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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Establishment of Electronic Data Exchange Standards and Uniform Business Practices for the Electric Utility Industry.	)	Case No. 00-813-EL-EDI
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

DIRECT TESTIMONY OF

JEFFREY P. GIESLER

ON BEHALF OF

WPS ENERGY SERVICES, INC.

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1. Q: Please state your name.

A: Jeffrey P. Giesler

2. Q: What is your current business address?

A: 1088 Springhurst Drive Green Bay, Wisconsin 54304

3. Q: By whom are you employed?

A: I am employed by WPS Energy Services, Inc.

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

A: I have been employed by WPS Energy Services, Inc. as a Power Marketing Executive for about two years.

5. Q: Where were you employed prior to your present position?

A: I was with Wisconsin Public Service Corporation, the regulated utility, as an engineer and in management positions for 16 years. This experience included 13 years in nuclear plant engineering and management and 3 years in wholesale power marketing. After that I worked a year as an energy and facilities manager at a paper mill in Green Bay. From there I started in my current position with WPS Energy Services.

6. Q: What activities are involved with as a Power Market Executive at WPS Energy Services?

A: I serve in a number of capacities involving market analysis and market and product development. In general, this involves assessing retail market needs and opportunities including utility competitive supply structures, customer loads and service requirements, the competitive environment and power supply conditions. One particular area of involvement is that of market analysis and rate setting for the aggregation programs we serve. As part of this role, I regularly monitor the wholesale market for power prices and track the factors which affect those prices. For our Ohio programs I have been actively performing this role since the summer of 2000.

In addition to my Ohio activities I also perform market analysis and market development for other states where we are licensed or considering entering the retail markets. This includes Michigan, Illinois, Pennsylvania and other states.

7. Q: What is your educational background?

A: I have a Bachelors of Science degree in Chemical Engineering from Michigan Technological University. In addition, I have completed numerous business courses and participated in a number of training programs related to the power markets and power marketing.

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

A: I wish to inform the Commission that today's shopping credits and current wholesale power prices would not support a concerted effort of switching customers to the utility standard offer service this summer and then back to a

CRES Providers at the end of summer. The customer switching processes also introduce significant inefficiency and cost that make seasonal switching difficult and unlikely.

9. Q: What are shopping credits?

A: The shopping credit is a credit provided on the customer's electric bill when the customer shops for a generation supplier. For example, FirstEnergy's Cleveland Electric Illuminating Company, lists the credit as the "Generation Credit for Shopping". The amount of the customer's credit depends on four factors. These four factors are the customer class, the rate class, the amount of energy used (kWh), and the time of year (winter or summer). Shopping credits for each usage level may differ in the summer and winter. More electricity is generally used in the summer than in the winter.

10. Q: What is the significance of the shopping credit?

A: Shopping credits are very important. The higher the shopping credit, the more customers stand to save by shopping. The lower the shopping credit the lower the expected savings and fewer customers will shop. The shopping credit also affects suppliers because it directly affects the rates they can provide to customers while still allowing for customer savings.

11. Q: What is the relationship between the shopping credit and the utility's standard offer service to the customer's shopping decision?

A: Actually, the standard offer rate is not a primary concern to either customers or suppliers in the shopping process. The real issue is how high or low are shopping credits. Shopping credits drive customer shopping because they determine how much the customer will save. This, in turn, defines the rate the supplier can charge to the customer.

12. Q: How does that relate to the utility's rate being frozen during the market development period?

A: Regardless of the utility's rate being fixed, it is the shopping credit that affects the customer's decision.

13. Q: How would you describe the shopping credits available to WPS Energy Services' customers this summer?

A: Shopping credits are generally higher in the summer than in the winter. This is true this summer as well. From a customer stand point, there is a strong incentive to shop rather than to remain on the standard service offer this summer.

14. Q: What is the expected effect of summer shopping credits on customer savings?

A: For customers on a flat annual rate, and WPS Energy Services offers aggregation customers flat rates, most of their savings occur with the high shopping credits offered during the summer months. A typical customer might save 0.1 to 0.3 cents/kWh in winter months and 0.6 to 0.8 cents/kWh in summer months. It does not make sense to suggest that customers will voluntarily switch away from a CRES Provider, forego the benefit of high summer shopping credits, switch to standard offer service in the summer, and then return to the CRES Provider in the winter when shopping credits are at their lowest.

15. Q: What effect will summer shopping credits have on offers from WPS Energy Services?

A: In this market, suppliers rely on high summer shopping credits. Without the high summer shopping credits, customer savings drop substantially. WPS Energy Services includes the summer shopping credit in its annual fixed rates.

16. Q: Would it make sense to structure rates that omitted the summer months?

A: No. Customers would find offers that omit the summer months to be confusing, inconvenient and unattractive because of the additional effort it would create for them. WPS Energy Services offers flat annual rates that provide the customer simplicity and price stability. I am not aware of any CRES Providers in Ohio structuring rates or making offers that omit the summer months. Given the high summer shopping credits, there is little incentive for suppliers to do so at this time.

In addition to the shopping credit situation, the complexities and inefficiencies of FirstEnergy's supplier rate programming and customer switching processes also establish huge hurdles for a supplier considering seasonal rates or attempting to move customers back and forth from the utility.

