BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton power and Light Company for Approval of its Electric Security Plan.	)))	Case No. 12-426-EL-SSO
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs.	)))	Case No. 12-427-EL-ATA
In the Matter of the Application of The Dayton Power and Light Company for Approval of Certain Accounting Authority.	)))	Case No. 12-428-EL-AAM
In the Matter of the Application of The Dayton power and Light Company for the Waiver of Certain Commission Rules.	)))	Case No. 12-429-EL-WVR
In the Matter of the Application of The Dayton Power and Light Company to Establish Tariff Riders.	)))	Case No. 12-672-EL-RDR

DIRECT TESTIMONY OF

MATTHEW M. WALZ

ON BEHALF OF

DUKE ENERGY RETAIL SALES, LLC

March 1, 2013

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

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

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

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

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

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS VICE PRESIDENT OF MARKETING.

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

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

A. Yes. I testified in the AEP Ohio ESP proceedings, Case No. 11-346-EL-SSO, *et al.*, about recommended changes to supplier tariffs and competitive market enhancements for their territory.

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

A The purpose of my testimony in this proceeding is to recommend changes to the supplier tariffs pursuant to which competitive retail electric service (CRES) providers operate in the The Dayton Power & Light Company (DP&L) service territory. As they currently exist, these tariffs, along with DP&L's business practices, function as barriers to retail competition.

II. DISCUSSION

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

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

Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company service territories.

Q. WHAT IS DER'S INTEREST IN THIS PROCEEDING?

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

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. The Commission should require DP&L to remove barriers to the ability of CRES providers to compete and to deliver services to customers. Those barriers include the requirements in the enrollment process, interval meter requirements, insufficient bill content, and the lack of a purchase of accounts receivable program, as well as the information available as pre-enrollment data.

Q. WHAT ARE THE BENEFITS OF ELIMINATING THESE BARRIERS?

A. As the costs of switching decrease, the incentives for a customer to switch increase. This, in turn, should allow more customers of DP&L to begin to take full advantage of the competitive market in Ohio. The existing limitations deter shopping activity and do not provide the appropriate signals to CRES providers that a competitive retail market will persist in the DP&L service territory. The elimination of these charges and other limitations also moves Ohio closer to

uniformity in respect of the operating parameters applicable to CRES providers. Moreover, providing additional information in the pre-enrollment list allows CRES providers to more accurately forecast costs and decreases risks and prices for customers. This uniformity should remove barriers to entry for CRES providers and encourage meaningful investment in the state.

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

A. By improving the enrollment process, a CRES provider can lower its costs to deliver services to customers and improve the customer experience when beginning a supplier contract. DP&L currently requires that the customer name, as it appears in the pre-enrollment database, must match that of the enrollment request. This is unlike any territory in the state of Ohio and causes additional barriers to entry as many customers enter their names in a slightly different format. For example, even the inclusion of a comma on the pre-enrollment list – and not on the enrollment request – will cause the enrollment to be rejected for a small commercial or industrial customer.

Q. HOW WOULD CUSTOMERS BENEFITS FROM CHANGES IN THE INTERVAL METER REQUIREMENT?

A. While all other utilities in the state look retrospectively, at the time of enrollment, to determine whether an interval meter is required, DP&L continues its review the customer's demand over time. If demand increases past the DP&L threshold for interval metering, DP&L then surprises the switched customer with a requirement that the interval meter be added. This inconsistent treatment causes customers to

be unable to appropriately review the costs and benefits of switching, and creates additional uncertainty in their businesses. By aligning their interval meter rules with the rest of the state, this uncertainty will be eliminated and customers will benefit from this change.

Q. HOW WOULD CUSTOMERS BENEFIT FROM MORE INFORMATION ON THEIR CURRENT UTILITY BILL?

A. Currently, customer bills do not include the information used most by suppliers to link to the provided pre-enrollment data. Unlike other Ohio utilities, all of which provide the customer's meter number on the bill, DP&L does not provide this information. By creating a consistent framework and requiring DP&L to provide all necessary information for suppliers to use to identify the customer's data in pre-enrollment, the Commission will decrease barriers to entry and allow more customers to enjoy the benefits of competition.

