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INDIANA UTILITY
REGULATORY COMMISSION

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a CENTERPOINT ENERGY INDIANA SOUTH
(CEI SOUTH)

IURC CAUSE NO. 37366-GCA151

DIRECT TESTIMONY
OF
KATIE J. TIEKEN
DIRECTOR, REGULATORY AND RATES

SPONSORING PETITIONER'S EXHIBIT NO. 1,
ATTACHMENTS KJT-1 THROUGH KJT-4

DIRECT TESTIMONY OF KATIE J. TIEKEN

I. INTRODUCTION

Q. Please state your name and business address.

A. Katie J. Tieken
211 NW Riverside Drive
Evansville, Indiana 47708

Q. By whom are you employed?

A. I am employed by Vectren Corporation, a wholly-owned subsidiary of CenterPoint Energy, Inc. ("CenterPoint"). Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("Petitioner", "CEI South" or "the Company") is an indirect subsidiary of CenterPoint.

Q. What position do you hold with Petitioner CEI South?

A. I am Director, Regulatory and Rates for CenterPoint, the ultimate parent company of CEI South. I hold the same position with two other utility subsidiaries of CenterPoint – Indiana Gas Company, Inc. d/b/a CenterPoint Energy Indiana North ("CEI North") and Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio ("CEOH").

Q. Please describe your educational background.

A. I am a 2001 graduate of the University of Evansville with a Bachelor of Science degree in Business Administration with double majors in finance and mathematics.

Q. Please describe your professional experience.

A. From 2002 to 2007, I was employed by EG&G Technical Services as a financial analyst and contract administrator. Since October 2007, I have been employed with CenterPoint Energy in various regulatory capacities. In 2015, I was named Manager, Rates. In February 2019, I was named to Manager, Regulatory and Rates. I was named to my current position in April 2021.

Q. What are your present duties and responsibilities as Director, Regulatory and Rates?

A. I am responsible for the Indiana and Ohio regulatory and rate matters of the regulated utilities within CenterPoint in proceedings before the Indiana and Ohio utility regulatory commissions. I also have responsibility for the implementation of all regulatory initiatives of CEI South (and other utility subsidiaries in Indiana and Ohio), as well as the preparation of regulatory and rates exhibits submitted in various regulatory proceedings.

Q. Have you ever testified before any state regulatory commission?

A. Yes. I have testified before the Indiana Utility Regulatory Commission ("IURC" or "Commission") on behalf of CEI South in its Gas Cost Adjustment ("GCA"), Cause No. 37366, beginning in GCA 147. I have also testified on behalf of CEI South in its Fuel Adjustment Clause ("FAC"), Cause No. 38708, beginning in FAC126, in Cause No. 43354 (MISO Cost and Revenue Adjustment ("MCRA"), beginning in MCRA23 and in Cause No. 43406 (Reliability Cost and Revenue Adjustment ("RCRA"), RCRA18. In addition, I have testified on behalf of CEI North in its GCA proceeding Cause No. 37394, beginning in GCA 147. Most recently, I have testified on behalf of CEI South in its general gas base rate case proceeding, Cause No. 45447 and CEI North Cause No. 45468.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony addresses: 1) CEI South's request for approval of changes in its GCAs for the period August, September, and October 2021 ("the GCA period"), 2) CEI South's request for authority to "flex" these GCAs up and down, consistent with the Order in Cause No. 44374 that was approved by the Commission on August 27, 2014, and 3) CEI South's proposal to recover variances resulting from the February 2021 Winter Storm Uri which are included in the reconciliation of this GCA proceeding.

