

FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Establishment of	)	
Electronic Data Exchange Standards and	)	Case No. 00-813-EL-EDI
Uniform Business Practices for the Electric	)	
Utility Industry.	)	
	)	
In the Matter of the Following Applications	)	
to Establish Alternatives to Minimum Stay	)	
Restrictions for Residential and Small	)	
Commercial Customers:	)	
Monongahela Power Company	)	Case No. 01-1817-EL-ATA
Dayton Power and Light Company	)	Case No. 01-1938-EL-ATA
Cincinnati Gas & Electric Company	)	Case No. 01-2053-EL-ATA
Columbus Southern Power Company	)	Case No. 01-2097-EL-ATA
Ohio Power Company	)	Case No. 01-2098-EL-ATA
Ohio Edison Company	)	Case No. 01-2677-EL-ATA
Toledo Edison Company	)	Case No. 01-2678-EL-ATA
Cleveland Electric Illuminating Company.	)	Case No. 01-2679-EL-ATA

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DIRECT TESTIMONY OF

IVAN L. HENDERSON

ON BEHALF OF

WPS ENERGY SERVICES, INC.

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1  
2  
3 1. Q: Please state your name.  
4  
5 A: Ivan L. Henderson.  
6  
7 2. Q: What is your current business address?  
8  
9 A: 600 Superior, Bank One Center, Suite 1300, Cleveland, Ohio 44114  
10  
11 3. Q: By whom are you employed?  
12  
13 A: I am employed by WPS Energy Services, Inc.  
14

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1 4. Q: How long have you been employed by WPS Energy Services and in what  
2 capacity do you serve?  
3

4 A: I have been with WPS Energy Services for about 14 months, and I am the  
5 Regional Manager in the Cleveland Office.  
6

7 5. Q: What is your educational background?  
8

9 A: I obtained a Bachelor of Science degree in electrical engineering technology from  
10 Bradley University. I obtained a Master of Business Administration, again from  
11 Bradley University. And I obtained a Juris Doctorate degree from Case Western  
12 Reserve University.  
13

14 6. Q: What positions have you held since leaving college and what were your  
15 responsibilities in each?  
16

17 A: In 1988, the Central Illinois Light Company in Peoria, Illinois employed me as an  
18 electric distribution engineer and in 1991 as a corporate sales associate. In the  
19 latter capacity, I managed the electric and natural gas of a large portion of Central  
20 Illinois' industrial accounts. I was employed as an attorney at Forbes, Fields &  
21 Associates, after completing law school in 1997. I joined the Law Department of  
22 the City of Cleveland in 1999 where I undertook major responsibility for  
23 monitoring and directing the City's efforts concerning the electric transition plan  
24 cases before the Public Utilities Commission and the City's participation in  
25 Ohio's deregulated electric market. I moved to the City's Office of Aggregation  
26 in December of 2000. My activities there were an outgrowth of my activities in  
27 the City's Law Department and I served as the Manager of Regulatory Affairs.  
28 My responsibilities in the Office of Aggregation included overseeing the  
29 implementation of Cleveland's electric aggregation program. In April of 2001, I  
30 joined WPS Energy Services, Inc. as the Regional Manager. And in that capacity,  
31 I have oversight on the day-to-day activities related to the company's involvement  
32 in Ohio's deregulated energy markets.  
33

34 7. Q: In what capacity is WPS Energy Services involved in Ohio's deregulated retail  
35 electric market?  
36

37 A: WPS Energy Services has been very involved in many facets of Ohio's market. It  
38 is the supplier to several electric aggregation programs including one in the City  
39 of Cleveland, in Euclid, and to five communities in a coalition referred to as  
40 NOAC, the Northwest Ohio Aggregation Coalition. WPS Energy Services is one  
41 of the two larger, independent suppliers currently serving customers in  
42 FirstEnergy's territory.  
43

44 8. Q: What is the purpose of your testimony in this proceeding?  
45

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1 A: My testimony explains that the Commission's moratorium should remain in  
2 effect, since there is no evidence that demonstrates the need for minimum stay at  
3 this time. I provide evidence that shows that customers switch back to the  
4 utility's standard offer service for reasons other than for gaming the utility's rates.  
5 Thus, claims of a need for minimum stay at this time are unsubstantiated.  
6

