**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|---|
| Pennsylvania Public Utility Commission | : | R-2017-2586783 |
| Office of Consumer Advocate | : | C-2017-2592092 |
| Office of Small Business Advocate | : | C-2017-2593497 |
| Philadelphia Industrial & Commercial | : | |
| Gas Users Group | : | C-2017-2595147 |
| William Dingfelder | : | C-2017-2593903 |
| | : | |
| v. | : | |
| | : | |
| Philadelphia Gas Works | : | |

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# DIRECT TESTIMONY
# OF ANTHONY CUSATI, III
# ON BEHALF OF
# THE RETAIL ENERGY SUPPLY ASSOCIATION

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RESA Statement No. 1
May 16, 2017

## I. INTRODUCTION

**Q. Please state your name and business address for the record.**

A. My name is Anthony Cusati, III, and my business address is 1379 Butter Churn Drive, Herndon, VA 20170-2051.

**Q. By whom are you employed and in what capacity?**

A. By Interstate Gas Supply, Inc., d/b/a IGS Energy as the Director of Regulatory Affairs-Eastern Division.

**Q. For whom are you appearing in this proceeding?**

A. I am appearing here today on behalf of The Retail Energy Supply Association ("RESA"), as the Chairman of the Pennsylvania Natural Gas Caucus, including those RESA members that are licensed to operate in the Philadelphia Gas Works ("PGW") service territory and other NGDC service territories throughout Pennsylvania and other restructured and fully regulated markets. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail natural gas and electricity markets deliver a more efficient, customer-oriented outcome than does the monopoly, rate-regulated utility structure. RESA is devoted to working with all interested stakeholders to promote vibrant and sustainable competitive electricity and natural gas markets in the best interests of residential, commercial and industrial customers. Its website is: http://www.resausa.org/.

**Q. Briefly describe your educational experience and relevant qualifications.**

A. I attended Roger Williams College in Bristol, Rhode Island and studied Business Administration with a major in Accounting. I have been employed by IGS Energy since January, 2008 as the Director of Regulatory Affairs-Eastern Division and in that capacity, I am responsible for regulatory affairs matters in markets on the East Coast, which includes existing markets as well as new market development. Prior to this, I was employed by two competitive energy supply companies, Commerce Energy, Inc. and ACN Energy, Inc. in similar capacities from 2000 through the end of 2007. Prior to my employment in the competitive energy supply industry, I was employed in the for-profit sector of healthcare, holding various financial management positions ranging from Controller to Chief Financial Officer. In summary, I have considerable experience in many states covering customer choice regulatory issues.

**Q. Have you participated previously in regulatory cases in Pennsylvania?**

A. Yes, I have submitted testimony in several matters before the Pennsylvania Public Utility Commission ("Commission") involving issues of competition in natural gas markets.

**Q. Have you provided testimony in utility regulatory proceedings in other states?**

A. Yes. I have provided testimony in proceedings in New York, Maryland, Texas, Illinois and California.

**Q. What is the purpose of your direct testimony?**

A. The purpose of my testimony is to address the causes of the lack-luster supplier participation of Philadelphia Gas Works ("PGW") Natural Gas Choice Program

("Choice"). To date, there are no competitive Natural Gas Suppliers ("NGS") currently offering service to residential customers in this Natural Gas Distribution Company ("NGDC") service territory. RESA believes lack-luster supplier and customer participation in the PGW Choice program can be attributed to barriers to competition that include:

- PGW has a very high discount rate that PGW assesses when a supplier participates in the Purchase of Receivables ("POR") program. This high discount rate deters suppliers from participating in the PGW Choice program;
- PGW is not appropriately allocating costs to its gas procurement charge ("GPC"). Thus, the PGW default price is being subsidized making it more difficult for the NGS price to compete against the utility price; and
- PGW continues to charge NGS customers a switching fee to switch to competitive suppliers which discourages customers from shopping.

In my testimony, I propose remedies to barriers to competition to make the PGW Choice program more competitive and ultimately more robust for customers.

## II. PGW CHOICE PARTICIPATION

**Q. How does PGW's Choice program participation compare to other major natural gas utilities in the state?**

A. PGW has by far the lowest residential participation rate of any other major Choice program in the Commonwealth of Pennsylvania. As you can see from the table below, PGW has virtually a 0% shopping rate. The PGW Choice participation rate is by far the lowest shopping rate by any major gas utility in the state.

**PENNSYLVANIA GAS SHOPPING STATISTICS**[1]

| Utility | Total Customers | Shopping Customers | Percent Shopping |
|---|---|---|---|
| Columbia Gas | 391,701 | 97,293 | 24.8% |
| Peoples/Equitable | 636,389 | 101,220 | 15.9% |
| National Fuel | 198,250 | 24,996 | 12.6% |
| PECO | 473,518 | 69,795 | 14.7% |
| UGI | 574,144 | 54,824 | 9.5% |
| PGW | 475,000 | 247 | 0.1% |

**Q. Are you aware of any supplier actively trying to serve residential customers in the PGW service territory?**

A. No. I am not aware of any NGS actively trying to serve residential customers in the PGW service territory.

**Q. Why is the PGW Choice Program participation so low compared to other utilities in the state?**

A. I believe that the extremely low levels of PGW Choice participation can be attributed to a number of factors, some of which include barriers to competition that result in higher costs to NGSs and Choice customers. These additional costs have made it uneconomical for NGSs to serve customers in the PGW territory and for customers to elect a NGS provider.

[1] Shopping statistics are as of December 2016. Valley Cities NUI was excluded from the analysis because of its very low customer count (only 6,022 customers). Source: http://www.oca.state.pa.us/Industry/Natural_Gas/gasstats/Natural%20Gas%20Shopping%20Statistics_April2017.pdf.

## III. PGW POR DISCOUNT RATE

**Q. Please describe the PGW POR Program?**

A. When an NGS enrolls in the PGW Choice program the NGS agrees to take advantage of PGW's billing service in order for the supplier's commodity charges to be billed to the customer along with PGW's transportation and distribution charges. PGW will purchase the receivable of the NGS for its billed commodity charges at a predetermined discount rate. PGW then remits to the supplier the net amount of the receivable (**Billed Receivable – Discount Amount = Net Amount Remitted**).