Q. Are you sponsoring any attachments?

A. Yes, I am sponsoring the following attachments in this proceeding:

- Petitioner's Exhibit No. 1, **Attachment KJT-1**: Appendix A, GCA tariff sheet
- Petitioner's Exhibit No. 1, **Attachment KJT-2**: GCA calculation Schedules 1 through 14 as proposed under the Company's alternative recovery method
- Petitioner's Exhibit No. 1, **Attachment KJT-3**: GCA calculation Schedules 1 through 14 under the traditional recovery method

- Petitioner's Exhibit No. 1, **Attachment KJT-4**: Supporting calculation of CEI South's proposed alternative approach

Q. Were your testimony and attachments prepared by you or under your supervision?

A. Yes, they were.

II. PETITIONER'S EXHIBIT NO. 1 ATTACHMENTS: TARIFF SHEET AND GCA SCHEDULES

Q. Please describe Attachment KJT-1.

A. Attachment KJT-1 contains Appendix A, the tariff sheet setting forth the estimated GCAs proposed to be effective for the GCA period. The Company plans to update the entire Tariff for Gas Service with the new assumed business name[1] within the Compliance Filing in its pending general gas rate case, Cause No. 45447.

Q. Please describe Attachment KJT-2 and Attachment KJT-3.

A. Both Attachment KJT-2 and Attachment KJT-3 contain GCA calculation Schedules 1 through 14, including the sales forecast for the twelve months ending July 2022.

Attachment KJT-2 reflects the quarterly GCA under the Company's alternative recovery method as described in greater detail below.

Attachment KJT-3 reflects the quarterly GCA as calculated in accordance with the Commission's Order in Cause No. 44374, where monthly variances are recovered over a twelve-month period through a per-therm charge incorporated into the GCA factors ("Traditional GCA Recovery").

[1] As of January 25, 2001, Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (formerly known as "Vectren South") operates under a new assumed business name Southern Indiana Gas and Electric Company d/b/a CenterPoint Energy Indiana South ("CEI South")

III. MONTHLY UPDATES TO GAS COST ESTIMATES FOR MARKET PURCHASES

Q. Has CEI South estimated prices for its projected market purchases for the GCA period?

A. Yes. CEI South's estimates August, September, and October 2021 are based on current New York Mercantile Exchange ("NYMEX") prices for these months. Estimated market purchases have been priced at NYMEX prices on a day no more than six (6) business days prior to the filing of the revised GCA schedules included in this quarterly GCA filing. This estimated price is referred to as the "initial market price".

Q. What is CEI South's proposal to reflect changes in the market price of gas via a pricing and monthly flex adjustment to its estimated GCA?

A. CEI South will file a monthly flex (the "flex") each month to adjust the GCA for the subsequent month. The flex will follow the Commission's Order for Cause No. 44374 and will be filed no less than three (3) days before the beginning of each calendar month during the GCA period. Market purchases in the flex will be priced at NYMEX prices on a day no more than six (6) business days prior to the beginning of said calendar month. In each flex, changes to the initial market price will be limited to a maximum adjustment (up or down) of $1.00 from the initial market price.

Q. Does this flex methodology proposal differ from that in effect in Cause No. 37366-GCA 150?

A. No.

IV. RECONCILIATION OF PRIOR PERIOD GAS COST VARIANCES

Q. Does the applied-for GCA reflect the reconciliation of gas costs recovery and gas costs incurred for a previous period?

A. Yes. The applied-for GCA reflects the reconciliation of gas cost recovery and gas cost incurred for the months of December 2020, January 2021 and February 2021 (the "Reconciliation Period").

Q. Was there an over- or under- collection of GCA revenues for the Reconciliation Period?

A. Yes. CEI South experienced an under-collection of $18,895,426[2] for the Reconciliation Period. The majority of the under-collection is attributed to the month of February 2021. In fact, of the $18,895,426 in total under-collection, $17,921,023[3] is attributable to the month of February 2021.

Q. What was CEI South's estimated cost of gas per Dekatherm ("Dth") sold compared to the actual cost of gas per Dekatherm ("Dth") sold for the Reconciliation Period?

A. The following table sets forth a comparison of CEI South's estimated and actual gas cost per Dth sold for the Reconciliation Period.