7 9. Q: How would you like to proceed?  
8

9 A: I'll begin by discussing the reasons I have seen customers return to standard offer  
10 service, then I'll explain how the duration of CRES Provider contracts impacts the  
11 options available to customers this summer, and from there I'll discuss customer  
12 switching this year and how the net effect of which exposes the distribution utility  
13 to minimal risk this summer.  
14

15 10. Q: What are some of the reasons customers return to standard offer service?  
16

17 A: WPS Energy Services has served small commercial customers in Cleveland since  
18 May of last year and residential customers beginning in July of last year. Last  
19 December we started service to NOAC residential customers and in February of  
20 this year, we commenced service in Euclid, Ohio. We have tracked customer  
21 movement in the communities we serve and noticed several reasons customers  
22 return to standard offer service. I have included a pie chart as Attachment IH-1  
23 and bar charts IH-2, IH-3, and IH-4 as well.  
24

25 11. Q: What does Attachment IH-1 disclose?  
26

27 A: Attachment IH-1 provides a graphic depiction of the various reasons customers  
28 have returned to standard offer service at CEI and Toledo Edison dating back to  
29 January of this year.  
30

31 12. Q: Why start with January of 2002?  
32

33 A: FirstEnergy used January, 2002 as its reference point. Both Mr. Green's and Mr.  
34 Blank's direct testimony stated that over 33,347 customers have returned to  
35 FirstEnergy's standard offer service since January. For an apples-to-apples  
36 comparison, I thought it useful to provide information based on the same starting  
37 point. That is not to say, as suggested by FirstEnergy, that if minimum stay  
38 provisions were implemented this year that minimum stay should apply to the  
39 33,000 plus customers identified by FirstEnergy.  
40

41 13. Q: Why should these 33,000 plus customers not be subject to minimum stay this  
42 year?  
43

44 A: Even if the Commission granted the Applicant's request and allowed minimum  
45 stay this year, and I repeat that since there is no evidence supporting such a  
46 decision the Commission should not do so, the customers identified by

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1 FirstEnergy dating back to January should not be subject to minimum stay  
2 restrictions. Aside from the obvious problems like those customers would not  
3 have received adequate notice, the greater concern is that FirstEnergy's tariff  
4 would apply only to customers that switched after May 15, 2002. FirstEnergy did  
5 not provide any evidence of returns since May 15<sup>th</sup>. The information I provide  
6 suggests that only a small number of customers have returned in May. Therefore,  
7 even if the Commission allowed minimum stay restrictions, most of the  
8 referenced 33,000 plus customers should not be subject to minimum stay  
9 restrictions this year.

10  
11 14. Q: How do you know the reasons that customers drop?

12  
13 A: When a customer is dropped from our programs, that account is coded in WPS  
14 Energy Services' computer system as either dropped by WPS Energy Services or  
15 FirstEnergy using the codes found in the Ohio Electric Implementation Guideline  
16 for Electronic Data Interchange.

17  
18 15. Q: Does FirstEnergy have any of this information?

19  
20 A: Yes. FirstEnergy has the number of accounts dropped by WPS Energy Services  
21 and the reason codes for the accounts dropped by FirstEnergy.

22  
23 16. Q: What is the basis of FirstEnergy's claim that 33,347 customers returned to the  
24 utility?

25  
26 A: FirstEnergy did not reveal the composition of the more than 33,000 customers  
27 that allegedly returned since January 2002. However, for policy decisions, it is  
28 important to know the reasons why customers have drop CRES service. For  
29 example, if customers are dropping CRES service because of non payment, then  
30 minimum stay requirements will not reduce the number of returning customers.

31  
32 17. Q: What do we know about the 50,549 that FirstEnergy claims returned in 2001 and  
33 2002?

34  
35 A: Although FirstEnergy assigns EDI codes which detail the reasons for a customer  
36 drop, a break down of the 50,549 customers has yet to be provided.

37  
38 18. Q: What does CG&E tell us about the reasons customers return to the utility?

39  
40 A: CG&E also has not provide such detail. The question remains for both utilities as  
41 to why the customers they claim returned have done so.

42  
43 19. Q: What does Attachment IH-1 tell us about why customers return to standard offer  
44 service?

