

**INDIANA GAS COMPANY, INC.
d/b/a CENTERPOINT ENERGY INDIANA NORTH
(CEI NORTH)**

FILED
April 1, 2021
INDIANA UTILITY
REGULATORY COMMISSION

IURC CAUSE NO. 37394-GCA150

**DIRECT TESTIMONY
OF
PAULA J. GRIZZLE
DIRECTOR OF GAS SUPPLY AND PORTFOLIO OPTIMIZATION**

DIRECT TESTIMONY OF PAULA J. GRIZZLE

I. INTRODUCTION

Q. Please state your name and business address.

A. Paula J. Grizzle
1111 Louisiana, 21st Floor
Houston, Texas 77002

Q. Please state your present title.

A. I am the Director of Gas Supply and Portfolio Optimization.

Q. What company are you representing?

A. I am submitting testimony on behalf of Petitioner, Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("CEI North" or "the Company"), and indirect subsidiary of all CenterPoint Energy, Inc. ("CenterPoint").

Q. Please describe your educational background.

A. I earned a Bachelor of Science degree from University of Houston – Clear Lake in 1999.

Q. Please describe your professional experience.

A. My entire professional career has been focused in the energy industry with a total of 21 years of experience. I started my career doing gas accounting functions and through a combination of mergers and acquisitions, my initial job at Engage Energy led me to work at EnCana Energy Services, Kinder Morgan and Cinergy Marketing. During each transition, my responsibilities increased from gas accounting to gas scheduling and currently managing gas supply and transportation covering all CenterPoint utilities. My career at CenterPoint started in 2005.

Q. What are your present duties and responsibilities as Director of Gas Supply and Portfolio Optimization?

A. I am responsible for the acquisition and administration of gas supply for the Company's

1 natural gas distribution operations.
2

3 **Q. Have you previously testified before this Commission, any other state commission**
4 **or Federal Energy Regulatory Commission (FERC)?**

5 A. Yes. I have presented testimony to the Indiana Utility Regulatory Commission ("IURC" or
6 "Commission") on behalf of CEI North in its Gas Cost Adjustment ("GCA") proceeding,
7 Cause No. 37394, beginning in GCA 149. I have also testified on behalf of Southern
8 Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South")
9 in its GCA proceeding, Cause No. 37366, beginning in GCA 149. I have also presented
10 testimony to FERC in Northern Natural Gas Company's rate proceeding.
11

12 **Q. What is the purpose of your Direct Testimony?**

13 A. My testimony addresses: 1) CEI North's portfolio approach to gas supply acquisition, 2)
14 CEI North's existing long-term purchases, 3) CEI North's sources of interstate pipeline
15 capacity, 4) CEI North's Asset Management Arrangement and 5) the demand forecast and
16 gas supply costs underlying CEI North's GCA schedules.
17
18

19 **II. CEI NORTH'S PORTFOLIO APPROACH TO GAS SUPPLY ACQUISITION**
20

21 **Q. What is CEI North's approach to gas supply acquisition?**

22 A. CEI North employs a portfolio approach that results in acquiring gas supply for a GCA
23 quarter over a period of time using different pricing mechanisms. Generally, CEI North
24 blends 1) fixed-priced physical gas purchased in advance of the month of delivery, 2)
25 financial hedges that cap, collar, or fix gas prices on a portion of future purchases, and 3)
26 summer-purchased storage gas to be withdrawn in winter months, with 4) gas purchased
27 at the time of delivery at current market prices (the "Portfolio Approach").
28

29 **Q. Why does CEI North employ a portfolio approach?**

30 A. CEI North's Portfolio Approach achieves two important objectives – to purchase reliable
31 gas supply at market prices, while at the same time mitigating to a large degree the price
32 volatility of the gas sold to CEI North's customers.

1
2 **Q. Please describe the components of CEI North's Portfolio Approach.**

3 A. CEI North's Portfolio Approach currently consists of the following components:

- 4 1. Fixed-price gas that is acquired in advance of the month of delivery based
5 on a structured process.
- 6 2. Financial hedges that effectively cap, collar, or fix gas prices on a portion
7 of future purchases based on a structured process.
- 8 3. Storage gas purchased at typically lower prices in the summer months for
9 redelivery to customers during the winter heating season.
- 10 4. First-of-month ("FOM") gas purchased and priced based on monthly
11 indices just before the month of delivery.
- 12 5. Daily "swing" purchases acquired during the month at daily indices as
13 needed to meet daily swings in demand.
- 14 6. Long-term purchases for a portion of projected annual volumes which
15 allows the Company to fix the price of gas for a period greater than two
16 years and up to ten years in duration.

