

SOUTHERN INDIANA GAS AND ELECTRIC COMPANIES

D/B/A

VECTREN ENERGY DELIVERY OF INDIANA, INC.

CAUSE NO. 45052

VERIFIED DIRECT TESTIMONY

OF

PERRY M. PERGOLA

DIRECTOR, GAS SUPPLY

PETITIONER'S EXHIBIT NO. 11

VERIFIED DIRECT TESTIMONY

OF

PERRY M. PERGOLA

DIRECTOR OF GAS SUPPLY

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

2 A. My name is Perry M. Pergola. My business address is One Vectren Square Evansville,
3 Indiana 47708.

4 **Q. What position do you hold with Southern Indiana Gas and Electric Company d/b/a**
5 **Vectren Energy Delivery of Indiana, Inc. ("Vectren South")?**

6 A. I am Director, Gas Supply for Vectren Utility Holdings, Inc. ("VUHI"), the parent company
7 of Vectren South.

8 **Q. Please describe your educational background.**

9 A. In 1982, I graduated from Duquesne University with a Bachelor of Science degree in
10 Accounting. In 1988, I graduated from Robert Morris University with a Master of
11 Business Administration degree, majoring in Finance.

12 **Q. Please describe your professional experience.**

13 A. I have had the following professional experience:

14	1984-87	Staff Accountant	CNG Development Company
15	1987-88	Financial Auditor	CNG Service Company
16	1988-90	Transportation Analyst I&II	CNG Transmission Corporation
17	1990	Rate Analyst II	CNG Transmission Corporation
18	1991-95	Manager, Gas Acquisition	The Peoples Natural Gas Co.
19	1995-96	Gas Supply & Capacity Manager	The Peoples Natural Gas Co.
20	1996-97	Senior Gas Supply Rep.	CNG LDC Supply Group

1	1997-99	Senior Cash Trader	CNG Energy Services
2	1999-00	Manager, Gas Supply & Logistics	Duke Energy Corporation
3	2000-03	Energy Trader	PG&E National Energy Group
4	2003-18	Director, Gas Supply	Vectren Corporation

5 **Q. What are your present duties and responsibilities as Director, Gas Supply?**

6 A. I am responsible for the management of the activities of the Gas Supply department,
7 including gas supply planning, hedge strategy, and the acquisition of pipeline capacity
8 and supply for VUHI's three gas distribution utilities.

9 **Q. Have you previously testified before the Indiana Utility Regulatory Commission**
10 **("Commission")?**

11 A. Yes, I presented testimony in numerous GCA proceedings for both Vectren South and
12 Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren
13 North").

14 **Q. What is the purpose of your Direct Testimony in this proceeding?**

15 A. My testimony describes the interstate pipeline services Vectren South will secure to
16 provide natural gas service to the proposed combined cycle gas turbine ("CCGT")
17 described in more detail by Vectren South witness Wayne Games. I will explain the
18 location of that pipeline, and why it is the least cost and most reliable source of gas for
19 the proposed CCGT. I will discuss the negotiations that have taken place with regard to
20 the pipeline capacity along with the agreement in place to ensure gas is available in a
21 timely manner to the CCGT.

22 **Q. What interstate pipeline is Vectren South proposing to interconnect with to secure**
23 **gas for the CCGT?**

24 A. Vectren South will interconnect with Texas Gas Transmission ("TGT") and will secure
25 firm transportation capacity for the CCGT.

1 **Q. Why has Vectren South selected TGT?**

2 A. TGT was the least cost interstate pipeline option to serve the CCGT at the AB Brown
3 location. Vectren South analyzed other interstate pipeline options, but sourcing the
4 supply and capacity from TGT was the least cost and most reliable option for the CCGT.

5 **Q. Has Vectren South commenced negotiations with TGT related to the**
6 **interconnection?**

7 A. Yes. Vectren South has been negotiating with TGT over the past year on a number of
8 alternatives to serve a planned CCGT at the existing AB Brown location. These
9 negotiations included analysis by TGT of the infrastructure improvements which would
10 be necessary to their facilities in order to meet the CCGT's hourly and daily demands.

