

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power)
Company for Authority to Establish a) Case No. 11-346-EL-SSO
Standard Service Offer Pursuant to Section) Case No. 11-348-EL-SSO
4928.143, Revised Code, in the Form of an)
Electric Security Plan.)

In the Matter of the Application of Columbus)
Southern Power Company and Ohio Power) Case No. 11-349-EL-AAM
Company for Approval of Certain) Case No. 11-350-EL-AAM
Accounting Authority.)

DIRECT TESTIMONY OF

MATTHEW M. WALZ

ON BEHALF OF

DUKE ENERGY RETAIL SALES, LLC

May 4, 2012

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I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Matthew M. Walz, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Commercial Enterprises, Inc., (DECES) as Vice
6 President of Marketing. DECES provides administrative and various other
7 services to Duke Energy Retail Sales LLC, (DER) and other affiliated companies
8 of Duke Energy Corporation (Duke Energy).

9 **Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**
10 **EXPERIENCE.**

11 A. I have over 20 years of business experience, primarily focused in the energy
12 industry. I have worked for Duke Energy for seven years. Currently, I manage
13 the DER business line. Previously, I was Director of Market Fundamentals at
14 Duke Energy, where I supported its US commercial business operations by
15 assessing energy-related commodity markets, renewable energy, and
16 environmental programs. Prior to my employment with Duke Energy, I worked
17 for two global consulting firms where my clients included several Fortune 500
18 energy and consumer products companies. I am a CFA charterholder, have a
19 Masters in Business Administration from Indiana University, and have an
20 undergraduate business degree from Miami University.

21 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT**
22 **OF MARKETING.**

1 A. I currently manage sales, marketing, and operations within DER.

2 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
3 **UTILITIES COMMISSION OF OHIO?**

4 A. No.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A The purpose of my testimony in this proceeding is to recommend changes to the
8 supplier tariffs pursuant to which competitive retail electric service (CRES)
9 providers operate in the AEP Ohio service territory. As they currently exist, these
10 tariffs, along with AEP Ohio's business practices, function as barriers to retail
11 competition.

II. DISCUSSION

12 **Q. PLEASE PROVIDE SOME BACKGROUND ON DUKE ENERGY**
13 **RETAIL, OR DER, THE ENTITY ON WHOSE BEHALF YOU ARE**
14 **TESTIFYING IN THIS PROCEEDING.**

15 A. DER is a wholly owned subsidiary of Duke Energy that provides electricity and
16 energy-related services to retail customers in Ohio. DER holds a certificate
17 issued by the Public Utilities Commission of Ohio (Commission) to engage, as a
18 CRES supplier, in the competitive sale of electric service to retail customers in
19 Ohio. DER currently has serves customers in all territories in Ohio, including
20 those of AEP Ohio, Duke Energy Ohio, The Dayton Power and Light Company,
21 Ohio Edison Company, The Cleveland Electric Illuminating Company, and The
22 Toledo Edison Company service territories.

1 **Q. WHAT IS DER’S INTEREST IN THIS PROCEEDING?**

2 A. As an active CRES provider, DER is interested in a consistent framework for
3 retail competition throughout the state of Ohio. This consistency will enable
4 long-term investment in the competitive markets by CRES providers and
5 innovation in the products and services offered to customers. Inconsistent and
6 uncertain pricing, financial barriers, data limitations, switching barriers, and
7 supplier center performance issues all deny or limit customers in AEP Ohio’s
8 service territory of the benefits of retail electric choice.

9 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

10 A. The Commission should require AEP Ohio to remove barriers to the ability of
11 CRES providers to compete and to deliver services to customers.

12 **Q. WHAT ARE THE BENEFITS OF ELIMINATING CUSTOMER**
13 **SWITCHING CHARGES, THE 90-DAY NOTICE PROVISION,**
14 **MINIMUM STAY REQUIREMENTS, AND CHARGES FOR PRE-**
15 **ENROLLMENT CUSTOMER INFORMATION LISTS?**

16 A. As the costs of switching decrease, the incentives for a customer to switch
17 increase. This, in turn, should allow customers of AEP Ohio to begin to take full
18 advantage of the competitive market in Ohio. The existing limitations deter
19 shopping activity and do not provide the appropriate signals to CRES providers
20 that a competitive retail market will persist in the AEP Ohio service territory. The
21 elimination of these charges and other limitations also moves Ohio closer to
22 uniformity in respect of the operating parameters applicable to CRES providers.

1 This uniformity should remove barriers to entry for CRES providers and
2 encourage meaningful investment in the state.

3 **Q. HOW WOULD CUSTOMERS BENEFIT FROM IMPROVED ACCESS TO**
4 **HIGHER QUALITY CUSTOMER DATA?**

5 A. By increasing access to higher quality customer data, a CRES provider can lower
6 its costs to deliver services to customers and improve the customer experience
7 while that customers is under a supply contract. AEP Ohio's current pre-
8 enrollment list does not include meter numbers in the data file. By providing this
9 information, the processing of customer enrollments and error resolution can be
10 greatly improved. This lowers CRES providers' costs to serve and enroll an
11 account and creates a simpler experience for individual customers to enroll with a
12 supplier.