Q. HOW WOULD CUSTOMERS BENEFIT FROM A PURCHASE OF ACCOUNTS RECEIVABLES PROGRAM?

A. Currently, the customer receives a single, monthly bill and makes a single payment for both the utility and the CRES charges. What the customer does not intuitively understand – and may have no way of knowing – is that he actually has two outstanding balances on his account. If a customer is behind on paying his bill, he has two account payables: one with the utility and one with the CRES provider.

A CRES provider's outstanding balance will eventually be removed from the consolidated bill after a consumer is no longer the CRES provider's customer.

Once this occurs, it is the CRES provider's responsibility to collect the outstanding balance directly from the consumer. Unfortunately, many consumers logically assume that they no longer owe this outstanding balance when they receive the credit on their utility bill. This makes collection of CRES providers' balances more difficult and causes additional customer confusion.

A purchase of receivables (POR) program, such as the one offered by Duke Energy Ohio, is the best way to mitigate these billing issues and advance the market in DP&L's territory. A POR program consolidates the accounts receivable with the one company (the utility), which sends the bill, receives and processes payments, and has the ability to disconnect for non-payment. From the consumer's perspective, this is intuitive and fair. From an industry perspective, it is a fair and streamlined process as well.

Q. IS THE INFORMATION THAT IS CURRENTLY PROVIDED BY DP&L IN ITS PRE-ENROLLMENT LIST SUFFICIENT FOR CRES PROVIDERS?

A. No. DP&L should add Future Peak Load Contribution and Network Service Peak Load Contribution to the data available on its pre-enrollment lists. This data is used by CRES suppliers for pricing the capacity obligation for customers. Currently, if CRES suppliers want this information, they must contact DP&L and make a specific request for it. Having the information available in the pre-enrollment list would remove the necessity of requesting the information for each pricing request.

Q. WILL ADOPTION OF YOUR RECOMMENDATIONS MOVE DP&L TOWARD MORE CONSISTENCY, AS COMPARED WITH OTHER UTILITIES ACROSS OHIO?

A. Yes, it will.

Q. WILL ADOPTION OF YOUR RECOMMENDATIONS LOWER RETAIL SWITCHING BARRIERS AND FOSTER PRODUCT AND SERVICE INNOVATION FOR RETAIL CUSTOMERS IN DP&L'S SERVICE TERRITORY?

A. Yes, it will.

Q. DO YOU HAVE ANY OTHER RECOMMENDATIONS FOR THE COMMISSION AS IT EVALUATES DP&L'S MODIFIED ESP?

A. My only other suggestion would be that the Commission give consideration to the electric security plans (ESPs) under which the FirstEnergy distribution utilities and Duke Energy Ohio (Duke Energy Ohio) are operating. Those SSOs employ competitive procurements that incorporate market-based commodity pricing for all of their standard service offer customers, thereby clearly delineating the competitive elements. While DP&L has asked for a phase-in of a competitive bid-like mechanism, there is no reason that they would be precluded from 100% auctions that both Duke Energy Ohio and the FirstEnergy utilities are operating under. By moving to 100 percent auctions immediately, the distribution utility cannot distort market signals through rate structures and instead create for CRES providers the expectation that competitive retail markets will persist in these

service territories. Retail customers in northern and southern Ohio benefit from these competitive structures and focus on market-based pricing.

Q. ARE THERE ANY IMPEDIMENTS TO RUNNING AUCTIONS WITH TERMS OUTSIDE OF A CAPACITY PLANNING YEAR?

A. No. As the Duke Energy Ohio ESP proved, auctions can be run with terms outside the PJM planning year. In the case of Duke Energy Ohio, the first auction was run with a 17-month term and provided customers with the benefits of competitive market-based pricing sooner rather than later.

III. CONCLUSION

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

A. Yes.

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Summary: Testimony Direct Testimony of Matthew M. Walz on Behalf of Duke Energy Retail Sales, LLC. electronically filed by Carys Cochern on behalf of Kingery, Jeanne W Ms.