

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

COLUMBIA GAS OF PENNSYLVANIA, INC.

Docket No. R-2018-2647577

REBUTTAL TESTIMONY

OF

ORLANDO MAGNANI

July 03, 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. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
5 **PROCEEDING?**

6 Yes. I submitted direct testimony on behalf of Direct Energy Business, LLC, Direct
7 Energy Services, LLC, and Direct Energy Business Marketing, LLC (collectively,
8 "Direct Energy"), pre-marked as Direct Energy St. 1 and served to the parties on June 7,
9 2018.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
11 **PROCEEDING?**

12 A. The purpose of my testimony is to respond to the Direct Testimony of the Office of Small
13 Business Advocate ("OSBA") witness Robert D Knecht ("OSBA Statement No. 1")
14 insofar as it relates to the installation by Columbia Gas of Pennsylvania, Inc.
15 ("Columbia" or the "Company") of equipment necessary to transmit customer daily
16 usage data (hereinafter, "CI& Network Installation"). I will also respond to certain
17 statements made in the Direct Testimony of Laura Greenholt-Tasto of behalf of Shipley
18 Choice, LLC d/b/a Shipley Energy ("NGS Parties Statement No. 1") related to
19 Operational Matching Orders ("OMOs") and Operational Flow Orders ("OFOs").
20 Finally, I will address the testimony of Anthony Cusati, III on behalf of Shipley Choice,
21 LLC and Interstate Gas Supply, Inc. ("NGS Parties Statement No. 2") regarding the
22 inclusion of non-commodity charges on customer bills.

23 **Q. PLEASE BRIEFLY SUMMARIZE MR. KNECHT'S TESTIMONY RELATED TO**
24 **THE C&I NETWORK INSTALLATION.**

1 A. Mr. Knecht testified that the Company's investment in the equipment necessary to
2 capture daily usage data should be deferred until the Company prepares a cost-benefit
3 analysis, with a reasonable comparison to "less capital-intense" alternatives. Mr. Knecht
4 states that "the need for this equipment was not clearly demonstrated" at Docket No. R-
5 2017-2586190 (the proceeding where the Commission approved the installation of the
6 C&I Network). Mr. Knecht suggests that there could be much lower cost alternatives,
7 such as natural gas suppliers (NGSS) coordinating with their customers. OSBA
8 Statement No. 1 at 10-11.

9 **Q. DO YOU AGREE WITH MR. KNECHT'S RECOMMENDATION?**

10 A. No, I do not. As I explained in my Direct Testimony, this issue was addressed, in full, in
11 Columbia's last rate case at Docket No. R-2016-2529660. Direct Energy provided
12 testimony demonstrating that access to customer usage data is necessary for suppliers to
13 respond to Operational Matching Orders ("OMO") and Operational Flow Orders
14 ("OFO"). Direct Energy further demonstrated that this information has not been readily
15 available during critical time periods. Columbia suggested that the lack of full data was
16 attributable, at least in part, to malfunctioning or uninstalled Electronic Flow Correctors
17 and functioning telephone equipment to transmit daily usage information to Columbia.¹
18 Accordingly, Columbia strongly suggested that the most appropriate response to Direct
19 Energy's concerns would be to undertake to install functioning telephone and data
20 transmission equipment for all customers in Rate Schedules SDS, LDS and MLDS

¹ 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 (Small Distribution Service, Large Distribution Service and Main Line Distribution
2 Service.

3 As such, as part of the negotiated settlement agreement in that case, Columbia
4 agreed to make a filing proposing the installation of equipment necessary to capture daily
5 usage data, and all parties retained their right to oppose or support the subsequent filing.
6 The OSBA was a party to that settlement agreement.

7 Despite the fact that the OSBA knew about (and agreed to) a subsequent filing
8 related to the issue and specifically retained its right to oppose or support the subsequent
9 filing, the OSBA did not intervene in the subsequent filing at Docket No. R-2017-
10 2586190 or otherwise challenge Columbia's proposal. In its Order approving
11 Columbia's filing, the Commission held, "We agree with Columbia that the tariff
12 changes mandating the installation of daily read measurement equipment for certain
13 classes are needed to provide for the daily transmission of customer usage data in a
14 timely manner."² It is entirely inappropriate for the OSBA to now challenge the C&I
15 Network Installation that was already approved by the Commission.

16 As such, the Commission should deny the OSBA's attempt to re-litigate this issue
17 and uphold its Order approving the C&I Network Installation. The Commission should
18 further order that, due to Columbia's delay in implementation of the C&I Network
19 Installation, until such implementation of the C&I Network Installation is complete,
20 Columbia is prohibited from imposing penalties on suppliers for failure to comply with
21 an OMO or OFO.

² *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 **Q. DID MR. KNECHT HAVE ANY OTHER RECOMMENDATIONS RELATED TO**
2 **THE INSTALLATION OF THE C&I NETWORK?**

3 A. Yes. Mr. Knecht noted that although the C&I Network Installation was approved for
4 customers that consumed more than 6,440 Dth per year, Columbia had calculated their
5 costs based on installing devices on customers larger than 5,000 Dth per year. He
6 recommended that if the Commission determines that the C&I Network is already
7 approved, customers in the general service classes with annual loads between 5,000 Dth
8 and 6,440 Dth should not be required to have (and pay for) the equipment. Mr. Knecht
9 also challenged the Company's proposal to apply the C&I Network charge to all
10 customers who meet the volume requirements, including sales, choice, and transportation
11 customers. Mr. Knecht testified that applying the charge to large SGSS sales customers,
12 SCD choice customers, and LGSS sales customers is not consistent with the settlement in
13 Columbia's last rate case. OSBA Statement No. 1 at 11-12.