45

- 
- 1 A: The attachment shows that most CEI and Toledo Edison customers served by  
2 WPS Energy Services returned to the local utility's standard offer due to  
3 nonpayment. Forty percent (40%) percent of the customers returned due to  
4 customer movement or account closing. Nine percent (9%) were dropped on  
5 request by the customer. A fraction of a percent (0.39%) returned for other  
6 reasons. We use the "other category" to list drops related to customers switching  
7 to other CRES Providers, when other CRES Providers indicate that they already  
8 have a contract with the customer, and for miscellaneous drops that don't fit in  
9 any other category. The Attachment shows that fifty-one percent (51%) of the  
10 customers that returned to FirstEnergy between January and May were due to  
11 nonpayment.  
12
- 13 20. Q: Are there policy factors that increase the number of customers returned to  
14 standard offer for non payment?  
15
- 16 A: As I noted before, the largest number of customers returning to standard offer  
17 service, do so for nonpayment of WPS Energy Services charges. There are two  
18 policy factors which exacerbate the number of non payment returns. The first is  
19 the current payment priority rules which require satisfaction of distribution utility  
20 charges first and CRES Provider charges second. A customer sends in a partial  
21 payment thinking that will maintain the service, but since the utility, under the  
22 current rules, may apply the whole amount to past due utility charges, the current  
23 commodity charges go unpaid, and the customer – who is struggling financially –  
24 ends up losing the lower cost power. A proposed revision to the payment priority  
25 is currently under consideration by the Commission in the ESSS Rules, proposed  
26 rule 4901:1-10-33 (G) in Case No. 02-564-EL-ORD. If that revision is approved,  
27 it may solve part of this problem.  
28
- 29 The second contributing factor to the high number of customers returning to  
30 standard offer service at FirstEnergy is the lack of a purchase of receivables  
31 agreement offered by FirstEnergy. Though the Commission has ordered such an  
32 arrangement, it does not exist today. CRES Providers have limited information  
33 upon which to base their collections effort. CRES Providers are not in the strong  
34 collections position historically enjoyed by the distribution utility. As a result, we  
35 are seeing a high number of customers dropped for nonpayment and the  
36 continuous erosion of aggregation program enrollments.  
37
- 38 21. Q: What does the number of customers returning to standard offer service tell you?  
39
- 40 A: Attachment IH-1 suggests that customers are not switching back to standard offer  
41 to "game" the utility's rates. Rather, it shows that most customers return for other  
42 reasons. The principal reason at this time is nonpayment of supplier charges.  
43
- 44 22. Q: What does Attachment IH-2 tell us?  
45

- 1 A: That Attachment provides a bar chart dating back to the beginning of service to  
2 residential customers in Cleveland. It shows that most customers drop out of the  
3 program either because they moved or due to service terminating for nonpayment.  
4 Note that these numbers track movement after the opt-out and after the utility's  
5 seven-day rescission period. In Cleveland, we started our collections effort in  
6 November. That is the reason for the sudden jump of terminations due to  
7 nonpayment in December. Note also that very few customers, only 65, in  
8 Cleveland initiated a switch themselves in May. These are the customers that  
9 would possibly switch back and forth if WPS Energy Services' rates were higher  
10 than CEI's this summer. Since WPS Energy Services' rates are lower, it does not  
11 appear that even these customers would have reason to switch back and forth.  
12
- 13 23. Q: What does Attachment IH-3 tell us?  
14
- 15 A: Attachment IH-3 provides information on the reasons customers switch in  
16 Euclid's Electric Aggregation Program. Service began in Euclid for the first time  
17 in January. We have found that a few customers opt-out well after the end of the  
18 opt-out and the rescission letter period. Nevertheless, the principal reason  
19 customers have dropped from that program to date has been customer movement.  
20 Our collections data is not complete in Euclid since the program is so new.  
21
- 22 24. Q: What does Attachment IH-4 tell us?  
23
- 24 A: Attachment IH-4 provides information on the communities we serve in the NOAC  
25 area. There you also see that most customers drop when they move. Like Euclid,  
26 the NOAC program is relatively new and we don't have a lot of collections data.  
27 Our first month of collections in the NOAC program was in May of this year.  
28 Note the sudden spike in terminations for nonpayment of supplier charges. It is  
29 fair to say that most customers in that program did not switch in May because  
30 they wanted to return to the higher priced standard offer service.  
31
- 32 25. Q: What does this information say about the need for minimum stay this year?  
33
- 34 A: The Attachments show that customers return to standard offer service for various  
35 reasons. The principal reasons are customer movement and termination for  
36 nonpayment. Neither of these reasons support the claim that customers in Ohio  
37 will switch back and forth from standard offer service to CRES Provider service  
38 in hope of the lowest summer rate. The need for minimum stay this year is highly  
39 questionable.  
40
- 41 26. Q: How does the duration of CRES Provider contracts impact the minimum stay  
42 issue?  
43
- 44 A: The duration of the contract offered by a CRES Provider is highly relevant. The  
45 customer will not have the ability to switch back and forth if the CRES Provider

