CUSTOMER CHOICE PLAN

Detroit Edison

June 30, 1998
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I. INTRODUCTION

The Detroit Edison Customer Choice Plan outlines the Company’s plans to implement retail access. The Company entitled its retail access initiative “Customer Choice” to highlight the move toward a marketplace in which Customers select the electrical power providers that best meet their needs.

This introduction provides important information about the document:

• **Document Summary** - a summary of Detroit Edison's Customer Choice Plan

• **Document Background** - the development of the Detroit Edison Customer Choice Plan

• **Document Version Changes** - the significant differences between this Plan and the Draft of the Detroit Edison Customer Choice Plan

• **Additional Perspectives** – important perspectives for readers to maintain while reading the Detroit Edison Customer Choice Plan
A. DOCUMENT SUMMARY

Retail Access poses valuable possibilities. For Customers, it means a greater choice of providers. Retail Access also holds the possibility of reduced costs, greater product customization, and enhanced value for Customers. For Retailers and Marketers, it means the potential rewards of new business ventures. For utilities, like Detroit Edison, Retail Access achieves another key milestone in the transition to a marketplace for electricity. These possibilities forge a mutual interest in achieving Retail Access as rapidly as possible.

“Retail Access” is a term related to changes in the marketplace for the generation, transmission, and distribution of power; changes that will profoundly affect power users, current and potential suppliers, regulators, legislators, and other interested groups, as well as Detroit Edison.

“Customer Choice” is the Detroit Edison program designed to implement Retail Access. Customer Choice “unbundles” or separates aspects of electric utility operation into separate activities of generation, transmission, and distribution of power. Currently, all of these activity segments are provided by a single utility, such as Detroit Edison. In the future, the supply of power from generation can be provided to retail Customers via suppliers, or what the plan terms Retailers, other than Detroit Edison. The distribution function, however, continues to be provided by Detroit Edison which manages and maintains the physical wire connections to residences and commercial sites.

During a phase-in period, all Residential, Industrial, and Commercial customers will be eligible to participate in Customer Choice. The transition period is required to enable all parties to manage their Customer responsibilities effectively, as well as educate the marketplace about the changes and choices involved in a more opened electric market environment.

The following is a summary of Detroit Edison's Customer Choice Plan, together with section references where more information on a particular subject can be found. This summary is categorized under three (3) key points:

- Customer Choice introduces new roles and responsibilities in the marketplace
- Customer Choice requires new ways of doing business
- Customer Choice changes Detroit Edison's business practices
1. Customer Choice Introduces New Roles and Responsibilities in the Marketplace

Implementation of Retail Access in Michigan changes the roles of current players and introduces new participants into the process.

Participants include Retailers, Marketers, and Customers. Clearly defined procedures have been developed to ensure fairness and appropriate market behavior for all participants.

For more information, see Section II A “Overview of Roles of Key Players”

For more information, see Section II B “Participation Requirements”
2. **Customer Choice Requires New Ways of Doing Business**

Customer Choice necessitates many new procedures and processes to ensure participants can meet all obligations. For example, a competitive bidding process for distribution capacity will be implemented.

Retailers and Marketers will enter into required service agreements with Detroit Edison to enable the transmission and distribution of electricity to their customers as well as for other optional services.

Detroit Edison will bill Retailers and Marketers monthly. Customers will be billed per existing billing rules, authorized by the MPSC. Marketers will be directly billed for transmission and ancillary services, energy imbalance, backup supply service, and any other negotiated services. Retailers will be directly billed for transition charges and any other negotiated service.

To be eligible to participate in Customer Choice, a Customer must be hooked up to Detroit Edison’s system as a bundled customer (or will be hooked up) under current MPSC rules. The customer also must have no past-due Detroit Edison bills.

There is a need to educate customers, participants, as well as employees regarding Customer Choice. Educating customers is clearly the largest task among the three, because customer awareness and knowledge will facilitate a smooth transition to a competitive marketplace.

A shift to market dynamics is an enormous challenge and causes significant change in how the Company does business. For example, the “wires” business, while still regulated, will become a business that serves Customers, Retailers and Marketers.

While some changes are required only during the transition (e.g., bidding and initial customer of the Customer Choice Program), others will become regular, ongoing functions. Detroit Edison has identified many new business processes and has matched the tasks and activities needed to implement Customer Choice with the expected pace of the transition.

The Customer Choice program represents a significant and complex undertaking for Detroit Edison. Aside from the sheer volume of personnel, systems, processes, equipment, computer hardware, and software required to support this program, the interdependencies among tasks, scarcity of critical resources, and ongoing influences of external forces all contribute to the enormity of this effort.

Developing and modifying information systems is a resource-consuming aspect of implementing Customer Choice. Several new applications require development and implementation, while many core systems must undergo significant changes. Additionally, information specialists must carefully analyze the data links between systems to ensure that data is properly acquired, used, and maintained. This work occurs at a time when Detroit Edison must carefully manage other critical information systems requirements, such as modifications to major systems to meet Year 2000 requirements.

Given the critical nature of application requirements, Detroit Edison will use a phased plan for information systems development. Initially, Detroit Edison will develop and implement manual, limited service solutions to accommodate early adopters to the program while low-volume, full service
systems are being created. After experience is gained using the low-volume systems, high volume systems capable of meeting the needs of the mass market will be implemented.

Implementing Customer Choice is a highly complex undertaking due to the number of activities, degree of interdependencies, and potential for downstream scope changes or external influences. Furthermore, the program is heavily resource dependent. This plan balances the desire for immediate Retail Access for residential, commercial, and industrial Customers with the need for scaleable processes and systems designed to be gradually phased-in as the volume of participation increases. This approach also minimizes the total Customer Choice program implementation costs.

Note: These sections also provide detailed support for Detroit Edison's request that the Commission approve an up-to spending authority for Customer Choice implementation activities ($19.9 million for 1998).
B. DOCUMENT BACKGROUND

1. **MPSC Direction**

The MPSC recognized the importance and complexity of Retail Access in its February 11, 1998, order stating that “there will be numerous implementation questions… that will need to be addressed for open access to succeed.” Recognizing that a process other than formal hearings was called for to meet this challenge, the Commission directed its Staff to promote discussions among interested parties. These discussions were intended to identify, discuss, and resolve many implementation issues. When successful, these interactions would promote solutions allowing the Commission to focus on remaining unresolved issues.

2. **Plan Development: A Collaborative Approach**

The MPSC Staff, together with Detroit Edison and Consumers Energy, devised a collaborative, public, and interactive process to promote reaction and discussion. The following summarizes the process steps and results achieved:
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<th>Result</th>
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<td>Detroit Edison and Consumers Energy submit draft versions of Retail Access Implementation Plans</td>
<td>Plans submitted on April 6, 1998</td>
</tr>
<tr>
<td>Make Draft documents publicly available</td>
<td>Draft Plans (approximately 300 copies) distributed by hard copy and made available via MPSC and utility web sites</td>
</tr>
</tbody>
</table>
| Hold Public Information sessions to provide additional Plan details and address questions/concerns to MPSC Staff and interested parties | • Informational meeting held on April 24, 1998
• Customer meeting held on May 1, 1998
• Supplier meeting held on May 8, 1998                                                    |
| Receive comments from interested parties, Staff, and the public                           | Over 100 written comments were received from 12 parties about the Detroit Edison plan               |
| Receive input from MPSC Staff familiar with the issues                                    | Formal MPSC Staff comments received on May 16, 1998                                               |
| Incorporate changes and clarifications in final versions of Customer Choice Plans          | A number of significant changes made from Draft Plan (see Section I.C)                             |

### 3. Plan Development: Continuing Refinements

During the course of these activities, the MPSC Staff, Detroit Edison, and Consumers Energy found significant value in working cooperatively during the development of the utilities' respective plans. Consequently, the MPSC Staff allowed a one-month extension to submit the plans (from May 30 to June 30, 1998) to enable Detroit Edison and Consumers Energy to accomplish several objectives:

- Discuss issues impacting the plans of both companies
- Arrive at common positions, where possible
- Use a common terminology as much as possible

These activities have yielded numerous benefits including more closely aligned plans. Reflecting the reality of two (2) business entities with different circumstances and considerations, the companies are submitting individual plans. While similar, the plans are not identical.
C. DOCUMENT VERSION CHANGES

Readers familiar with the April 6, 1998, Detroit Edison Customer Choice Plan – Draft Plan notice many important improvements between the draft and final versions of this document. The following is a summary of key changes.

<table>
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<th>Draft Plan</th>
<th>Improvements</th>
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<td>Participant Role Clarification</td>
<td>This version referred generally to many types of participants as &quot;suppliers.&quot;</td>
<td>This version provides more precise definitions of roles of participants. This terminology is also used in the Consumers Energy plan.</td>
</tr>
<tr>
<td>Broader Bidding Participation</td>
<td>This version outlined a bid process approach which was limited to approved suppliers and large customers.</td>
<td>Consistent with Consumers, this version broadens participation by allowing anyone to bid by submitting a refundable bid deposit. (Note: An approved Marketer and Retailer are still needed to finalize the deal and have power flow through Detroit Edison.)</td>
</tr>
<tr>
<td>Simplified Forfeiture Process</td>
<td>This version described complex provisions governing participation by Affiliates (i.e., entities tied to Detroit Edison and affiliate organizations).</td>
<td>Consistent with Consumers, this version makes explicit that, with the traditional utilities operating under an MPSC approved code of conduct, their affiliates will be afforded full participation in Retail Access.</td>
</tr>
<tr>
<td>Allow a Secondary Market in Capacity</td>
<td>Not allowed under this version. Capacity only changes hands through forfeiture.</td>
<td>Consistent with Consumers, this version allows Capacity rights to be bought and sold after being awarded to the original bidder.</td>
</tr>
<tr>
<td>Lengthened Forfeiture Timeframes</td>
<td>Under this version, Suppliers were allowed 60 days to meet Act 69 and franchise requirements, with a 30 day extension if needed.</td>
<td>Consistent with Consumers; this version allows Retailers 180 days to comply, as long as application for Act 69 approval is filed within 60 days of capacity award.</td>
</tr>
<tr>
<td>Program Bid and In-Service Schedules in Alignment</td>
<td>In their respective versions, Detroit Edison and Consumers Energy had different schedules for bidding and placing Customers in-service.</td>
<td>This version aligns the Detroit Edison and Consumers Energy schedules.</td>
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D. ADDITIONAL PERSPECTIVES

1. Tariff

This Plan incorporates many changes from the Draft Plan and creates a need to amend Detroit Edison's February 25, 1998 Retail Access Service Tariff filing. The suggested tariff changes are outlined in Exhibit B of the Application accompanying this Plan. The Company will file an amended tariff incorporating changes, after the Customer Choice Plan has been approved by MPSC.

2. Other Documents

While the Plan provides an outline of Detroit Edison's open retail access initiative, Detroit Edison may generate a number of additional, more detailed documents related to Customer Choice. These include a detailed "How-To" manual Retail Access Handbook to assist future market participants and specific service agreements.

3. Plan Schedule Assumptions

Following a cooperative spirit and the MPSC's guidance, the Detroit Edison Customer Choice Plan was prepared with the intent of implementing Retail Access on an expeditious basis. The timelines illustrated in the document are aggressive, but achievable. The Plan was prepared assuming approval of the document provisions by the MPSC and FERC as needed (approximately July 31, 1998 and August 31, 1998, respectively). In the event Commission approval is not received on or near July 31, 1998 (or the MPSC requires modifications to the Plan), it is likely the timelines will change.

4. Future Implementation Steps

The MPSC Staff, Detroit Edison, and Consumers Energy have recognized the value in working cooperatively to develop the Plans for Retail Access. It is also recognized that input received from the public, MPSC Staff, and interested parties resulted in improvements to the Plan. Where possible, the parties will work together to reduce the overall costs of Retail Access in Michigan.
II. PROGRAM PARTICIPATION GUIDELINES

A. OVERVIEW OF ROLES OF KEY PLAYERS

The implementation of Retail Access in Michigan changes the roles of the current participants in the electricity marketplace and introduces a number of new entrants into the process. These new roles and responsibilities will evolve over time. The diagram on the next page is a representation of Detroit Edison's concept of the future marketplace. This concept has been incorporated into the Customer Choice Plan.

Retail Access has two (2) major impacts on the electricity market structure. Retail Access separates the commercial business flows from the physical electricity flows, and it brings a number of new participants into the market structure. Electricity will continue to flow directly from the Generator, through one or more Transmission Systems, through a Distribution System to the Customer's location (as represented by the heavy arrows in the chart on the next page). The commercial transactions related to the power flow can follow through several different paths, depending on the number of parties involved and where/when they take title to the power. The simplest case would involve the Generator, Marketer, and Retailer being the same entity. In this case, the Customer needs only to deal with that entity and the Distribution Provider, which is Detroit Edison. In more complicated cases, these functions could be performed by different parties with intermediaries (Brokers, Aggregators) assisting the commercial transactions.

The next few pages will serve to introduce the reader to a number of new terms, roles, responsibilities, and relationships that will be helpful in understanding this Plan. Each of the following sections first provides a definition of the term and, thereafter, provides an explanation of the described entity's role in the marketplace.

Please Note: this section was designed to introduce the reader to a small number of key, new terms. A complete Glossary appears as an appendix to this Plan (Appendix A).
New Entities and Relationships will Emerge with Competition

Current Market Structure

Integrated Electric Utility
(Detroit Edison)

Generator

Transmission Provider

Distribution Provider

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

New Market Structure

Commercial Relationships

Generator
Produces Power

Marketer
FERC Approved, Takes Title, Buys Power from Generators & Delivers Through Transmission System(s) to Distribution Systems

Retailer
MPSC Approved to Sell to End-Use Customers, Takes Title, Delivers Through Distribution System

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

Broker
Agent for Generators/Marketers, Helps Set Up Deals, Doesn't Take Title

Aggregator
Pools Customer Load Together To Obtain a Better Deal From Retailer, Lines Up Customers & Retailer

Power Flows

Generator
Produces Power

Transmission Provider
High Voltage, Bulk Transport of Power From Generators to Distribution Systems & Ancillary Services

Distribution Provider
Delivers Power from Transmission System to Customer Locations

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

Customer Buys Local Distribution Service

Marketer Buys Transmission Service

Marketer and Retailer Roles Will Often Be Performed By One Party

Integrated Electric Utility

(Detroit Edison)

Generator

Transmission Provider

Distribution Provider

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

New Market Structure

Commercial Relationships

Generator
Produces Power

Marketer
FERC Approved, Takes Title, Buys Power from Generators & Delivers Through Transmission System(s) to Distribution Systems

Retailer
MPSC Approved to Sell to End-Use Customers, Takes Title, Delivers Through Distribution System

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

Broker
Agent for Generators/Marketers, Helps Set Up Deals, Doesn't Take Title

Aggregator
Pools Customer Load Together To Obtain a Better Deal From Retailer, Lines Up Customers & Retailer

Power Flows

Generator
Produces Power

Transmission Provider
High Voltage, Bulk Transport of Power From Generators to Distribution Systems & Ancillary Services

Distribution Provider
Delivers Power from Transmission System to Customer Locations

Customer
One or More End-Use Locations Owned/Controlled by a Single Entity

Customer Buys Local Distribution Service

Marketer Buys Transmission Service

Marketer and Retailer Roles Will Often Be Performed By One Party
1. Customer

The Customer is the end-user of the electricity at one or more locations in the State of Michigan who has facilities connected to Detroit Edison's distribution system.

Prior to Retail Access, the Customer obtained electric service from the electric utility that had been granted the legal right to provide service in the service territory where the Customer is located. With Customer Choice, the Customer will deal with at least two entities - Detroit Edison and a Retailer. The Customer is responsible for choosing its Retailer.

2. Aggregator

An Aggregator consolidates Customers into a buying group for the purpose of purchasing large blocks of power. Thereafter, the Aggregator aligns this group of Customers with a Retailer, which can also be the Aggregator. An Aggregator may also be a Customer or simply act as a Broker between the Retailer and Customer.

If an Aggregator chooses to purchase power and resell it to the Customers it has aggregated, then the Aggregator must qualify as a Retailer. If an Aggregator chooses not to be a Retailer, the Aggregator role will be limited to the process of aggregating the Customers with a Retailer. In other words, the Distribution Provider and Transmission Provider (i.e., Detroit Edison) will be transacting business with Generators, other Transmission Providers, Marketers, Retailers, and Customers in order to provide the power to the Customer. Detroit Edison will also be responsible for keeping track of which Retailer and which Marketer supplies each Customer location. This is necessary to ensure accurate billing of Marketers and Retailers for services provided by Detroit Edison. Any transactions between Customers and an Aggregator (who is not a Retailer), or between an Aggregator and its Retailer, will not involve Detroit Edison and will have no impact on either the commercial or physical flow of power.

3. Retailer

A Retailer is an entity that has obtained all the necessary legal approvals to sell retail electricity in Michigan. A key characteristic of a Retailer is that it takes title to the power and sells the power in Michigan's retail Customer market.
In the emerging market, the Retailer buys products/services needed to provide electricity to Customers, combines these products/services in different marketing packages and sells the packages to Customers. The Retailer, therefore, has a preeminent role with the Customer.

4. **Marketer**

The Marketer is an entity that takes title to the power and has FERC approval to market energy services. This allows them to use Utility/ISO Transmission Systems to move power from the Generator(s) to the Distribution System and on to the end-use Customer. The responsibilities associated with using the Transmission System fall on the Marketer, including power scheduling, obtaining ancillary services, and responsibility for energy imbalance charges. Essentially, a Marketer takes on the role of a wholesaler, gathering power supply and arranging deliveries to the Distribution Systems where the Retailer breaks the bulk transactions down into individual retail sales.

Thus, both a Retailer and a Marketer are needed to complete a delivery to a Customer. In many cases the Retailer and Marketer functions will be handled by one entity. The Retailer/Marketer designations are needed, however, because the two functions are separable and may be performed by different parties.

5. **Broker**

The Broker is an entity which acts as an agent between the Generator and the Marketer. This entity aggregates generation sources and offers the generation sources to Marketers seeking supply. Like an Aggregator, once a Broker initiates a transaction, it may, or may not, have a role in ongoing transactions. Significantly, Brokers do not take title to the power. If a Broker were to take title to the power it would be classified as a Generator or a Marketer for the purposes of this Plan. It would be a Generator if it only sold power to Marketers that have Transmission access. It would be a Marketer if it arranges for transportation of the power over the Transmission System and then sells it.

6. **Generator**

The Generator is an entity that produces power at one or more locations that will be ultimately delivered to Customers through one or more Transmission Systems and the Customer's host Utility Distribution System. The Generator is the original holder of title to the power.
7. Distribution Provider

The Distribution Provider is the "wires" company that distributes electricity to Customers in a given geographic area. Distribution of electricity is a MPSC regulated business function. The Distribution Provider is charged with building, maintaining, and operating the electrical system to provide for the reliability and availability of the distribution system to all Customers. The Distribution Provider performs numerous services, including responding to Customer inquiries, responding to outage and power quality issues, meter reading, and billing. Detroit Edison is the Distribution Provider for Southeast Michigan.

8. Transmission Provider, Control Area Operator

The Transmission Provider has the critical role of building, owning, maintaining, and operating the Transmission System in a given geography to provide for the overall reliability of the electrical system. The transmission of electricity is a FERC regulated function. The Transmission System is the high-voltage, bulk transport system used to transport power from Generators to the Distribution Providers for delivery to the ultimate Customer(s). Detroit Edison is the Transmission Provider for Southeast Michigan.

A key role of a Transmission Provider is to balance generation to the total load, in real time, and to maintain the integrity of the system. This balancing function is the Control Area Operator's responsibility. In doing so, the Transmission Provider automatically compensates for any imbalances between a Marketer's generation and its loads. The Transmission Provider also provides a number of other required and optional services, including scheduling, facilitating the use of the Transmission System, modifying the Transmission System when needed, and various ancillary services.

9. Bidder  (Not shown on diagram)

A Bidder is an entity or person who bids for available Retail Access capacity during the phase-in period. Anyone can bid for a minimum of one (1) megawatt (MW). Customers, Retailers, Marketers, Aggregators, and other entities can all bid. Successful bidders may resell their capacity in a secondary market for Retail Access capacity.

