not be liable for any losses to the AES due to disconnection.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of WISCONSIN ELECTRIC POWER COMPANY and EDISON SAULT ELECTRIC COMPANY'S approval of a restructuring implementation plan required under 2000 PA 141	)	Case No. U-12649

STATEMENT OF NON-OBJECTION OF INTERNATIONAL PAPER COMPANY

International Paper Company ("IP"), by its attorneys, Clark Hill P.L.C., and pursuant to Rule 333(3) of the Michigan Public Service Commission's ("Commission") Rules of Practice and Procedure, Michigan Administrative Code Section R 460.17333(3), hereby files its Statement of Non-Objection to the Settlement Agreement filed in the above-entitled proceedings.

As stated on Page 6, ¶ 3, of the Settlement Agreement, Section 2.6 of Wisconsin Electric Power Company's ("WEPCo") retail access tariff, entitled Return to Full Requirements Service, is not part of the Settlement Agreement and will be the subject of contested case proceedings in which only the parties in MPSC Case No. U-12649, including IP, will participate.

Respectfully submitted,

CLARK HILL PLC

By: ______________________

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Robert A. LeFevre (P59094)
2455 Woodlake Circle
Okemos, Michigan 48864-5941
(517) 381-9193
(517) 381-0268 Fax
Attorneys for International Paper Company

Date: July 27, 2001

MICHIGAN PUBLIC SERVICE COMMISSION

AUG - 3 2001

FILED

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the Application of **WISCONSIN PUBLIC SERVICE CORPORATION** and **UPPER PENINSULA POWER COMPANY** for approval of its plan to implement 2000 PA 141.	))))	Case No. U-12650

MICHIGAN TECHNOLOGICAL UNIVERSITY'S STATEMENT OF NON-OBJECTION

Michigan Technological University ("MTU") has no objection to the entry of the proposed settlement agreement in the above referenced matter.

Respectfully submitted,

Christine Mason Soneral (P58820)
DYKEMA GOSSETT PLLC
800 Michigan National Tower
Lansing, MI 48933-1707
(517) 374-9184

Dated: July 24, 2001
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STATEMENT OF NON-OBJECTION TO SETTLEMENT AGREEMENT OF MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION

The Michigan Community Action Agency Association ("MCAAA"), by and through their attorneys, Knaggs, Harter, Brake & Schneider, P.C., file this statement of non-objection to the parties' Settlement Agreement signed on or about July 23, 2001, in the above-entitled cases.

Respectfully submitted,

MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION

By Their Attorneys,
Knaggs, Harter, Brake & Schneider, P.C.

Brian W. Coyer

Brian W. Coyer (P40809)
Knaggs, Harter, Brake & Schneider, P.C.
1375 South Washington Avenue, Suite 300
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517-482-1659/FAX 517-482-2689

DATED: July 25, 2001

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of **WISCONSIN ELECTRIC POWER COMPANY** and **EDISON SAULT ELECTRIC COMPANY** For Approval of its Plan to Implement 2000 PA 141 _______________________/	Case No. U-12649
In the Matter of the Application of **WISCONSIN PUBLIC SERVICE CORPORATION** and **UPPER PENINSULA POWER COMPANY** For Approval of its Plan to Implement 2000 PA 141 _______________________/	Case No. U-12650
In the Matter of the Application of **NORTHERN STATES POWER COMPANY - WISCONSIN,** doing business as Xcel Energy, For Approval of its Plan to Implement 2000 PA 141 _______________________/	Case No. U-12651
In the Matter of the Application of **INDIANA MICHIGAN POWER COMPANY d/b/a AMERICAN ELECTRIC POWER,** for Approval of its Plan to Implement 2000 PA 141. _______________________/	Case No. U-12652
In the Matter of the Application of **ALPENA POWER COMPANY** for Approval of its Plan to Implement 2000 PA 141. _______________________/	Case No. U-12655

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the Matter of the Application of **WISCONSIN ELECTRIC POWER COMPANY** and **EDISON SAULT ELECTRIC COMPANY** For Approval of its Plan to Implement 2000 PA 141 /	Case No. U-12649
In the Matter of the Application of **WISCONSIN PUBLIC SERVICE CORPORATION** and **UPPER PENINSULA POWER COMPANY** For Approval of its Plan to Implement 2000 PA 141 /	Case No. U-12650
In the Matter of the Application of **NORTHERN STATES POWER COMPANY - WISCONSIN,** doing business as Xcel Energy, For Approval of its Plan to Implement 2000 PA 141 /	Case No. U-12651
In the Matter of the Application of **INDIANA MICHIGAN POWER COMPANY d/b/a AMERICAN ELECTRIC POWER,** for Approval of its Plan to Implement 2000 PA 141. /	Case No. U-12652
In the Matter of the Application of **ALPENA POWER COMPANY** for Approval of its Plan to Implement 2000 PA 141. /	Case No. U-12655

STATEMENT OF NON-OBJECTION TO SETTLEMENT AGREEMENT OF MICHIGAN ENVIRONMENTAL COUNCIL AND THE PUBLIC INTEREST RESEARCH GROUP IN MICHIGAN

The Michigan Environmental Council ("MEC") and the Public Interest Research Group in Michigan ("PIRGIM"), by and through their attorneys, Knaggs, Harter, Brake & Schneider, P.C., file this statement of non-objection to the parties' Settlement Agreement signed on or about July 23, 2001, in the above-entitled cases.

Respectfully submitted,

MICHIGAN ENVIRONMENTAL COUNCIL, and the PUBLIC INTEREST RESEARCH GROUP IN MICHIGAN

By Their Attorneys,
Knaggs, Harter, Brake & Schneider, P.C.

Don L. Keskey

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DATED: July 25, 2001