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1 does not give the customer the option. Thus, the question becomes what type of  
2 contracts are offered by CRES Providers and how long will they be in effect.  
3

4 27. Q: What is the duration of contracts offered by WPS Energy Services?  
5

6 A: To date, most of the switching in Ohio has occurred in FirstEnergy's territory due  
7 to municipal aggregation programs. WPS Energy Services is one of the few  
8 independent CRES Providers serving Ohio municipal aggregation programs. All  
9 of the communities served by WPS Energy Services have multi year agreements.  
10 None of the programs we serve offer "donut" agreements. None of the contracts  
11 we offer either encourages or induces a customer to return to the standard offer in  
12 the summer and then return to WPS Energy Services in the fall.  
13

14 28. Q: What impact will the duration of a CRES Provider contract have on customer  
15 options this summer?  
16

17 A: You cannot buy what is not for sale. None of WPS Energy Services' contracts  
18 terminate this year and the risk of harm to the local utility is therefore minimal.  
19 Customers may choose to return to standard offer service, but doing so will cost  
20 them money. If the customer acts in his/her economic best interest, they should  
21 remain with the supplier with the lowest rate. This summer WPS Energy Services  
22 offers the lowest rate  
23

24 29. Q: How do WPS Energy Services' summer rates compare to the standard offer rate?  
25

26 A: The principal concern of the utilities appears to be customers returning to standard  
27 offer service this summer and then switching to a CRES Provider thereafter. The  
28 problem is, there is nothing that supports their fears. WPS Energy Services' rates  
29 are lower than FirstEnergy's summer rates, so customers have no incentive to  
30 return to standard offer service this summer.  
31

32 30. Q: Please explain how the net effect of customer movement exposes the utility to  
33 minimal risk this summer.  
34

35 A: The supplier agreements for the aggregation programs served by WPS Energy  
36 Services authorizes WPS Energy Services to conduct intermittent opt-outs after  
37 the program's initial opt-out. In some communities we have the ability to conduct  
38 opt-outs on a quarterly basis. We call these intermittent opt-outs "refreshes". It  
39 enables us to add new customers to the program. These customers are typically  
40 customers that move into or within the community after program start-up.  
41

42 31. Q: What impact does a refresh have?  
43

44 A: Refreshes add customers to aggregation programs. To the extent that they switch  
45 customers away from standard service, they have the opposite effect of that feared  
46 by the utilities.

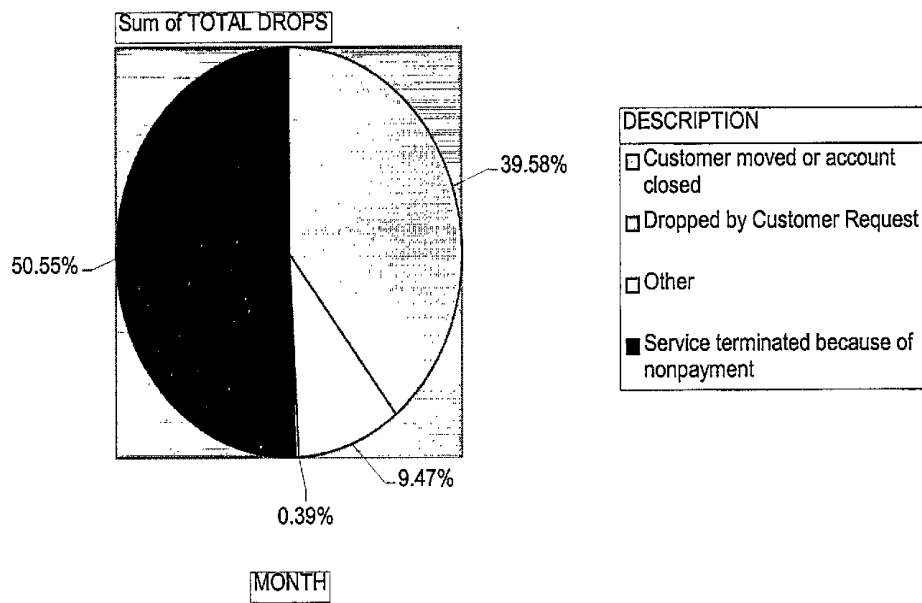
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1  
2 32. Q: Are there any refreshes planned for this year?  
3  
4 A: Yes. WPS Energy Services has scheduled refreshes for both the Euclid and the  
5 NOAC Programs. Both are scheduled to occur before the end of the summer.  
6  
7 33. Q: What is the expected impact on the local utility?  
8  
9 A: There is no increased risk to the local utility. In fact, refreshes have a net effect of  
10 minimizing the risk of harm to the utility. For example, a single refresh in  
11 Cleveland in February of this year added 11,000 residential and 1,400 small  
12 commercial customers. The high number of customers switching away from  
13 utility service this summer in a refresh, contrasted with the number that would  
14 voluntarily switch back to standard service as shown in Attachments IH-2, IH-3  
15 and IH-4, shows a net effect of customers switching away from standard offer  
16 service rather than returning to it. This further demonstrates that there is no need  
17 for minimum stay this summer. In fact, it suggests that implementing minimum  
18 stay would hinder and complicate CRES Provider refresh activities this summer.  
19  
20 34. Q: Does that conclude your testimony?  
21  
22 A: Yes.  
23  
24  
25  
26  
27