17
18 **Q. Please describe the modifications to the Gas Supply Hedge Plan (the "Hedge Plan")**
19 **approved in Cause No. 44021.**

20 A. In light of changes in the gas marketplace, mainly the development of shale gas, CEI North
21 proposed certain changes to its Hedge Plan in Cause No. 44021. These changes were
22 found to be reasonable in that proceeding. The CEI North Hedge Plan has been modified
23 to change the level of hedged gas and to include proposed long-term purchases as
24 another component of the plan. The modified targets approved in Cause No. 44021 allows
25 CEI North to hedge up to fifty-percent of its annual purchases and up to seventy-percent
26 of its projected winter deliveries.

27
28 **Q. Has CEI North proposed and had approved by the Commission any modifications**
29 **to the current Advance Purchase Plan?**

30 A. Yes, CEI North previously proposed to modify the Advance Purchase Plan from a quarterly
31 approach to a seasonal approach. The rationale for this modification was that a seasonal
32 approach is in line with both the supply planning and storage management seasons along
33 with the acquisition pattern of commodity purchases. This seasonal approach would not

alter the level of hedged purchases on either a monthly or annual basis but would align the combined short-term and long-term hedged volumes in a concise manner.

Q. Please identify the adjustments to CEI North's Advance Purchase Plan which were proposed and approved by the Commission.

A. CEI North proposed and the Commission approved for the Company to modify the Advance Purchase Plan from eight calendar quarters to four seasons and will continue to incorporate both physical fixed-priced purchases and financial hedges, including caps, to fulfill the seasonal volumes. The targeted quantities and timing for the proposed Advance Purchase Plan are listed in the following table:

CEI North's Proposed Advance Purchase Plan
Season and Target Hedge Levels

	Time Period	Current % of Seasonal Volume to be Hedged
Current Season	Apr'21 thru Oct'21	50-100%
1st Succeeding Season	Nov'21 thru Mar'22	25-75%
2nd Succeeding Season	Apr'22 thru Oct'22	0-75%
3rd Succeeding Season	Nov'22 thru Mar'23	0-75%

Q. Based on CEI North's Portfolio Approach as developed in the Gas Supply Hedging Program, what percentage of total deliveries to customers would be hedged for a normal winter season?

A. The following table illustrates the amount and percentage of gas supply that would be delivered at hedged prices during a normal winter season.

CEI North Portfolio Approach
Percentage of Hedged Deliveries During a Normal Winter Season
Quantities in Mdth

Season	Total Normal Season Deliveries	Hedged Storage Activity	Physical and Financial Hedged Volumes	Market Priced Purchases	Hedged Gas % of Total
Nov-Mar	51,160	18,366	17,460	15,334	70%

Q. Does the Portfolio Approach eliminate the possibility of a spike in gas costs to customers?

A. No, but the approach does significantly mitigate the possibility of a significant spike in gas prices adversely affecting customers' bills. The sum effect of physical hedged volumes, financial hedged volumes, and storage withdrawals means that roughly 70% of the gas delivered to customers during a normal winter season has been purchased at various times in advance, at then current market prices, achieving an averaging effect that can mitigate any price spike in the period.

That does, however, leave roughly 30% of the deliveries to be purchased at monthly or daily market prices during a normal winter season. The prices of the monthly and daily purchases could be higher or lower than the hedged price deliveries. By leaving some portion of the gas deliveries for purchase at current market prices, CEI North's Portfolio Approach ensures that a current price signal is still being conveyed.

Q. Does CEI North's Portfolio Approach for gas supply acquisition "optimize" the resulting gas costs?

A. It is important to understand that there is no "exact" answer to be solved for when acquiring gas supply. Natural gas is a competitively priced commodity impacted by many forces including fluctuating temperatures, the economy, storage inventory levels, etc. CEI North's Portfolio Approach achieves a "reasonable" answer or result, by acquiring reliable gas supply at market prices while over time mitigating the impact of price volatility. The Portfolio Approach does provide a structured approach to acquiring gas supply such that the negative impacts of gas price spikes can be mitigated.