**Q. What is current level of the PGW POR discount that is applied to residential NGS receivables?**

A. The discount amount is made up of two components: 1) an amount that reflects anticipated uncollectible expenses and, 2) recovery of costs associated with restructuring and consumer education. Currently the residential discount amount applied to NGS receivables is 4.68% for the uncollectible component and 2.00% for the administrative component for a total discount of 6.68%. (*See* PGW's response to NGS Set I, No. 6, attached hereto as RESA Exhibit No. 1).

**Q. Based upon this percentage, how does that translate on a return per dollar billed basis?**

A. For every dollar ($1.00) billed by an NGS, PGW will remit to the NGS 93.22 cents ($0.9322).

**Q. How does this discount rate compare to rates in other NGDC territories?**

A. Rates in other NGDC territories range from a low of 1.52% to a high of 3.55%, averaging across 5 territories at 2.257%.

**Q. Why is the high discount rate a major factor in the number of NGSs participating in the PGW POR program?**

A. As indicated in the previous question, discount rates in the 5 other NGDC territories are well below the rate at PGW. For example, PGW's rate is 47% higher than the highest rate of the other 5 territories (6.68% versus 3.55%) and 66% higher than the average (6.68% versus 2.257%).

**Q. Is it reasonable for NGSs to be charged the entire 6.68% discount rate?**

A. No. While it may be reasonable for NGSs to pay a discount rate for uncollectible expense it is not reasonable for NGSs to be charged the additional 2% administrative adder. For comparison purposes the PGW Merchant Function Charge recovers only 4.68% uncollectibles expense from residential default service customers. However, NGSs must also pay an additional 2% administrative adder on top of the 4.68% uncollectible rate. These additional administrative costs deter NGSs from participating in this market. The 2% administrative adder clearly puts NGS's rates at a disadvantage compared to the NGDCs price to compare. NGSs are more likely to focus their participation in territories where rates are much more competitive, and ultimately to the benefit of the consumer.

**Q. Are you aware of other natural gas utility Choice programs in Pennsylvania that add a similar administrative adder to their discount rate similar to PGW?**

A. No. In the other Pennsylvania natural gas Choice programs NGSs are charged only the cost of uncollectible expense, and no additional administrative component is added to the POR discount rate. PGW is the only gas utility in Pennsylvania that I am aware of that has an administrative adder.

**Q. Why is the administrative adder particularly problematic for the development of the PGW Choice program?**

A. The administrative costs to administer the POR program are primarily fixed. Thus, the level of the discount rate to ensure cost recovery for PGW is a matter of dividing the administrative costs over the total amount of expected NGS revenues billed through the POR program. Very few suppliers participating in the Choice program cause the administrative adder to be even higher, while a higher administrative adder discourages suppliers from participating in the Choice program. The current situation will cause Choice to stagnate until it is changed.

**Q. What changes would you propose that would reduce the POR discount rate, and ultimately attract NGSs to participate in the PGW Natural Gas Choice Program?**

A. At a minimum the Commission should eliminate the component related to the administrative adder from the POR discount rate charged to NGS and at least put the PGW choice program on par with other Choice programs in Pennsylvania.

**Q. Are there alternatives that the Commission could consider beyond just eliminating the NGS administrative adder from the PGW discount rate?**

A. Yes. The Commission could adopt a similar structure as approved for the PECO electric program where there is a zero-discount rate applied to supplier uncollectibles. Under the PECO POR program PECO recovers its uncollectible costs from both suppliers and default service through non-bypassable distribution rates, which would account for uncollectible costs associated with customers being served by suppliers and the utility. This would eliminate the current 4.68% discount currently assessed in the PGW POR program. The merchant function charge, to account for uncollectible expense that is currently reflected in the PGW price to compare, would also be eliminated.

**Q. Why in your opinion do you think a modification to these two discount methodologies could potentially drive NGSs to participate in the PGW Natural Gas Choice Program.**

A. It's simple. Earlier I provided the discount rate ranges for 5 other natural gas utility territories. In each of those territories there is vibrant participation in the Choice program where the discount rates are below 4%. It would only stand to reason that to the extent the PGW discount rate is lowered to be more comparable to those currently in effect at other NGDCs, that decrease would drive NGSs to the PGW Choice program. NGS are always looking for opportunities to participate in the competitive marketplace, so long as it is economical to do so.

**Q. Do you have other concerns about the POR program?**

A. Yes. I am concerned that PGW does not differentiate between commodity-related uncollectibles and distribution-related uncollectibles for purposes of setting its POR uncollectible rate. We asked in discovery for PGW to provide its uncollectible expense segmented between supply-related uncollectibles and distribution-related uncollectibles. (NGS Set II, No. 1, attached hereto as RESA Exhibit No. 2) and its response was a reference to its response to Set I, No. 2. in which PGW responded that it does not track write-offs segmented between supply-related uncollectibles and distribution-related uncollectibles. (NGS Set I, No. 2, attached hereto as RESA Exhibit No. 3). It appears from these responses that PGW does not differentiate.

**Q. Why is the absence of differentiation between supply and distribution-related uncollectibles a concern?**

A. The Commission's regulation at 52 Pa. Code § 62.223(c), appears to require an NGDC to develop an MFC to remove the cost of uncollectibles applicable to natural gas costs from its distribution rates and recover those annual costs as part of the Price to Compare ("PTC"). I find it difficult to understand how PGW could answer the discovery response in the way it did, if it was complying with the regulation. I see this as a problem because it could cause shopping customers to pay an uncollectible rate that they did not cause. A basic principle of ratemaking is that costs should be born by the cost causer. As more customer's shop, commodity-related uncollectibles should be segmented further between default service-related commodity and shopping commodity. This way, if there is a POR discount, it would be set based upon the actual uncollectible experience of shopping customers who would otherwise be required to subsidize default service-related commodity uncollectibles.

## IV. PGW GPC CHARGE

**Q. Can you explain the GPC or gas procurement charge in further detail?**

A. Yes. With the promulgation of 52 Pa. Code § 62.223, the Commission ordered Pennsylvania natural gas distribution companies ("NGDCs") to identify and to unbundle all gas procurement charges from distribution rates and collect those costs from the default rate. Further, 52 Pa. Code § 62.223 clearly states that:

> *(1) Natural gas procurement costs* ***must*** *include the following elements:*
>
> *(i) Natural gas supply service, acquisition and management cost, including natural gas supply bidding, contacting, hedging, credit, risk management costs and working capital." (emphasis added).*

**Q. Is PGW appropriately allocating all costs required under 52 Pa. Code § 62.223 to the GPC?**

A. It does not appear that PGW is appropriately allocating costs to the GPC. In this proceeding PGW proposes to lower its current GPC from \$0.04/mcf to \$0.0228/mcf. In support of this calculation PGW only provides a half page of testimony presented by Philip Hanser and exhibit PQH-10. PQH-10 provides very minimal information on how the GPC is calculated. The exhibit simply lists dollar amounts that purport to represent PGWs GPC costs without describing how PGW arrived at those cost calculations.