The Retail Access capacity rights obtained through the bidding process, or through a subsequent purchase, are only one (1) of four (4) components necessary to complete the commercial side of a Retail Access power delivery. There also needs to be a source of electricity (the Generator), an entity entitled to move the energy across Transmission Systems
(the Marketer), and an entity entitled to move the energy through the distribution system to Customer locations (the Retailer). These functions can all be provided by one entity, or by several, but all three (3) components are needed to complete the transaction, in addition to the capacity rights.
B. PARTICIPATION REQUIREMENTS

The flow chart on the next page illustrates how Aggregators, Retailers, and Marketers participate in the Customer Choice Program. The intent of the illustration is to show the relationships between Detroit Edison and these participants. It is not intended to illustrate all of the possible interfaces between Detroit Edison and these participants.
1. Bidders

In accordance with the procedures set forth below, any person or entity may submit one or multiple bids including, but not limited to, Affiliates or joint ventures of DTE Energy, Aggregators, Marketers, Retailers, and Customers.

a. Bid Application

Persons or entities that wish to bid for capacity during the phase-in period (when the program begins through the end of the fifth bid period) are required to submit a Bid Application as described in Section C.2.a.

b. Refundable Bid Award Deposit

At the same time, Bidders must provide a Refundable Bid Award Deposit as described in Section C.2.b.

2. Aggregators

Currently, there are no statutory or regulatory approvals needed to be an Aggregator in the State of Michigan, other than those applicable to business generally. If and when any approvals are forthcoming, the Aggregator will be required to comply with these requirements.
3. Retailers

a. MPSC Certification

Retailers will comply with Act 69 requirements and obtain a certificate of convenience and necessity, local franchises, and any other local approvals prior to serving Customers. The duty to obtain the necessary legal and regulatory approvals is the sole responsibility of the Retailer.

b. Creditworthiness

Retailers must meet creditworthiness requirements sufficient to cover transition charges associated with the awarded bid capacity.

c. Electronic Business Transactions (EBT)

Retailers will comply with the electronic standards and protocols developed for communications with Detroit Edison and Retailers. These standards and protocols will be posted on the Detroit Edison web site. These standards and protocols are required because Detroit Edison expects to conduct high volumes of transactions with Retailers.

Typical EBTs for Retailers may include:
- Documenting Customer Enrollment and Switches
- Reporting Customer Consumption and Billing Determinants
- Reporting Customer Payments
- Electronic Funds Transfer to and from Retailers
- Billing for Transition (Bid) Charges

d. Retail Agreement

Prior to Customer enrollment, Retailers must have executed a Retailer Agreement with Detroit Edison. This agreement is described in Section D.2.
4. Marketers

a. FERC Licensed

A Marketer participating in the Customer Choice program must be a FERC approved Power Marketer, or a utility authorized to transmit energy over the transmission system.

b. Creditworthiness

Marketers must meet creditworthiness requirements sufficient to cover expected levels of transmission, ancillary services, and other obligations. Minimum requirements are described in Detroit Edison's Open Access Transmission Tariff (OATT), which has been filed with FERC, as well as in the Transmission Service Agreement.

c. Electronic Business Transactions (EBT)

Marketers will comply with the electronic standards and protocols developed for communications between Detroit Edison and Marketers. These standards and protocols will be posted on the Detroit Edison web site. These standards and protocols are required because Detroit Edison expects to conduct high volumes of transactions with Marketers.

Typical EBTs for Marketers may include:
- Billing for Energy Imbalance charges
- Billing for Transmission and Ancillary charges
- Billing for other services provided by Detroit Edison

d. Transmission Service Agreement

Before service commences, Marketers must execute a Transmission Service Agreement with Detroit Edison. This agreement is described in Section D.3.
5. Customers

There are no requirements for Customers other than those identified for all Bidders in Sections 1.a and 1.b.

SUMMARY OF PARTICIPANT REQUIREMENTS

<table>
<thead>
<tr>
<th>Participant</th>
<th>Requirement</th>
<th>When Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bidder</td>
<td>Bid Application</td>
<td>At time of bid submittal</td>
</tr>
<tr>
<td>Bidder</td>
<td>Refundable Bid Award Deposit</td>
<td>At time of bid submittal</td>
</tr>
<tr>
<td>Retailer</td>
<td>Act 69 Certification Application</td>
<td>Within 60 days of bid award</td>
</tr>
<tr>
<td>Retailer</td>
<td>Act 69 Certification Approval/Franchise(s)</td>
<td>Within 180 days of bid award</td>
</tr>
<tr>
<td>Retailer</td>
<td>Creditworthiness</td>
<td>Prior to Customer Enrollment</td>
</tr>
<tr>
<td>Retailer</td>
<td>Electronic Data Transfer Capability</td>
<td>Prior to Customer Enrollment</td>
</tr>
<tr>
<td>Retailer</td>
<td>Executed Retailer Agreement</td>
<td>Prior to Customer Enrollment</td>
</tr>
<tr>
<td>Marketer</td>
<td>FERC licensed Power Marketer or a utility authorized to transmit energy over the transmission system</td>
<td>Before Transmission Service Agreement is signed</td>
</tr>
<tr>
<td>Marketer</td>
<td>Creditworthiness</td>
<td>Before Transmission Service Agreement is signed.</td>
</tr>
<tr>
<td>Marketer</td>
<td>Electronic Data Transfer Capability</td>
<td>Before service commences</td>
</tr>
<tr>
<td>Marketer</td>
<td>Executed Transmission Service Agreement with sufficient capacity to cover the load, deviation band, and losses</td>
<td>Before service commences</td>
</tr>
</tbody>
</table>
C. BIDDING

1. Bid Phases and Duration

Bids will be accepted by the Independent Bid Administrator for a three-week period with a firm closing date and time for each phase. Bids must be received by the bid closing date and time. Detroit Edison recommends that Bidders submit their bids by registered mail or by hand delivery. Bids will be date and time stamped by the Independent Bid Administrator upon receipt.

CUSTOMER CHOICE PROGRAM - PHASE-IN PERIODS

<table>
<thead>
<tr>
<th>Bid Period</th>
<th>Bid Close Dates</th>
<th>Capacity per Period</th>
<th>Total Capacity (Cuml.)</th>
<th>Res. Set Aside</th>
<th>Res./Small Secondary</th>
<th>Primary/Large Secondary</th>
<th>Implementation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two</td>
<td>11/30/98</td>
<td>225 MW</td>
<td>450 MW</td>
<td>3 MW</td>
<td>3 MW</td>
<td>219 MW</td>
<td>Primary: As soon as practical Lg Sec: 4/99 Res/Sm Sec: 6/99</td>
</tr>
<tr>
<td>Three</td>
<td>1/29/99</td>
<td>225 MW</td>
<td>675 MW</td>
<td>3 MW</td>
<td>3 MW</td>
<td>219 MW</td>
<td>Primary: As soon as practical Lg Sec: 4/99 Res/Sm Sec: 6/99</td>
</tr>
<tr>
<td>Four</td>
<td>11/20/99</td>
<td>225 MW</td>
<td>900 MW</td>
<td>3 MW</td>
<td>3 MW</td>
<td>219 MW</td>
<td>As soon as practical after close of bidding, but not before 1/1/00</td>
</tr>
<tr>
<td>Five</td>
<td>11/20/00</td>
<td>225 MW</td>
<td>1125 MW</td>
<td>3 MW</td>
<td>3 MW</td>
<td>219 MW</td>
<td>As soon as practical after close of bidding, but not before 1/1/01</td>
</tr>
<tr>
<td>Open to all, No Bids needed</td>
<td>1/1/02</td>
<td>No limit</td>
<td>No limit</td>
<td>No limit</td>
<td>No limit</td>
<td>No limit</td>
<td>1/1/02</td>
</tr>
</tbody>
</table>

2. Bidding Rules
a. Bid Application

The bidder must fill out a bid application with the following minimum information:

1. Bid Class requested (one class per bid)
   - Residential only, load profiled (3 MW set aside)
   - Residential/Small Secondary, load profiled (3 MW set aside)
   - Primary/Large Secondary, interval metered (219 MW)
2. MW being requested (minimum 1 MW)
3. Bid price ($/kilowatt-hour (kWh) amount offered)

Bid applications will be available from the Detroit Edison Support Center and will be included in the Retail Access Handbook. Applications also will be distributed at the Bidders' meeting.

b. Refundable Bid Award Deposit

Bidders will provide a refundable bid award deposit to Detroit Edison at the time of their bid submittal. The deposit will be $1,000 per MW for Residential, $1,500 per MW for Small Secondary, and $2,000 per MW for Primary/Large Secondary. The deposit must be submitted in the form of a certified check. In the event the Bidder forfeits capacity, Detroit Edison will retain the refundable bid award deposit to mitigate transition costs. Losing Bidders who are awarded capacity during the forfeiture process will provide a refundable bid award deposit to Detroit Edison within five (5) business days of award. See Section C.9 for forfeiture information.

The deposit will be mailed back to losing Bidders within two (2) business days after the bid award notification.

Winning Bidders will be refunded the deposit as Customers become enrolled. Deposit refunds will be issued on a monthly basis and in proportion to the enrolled capacity compared to the total awarded capacity.
c. Bid Price (Transition Charge)

The minimum price for any bid is $0.005 (one-half cent) per kWh, as established by the MPSC. The bid price will be used to offset transition costs and becomes the transition charge payable for all kWh delivered under that bid.

d. Minimum and Maximum MW Bid Amounts

The bid amount will be for a minimum of 1 MW of capacity (sum of non-coincident peaks). The maximum bid amount is 50% for Residential Only (1.5 MW), 50% for Residential/Small Secondary (1.5 MW), and 33% for Primary/Large Secondary (73 MW) of the total available in each class.

e. Multiple Bids

Bidders may submit multiple bids. Each bid must include the applicable Refundable Bid Award Deposit and meet all bid requirements, including the 1 MW minimum.

f. Maximum Bid Award

The maximum capacity to be awarded to any one Bidder is 50% for Residential Only (1.5 MW), 50% for Residential/Small Secondary (1.5 MW), and 33% for Primary/Large Secondary (73 MW) of the total made available in each bid class. These limits are designed to ensure that the initial capacity awards are spread among a number of viable Bidders.
g. Rules Summary

<table>
<thead>
<tr>
<th>Feature</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundable Bid Award Deposit</td>
<td>Residential - $1,000/MW</td>
</tr>
<tr>
<td></td>
<td>Small Secondary - $1,500/MW</td>
</tr>
<tr>
<td></td>
<td>Primary/Large Secondary - $2,000/MW</td>
</tr>
<tr>
<td>Minimum Price</td>
<td>$0.005 (one-half cent) per kWh as established by the MPSC</td>
</tr>
<tr>
<td>Minimum MW Bid per Class</td>
<td>1 MW</td>
</tr>
<tr>
<td>Maximum MW Bid per Class</td>
<td>Residential Only (3 MW Set aside) - <strong>1.5 MW or 50% of total</strong></td>
</tr>
<tr>
<td></td>
<td>Residential/Small Secondary (3 MW Set aside) - <strong>1.5 MW or 50% of total</strong></td>
</tr>
<tr>
<td></td>
<td>Primary/Large Secondary (219 MW) - 73 MW or 33% of total</td>
</tr>
<tr>
<td>Maximum Number of Bids</td>
<td>No maximum</td>
</tr>
<tr>
<td>Maximum Capacity Awarded</td>
<td>Residential Only (3 MW Set aside) - <strong>1.5 MW or 50% of total</strong></td>
</tr>
<tr>
<td></td>
<td>Residential/Small Secondary (3 MW Set aside) - <strong>1.5 MW or 50% of total</strong></td>
</tr>
<tr>
<td></td>
<td>Primary/Large Secondary (219 MW) - 73 MW or 33% of total</td>
</tr>
</tbody>
</table>

3. Bidders Meetings

Potential Bidders will be invited to attend a meeting where the bidding process will be explained in greater detail. Detroit Edison will conduct these meetings for potential Bidders prior to each bid period. These meetings will explain the steps a Bidder must undertake to participate. Written procedures for bidding will be provided at the meeting and be available on Detroit Edison's web site. Detroit Edison recommends that potential Bidders attend these meetings.
4. **Bid Classes**

A capacity allotment of 225 MW will be made available in each of five bidding periods, unless there is load growth between bid periods as set forth in Section C.8.

There are three (3) bid classes:
- Residential only (3 MW set aside)
- Residential/Small Secondary (3 MW set aside)
- Primary/Large Secondary (219 MW)

a. **Set Asides**

Separate bids are required for Residential and Small Secondary Customer classes. Capacity awarded as part of the Residential set aside and Residential/Small Secondary set aside may only be used to serve these classes.

5. **Independent Bid Administrator**

Detroit Edison will hire a third-party bid administrator (Independent Bid Administrator) to receive and process the bids, and award capacity to the winning bidders. The Independent Bid Administrator will work within the bid process designed by Detroit Edison. The Independent Bid Administrator will obtain any necessary information from Detroit Edison’s Support Center to conduct the bidding process. Notwithstanding the collection of information, the Independent Bid Administrator will function independently of Detroit Edison in all phases of bid processing and awarding.
6. Bid Award Process

The Independent Bid Administrator will collect sealed bids throughout the bid period and open the bids at a set time after the bid period closes. Since this is a sealed bid process, bidders will have no opportunity to remedy errors. All bids are final. Defective bids will be returned to the Bidder with an explanation of the first defect that caused the rejection.

The bids will be sorted by bid class. Starting with the Residential set aside, bids will be rank-ordered and awarded to Bidders based upon the highest bid prices received ($/kWh). Capacity will be awarded working down this list until the entire allotted capacity has been awarded in the Residential class. Losing bids in this class then will be combined with the Residential/Small Secondary bid class and the bid ranking process will be repeated. Losing bids in the Residential/Small Secondary bid class then will be combined with the Primary/Large Secondary bid class and the bid ranking process will be repeated.

If, during the bid phase, the Residential only and Residential/Small Secondary set asides are not filled, the unused capacity will be awarded to the Primary/Large Secondary class so that all 225 MW of capacity are awarded. Any unused Residential set aside amounts will be reallocated to the set aside classes in the next bid period and deducted from Primary/Large Secondary bid class of the next bid phase. This process will be repeated during each bid phase, with unused capacity accumulations being added to the next bid phase.

In the event a Bidder has multiple winning bids, the capacity will be assigned to the highest priced bids first, and, thereafter, awards to the lower priced bids will occur only as each higher priced bid’s capacity is filled. Ties between bids with identical prices will be broken using a lottery process to be administered by the Independent Bid Administrator. If the last winning bid exceeds the bid period capacity, only the amount of remaining capacity will be awarded.

By submitting a bid, each Bidder will be making a contractual offer for, and commitment to take, the capacity bid for at the bid price. Being selected as one of the winning Bidders constitutes acceptance of the offer.

An example of the bidding process just described is illustrated in Appendix E.
7. **Bid Award Notification**

The results of the bid awards will be announced not more than 10 business days after the bid closing date. All winners will be notified by mail, and the names of the winners will be posted in an alphabetical listing to the Detroit Edison web site to assist interested parties in contacting them.

Despite the nature of the sealed bidding process, the entire bid process will be open to identified representatives of the MPSC for purposes of auditing the bidding process. There is an explicit understanding that the MPSC will not disclose bidding information. After the bidding process is finished, all bid prices, bid amounts, and bid classes will be made public by the Independent Bid Administrator via Detroit Edison’s web site to enable more informed bidding in the next round. Bidder's identification will not be disclosed with this information.
8. Capacity Management Process

Detroit Edison will implement a capacity management process to monitor award, subsequent resale, and use of the limited Retail Access capacity made available during the Phase-in. The capacity management process will continuously track remaining capacity available for each capacity owner. Capacity is initially established when a bid is awarded. Each Customer enrollment will identify not only the Customer, Retailer, and Marketer but also the owner of the Retail Access capacity to be used to serve the customer. That capacity owner’s remaining available capacity will be reduced by the amount of the enrolling Customer’s Contract Capacity. Customer enrollments will be rejected when the remaining available capacity for the capacity owner identified in the enrollment reaches zero. Any customer enrollments without valid available capacity identified with the enrollment will be rejected.

If a Customer decides to switch Retailers, the Customer or the Retailer must have, or obtain, the needed capacity rights or return to tariff rates. If the Retailer who loses the Customer was the capacity owner, then the Retailer has the option to sign up another Customer with that capacity. This monitoring process will also be updated by sales of Retail Access capacity in the secondary market. All sales must be registered with Detroit Edison, so that the selling party’s remaining available capacity is reduced by the amount of the sale and the buyer’s remaining capacity is increased by the amount of the sale. The sales confirmation to Detroit Edison must identify the particular bid the sold capacity came from, so that the proper bid charge (transition charge) can be applied to the transferred capacity.

Retail Access capacity will be monitored in total for the program as a whole and at the individual Customer level.

i. Monitoring Total Program Capacity

During each bid period, the total capacity awarded will be held as close as possible to the 225 MW total. As described above, initial Customer enrollments will not be allowed to exceed the remaining available capacity by any amount. There will be an annual “true-up” of the program total by calculating the total capacity awarded in the bid period, plus any demand growth that has occurred among the customers in-service, and compare this total to the 225 MW goal. If the 225 MW goal is exceeded, a future bid period’s 225 MW offering will be reduced by the same amount.
ii. Monitoring Individual Customer Locations

Capacity (and the attached bid charge) will be assigned to each Customer enrollment by taking the next available capacity in that capacity owner’s remaining available capacity. As discussed in the Customer enrollment section, a capacity owner’s capacity is applied to customers starting with the highest price bids and working down in price.

Each separately metered customer load is treated individually in the Customer enrollment process and is treated as a separate enrollment. Thus, a large customer might have several Customer Choice enrollments at a single location, one for each separately metered load. Each separately metered load must have a single bid price, since it is impractical to allocate usage and demand below the finest level of measurement. Therefore, any customer enrollment will be processed as coming from a single bid at a single price. If an enrollment’s capacity happens to cross a boundary between available capacity obtained in two differently priced bids, the enrollment will be recorded at the higher priced bid. In addition, a single separately metered load may have only one Retailer and Marketer assigned to it. The reason is the same as stated above -- it is impractical to allocate a single measured load among two Retailers or Marketers.

Annual demand growth of up to 5% will be allowed for an individual Customer’s Retail Access loads. Again, each load is separately metered. If the growth exceeds 5%, the Customer will be required to either: meter it separately (thus creating a new account), or obtain additional Retail Access capacity. Obtaining additional capacity can be accomplished in a succeeding bid period or through a purchase in the secondary capacity market. If metered separately, the new load will be placed on bundled service. The new load can later be enrolled in the Customer Choice program. This enrollment, like all others, requires that valid, available Retail Access capacity is identified as part of the enrollment.

Such growth at individual Customer locations will be netted out of the total, as described in paragraph “i” above.
9. Forfeiture

Bidders who are awarded capacity must meet a number of requirements within the prescribed time periods of the award or they forfeit the capacity.

Capacity will be forfeited under the following conditions:

- If the Bidder refuses the award
- If the Bidder has not applied to become a Retailer or contracted with a Retailer for service within 60 days of the award. (Retailers must have applied for or have Act 69 Certification at this time)
- If the capacity has not been assigned to Customers through the enrollment process within 180 days of the award

Forfeited capacity will be defaulted across multiple bids held by the same Bidder, beginning with the lowest priced bid and then working upward to higher priced bids. This applies equally to capacity forfeited for any reason. The forfeiture of capacity does not prohibit the Bidder from participating in subsequent bidding processes.

All forfeited capacity will be reassigned by the Independent Bid Administrator in either the current bid period or added to future bid period allocations, depending on the timing of the forfeiture. If the capacity is forfeited within 60 days of the bid award date, the capacity will be awarded to the holder of the highest-ranking losing Bid in the same bid period. If the capacity is forfeited beyond 60 days of the bid award date, the capacity will be added to the next bid period allocation. Where capacity is reassigned to a losing Bidder, that Bidder will have 180 days from the award notification date to enroll Customers.

When the Residential only or Residential/Small Secondary set aside is fully subscribed, forfeited capacity will be reallocated using the following methodology:

If within 60 days of the Bid Award Date:

- The forfeited capacity will be offered to the next losing Bidder (with the highest bid) from the previously ranked Primary/Large Secondary Bid Class list matching the forfeited capacity’s Bid Class.
If beyond 60 days of the Bid Award Date:

- The forfeited capacity will be added to the next bid period allocation.

If Residential only and/or Residential/Small Secondary are under-subscribed, the forfeited capacity will be added to the next bid cycle regardless of the time period.