III. CEI NORTH'S EXISTING LONG-TERM TRANSACTIONS

1 **Q. Please describe the long-term transaction proposed and executed by CEI North in**
2 **Cause No. 37394-GCA134.**

3 A. In GCA134, CEI North proposed to enter into a transaction for the term April 2018 – March
4 2023. The transaction was proposed as a financial transaction for 540,000 dth per month
5 at a fixed-price for the entire sixty-month term to not exceed \$3.25 per dth. A transaction
6 at this level is the equivalent of fifty-four New York Mercantile Exchange (“NYMEX”)
7 contracts for the term, and the volume represents roughly ten percent of the projected
8 normal weather annual GCA supply to be purchased for CEI North.

9
10 On May 31, 2017 the Commission's Order for GCA134 granted approval for CEI North to
11 proceed with the proposed long-term transaction. Shortly thereafter, CEI North executed
12 a financial transaction for the term April 2018 – March 2023 for 540,000 dth per month.

13
14 **Q. Please describe the long-term transaction proposed and executed by CEI North in**
15 **Cause No. 37394-GCA135.**

16 A. In GCA135, CEI North proposed to enter into a transaction for the term April 2019 – March
17 2024. The transaction would be a financial transaction for 300,000 dth per month at a
18 fixed-price for the entire sixty-month term to not exceed \$3.25 per dth. A transaction at
19 this level is the equivalent of thirty New York Mercantile Exchange (“NYMEX”) contracts
20 for the term, and the volume represents roughly five percent of the projected normal
21 weather annual GCA supply to be purchased for CEI North.

22
23 On September 6, 2017, the Commission's Order for GCA 135 granted the approval for
24 CEI North to proceed with the proposed long-term transaction. Shortly thereafter, CEI
25 North executed a financial transaction for the term April 2019 – March 2024 for 300,000
26 dth per month.

27
28 **Q. Why has CEI North proposed financial transactions?**

29 A. Fixed-priced financial purchases, as opposed to fixed-priced physical purchases, will
30 enable CEI North to maintain the maximum amount of daily system flexibility required for
31 system balancing. Long-term financial purchases based on the NYMEX are more liquid
32 for the term proposed in comparison to a physical transaction at a physical pricing point in
33 the current environment. CEI North customers will continue to receive the benefits from

1 first-of-the-month indexed-priced physical supply from the diverse physical pricing points
2 for the financial volumes proposed in these long-term transactions.
3

4 **Q. How will these financial transactions be accounted for in the GCA process?**

5 A. These transactions will be accounted for in the GCA in a similar manner as the existing
6 long-term fixed-priced transactions have been shown in the GCA schedules. For the
7 projected quarter, these financial transactions will be shown as a separate line item in
8 Schedule 3 for each month for the term of each transaction. This will ensure transparency
9 for the long-term purchases in each quarterly GCA filing. Similarly, to the previously
10 executed long-term purchases, the Company will provide the same level of transparency
11 for any future long-term supply purchases. For the reconciliation quarter, these
12 transactions will be shown as a separate line item in the Schedule 8 Supplement for each
13 month for the term of these financial transactions. As a result, the monthly gain or loss
14 associated with these financial transactions will flow through the GCA and will be
15 accounted for in the GCA filings as all purchases have been accounted for.
16
17

18 **IV. INTERSTATE CAPACITY**
19

20 **Q. Please detail the components of the CEI North pipeline capacity portfolio for the**
21 **period April 2021 – March 2022.**

