



An **AEP** Company

Your I&M Residential Bill in Michigan

An Explanation of Charges

Power Supply Services: An amount based on your usage of electricity, determined by the general rate authorized by the state. Power supply costs generally refer to costs incurred for generation and transmission of electricity.

Power Supply Cost Recovery: This is based on the cost of coal, uranium and other fuels used to generate power at our generation facilities. This surcharge also includes the costs of purchased power.*

Rate Realignment Surcharge/Credit: A gradual adjustment of rates required by Michigan law that mandates the equalization of rates among customer classes (such as residential and industrial) so that no one customer class subsidizes other classes.*

Delivery Services: Based on the amount of kilowatt hours (kWh) a customer uses each month, this recovers costs for delivering electricity to your home. Typical delivery costs include items such as transformers, poles, low voltage wiring and the meter attached to your home.

Monthly Service Charge: A flat monthly fee that recovers a portion of the costs for meters, meter reading, billing and other fixed costs. It is not based on amount of energy consumption.

Nuclear Decommissioning Surcharge: This goes into a restricted fund only to be used for a future time when the Cook plant permanently ceases generating energy and will finance costs to remove the plant from service and restore the site to a condition that allows for unrestricted use.*

Energy Waste Reduction Surcharge: Allows for recovery of costs to finance energy efficiency programs required by the State of Michigan.*

Renewable Energy Surcharge: Recovers some costs of renewable energy sources such as wind and solar under a renewable energy plan required by the State of Michigan.*

Low-Income Energy Assistance Fund Surcharge: Helps finance Michigan's Low Income Energy Assistance Fund (LIEAF).*

Net Lost Revenue Tracker Surcharge: Allows for the recovery of costs associated with revenues that have been lost through various energy waste reduction programs.*

*These line items are called "trackers" or "riders." They reflect actual expenses a utility incurs and may be adjusted as those costs (and any related revenues) rise or fall.

Trackers can have advantages for customers. For example, for I&M's capital investments, trackers gradually phase-in the investments that would otherwise impact customers all at once if the complete investment was included in base rates all at one time, as part of a basic rate case.

Trackers also offer continuous transparency of your bill. You can see exactly how much of your bill goes toward specific areas of investments and expenses. Trackers subject certain I&M expenses and investments to more regulatory scrutiny and include true-up functions that ensure that rates recover only the tracked costs and expenses actually incurred to serve you.