**Q. How does PGW's proposed GPC compare to other utilities in the state?**

A. First at $0.04/mcf, PGW's GPC is already the lowest in the state. At $0.0228/mcf PGW's GPC would be the lowest by far. The below table indicates that PGW's current GPC is already half the state average. If PGW's proposal to lower the GPC is adopted, the disparity between PGW's GPC and the GPCs of other utilities in the State will obviously become much greater.

**GPC By Utility**

| | |
|---|---|
| PECO | $ 0.040 |
| Peoples | $ 0.106 |
| National Fuel | $ 0.105 |
| UGI | $ 0.090 |
| Peoples/Equitable | $ 0.106 |
| PGW | $ 0.040 |
| Columbia | $ 0.070 |
| **Average** | **$ 0.080** |

**Q. Why are you concerned about the inappropriate cost allocations to the GPC?**

A. The GPC has an impact on whether NGSs can effectively compete for customers on the PGW system. NGSs are in the business of selling natural gas. A key component of that business is going into the market to identify cost effective ways to buy natural gas and to deliver that natural gas to the end use customer. Customers base their gas buying decisions on several factors, but a very important factor is the price they pay for gas. The GPC is designed to allocate to default service the non-commodity gas supply costs PGW incurs to serve default service customers. Costs that PGW incurs in fulfilling its gas procurement function for default service customers should not be borne by customers that choose to shop for gas supply. Every penny of such cost that is not properly shifted out of base rates saddles the customers of NGSs with costs for procurement services of the utility, which they do not wish to pay. NGSs have similar procurement activities as NGDCs and those costs are included in the prices that customers pay to suppliers. Paying for such activities that the utility undertakes for procurement is double-charging the customer and must be addressed.

**Q. What are your recommendations with respect to the PGW GPC?**

A. The Commission should not approve PGW's GPC rate reduction. PGW should be required to provide more information regarding it GPC calculation. In the meantime, at a minimum PGW's GPC should be set at the State average of $0.08/mcf.

**SWITCHING FEE**

**Q. Is there a switching fee assessed if customers select an alternative gas supplier in the PGW service territory?**

A. Yes. The PGW tariff states the Switching Fee is $10/Customer Switch (The first switch shall be free).

**Q. Who pays the switching fee?**

A. The fee is collected from the gas supplier. This is a cost a gas supplier must bear and places them at a financial disadvantage to the Company, who has no such cost component in its gas cost.

**Q. What fee is assessed to a customer if they switch from a natural gas supplier to the Company's default service?**

A. There is no fee assessed if a customer is currently obtaining supply from a NGS and then switches back to PGW gas supply. I am not aware of any other NGDC that charges a fee to switch. This is a discriminatory charge aimed at increasing the expenses of a NGS. Such practices should be disallowed and the charge should be eliminated.

**Q. Does this conclude your direct testimony?**

A. Yes it does.

# RESA EXHIBIT NO. 1

EXHIBIT
PENGAD 800-631-6989
R-2017-2586783
RESA EX. No. 1
6-28-17 EP PHL

**Response of Philadelphia Gas Works ("PGW")**
**to the Interrogatories of the Retail Energy Supply Association ("RESA)", Set I in**
**Docket No. R-2017-2586783**

**Request: RESA-I-6** Identify the current Purchase of Receivables discount rates by rate class. Specify both the uncollectible accounts expense component and any administrative/implementation cost component.

**Response:** The current Purchase of Receivables discount rates are as follows:

| Class | Uncollectible Discount | Administrative Discount |
|---|---|---|
| Residential | 4.68% | 2% |
| Commercial | 0.28% | 2% |
| Industrial | 0.30% | 2% |

**Response**
**Provided by:** Denise Adamucci, Vice President, Regulatory Compliance & Customer Programs, PGW

**Dated:** April 11, 2017

# RESA EXHIBIT NO. 2

EXHIBIT
R-2017-2586783
RESA Ex. No. 2
6-28-17 EP AH

**Response of Philadelphia Gas Works ("PGW")**
**to the Interrogatories of the Retail Energy Supply Association ("RESA)", Set I in**
**Docket No. R-2017-2586783**

**Request: RESA-I-2** Provide the same information as in #1 segmented by supply related uncollectibles and distribution related uncollectibles.

**Response:** PGW does not track write-offs segmented by supply related uncollectibles and distribution related uncollectibles.

**Response Provided by:** Bernard L. Cummings, Vice, President, Customer Service and Collections, PGW

**Dated:** April 11, 2017

# RESA EXHIBIT NO. 3

EXHIBIT
R-2017-2586783
RESA Ex. No. 3
6-28-17 EP PHL

**Response of Philadelphia Gas Works ("PGW")**
**to the Interrogatories of the Retail Energy Supply Association ("RESA)", Set II in**
**Docket No. R-2017-2586783**

**Request: RESA II-1** Provide PGW's uncollectible expense for the most recent 3-year period, segmented between commodity-related uncollectibles and distribution-related uncollectibles.

**Response:** See PGW response to question RESA-I-2.

**Response**
**Provided by:** Joseph F. Golden, Jr., Executive Vice President and Acting Chief Financial Officer, PGW

**Dated:** May 2, 2017

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|---|
| Pennsylvania Public Utility Commission | : | R-2017-2586783 |
| Office of Consumer Advocate | : | C-2017-2592092 |
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| Philadelphia Industrial & Commercial | : | |
| Gas Users Group | : | C-2017-2595147 |
| William Dingfelder | : | C-2017-2593903 |
| | : | |
| v. | : | |
| | : | |
| Philadelphia Gas Works | : | |

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# SURREBUTTAL TESTIMONY OF ANTHONY CUSATI, III ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION

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RESA Statement No. 1-SR
June 22, 2017

EXHIBIT
PENGAD 800-631-6989
R-2017-2586783
RESA - Statement No.
1-SR
6-28-17 EPAH