Month	Estimated Total Monthly Commodity Cost (Sch. 1 Pg. 1 Line 12 of Monthly Flex Filings)	Actual Total Monthly Commodity Cost (Sch. 6 Line 7)	Difference of Total Monthly Commodity Cost per Dth Sold	Actual Total Monthly Sales in Dth (Sch. 6 Line 1)
December 2020	$ 4,389,831.00	$ 4,127,308.00	$ (262,523.00)	1,755,226
January 2021	$ 6,332,853.00	$ 5,770,639.00	$ (562,214.00)	2,030,794
February 2021	$ 5,197,273.00	$ 24,541,585.00	$ 19,344,312.00	2,225,816

Month	Estimated Commodity Cost per Dth Sold (per monthly flex filing Sch. 1 Pg. 1 Line 14)	Actual Commodity Cost per Dth Sold (Actual Monthly Commodity Costs divided by Actual Monthly Sales)	Estimated vs. Actual Commodity Cost per Dth	Percentage Difference of Actual Commodity
December 2020	$ 2.171	$ 2.351	$ 0.180	8.31%
January 2021	$ 2.473	$ 2.842	$ 0.369	14.90%
February 2021	$ 2.683	$ 11.026	$ 8.343	310.95%

Q. Please describe the extreme weather event that led to high gas prices and the under-collection of revenues during February 2021.

A. From February 13 – 16, 2021, a large swath of the country was hit by a major winter and ice storm unofficially referred to as Winter Storm Uri ("Uri"). The storm resulted in the

[2] GCA 151 variance consists of $18,579,337 in Commodity, $119,568 in Bad Debt Gas Costs, $747,078 in LIFO Adjustments including Bad Debt Cost of Gas LIFO Adjustment, and $(550,557) in Demand.
[3] February 2021 variance consists of $18,268,450 in Commodity, $116,154 in Bad Debt Gas Cost, and $(463,581) in Demand.

issuance of winter weather alerts by the National Weather Service and blackouts for millions of people in the United States. Uri contributed to a severe cold wave that affected most of North America.

A combination of significant disruptions in natural gas supply combined with a sharp rise in natural gas demand – all due to the arctic cold temperatures across much of the country – led to an extraordinary increase in natural gas spot market prices, as discussed by Petitioner's Witness Grizzle. Though natural gas prices have since stabilized, CEI South incurred approximately $19.7 million in costs to purchase necessary gas supplies for its CEI South customers between February 12 and February 22, 2021 (the "February Market Event"). The February Market Event affected not just CenterPoint[4], but utilities across the country. It was the culmination of unprecedented circumstances that resulted in high spot market prices for natural gas across the country. On February 12, 2021, gas daily spot prices surged to all-time record highs as freezing temperatures impacted nearly every state.

Q. How are monthly variances between the forecasted price of gas and the actual prices of gas typically recovered as part of CEI South's GCA process?

A. In accordance with the Commission's Order in Cause No. 44374, monthly variances are recovered over a twelve-month period through a per-therm charge incorporated into the GCA factors ("Traditional GCA Recovery").

Q. What is CEI South's proposal in this GCA to recover the variances for February 2021?

A. CEI South is proposing an alternative approach to recover the February 2021 variance over 12 months, which is similar to the alternative approach the Commission recently approved for Northern Indiana Public Service Company ("NIPSCO") in Cause No. 43629 GCA 58[5]. Fifty percent of the February 2021 variances (commodity, bad debt gas costs, and demand) will be recovered evenly over the 12-month period August 2021 through July

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[4] Reference to CenterPoint indicates not only CEI South, but also other jurisdictions served within CenterPoint's service territory.

[5] The Commission approved "the 12-month alternative reconciliation process NIPSCO proposed under which the variance created during February 2021 will be split evenly between a fixed and a variable calculation" (*In re N. Ind. Public Service Co*¸ Cause No. 43629 at 11 (IURC 5/26/21)).

2022. The remaining fifty percent of the variance will be recovered using a volumetric allocation over the same 12-month period. The supporting calculation of CEI South’s proposed alternative approach is included as Petitioner’s Exhibit No. 1, Attachment KJT-4.