11 **Q. Are improvements to TGT's system necessary?**

12 A. Yes. In order to meet the demands of the proposed CCGT, TGT will need to upgrade its
13 existing compressors located in Slaughters, Kentucky. TGT will also construct a new
14 interconnect, to be located in Robards, Kentucky, with the proposed pipeline to be
15 owned and operated by Vectren South (Gas) to make deliveries to the CCGT. The
16 location, engineering specifications, and cost estimate for the Vectren South (Gas)
17 pipeline are described in more detail by Vectren South witness Steve Hoover.

18 **Q. Describe the precedent agreement negotiated between TGT and Vectren South.**

19 A. The precedent agreement is still being negotiated between Vectren South and TGT. The
20 precedent agreement will include the terms of the commitment between the Parties, the
21 level of the Firm Transportation service, the indicative rates to be paid by Vectren South
22 to TGT, along with the government authorizations and construction timetable for the
23 compression upgrades and new interconnect to be completed by TGT.

24 **Q. What type of transportation arrangement is Vectren South proposing with TGT?**

1 A. Vectren South is proposing to subscribe to firm transportation ("FT") capacity on TGT
2 under Rate Schedule FT. This FT service is proposed to have a Maximum Daily Quantity
3 ("MDQ") of 120,000 MMBtu per day for a twenty-year (20) term, which will commence at
4 the time gas service is required by the CCGT.

5 **Q. What components are included in the indicative rate proposed by TGT for the**
6 **Vectren South CCGT?**

7 A. Vectren South has negotiated with TGT for a blended rate for the twenty-year (20) term.
8 This blended rate includes TGT's recovery for the required infrastructure improvements
9 to meet the CCGT's demands along with bi-directional FT capacity on TGT.

10 **Q. Please explain the rationale for the bi-directional FT capacity on TGT.**

11 A. Vectren South has negotiated with TGT for fifty-percent (50%) of the FT capacity MDQ
12 to be sourced from the traditional TGT Mainline System, providing for direct access to
13 supply sourced from northern Louisiana. This capacity will provide access to growing
14 supply from the Haynesville shale basin.

15 The primary receipt point for the remaining fifty-percent (50%) of the FT capacity MDQ
16 will be the TGT interconnect with Rockies Express Pipeline ("REX") near Franklin,
17 Indiana. This capacity will provide Vectren South access to supply from the prolific
18 Marcellus/Utica supply basin. The REX system transports supply from the
19 Marcellus/Utica basin in southeastern Ohio in an East-to-West manner to a number of
20 interconnects with interstate pipelines serving Midwest markets, including TGT.

21 The diversity of capacity negotiated with TGT is projected to provide benefits to the
22 CCGT that many other interstate pipelines cannot provide for their shippers/customers.
23 TGT's access to various supply basins can provide diversity in the commodity cost of
24 natural gas that is not always available to Shippers on an interstate pipeline.

1 **Q. Why is firm transportation important?**

2 A. Vectren South wanted to make certain that one-hundred percent (100%) of the gas
3 requirements for the unfired component of the proposed CCGT would be supplied with
4 firm transportation capacity, both on TGT and the Vectren South Gas pipeline to the
5 CCGT. FT capacity provides the reliability necessary to assure year-round natural gas
6 supply for the CCGT.

7 **Q. What is TGT's construction timeline?**

8 A. TGT's construction timetable is dependent upon Vectren South providing TGT with
9 notice that the Commission issued a final, non-appealable Order, acceptable to Vectren
10 South. Once the Commission issues Vectren South a certificate of convenience and
11 necessity pursuant to Ind. Code chpt. 8-1-8.5 without limitations, restrictions or conditions
12 unacceptable to Vectren South, TGT will then file under its blanket certificate with the
13 Federal Energy Regulatory Commission ("FERC"). TGT does not need any approval by
14 FERC to the improvements listed in the blanket certificate for their project. TGT shall
15 proceed with Commercially Reasonable Efforts to prepare and file any and all filings and
16 applications with the FERC and all other governmental and regulatory authorities having
17 competent jurisdiction over the construction and operation of their project. TGT's
18 construction timetable will parallel the construction timetable for the proposed Vectren
19 South (Gas) twenty-three (23) mile lateral from the new interconnect with TGT at
20 Robards, Kentucky to the CCGT facility.