## I. INTRODUCTION

**Q. Please state your name and business address for the record.**

A. My name is Anthony Cusati, III, and my business address is 1379 Butter Churn Drive, Herndon, VA 20170-2051.

**Q. Are you the same Anthony Cusati that provided Direct Testimony in this matter?**

A. Yes, I provided Direct Testimony that is marked as RESA Statement No. 1.

**Q. On whose behalf are you appearing?**

A. I am appearing here today on behalf of The Retail Energy Supply Association ("RESA"), as the Chairman of the Pennsylvania Natural Gas Caucus, including those RESA members that are licensed to operate in the Philadelphia Gas Works ("PGW") service territory and other Natural Gas Distribution Company ('NGDC") service territories throughout Pennsylvania and other restructured and fully regulated markets. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail natural gas and electricity markets deliver a more efficient, customer-oriented outcome than does the monopoly, rate-regulated utility structure. RESA is devoted to working with all interested stakeholders to promote vibrant and sustainable competitive electricity and natural gas markets in the best interests of residential, commercial and industrial customers. Its website is: http://www.resausa.org/.

**Q. What is the purpose of your surrebuttal testimony?**

A. To address the rebuttal testimony of several witnesses who addressed my direct testimony. I address the rebuttal statements of:

- Ms. Rachel Maurer ("I&E St. No. 1-R") on behalf of the Pennsylvania Public Utility Commission's Bureau of Investigation and Enforcement ("I&E");
- Mr. Robert Knecht ("OSBA St. No. 1-R") on behalf of the Pennsylvania Office of Small Business Advocate ("OSBA");
- Ms. Barbara Alexander ("OCA St. No. 3-R") on behalf of the Pennsylvania Office of Consumer Advocate ("OCA"); and,
- Mr. Douglas Moser ("PGW St. No. 7-R") on behalf of the Philadelphia Gas Works ("PGW").

**Q. What issues will your testimony address?**

A. There was a significant amount of overlap in the testimonies of the four witnesses identified above. To simplify my response, I will address the issues rather than serially rebutting each witness. The issues are:

A. My proposal for a zero discount Purchase of Receivables ("POR") program such as that currently operated by PECO;

B. The fact that PGW's POR program was implemented as a result of a settlement and what impact, if any, that settlement should have on the outcome of this proceeding;

C. The appropriate level and composition of the administrative adder portion of PGW's POR rate;

D. The appropriate level of PGW's Gas Procurement Charge ("GPC");

E. The misinterpretation of my statements regarding the Merchant Function Charge

("MFC"); and,

F. PGWs anticompetitive switching fee.

## II. ISSUES

### A. Zero Discount POR

**Q. What was your proposal regarding for PGW's POR?**

A. I made two proposals with regard to PGW's POR, one concerning the administrative adder which I address below, and a secondary proposal regarding the uncollectibles portion of the POR. It is that second aspect that I will address here. PGW's current POR discount is 4.68%, the highest by far in Pennsylvania. I acknowledge, as stated by Mr. Moser, that the rate is proposed in this proceeding to be reduced to 3.76 %. (PGW St. No. 1-R, p.21:19). Even at this reduced level, PGW's POR discount will rank among the highest in the Commonwealth. My suggestion was that PGW implement a zero discount POR rate similar to that employed by PECO. The idea is that uncollectible expenses are recovered from all customers through distribution rates thus eliminating the negative competitive impact of such high uncollectibles.

**Q. For what reason did you make this proposal?**

A. The reason for my proposal is simple, in my view; a high POR discount rate creates a barrier to supplier's entering the market. Some of the first questions that suppliers need to answer before entering a new territory is: do they have POR and, if so, what is the discount? If the answer to the first question is "no" or the POR discount it is too high, the supplier is likely to invest its resources in other more favorable markets.

**Q. Do you agree that the proposed reduction in PGW's POR discount is sufficient to overcome the hesitance of natural gas suppliers ("NGS") to enter PGW's service territory?**

A. I can agree that 3.76 % is better than 4.68%. Can I agree, however, that 3.76% will inspire greater numbers of suppliers not only to sign-up to participate, but to actually make offers? No. I continue to believe that 3.76% is too high to promote robust competition where today, it is for all practical purposes, non-existent in the residential market.

**Q. What have the other witnesses said about your proposal?**

A. Ms. Maurer suggests that my proposal for a zero discount POR would put the entire uncollectibles burden on PGW, which is simply not correct. Any PGW expense related to uncollectibles would continue to be recovered by PGW in rates, but simply from all customers. Ms. Alexander contends that there is no correlation shown between the level of the POR discount and NGS participation in a particular market. The only evidence that would conclusively address Ms. Alexander's "test" would be to bring each CEO of each supplier not participating in the PGW market into the hearing and have them testify as to why they are not participating. That seems impractical if not impossible. I can tell you as a market participant, and based on my expertise in the marketer sphere, that my opinions are based upon nearly two decades of experience. High POR rates discourage NGS participation even where there is an MFC mechanism to explicitly reflect the same costs for shopping customers. Finally, Mr. Moser suggests that under my proposal, the "actual cost" of uncollectibles would be paid for by "paying customers," which is true, but also represents little change from what happens today because so few customers shop and so few suppliers participate in the market that in effect paying customers pay the entire bill. Mr. Moser also conclusively states that PECO's experience is not relevant to PGW. I disagree. There is substantial overlap in PECO and PGW's markets if one considers PECO's electric service territory.

**Q. Based upon all this testimony, has your position on the zero discount POR changed?**

A. My goal in presenting the zero discount alternative was to present another way to address the high POR discount rate in the PGW service territory, which I continue to believe acts as a barrier to participation in the PGW market. As I stated in my direct testimony, the administrative adder is the main culprit in this problem. While other parties disagree, I still think it is a viable alternative and should be considered.

### B. The Rate Case Settlement that created POR.

**Q. What is the issue with regard to the Settlement that led to the implementation of the POR in PGW service territory?**

A. Every witness who addressed my direct testimony implied in some fashion that because the POR was the result of a settlement[1] the Commission should disregard any effort on RESA's part to alter the POR program.

[1] *Joint Petition for Settlement*, Docket Nos. R-2008-2073938 and R-2009-2139884 (Recommended Decision dated December 19, 2013 and Order entered February 20, 2014).