Q. Why is CEI South proposing this alternative approach to recovery of the February 2021 gas costs?

A. Winter Storm Uri was an extraordinary event that occurred at a time when Hoosiers were already experiencing economic hardships resulting from the COVID-19 pandemic. Petitioner’s Witness Grizzle explained that prices at delivery points to Indiana increased dramatically to as much as $65.60 per dekatherm for Rockies Express Pipeline, Zone 3, on February 13-16, in comparison to the February weighted average cost of gas of $3.17 per dekatherm included in the GCA 149 flex filing. As I stated earlier, the result of Winter Storm Uri was a net under-collection of $18,895,426 for the Reconciliation Period. The February 2021 portion of this under-collection was $17,921,023. Recovering the February 2021 under-collection through the approved per-therm charge results in an increased impact on customers during the winter heating season when their gas usage is the highest. Accordingly, CEI South has been considering alternate methods to mitigate this rate impact and considers this 50/50 approach to be in the customer’s best interests. By spreading 50 percent of the February 2021 variance evenly over the 12-month period, it mitigates the costs the customer will experience in the winter heating season.

Q. Did CEI South consider any other alternatives?

A. Yes. CEI South considered the Traditional GCA Recovery and also an extended recovery period beyond the typical 12-month period. The Traditional GCA Recovery would lead to a an increase in customers’ bills during the winter heating season. An extended recovery period beyond the typical 12-month period is inconsistent with Ind. Code § 8-1-2-42(g)(3)(D) and Commission findings related to that statute. Additionally, an extended recovery period presents multiple factors that have the potential to negatively impact customers. The Company decided to request approval of the alternative approach.

Q. Please further describe why an extended recovery period beyond the typical 12-month period is inconsistent with Ind. Code § 8-1-2-42(g)(3)(D) and Commission findings related to that statute.

A. Ind. Code § 8-1-2-42(g)(3)(D) states that the Commission must find the following before granting a gas utility the requested gas cost charge:

> The utility's estimate of its prospective average gas costs for each future recovery period is reasonable and gives effect to: (i) the actual gas costs experienced by the utility during the latest recovery period for which actual gas costs are available; and (ii) *the actual gas costs recovered by the adjustment of the same recovery period.* (emphasis added).

The Commission affirmed this linkage in its most recent review of the GCA practices*. In re IURC's Investigation into Existing Gas Cost Adjustment Procedures and Schedules*, Cause No. 44374 (approved August 27, 2014). In responding to a request for annual filings for small gas utilities, the Commission held that "[v]ariances created during an annual filing will take longer to be recovered from/returned to customers." *Id.* at 20.

Q. Please describe the factors that an extended recovery period will present that have the potential to negatively impact customers.