On or before the 60-day threshold, Detroit Edison must receive written proof that the Bidder either has applied for or has Act 69 Certification or it has contracted with a Retailer that has applied for or has Act 69 Certification. If the Bidder contracts with more than one Retailer, each Retailer must be identified along with the amount of capacity each Retailer has for enrolling Customers. The Bidder and Retailer(s) must sign this document.
10. Secondary Bid Market

Winning bidders may sell their awarded capacity any time during the 180 days after the award date. However, the buyer of this capacity has only the remaining portion of the original 180 days to enroll Customers or forfeit the capacity. Capacity sales must be made in 100 kilowatt (kW) blocks. To initiate this change in bid capacity ownership, Detroit Edison must receive written confirmation signed by both the capacity seller and capacity buyer. The confirmation will indicate the MW capacity amount, the date such capacity was granted by Detroit Edison, the bid identification number (which appeared on the bid application as a pre-printed number), the class of service to which the bid pertains, and the winning bid price per kWh. The original $/kWh transition bid price remains with the transferred capacity and becomes the liability of the buyer. The Refundable Bid Award Deposit remains with the Bidder and will be refunded as described in Section C.2.b as the Secondary Bid Market buyer gets Customers enrolled.
D. SERVICE AGREEMENTS

Retailers and Marketers will enter into service agreements with Detroit Edison to enable the transmission and distribution of electricity to their Customers and for other optional services. These agreements specify terms and conditions of relationships that are either unregulated services or are service agreements implementing tariff transactions.

This section describes the documents which will be executed by participants in the program. The documents cover each of the major steps involved in bringing power to an end-user and enabling the needed business transactions. Copies of these documents will be included in the Retail Access Handbook and will be discussed at the Bidders Meeting.

1. Bid Application

Bidders are required to complete a bid application which includes information needed to process the bid. The document also constitutes a binding agreement with respect to the terms and conditions of bidding.

2. Retailer Agreement

The Retailer Agreement covers the contractual obligations between Detroit Edison and the Retailer. Topics of this agreement include, but are not limited to, identification of the Marketer with whom the Retailer has contracted, payment of the transition charge, bid deposit refund, backup service or waiver, use of load profiling for reconciliation of kilowatt hour metered Customer loads, reciprocity, optional services, and standard contract language, such as warranties, remedies, liabilities, jurisdiction, force majeure, and other appropriate terms and conditions.

3. Marketer Agreement

Marketers will execute retail transmission service agreements with Detroit Edison on behalf of, and as Designated Agent(s) of, the Customers they supply. The transmission service agreement will cover the service terms and conditions, including but not limited to the type of service requested, ancillary services, transmission reservation, energy scheduling, energy imbalance, backup service, and Marketer defaults.
4. Customer Agreement

Customer Agreements will be patterned after the agreements that are in place today for Primary and Large Secondary Customers. These agreements will capture the specific components of the distribution tariff along with any specific one-line diagrams or other information that is necessary for reliability and/or future field service requirements. Residential Customers will not be required to sign a specific agreement.

5. Retailer/Customer Agreements

The Retailer is expected to negotiate a contract with each of its Customers. This contract should include all power supply prices, as well as terms and conditions between the Retailer and the Customer. Pursuant to an MPSC ruling, this contract must be provided to the MPSC in a standard format for its approval. The underlying purpose of a standard format is to assist the Commission to determine the market price of power for use in the stranded cost in true-up proceedings. Detroit Edison has no role in the negotiation, consummation, or enforceability of the contract between the Retailer and the Customer.

Typical topics covered in service agreements between the various parties are illustrated in the following diagram:
TYPICAL SERVICE AGREEMENT TOPICS BETWEEN PARTIES

Customer

Distribution Provider
(Detroit Edison)

Retail Access

Awarded Capacity
Usage Measurement
Basic Billing
Load Data
Enhanced Billing Services
Other Services

Energy
Other Services

Retailer

Transmission Provider
(Detroit Edison)

Transmission Service
Transmission Reservation
Energy Scheduling
Operations
Ancillary Services
Transmission Billing
Backup Services

Customer

Marketer

Energy Supply
Ancillary Services

Generator
6. Dispute Resolution

   a. Between Marketers and Detroit Edison

      Any complaint or dispute unresolved by the parties arising from the operation of the
      Transmission System, application of transmission service requirements, entitlements,
      and/or performance issues will be settled by the dispute resolution process set forth in
      Detroit Edison’s OATT on file with the FERC.

   b. Between Retailers and Detroit Edison

      Any complaint or dispute regarding distribution or other services related to Retail Access
      will be resolved using an independent binding arbitrator.
E. MARKETER TRANSACTIONS

1. Transmission Services

Marketers will be considered Transmission Customers under Detroit Edison’s OATT/JOATT, but only as Designated Agents of the Customers they supply. Marketers, as Designated Agents, will comply with all terms and conditions imposed on Transmission Customers under Detroit Edison’s OATT/JOATT.

Marketers will have access to transmission services and system information on an Open Access Same-Time Information System (OASIS). The OASIS will be the vehicle for all posting of primary transmission and ancillary service requests, service agreements, and energy schedules for transactions with Detroit Edison. OASIS interaction and transmission services application procedures, including rules and requirements, will be detailed in a Retail Access Handbook on the Detroit Edison web site. The Michigan Electric Power Coordination Center (MEPCC) located in Ann Arbor, Michigan, is the day-to-day contact for coordination of transmission services.

2. Transmission Reservation (Capacity)

A transmission reservation must be made to cover the maximum load demand including deviation band and losses to be served before a schedule is submitted. Detroit Edison will provide transmission capacity under Detroit Edison’s OATT/JOATT. Transmission reservation capacity must be made in 1 MW increments. Marketers may request network, firm point to point, or non-firm point to point transmission service.

3. Ancillary Services

Transmission Customers (Marketers) are required to contract for generation ancillary services from Detroit Edison, or to contract with a third-party for these services, or to self supply these services not required to be supplied by Detroit Edison. Detroit Edison must provide and the Transmission Customer must purchase Scheduling, System Control and Dispatch, as well as Reactive Supply and Voltage Control from Generation. Detroit Edison must offer to provide Regulation and Frequency Response, Energy Imbalance, Spinning Reserve, and Supplemental Reserve to a Transmission Customer as defined in Detroit Edison’s OATT/JOATT serving load within the Detroit Edison service area. If a Transmission Customer declines the offer of ancillary services from Detroit Edison, it must demonstrate that
it has acquired these services. Any third-party provider of generation ancillary services or self-supplied must meet Detroit Edison’s requirements. Additionally, providers of ancillary services from outside of the Detroit Edison service area will be subject to all reciprocity requirements.

4. Scheduling

Marketers must schedule and provide generation matching the Customers’ actual loads plus applicable losses at all times. Advance schedules will be provided to the MEPCC in accordance with its rules and requirements. Scheduling requirements for Network transmission service will be stipulated in the Network Operating Agreement pursuant to Detroit Edison’s OATT/JOATT. Scheduling requirements for Point-to-Point Service are delineated in Detroit Edison’s OATT/JOATT. In addition, Detroit Edison will attempt, as conditions permit, to provide those Marketers significantly impacted by system outages affecting Customers with information to facilitate scheduling adjustments.

5. Energy Imbalance (Reconciliation)

Energy imbalance is an ancillary service detailed in Schedule 4 of Detroit Edison’s OATT/JOATT. Marketers are responsible for energy imbalance service charges. Energy imbalance service is required when a difference occurs between the hourly scheduled and the hourly actual use of energy of a Customer load located within Detroit Edison’s service area. The difference is reconciled at the end of each hour by comparing the magnitudes of each integrated over the hour. Hourly integrated actual energy used is obtained from time-differentiated metered data, load profile data, or a combination of both. Note that Detroit Edison does not intend to provide a load-leading profile service at this time.

Marketers may be able to combine loads and submit a combined schedule as an amalgamated group through one schedule coordinator. Each entity must inform Detroit Edison of its intent to participate in such an arrangement. A single entity representing the group must be identified to Detroit Edison as responsible for all Marketer payments, participation rules and requirements stated in the Plan, applicable tariffs, and applicable agreements and must meet credit requirements for the group. The identified representative of the amalgamated group must inform Detroit Edison of the loads to be combined and submit an aggregated schedule under the requirements of the Detroit Edison OATT/JOATT. Detroit Edison will only calculate total energy imbalance charges and bill this to the group representative on the combined loads and schedules and such group representative will be responsible for payment.
Allocation of credits and charges among the participants is their responsibility and not the responsibility of Detroit Edison.

Detroit Edison’s liability to Marketers for failure to deliver scheduled (and produced) energy due to system outages is limited to paying the Marketers for the excess power the Marketers inadvertently provided to the system. The prices to be paid will be determined using the energy imbalance mechanism built into the OATT. Essentially, this oversupply is treated identically to any other oversupply imbalance.

6. Backup Supply Service

Marketers may elect to contract for Optional Backup Service from Detroit Edison as indicated in the Retail Access Service Tariff. This service provides a temporary alternative source of capacity and energy that may be available to a Transmission Customer to replace the loss of its generation resources. Contracting with Detroit Edison for this service must be done in advance of utilization. Backup service may be contracted for a period of up to two (2) years and for an amount up to the sum of the Customer's loads. Optional Backup Service will not be provided after December 31, 2000.
F. BILLING AND COLLECTIONS

Detroit Edison will bill Retailers and Marketers monthly. Customers will be billed per existing billing rules authorized by the MPSC. Marketers will be directly billed for transmission and ancillary services, energy imbalance, backup supply service, and any other negotiated or optional services. Retailers will be directly billed for transition charges and any other negotiated or optional services.

1. Defaults

A Marketer default for non-payment of transmission services will be processed as described in Detroit Edison’s OATT on file with the FERC. Detroit Edison has the right to directly bill Retailer(s) for unpaid transmission delivery services. For services other than Transmission Services, Marketer and Retailer disputes will be handled as follows: a Retailer will be in default if the Retailer fails to pay the invoice for services within thirty (30) calendar days of receipt, and fails to correct the failure to pay within five (5) business days after receipt of a notification to cure. In the case of default, Detroit Edison has the right to initiate those actions necessary to cancel service.

In the case of a billing dispute, Detroit Edison will continue service as long as the Marketer continues to make payments which are not in dispute and pays into an escrow account the disputed portion of the invoice, pending resolution of the disputed payment.

Detroit Edison and Retailers/Marketers will comply with billing rules and regulations issued by the MPSC, FERC, or any other applicable governmental entity.
2. Customer Billing Options Offered to Retailers

Customers will be billed for energy and distribution services. Detroit Edison will provide two (2) Customer Billing Options – Complete Billing by Detroit Edison or Separate Billing by Detroit Edison and Retailer. It is the responsibility of the Retailer to identify which of these options is available to its Customer. If both are made available, then it is the Customer's choice as to which option will be used. The Retailer needs to have the contracts and systems in place to support the billing options. Detroit Edison will provide the Complete Billing option for a fee, to be determined. Any billing options other than the basic billing types will be explored and reasonable efforts will be made to accommodate the Retailer’s request for an additional fee to be determined.

a. Complete Billing by Detroit Edison

Detroit Edison will provide the Customer with a single bill, which includes the Distribution Provider charges as well as the Retailer charges. Under this option, Detroit Edison will collect payments from the Customer and remit Retailer’s charges to the Retailer within five (5) calendar days after the receipt of funds from the Customer. Any discrepancies in the charges collected and remitted will be corrected in the next billing period. Under this option, the Retailer will furnish a Retailer-specific rate table that delineates the charging options and pricing which is offered by the respective Retailer.
FEATURES OF DETROIT EDISON COMPLETE BILLING
(Customer Billing for Retailer’s Energy on Detroit Edison Bill)

<table>
<thead>
<tr>
<th>Feature Name</th>
<th>Detroit Edison Will Offer/Requires…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing</td>
<td>Tied to Detroit Edison normal Billing Cycles</td>
</tr>
<tr>
<td>Pricing Structures</td>
<td>Flat rate per month or per day</td>
</tr>
<tr>
<td></td>
<td>Fixed cents/kWh</td>
</tr>
<tr>
<td></td>
<td>Simple two-step rate (inclining/declining block based on kWh)</td>
</tr>
<tr>
<td>Complex Pricing Structures</td>
<td>These need to be discussed, their feasibility determined, and, if implemented, the Retailer will be charged a fee to be determined</td>
</tr>
<tr>
<td>Price Schedules</td>
<td>Retailers must submit their price schedules at least one (1) month prior to the billing month in which they are to be used. The format for this transmittal is still to be determined</td>
</tr>
<tr>
<td>Bill Format</td>
<td>Retailer detailed energy charges will be presented in a format consistent with the current Billing Rules on file with the MPSC.</td>
</tr>
<tr>
<td>Due Date</td>
<td>Retailer charges will have the same due date as the Detroit Edison charges because there is a single coupon enabling the Customer to easily make single payment to cover both amounts</td>
</tr>
</tbody>
</table>

b. Separate Billing by Detroit Edison and Retailer

Detroit Edison will provide the Customer with a single bill, which includes only Detroit Edison distribution tariff charges. Under this option, the Retailer will issue a separate bill for its charges and Detroit Edison will provide the Retailer with the billing determinants needed for the Retailer to prepare the bill.
3. Customer Revenue Collection

Detroit Edison will act as the Retailer’s agent for receiving payments when the Retailer charges are combined on the Detroit Edison bill. The charges will all have the same due date. Details of the timing and nature of the electronic transfers involved will be included in a service agreement. Detroit Edison will not pursue Customer field collections for any Retailer. Detroit Edison will print past due amounts on bills when providing Complete Billing.

In the event of partial payments, the receipts will be allocated as follows:

- First, all past due and current Distribution Provider charges to Detroit Edison;
- Second, past due and current energy charges to the Retailer;
- Third, other charges (non delivery-related, like appliance repair programs, etc.) to Detroit Edison; and,
- Finally, other charges (non energy-related) to the Retailer.

Where there are multiple Retailers involved, receipts will be prorated between them, based on the monies owed.
**G. SUPPORT CENTER**

Detroit Edison will operate a Support Center to assist Bidders, Aggregators, Retailers, and Marketers by answering questions on all aspects of the Customer Choice program, including bidding, Customer enrollment, transmission services, reconciliation, and billing. Support personnel will be the central point of contact for Retailers and Marketers who have signed service agreements with Detroit Edison. Information about how to contact personnel in the Support Center will be provided at the Bidders Meeting, in the *Retail Access Handbook*, and on the Detroit Edison web site.
H. CODE OF CONDUCT

Detroit Edison and DTE Energy Power Marketing Affiliates currently comply with the code of conduct and standard of conduct requirements established by FERC. For purposes of Retail Access, the Company will also submit a code of conduct separately to regulate the relationship between DTE Energy Affiliates and Detroit Edison.
I. CUSTOMER PARTICIPATION

The following page is a likely illustration of Customer participation and in the pages thereafter, a more detailed explanation of Customer participation is set forth.
Overview of Customer Participation

- Existing or New Customer
- Requests LDC Service
- Customer Signs up with Retailer
- Retailer Verifies Customer
- Customer Uses Power
- Customer Receives/ Pays Bill
- Customer Inquiries
- Energy Supplied
- Customer Billing
- Cash Receipt/ Posting
- MPSC Cust Awareness Program
- LEGEND: Primary Flows
- Secondary Flows
- DECo Sends MPSC Approved Retailer List
- DECo Account Established
- Customer Education
- Retailer Markets to Customers
- Customer Enrollment
- Customer Billing
- Usage Measured
- Customer Billing
- MPSC Rules/ Dispute Resolution
1. Regulatory and Legal Approvals

Customers must satisfy all requirements set forth by the MPSC.

2. Detroit Edison Requirements

a. Customer Qualification

i. Qualification Requirements

The key Customer requirement is the Customer must be connected to the Detroit Edison system as a bundled Customer or meet the standards set forth in the Detroit Edison Connecting Customer process, including for new construction. New Customers and Customers currently taking service and having no past due Detroit Edison bills are eligible to participate. Customers taking service under MPSC-approved contracts, or other contracts, with the Company are bound by the terms of their contracts. All Customer loads must be separately metered as indicated in the retail access service tariff.

ii. Specific Conditions

Residential and single-phase Secondary Customers taking advantage of special rates that separate base loads from special purpose loads (e.g., interruptible air conditioning) will re-combine those loads and serve the entire combined load as a Retail Access load.

There will be no splitting or separating of Customer loads at a single meter point between bundled Tariff and Retail Access Service.

Large industrial/commercial sites with separately metered loads (but not special purpose loads such as those served on Riders) may have some of these separately metered loads on bundled Tariffs and some on the Retail Access Service Tariff. Nevertheless, one metered load cannot be split.
3. Program Features of Particular Interest to Customers

a. Customer Enrollment

It is the responsibility of the respective Aggregator and/or Retailer to solicit end-use Customers.

Detroit Edison will only process electronic enrollments forwarded to Detroit Edison by the Customers' qualified Retailers. For large Industrial and Commercial Customers, the initial enrollment request will be conveyed electronically. However, it is anticipated additional hardcopy data may be required.

Retailers may choose which Customers they will serve. Since the Retailer is the only entity that can confirm its acceptance of a particular Customer, it is the appropriate entity to initiate the enrollment request for processing by Detroit Edison.

i. Customer Information

The Retailer will be required to provide, as part of the enrollment request, sufficient detailed information about the Customer(s), including the Customer’s account number, last name, meter information, location information, and other information required to properly update the account. This requirement to provide Customer information is intended to act as a deterrent to unauthorized switching or “slamming.” In addition, Retailers will be required to submit information such as franchise number, capacity identification number, etc.

Retailers will submit all Customer enrollment requests. Detroit Edison, usually in conjunction with its scheduled meter read date, will determine the effective date of a switch. Detroit Edison will notify the enrolling Retailer (and the dis-enrolling one, if a switch is being made) of the effective date so Retailer(s) can adjust its energy schedules accordingly. Detroit Edison will notify the Customer of the confirmed enrollment and/or switch effective date with their chosen Retailer by mail.

ii. Supply Information

All Customer enrollments must identify the Marketer that is scheduling and supplying the energy needed to serve that customer. If that Marketer is a different entity than
the Retailer, proof of a contractual relationship between the Marketer and Retailer will be required.

iii. Customer Dispute of Enrollment

Detroit Edison will cancel the enrollment if a pending enrollment transaction is disputed by the Customer within ten (10) business days from notification mailing. The Retailer(s) and Customer involved must resolve the enrollment dispute and submit a new enrollment request, if desired.

iv. Retailer Dispute of Enrollment

If a pending enrollment transaction is challenged by the previous Retailer within five (5) business days of their electronic notification, Detroit Edison will cancel the enrollment only upon receipt of a cancellation notification by the new Retailer. The Retailer(s) and Customer involved must resolve the enrollment dispute. This dispute process is another safeguard to prevent Customer slamming. Transactions data will be made available to the MPSC for their review.
b. Determining Retail Access Contract Capacity

i. Primary Supply Rate Customers

The initial retail access contract capacity will be set equal to the Customer’s present contract capacity on the primary supply rate at a specific meter point, as specified in the Retail Access service tariff.

ii. Large General Service Customers

The initial retail access contract capacity will be set equal to the highest single reading of the demand meter in the last twelve (12) billing months. If time-differentiated metering is in place, then the initial retail access contract capacity will be set equal to the highest thirty (30)-minute reading of the demand meter over the last twelve (12) billing months. This demand will be applied regardless if it occurs on-peak or off-peak.

iii. Current kWh Usage Metered (only) Customers

The initial retail access contract capacity will be set equal to the number of kW resulting from a calculation based on annual measured kWh usage over the last twelve (12) billing periods and the annual load factor for the Customer’s class.

iv. New Customers

For new facilities where there is not twelve (12) months of data, the initial Retail Access contract capacity will be established at a level sufficient to meet normal maximum requirements and adjusted based on usage.
c. Adjustments to Contract Capacity

i. Metered Customers

If the highest thirty (30)-minute reading of the demand meter in a billing month, regardless of when it occurs, exceeds the established Retail Access contract capacity, then that new maximum kW reading becomes the contract capacity. This new contract capacity becomes effective that same billing month and will be applied as a billing determinant. This adjustment also updates the capacity management system database. There is no downward revision of Retail Access contract capacity, unless there is a documented removal of end-use loads at the Customer’s location.

ii. Profiled Customers (kWh Metered)

The current month's demand will be calculated using the "Average Daily kWh Use" and associated class load factor. “Measured average kWh use per day” is calculated by taking the kWh used between two (2) actual meter reads and dividing by the number of days between those same two (2) actual meter reads. If the calculated demand exceeds the contract capacity, it becomes the new contract capacity and becomes effective that billing month. This new contract capacity will also be used to update the Capacity Management System Database. There is no downward revision of retail access contract capacity unless there is a documented removal of end-use loads at the Customer’s location.

d. Customers Switching Retailers

Customers have the option to switch Retailers. Each time a Customer changes Retailers a $5.00 switching fee will be charged, payable by the Customer. The amount of this fee is consistent with Detroit Edison's existing new account charge for account establishment. The fee is also similar to switching fees charged in other industries (i.e., telecommunications and cable). The fee will be waived for the Customer's initial switch to Retail Access during the phase-in period. The fee for returning to bundled tariff will also be waived if returning is due to a Retailer's default. This waiver of the fee for returning to bundled service is only for the phase-in period. All other Customer switches will incur the $5.00 fee payable by the Customer.
e. Customers Returning to Bundled Tariff Service

Customers have the right to return to bundled tariff service and their ‘dis-enrollment’ switch request will be processed within a thirty (30) day time frame. Thirty (30) days are needed to align the switch date with the ‘schedule read date’. The $5.00 switch fee will be waived if the reason is due to a Retailer's default. Customers will be subject to Detroit Edison’s current deposit requirements, as outlined in the current ‘Billing Rules’, approved by the MPSC. In a more clearly defined deregulated environment (through a MPSC order or legislation), the ability to return may require mutual agreement with Detroit Edison, since the Company's obligation to serve may be different than it is today.

