

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

COLUMBIA GAS OF PENNSYLVANIA, INC.

Docket No. R-2018-2647577

DIRECT TESTIMONY

OF

ORLANDO MAGNANI

June 07, 2018

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
13 operations offices, which had the local day-to-day duties for natural gas operations within
14 their 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
23 scheduling activities on interstate gas pipelines. Additionally, I served as Brooklyn
24 Union's Manager of Rates and Gas Supply where I was responsible for cost allocation

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

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

12 A. Yes. I testified in an Equitable Gas Company proceeding, a Philadelphia Gas Works
13 proceeding, a UGI Rate Case and the last rate case of Columbia Gas of Pennsylvania, Inc.
14 (the "Company" or "CPA" or "Columbia") at Docket No. R-2016-2529660. In addition
15 to testifying in Pennsylvania, I have testified before utility commissions in eight other
16 states: New York, Massachusetts, Maryland, Ohio, Missouri, Virginia, Connecticut and
17 Rhode Island. I have also testified before the District of Columbia PUC and the Federal
18 Energy Regulatory Commission.

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

20 A. I am testifying on behalf of Direct Energy Business, LLC, Direct Energy Services, LLC,
21 and Direct Energy Business Marketing, LLC (collectively, "Direct Energy"). Direct
22 Energy is a natural gas supplier ("NGS") licensed by the Commission to provide natural
23 gas and related services to retail customers in Columbia's service territory. Direct
24 Energy is a North American affiliate of Centrica plc, a leading international provider of

1 energy and other energy-related services with over 28 million customer relationships
2 worldwide. Direct Energy provides electricity, natural gas and other energy services to
3 more than 5 million residential homes and businesses across North America. Direct
4 Energy has a unique business model, and extensive experience in providing innovative
5 gas and electricity products and services to residential, small and large commercial and
6 industrial customers, utilities, and government entities. Lastly, Direct Energy, through its
7 acquisition of Hess Energy Marketing, is the largest business gas supplier (by volume) in
8 the eastern United States.

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

10 A. The purpose of my testimony is to respond to the testimony of Nancy J.D. Krajovic
11 insofar as it relates to the installation by the Company of equipment necessary to transmit
12 customer daily usage data, which is discussed on pages 22 to 27 of N. J. D. Krajovic
13 Statement No. 10.

14 **Q. PLEASE BRIEFLY SUMMARIZE MS. KRAJOVIC'S TESTIMONY RELATED**
15 **TO THE INSTALLATION OF EQUIPMENT TO CAPTURE DAILY USAGE**
16 **DATA.**

17 A. Ms. Krajovic correctly acknowledges in her testimony that the Settlement approved by
18 the Commission in Columbia's last base rate case required Columbia to make a proposal
19 in a non-general tariff filing to install equipment necessary to transmit daily customer
20 usage data for all customers eligible to receive service on rates schedules Small
21 Distribution service, Large Distribution Service, and Main Line Distribution Service. In
22 accordance with that agreement, the Company filed Tariff Supplement No. 255, which
23 was approved by the Commission in its Order in Docket No. R-2017-2586190.
24 Supplement No. 255 included estimated costs for installing the necessary equipment.

1 **Q. WHAT HAS CPA ESTIMATED TO BE THE COST OF INSTALLING**
2 **EQUIPMENT TO ENABLE THE TRANSMISSION OF DAILY CUSTOMER**
3 **USAGE DATA FOR ALL ELIGIBLE CUSTOMERS?**

4 A. In this proceeding, CPA has revised its estimate of the costs of the program. Specifically,
5 Ms. Krajovic testified that the Company's original estimated costs of the program were as
6 follows: one-time cost of \$4.3 million in capital, one-time cost of \$1.3 million in O&M,
7 ongoing annual capital costs of \$136,000, and ongoing annual O&M costs of \$1.4
8 million. Ms. Krajovic further testified that the Company now estimates that the costs of
9 the program will be as follows: one-time cost of \$6.0 million in capital, one-time cost of
10 \$0.7 million in O&M, ongoing annual capital costs of \$205,000, and ongoing annual
11 O&M costs of \$1.2 million. Ms. Krajovic states that the increased costs associated with
12 the installation of the necessary equipment "warrant an examination of the cost and
13 benefit of proceeding with the system before substantial investment of the system is
14 undertaken" and that "further investigation into alternative solutions is warranted."

15 **Q. DID COLUMBIA OFFER ANY EXPLANATION FOR THE CHANGE IN**
16 **ESTIMATED COSTS?**

17 A. Columbia stated that the revised estimates were a result of: 1) the vendor offering new
18 equipment; and 2) a more in-depth assessment of the necessary programming.