17. Q: What is the likelihood of significant numbers of WPS Energy Services' customers returning to standard offer service this summer and then switching back to WPS Energy Services in the fall due to rate structures, market power pricing and other related causes?

A: The probability is small. In addition to our flat rates, the agreements we have involve commitments by the customers and by WPS Energy for the rest of this year and generally longer. WPS Energy Services has procured power for these customers. If the customer leaves, WPS would be stuck with the power in the currently low priced wholesale market. Therefore, WPS has no incentive to encourage its retail customers to leave and then return. Any such switches that occur would be unrelated to rate structures or customer choices based on rates and potential savings. Also, the mechanics of switching customers back and forth make the idea impractical.

18. Q: Do switching practices affect the ability of large numbers of customers to go back and forth between the CRES Provider and standard offer service?

A. Current switching practices minimize the postulated risk of harm to the utility. First of all, there is very limited risk of customers returning to utility service *en mass* where customer switching is low. We are already in the summer season and for example, CG&E has less than 2% of its residential customers on competitive supply. So for this year, even the potential turn back is small. Further, in order for there to be a seasonal turn back, a CRES supplier must be waiting in the wings to pick up the customers at the end of the summer. WPS Energy Services monitors the competition, and it knows of no CRES provider offering a seasonal or non summer contract. Second, the switching rules themselves impose significant delay and limit the risk of harm to the utility. It can take up to two billing cycles before a customer is switched. By that time, the summer months will be nearly over and the risk to the utility diminished.

Q: How are the switching practices at FirstEnergy expected to impact the ability of large numbers of customers switching back and forth?

19. A: The FirstEnergy operating companies, switching practices impose delay and cost. While there is significant shopping in the FirstEnergy territory, CRES Providers are not encouraging customers to leave for the summer and nor are they lining up to take customers back in the fall. Even if customers had such an option, and they do not, FirstEnergy oversimplifies the ability of customers and suppliers to switch customers back and forth. Actual switches occur on meter read dates. If the CRES supplier fails to provide adequate advance notice, the switch will not occur until the meter is read the following month. A supplier cannot effectively cause or encourage customers to return to the utility to match the summer calendar months. Likewise, the supplier cannot effectively re-enroll customers to coincide with the end of summer. At best, the supplier and customer will miss portions of or entire months of service.

It has been our experience that switching takes significant preplanning and notice. For the kind of mass switching feared by FirstEnergy, even a switch this July is out of the question unless it has already been initiated. In fact, given that we are half way through June it would take significant effort to accomplish a return to standard service in August. This further demonstrates that the risk as described by FirstEnergy is overstated.

In addition to these difficult logistical issues, the supplier will also incur repetitive switching fees while trying to execute a strategy of seasonal switching. While switching fees are not intended to be a deterrent in this regard, they do impose substantial costs on suppliers and/or customers which will serve to discourage seasonal switching.

20. Q: What role do power market prices have in the discussion?

A: The utilities made comparisons and loss projections based on summer pricing from prior years with particular focus on 1999. The prices used in their analysis seriously exaggerate the risk. A comparison of summer 2002 prices to summer 1999 or summer 2000 prices shows a dramatic difference—potentially over $100/MWh difference in forward prices. While a short-term price spike due to outages or weather is always possible, forward power market prices clearly show that a comparison of 2002 prices to 1999 prices is inappropriate.

21. Q: What do wholesale power markets indicate?

A: Current wholesale market prices do not support the claims of severe harm to the utilities this summer. Market prices at this time are relatively low and even in FirstEnergy's case with high customer shopping it is unlikely the company would incur abnormally high cost if large numbers of customers returned in the summer and left thereafter. Moreover, the current market is so low that it actually provides a disincentive for marketers to return customers to FirstEnergy at this time. It is preferable to retain and serve these customers through the summer and into the months beyond.

22. Q: Considering the combination of the factors you've discussed, how would you describe the likelihood and magnitude of risk the utilities face this summer if the moratorium on the Minimum Stay is extended through this summer?

A: First, since we are already into the summer months, this issue is no longer purely theoretical. If the utilities have not already seen substantial customer returns, it is unlikely they will see them before the summer season is effectively over. In the case of FirstEnergy, which claims a significant number of customer returns, it is important to establish the reasons for these returns. The wholesale power markets do not provide a significant incentive for suppliers to be returning customers to the utility and shopping credit design gives customers the incentive to stay on competitive supply through the summer. The combination of these factors makes it unlikely that a concerted market manipulation effort by suppliers or customers is behind these numbers. .

23. Q. Could you please summarize your observations for the Commission.

A: In light of the current market price for power this summer relative to the shopping credit, combined with the mechanics and costs of the customer switching processes, there is not a significant risk that CRES suppliers are or will seek to move retail customers to and from utility service for the upcoming summer months. Further, the combination of these factors serves to minimize the risk to the utilities of extending the minimum stay moratorium. By contrast, the harm the minimum stay requirements would cause to the developing market, especially in the absence of an agreed upon alternative, would be significant.

Q: Does that conclude your testimony?

A: Yes.

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 11th day of June, 2002.

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