14 **Q. DO YOU AGREE WITH MR. KNECHT'S RECOMMENDATION RELATED TO**
15 **THE CUSTOMERS THAT SHOULD BE CHARGED FOR THE C&I NETWORK**
16 **INSTALLATION?**

17 A. As I have stated, the only issue related to the C&I Network Installation that is
18 appropriate for this proceeding is how the Company will recover the costs of the
19 program. It is my opinion that the customers who should be required to have (and pay
20 for) the C&I Network Installation should be those contemplated in the settlement at
21 Docket No. R-2016-2529660 and in the underlying proceeding approving the C&I
22 Network Installation at Docket No. R-2017-2586190. As such, it is my opinion that only
23 customers eligible to be served on Rate Schedules SDS, LDS, and MLDS (Small
24 Distribution Service, Large Distribution Service, and Main Line Distribution Service)
25 should be required to have C&I Network communications equipment installed. I also

1 agree that only these customers should pay for the necessary equipment and installation.
2 Therefore, I agree with Mr. Knecht's recommendations related to the customers that
3 should be charged for the C&I Network Installation.

4 **Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY OF MS.**
5 **GREENHOLT-TASTO AS IT RELATES TO OFOs and OMOs.**

6 A. In her Direct Testimony, Ms. Greenholt-Tasto demonstrated that the penalties for a
7 failure to comply with an OFO or OMO are too high. Ms. Greenholt-Tasto testified that,
8 because these penalties are so severe, suppliers and customers are forced to purchase the
9 extra gas required to meet the OFO or OMO percentages in the Gas Daily market to
10 avoid a penalty which would be far worse. Ms. Greenholt-Tasto explained that the
11 concern is that the increased frequency and duration of OFOs and OMOs, coupled with
12 the delivery percentages that Columbia requires for suppliers, effectively causes shopping
13 customers to subsidize Columbia's supply costs for non-shopping sales customers. NGS
14 Parties Statement No. 1 at 3-4.

15 **Q. DO YOU AGREE WITH MS. GREENHOLT-TASTO'S CONCERNS?**

16 A. Yes. I agree that the delivery percentages required for suppliers to meet OFOs/OMOs are
17 too high. I also agree that there has been an increase in the frequency and duration of
18 OFOs/OMOs on Columbia's system. With these considerations in mind, I certainly
19 support Ms. Greenholt-Tasto's position insofar as she asserts that the penalties for a
20 failure to comply with an OFO/OMO are also too high. As explained above and in
21 my Direct Testimony, the high penalty is particularly troubling because suppliers
22 currently do not have reasonable access to daily customer usage information,
23 hindering their abilities to be able to comply with such directives. I recommend that the
24 Commission modify the delivery percentage requirements, consistent with Ms.

1 Greenholt-Tasto's testimony, lower the penalties for non-compliance with OFOs/OMOs
2 to 1.5 times the highest of the midpoint prices reflected in Platts Gas Daily for the day of
3 the OMO or OFO non-compliance, and refrain from charging penalties until
4 implementation of the C&I Network is complete.

5 **Q. IS THERE A DANGER THAT SUPPLIERS MIGHT ENGAGE IN ARBITRAGE**
6 **IF THE PENALTIES ARE REDUCED TO 1.5 TIMES THE HIGHEST OF THE**
7 **MIDPOINT PRICE?**

8 A. No. By definition, a non-delivery supplier would never be able to make a profit
9 arbitraging gas (*i.e.*, selling gas into a different market and accepting the penalty). The
10 supplier would be forced to pay the market cost of gas plus a penalty of 150%. No
11 supplier would intentionally subject itself to such a penalty. There is no reason that the
12 penalty has to be 300% as it is now imposed.

13 **Q. PLEASE BRIEFLY SUMMARIZE THE TESTIMONY OF ANTHONY CUSATI**
14 **AS IT RELATES TO COLUMBIA'S PRACTICES OF ALLOWING NON-**
15 **COMMODITY PRODUCTS ON THE UTILITY BILL.**

16 A. Mr. Cusati testified that Columbia's practice of allowing non-commodity products on the
17 utility bill is discriminatory, in that Columbia only allows access to this service to a non-
18 NGS that was previously an affiliate of Columbia. NGSs that offer similar products and
19 services have unequal access to this option. Mr. Cusati recommends that the
20 Commission require Columbia to end the discriminatory practice and allow all NGSs to
21 bill for non-commodity products on the utility bill. NGS Parties Statement No. 2 at 2-3,
22 7.

23 **Q. DO YOU AGREE WITH MR. CUSATI'S TESTIMONY?**

24 A. Yes. Direct Energy also offers similar products and services, but does not have the
25 ability to bill its customers for those products and services on the utility bill. I agree that
26 Columbia's practice is discriminatory and not in the public interest. As noted by Mr.

1 Cusati in his Direct Testimony, allowing suppliers to add non-commodity charges on the
2 utility bill will enhance the competitive market, as it will encourage customers to view
3 natural gas as a package of value-added and innovative products and services. Many of
4 these non-commodity products and services help to promote natural gas efficiency and
5 reduce energy costs. Customers receive an additional benefit by only receiving one
6 invoice for this package. As such, I support Mr. Cusati's testimony and his
7 recommendation for the Commission to issue an Order requiring that Columbia allow all
8 NGSs to bill for non-commodity products and services on the utility bill.

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

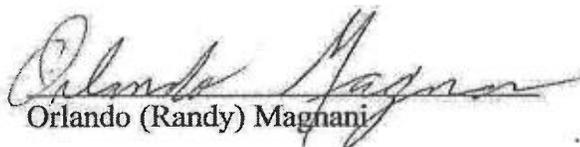
10 A. Yes. It does. I reserve my right to supplement this testimony should new information
11 become available.

**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