19 **Q. PLEASE EXPLAIN THE ISSUES IN COLUMBIA'S LAST RATE CASE THAT**
20 **LED TO THESE SETTLEMENT PROVISIONS.**

21 A. In Columbia's last rate case at Docket No. R-2016-2529660,¹ I provided testimony
22 related to the need for better and more timely information regarding customers' daily
23 usage. I explained that Columbia does not provide continuous and reasonable access to

¹ For clarification purposes, I note that it appears there was a typo in Ms. Krajovic's testimony. Ms. Krajovic identifies the Docket No. for Columbia's last rate case as R-2016-2539660. The correct Docket No. is R-2016-2529660.

1 the customer usage data, which is needed by suppliers to respond to Operational
2 Matching Orders (“OMO”) and Operational Flow Orders (“OFO”).²

3 Columbia may call an OMO/OFO if it anticipates a situation in which it must
4 control the amount of natural gas that suppliers will deliver to its city gate, presumably to
5 ensure reliable supply for all firm customers. An OMO essentially suspends the delivery
6 tolerances that are authorized in Columbia’s tariff and, instead, requires the supplier to
7 deliver amounts that “match” customer demand (or some other level dictated by the
8 OMO). An OFO requires the NGS to deliver a specific quantity of the Customer
9 Maximum Daily Contract Quantity set forth in their transportation contract with the
10 utility. The Company utilizes OFOs and OMOs to manage its gas deliveries on its
11 system on more than just an occasional “emergency” basis.

12 As I explained in my Direct Testimony in Columbia’s last rate case, to be able to
13 comply with such directives, Direct Energy (and all suppliers) must be able to have
14 access to timely and accurate customer usage data from immediately prior periods (the
15 prior day or week). There are two means by which the necessary data to respond to an
16 OMO is made available to suppliers: (1) a daily usage report – the GTS0005 Report-
17 Daily Usage vs. Daily Noms (nominations); and (2) a web-based data access system
18 called “Aviator.”

19 Unfortunately, as I explained in the last case, even though these data systems are
20 necessary for suppliers to respond to OMOs, Direct Energy has found that necessary data

² An OMO is an Operational Matching Order issued pursuant to Section 3.8 of Columbia’s Tariff. An OFO is an Operational Flow Order issued pursuant to Sections 3.7 and 4.11 of Columbia’s Tariff. Although intended to have the same effect, each is designed for a different customer group: OFOs will be issued to customers without daily measuring devices, and OMOs will be issued to customers if they, or their agents, have such devices.

1 has not been available during critical periods. The daily usage reports were, at times,
2 missing a large percentage of customer usage data, and the “Aviator” system requires
3 specific customer authorization for the supplier to access the data. Many customers did
4 not know they had to provide this authorization or were confused by the process. Other
5 accounts were not visible to Direct Energy, apparently because Columbia had not
6 updated its records to reflect a change in supplier.

7 As a result, Direct Energy has experienced circumstances in which it has been
8 unable to accurately estimate customer demand, resulting in a failure to comply with an
9 OMO and a penalty bill to Direct Energy. Not having accurate data puts a burden on
10 suppliers and, ultimately, on customers, as a supplier’s exposure to penalty bills must be
11 figured into the cost to serve customers. For these reasons, I recommended that the lack
12 of adequate data availability needs to be addressed.

13 Dominion Retail, Inc., Shipley Choice, LLC, Interstate Gas Supply, Inc. d/b/a IGS
14 Energy, and American Energy, all NGSS, collectively filed testimony in Columbia’s last
15 base rate case in which their witness explained that these NGSS had experienced issues
16 similar to those experienced by Direct Energy and supported my recommendation.

17 **Q. DID COLUMBIA OFFER ANY EXPLANATION FOR THE LACK OF**
18 **AVAILABILITY OF DATA RELATED TO CUSTOMER DAILY USAGE?**

19 A. Columbia suggested that the lack of full data was attributable, at least in part, to
20 malfunctioning or uninstalled Electronic Flow Correctors and functioning telephone
21 equipment to transmit daily usage information to Columbia.³ Accordingly, Columbia
22 strongly suggested that the most appropriate response to Direct Energy’s concerns would

³ See *Pennsylvania Public Utility Commission, et. al. v. Columbia Gas of Pennsylvania, Inc.*, Recommended Decision, Docket Nos. R-2016-2529660, et. al. at 71 (September 28, 2016).

1 be to undertake to install functioning telephone and data transmission equipment for all
2 customers.

