

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval to Adjust) Case 22-0163-EL-RDR
its Power Future Initiatives Rider.)

DIRECT TESTIMONY OF

SCOTT B. NICHOLSON

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2022

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I. INTRODUCTION

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

2 A. My name is Scott B. Nicholson, 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 Ohio, Inc., (Duke Energy Ohio or the Company)
6 as Manager, Ohio Customer Choice.

7 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I hold Master of Science and Bachelor of Science Degrees in Economics from
10 Illinois State University. I began my professional career as a staff member at the
11 Illinois Commerce Commission. Subsequent to leaving the commission, I have
12 held a variety of positions in the electric utility industry, including positions at
13 Potomac Electric Power Company, Central Illinois Public Service Company, and
14 Cadence Network (facility utility expense management). I joined Duke Energy
15 Corporation (Duke Energy) in 1997 and, in my tenure, have worked for various of
16 its affiliates. I was promoted to my current position as Manager, Ohio Customer
17 Choice, in 2016.

18 **Q. PLEASE DESCRIBE YOUR DUTIES AS MANAGER, OHIO CUSTOMER**
19 **CHOICE.**

20 A. As Manager, Ohio Customer Choice, I have responsibility for overseeing the
21 certified supplier business office where the Company facilitates data flow and
22 billing management with competitive retail energy service (CRES) providers.

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

3 A. Yes. I previously provided testimony in support of the Company's application in
4 the consolidated Case No. 17-0032-EL-AIR *et al.*, (Consolidated Cases) regarding
5 the Company's Operational Support Plan and the necessary modifications to the
6 Company's systems to appropriately expand the availability and exchange of
7 interval customer energy usage data (CEUD). I also testified in Case No. 20-666-
8 EL-RDR and in Case No. 21-0012-EL-RDR.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
10 **PROCEEDINGS?**

11 A. The purpose of my testimony is to discuss and support the Company's application
12 to adjust its Power Future Initiatives Rider (Rider PF) for recovery of certain costs
13 related to Component Two of Rider PF. Specifically, I (1) discuss and support
14 additional costs of Component Two, Phase III as it relates to the provision and
15 functionality of interval CEUD, and (2) discuss the upcoming implementation of
16 Phase IV in April 2022.

II. **RIDER PF**

17 **Q. PLEASE BRIEFLY EXPLAIN RIDER PF?**

18 A. Rider PF was approved as part of the settlement in the Consolidated Cases, and
19 was intended as a nonbypassable rider to recover the costs of those programs,
20 modifications, and offerings related to the continued evolution of the distribution
21 grid and an enhanced customer experience, including programs, modifications,
22 and offerings that may be engendered by the Commission's PowerForward

1 review.¹ Rider PF was designed and approved to recover both capital and
2 operation and maintenance (O&M) costs not otherwise recovered in base rates or
3 existing rider mechanisms. Rider PF has three components, as detailed in the
4 Stipulation approved in Consolidated Cases and pursuant to cost caps for a
5 specific component as set forth in the Stipulation Attachment F, and that are at
6 issue in these proceedings.

7 **Q. PLEASE EXPLAIN WHAT INTERVAL CEUD IS AND WHY IT IS**
8 **NECESSARY.**

9 A. Interval CEUD is the data from Advanced Metering Infrastructure (AMI) Itron
10 meters that are certified on the meter data management system (MDM). This data
11 will include the hourly interval usage of residential customers and CRES
12 suppliers (Suppliers) are interested in this data as it will allow them to offer
13 additional products and services.

14 This hourly interval data is a significant increase in data over what was
15 previously available and this increase required changes to the Company's
16 metering and communication systems associated with customer data. The
17 following example will help demonstrate the magnitude of the increase in data.

18 Prior to providing interval CEUD, the usage for a single residential
19 customer during a year would have been 12 monthly values. However, with the
20 hourly interval CEUD now available, that 12 pieces of data becomes 8,760 pieces
21 of data (there are 8,760 hours in a year) for that same residential customer. When

¹ *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Consolidated Case Nos. 17-0032-EL-AIR, *et al.*, Stipulation and Recommendation pp. 16-17 (April 13, 2018) (Stipulation); and Opinion and Order pp. 84-85 (December 19, 2018).

1 one considers the number of customers and meters throughout the Company's
2 service territory, the magnitude of the increase in data and data processing is
3 exponential. As of January 31, 2017, there were 729,695 AMI meters. Using this
4 number of meters, the annual change from monthly data to hourly interval data
5 goes from 8,756,340 to 6,392,128,200, respectively. This example illustrates why
6 customer systems which use interval CEUD customer data needed to be changed.

7 **Q. WHAT IS THE STATUS OF DUKE ENERGY OHIO'S PHASE III OF**
8 **COMPONENT TWO OF RIDER PF?**

9 A. The Company completed its implementation of CEUD Phase III, and it went live
10 on December 12, 2020. The Company sought recovery of \$556,914 of operations
11 and maintenance (O&M) costs associated with this completion in Case No. 21-
12 0012-EL-RDR. However, after Phase III went live it was discovered that there
13 were several technically nuanced situations, which had not previously caused
14 issues, but began causing certain EDI loops to be incorrect. These issues were
15 corrected in early 2021.

16 **Q. WHAT WAS THE TOTAL ACTUAL COST OF CEUD PHASE III**
17 **CORRECTIONS THROUGH DECEMBER 31, 2021?**

18 A. The total actual cost for the CEUD Phase III EDI Formatting Corrections incurred
19 between January 1, 2021, and December 31, 2021, was \$71,722.02

20 **Q. DO YOU BELIEVE THESE COSTS WERE PRUDENTLY INCURRED?**

21 A. Yes.

22

1 **Q. PLEASE EXPLAIN WHY.**

2 A. These costs represent the time of employees and consultants to manage, develop,
3 and test the functionality for EDI Formatting Corrections associated with CEUD
4 Phase III in order to correct the necessary required functionality.

5 **Q. IS THE COMPANY REQUESTING APPROVAL FOR CEUD PHASE IV**
6 **COSTS IN THIS FILING?**

7 A. No. Although the work plan in Attachment F to the Stipulation provided for
8 completion of Phase IV within 12 months of Phase III, the Stipulation itself
9 provided that “[t]he Company may adjust the work plan proposed in Stipulation
10 Attachment F, as needed to accommodate resource availability and manage cost
11 controls.”² There was an opportunity for synergy due to the close proximity in
12 the timing of CEUD Phase IV and the Company’s transition to a new customer
13 information system (CIS). If CEUD Phase IV had been created in the legacy CIS,
14 it would only have been available for a few months before being replaced by the
15 new CIS in April 2022. It was cost effective to delay the implementation of
16 CEUD Phase IV by only a few months by creating it in the new billing system
17 instead of creating it in both billing systems. The Company anticipates that
18 CEUD Phase IV will be available with the go-live of the new CIS on April 6, and
19 intends, accordingly, to request approval for CEUD Phase IV costs in the next
20 annual Rider PF Component 2 filing.

² Stipulation, pg. 18.

III. CONCLUSION

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

2 **A. Yes.**

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Summary: Testimony Direct Testimony of Scott B. Nicholson on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Vaysman, Larisa and Kingery, Jeanne W. and Akhbari, Elyse Hanson