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June 20, 2019

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. Peoples Natural Gas Company, LLC;
Docket Nos. R-2018-3006818

Dear Secretary Chiavetta:

Consistent with Section 5.412a of the Commission's regulations, 52 Pa. Code § 5.412a, which requires the electronic submission of pre-served testimony, attached please find the Direct Testimony of Orlando Magnani, on behalf of Direct Energy Business, LLC, Direct Energy Services, LLC, and Direct Energy Business Marketing, LLC's ("Direct Energy") in the above-referenced matters. These documents were admitted into the record on June 20, 2019 as Direct Energy St. No. 1.

All known parties and the presiding officer have been served previously with this Testimony. If you have any questions, please contact me.

Sincerely,



Kristine E. Marsilio

KEM/lww

Enclosure

cc: Cert. of Service w/out enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of Direct Energy's Letter Regarding Pre-Served

Testimony upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Kristine E. Marsilio, Esq.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

Peoples Natural Gas Company LLC

Docket No. R-2018-3006818

DIRECT TESTIMONY

OF

ORLANDO MAGNANI

April 29, 2019

1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

4 Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND
5 PROFESSIONAL EXPERIENCE.

6 A. I am President of Rand Energy Consultants. As such, I provide consulting services to
7 natural gas marketers primarily related to operational and technical issues. Prior to my
8 current position, I was Director of Natural Gas Operations for the Energy Marketing
9 Division of Hess Corporation from 2001 to 2013. As Director of Operations at Hess, I
10 oversaw all of Hess' natural gas marketing operations (including forecasting, scheduling
11 and pricing) for the natural gas local distribution companies ("LDCs") located in the Hess
12 Energy Marketing footprint. I was responsible for overseeing Hess' six regional operations
13 offices, which had the local day-to-day duties for natural gas operations within their
14 specific geographic regions. Hess operated behind over seventy LDCs.

15 Prior to that, from 1998-2001, I was a Principal with Navigant Consulting
16 performing various consulting services primarily related to LDC issues. From 1996 to
17 1998, I was President and Chief Operating Officer for KeySpan Energy Services, Inc.
18 ("KeySpan"). At KeySpan, I had general supervisory responsibility for its gas marketing
19 business. From 1971 through 1996, I held several titles at The Brooklyn Union Gas
20 Company ("Brooklyn Union"), the LDC based in Brooklyn, New York. I served as
21 Manager of Gas Operations where I was responsible for the operation and maintenance of
22 the company's LNG plant and high-pressure transmission system, as well as all scheduling
23 activities on interstate gas pipelines. Additionally, I served as Brooklyn Union's Manager
24 of Rates and Gas Supply where I was responsible for cost allocation and rate design of

1 utility rates, state and federal regulatory affairs, and gas supply planning and contract
2 negotiation and administration. I also served as Manager, Project Development where I
3 set up and managed a wholesale marketing business designed to generate margin from
4 under-utilized supply, capacity and storage assets. Prior to that, I was a Junior Engineer
5 with the New York Public Service Commission. I have over 48 years of professional
6 experience working for competitive natural gas suppliers, natural gas consultants, and a
7 gas LDC encompassing a comprehensive array of natural gas related matters. I earned a
8 Bachelor's Degree in Chemical Engineering from Manhattan College in 1970.

9 **Q. DO YOU HAVE ANY EXPERIENCE TESTIFYING IN REGULATORY**
10 **MATTERS?**

11 **A.** Yes. I have testified in numerous proceedings before the Pennsylvania Public Utility
12 Commission ("Commission"), including 1307(f), rate, and other gas supply-related
13 proceedings. In addition to testifying in Pennsylvania, I have testified before utility
14 commissions in eight other states: New York, Massachusetts, Maryland, Ohio, Missouri,
15 Virginia, Connecticut and Rhode Island. I have also testified before the District of
16 Columbia Public Utility Commission and the Federal Energy Regulatory Commission.

17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

18 **A.** I am testifying on behalf of Direct Energy Business, LLC, Direct Energy Services, LLC,
19 and Direct Energy Business Marketing, LLC (collectively, "Direct Energy"). The
20 intervening Direct Energy companies are natural gas suppliers ("NGSs") licensed by the
21 Commission to provide natural gas and related services to retail customers in the service
22 territories of Peoples Natural Gas and Peoples Gas (collectively, "Peoples").¹ Direct

¹ See PUC Docket Nos. A-125072 (Direct Energy Business, LLC), A-125135 (Direct Energy Services, LLC) and A-2013-2365792 (Direct Energy Business Marketing, LLC).