## Attachment IH-1

WPS Energy Services, Inc.  
Total Drops for CEI and Toledo Edison  
January 2001 - May 2002



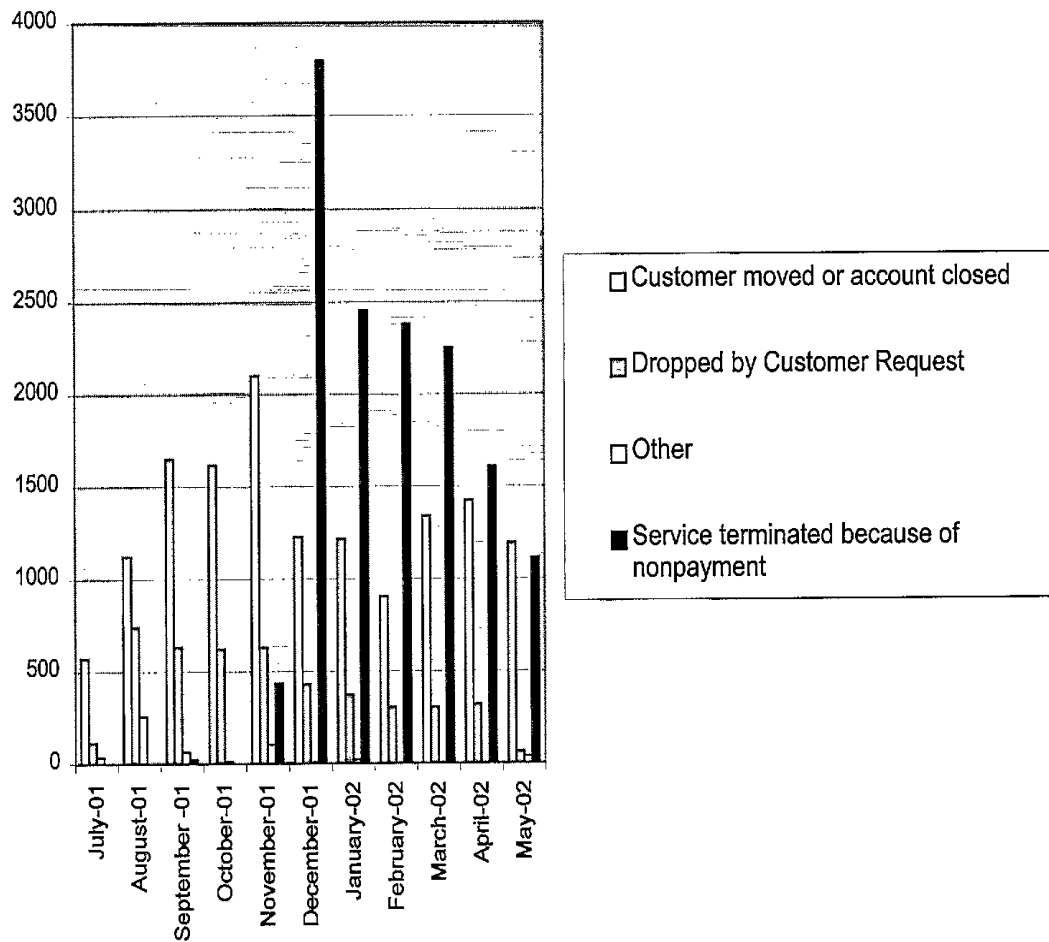
### CEI and Toledo Edison

Sum of TOTAL DROPS	MONTHS	
DESCRIPTION	JANUARY 2001 - MAY 2002	Grand Total
Customer moved or account closed	8225	8225
Dropped by Customer Request	1969	1969
Other	82	82
Service terminated because of nonpayment	10506	10506
Grand Total	20782	20782

**Attachment IH-2**

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WPS Energy Services  
CEI Cleveland Customer Drops By Month



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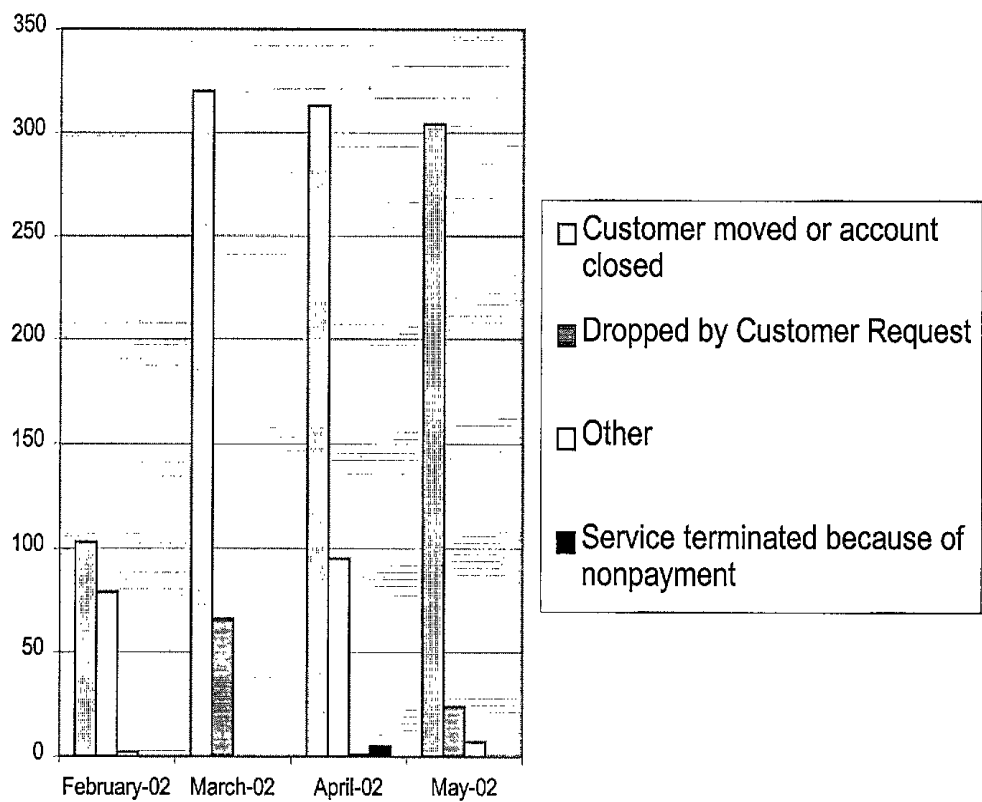
**Attachment IH-2**

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WPS Energy Services  
CEI - Cleveland Customer Drops By Month

	DESCRIPTION				
MONTH	Customer moved or account closed	Dropped by Customer Request	Other	Service terminated because of nonpayment	Grand Total
July-01	570	114	36		720
August-01	1122	741	256		2119
September -01	1649	633	65	25	2372
October-01	1614	622	11		2247
November-01	2098	630	105	436	3269
December-01	1227	429	6	3796	5458
January-02	1216	374	21	2455	4066
February-02	904	304	1	2380	3589
March-02	1341	304	2	2250	3897
April-02	1423	319		1607	3349
May-02	1193	65	38	1111	2407
Grand Total	14357	4535	541	14060	33493

**WPS Energy Services**  
**CEI Euclid Customer Drops By Month**



**Attachment IH-3**

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WPS Energy Services  
CEI - Euclid Customer Drops By Month

