

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
Dayton power and Light Company for) Case No. 12-426-EL-SSO
Approval of its Electric Security Plan.)

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 12-427-EL-ATA
Approval of Revised Tariffs.)

In the Matter of the Application of The)
Dayton Power and Light Company for) Case No. 12-428-EL-AAM
Approval of Certain Accounting Authority.)

In the Matter of the Application of The)
Dayton power and Light Company for the) Case No. 12-429-EL-WVR
Waiver of Certain Commission Rules.)

In the Matter of the Application of The)
Dayton Power and Light Company to) Case No. 12-672-EL-RDR
Establish Tariff Riders.)

DIRECT TESTIMONY OF

MATTHEW M. WALZ

ON BEHALF OF

DUKE ENERGY RETAIL SALES, LLC

March 1, 2013

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

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

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

II. DISCUSSION

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

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

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

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

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

11 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

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

17 **Q. WHAT ARE THE BENEFITS OF ELIMINATING THESE BARRIERS?**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 A. Yes, it will.

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

9 A. Yes, it will.

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

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

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

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

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

III. CONCLUSION

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

10 A. Yes.