A. An extended recovery period presents three main factors that have the potential to negatively impact customers:

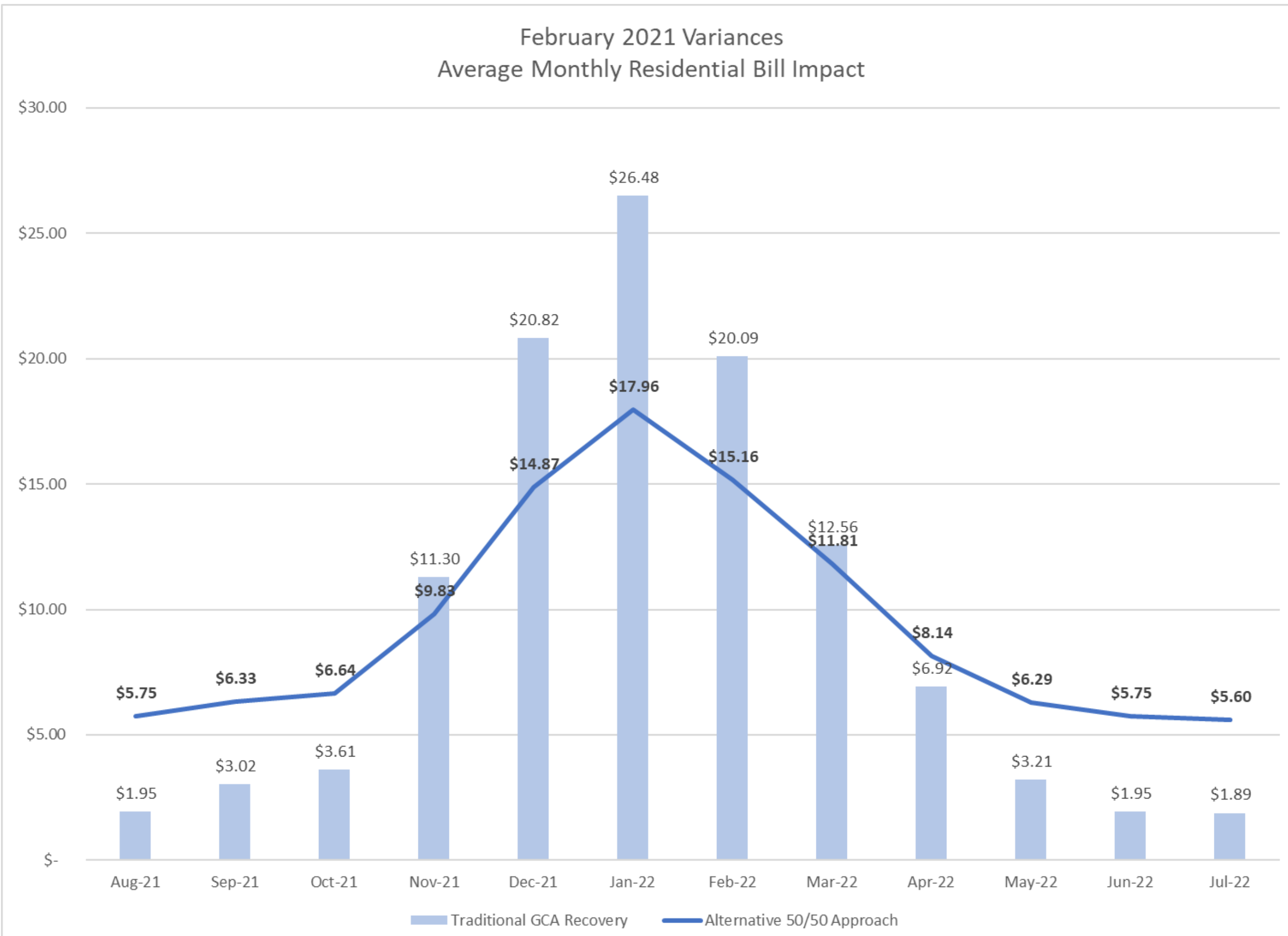
1. An extended recovery period would likely span across, and lead to increased customer rates for, two winter heating seasons.
2. With customer turnover during the extended recovery period, customers new to the system (who did not use the gas purchased in February 2021) would still be paying the increased rates.
3. If an extended recovery period were approved, the Commission should authorize the Company to recover associated carrying costs for financing gas costs over a long period. Such carrying costs[6] would further increase rates for customers.

Q. Under CEI South's alternative proposal, how will customers be impacted?

A. The chart below compares the bill impacts of average residential customer using 658 therms per year under the Traditional GCA Recovery, as well as the "alternative" 50/50

[6] Estimated carrying costs on the extended recovery period (months 13-24) are approximately $800,000 using the most recently approved weighted average cost of capital of 6.28% from Cause No. 44429-TDSIC 13.

approach. As shown in the chart below, the alternative 50/50 proposed approach will result in slightly higher collections in the summer months, when natural gas usage is lower, but will lessen the impact of the increase during the winter heating season, when natural gas usage is highest. The alternative 50/50 proposed approach is in the customers' best interest.



V. CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

STATE OF INDIANA)
) **SS:**
COUNTY OF VANDERBURGH)

The undersigned, Katie J. Tieken, being duly sworn, under penalty of perjury affirms that the foregoing Direct Testimony in Cause No. 37366-GCA151 is true to the best of her knowledge, information and belief.

Katie J. Tieken