In addition, a Customer returning to bundled tariff service will be restricted from participation in the Retail Access service for a period of one (1) year during the phase-in time frame. The program has limited participation opportunities and this restriction provides additional (or new) Customers the opportunity to participate. This criteria will be waived if the return to bundled service is due to a Retailer's default.

Moreover, Detroit Edison has no duty or obligation to enforce collection on Customers returning to bundled Tariff service, except to collect Distribution Provider tariff charges. Also, Detroit Edison will not verify the Customer’s ability to switch or take any action to enforce any minimum term imposed contractually by the Retailer. These are issues between the Customer and the Retailer.

f. Dispute Resolution

i. Disputes Between Detroit Edison and Customer

The resolution of any complaint or dispute between the Customer and Detroit Edison arising from the operation, service quality, performance, or reliability of the distribution system will be addressed according to the rules and regulations currently in place for bundled utility service, including the MPSC's ECAC process to assist those Customers referred by the MPSC.

ii. Disputes Between the Retailer and Customer

Detroit Edison will have no duty or obligation to resolve any complaint or dispute between the Retailer and Customer.
I. OVERALL PROGRAM FEATURES

1. Employee, Retailer/Marketer and Customer Awareness and Education

The Customer Choice education process is a two-step process. First, there is a need to create awareness among employees, Retailers, and Customers regarding Customer Choice. Once the general awareness level is raised, these same audiences - employees, Retailers, and Customers - should be educated on the specifics of Customer Choice (how it will work, how to participate, etc.). Education is an overlapping and dynamic process that begins with employees, followed by Retailers/Marketers, and, concludes with Customers. Of the three (3) communications initiatives, educating Customers will be the most difficult. Achieving an effective level of education among all three (3) audiences is essential, because having a detailed knowledge base across employee and Retailer/Marketer audiences will impact Customers and facilitate a smooth transition to a competitive electric marketplace. The following diagram summarizes the Awareness and Education process:

Awareness/Education Process:

Notwithstanding, Detroit Edison will lead in developing and implementing a detailed process to educate and inform Customers on how to participate in the Company's Customer Choice program. Detroit Edison will also evaluate the effectiveness of its Customer awareness, education, and information efforts through periodic Customer research. Notwithstanding, Detroit Edison will work with the MPSC Staff and other stakeholders to develop and implement an effective, statewide Customer awareness campaign. The proposed Volunteer Working Group (VWG) - overseen by the MPSC Staff - may serve as useful input to the development of statewide Customer Choice information. The MPSC Staff should be responsible for organizing, scheduling, leading, and funding the VWG. Specific VWG deliverables at a minimum should include items such as: common nomenclature, generic Customer Choice awareness materials, frequently asked questions and answers (FAQ's), approved Retailer list, evaluation worksheets, and Customer protection materials. The VWG should gather information from concerned stakeholders and make recommendations to the
MPSC Staff. Notwithstanding Detroit Edison’s willingness to work with the MPSC Staff and interested parties, Detroit Edison reserves the right to control the content of any awareness and education activities or publications that are produced by Detroit Edison, in whole or in part.

a. **Employee Education**

Detroit Edison will use a number of internal communications systems and processes to prepare employees for Customer Choice including: the Detroit Edison web site, printed materials, workshops, town hall style employee meetings, training, and ongoing dialogue. This information will help Detroit Edison employees - especially those with Customer-contact responsibility - to provide Customers with timely and factual Customer Choice information.

b. **Retailer/Marketer Education**

A comprehensive Retailer/Marketer awareness and education effort will be developed and includes: a series of workshops, printed materials, an ongoing Support Center, and a Detroit Edison web site. The workshops will cover topics including: participant qualification, bidding, Customer enrollment, Customer switching, scheduling, reconciliation, information exchange, billing, settlement, the relationship between Marketers and the Michigan Electric Power Coordination Center (MEPCC), and the applicable requirements of the North American Electric Reliability Council (NERC), and the East Central Area Reliability Region (ECAR).

c. **Customer Education**

Detroit Edison will coordinate its communications efforts with Consumers Energy and other applicable entities to ensure all Michigan electric Customers receive consistent and timely Customer Choice information. Detroit Edison will develop, direct, and fund the Company's Customer education campaign. The specific funding levels required by Detroit Edison to implement its Customer Education campaign will likely depend upon the scale and timing of the MPSC Staff's proposed statewide Customer awareness campaign. Detroit Edison's, Consumers Energy's, and other applicable entity's specific Customer education efforts and the MPSC Staff's proposed statewide Customer awareness campaign - lead by the MPSC Staff - should complement each other to the benefit of all Michigan electric Customers.
Detroit Edison's Customer Education will focus on mass markets - both Residential and Small Commercial - and will be done initially through direct-mail materials. Large Commercial and Industrial Customers will receive Customer Choice education through individual meetings with Detroit Edison account executives. During the early phase-in periods, Customer Education will be limited in order to match the expected phase-in of mass market Customers. Customer communications will intensify, however, during the final Customer Choice phase-in period. This communications effort may incorporate direct mail, print, and broadcast media to inform Customers of electric marketplace choices scheduled to begin on January 1, 2002. Detroit Edison will evaluate the effectiveness of its Customer Choice education and information efforts through ongoing Customer market research.

While Detroit Edison, Consumers Energy, and other applicable entities will focus on Customer education (i.e., how do Customers participate in the changing electric marketplace?), the MPSC Staff should focus on the dissemination of Customer Choice awareness information (What is changing? Why it's changing? What is not changing?).

The development and implementation of community outreach programs should be a discussion item for the MPSC Staff-lead VWG. Part of the statewide awareness campaign should be to assure that as the electric generation market transitions to a more competitive environment, society's vulnerable populations are protected from unfair, deceptive or abusive market practices, such as "slamming". Through targeted print materials, mini-grants, and town hall style meetings, the MPSC Staff can effectively communicate objective Customer Choice information.
2. Access to Customer Information

Detroit Edison will release Customer-specific usage data only upon the express request of the Customer. If the Customer wishes to release its information to other parties, then the Customer must make the request in writing and Detroit Edison will forward this data to the authorized agent. Detroit Edison has the right to charge the Customer reasonable fees for providing detailed interval type data. Detroit Edison views Customer usage data to be confidential, however, upon its release to the Customers' authorized agent, Detroit Edison bears no further responsibility for its confidentiality. Moreover, Detroit Edison will not police who has been designated as the Customer's authorized agent; it is the Customer's responsibility to monitor who is the designated agent.

Although a Retailer has obtained Act 69 Certification its responsibilities to fully comply with all of the requirements associated with ‘Public Utilities’ have not been satisfied. For this reason Retailers have no right to participate and share data within the "Bad Debt Database."

3. Usage Measurement/Estimation

Detroit Edison will be responsible for determining all of the required electrical quantities required for billing the Customer and the Retailer/Marketer for Detroit Edison charges. Generally, such a determination will be made by actual measurements of the quantities. In instances where that is not practical, however, the quantities may be derived by calculation.

a. Metering

Detroit Edison will own, read, and maintain the metering for Retail Access Customers in its service area. This includes the meters, current transformers and voltage transformers, data recorders, and any other equipment necessary for the accurate measurement of the electrical quantities and for the efficient retrieval of the metered data. The metering equipment will be effectively integrated with the rest of the service equipment to provide for safety, cost-effectiveness, reliable performance, and to prevent theft or power diversion. The equipment will be tested and maintained in accordance with the applicable rules of the MPSC to provide for the accuracy of its measuring functions.

b. Billing Determinants for Retail Access Service
The metering will be capable of measuring all the electrical quantities required by the Retail Access Service Tariff. These include total kilowatt-hours used during the billing period and the maximum thirty 30-minute integrated demand. It will also include the 30-minute reactive kilovoltampere demand at the time of maximum 30-minute integrated demand during the on-peak periods for those Customers who are subject to the power factor charge (all Customers who are receiving three (3) phase service).

c. Billing Determinants for Retailer’s Energy Charges

Current Detroit Edison billing determinants will be made available to the Retailers for calculating the energy charges for its Customers. For those Retailers who elect to have Detroit Edison provide Complete Billing (described elsewhere in this document) the billing determinants will be transmitted to Detroit Edison’s billing system which will calculate the delivery charges on its own behalf and the energy charges on behalf of each Retailer. For a Retailer who elects to bill its own Customer for the energy charges (Separate Billing), Detroit Edison will forward the billing determinants to the Retailer. In either case, the readings will be collected on a reading schedule determined by Detroit Edison.

If a Retailer uses billing determinants that require additional calculations or additional metering equipment beyond that normally provided by Detroit Edison, such determinants or equipment may be provided for a fee, to be determined. Detroit Edison reserves the right to decline to provide such a service if it deems it to be impractical.

d. Billing Determinants for Marketer Reconciliation

The metering provided at the Customer locations will also be capable of recording energy usage on an hourly basis for the purpose of determining Transmission and Ancillary service charges and reconciling any energy imbalances with each respective Marketer. Detroit Edison will determine the schedule for collecting the metered data.
e. Customer Access to Metered Data

For no extra cost, duplicate set of data pulses will be made available at the location of each hourly meter for use by the Customer or any third-party the Customer designates. Each data pulse represents specific amounts of energy measured and recorded by that meter and is generated on a real-time basis. By monitoring and properly accumulating these pulses, the Customer or the Customer’s delegate can determine the usage profile over any desired time basis.

Detroit Edison will maintain the data pulse equipment. Repairs for damage resulting from improper use of the equipment, however, will be performed at the Customer’s expense. Detroit Edison will not be responsible for any improper operation resulting from failure of the data pulse equipment.

Neither the Customer nor its delegate will be able to use Detroit Edison’s data acquisition (communications) infrastructure for collecting metered data. To control costs, Detroit Edison plans to share a Customer’s telephone line. With this technology, the meter, which will initiate the call, can only be programmed to call one number. Upon payment of a subscription fee, however, the Customer can obtain the metered data after it has been collected and processed by Detroit Edison. Fees for this service have yet to be determined.

f. Metering Failures

If metered data is lost due to failure of, or damage to, the metering equipment or due to the inability of obtaining meter readings on a timely basis, Detroit Edison will estimate the usage following the procedures that are presently in effect and approved by the MPSC.

g. Load Profiling

During the early stages of the phase-in, Detroit Edison proposes load profiling to estimate the hourly energy usage of Small Secondary and of Residential Customers for the purposes of reconciling energy with their Marketers. The use of load profiling will eliminate the need for hourly metering and allow Detroit Edison to evaluate emerging metering technologies.
While the hourly metering requirement is waived for Residential and Small Secondary Customers, acceptance of such a waiver will require each Customer and the Retailer for that Customer to agree to certain conditions described below. If these conditions are not acceptable, the Customer can request that an hourly meter be installed, in which case the charge shown for the Commercial Secondary Customer class in Section 6.11 of the Retail Access Service Tariff will apply.

**Profiling Methodology**

The Load Profiling System, currently under development, will use metered quantities as inputs and statistical methods to distribute, on an hourly basis, the total energy used by each profiled Customer during the billing period. Such distribution will be based on typical load profiles for the Customer's class and may be supplemented by the use of current metered data obtained from hourly meters installed at a representative sample of customer locations. The demand allocation will be further calibrated against total system load. Once a load profiling methodology is selected, it will be submitted for MPSC review. After implementation, the MPSC has the ability to audit the implementation and results of load profiling.

**Calculation of Customer Demand**

Customers who qualify and opt for the meter waiver will have their kilowatt demand calculated by an equation based on energy, in kWh, used during the billing period and the historical load factors that apply to them. The calculated demand will then be used to establish a new Distribution Contract Capacity, if applicable, as indicated in the Retail Access Service Tariff.

**h. Data Acquisition**

Many methodologies exist for retrieving metered data. These methods include telephone (either dedicated exclusively to the metering equipment or shared with the Customer), power line carrier, TV cable, fixed radio network or mobile radio network (van-mounted or walk-by), and manual meter reading. Each method has its advantages in term of cost, reliability, and timeliness of data acquisition. The increased requirements for metered data imposed by Retail Access require that the proper technologies are used. Both the metering and the data acquisition processes must be evaluated in combination with each other since tradeoffs exist between them.
**Interim Method**

Detroit Edison will retrieve the meter data from its Retail Access Customers (other than load profiled Customers) using an analog telephone line (the type that is compatible with a fax machine) which may be shared with the Customer. The Customer will be required to make this line available without compensation and in the vicinity of the meter. Where this is not practical, a cellular telephone or telephone line specifically dedicated to the metering equipment may have to be installed. The installation and maintenance of this telephone line will be at the Customer’s expense. Nonetheless, the meter will initiate the call to Detroit Edison’s Data Acquisition System using a toll-free number so that the Customer will not incur any call charges.

In the event of a telephone line failure, Detroit Edison will collect the metered data manually for up to three (3) consecutive monthly billing periods at a charge specified in the Retail Access Service Tariff. If the telephone line is not available after the three-month period, Detroit Edison may terminate Retail Access service and return the Customer to regulated service. Load profiled Customers will have their energy meters read manually on a normal schedule.

**Evaluating Emerging Technologies**

Detroit Edison will use the first two (2) years of the phase-in period to evaluate the cost-effectiveness and reliability of various automated meter reading (AMR) systems. Specifically, the Company plans to conduct a pilot study of a fixed radio network AMR supplied either by Detroit Edison or by a private third-party. To control the cost, such a pilot will be restricted to a reasonably small geographic area, which may include both Retail Access and non-Retail Access Customers. During this period, the efficacy of the load profiling system will also be evaluated. At the end of this period, Detroit Edison will be in a better position to decide whether or not to continue to offer load profiling to eligible Customers or to discontinue offering the meter waiver.
4. Billing of Distribution Service to Customers

a. Billing of Distribution Charges

Detroit Edison will bill all Customers directly for Detroit Edison charges. The Customer is responsible for payment in full of Detroit Edison charges. Billing for Distribution Provider charges and other regulated services will be performed in compliance with the currently applicable rules and regulation set forth by the MPSC.

b. Bill Inserts

Detroit Edison’s normal billing medium will be mailed, hard copy bills. Detroit Edison retains the right to include printed material/bill messages with its bills. These materials might include Detroit Edison newsletters to Customers, mandated mailings, and other notices pertaining to Detroit Edison services/products. Detroit Edison will not include any material for Retailers or any other entity in its bills.

c. Disconnection and Reconnection Policies

Current MPSC rules will continue to be followed for service disconnection (i.e., shut-off) for non-payment and for Customer reconnection. Detroit Edison will continue to operate under these guidelines with the exception that Retail Access Retailer charges (for energy, etc.) are not part of the utility revenue. Service disconnection represents an interruption of delivery, not energy, and, therefore, it is an appropriate remedy only for non-payment of delivery (Distribution Provider) charges. Detroit Edison will not shut-off Customers to enforce collection of Retailer bills. The Retailer has the right, however, to process a dis-enrollment request due to Customer default/non-payment.

A Customer dropped by a Retailer has the option to return to bundled Tariff service with Detroit Edison’s agreement, but the Customer must meet the same requirements as, and, will be treated like, all other “new” Customers under current rules.

d. General Inquiries Regarding End-Use Customer Billing

Detroit Edison will continue to receive many general inquiries about energy related matters. If the Company receives inquiries related to a particular Retailer, the caller will
be referred to that Retailer. In addition, the Company’s telephone representatives and other Customer contact personnel will be trained to explain Retail Access to Customers, explain the different roles of Distribution Providers, Retailers, and Aggregators, and help Customers learn how to participate. The response of Customer contact personnel to Customer requests for general Retailer information will be limited to distributing lists of all Retailers operating in the Detroit Edison service area. The MPSC should also maintain the lists of Retailers. Detroit Edison reserves the right to establish separate toll-free numbers for Retail Access inquiries and to use both existing and temporary telephone facilities and personnel to serve the expected peak inquiry times driven by the introduction of the program, Customer Education efforts, and the opening of enrollment.

Billing inquiries will be segregated based on which bill is involved, the subject of the inquiry, Detroit Edison’s ability to answer the question, and Detroit Edison’s responsibility to answer the question. Callers inquiring about the energy portion of the bill will be referred to the Retailer. If the inquiry refers to the measured usage, however, Detroit Edison will still need to handle the call. The boundaries between Detroit Edison handling the call and referring it to the Retailer will be set out in an enabling agreement.

**e. Outage Inquiries/Power Quality Inquiries**

Detroit Edison will continue to be responsible for responding to all Customer inquiries regarding physical service, emergency system conditions, outages, and safety. All Customers should call Detroit Edison directly about any delivery issues. Retailers must immediately re-direct all such inquiries to Detroit Edison and, if applicable, the appropriate public agency. If a Retailer fails to re-direct these inquiries, it may be liable under law or any applicable MPSC rule and regulation.
5. Aggregating Loads

Customer loads may be aggregated. Aggregation has different meanings for transmission and distribution service. The following table facilitates the understanding of the procedures necessary to accomplish aggregation.

**SUMMARY OF AGGREGATING LOADS**

<table>
<thead>
<tr>
<th>Situation</th>
<th>Guidelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Provider Charges Within a Site</td>
<td>Secondary Customers must combine the main electric account and any ancillary electric accounts through one meter. This load must be served in its entirety on either Retail Access Service or on bundled Tariff—not a mix. The peak integrated half-hour demand (actual or calculated) for the combined load sets the contract capacity.</td>
</tr>
<tr>
<td>High Voltage Customers</td>
<td>Large Customers may have separately metered loads that can be treated as separate Retail Access accounts—provided each qualifies to be served on a regular Detroit Edison bundled rate—not a rider tied to a different account. The peak integrated half-hour demand for each separately metered qualifying load sets the contract capacity for each account. There is no conjunctive billing of the separate accounts. The system use charge for each is calculated independently.</td>
</tr>
<tr>
<td>Distribution Provider Charges Across Different Sites</td>
<td>All</td>
</tr>
<tr>
<td>Transmission Charges</td>
<td>Aggregation is required both within and across locations for the purpose of calculating Transmission Charges. Transmission requirements will be based on conjunctive or co-incident demands.</td>
</tr>
</tbody>
</table>
III. DETROIT EDISON IMPLEMENTATION PLAN

As set forth in Detroit Edison's application, the Company is requesting that the MPSC provide assurances that the $19.9 million budgeted for 1998 is the appropriate level of spending for costs associated with implementation activities. The following detailed description of projects provides the basis and support for granting this request. Although not every project will be started and completed in 1998, the following description provides the overall scope and complexity of tasks that must be completed in order to bring Customer Choice to Michigan. More specifically, in 1998, the Company plans to conduct, among other projects, the following:

- **Bidding Process to Allocate Retail Access Capacity**
  
  Includes development of process, selection and hiring of Independent Bid Administrator, and conducting two rounds of bidding

- **Capacity Management System**
  
  Includes development and implementation of a system to monitor and track use of awarded capacity, including support for a secondary market in Retail Access capacity

- **Retailer and Marketer Education**
  
  Complete Retailer/Marketer Education program including detailed “How-To” manual and workshops for potential Bidders

- **Enhancements to Energy Scheduling System**
  
  Covers the Detroit Edison share of the programming and personnel to enable the energy scheduling system at MEPCC to handle the much higher volume of transactions resulting from adding Marketer schedules to the Utility schedules currently handled

- **Creation and staffing of a Retailer/Marketer Support Center**
  
  Provides a single point of contact for Bidders, Retailers, and Marketers
• Interim Customer Systems

Development and implementation of low-moderate volume customer enrollment and billing capabilities and needed supporting systems, such as metering

• Interim Retailer/Marketer Systems

Development and implementation of reconciliation and billing systems to support Retailer and Marketer transactions

• Customer Education and Support

Development and implementation of limited Customer Education programs designed to begin building awareness without unduly raising immediate expectations, and responding to customer inquiries about Customer Choice
A. OVERVIEW

This Customer Choice program represents a significant and complex undertaking for Detroit Edison. Aside from the sheer volume of personnel, systems, processes, equipment, computer hardware, and software required to support this program, the interdependencies among tasks, scarcity of critical resources, and ongoing influences of external forces all contribute to the enormity of this effort. This section discusses the work required to implement the Retail Access Program.