Q. **Does the Settlement bar parties from addressing the terms of the settlement in future proceedings?**

A. I am not a lawyer and am not giving a legal opinion but the language of the settlement that was approved is clear in stating that Joint Petitioners have a right to raise the same issues in future proceedings:

> *This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to any of the Joint Petitions may advance in the future on the merits of the issues in future proceedings, except to the extent necessary to effectuate the terms and conditions of this settlement.*

Q. **Was IGS a party to the proceeding that created the POR program?**

A. Yes. And we were hopeful at the time that any POR program would aid in creating a robust market in the PGW service territory. Unfortunately, is has not. I also note, so that the record is clear, that at the time we participated in the settlement, neither my company, Interstate Gas Supply, Inc, nor Dominion Retail, Inc., with whom we jointly participated in the proceeding, were members of RESA.

Q. **Does RESA believe that its prior participation as a party to the settlement of PGW's POR program should disqualify it from seeking to improve the program now?**

A. No. We believe that parties reserved their rights in the settlement just for a situation like this, where the program is failing and needs to be re-considered. I disagree with the position advanced by Mr. Knecht that to fix PGW's POR program now rather than wait years until there is no hope of recovery, will have a chilling effect on future settlements reached via collaborative processes. To the contrary, I believe these processes need to show adaptability. No one could have known in 2014, when the POR program was rolled out, what would happen two years later. Parties to settlements should be allowed to propose modifications for improvements when anticipated results do not materialize.

### C. The Administrative Adder

**Q. Can you explain once again what an administrative adder is and why it matters here?**

A. The administrative adder is a component of the POR discount, fixed at 2.0 %, that is intended to recover an explicit set of costs that were specifically allocated to it. These costs include one-time administrative and educational costs and total slightly less than $500,000. It is called an "adder" because it is in addition to the portion of the POR discount that recovers the uncollectible expense associated with supply for shopping customers. The level of the adder matters, as I discussed in my direct testimony, because unlike the MFC, there is no offset in the retail price to compare ("PTC") for these costs. That means that, all else being equal, every supplier's retail price must be 2% higher than the price to compare, unless a supplier is willing to absorb these costs rather than recover them from customers until the point where $25,000,000 in retail sales have occurred in the PGW service territory. Stated differently, the adder disadvantages suppliers that enter the territory first, simply for being first. I proposed eliminating or substantially reducing the adder and provided an example in my direct testimony that shows that at the current level of shopping it will take PGW more than 100 years to recover the costs associated with this adder.

**Q. Are you suggesting that PGW should not recover just, reasonable and authorized administrative and educational costs that it incurred to implement the POR program?**

A. No, I support recovery for PGW of these costs. However, just as all costs for billing and collections that are used to support default service customers are recovered through distribution rates so that PGW can make the default rate available to customers, the costs incurred to support the Choice program should similarly be socialized as well. However, to the extent that other parties contend that all customers should not bear these costs, at a minimum I recommended, and continue to propose, that recovery of the costs be mitigated by reducing the adder to a nominal level of one mil. Under such a structure, PGW recovers these costs more quickly than under its present scenario, as more suppliers will participate in the market and contribute to the payment of the costs sooner, without the first few market entrants being charged the bulk of these costs with those entrants that follow benefiting. The elimination or significant reduction of the administrative adder is critical if competition for residential customers can ever be expected to thrive in the PGW service territory.

**Q. How do you respond to Ms. Alexander's criticism that the reason for lack of competition may be something other than the POR discount, such as price?**

A. Suppliers have shown in other Pennsylvania service territories that they can compete on price if given a fair opportunity to do so. While it may be true that the costs of operating on the PGW system may be higher than in other PA NGDC service territories (*see*, Mr. Magnani's Direct and Surrebuttal Testimony), I see the current 2% premium known as the administrative adder, as a major impediment to competition.

**D. The GPC**

**Q. What is a gas procurement charge?**

A. As the name suggests, the GPC is a separate charge paid by default service (non-shopping) customers, which represents the costs incurred by PGW for procuring natural gas commodity for default service customers. These costs include "*Natural gas supply service, acquisition and management cost, including natural gas supply bidding, contacting, hedging, credit, risk management costs and working capital.*" 52 Pa. Code § 62.223(2).

**Q. Are you concerned about the substantial decrease to the GPC as proposed by PGW?**

A. Yes. The GPC is intended to eliminate duplication of costs between customers who shop and those who do not by putting into the default service rate (also known as the Price to Compare or PTC) the costs of procurement, which shopping customers instead pay directly to their supplier through the competitive price paid. If the GPC does not accurately reflect the costs of procurement, and instead those costs are inappropriately recovered elsewhere such as through utility distribution service, shopping customers end up paying twice for the same functionality. In this case PGW has proposed to reduce its GPC from what is already the lowest rate in Pennsylvania, $0.04/mcf, to an even lower $0.0228/mcf. My concern is that PGW proposes to lower the rate dramatically without adequate explanation as to how a 40% reduction is possible. There is scant testimony on how the rate was calculated and no explanation of the cost cutting or change in operations that could have led to nearly halving the costs. I simply do not see that PGW has supported the proposed change in its direct testimony.

**Q. What criticisms did other witnesses offer in response to your concerns?**

A. Both Ms. Alexander and Mr. Moser took a similar approach and accused me of not producing evidence that PGW had incorrectly calculated the GPC amount, with Mr. Moser going so far as to suggest that RESA had not sought discovery on this issue, and therefore had no basis to suggest that such a monumental change in the GPC should have had more support in the company's direct testimony. This suggestion is ridiculous on its face. There is an asymmetry of information that PGW holds. It is not my role to adduce evidence to support the Company's claim when it has failed to do so in the first place. I continue to believe that there is insufficient evidence in the record at this point to support the dramatic changes proposed by PGW to the GPC.

**Q. Have these criticisms led you to change your position on the GPC?**

A. I still have not seen any evidence to explain the radical change in PGW's GPC and I recommend the proposed change be denied.

### E. The Merchant Function Charge

**Q. What is the Merchant Function Charge?**

A. It is a charge that appears on the bills of default service customers that reflects the unbundled costs of uncollectibles expense associated with the NGDC's natural gas costs.

**Q. Several commenters suggested that you claim that PGW does not properly represent its MFC, is that correct?**

A. No. I never said that. What I did say was that RESA was concerned because PGW stated in its discovery response to RESA that it was not able to differentiate between supply related uncollectibles and distribution related uncollectibles expense. It appears to my layman's reading of the regulations, that PGW is required to differentiate between supply related and distribution related uncollectibles expense as part of preparing its MFC. 52 Pa. Code. § 62.224(c). So, we were surprised when PGW claimed it did not track these write-off's separately. I have no way of knowing if PGW correctly calculated the MFC, but the discovery response it provided gave me pause, and so I pointed it out. If it is true that PGW does not differentiate between write-offs for distribution versus commodity service, that would call into question its calculations. At a minimum, the commission should order PGW to begin tracking these costs separately.