1 Energy is wholly owned by Direct Energy Business, LLC, which is a subsidiary of Direct
2 Energy Services, LLC. Being part of the Direct Energy family, Direct Energy Services,
3 LLC is wholly owned by its ultimate parent company: Centrica pic. Through these
4 corporate structure, Direct Energy and its affiliated companies are one of North America's
5 largest energy and energy-related services providers with over 4 million residential and
6 commercial customer relationships. A subsidiary of Centrica pic, one of the world's
7 leading integrated energy companies, Direct Energy and its affiliates operate in 46 states
8 including the District of Columbia and 10 provinces in Canada. Direct Energy has a unique
9 business model, and extensive experience in providing innovative gas and electricity
10 products and services to residential, small and large commercial and industrial customers,
11 utilities, and government entities.

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

13 A. I have been asked to review the filing and proposed tariff of Peoples Natural Gas Company,
14 LLC ("Peoples" or the "Company") in the above-captioned proceeding and make
15 recommendations related thereto. In my testimony, I will address Peoples' proposal to
16 change the assignment of capacity for Priority One Pool Operators with Peak Day Demand
17 of 2,000 Dth per day, or less.

18 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSED CHANGE IN CAPACITY**
19 **FOR POOL OPERATORS WITH PEAK DAY DEMAND < 2,000 DTH PER DAY.**

20 A. The Company has proposed that Priority One Pool Operators who have a peak day demand
21 of 2,000 Dth per day or less will not be assigned their pro-rata or other agreed upon share
22 of pipeline and storage capacity. In lieu of such capacity assignment, the Company has
23 proposed to deliver the Pool Operator's required daily gas supplies. Peoples Statement No.
24 5 at 24-25.

1 Q. HOW DO YOU RESPOND?

2 A. I have serious concerns with this proposal and the impact that it will have on the ability of
3 Natural Gas Suppliers (“NGSs”) to manage natural gas costs, to prevent the volatility of
4 prices, and to operate Priority One (“P1”) Pools. This proposal is not necessarily limited
5 to smaller suppliers, nor is it voluntary in nature. Even as one of the largest energy
6 providers in North America, Direct Energy has a peak day demand of less than 2,000 Dth
7 per day, and, thus, would be affected by this proposal. Direct Energy operates both a P1
8 and a Non-Priority One (“NP-1”) Pool. Direct Energy’s P1 Pool is necessary to aggregate
9 natural gas supplies to satisfy the full requirements of its Priority One transportation
10 customers.

11 Under the Company’s proposal, Direct Energy would not be assigned its agreed-
12 upon share of storage capacity. Instead, Peoples would deliver Direct Energy’s required
13 daily gas supplies to its transportation customers, bill the customers, and send Direct
14 Energy a check for Peoples’ services. This proposal takes away any control that Direct
15 Energy has over its P1 Pool, in that it prevents Direct Energy from being able to make
16 future hedges and assign capacity on a long-term basis. In this manner, Direct Energy
17 would be unable to efficiently manage natural gas costs, impacting its entire P1 Pool and
18 potentially increasing costs for its transportation customers. NGSs, including Direct
19 Energy, need to be able to manage their natural gas costs in order to build a market and to
20 best serve their customers.

21 Q. DID PEOPLES EXPLAIN THE PURPOSE OF THIS PROPOSAL?

22 A. No, it did not. It seems that Peoples is merely hoping to assist suppliers with less capacity
23 (and fewer customers) in making deliveries. In reality, however, this proposal will have a

1 detrimental impact on even large suppliers, such as Direct Energy, and their P1 Pools, as
2 discussed above.

3 **Q. WHAT DO YOU RECOMMEND?**

4 A. I recommend that Peoples lower the threshold to Priority One Pool Operators who have a
5 peak day demand of 500 Dth per day, or less, and that this option be voluntary. In this
6 manner, Peoples will be able to assist smaller suppliers who want the assistance, without
7 impacting larger suppliers and their ability to manage natural gas costs.

8 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

9 A. Yes. It does. I reserve my right to supplement this testimony should new information
10 become available.