22 A. Please see the following table of the CEI North pipeline capacity for the period April 2021
23 – March 2022.

CenterPoint Energy Indiana North - CEI North Interstate Capacity Portfolio April 2021 - March 2022 (Volumes in Dth)																
North East System					April 30 MDQ	May 31 MDQ	June 30 MDQ	July 31 MDQ	August 31 MDQ	September 30 MDQ	October 31 MDQ	November 30 MDQ	December 31 MDQ	January 31 MDQ	February 28 MDQ	March 31 MDQ
Pipeline Supplier	Pipeline Contract #	Service Type	SCQ	Term Date												
PEPL	11718	EFT		Multiple see below	66,541	66,541	66,541	66,541	66,541	66,541	66,541	66,541	66,541	66,541	66,541	66,541
PEPL	15332, 15334	FS	7,752,480	Multiple see below								83,334	83,334	83,334	83,334	83,334
	112063, 112065, 112094	FSS & NNS	4,443,675	3/31/2024	10,000	10,000	10,000	10,000	10,000	10,000	10,000	59,000	59,000	59,000	59,000	59,000
ANR	126274	ETS		3/31/2024								45,000	45,000	45,000	45,000	45,000
ANR	126587	ETS		3/31/2027	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
REX	949107	FTS		4/30/2032	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
PEPL	52616	EFT		3/31/2021	-	-	-	-	-	-	-	25,000	25,000	25,000	25,000	25,000
REX	952633	FTS		West to East 3/31/2022	-	-	-	-	-	-	-	60,000	60,000	60,000	60,000	60,000
			12,174.45													
			365,233.56													
Total North East					166,541	166,541	166,541	166,541	166,541	166,541	166,541	428,875	428,875	428,875	428,875	428,875
Central/ Terre Haute/ Greensburg System																
TGT	33275	FT w/NNS		10/31/2024	27,558	27,558	27,558	27,558	27,558	27,558	27,558	42,389	42,389	42,389	42,389	42,389
TGT	33275	NNS	1,806,897	10/31/2024	40,958							53,197	61,198	61,198	61,198	61,198
MGT	FA1913	FTA		3/31/2022	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
TGT	35489	FT		Central 10/31/2036	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
TGT	37026	FT		Central 10/31/2028	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500	11,500
TGT	37183	FT		Central 4/30/2025	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
TGT	38157	FT		Central 3/31/2022	-	-	-	-	-	-	-	4,800	4,800	4,800	4,800	4,800
TGT	38157	FT		TH 3/31/2022	-	-	-	-	-	-	-	20,500	20,500	20,500	20,500	20,500
REX		Citygate Supply		10/31/2021	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Central/TH/Greensburg					128,016	87,058	87,058	87,058	87,058	87,058	140,255	188,387	188,387	188,387	188,387	188,387
South (Zone 4) System																
TGT	35488	FT		10/31/2036	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
TGT	33272	FT w/NNS		10/31/2024	10,721	10,721	10,721	10,721	10,721	10,721	10,721	14,718	14,718	14,718	14,718	14,718
TGT	33272	NNS	1,131,733	10/31/2024	16,873							22,007	25,089	25,089	25,089	25,089
Total South (Zone 4)					42,594	25,721	25,721	25,721	25,721	25,721	47,728	55,387	55,387	55,387	55,387	55,387
Total Vectren North					337,151	279,320	279,320	279,320	279,320	279,320	354,524	672,649	672,649	672,649	672,649	672,649

Q. Please describe the interstate capacity utilized by CEI North.

A. CEI North receives firm transportation and/or storage capacity from the following interstate pipelines; Panhandle Eastern Pipe Line Company ("Panhandle"), ANR Pipeline Company ("ANR"), Texas Gas Transmission Corporation ("Texas Gas"), Rockies Express Pipeline ("REX") and Midwestern Gas Transmission ("MGT"). CEI North relies upon capacity from these pipelines for the delivery of gas supply to its citygate.

ASSET MANAGEMENT ARRANGEMENT

Q. Please describe how an Asset Management Arrangement ("AMA") works.

A. FERC Order 712 developed the framework for an AMA in 2008. At that time FERC recognized the benefits of allowing LDCs, gas producers, and end-users to outsource capacity optimization and supply management services using AMAs. Capacity releases within an AMA are exempt from the prohibition on tying a capacity release to any condition and from competitive bidding requirements. To receive this exemption under the AMA, the asset manager must bear a purchase or delivery obligation to the releasing shipper for at

1 least 5 months out of each 12-month period for up to 100 percent of the daily contract
2 demand of the released capacity.
3

4 The asset manager commits to provide a reliable gas supply and manage upstream
5 capacity contracts. The asset manager often pays a fixed fee for the right to optimize the
6 LDC's capacity contracts.
7

8 **Q. How did CEI North address the AMA which expired March 31, 2021?**

9 A. On June 1, 2020, CEI North and CEI South (collectively, "CEI") issued a competitive
10 request for proposals ("RFP") to solicit bids for the provision of AMA services for the term
11 April 1, 2021 – March 31, 2024. The RFP was distributed to a list of qualified and
12 experienced AMA suppliers. Each supplier has experience with operating and managing
13 firm transportation and storage services with multiple interstate pipeline contracts.
14