Retail Access will be implemented through the Customer Choice Implementation Team (CCIT) at Detroit Edison. The effort will be organized as a series of projects, each dealing with discrete, but interdependent business functions.

A separate project will be initiated for sixteen (16) business functions. The scope of each project will include all activities required to develop and operate the business function during the phase-in period. Each project will consist of all activities and resources required to develop (plan, design, construct, and implement) the necessary policies, processes, business systems, procedures, staffing, communication, and training required of that business function. Each project also includes all activities and resources required to operate the business function through December 31, 2001.

The following describes each of the key projects required to develop and operate the functions required for Retail Access. These key projects are organized into four major categories: Retailer/Marketer Transactions; Customer Transactions; Awareness and Education; and Customer Usage Determination.

1. Retailer/Marketer Transactions. This category includes the projects associated with the analysis, development, implementation, and operation of business functions pertaining to Retailers/Marketers, including Distribution and Transmission support functions.
2. Customer Transactions. This category includes the projects associated with the analysis, development, implementation, and operation of business functions pertaining to Customers, including the integration of all program features into the existing enrollment, billing, collections, and Customer support functions.
3. Awareness and Education. This category includes the projects associated with the analysis, development, implementation, and operation of a consistent, timely and ongoing communication programs targeted at Employees, Retailers/Marketers, and Customers.
4. **Customer Usage Determination.** This category includes the projects associated with the analysis, development, implementation, and operation for determining Customer usage, including Commercial and Industrial metering (with an evaluation of new Automated Meter Reading technologies), and Load Profiling for Residential and Small Secondary Customers.
B. PROJECTS SUPPORTING RETAILER/MARKETER TRANSACTIONS

1. Qualification

The Qualification project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required for all parties other than Customers who participate. These include Retailers, Marketers, and Bidders. This is a new business function which determines what qualifications these participants must have to take part in Retail Access.

Detroit Edison will conduct educational workshops before each bid period for potential bidders where the bidding process will be explained in detail. Other workshops are planned to provide varying levels of detail to assist participants through the Retail Access requirements. Qualifications include appropriate certification by the MPSC, FERC licensing, creditworthiness, and necessary electronic business transaction capability to participate.

Features:
- Openly and fairly considers any participant that can demonstrate compliance with Detroit Edison and MPSC requirements
- Uses MPSC certification requirements
- Uses local Municipality franchise requirements
- Uses industry standard credit analysis procedures

Key Deliverables:
- Define qualification criteria including policies and procedures
- Develop processes in support of the criteria
- Develop methods to implement the process
- Develop qualification enabling technology (e.g., information system to track Retailers/Marketers information and status)
- Implement qualification process

Information System Implications:
- Develop the Information Exchange functions to support collecting participant information to begin the qualification process and communicate the status of qualification through EBTs
2. Bidding

This function awards retail access capacity to Bidders through a bid process. This is a new business function at Detroit Edison. Bidding is a process used during the phase-in, but will be eliminated when full retail access begins. The business systems required to track Customer/Retailer/Marketer relationships (including switching), retail access capacity management, and Retailer/Marketer billing will be permanent functions at Detroit Edison.

Features:

- Provides a fair, market-based mechanism to allocate phase-in Retail Access capacity
- Stimulates a real market during the phase-in
- Limits the number of participating Customers to allow time for Customer education and infrastructure development
- Bid Pricing: $/kWh
- Bid Classes: Residential, Residential/Small Secondary, and Primary/Large Secondary
- Who Bids: Anyone
- Who Wins: Highest Bidder
- Bid Deposit: Collected by Independent Bid Administrator from Bidder
- Awarded by: Independent Bid Administrator

Key Deliverables:

- Define, create, and communicate a process for bidding, including format, rules, and schedule
- Develop a request for proposal and secure an Independent Bid Administrator responsible for processing bids and awarding capacity
- Design and establish new business processes at Detroit Edison to administer bidding for each of the five planned bidding phases
- Develop and implement a Capacity Management System to monitor phase-in capacity awarding, Customer switching, and Customer/Retailer relationships for billing

Information System Implications:

- Develop the Bid Evaluation System, a data base to rank order and award the bids within each bid period
  - System must interface with the Capacity Management System
  - System will be managed and used by the Independent Bid Administrator
- Develop the Capacity Management System, a computer system to track capacity in proper sequence (highest price first), track remaining unused capacity, monitor forfeiture
deadlines, monitor awarded capacity sales, record forfeitures and re-awards, and monitor load growth

− Capacity Management System needs to interface with the Customer Enrollment system(s) to automatically tie the Customer enrollment back to the right Bidder/Retailer and bid. In addition, the Capacity Management System must interface with the Customer Billing systems to determine the amount of capacity tied to each Customer enrollment

− Capacity Management System is managed by the Customer Enrollment process and used by that process and the Support Center
3. Contracting

This function develops and executes all contractual agreements between Detroit Edison and the Retailer/Marketer. The Retailer agreement must be in place before a Retailer can enroll a Customer. The Marketer agreement must be in place before service can commence. Contract administration will be provided by Support Center personnel.

The Contracting project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required to establish the contractual relationship agreements between Detroit Edison and Bidders/Retailers/Marketers.

Features:
- Clearly defined roles and responsibilities
- Clearly defined financial obligations
- Clearly defined operating requirements
- Clearly defined terms and conditions
- Contracts which include:
  - Verification of capability for electronic data transfer
  - Approved transmission contract with sufficient capacity to cover the award
  - Other service agreements as needed to include:
    - Payment of the transition charge
    - Backup service or waiver
    - Energy imbalance service
    - Use of load profiling for reconciliation of Residential Customer loads
    - Reciprocity
    - Optional services

Key Deliverables:
- Define the roles and responsibilities, financial obligations, operating requirements of each party, and the terms and conditions of the contract
- Develop the contract language
- Execute the contract
- Create the information systems capable of exchanging contracting requirements and status

Information System Implications:
- Develop the Information Exchange functions to enable obtaining Contracting requirements and communicate the status of contracting through EBTs
- Create the functionality to support confirming the necessary transmission agreements are in place to serve Customers enrolled by Retailers
4. Transmission Reservation

Transmission Reservation tracks the usage of the Available Transfer Capability (ATC) and creates billing determinants for billing Transmission System users. Detroit Edison is responsible for approving all longer-term (greater than week-ahead) reservation requests and the Michigan Electric Power Coordination Center (MEPCC) is responsible for approving all week-ahead reservation requests.

The Transmission Reservation project must modify present transmission operations and systems at the MEPCC to handle the large number of Marketer information transactions in support of Retail Access.

Features:
- Uses existing information systems for wholesale transactions
- Uses existing FERC approved processes
- Uses current Open Access Same Time Information System (OASIS) for reservation posting
- Provides a reservation identification for the Marketer
- Tracks available transfer capability

Key Deliverables:
- Develop a process which permits Marketers to electronically request and gain approval for transmission service
- Enhance the Interchange Scheduling Plus (IS+) system to handle a large number of Marketer transactions
- Acquire additional resources at the MEPCC to manage the Retail Access business volume

Information System Implications:
- Enhance Interchange Scheduling Plus and Information Exchange for Marketers
5. Energy Scheduling

This function handles the energy schedules submitted by Marketers to track their use of the Transmission System, obtain the identification and quantity of their power source, and account for the over/under supply of energy for the load served.

Features:
- Uses existing information systems for wholesale transactions
- Provides electronic exchange of data among Marketers, MEPCC, and Detroit Edison
- Provides a unique transaction tag on the Interchange Distribution Calculator to identify and monitor the Marketer and energy source

Key Deliverables:
- Define the process that enables Marketers to input their energy schedules and make hourly adjustments
- Develop the systems that monitor the parties and parameters of an energy transaction.
- Define the determinants necessary to perform reconciliation and billing
- Enhance the Interchange Scheduling Plus system to handle a large number of Marketer transactions
- Acquire additional resources to manage the energy scheduling activity volumes

Information System Implications:
- Develop the Information Exchange functionality to enable Electronic Business Transactions between Marketers and the MEPCC for energy scheduling and adjusting energy schedules
- Enhance the MEPCC Interchange Scheduling Plus to support the increased transaction volume due to additional Marketers
6. Reconciliation and Ancillary Charges

Reconciliation is a process which determines the energy imbalance between the scheduled energy and the actual energy used by the Customer. The resulting imbalance or difference of energy is either billed or credited to the Marketer after accounting for transmission and distribution losses. Transmission and ancillary service charges are also determined from operating parameters and pricing.

Features:
- Provides an itemized bill for each Marketer
- Captures all data to answer Marketer inquiries or resolve disputes

Key Deliverables:
- Define the process for collecting the required input data for calculating energy imbalance, reconciliation, transmission, and ancillary service charges
- Specify the determinants required from the MEPCC
- Develop the algorithms needed for the calculation of charges

Information System Implications:
- Develop the Information Exchange functionality to exchange Customer load data between Detroit Edison and Retailers/Marketers
- Create the reconciliation systems to calculate energy imbalance quantities and charges
- Enhance the current industrial and commercial billing engine to support calculating imbalance charges and derive participant billing determinants for transmission service and ancillary charges
- Enhance the MEPCC Interchange Scheduler Plus to support reconciliation data requirements
7. Retailer/Marketer Billing and Collections

This function accumulates Retailer/Marketer charges from a variety of processes and produces an invoice. The system will track the receipt of payment and credit the payment to the proper account and assure that outstanding Detroit Edison invoiced charges are received and properly credited to the appropriate ledgers. If insufficient funds are received, the system will initiate cancellation of the Retailers/Marketers authorization to do business in Detroit Edison’s service area. It will also initiate procedures to cancel service to Customers and Retailers/Marketers for nonpayment.

Features:
- Verify that Retailer/Marketer liabilities are paid monthly
- Initiate cancellation actions in the event that Retailers/Marketers fail to pay their monthly invoiced amounts
- Verify that Retailers/Marketers meet financial commitments identified in terms and conditions of signed contracts
- A monthly bill which provides Marketers with accurate, timely information on the status of its transactions for transmission and ancillary services furnished
- Includes Bidder/Retailer bid charge
- Includes transmission charges for all schedules of the OATT
- Includes Ancillary charges

Key Deliverables:
- Monitor cash and electronic receipts from Retailers/Marketers and compare with monthly invoice levels to verify that proper payments are received
- Provide entries to proper ledgers of cash receipts
- Follow-up with necessary collection action and notifications upon failure to meet payment obligations
- Define and establish a Retailer/Marketer billing system to assign account charges for Detroit Edison business services
- Develop and implement a Retailer/Marketer accounts receivable system
**Information System Implications:**

- Develop a seamless load data management functionality to aggregate Customer loads into Marketer loads for reconciliation and energy imbalance.
- Develop the Information Exchange functionality to support sending and receiving EBTs between Detroit Edison and Retailers/Marketers including bidding charges, energy imbalance charges, transmission and ancillary charges, Electronic Funds Transfers (EFT), and other transactions.
- Develop an automated mailing system to support the additional mailing associated with additional Retail Access Retailers/Marketers.
- Enhance the current industrial and commercial billing engine to support the necessary calculations and algorithms required for billing Retail Access Retailers/Marketers.
- Modify the demand data processing system to support the Retailer to Customer relationship and incorporate aggregating Customer loads to their respective Retailer.
- Enhance the bill formatting system to support new bill formats for billing Retail Access participants for charges.
- Modify the credit and collection system to support payment collection from Retailers/Marketers and revenue management for Retailer receivables.
- Enhance the General Ledger and cash payment posting systems to support managing additional receivable types for Retailer receivables and payables required for charging Retailers/Marketers for transition charges, energy imbalance charges, transmission, ancillary services, and other charges.
8. Support Center

This function sets up an organization to provide a front-end interface with all Retail Access participants other than Customers participating in Customer Choice. The Support Center will include activities such as education, contract development and administration, Customer enrollment, and dispute resolution on billing, reconciliation, and scheduling issues. This is a new business function at Detroit Edison.

Features:

• Provides a support organization committed to working with Retail Access participants on all interface aspects of Customer Choice
• Provides a single-point contact
• Provides Bidders/Retailers/Marketers with up-to-date program and billing information
• Provides telephone hotline
• Provides an organization responsible for managing all Bidder/Retailer/Marketer transactions and issues
• Provides content for the Detroit Edison web site
• Provides content to the Retail Access Handbook

Key Deliverables:

• Develop information flows that define system requirements
• Develop information systems scope document that can be used by systems personnel to build systems necessary for support center operations
• Develop and produce a Retail Access Handbook that describes the structure, processes, procedures, and requirements needed for participation in Customer Choice
• Define the requirements for business systems to provide access to Bidder/Retailer/Marketer information on day-to-day business transactions
• Design, develop, and staff a Support Center

Information System Implications:

• Develop the Information Exchange functionality to support non-Customer inquiries and service transactions through EBTs
• Develop the telecommunications systems and supporting links to create a service line to handle service requests from Retailers/Marketers
• Design and develop the additional requirements in the existing industrial and commercial billing engine to support Retailers/Marketers
C. PROJECTS SUPPORTING CUSTOMER TRANSACTIONS

1. Customer Enrollment

The Customer Enrollment project allows Retailers to enroll Customers and initiates the links required for processes such as billing, scheduling, reconciliation, and other Information Exchange between Detroit Edison, Retailers, and Marketers.

Features:
- Enroll Customers through EBTs from Retailers
- Standard transaction formats for all Retailers
- Provide validation of Customer eligibility and demand, Retailer capacity, transmission reservation, and franchise requirements
- Send electronic confirmations to Retailers and mail notifications to Customers

Key Deliverables:
- Define, create, and communicate policies for Retailers to enroll Customers
- Design and establish new business processes for linking Customers to energy providers
- Develop and implement new information systems to accept Retailer enrollment EBTs, validate Customer eligibility, validate Retailer capacity, and support the bid management process
- Develop criteria for enrollment transactions
- Prepare materials to support Retailer and other participants, along with Customer education
- Develop EBT enrollment systems
- Develop account conversion process from current Customer system to interim Customer system
- Develop and document internal enrollment policies and procedures
- Develop enrollment process
- Install and test the enrollment system
- Conduct employee training
- Convert accounts from current Customer system to interim Customer system
- Accept and respond to Retailer EBTs to enroll Customers
- Update Customer and Retailer/Marketer information for use by scheduling, billing, and reconciliation
- Manage the life cycle of the Customer enrollment
Information System Implications:

- Develop the Information Exchange functionality to support Customer enrollment through EBTs from Retailers including processing enrollment transactions, communicating the status of enrollments, supporting Retailer switching, and informing Retailers of successful transactions or errors.

- Provide the necessary functions to decrement the Retailer’s authorized capacity in the Capacity Management System and determine if the Retailers have exhausted their capacity.

- Modify the current industrial and commercial billing engine to capture the Customer account information, including the Retailer relationship to support Retail Access Residential Customers until the new mass-market billing engine is available.

- Design and develop the additional requirements in the new mass market billing engine to capture the Customer account information, including the Retailer relationship to support Retail Access Residential Customers.
2. Customer Billing and Collections

Customer Billing and Collections provides unbundled distribution pricing, complete or separate energy billing, and collection services, including payment processing but not including active field collections of overdue amounts for the Retailer beyond showing past-due balances on the bill. This function will provide clear, easy-to-read bills, which will convey the more complicated unbundled pricing in a straightforward manner. This function will ensure timely and accurate cash transaction processing to Detroit Edison (for distribution) and Retailers (for energy). This function is required to, at a minimum, continue to bill and collect from Customers for distribution services provided by Detroit Edison. This function will continue to comply with the MPSC billing rules. The project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required to handle all commercial, industrial, and Residential Customers under Retail Access.

Features:
- Provide both Complete and Separate Billing Options for Retailers
- Offer Bill Summarization and Details
- Electronic Settlements to Retailers

Key Deliverables:
- Define, create, and communicate billing options and bill formats available to Retailers
- Modify the current industrial and commercial billing system to also handle initial low-volume Residential participation
- Modify new mass market billing system to handle high-volume Residential participation
- Design the EBT formats for communicating Customer billing determinants and billing revenue information to Retailers
- Add new Distribution Provider and multiple Retailer product offerings and rate structures to billing systems
- Design, create, and communicate new payment allocation rules to Retailers
- Define and load the additional data to the General Ledger system required to support additional receivable types
- Design the EFT methods for cash transactions to Retailers
- Separate Retailer Pass-Through collections from the standard collections process
Information System Implications:
- Develop the Information Exchange functionality to support sending and receiving EBTs between Detroit Edison and Retailers including billing determinants, rate tables, charge details, cash remittances, EFTs, and other transactions.
- Design and develop the additional requirements into the current industrial and commercial billing engine to support Complete Billing and distribution service only billing for Residential and other Retail Access Customers.
- Develop an automated mailing system to support automated mailing for billing Retail Access Customers from the current industrial and commercial billing engine until the new mass-market billing engine is available.
- Enhance the bill formatting system to support new bill formats for Retail Access for Complete Billing and distribution service only billing.
- Design and develop the additional requirements in the new mass market billing engine to support Complete Billing and distribution service only billing for Retail Access Residential Customers.
- Enhance the General Ledger and cash payment posting systems to support managing additional receivable types for Retailer receivables and payable required for Complete Billing and distribution service only billing.
3. **Customer Support**

The Customer Support project provides Retail Access Customers the resources for issue resolution and answers to questions about enrollment, billing, collection, trouble, outage, and general inquiries. This project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required to handle the additional functions required to support Retail Access Customers.

**Features:**
- Print Detroit Edison and Retailer contact phone numbers and information on bills
- Make program information easy to obtain
- Simplify contacting Retailers for Retailer related issues through one call to Detroit Edison that will connect Customers to Retailers as needed for issue resolution

**Key Deliverables:**
- Restructure the existing Customer service line to also support Retail Access Customers and inquiries
- Create training and develop scripts for call handling
- Train employees to answer Retail Access inquiries and provide support on new processes
- Develop Frequently Asked Questions (FAQ) and scripted answers
- Prepare materials to support Retailer and Customer education
- Define resources requirements for servicing added call volumes
- Establish metrics for service level and Customer satisfaction
- Establish facilities, telecommunications, and information systems support structure
- Educate Retailers and Customers
- Test interfaces for account servicing to interim billing system and new systems
- Conduct employee training
- Answer Retail Access Customer inquiries and resolve issues
- Integrate Retail Access features into standard operations
- Collect and review service level and Customer service metrics

**Information System Implications:**
- Design and develop the additional requirements into the current existing mass-market billing engine to support field service orders for Residential Retail Access Customers
- Develop the Information Exchange functionality to support Customer inquiries and Customer service transactions through EBTs
• Enhance the telecommunications systems and supporting links to handle Customer service transactions and provide first call issue resolution for Customers on Retail Access

• Modify the field service automation system to support active interfaces for field service orders for Retail Access Customers from the existing industrial and commercial billing engine and the future mass-market billing system

• Design and develop the additional requirements in the new mass market billing engine to support the new Customer service transactions associated with supporting Retail Access Residential Customers

• Modify the existing mass-market billing system to support servicing Customers who been moved to the industrial and commercial billing engine
D. PROJECTS SUPPORTING AWARENESS AND EDUCATION

1. Employee Education

The purpose of the employee education process is to ensure our employees can provide the necessary information and assist Customers in their participation in the Customer Choice program. The education process will raise awareness and educate Detroit Edison employees about the changing electric marketplace and provide Detroit Edison Customer contact employees with information, education, and support to enable Retail Access transactions. Detroit Edison will utilize an array of existing company communications systems to support Retail Access employee education awareness including: a daily electronic employee newsletter, a printed monthly employee newsmagazine, and an employee-accessible Detroit Edison intranet web site. Detroit Edison will also conduct employee education conferences, town hall style meetings, and workshops for management and staff who have Customer contact responsibility.