**F. Switching Fee**

**Q. Does PGW charge a fee for customers to change suppliers?**

A. Yes. PGW charges the receiving supplier a $10/customer switch fee for every customer who switches to that supplier, where the switch was other than the first switch per year. There is no such fee if a customer switches to default service, no matter how many other times the customer has switched in the year.

**Q. Do you see this as an inequity?**

A. Yes, and so does Ms. Alexander who recommends eliminating the switching fee. It is discriminatory, in that PGW does not charge customers who switch to it. The fee harms competition because a supplier who gains a customer will probably not know if the fee applies or not until after the transaction is completed, and so the supplier may not be able to recover the costs associated with it. Mr. Moser's contention that the fee has been around for a long time does not mean it is fair or proper and it should be removed.

**Q. Does this conclude your Surrebuttal Testimony?**

A. Yes.

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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| Pennsylvania Public Utility Commission | : | R-2017-2586783 |
| Office of Consumer Advocate | : | C-2017-2592092 |
| Office of Small Business Advocate | : | C-2017-2593497 |
| Philadelphia Industrial & Commercial | : | |
| Gas Users Group | : | C-2017-2595147 |
| William Dingfelder | : | C-2017-2593903 |
| | : | |
| v. | : | |
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| Philadelphia Gas Works | : | |

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**VERIFICATION OF**
**ANTHONY CUSATI, III**

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I, Anthony Cusati, III, hereby verify the following facts:

1.) My name is Anthony Cusati, III, and my business address is 1379 Butter Churn Drive, Herndon, VA 20170-2051. I am employed by Interstate Gas Supply, Inc. d/b/a IGS Energy ("IGS") as the Director of Regulatory Affairs – Eastern Division;

2.) I have been duly authorized by The Retail Energy Supply Association ("RESA") to testify on their behalf as a witness in the above-captioned matter;

3.) RESA Statement No. 1 is my direct testimony in the above-captioned matter on behalf of the RESA and was prepared by me or under my supervision. RESA Statement No. 1 also contains 3 exhibits: RESA Exhibit No. 1, which is the response of PGW to RESA Set 1, No. 6; RESA Exhibit No. 2, which is the response of PGW to RESA Set 1, No. 2 and RESA Exhibit No. 3, which is the response of PGW to RESA Set 2, No. 1. The interrogatory responses that are contained in RESA Exhibits Nos. 1 and 2 were verified by Ms. Denise Adamucci, and a copy of that verification is attached hereto, while the Interrogatory response that is contained in RESA Exhibit No. 3 was verified by Mr. Douglas A. Moser, whose verification is also attached hereto;

4.) RESA Statement No. 1-SR is my surrebuttal testimony in the above-captioned matter on behalf of the NGS Parties and was prepared by me or under my supervision;

5.) RESA Statement Nos. 1 and 1-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Anthony Cusati, III
Interstate Gas Supply, Inc. d/b/a IGS Energy

DATE: June 28, 2017

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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|---|---|---|
| Pennsylvania Public Utility Commission | : | R-2017-2586783 |
| Office of Consumer Advocate | : | C-2017-2592092 |
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| William Dingfelder | : | C-2017-2593903 |
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| Philadelphia Gas Works | : | |

# DIRECT TESTIMONY OF ORLANDO (RANDY) MAGNANI ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION

RESA Statement No. 2
May 16, 2017

EXHIBIT
R-2017-2586783
RESA Statement No.
2
6-28-17 EP PVL

**Q. Please state your name and business address.**

A. My name is Orlando (Randy) Magnani. My business address is 19561 Caladesi Drive, Estero, FL, 33967.

**Q. Please summarize your educational background and professional experience.**

A. I am President of Rand Energy Consultants. As such, I provide consulting services to natural gas marketers primarily related to operational and technical issues. Prior to my current position, I was Director of Natural Gas Operations for the Energy Marketing Division of Hess Corporation from 2001 to 2013. As Director of Operations at Hess, I oversaw all of Hess' natural gas marketing operations (including forecasting, scheduling and pricing) for the natural gas local distribution companies ("LDCs") located in the Hess Energy Marketing footprint. I was responsible for overseeing Hess' six regional operations offices, which had the local day-to-day duties for natural gas operations within their specific geographic regions. Hess operated behind over seventy LDCs. Prior to that, from 1998-2001, I was a Principal with Navigant Consulting performing various consulting services primarily related to LDC issues. From 1996 to 1998, I was President and Chief Operating Officer for KeySpan Energy Services, Inc. ("KeySpan"). At KeySpan, I had general supervisory responsibility for its gas marketing business. From 1971 through 1996, I held several titles at The Brooklyn Union Gas Company ("Brooklyn Union"), the LDC based in Brooklyn, New York. I served as Manager of Gas Operations where I was responsible for the operation and maintenance of the company's LNG plant and high-pressure transmission system, as well as all scheduling activities on interstate gas pipelines. Additionally, I served as Brooklyn

Union's Manager of Rates and Gas Supply where I was responsible for cost allocation and rate design of utility rates, state and federal regulatory affairs, and gas supply planning and contract negotiation and administration. I also served as Manager, Project Development where I set up and managed a wholesale marketing business designed to generate margin from under-utilized supply, capacity and storage assets. Prior to that, I was a Junior Engineer with the New York Public Service Commission. I earned a Bachelor's Degree in Chemical Engineering from Manhattan College in 1970.

I have previously testified in several cases before this Commission. In addition to testifying in Pennsylvania, I have testified before utility commissions in eight other states: New York, Massachusetts, Maryland, Ohio, Missouri, Virginia, Connecticut and Rhode Island. I have also testified before the District of Columbia PUC and the Federal Energy Regulatory Commission. I have over 45 years of professional experience working for competitive natural gas suppliers, natural gas consultants, and a gas LDC encompassing a comprehensive array of natural gas related matters.