21 **Q. Is Vectren South pursuing an alternative source of natural gas for the fired portion
22 of the CCGT?**

23 A. The fired portion of the CCGT requires a significantly smaller volume of natural gas in
24 comparison to the unfired portion of the CCGT. The fired portion is also projected to be
25 utilized at a lower load factor in comparison to the unfired portion of the unit. As a result,

1 Vectren South will be utilizing a variety of capacity and supply options to serve the fired
2 portion.

3 First, a small portion of the TGT FT capacity and corresponding Vectren South (Gas)
4 lateral capacity can be utilized to serve some of the fired portion of the CCGT natural
5 gas requirements. Second, Vectren South is working with an existing transportation
6 customer to take a permanent release of up to 12,000 dth per day of its existing TGT
7 Dogtown lateral capacity. The Dogtown lateral is Zone 3 – Zone 3 FT capacity on the
8 TGT system, with the interconnect between Vectren South (Gas) and TGT named
9 Dogtown. Given its delivery location into the Vectren South (Gas) distribution system,
10 the close proximity to the proposed CCGT at AB Brown will allow for this short-haul FT
11 to serve a portion of the fired portion's natural gas requirements. Third, Vectren South
12 plans to continue its existing storage arrangement with Vectren South (Gas) going
13 forward. Combined, these capacity options, coupled with the Vectren South (Gas) on
14 system storage capacity, will fulfill the natural gas requirements for the fired portion of
15 the CCGT.

16 **Q. Please describe the existing storage arrangement between Vectren South's gas
17 and electric operations.**

18 A. Vectren South's electric operations have held storage service on the Company's gas
19 operations since 2004. The storage service has a seasonal Maximum Daily Withdrawal
20 Quantity ("MDWQ") and a seasonal Storage Contract Quantity ("SCQ"). For the summer
21 season, the MDWQ is 22,000 MMBtu per day and a SCQ of 220,000 MMBtu's. For the
22 winter season, the MDWQ is 12,000 MMBtu per day and the SCQ is 120,000 MMBtu's.
23 This storage service has been a valuable capacity asset to meet a portion of the natural
24 gas demands for the existing gas-fired units for the electric division of Vectren South.

1 **Q. Will any portion of the new lateral from TGT to the CCGT become available to**
2 **other Vectren South gas customers?**

3 A. The Vectren South gas lateral is being constructed in order to serve the CCGT, but it will
4 have potential benefits to Vectren South gas customers in other circumstances: in an
5 emergency situation, it could be used to serve a portion of the demands of Vectren
6 South gas customers; in the future, should a large customer decide to locate near the
7 CCGT facility, a portion of the new Vectren South (Gas) lateral could be allocated to that
8 customer. Under that scenario, the CCGT's allocation of the annual costs of the lateral
9 would be reduced based upon the other customer's MDQ.

10 **Q. Why is Vectren South (Gas) constructing the lateral from TGT to the CCGT?**

11 A. Vectren South (Gas) is building and operating the new lateral to eliminate the potential
12 for prospective customers to bypass the gas utility, which would be possible if TGT built
13 the lateral and had excess capacity available for either existing or future large natural
14 gas customers behind the Vectren South (Gas) system.

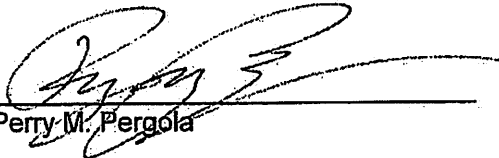
15 **I. Conclusion**

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

17 A. Yes, at this time.

VERIFICATION

The undersigned, Perry M. Pergola, affirms under the penalties of perjury that the answers in the foregoing Direct Testimony in Cause No. 45052 are true to the best of his knowledge, information and belief.



Perry M. Pergola