Features

- Differentiate between employee awareness "the what" and education "the how"
- Employees will receive accurate and timely Customer Choice information prior to release to participants and Customers
- Leverage Detroit Edison intranet web site so employees have access to Customer Choice information
- Training: Customer Choice training - job or task specific - will be conducted by individual Detroit Edison organizational units

Key Deliverables:

- Perform a requirements scope and comprehensive assessment of employee awareness and education requirements necessary to implement Retail Access
- Design a comprehensive employee communications plan with key messages for each specific employee audience
- Identify and secure resource requirements to deploy the employee communications plan (e.g., conduct workshops, town hall meetings, publish materials)
- Construct framework and deploy systems to implement plan
- Evaluate plan effectiveness and provide feedback

Information Systems Implications:

- Develop employee Awareness and Education content for the Detroit Edison web site
• Provide employees with specific Retail Access information, including FAQ's, from an employee perspective
• Link Detroit Edison intranet to the Detroit Edison web site
2. Retailer/Marketer Education

The purpose of the Retailer/Marketer awareness and education process is to raise participants' awareness of the Detroit Edison Customer Choice Program. Detroit Edison will establish a collaborative, cooperative, and friendly environment in dealing with interested, qualified participants.

Features:
- Workshops will explain Customer Choice "How-To's", including:
  - Qualifications
  - Bidding
  - Customer Enrollment
  - Scheduling
  - Reconciliation
  - Information Exchange
  - Billing
  - Settlement
- The Detroit Edison web site will be the primary communications vehicle for information exchange between participants and Detroit Edison
- Provide link to MPSC web site for approved Retailer list and other information
- Retail Access Handbook will be produced in both hard copy and electronic formats

Key Deliverables:
- Perform a requirements scope and comprehensive assessment of participant awareness and education requirements necessary to facilitate Customer Choice participation
- Design a comprehensive participant communications plan
- Identify and secure resource requirements to deploy the participant communications plan
- Construct framework and deploy systems to implement plan (e.g., Bidders Meetings, web site)
- Retail Access Handbook content - in both hard copy and electronic formats, etc.
- Coordinate participant communication materials for Bidder meeting
- Evaluate plan effectiveness and provide feedback - modify the awareness and education process to facilitate transactions between participants and Detroit Edison

Information Systems Implications:
• Develop specific participant Customer Choice education content and increase participant awareness via the Detroit Edison web site. The content will be developed from a participant perspective and will include a FAQ section and provide information on how to contact the Detroit Edison Support Center.

• Develop the telecommunications systems and supporting links to create a participant inquiry service line, handle participant requests and provide information to participants regarding Customer Choice.
3. Customer Awareness and Education

a. Customer Awareness

The purpose of the Customer awareness process is to inform prospective Retail Access participants about “what is going to happen” and why. It is a precursor to the Customer education process.

b. Customer Education

The purpose of the Customer Education process is to educate Customers on “How do I” participate in Retail Access. Clear, accurate information will be made available to Customers to support electricity choice decision-making. The objective is to implement a comprehensive Customer Awareness and Education plan that:

- Eases the transition to a competitive marketplace
- Prepares Customers to participate in the new marketplace
- Minimizes Customer confusion
- Raises Customer awareness
- Protects society’s vulnerable Customers

During the early stages of the phase-in, Customer Education will be limited in order to match the expected phase-in of mass market Customers. Customer Communications will intensify during the final Customer Choice phase-in period.

Features

- MPSC Staff to direct and fund proposed Volunteer Working Group (VWG) - to implement statewide Customer Education
- MPSC will focus on "The What" of Customer Choice
- Utilities will focus on "The How" of Customer Choice
- Direct mail messages will be the primary media used during initial phases
- Internet will be used for information exchange

Key Deliverables:

- Perform a requirements scope and comprehensive assessment of Customer Awareness and Education requirements necessary to implement Customer Choice
• Design a comprehensive Customer Choice communications plan synchronized with planned Retail Access phase-in schedule
• Identify and secure resource requirements to deploy Customer communications plan
• Construct framework and deploy system to implement plan
• Develop the following:
  – Direct mail materials for Residential recruitment
  – Printed materials for Primary Customers
  – Call center fulfillment information
  – News releases (as necessary)
  – Internet content including FAQ's, link to MPSC web site, and glossary of terms
  – Bill inserts to support Retail Access
  – Appropriate media vehicle selected to support specific Customer Choice phases
• Evaluate plan effectiveness through continuous Customer research and feedback

Information Systems Implications
• Develop web site content to provide Customer education materials on-line and improve general Customer awareness. These would communicate Customer Choice information from a Customer’s perspective including; a FAQ section and information on how to participate in Retail Access
• Enhance the telecommunications systems and supporting links to modify the Customer Service Line (CSL) to handle Customer inquiries and provide Retail Access information
E. PROJECTS SUPPORTING CUSTOMER USAGE DETERMINATION

1. Metering (Industrial and Commercial)

The Meter Data Acquisition project provides measurements of the energy used as a function of time. This function is required to provide Retail Access for industrial and Large Commercial Customers. Its purpose is to acquire energy delivery determinants that will be used in both distribution and energy charge calculations and in the Marketer reconciliation process.

The Meter Data Acquisition project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required to handle commercial and industrial Customers that elect to switch to Retail Access. Although 1000–2000 commercial and industrial Customers may elect Retail Access in each of the five bidding phases, this function must be capable of handling all existing commercial and industrial Customers in the Detroit Edison service territory. This business function is a prerequisite to enabling Large Commercial and Industrial service in the Retail Access Program.

Detroit Edison will also conduct an Automated Meter Reading (AMR) pilot using a fixed network radio system covering a limited portion of its service area. The primary focus of the pilot is to develop a reliable and cost-effective means of measuring energy usage on a thirty (30)-minute basis for Residential and Small Commercial Customers. It will also be considered for measuring energy usage for Large Commercial and Industrial Customers.

Features:
- Measure and record kilowatt-hours on a thirty (30)-minute basis
- Measure and record kilovar-hours on a thirty (30)-minute basis (where needed)
- Provide duplicate data pulses to the Customer on a real-time basis
- Utilize near real-time data retrieval using shared telephone lines where possible
- Conduct manual data retrieval for back-up in the event of telephone line failure
- Perform data validation and repair as necessary
- Provide electronic transfer to billing and reconciliation systems
- The AMR System will:
  - Record kWh on a thirty (30)-minute basis
  - Record kilovar-hours on a thirty (30)-minute basis
  - Record outage information
– Retrieve usage information on demand
– Be capable of storing usage information and transmitting it to the billing and reconciliation systems

**Key Deliverables:**

- Define a data acquisition process for field data under both normal operations and emergency backup
- Identify types and sources of metering equipment to meet requirements
- Design a process for installing telephone line sharing system
- Develop a data acquisition and validation system
- Establish a data transfer process to share meter data with Customer and Marketer, and Retailer
- Obtain and train field installers
- Conduct limited field trial to verify functionality of entire process
- Install meter equipment at each enrolled location
- Establish telephone communications from each enrolled location
- Manage equipment inventories
- Retrieve the data on an ongoing basis as required
- Deploy the AMR Pilot
  – Select the AMR system to be piloted
  – Select the geographic area for the pilot
  – Install the AMR infrastructure
  – Install the metering equipment at Customer locations in pilot area
  – Integrate data collection with existing systems
  – Test overall operation of AMR system
  – Place in operation
- Evaluate reliability and cost at the end of trial period (approximately 16 months)
- Compare results with performance of Load Profiling System
- Determine whether to deploy AMR system-wide

**Information System Implications:**

- The acquisition of thirty (30)-minute meter data will require the development of a new shared phone line meter reading solution. This will require a middleware software package for the collection and processing of the demand data. Key interfaces will be developed with the Demand Data Processing System and the Industrial and Commercial billing system for Customer billing determinants
• Modify the Demand Data Processing System to employ a scaleable determinant database to meet expected growth of Retail Access
• Provide additional Requirements for the Information Exchange System to enable the sending of metering determinants to the Customer and Retailer
• Enhance the automated route control system to manage meter data from new external sources including line sharing and other meter reading technologies
• Modify the Residential meter reading system to support scaling load profiles based on billing cycle energy consumption data
2. Load Profiling

The Load Profiling project provides a method for estimating the hourly demands for Customers who accept the meter waiver. These demands will be used in the Marketer reconciliation process.

The first three phases of participation should provide an opportunity to pilot the metering and load profiling options and provide a sound basis for determining the approach to accurate and cost effective data acquisition for a larger volume of Residential and Small Commercial Customer participation. The experience gained during these phases will allow Detroit Edison to make course corrections in design as well as provide insight on the rules which will be required to govern the many new transactions created by Retail Access.

The Load Profiling project must develop the policies, processes, systems, procedures, training, staff, and infrastructure required to profile the energy usage for all Residential Customers who chose Retail Access.

**Features:**

- Derives hourly profiles from metered usage and strata profiles
- Provide hourly totals per Retailer/Marketer
- Provide electronic transfer to billing and reconciliation systems
- Utilize total measured system usage
- Sample metering may be used to improve load-profiling accuracy

**Key Deliverables:**

- Develop method for deriving profiles
- Identify required data inputs and processes for obtaining that data
- Identify system requirements
- Develop a pilot system
- Develop enhancements that came out of pilot and approval process
- Document methodology and include in Service Agreement
- Construct Load Profiling System
- Operate the system

**Information System Implications:**

- Develop an automated method of obtaining metered usage data from the existing Mass Market Billing System and the Industrial and Commercial Billing system
• Develop interfaces to the billing and reconciliation systems
F. INFORMATION SYSTEMS SUMMARY

This section provides a summary of the computer information system development efforts required for this Program. The significant business process changes required to implement Retail Access at Detroit Edison will play a critical role in driving the computer information systems development. Section III of this document describes the new interactions and guidelines for Retail Access. This framework will help guide Detroit Edison’s project teams to create the detailed business processes, rules, and procedures for enabling Retail Access. A clear understanding of the detailed business processes, rules, and procedures are essential for a successful information systems development effort.

Detroit Edison’s existing Customer care systems, such as billing and metering, will not accommodate the data and functional components proposed in Retail Access. Billing will need to be unbundled into components such as distribution, transmission, generation, and various other ancillary charges. The amount of data needed to be captured for Residential and Secondary Customer usage will also increase dramatically from one meter read per month to 720 hourly demand readings. Detroit Edison will also need to build the information management systems to enable many transactions that do not exist in the retail business today, such as Capacity Management, Bidding, Customer relationships, Marketer load scheduling, load profiling, Marketer settlements, and Complete Billing service.

The implementation of Retail Access at Detroit Edison will require significant information systems changes. At a minimum, Detroit Edison will need to develop six additional computer information systems and modify ten computer systems. This will be a significant development effort considering the initiatives already underway to construct a new mass market Customer billing system and ensure Year 2000 compliance for all existing technologies. Detroit Edison will employ the following system implementation objectives for Retail Access.

- Leverage existing systems where possible to satisfy direct access processing requirements
- Minimize investment in existing systems scheduled for retirement in the near term
- Design new systems with flexibility to withstand volatility in the Retail Access arena
- Explore alternative implementation options, such as outsourcing, where appropriate

Implementation of these information systems objectives will be guided by progressive and proven methodologies such as Rapid Application Development and Object-Oriented Design. These design and development techniques will allow Detroit Edison to efficiently deliver the required new functionality in an incremental fashion, as needed to meet tight deadlines. Detroit Edison will
also leverage, where practical, our business partnerships with key information systems providers recognized worldwide as industry leaders in computer systems integration.

Development of efficient Information Exchange processes between Detroit Edison and Retail Access participants will drive Detroit Edison’s information systems implementation plan. Detroit Edison will employ a central focus of technology solutions and standards enabling all electronic business to business commerce for Retail Access. The hardware and software information exchange systems will enable transactions for education, bidding, enrollment, meter data transfer, payment processing, order taking, and billing between Detroit Edison, Customers, Marketers, and Retailers. A disciplined framework and architecture will be developed to ensure all transactions required for Retail Access are managed in an efficient, high-quality manner. The end-use solutions may include Electronic Data Interchange (EDI), EFT, value-added networks, and Internet solutions.

Detroit Edison’s focused Information Exchange development effort will provide two primary benefits to Customers and Participants in the Retail Access marketplace:

• Improved Customer Service
• Reduced Operating Costs
• Transactional cost reduction
• Efficient relationship cost reduction
• Supply chain cost reduction

Driven by the Information Exchange requirements outlined above, the following additional information system development areas will be discussed within this section of the Detroit Edison Customer Choice Plan:

• Interim Systems
• Enrollment and Billing Systems
• Meter Data Systems
• Participant Load Scheduling and Reconciliation Systems
• Data Exchange Standards
1. Interim Systems

The implementation of Retail Access at Detroit Edison will require the development of short term computer information system solutions. These computer solutions will only support Retail Access under low volume Customer participation. The primary drivers of these information system needs are the phase-in load allocation to Bidders, the bidding process, and a load profiling solution for Customers without demand profile recording meters.

Management of the Detroit Edison phase-in load during the transition period from 1998 to 2002 will require a Capacity Management System to dynamically track and update the load allocated to the various participants through the bidding process. The Capacity Management System will also be used to track the on-going Retailer, Marketer, and Customer relationships for billing and reconciliation. The Retailer, Marketer, and Customer relationship will eventually be captured and managed in the new mass market billing system currently under development.

A Load Profiling system will be constructed to statistically derive hourly load profiles for Residential Customers without demand profile recording meters. The load profiling system will incorporate existing Detroit Edison load research systems, demand translation systems, and sample profile meter data. The system will also interface with the Capacity Management System and aggregate load profiles to each Marketer. The load profiling system will provide hourly load profiles for use in Marketer scheduling, reconciliation, and billing.
2. Enrollment and Billing Systems

Several Customer care systems will be required to support the on going service and billing of Customers choosing to switch from regulated rates to Retail Access.

Residential and Small Secondary Customers choosing Retail Access and currently billed in Detroit Edison’s existing mass market billing system will be transferred to the new Industrial and Commercial Billing system. The Primary and Large Secondary Billing system provides the functionality to enable the implementation of complex Customer contracts in which rates can vary by demand and time of day, including solar and steam billing. The system also provides the capability to bill for cost-based Customers, including wholesale Customers and users of interruptible rates and co-generation sellback. The system is currently used to bill approximately 4,000 Customers and is capable of billing a total of 25,000 Customers without significant structural modifications.

Initially, the Primary and Large Secondary Billing system will be modified to service all Customers (up to 25,000) electing retail access service. Modifications to this system for retail access include:

- New billing algorithms to support the Detroit Edison Retail Access rate structure
- The addition of the participant entity and its dynamic relationship to Customers
- Functionality requirements for billing the new Complete and Pass-Through billing
- Accounts receivable functionality to separate and track the payment posting for the new participant entity
- New interface requirement for shared phone line metering of single phase commercial Customers
- Install an automated mailing system for the added volume of Customers

The existing Mass Market Billing System will be modified to provide a shell account structure for interface requirements with the Outage Analysis System and Field Service Automation. An automated conversion process will also be built into the system to facilitate conversion of Customers from bundled Tariff rates to Retail Access Service.

A new mass market billing system currently under development will replace the existing mass market billing system in mid 1999. Once in production, the Residential and Commercial Customers initially placed in the Primary and Large Secondary billing system will be converted over to the new mass market billing system. The following table illustrates the application of billing systems for Retail Access.
The Primary and Large Secondary billing system will also be modified to bill Retailers and Marketers for charges related to Retail Access. Wholesale Marketers are billed within Detroit Edison today on a purely manual basis. This manual operation has very limited scalability. Several external interfaces will need to be constructed to enable the functional components of Retailers and Marketers billing. The calculations which include incremental and decremental costs are required for the Open Access Transmission Tariff, bid charges, and various other distribution service related fees.

The Retailer and Marketer billing function will also require functional interface changes to Detroit Edison’s Flexible Collection System for the management of Retailer and Marketer credit and collection activities. These changes will be driven by the billing and collection rules associated with the Retailer and Marketer entity. This system currently provides a central source outside of the billing systems to manage collection activity.
3. Meter Data Systems

The billing of Customers and Marketers for Retail Access will require hourly interval demand data for every Customer location. Initially, Detroit Edison will offer a meter waiver to Residential and Small Secondary Customers and statistically derive their load profile. All remaining Customers will require a demand interval meter.

Detroit Edison currently uses a state-of-the-art meter demand data processing system. The system provides the translation of recorder load data for the Primary and Large Secondary Billing System. The demand data processing system remotely reads Customer demand meters and using Customer profile information (e.g. contract capacities, historical information) produces billing determinants. The system currently processes data from approximately 5000 demand recording meters and is capable of processing data for a total of 10000 demand recording meters without significant structural modifications. Since it is anticipated that Detroit Edison may reach this limit by mid 2001, a new database engine will be developed similar to the system used in the U.K. and California.

The demand data processing system also requires modification for Retail Access to incorporate the Marketer and Retailer entities for aggregation of Customer loads. Load profiling requirements for Residential and Small Secondary Customers may also require system modifications to add the capability to construct strata classes.

Several additional enhancements and interfaces will be made to Detroit Edison’s meter data processing systems. The enhancements will be made to accommodate the following requirements.

- Information sharing between Detroit Edison, Marketer, Retailer, and Customers
- Scaling of Residential and small commercial load profiles based on billing cycle energy consumption (kWh) data
- Support automated route control to new billing and automated meter reading systems
- Support the dynamic relationship between Customers, Marketers, and Retailers for load aggregation

The acquisition of hourly meter data for Primary and three-phase Secondary Customers will require a new shared phone line meter reading system. A middleware software solution and server will be installed for scheduling, collection, and translation of the meter protocol. The meter for three-phase Secondary Customers will also require modification or replacement to install a new communications modem interface.
4. Transmission, Reconciliation, and Ancillary Services

The existing Transmission Operations Group at Detroit Edison is responsible for determining charges on a monthly basis for the use of the Transmission System. This Operations Group is capable of handling the small number of Wholesale Retailers in today’s market with minimal staff and a manual system. The introduction of Retail Access to Detroit Edison, however, is anticipated to increase the number of Marketers, complexity, and volume of transactions to a point that is not sustainable with the present number of people or technology.

The energy scheduling system at the MEPCC requires changes to process the volume of schedules needed for Marketers and Detroit Edison Merchants for native load. In addition, an electronic interface is needed to retrieve the schedules on a Marketer tagged basis.

A reconciliation system will be constructed and interfaced with Detroit Edison’s Primary and Large Secondary billing system. The reconciliation system will be interfaced with the various metering systems required for Retail Access. The primary function of the reconciliation system will be to compare the Marketer's scheduled load with the aggregated Customer load and calculate the deviation on an hourly basis. Several solutions are being explored for this function including modification of existing Detroit Edison information systems, purchase of a third-party package, or new development.
5. **Data Exchange Standards**

Detroit Edison will perform an industry wide analysis of documented standards used to facilitate effective data exchange. The results of this analysis will guide the development of data exchange standards using best practices of other participants and utilities. Detroit Edison is currently a member of the Utility Industry Group (UIG) which is in place to develop the standards for data exchange. Detroit Edison will continue to play an active role in the UIG effort that includes utilities and participants from all states currently active in the restructuring effort. Every effort will be made to influence and adopt the national standards being developed by the UIG. There are many clear benefits for market participants in Michigan to collaborate on uniform standards. The benefits include:

- Uniform communications with market participants
- Improved error detection
- Improved tracking and control
- Timely communication
- Reduction of paperwork, manual processes, and cost
- One time data entry

Business to business electronic commerce is well defined for many other unregulated industries such as healthcare, merchandising, airlines, and automotive. Through our relationship with industry leaders in these areas, Detroit Edison will explore and benchmark best practices and make every effort to drive new standards and systems that are effective and easy to use for all key stakeholders in the new restructured Michigan electricity market.
G. RELATED PROJECTS

Four additional areas have been identified for inclusion in Detroit Edison’s estimate of expenses related to Retail Access. These areas are: Needed Changes at MEPCC; Michigan ISO (Independent System Operator); Transmission Improvements; and Employee Transition.

1. Systems to Meet Requirements at MEPCC

The development of the Customer Choice Plan incorporates the present transmission operating structure and control area responsibilities which Detroit Edison and Consumers Energy (collectively also the Michigan Electric Coordinated Systems) jointly share at the Michigan Electric Power Coordination Center in Ann Arbor. In the evaluation of electric utility deregulation, the Michigan Electric Coordinated Systems of the East Central Area Reliability council have also been assigned System Security Coordinator responsibilities for the region. To meet all of these responsibilities at the wholesale level, the Michigan Electric Coordinated Systems performs the functions of transmission reservation, energy scheduling, generator dispatch, system security, and billing.