13 In addition, AEP Ohio should include peak load contribution (PLC)
14 figures for customers on both the pre-enrollment and customer synch lists that are
15 provided to CRES providers. By providing PLC figures, a CRES provider will be
16 able to better market to customers and reconcile CRES provider FRR charges
17 from PJM that are based on PLC figures submitted by AEP Ohio.

18 Finally, AEP Ohio should improve the interval meter data delivered to
19 CRES providers. Currently, this data is not accessible through its supplier center
20 and does not consistently tie out to the summary meter information presented on a
21 customer's AEP Ohio bill. This makes it difficult for CRES providers to deliver
22 pricing solutions to customers based on real-time usage.

1 In addition, AEP Ohio should provide real-time access to interval meter
2 data at a minimal cost to the customer and its CRES provider. This will allow
3 further innovation in retail products and services available to customers.

4 **Q. HOW WOULD CUSTOMERS BENEFIT FROM AN IMPROVED**
5 **ENROLLMENT PROCESS?**

6 **A.** By improving the enrollment process, a CRES provider can lower its costs to
7 deliver services to customers and improve the customer experience when
8 beginning a supplier contract. AEP Ohio enrolls customers using the service
9 delivery identification number. This makes it difficult to sign up all of a single
10 customer's meters under a single account. AEP Ohio should enable account level
11 enrollments.

12 **Q. HOW DO CUSTOMERS BENEFIT FROM A PURCHASE OF**
13 **ACCOUNTS RECEIVABLES PROGRAM?**

14 **A.** A Purchase of Accounts Receivables, or PAR, program ensures that all customers,
15 both small and large, are able to access the competitive market. The institution of
16 a PAR program decreases the risks associated with offering competitive electric
17 service to all customers and will bring in more retail competition to the residential
18 and small commercial customers segments.

19 **Q. HOW DO CUSTOMERS BENEFIT FROM CONSOLIDATED BILLING**
20 **OPTIONS AND DUAL BILLING?**

21 **A.** Both dual billing and consolidated billing allow CRES providers and prospective
22 customers flexibility in the type of offer that may be made, thereby maximizing
23 the competitive market for these customers. In addition, the availability of

1 consolidated billing allows the customers the simplicity of having a single electric
2 bill for their total electric bill.

3 **Q. WHAT PROBLEMS CURRENTLY EXIST WITH REGARD TO THESE**
4 **BILLING OPTIONS?**

5 A. AEP Ohio's bill-ready billing does not function on a consistent basis for CRES
6 providers and their customers. AEP Ohio should invest resources to deliver a
7 high quality and consistent level of service for bill-ready billing to CRES
8 providers and their customers. Similarly, although DER does not currently use
9 rate-ready billing in the AEP Ohio territory, rate-ready consolidated billing should
10 be a functional option for CRES providers. AEP Ohio's level of service for
11 providing meter data to CRES providers for dual billing also lacks in its
12 consistency. Without a quality process supporting dual billing and both bill-ready
13 and rate-ready consolidated billing, CRES providers will not find it economically
14 viable to offer innovative products and services to customers leveraging these
15 billing methods.

16 **Q. WILL ADOPTION OF YOUR RECOMMENDATIONS MOVE AEP OHIO**
17 **TOWARD MORE CONSISTENCY, AS COMPARED WITH OTHER**
18 **UTILITIES ACROSS OHIO?**

19 A. Yes, it will.

20 **Q. WILL ADOPTION OF YOUR RECOMMENDATIONS LOWER RETAIL**
21 **SWITCHING BARRIERS AND FOSTER PRODUCT AND SERVICE**
22 **INNOVATION FOR RETAIL CUSTOMERS IN AEP OHIO'S SERVICE**
23 **TERRITORY?**

1 A. Yes, it will.

2 **Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS FOR THE**
3 **COMMISSION AS IT EVALUATES AEP OHIO'S MODIFIED ESP?**

4 A. My only other suggestion would be that the Commission give consideration to the
5 standard service offers (SSOs) under which the FirstEnergy distribution utilities
6 and Duke Energy Ohio are operating. Those SSOs employ competitive
7 procurements that incorporate market-based commodity pricing, thereby clearly
8 delineating the competitive elements. That is, these other distribution utilities
9 cannot distort market signals through rate structures and instead create for CRES
10 providers the expectation that competitive retail markets will persist in these
11 service territories. Retail customers in northern and southern Ohio benefit from
12 these competitive structures and focus on market-based pricing.

III. CONCLUSION

13 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

14 A. Yes.