3 **Q. WHAT WERE THE SPECIFIC TERMS OF THE SETTLEMENT RELATED TO**
4 **THIS ISSUE?**

5 A. Pursuant to the Settlement, Columbia agreed to propose to install, own, operate and
6 maintain all equipment, including telephone or similar technology necessary to ensure the
7 timely transmission of usage data from customer meters to Columbia, for subsequent
8 display in the GTS0005 and Aviator data base. In addition, for customers with such
9 facilities installed, Columbia agreed to use commercially reasonable efforts to display
10 customer usage in the two relevant data bases by 1 PM on the day following the day for
11 which the data is being provided. Columbia also agreed that, in addition to any other
12 remedy a supplier might have, if Columbia does not meet the 1PM/subsequent day
13 deadline for any customer with Electric Flow Correctors and operating telephone
14 equipment the penalty for non-compliance with an OMO is reduced by one-half.

15 Specifically, the Settlement provides, in pertinent part:

16 54. Within ninety (90) days of the entry of an Order by the
17 Commission approving this Settlement:

18
19 a) Columbia agrees to propose in a non-general tariff filing
20 that all customers eligible to be served on Rate Schedules SDS,
21 LDS and MLDS [Small Distribution Service, Large Distribution
22 Service, and Main Line Distribution Service] must have installed
23 Electronic Flow Correctors (EFC) and telephonic equipment to
24 transmit daily usage information to Columbia. Columbia further
25 agrees to propose that it install, own, operate and maintain all
26 equipment, including telephonic or similar technology, provided
27 that Columbia is granted rate recovery of reasonable and prudent
28 capital and operating and maintenance costs to own, operate and
29 maintain the capability to obtain daily information from such
30 customers. To the extent that any associated costs will not be rate
31 based, Columbia shall be permitted to seek to create a regulatory
32 asset for such costs and propose to recover them in its next base

1 rate case. All Parties retain their rights to support or oppose such
2 proposal in the non-general rate filing. Issues related to cost
3 allocation and rate recovery of the costs associated with this
4 equipment will be addressed in the Company's next base rate
5 proceeding.

6 b) For customers who have EFC and operating telephonic
7 equipment to transmit daily usage information installed, Columbia
8 agrees on a commercially reasonable basis to provide customer
9 usage data in the GTS0005 Reports and in the Aviator-EMDCS
10 data base by 1 PM following the day for which the data is being
11 provided.⁴
12

13 **Q. DID ANY PARTY OPPOSE COLUMBIA'S SUPPLEMENT NO. 255 NON-**
14 **GENERAL TARIFF FILING?**

15 A. No, nor were there any complaints filed. In fact, as noted by the Commission in its Order
16 in that proceeding, Columbia "affirm[ed] that the efficient communication of daily
17 customer usage data is necessary so that NGSs can comply with Operational Matching
18 Orders (OMOs) when they are issued [...]." The Commission further noted:

19 In order to implement the proposal, the company states that the
20 customer must have some form of technology that communicates
21 the usage data to Columbia. Columbia considered two options to
22 fulfill this requirement, both which are capable of transmitting
23 usage data to Columbia, were telemetry and the Commercial and
24 Industrial (C&I) Network.

25
26 The C&I Network was determined to be the most cost-effective and to have superior
27 telemetering in terms of functionality and reliability. Approving Supplement No. 255,
28 the Commission held, "We agree with Columbia that the tariff changes mandating the

⁴ See *Pennsylvania Public Utility Commission, et. al. v. Columbia Gas of Pennsylvania, Inc.*, Recommended Decision, Docket No. R-2016-2529660, et. al. at 11-12 (September 28, 2016).

1 installation of daily read measurement equipment for certain classes are needed to
2 provide for the daily transmission of customer usage data in a timely manner.”⁵

3 **Q. DID COLUMBIA INDICATE WHEN IT INTENDED TO BEGIN THE**
4 **INSTALLATION OF THE C&I NETWORK?**

5 A. As noted by the Commission in its Supplement No. 255 Order, Columbia planned to
6 begin installing the C&I Network equipment at the beginning of 2018 and anticipated
7 that all equipment would be installed by 2020.

8 **Q. DID COLUMBIA BEGIN INSTALLING THE C&I NETWORK EQUIPMENT AT**
9 **THE BEGINNING ON 2018?**

10 A. No. Despite the settlement agreement and the Commission’s Supplement No. 255 Order,
11 the Company made the unilateral decision to forego the installation of the necessary
12 equipment in light of slight changes in estimated costs and, now several months later,
13 apparently is questioning whether it should proceed with the program at all.

14 **Q. DO YOU AGREE WITH MS. KRAJOVIC’S RECOMMENDATION THAT AN**
15 **EXAMINATION OF THE COSTS AND BENEFITS OF PROCEEDING WITH**
16 **THE SYSTEM AND FURTHER INVESTIGATION INTO ALTERNATIVE**
17 **SOLUTIONS ARE WARRANTED?**

18 A. I did not oppose “further investigation,” but that investigation fully supports proceeding
19 with the Plan agreed to in the Settlement and approved by the PUC. First, as discussed,
20 the Company’s agreement to implement the C&I Network was part of a negotiated
21 agreement. While issues related to cost allocation and rate recovery are appropriate in
22 this proceeding, the Settlement did not give Columbia the right to renegotiate the issue.