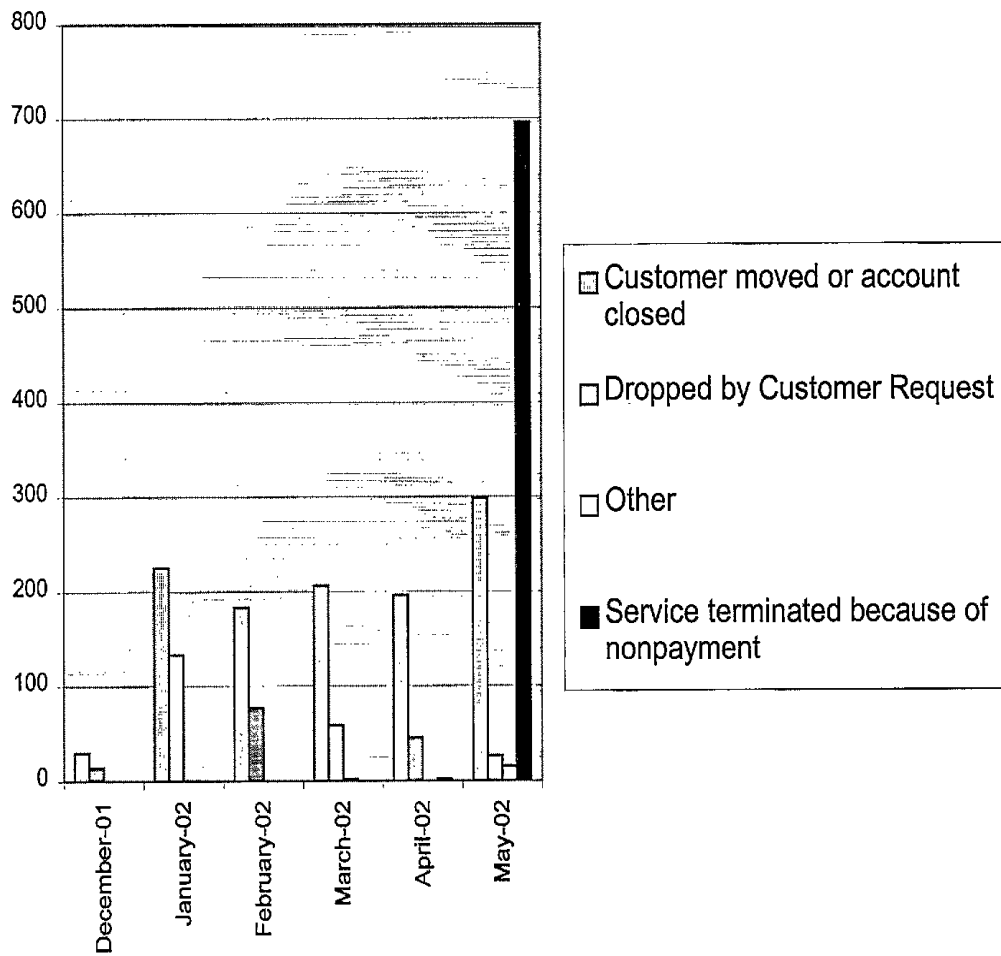
Euclid CEI Chart Numbers

Sum of COUNT	DESCRIPTION				
MONTH	Customer moved or account closed	Dropped by Customer Request	Other	Service terminated because of nonpayment	Grand Total
February-02	103	79	2		184
March-02	320	66			386
April-02	313	95	1	5	414
May-02	304	24	7		335
Grand Total	1040	264	10	5	1319

**Attachment III-4**

Page 1 of 2

**WPS Energy Services  
Toledo Edison NOAC Customer Drops By Month**



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**Attachment IH-4**

Page 2 of 2

WPS Energy Services  
Toledo Edison - NOAC Customer Drops By Month

NOAC  
Toledo Edison Chart  
Numbers

Sum of COUNT	DESCRIPTION				
MONTH	Customer moved or account closed	Dropped by Customer Request	Other	Service terminated because of nonpayment	Grand Total
December-01	29	14			43
January-02	225	133			358
February-02	183	77			260
March-02	206	58	2		266
April-02	196	45		2	243
May-02	298	26	15	696	1035
Grand Total	1137	353	17	698	2205

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing Direct Testimony was served on the following either electronically or by first class U.S. mail, postage prepaid, this 11<sup>th</sup> day of June, 2002.

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