15 **Q. What criteria did CEI utilize to select the entity to be the AMA provider commencing**
16 **April 1, 2021?**

17 A. In response to the RFP, CEI received five (5) proposals from bidders. The relevant factors
18 and criteria included in the review were monthly AMA payment, commodity price, supplier
19 creditworthiness, supplier experience, supplier's prior operational activity in the region,
20 and any proposed changes to the AMA Agreement. CEI accepted Tenaska Marketing
21 Ventures bid to be the AMA provider for this three-year term. Pursuant to that bid, the CEI
22 North GCA customers will receive a credit of \$369,722 per month for the three-year term
23 April 2021 through March 2024. This credit is an increase of 50% from current AMA
24 payment. This AMA payment amount is included on GCA projection Schedule 1, line 1
25 column A and Schedule 1A as a credit to the projected monthly demand costs starting
26 April 2021. The AMA payment amount will also be included on reconciliation Schedule 8
27 for the entire three-year term April 2021 through March 2024.
28
29

30 **VI. DEMAND FORECASTS AND GAS SUPPLY COSTS**

31
32 **Q. Please describe the information contained in GCA Schedule 2A.**

1 A. This schedule contains the sales quantity forecasts for the twelve months ending May
2 2022 as prepared by CEI North.
3

4 **Q. Please describe the sales quantity forecasts.**

5 A. The sales quantity forecasts for Rate Schedules 210, 220 and 240 are derived from
6 historical consumption, adjusted for normal weather, conservation and customer growth.
7

8 **Q. Please describe the gas supply plan, which serves as the basis for the data**
9 **contained in GCA Schedules 3, 4 and 5.**

10 A. Prior to each season, a gas supply plan is assembled which includes projections of the
11 quantities and prices of gas supply and any storage activity required to meet expected
12 customer demand during the GCA period. These projections are then reflected in GCA
13 Schedules 3, 4 and 5.
14

15 **Q. How are the projected pipeline service prices determined?**

16 A. The rates and charges reflected in the estimation of transportation costs are based upon
17 contracts or filings which have been made with the FERC. The rates and charges reflected
18 in the estimation of contract storage and storage transportation charges are based upon
19 contracts or FERC filings.
20

21 **Q. How are the projected gas supply prices determined?**

22 A. The projected gas supply prices are based upon NYMEX gas futures market prices and
23 the prices of any fixed-priced gas purchased in advance of the GCA quarter. NYMEX gas
24 futures market pricing data is adjusted to reflect price volatility and basis pricing
25 differentials. In addition, the premiums for financial hedges and the estimated hedging
26 impact are included in computing the average commodity costs.
27

28 **Q. Please describe the actual gas cost information contained in GCA Schedules 8, 9**
29 **and 10.**

30 A. Schedule 8 page 1 of 2 contains a summary of the quantities, prices and costs of all gas
31 supplies purchased by CEI North during the reconciliation period.

32 Schedule 8 page 2 of 2 contains a listing of the costs of all gas transportation services
33 purchased by CEI North during the reconciliation period.

1 Schedule 9 reflects the leased gas storage demand costs and storage-related
2 transportation costs incurred by CEI North during the reconciliation period.

3 Schedule 10 contains the quantities, prices, and costs of gas injected into and withdrawn
4 from Company-owned and leased storage during the reconciliation period.

5
6 **Q. Do the gas costs included in GCA Schedules 3, 4, 5, 8, 9 and 10**
7 **reflect CEI North's policy of making every reasonable effort to acquire long-term**
8 **gas supplies so as to provide reliable gas service to its retail customers at the**
9 **lowest gas cost reasonably possible?**

10 **A.** Yes.

11
12
13 **VI. CONCLUSION**

14
15 **Q. Does this conclude your prepared testimony?**

16 **A.** Yes, at the present time.

STATE OF INDIANA)
) SS:
COUNTY OF VANDERBURGH)

) **SS:**

)

The undersigned, Paula J. Grizzle, being duly sworn, under penalty of perjury affirms that the foregoing Direct Testimony in Cause No. 37394-GCA150 is true to the best of her knowledge, information, and belief.

Paula J. Grizzle