⁵ *Columbia Gas of Pennsylvania, Inc. Tariff Supplement No. 255 to Tariff Gas Pa P.U.C. No. 9, Order, Docket No. R-2017-2586190 (March 16, 2017).*

1 The only issue related to the installation of the C&I Network that is appropriate for this
2 proceeding is how the Company will recover the costs of the program.

3 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH MS. KRAJOVIC'S**
4 **RECOMMENDATION?**

5 A. Yes. The Company has failed to demonstrate that the new cost estimates are
6 unreasonable or that it is in the public interest to consider alternative solutions at this
7 time. While the Company now estimates that capital costs will be higher than originally
8 estimated, the Company's estimated O&M costs are actually *lower*, both on a one-time
9 cost and annual basis. Moreover, the total annual cost of the program (including both
10 capital and O&M costs) will be *lower* than forecasted in Supplement No. 255. While the
11 Company's overall cost estimate is higher, the Company provided information in
12 response to discovery requests submitted by Direct Energy that establishes that the total
13 monthly cost per customer ranges from \$300 - \$400. These charges constitute only a
14 small fraction of these customers' total gas bills.

15 Additionally, it should be reiterated that the Company has specifically
16 acknowledged the necessity for NGSs to have access to daily customer usage data and
17 has stated that making this information available to NGSs requires the Company to have
18 some form of technology that communicates the usage data to Columbia. The C&I
19 Network is the solution that was established in Columbia's last rate case and the
20 subsequent Supplement No. 255 filing. This solution is also in the public interest and
21 directly benefits those customers that will bear the expense, as more accurate, timely
22 data will likely result in lower costs to customers.

23 **Q. DOES CPA HAVE AN ALTERNATE PROPOSAL?**

1 A. No. While CPA discussed perhaps exploring other ways to accomplish the desired result,
2 Columbia did not propose an alternative solution. In Direct Energy's first set of data
3 requests to Columbia, question no. 5, Direct Energy asked the Company to explain what
4 "alternative solutions" the Company has in mind. Columbia responded that it did not
5 have anything in mind and was hoping that if the Company, customers and suppliers
6 could get together, they might come up with something.

7 Columbia's approach does not seem very substantive. Something needs to be
8 done *now* because customer usage information is necessary for suppliers to respond to
9 OMOs and to avoid penalties for violating OMO directives. If suppliers receive a penalty
10 bill for their failure to comply with OMOs, customers may be exposed to higher charges.
11 Accordingly, Direct Energy believes that the settlement should be implemented as soon
12 as possible.

13 If there is any further delay in implementing the settlement, then something needs
14 to be done about the exposure to penalty bills due to suppliers not receiving timely data.
15 CPA calls OFO/OMOs often and suppliers need to receive accurate timely data to
16 comply with them. I believe that until CPA installs the equipment required to transmit
17 reliable data, suppliers should not be penalized for violations of OMOs unless they can
18 demonstrate that accurate data was timely transmitted.

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

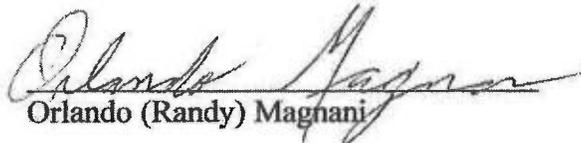
20 A. Yes. It does. I reserve my right to supplement this testimony should new information
21 become available.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission	:	R-2018-2647577
Office of Consumer Advocate	:	C-2018-3000582
Office of Small Business Advocate	:	C-2018-3000073
The Pennsylvania State University	:	C-2018-3001034
Columbia Industrial Intervenors	:	C-2018-3001047
G. Blair Bauer	:	C-2018-3001319
Philip L. Bloch	:	C-2018-3001634
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc.	:	
	:	
and	:	
	:	
Petition of	:	P-2018-2641257
Columbia Gas of Pennsylvania, Inc. for	:	
Authorization to Defer, for Accounting Purposes,	:	
Certain Costs Associated With a Prepayment to the	:	
NiSource, Inc. Pension Trust	:	

VERIFICATION

I, Orlando (Randy) Magnani, hereby state that the facts set forth in my Direct Testimony, (Direct Energy St. 1), Rebuttal Testimony (Direct Energy St. 1-R), and Surrebuttal Testimony (Direct Energy St. 1-SR) in the above-captioned proceeding are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to sworn falsification to authorities).


Orlando (Randy) Magnani

Date: July 23, 2018