**Q. On whose behalf are you testifying in this proceeding?**

A. The Retail Energy Supply Association, known as "RESA", whose members are licensed to operate in the Philadelphia Gas Works ("PGW") service territory and other NGDC service territories throughout Pennsylvania and other restructured and fully regulated markets. RESA is a broad and diverse group of retail energy suppliers who share the common vision that competitive retail natural gas and electricity markets deliver a more efficient, customer-oriented outcome than does the monopoly, rate-regulated utility structure. RESA is devoted to working with all interested stakeholders to promote vibrant and sustainable competitive electricity and natural gas markets in the best interests of residential, commercial and industrial customers. Its website is: http://www.resausa.org/.

**Q. What is the Purpose of your testimony?**

A. I will address some issues that need clarification and propose that a collaborative be established to deal with them. I will also discuss an operational issue related to the Daily Delivery Quantity ("DDQ"). Then, I will discuss the monthly cash out threshold. Currently, deliveries are cashed out if they are outside a range of +/- 2.5%. I believe that range is too narrow and should be changed to +/- 5%. Finally, I will discuss the penalty for being short on an OFO day. The current penalty is $75 per Dth. I believe that penalty is too high.

**Q. Please discuss the items that you believe need clarification.**

A. First. The bill that NGSs receive for the Load Balancing Charge (PGW Gas Supplier Tariff – Pa. P.U.C. No. 1, Sixty Sixth Revised Page No. 39, attached hereto as RESA Exhibit No. 4) is unclear. There are items on the bill that are not explained. For example, there is a calculation that multiplies design day by a rate. It's unclear how the design day volume is calculated or how the rate is determined. Even if one reviews the tariff, it is not clear what we are being charged for – the definitions are far from precise. This calculation has a significant impact on NGSs costs and yet we have no support for it and because we don't know what components it contains; we can't forecast it. Another issue with the bill is that there is a pool charge assessed. Here too, there is no support or justification for the charge. NGSs don't know how it's derived or what it represents.

Second, there is an issue related to Daily Delivery Quantity ("DDQ"). The DDQ is a figure provided by PGW that NGSs are required to deliver each day. It is defined by the tariff (PGW Gas Supplier Tariff – Pa. P.U.C. No. 1, Third Revised Page No. 10) as:

> DAILY DELIVERY QUANTITY ("DDQ") - The daily quantities of natural gas supplies a Supplier is required to deliver in Dths for a Firm Pool, as forecasted and communicated by Company, and may specify the required points of delivery. Such forecast shall be calculated to include volumes needed for end-use requirements, prior imbalances and provide return of balancing service quantities and unaccounted for gas, which amount shall not exceed the DCQ. This quantity will include corrections for Volume Adjustments.

Again, the definition includes many items and, in our experience, PGW is unable to explain how the volume is derived. That's clearly a problem, but what's worse is that the volume is often changed retroactively. NGSs are told that the volume they were supposed to deliver the day before is changed. That leaves us in the position of trying to make retroactive changes. PGW hasn't been able to explain why the volumes change. As far as I know, there is no set lock period when the DDQ becomes fixed and the NGSs obligation to deliver daily volume is finalized. It is important that NGSs understand how all aspects of the bill are calculated and how we can forecast volumes that we will be required to deliver, but NGSs need more information so we can do that and the current system is not working. I recommend that a collaborative be established to work on making the bill and all its components more transparent.

Third, NGSs are allowed a tolerance band of +/- 2.5% around their monthly deliveries, i.e. volumes within the band are cashed at market prices, whereas volumes outside that band are cashed out at punitive levels. I think that band is too narrow. It is smaller than most LDCs allow and within normal weather variations. A band of +/- 5% would be more realistic.

Finally, I think the penalty of $75 per Dth is too high. It goes beyond acting as a disincentive and becomes punitive. A penalty of $25 per Dth would be adequate and more appropriate.

**Q. Does that conclude your direct testimony?**

A. Yes. It does.

# RESA EXHIBIT NO. 4

9.14. LOAD BALANCING CHARGE.

9.14.A. Suppliers for all gas delivered under Firm Transportation Rates, of this Suppliers Tariff shall be charged at $38.0003 per design day Mcf that is fulfilled by PGW storage and peaking assets, for recovery of those costs for Balancing Service, calculated in the manner set forth in the Commission's Order at M-00021612 (entered March 31, 2003) and as set forth below. Such rate for Balancing Service shall be increased or decreased, from time to time, in accordance with applicable law and procedures. **(D)**

9.14.B. Computation of Balancing Service Costs per Dth.

9.14.B.1. Formula. Balancing Service Costs, per design day Mcf, that is fulfilled by PGW storage and peaking assets, shall be computed to the nearest one-hundredth cent ($0.0001) in accordance with the formula set forth below:

$$BSC = (C / S_1) - (E / S_2)$$

Projected Balancing Service Costs, so computed, shall be charged to Suppliers of Firm Transportation Rates per Customer per design day Mcf that is fulfilled by PGW storage and peaking assets,for an enrollment month. The amount of those costs, per Mcf, will vary, if appropriate, based upon annual filings by the Company pursuant to Section 1307(f) of the Public Utility Code and such supplemental filings as may be required or be appropriate under Section 1307(f) or the PUC's regulations adopted pursuant thereto.

9.14.B.2. Definitions. In computing the Balancing Service Costs, per Dth, pursuant to the formula above, the following definitions shall apply:

"BSC" - Balancing Service Costs determined to the nearest one-hundredth cent ($0.0001) to be charged to each design day Mcf that is fulfilled by PGW storage and peaking assets, under Rate Schedule Firm.

"C" - Cost in dollars: for all types of storage and related services, the fixed and variable costs for the projected period when rates will be in effect.

"E" - the net overcollection or undercollection of Balancing Service Costs.
The net overcollection or undercollection shall be determined for the most recent period permitted under law, which shall begin with the month following the last month which was included in the previous overcollection or undercollection calculation reflected in rates. The annual filing date shall be the date specified by the PUC for the Company's Section 1307(f) Tariff filing.

Each overcollection or undercollection statement shall also provide for refund or recovery of amounts necessary to adjust for overrecovery or underrecovery of "E" factor amounts under the previous Balancing Service Costs Rate. Interest shall be computed monthly at the rate as provided for in Section 1307(f) of the Public Utility Code from the month that the overcollection or undercollection occurs to the effective month such overcollection is refunded or undercollection is recouped. Such over billings (or under billings) will be made with interest at the statutory rate.

"$S_1$" – projected Mcf of storage gas/LNG to be delivered to Customers to meet design day needs during the projected period when rates will be in effect.
"$S_2$" – forecasted Mcf of load balancing volumes during the projected period when rates will be in effect.