The implementation of Retail Access drives the need for increased human resources and enhanced sophistication of business systems to perform these functions. New systems must handle a large volume of complex information transactions between Marketers, generators, transmission operators, distribution companies, and other system security coordinators at significant expense. These cost estimates are included in the Retailer/Marketer Transactions costs in Section I (Projected Costs).

2. Participation in an ISO

The development of an ISO is a time consuming, complex process. Fortunately in Michigan, Consumers Energy and Detroit Edison have been operating a Power Pool and have a facility in Ann Arbor (MEPCC) that can be utilized to facilitate an ISO’s operation, whether state-wide or regional. It is Detroit Edison’s intent to join or develop an ISO that is best for its Customers. Indeed, Detroit Edison has been an active participant in the developmental stages of the Midwest and Alliance ISOs. When a reasonable opportunity to develop or join an ISO is presented within the constraints of restructuring, Detroit Edison will make a commitment. Preliminary cost estimates appear in Section I (Projected Costs).

3. Projects to Increase Transmission System Capability
Current Transmission System Total Transfer Capability (TTC) and thus ATC values are based on the way the current Transmission System has been designed and operated, which is to serve the current mix of unbundled wholesale Customers and bundled wholesale/retail Customers with the planned level of in-state generation and out-of-state reliability purchases. A likely result of Retail Access is reliance by unbundled Customers on out-of-state purchases that is higher than what the regulated utilities had planned for Transmission Systems. Thus improvements in TTC are anticipated.

Detroit Edison has developed a preliminary estimate of the expenses required to increase the current TTC values by 50%. Improvements are required in other states and Canada, as well as Michigan. Preliminary cost estimates appear in Section I (Projected Costs).

4. Employee Transition

The Commission has recognized that with the movement from regulation to a competitive retail generation market there will be employee transition costs. At this time, the amount of these costs is unknown. As the restructuring in Michigan progresses, the Company will have a better understanding of the costs and programs involved with employee transitions. Thus, although employee transition costs are considered to be part of the overall Customer Choice program, these costs are not known at this time.
H. SCHEDULE

Implementing the Retail Access Program is a highly complex undertaking due to the number of activities, degree of interdependencies, and potential for downstream environmental influences. Furthermore, the program is heavily resource constrained due to the limited availability of Business Subject Matter Experts and Information Systems specialists currently knowledgeable of Detroit Edison’s existing business processes and information systems.

To expedite the program deliverables, the work is divided into three overlapping approaches:

1. **Accelerated, Limited Service Delivery (Early Adopter)** – Approach utilizing manual processes and non-production systems to expedite limited Retail Access service delivery to a very small number of large, primary voltage Customers.

2. **Low Volume, Full Service Delivery (Low Volume)** – Approach leveraging limited-scaleable processes and systems as an interim solution to provide full Retail Access service delivery to a medium number of Customers (less than 10,000).

3. **High Volume, Full Service Delivery (High Volume)** – Approach leveraging highly scaleable processes and systems to provide full Retail Access service delivery to the mass market.

The following dates represent an ideal schedule consistent with the contents of this document. Note that any change or alteration to this Plan which alters the scope of the Plan will likely require a change in the projected expenditures and timing schedule. The Plan attempts to balance the immediacy of Retail Access with the need for scaleable processes and systems by utilizing interim, non-scaleable systems to meet the demands of the first four (4) phase-in periods. During this time, scaleable systems will be developed to handle larger cumulative volumes of Retail Access in phase 5 and beyond.
1. Phase 1 Date Summary

<table>
<thead>
<tr>
<th>Event</th>
<th>Dependencies</th>
<th>Date</th>
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<tbody>
<tr>
<td>MPSC Plan Approval</td>
<td></td>
<td>July 31, 1998</td>
</tr>
<tr>
<td>FERC Approval</td>
<td>30 to 90 days following MPSC Plan Approval (minimum)</td>
<td>August 31, 1998 to October 30, 1998</td>
</tr>
<tr>
<td>Conduct Bidders Meeting</td>
<td>MPSC Plan Approval</td>
<td>August, 1998</td>
</tr>
<tr>
<td>Open Bidding</td>
<td>MPSC Approval and FERC Approval, if necessary</td>
<td>September 22, 1998</td>
</tr>
<tr>
<td>Close Bidding</td>
<td>45 days following FERC Approval</td>
<td>October 13, 1998</td>
</tr>
<tr>
<td>Begin Customer Enrollment</td>
<td>Following Bidding Closure</td>
<td>October, 1998</td>
</tr>
<tr>
<td>First Primary Service Delivery (Early Adopter)</td>
<td>30 days following Bidding Closure; Limited Service Delivery (Early Adopter) Systems; Metering</td>
<td>November, 1998</td>
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<tr>
<td>First Large Secondary Service Delivery</td>
<td>Low-Volume, Full Service Delivery Systems; Metering</td>
<td>April, 1999</td>
</tr>
<tr>
<td>First Residential/Small Secondary Service Delivery</td>
<td>Low-Volume, Full Service Delivery Systems; Load Profiling</td>
<td>June, 1999</td>
</tr>
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</table>

2. Critical Path Illustration

The following Critical Path Gantt Chart illustrates the relationships and dependencies between external milestones and critical path project tasks. The timeframes presented are based on optimal resolutions to all start-up items, such as thirty days for MPSC Plan approval and thirty days for FERC approval; however, the amount of time it will take for the MPSC and FERC to act cannot be predicted.
## Detroit Edison Customer Choice - Key Milestones *(Illustrative)*

<table>
<thead>
<tr>
<th>Milestone</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
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</thead>
<tbody>
<tr>
<td>MPSC/FERC Filings/Approval</td>
<td></td>
<td></td>
<td>Manual</td>
<td>High Volume System (CSB)</td>
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<tr>
<td>Bid Process/Rules</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inform Potential Bidders</td>
<td>Manual</td>
<td>Low Volume System</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build Capacity Mgmt System</td>
<td>Manual</td>
<td>Low Volume System</td>
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<td></td>
</tr>
<tr>
<td>Customer Enrollment Process/System</td>
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<td>High Volume System</td>
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</tr>
<tr>
<td>Bid Open</td>
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<td>11/20</td>
<td></td>
</tr>
<tr>
<td>Bid Close</td>
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<td></td>
<td>11/20</td>
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<tr>
<td>First Primary Customer Served</td>
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<td></td>
<td></td>
<td>Load Profiling / AMR Decision</td>
</tr>
<tr>
<td>First Large Secondary Customer Served</td>
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<td></td>
<td>Load Profiling / AMR Decision</td>
</tr>
<tr>
<td>First Residential/Small Secondary Customer Served</td>
<td></td>
<td></td>
<td></td>
<td>Load Profiling / AMR Decision</td>
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</table>

*Legend:*
- Develop
- Operate

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## I. PROJECTED COSTS

<table>
<thead>
<tr>
<th>Customer Choice Program Projected Expenditures ($000's) (note 1)</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>Total</th>
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</thead>
<tbody>
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<td>Customer Transactions</td>
<td>4,008</td>
<td>6,650</td>
<td>6,079</td>
<td>5,891</td>
<td>22,628</td>
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<tr>
<td>Customer Enrollment</td>
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</tr>
<tr>
<td>Customer Support</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Customer Billing &amp; Collections</td>
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<tr>
<td>Retailer/Marketer Transactions</td>
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<td>4,362</td>
<td>4,558</td>
<td>4,180</td>
<td>17,076</td>
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<td>Qualification</td>
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</tr>
<tr>
<td>Bidding</td>
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</tr>
<tr>
<td>Contracting</td>
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<td>Support Center</td>
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</tr>
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<td>Transmission Reservation (note 2)</td>
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<tr>
<td>Energy Scheduling (note 2)</td>
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<tr>
<td>Reconciliation / Ancillary Charges</td>
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<tr>
<td>Retailer/Marketer Billing &amp; Collections</td>
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<td>Awareness &amp; Education</td>
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<td>2,381</td>
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<td>Customer Awareness &amp; Education</td>
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<tr>
<td>Data Acquisition</td>
<td>3,662</td>
<td>11,418</td>
<td>5,555</td>
<td>3,372</td>
<td>24,007</td>
</tr>
<tr>
<td>Industrial &amp; Commercial Metering</td>
<td></td>
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</tr>
<tr>
<td>Load Profiling</td>
<td></td>
<td></td>
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<tr>
<td>AMR Pilot</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Information Systems</td>
<td>7,152</td>
<td>4,740</td>
<td>8,496</td>
<td>2,856</td>
<td>23,244</td>
</tr>
<tr>
<td>Billing</td>
<td></td>
<td></td>
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<tr>
<td>Meter Data Support</td>
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<tr>
<td>Billing Support</td>
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<tr>
<td>Capacity Management</td>
<td></td>
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</tr>
<tr>
<td>Call Transfer</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
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<td>Reconciliation</td>
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<tr>
<td>Information Exchange</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total (less AMR Infrastructure)</strong></td>
<td>19,942</td>
<td>29,540</td>
<td>27,069</td>
<td>25,374</td>
<td>101,925</td>
</tr>
<tr>
<td>Estimated AMR Infrastructure (note 3)</td>
<td>-</td>
<td>-</td>
<td>36,000</td>
<td>30,000</td>
<td>66,000</td>
</tr>
<tr>
<td><strong>Total (including AMR Infrastructure) (note 3)</strong></td>
<td>19,942</td>
<td>29,540</td>
<td>63,069</td>
<td>55,374</td>
<td>167,925</td>
</tr>
<tr>
<td>Recoverable through RAS Tariff (note 4)</td>
<td>240</td>
<td>6,059</td>
<td>2,758</td>
<td>1,897</td>
<td>10,954</td>
</tr>
<tr>
<td>Independent System Operator (note 5)</td>
<td>-</td>
<td>3,000</td>
<td>24,200</td>
<td>-</td>
<td>27,200</td>
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<tr>
<td>Transmission Enhancements (note 6)</td>
<td>25,000</td>
<td>25,000</td>
<td>61,000</td>
<td>60,000</td>
<td>171,000</td>
</tr>
</tbody>
</table>

**note 1** Any changes or alterations to the plan as contained herein, which alters the scope of the plan as communicated in this document, will likely require a change in the projected expenditures and timing schedule of the plan. These costs do not include Employee Transition charges because costs are not known at this time. These costs include the costs to both develop and operate the program (through 12/31/2001). These costs include only incremental labor. These costs do not include incremental fringe benefits, facility costs, etc. All costs are in 1998 dollars. These costs do not include funding for “Customer Awareness” to be provided by the MPSC.

**note 2** These costs include only Detroit Edison’s portion of costs shared with Consumers Energy.

**note 3** These costs are based on current pricing estimates; a decision on whether to proceed with this project will be based on the results of the AMR Pilot.

**note 4** Industrial and Commercial metering costs recoverable through service charge in the RAS tariff.

**note 5** Investment required does not include cost of operation. Detroit Edison estimate of the additional investment costs needed to convert the MEPCCC to an ISO facility. The total investment cost needed for increased hardware and software to perform ISO functions as well as additional equipment to monitor all generation of municipalities and cooperatives in the Lower Peninsula is estimated to be $27.2 million. At a fixed charge rate of 20%, this results in an annual cost of approximately $5.4 million. This estimate has not factored in additional personnel. While recognizing some functions will be transferred to the ISO from the member companies and that respective personnel may elect to join the ISO, there are functions of the ISO that may require additional personnel. The areas in particular are planning, settlements and dispute resolution. At this time it is not possible to determine the increase, as this can only be determined after the ISO formation process is well underway.

**note 6** These costs include estimates for improvements in other states and Canada as well as Michigan as necessary to increase the total Total Transfer Capability at the Michigan Transmission Interface by 50%. Cost recovery justification may reside with FERC or the State Commission, depending on the particular circumstances and tariff considerations.
IV. APPENDICES

A. GLOSSARY OF TERMS

These definitions are for these purposes this document only and do not apply to tariff and other documents which may contain different definitions.

Act 69
A 1929 Michigan law requiring any electricity or gas provider, intending to serve within a municipality where another utility already is providing service, to obtain a "Certificate of Public Convenience and Necessity" from the MPSC.

Affiliate
An entity that directly or indirectly controls, is controlled by, or under common control with the referenced entity where control means the ownership, authority or power to vote 10% or more of the voting securities.

Aggregation
The pooling together of Customers’ electric loads to create a larger block of power.

Aggregator
An entity that puts together Customers into a buying group for the purpose of purchasing large blocks of power. Retailers, Customers, and Brokers may also act as Aggregators.

Ancillary Services
Services necessary to maintain reliable operation of the Transmission System during the delivery of power from the Marketer to the utility's distribution system.

Available Transfer Capability (ATC)
The amount of available transmission service from the point of receipt to the point of delivery.

Bid Classes
Specific Customer groupings based on historic levels of electric consumption used to establish separate bidding classifications. The three bid classes are (1) Residential, (2) Residential/Small Secondary, and (3) Primary/Large Secondary.

Bidder
An entity or person (including affiliate or joint venture of DTE Energy) who bids for available capacity during the phase-in period. Anyone can bid for a minimum of 1 MW.

**Broker**
An entity which acts as an agent between the generator and the Marketer but does not take title to the power.

**Bundled Service**
Provision of electric generation, transmission, distribution, and related support functions as a combined service.

**Capacity Allocation**
Blocks of electric capacity set aside for specific bid classes (see bid classes definition) to provide an opportunity for all Customers to participate during the phase-in period of retail open access.

**Company’s System**
All electric generation, transmission, and distribution facilities owned by a utility.

**Cramming**
Adding services and charges to Customer bills without their knowledge or consent.

**Customer**
The end-user of electricity at one or more locations in the State of Michigan, who has facilities connected to the Company’s distribution system.

**Customer Classes**
In general Industrial, Commercial, and Residential Customers. (Also see Bid Classes).

**Direct Access**
The ability of a retail Customer to purchase electricity from a Retailer other than the utility and have it delivered over the utility's transmission and distribution system (a.k.a. retail access, open access).

**Distribution System**
System used to deliver electricity from the wholesale Transmission System to the end-use Customer.

**Electricity Generator/Generator**
An entity with the capability of producing electricity for sale to Customers.

**Electronic Business Transactions (EBT)**
Business transactions conducted electronically between computers at different locations.

**Electronic Data Interchange (EDI)**
A common means of transferring data between computers at different locations through networked linkages.

**Electronic Funds Transfer (EFT)**
Electronically transferring money between financial institutions or other parties.

**Energy Imbalance**
Difference between the scheduled and the actual delivery of energy to a specific point on a utility's distribution system over a time period, usually tracked hourly.

**FERC Open Access Transmission Tariff**
A utility's transmission tariff on file with the Federal Energy Regulatory Commission.

**Franchise**
A municipality’s agreement giving an entity the legal right to conduct business within a township, village, city or other local government unit.

**Hourly Load Determination**
Method for estimating the hourly usage for a specific Customer using the total kWh consumed and a representative hourly profile for the Customer class.

**Independent System Operator (ISO)**
An independent third-party that manages Transmission Systems owned by utilities.

**Irrevocable Franchise**
A municipality's franchise that cannot be revoked before the expiration of its term.

**Interval Meter**
See Time Of Use Meter.

**Large Customer**
Customer with a load greater than 1 MW at one or more locations. (See Customer Definition).

**Local Distribution Company (LDC)**
A regulated entity which is responsible for maintaining and operating the electric distribution system and providing other regulated services.

**Large Secondary**
Non-Residential facilities served at 480 Volts or less, that are larger than Customers meeting the Small Secondary criteria.

**Load-leading**
Method for forecasting load profile demand data for the purpose of scheduling generation.

**Load Following**
Method used by a Customer or agent to follow Customer electric consumption to derive load data to use for scheduling power.

**Large Secondary**
Non-Residential facilities served at 480 volts or less, that are larger than Customers meeting the Small Secondary criteria.

**Marketer**
Entity, which will take title to power and has FERC approval to market energy services. The Marketer role may also be played by utilities that sell power outside their own service areas.

**Michigan Public Service Commission (MPSC)**
The entity created by Michigan law to regulate public utilities within the state.

**Multi-Vendor Translation System (MV-90)**
System used to translate/collect time-of-use information from electric meters via telephone lines or portable computer devices.

**Nondiscriminatory Pricing**
Requires utilities to charge the same fees to all users for like transactions and services.

**Open Access**
Providing access to the electrical transmission and delivery systems to all qualified users on a nondiscriminatory basis.
Optional Ancillary Service
Optional services used during the delivery of power that a Marketer, Retailer or Customer could purchase from a utility or other vendor.

Participant
A generic term used to describe both the Retailer and Marketer functions. Since the two functions are separable, the new terms Retailer and Marketer are used in this Plan to improve clarity.

Point of Delivery
The point where a utility transfers power from its system to the Customer's service location or to another utility’s system.

Point of Receipt
The point where a utility receives power from a Retailer for delivery through its system to a Customer or to another utility’s system.

Power
A combination of the electric demand and energy requirements of a Customer. Also relates to the generation or transfer of electric power. Usually expressed in Kilowatts (kW).

Primary
Non-Residential facilities, served at 4,800 Volts or higher.

Power Supply Cost Recovery (PSCR)
Specified in Michigan Public Act 304 of 1982. The process by which a utility collects annual power supply costs from bundled tariff Customers.

Reactive Supply and Voltage Control
The maintenance of voltages within acceptable limits by operating generation and transmission facilities within a control area.

Real Power Losses
Energy consumed in moving power through a utility's system between the point of receipt and the point of delivery.

Reciprocity
The requirement for in-state or out-of-state utilities and their affiliates selling electricity in a
utility's service territory to offer an equal amount of load on their system to competitive supply.

**Regulation and Frequency Response**
The provision of continuous balancing of generation and interchange power with load and maintaining scheduled Interconnection frequency at 60 cycles per second.

**Residential Customer**
A residential dwelling (house, condominium, apartment) that is individually metered.

**Retailer**
An entity under state jurisdiction, certified according to requirements defined by the Michigan Public Service Commission. Retailers take title to any power they represent and under current laws must obtain a Act 69 certification from the MPSC and a franchise from the local governmental unit to service Customers.

**Retail Wheeling**
The act of transmitting power from a third-party generator to a retail Customer.

**Revocable Franchise**
A municipality's franchise that can be cancelled at any time by the utility or the government agency with appropriate notice.

**Scheduling**
Scheduling the movement of power through, into, within or out of a control area.

**Secondary Market**
The ability of successful bidders to sell or assign awarded bid capacity to another entity.

**Set Aside**
Allocated segment of capacity within a bid period in order to enable small Customer participation. The two set asides are (1) Residential Only, awarded prior to other classes and (2) Residential/Small Secondary, awarded with the second highest priority. The remaining capacity will be open for bidding for Primary and Large Secondary Customers.

**Slamming**
The unauthorized switching of a Customer account to another Retailer without the Customer’s consent.
Small Secondary
Non-Residential facilities, served at 480 Volts or less, that meet the following criteria at the two companies:

- Consumers Energy: Below 20 kW
- Detroit Edison: Single-phase, 240 Volts or below

Spinning Reserve
Reserves generating capacity that is immediately available to meet unexpected power needs. Referred to as "Spinning" because the generating units are on-line and available to serve load immediately.

Standby Service
Service that can replace scheduled power at the point of receipt if the Marketer fails to deliver power or there is a Transmission System constraint. Standby service will be arranged for on a contractual basis.

Supplemental Reserve
Generating capacity used to respond to contingency situations. This reserve power is available within a short time period (usually 10 minutes). Sources include generating units that are on-line but unloaded, quick start generation, and interruptible Customer load (to reduce system demand).

Time Of Use (TOU) Meter
A meter that measures and accumulates how much energy a Customer uses during specific time intervals.

Time Of Use Rates
Rates charged to Customers based on when they use energy as well as how much energy they use.

Top Incremental Cost
A utility's highest hourly incremental cost for power.

Total Transfer Capability (TTC)
The maximum load, which a Transmission System can carry, under specified conditions for a given period, without exceeding approved limits of temperature and stress.

Transmission Constraints
The physical limitation of the Transmission System components to carry a load under specified
conditions for a given period. These constraints determine a load-carrying limit, which is used to determine ATC.

**Transmission Service**
High-voltage, bulk transport of power from generators to a specified distribution system. The provider maintains and operates the system in a given geographical area to ensure overall reliability of the electric system.

**Unbundled Bill**
The separation and itemization of utility services that were traditionally combined. For example, delivery and energy supply charges appearing as separate items on the bill.

**Utility**
Traditional regulated MPSC regulated firm that maintains and operates the generation, transmission, and distribution of electricity in a designated service area.