**(D) – Decrease**

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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# SURREBUTTAL TESTIMONY OF ORLANDO (RANDY) MAGNANI ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION

RESA Statement No. 2-SR
June 22, 2017

**Q. Please state your name and who you represent.**

A. My name is Orlando (Randy) Magnani. I am representing the Retail Energy Supply Association ("RESA") in this proceeding.

**Q. *Did you previously submit testimony on behalf of RESA in this proceeding?***

A. Yes. I presented Direct Testimony, RESA Statement No. 2.

**Q. What is the purpose of your Surrebuttal testimony?**

A. I respond to the rebuttal testimony of PGW witness Douglas A. Moser at pages 23 through 27. I also respond to the rebuttal testimony of Mr. Jerome Mierzwa at pages 8 and 9.

**Q. Please discuss Mr. Moser's rebuttal testimony.**

A. Mr. Moser addresses three issues he has with my direct testimony. First, he states where in PGW's Tariff the bill format, pool charges and Daily Delivery Quantity ("DDQ") are described. He doesn't address the problem of retroactive changes to the DDQ. While having the cites to the tariff language is useful it doesn't clear up the fact that the bill is not clear and more information is required to fully understand the charges. However, Mr. Moser states that PGW is willing to convene a collaborative to discuss these issues. That is the result that RESA is seeking and we appreciate the opportunity to participate in that collaborative. As PGW agrees to convene a collaborative, there is no need to wait until the outcome of this case. Suppliers could benefit from a clearer of understanding of the items I've addressed. That collaborative should be convened as soon as possible.

Second, Mr. Moser discusses the 2.5% Cashout Tolerance Band for monthly deliveries. He provides an example of how much a supplier imbalance may deviate on a cold day in January. I'm at a loss to figure out how a daily imbalance is at issue here. The 2.5% tolerance band is a monthly number. A supplier could in fact over or under deliver on any day and still be in balance at the end of the month. Also, a number of suppliers could over-deliver while others under-deliver and the system would be in balance. The purpose of the monthly band is to keep the variation between what suppliers deliver and what customers use within a reasonable range. It isn't a situation where the ability to meet the system's demand is in jeopardy. 2.5% is the narrowest monthly tolerance band I've seen. Mr. Moser states that suppliers are within the band 80% of the time. That means suppliers are outside the range 20% of the time. That's far too great a number and a clear indication that the 2.5% tolerance band is too narrow. I think the band is too narrow, but more importantly, I think the penalty for being outside the tolerance band is severe and beyond what seems reasonable. Currently if a supplier delivers within 2.5% of its customers' requirements, the customer buys gas from or sells gas to PGW at the monthly average price. The problem occurs when a supplier is outside the 2.5% tolerance band. In the case of under-delivery, the customer buys the gas from PGW at a rate of 150% of the average of the five highest days or 150% of the Company's highest incremental cost, whichever is higher. In the case of over-delivery, PGW buys the gas at 75% of the lowest five-day average or 75% of the Company's lowest incremental cost, whichever is lower. This is a punitive pricing structure and according to Mr. Moser, suppliers pay these exorbitant prices 20% of the time. I think the Cashout tolerance band should be increased to 5%. As a compromise, I believe that a more reasonable price structure could be used for the gas between 2.5% and 5%. Shortages in that range could be priced at 125% of the average monthly price and overages could be purchased at 75% of the monthly average price.

The third point that Mr. Moser addresses is the $75 penalty charge. The charge is contained in the tariff where it states that a supplier will pay $75 plus all other costs incurred by the Company to satisfy the deficiency. Again, this is a punitive charge and goes far beyond the level needed to deter inappropriate action. If the charge were reduced to $25 plus all other costs incurred by the Company, this would be an adequate deterrent. No supplier would willingly under-deliver knowing that they would pay the cost that they otherwise would have paid to purchase the gas plus $25. Usually if a supplier doesn't deliver the correct quantity of gas, it is because an honest mistake was made. The customer used more gas than expected or a scheduler made a mistake such as including an incorrect meter number. A deterrent may be appropriate but a punitive charge is excessive and unnecessary. A supplier would do everything within their power to avoid the $25 adder.

**Q. Please address Mr. Mierzwa's rebuttal testimony.**

A. Mr. Mierzwa addresses two items from my testimony. First, he recommends that the penalty charge be changed to $25 plus the applicable daily Tetco M-3 Index price. I have no problem with Mr. Mierzwa's proposal and could support it. Second, Mr. Mierzwa states that the use of storage assets is necessary for PGW to accommodate monthly imbalances. There is nothing in the record to support that claim. Monthly imbalances are not biased, they are simply variations between what the suppliers deliver and what the customers consume. One supplier could be 3% over-delivered while another supplier could be 3% under-delivered. The system would be in balance but both suppliers would pay an exorbitant fee on 0.5% of their supply (the 0.5% by which 3.0% exceeds the 2.5% tolerance band). No storage assets would be utilized. The tolerance band is too narrow and should be changed to 5%.

**Q. Does that conclude your Surrebuttal testimony?**

A. Yes, it does.

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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| William Dingfelder | : | C-2017-2593903 |
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| v. | : | |
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| Philadelphia Gas Works | : | |

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**VERIFICATION OF**
**ORLANDO (RANDY) MAGNANI**

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I, Orlando (Randy) Magnani, hereby verify the following facts:

1.) My name is Orlando (Randy) Magnani, and my business address is 19561 Caladesi Drive, Estero, FL 33967. I am the President of Rand Energy Consultants;

2.) I have been duly authorized by The Retail Energy Supply Association ("RESA") to testify on their behalf as a witness in the above-captioned matter;

3.) RESA Statement No. 2 is my direct testimony in the above-captioned matter on behalf of the RESA and was prepared by me or under my supervision. RESA Statement No. 2 also contains 1 exhibit: RESA Exhibit No. 4;

4.) RESA Statement No. 2-SR is my surrebuttal testimony in the above-captioned matter on behalf of RESA and was prepared by me or under my supervision;

5.) RESA Statement Nos. 2 and 2-SR are true and correct to the best of my knowledge, information and belief, and if a hearing were held today and I were asked the same questions, my answers would be the same as contained in each of my Statements. I understand that my statements are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Orlando (Randy) Magnani
Rand Energy Consultants

DATE: June 28, 2017