**Wholesale Power**
Power purchased from electric Marketer to be resold.
B. ACRONYMS

AMR – Automated Meter Reading

ATC - Available Transfer Capability

EBT - Electronic Business Transactions

ECAR - East Central Area Reliability Council

EDI - Electronic Data Interchange

EFT - Electronic Funds Transfer

FAQ - Frequently Asked Questions

FERC - Federal Energy Regulatory Commission

ISO - Independent System Operator

JOATT - Joint Open Access Transmission Tariff (Detroit Edison and Consumers Energy)

kW - Kilowatt

kWh – Kilowatt hour

MEPCC - Michigan Electric Power Coordination Center

MPSC - Michigan Public Service Commission

MW - Megawatt


OASIS - Open Access Same Time Information System
OATT - Open Access Transmission Tariff

RAS - Retail Access Service

TTC - Total Transfer Capability

VWG - Volunteer Working Group
C. DETROIT EDISON FEBRUARY 25, 1998 RETAIL ACCESS SERVICE TARIFF FILING

An electronic copy of the Detroit Edison February 25, 1998 Retail Access Service Tariff Filing can be downloaded from the MPSC web site at the following address:

http://ermisweb.cis.state.mi.us/mpsc/electric/restruct/da-rates/DE0225DA.PDF
D. OASIS ACCESS

Information regarding the Open Access Transmission Tariffs of Consumers Energy and Detroit Edison, the latest prices for Transmission and Ancillary Services and ATC values for a Transmission Paths utilizing Consumers Energy or Detroit Edison transmission facilities can be obtained by accessing the MECS (Michigan Electric Coordinated System) Home Page on the ECAR OASIS (Open Access Same-Time Information System) electronic bulletin board. Entities must register with the ECAR OASIS vendor TradeWave. Entities can register as “Visitors”, “Transmission Consumers” or “Transmission Providers”. As “Visitors”, entities can access the information described above. To register as a “Visitor” the following procedure must be followed:

TradeWave Visitor Registration Tasks

Registered visitors have limited viewing privileges to information secured by JTSIN OASIS.

To register as a visitor, an entity must:

1. Agree to these terms and conditions:
   - Visitor certificates are issued for $100 per year and are automatically renewed unless TradeWave is notified that a certificate is to be canceled.
   - TradeWave’s policy does not allow certificates to be shared among multiple users. Each visitor is required to have his or her own, unique certificate. Visitors are required to protect their unique passwords and certificates just as they would protect confidential corporate information or their own confidential personal information.
   - The visitor, upon downloading his/her certificate, agrees to indemnify and hold TradeAuthority, its agents, and contractors harmless from any acts or omissions resulting in liability, any loss or damage, and any suits and expenses of any kind.
2. Obtain the necessary computer hardware and software required to:
   - Run TradeAgent Client on visitor workstation
   - Connect to OASIS
3. Contact TradeAuthority (which is TradeWave certification authority service) Customer support at 1-888-882-1104 to begin the registration process. Payment for visitor certificates can be made only by credit card. (Please have credit card ready when contacting Customer support).
4. TradeAuthority will give you the URL for the online Visitor Registration Form that a visitor needs to complete. When registration is approved, TradeAuthority sends the
visitor the authorization code and reference number needed to download visitor certificate.
E. BIDDING EXAMPLES

Customer Choice Capacity Bidding Process: Example 1 - Set Asides Oversubscribed
A Multi-Class, Sequential Bid Process Will Maximize The Possibility That The Set-Asides Are Filled
and Meets the MPSC Staff’s Desire to Give the Residential Set-Aside Highest Preference

Class 1.
Residential Set Aside (Res)

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Qty (MW)</th>
<th>Bid (cents)</th>
<th>Tie-breaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer C Res</td>
<td>1</td>
<td>1.1</td>
<td>0.505</td>
</tr>
<tr>
<td>Retailer D Res</td>
<td>1</td>
<td>1.1</td>
<td>0.462</td>
</tr>
<tr>
<td>Retailer A Res</td>
<td>1</td>
<td>1.0</td>
<td>0.755</td>
</tr>
<tr>
<td>Total Award</td>
<td>3</td>
<td></td>
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</tr>
<tr>
<td>Lose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggr B Res</td>
<td>1</td>
<td>0.9</td>
<td>0.673</td>
</tr>
<tr>
<td>Retailer B Res</td>
<td>1</td>
<td>0.8</td>
<td>0.895</td>
</tr>
<tr>
<td>Aggr A Res</td>
<td>1</td>
<td>0.7</td>
<td>0.230</td>
</tr>
<tr>
<td>Aggr C Res</td>
<td>1</td>
<td>0.6</td>
<td>0.743</td>
</tr>
</tbody>
</table>

Losers in this Class are carried over into the Residential/Small Secondary combined Set-Aside where it competes on a cents/kWh basis with all the bids slated for that Set-Aside—providing this class a second chance to win.

Class 2.
Residential/Small Secondary Set Aside (RSS)

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Qty (MW)</th>
<th>Bid (cents)</th>
<th>Tie-breaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer D RSS</td>
<td>1</td>
<td>1.2</td>
<td>0.265</td>
</tr>
<tr>
<td>Retailer A RSS</td>
<td>1</td>
<td>1.0</td>
<td>0.505</td>
</tr>
<tr>
<td>Aggr B Res</td>
<td>1</td>
<td>0.9</td>
<td>0.673</td>
</tr>
<tr>
<td>Total Award</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer B Res</td>
<td>1</td>
<td>0.8</td>
<td>0.895</td>
</tr>
<tr>
<td>Retailer G RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.625</td>
</tr>
<tr>
<td>Retailer F RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.607</td>
</tr>
<tr>
<td>Retailer I RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.174</td>
</tr>
<tr>
<td>Aggr A Res</td>
<td>1</td>
<td>0.7</td>
<td>0.230</td>
</tr>
<tr>
<td>Retailer H RSS</td>
<td>1</td>
<td>0.7</td>
<td>0.229</td>
</tr>
<tr>
<td>Aggr C Res</td>
<td>1</td>
<td>0.6</td>
<td>0.743</td>
</tr>
</tbody>
</table>

Losers are carried over into the Primary/Large Secondary Bid Class, providing losing Residential Bids a third chance to be successful.

Common to All Three Classes:
Evaluation is based on the Cents/kWh bid in a simple Auction with winners being chosen in descending order until the available capacity is gone. Ties between bids offering the same price will be broken using a lottery process based on a random number assigned each Bid at time of receipt.
Losing Bids from Class 1 and Class 2 will be included in subsequent classes to compete equally with the bids from those classes.
Winning Bids must be used for the Class of Customer Orignally designated.

The Residential/Small Secondary Set-Aside has the second highest priority and Bids are evaluated and awarded subsequent to the Residential class.

Each bid here competes, based on cents/kWh with all other Bids for this class (RSS), and with any losing bids carried over from the Residential Set-Aside.

Losing Bids will be carried over into the Primary/Large Secondary Bid Class, providing losing R/C bids a second chance and providing losing Residential Bids a third chance to be successful.

Class 3.
Primary/Large Secondary (P/LS)

<table>
<thead>
<tr>
<th>Bidder</th>
<th>Qty (MW)</th>
<th>Bid (cents)</th>
<th>Tie-breaker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Win</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retailer A P/LS</td>
<td>30</td>
<td>1.6</td>
<td>0.048</td>
</tr>
<tr>
<td>Cust E P/LS</td>
<td>3</td>
<td>1.5</td>
<td>0.849</td>
</tr>
<tr>
<td>Cust D P/LS</td>
<td>25</td>
<td>1.5</td>
<td>0.423</td>
</tr>
<tr>
<td>Cust A P/LS</td>
<td>20</td>
<td>1.5</td>
<td>0.352</td>
</tr>
<tr>
<td>Retailer B P/LS</td>
<td>55</td>
<td>1.5</td>
<td>0.188</td>
</tr>
<tr>
<td>Aggr A P/LS</td>
<td>30</td>
<td>1.4</td>
<td>0.317</td>
</tr>
<tr>
<td>Cust C P/LS</td>
<td>2</td>
<td>1.4</td>
<td>0.039</td>
</tr>
<tr>
<td>Retailer F P/LS</td>
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<td>1.3</td>
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</tr>
<tr>
<td>Aggr B P/LS</td>
<td>8</td>
<td>1.3</td>
<td>0.135</td>
</tr>
<tr>
<td>Retailer I P/LS</td>
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<td>0.778</td>
</tr>
<tr>
<td>Total Award</td>
<td>219</td>
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<td></td>
</tr>
<tr>
<td>Lose</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cust B P/LS</td>
<td>5</td>
<td>0.9</td>
<td>0.795</td>
</tr>
<tr>
<td>Retailer A P/LS</td>
<td>25</td>
<td>0.9</td>
<td>0.296</td>
</tr>
<tr>
<td>Retailer B Res</td>
<td>1</td>
<td>0.8</td>
<td>0.895</td>
</tr>
<tr>
<td>Retailer G RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.625</td>
</tr>
<tr>
<td>Retailer F RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.607</td>
</tr>
<tr>
<td>Retailer I RSS</td>
<td>1</td>
<td>0.8</td>
<td>0.174</td>
</tr>
<tr>
<td>Aggr A Res</td>
<td>1</td>
<td>0.7</td>
<td>0.230</td>
</tr>
<tr>
<td>Retailer H RSS</td>
<td>1</td>
<td>0.7</td>
<td>0.229</td>
</tr>
<tr>
<td>Aggr C P/LS</td>
<td>35</td>
<td>0.5</td>
<td>0.483</td>
</tr>
<tr>
<td>Aggr D P/LS</td>
<td>20</td>
<td>0.5</td>
<td>0.195</td>
</tr>
</tbody>
</table>

The Primary/Large Secondary Class is the final one to have Bids Evaluated and Awarded. All P/LS Bids, along with losing Bids from the two Set-Asides, compete equally based on a cents/kWh basis.
Example 2 - the Set-Asides are Under-Subscribed

The Sequential Bid Process that Give Preference to the Set-Asides is Cumulative,
(Accumulating Any Unused Set-Aside for Offer in the Next Bid Period)

At the Same Time, the Unused Set-Aside, Within a Bid-Period May be Used for non-Set-Aside Loads

The effect is to fill each Bid Period and, at the same time, maximize the chance the entire Set-Aside is filled over the

<table>
<thead>
<tr>
<th>Bid Class (all #'s in MW)</th>
<th>Bid Period</th>
<th>Phase-In Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Residential Set Aside</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Capacity</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Capacity Carried Over from Prior Period</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Total Capacity Offered</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Total Bids Received</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Total Bids Awarded</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Capacity Carried Over to Future Period (also Carried to next Bid Class within Bid Period)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Residential/Small Secondary Set Aside</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Capacity</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Capacity Carried Over from Prior Period</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Total Capacity Offered</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Total Bids Received</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total Bids Awarded</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Capacity Carried Over to Future Period (also Carried to next Bid Class within Bid Period)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Primary/Large Secondary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Capacity</td>
<td><strong>219</strong></td>
<td><strong>219</strong></td>
</tr>
<tr>
<td>&quot;Borrowed&quot; from past Set-Asides</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Net Capacity Offered</td>
<td><strong>219</strong></td>
<td><strong>215</strong></td>
</tr>
<tr>
<td>Unused Residential Set Aside (this Period)</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Unused Res/Small Sec Set-Aside (this Period)</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Total Capacity Offered</td>
<td><strong>223</strong></td>
<td><strong>222</strong></td>
</tr>
<tr>
<td>Total Bids Received</td>
<td>335</td>
<td>275</td>
</tr>
<tr>
<td>Total Bids Awarded</td>
<td><strong>223</strong></td>
<td><strong>222</strong></td>
</tr>
<tr>
<td>Capacity Carried Over to Future Period (Total Offered - Total Awarded)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Grand Total Capacity Offered (All Classes)</strong></td>
<td><strong>225</strong></td>
<td><strong>225</strong></td>
</tr>
<tr>
<td><strong>Grand Total Capacity Awarded (All Classes)</strong></td>
<td><strong>225</strong></td>
<td><strong>225</strong></td>
</tr>
</tbody>
</table>

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### F. ILLUSTRATIVE PARTICIPATION COSTS

**Comparison of Bundled Service and Unbundled Service Costs**

FERC 888 Settlement Offer.  
Michigan Local Delivery as Filed February 25, 1998 With Minimum Bid.

| Voltage | Residential | | Small Commercial | | Large Commercial | | Industrial |
|---------|-------------|----------------|-----------------|-----------------|-----------------|-----------------|
|         |             | Secondary      | 1 Phase Sec.    | 3 Phase Sec.    | Primary         | Subtrans.       | Trans.          |
| Average Monthly Non-coincident | kW/customer | 2.13 | 4.30 | 4.81 | 5.65 | 8.86 | 5.00 | 25.00 | 100.00 | 100.00 | 1,000 | 1,000 | 10,000 | 50,000 |
| Maximum Annual Non-coincident  | kW/customer | 2.50 | 5.20 | 6.00 | 7.25 | 12.00 | 5.93 | 29.67 | 118.68 | 110.85 | 1,200 | 12,000 | 55,000 |
| Average Monthly Use            | kW/customer | 250  | 600  | 750  | 1,000 | 2,000 | 1,000 | 5,000 | 21,600 | 30,000 | 450,000 | 5,000,000 | 25,000,000 |
| Average Monthly Coincident     | kW/customer | 0.93 | 2.10 | 2.38 | 2.83 | 4.57 | 3.95 | 19.73 | 78.91 | 81.22 | 1,000 | 10,000 | 50,000 |
| Number of Customers Aggregated | kW/group     | 10,803 | 4,771 | 4,202 | 3,529 | 2,189 | 2,535 | 507  | 127  | 123  | 10   | 1     | 1     |
| Average Monthly Coincident w/o losses | kW/group | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 50,000 |
| Average Monthly Coincident with losses | kW/group | 11,333.0 | 11,349.2 | 11,352.3 | 11,353.7 | 11,357.9 | 11,345.8 | 11,345.8 | 11,368.6 | 113,617.5 | 11,357.9 | 11,357.9 | 51,232.4 |
| Maximum Annual Coincident Backup | kW/group | 13,687.1 | 17,735.6 | 18,507.8 | 20,382.4 | 20,539.2 | 13,641.7 | 13,641.7 | 13,668.6 | 12,284.6 | 13,066.1 | 12,478.0 | 56,355.6 |
| Maximum Annual Non-coincident LDC | kW/group | 27,007.5 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 | 25,000.0 |
| Required Average Transmission Contract | kW/mo./group | 67.1 | 65.8 | 29.8 | 56.3 | 86.0 | 64.6 | 64.6 | 44.8 | 58.7 | 69.0 | 56.8 | 12.5 |
| Average Monthly Excess Use of Trans. | kW/mo./group | 11,500.0 | 11,583.3 | 11,583.3 | 11,417.5 | 11,500.0 | 11,500.0 | 11,500.0 | 11,500.0 | 11,500.0 | 11,500.0 | 11,500.0 | 11,500.0 |
| Present Bundled Rates | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 | D1 |
| Transmission | ¢ / kWh | 0.575 | 0.546 | 0.492 | 0.436 | 0.356 | 0.612 | 0.612 | 0.567 | 0.420 | 0.330 | 0.286 | 0.274 |
| Distribution | ¢ / kWh | 5.900 | 4.033 | 3.600 | 3.138 | 2.400 | 5.577 | 2.777 | 1.952 | 1.340 | 0.694 | 0.243 | 0.320 |
| Delivery | ¢ / kWh | 6.475 | 4.579 | 4.092 | 3.573 | 2.756 | 6.189 | 3.389 | 2.519 | 1.760 | 1.025 | 0.528 | 0.594 |
| Transition & Other | ¢ / kWh | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 | 0.653 |
| Loss Ratio | 1.133 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 1.134 | 1.0888 | 1.0398 | 1.0246 |
| Difference Excluding Backup | ¢ / kWh | -1.474 | 0.624 | 1.366 | 2.140 | 3.339 | 0.518 | 2.578 | 3.306 | 4.053 | 1.897 | 1.688 | 1.366 |
| Backup | ¢ / kWh | 1.014 | 1.239 | 1.175 | 1.090 | 0.938 | 1.076 | 1.076 | 0.997 | 0.666 | 0.581 | 0.499 | 0.451 |
| Difference Including Backup | ¢ / kWh | -2.487 | -0.615 | 0.192 | 1.050 | 2.401 | -0.559 | 1.502 | 2.309 | 3.387 | 1.317 | 1.189 | 0.915 |
Comparison of Bundled Service and Unbundled Service Costs
FERC 888 Settlement Offer. Michigan Local Delivery as Filed Feb. 25, '98 With a Transition Charge of 1.25¢/kWh.

<table>
<thead>
<tr>
<th>Voltage</th>
<th>Residential</th>
<th>Small Commercial</th>
<th>Large Commercial</th>
<th>Industrial</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 Phase Sec.</td>
<td>3 Phase Sec.</td>
<td>1 Phase Sec.</td>
<td>3 Phase Sec.</td>
</tr>
<tr>
<td>Average Monthly Non-coincident kW/customer</td>
<td>2.13</td>
<td>5.00</td>
<td>100.00</td>
<td>1.00</td>
</tr>
<tr>
<td>Maximum Annual Non-coincident kw/customer</td>
<td>2.50</td>
<td>5.93</td>
<td>118.68</td>
<td>1.20</td>
</tr>
<tr>
<td>Average Monthly Use kw/customer</td>
<td>250</td>
<td>1,000</td>
<td>21,600</td>
<td>450,000</td>
</tr>
<tr>
<td>Average Monthly Coincident kW/customer</td>
<td>0.93</td>
<td>3.95</td>
<td>78.91</td>
<td>1.00</td>
</tr>
<tr>
<td>Number of Customers Aggregated</td>
<td>10,803</td>
<td>10,000</td>
<td>10,000</td>
<td>1.00</td>
</tr>
<tr>
<td>Average Monthly Coincident w/o losses kW/group</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>1.00</td>
</tr>
<tr>
<td>Maximum Annual Coincident Backup kW/group</td>
<td>13,687.1</td>
<td>11,345.8</td>
<td>11,353.7</td>
<td>10,888.4</td>
</tr>
<tr>
<td>Maximum Annual Non-coincident LDC kW/group</td>
<td>27,007.5</td>
<td>15,042.7</td>
<td>15,072.4</td>
<td>13,066.1</td>
</tr>
<tr>
<td>Required Average Transmission Contract kW/group</td>
<td>11,500.0</td>
<td>15,042.7</td>
<td>15,072.4</td>
<td>12,000.0</td>
</tr>
<tr>
<td>Average Monthly Excess Use of Trans. kW/mo./group</td>
<td>67.1</td>
<td>64.6</td>
<td>44.8</td>
<td>69.0</td>
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<td>Present Bundled Rates</td>
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<td>D1</td>
<td>D1</td>
<td>D1</td>
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<tr>
<td>Bundled Jan.'98 Rates</td>
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<td>9.144</td>
<td>9.000</td>
<td>9.655</td>
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<td>0.564</td>
<td>0.436</td>
<td>0.356</td>
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<tr>
<td>Distribution</td>
<td>5.900</td>
<td>4.033</td>
<td>3.138</td>
<td>2.400</td>
</tr>
<tr>
<td>Delivery</td>
<td>6.475</td>
<td>4.579</td>
<td>3.573</td>
<td>2.400</td>
</tr>
<tr>
<td>Transition &amp; Other</td>
<td>1.403</td>
<td>1.403</td>
<td>1.403</td>
<td>1.403</td>
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<tr>
<td>Subtotal</td>
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<td>4.976</td>
<td>4.159</td>
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<tr>
<td>Power Generation</td>
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<td>2.900</td>
<td>2.900</td>
<td>2.900</td>
</tr>
<tr>
<td>Loss Ratio</td>
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<td>1.134</td>
<td>1.134</td>
<td>1.134</td>
</tr>
<tr>
<td>Energy Cost</td>
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<td>3.286</td>
<td>3.286</td>
<td>3.286</td>
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<tr>
<td>Total Delivered Power Cost</td>
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<td>11.345.8</td>
<td>11,353.7</td>
<td>11,353.7</td>
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<tr>
<td>Difference Excluding Backup</td>
<td>-2.224</td>
<td>-0.126</td>
<td>0.616</td>
<td>0.356</td>
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<td>Backup</td>
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<td>1.239</td>
<td>1.175</td>
<td>0.938</td>
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<tr>
<td>Difference Including Backup</td>
<td>-3.237</td>
<td>-1.365</td>
<td>-0.558</td>
<td>-0.300</td>
</tr>
</tbody>
</table>

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