



505 Nicollet Mall
P.O. Box 59038
Minneapolis, MN 55459-0038

October 12, 2015

Mr. Dan Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 East 7th Place, Suite 350
St. Paul, MN 55101-2147

VIA E-FILING

**RE: Petition of CenterPoint Energy for Approval of an Extension of Rule
Variances to Minnesota Rules to Recover the Costs of Certain Natural Gas
Financial Instruments Through the Purchased Gas Adjustment Clause
G-008/M-12-166
G-008/M-15-_____**

Dear Mr. Wolf:

CenterPoint Energy (the "Company"), herewith electronically submits its Petition for Approval of an Extension of Rule Variances to Minnesota Rules to Recover the Costs of Certain Natural Gas Financial Instruments Through the Purchased Gas Adjustment Clause.

The Company respectfully requests this filing be accepted as being in full compliance with the filing requirements of the Minnesota Public Utilities Commission (the "Commission") and that Commission grant approval for an extension of its variance to Minnesota Rules, Parts 7825.2400, 7825.2500, and 2825.2700 ("Purchased Gas Adjustment rules" or "PGA rules") to allow for PGA recovery of certain financial instruments to minimize price volatility of natural gas supplies purchased on behalf of Minnesota customers. The Company requests approval from the Commission before June 30, 2016. The Company has electronically filed this document with the Commission, and copies have been served on the parties on the attached service list.

The following pages further describe the Company's petition. If you have questions regarding the information provided in this filing, please contact me at (612) 321-4677 or Kevin.Marquardt@CenterPointEnergy.com.

Sincerely,

/s/

Kevin Marquardt
Regulatory Analyst, Regulatory Services
CenterPoint Energy

Enclosures
cc: Service List

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
Commissioner

MPUC Docket No.: G-008/M-12-166
G-008/M-15-___

In the Matter of the Petition of
CenterPoint Energy for
Approval of an Extension of a Variance to the
Purchased Gas Adjustment Rules

**PETITION FOR APPROVAL OF
AN EXTENSION OF
A VARIANCE TO THE PURCHASED
GAS ADJUSTMENT RULES**

1. INTRODUCTION

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy,” “CNP,” or the “Company”) submits to the Minnesota Public Utilities Commission (the “Commission”) the Petition of CenterPoint Energy for Approval of an Extension of Rule Variances to Minnesota Rules to Recover the Costs of Certain Natural Gas Financial Instruments Through the Purchased Gas Adjustment Clause. Compliance with applicable Minnesota Statutes and Rules is demonstrated in this filing.

2. COMPLIANCE WITH MISCELLANEOUS TARIFF AND PRICE LIST FILINGS

Pursuant to Minnesota Rules Part 7829.1300, CenterPoint Energy provides the following information:

7829.1300 Miscellaneous Tariff and Price List Filings

Subp. 1 **Summary.**

A miscellaneous tariff filing and price list filing must include, on a separate page, a one-paragraph summary of the filing, sufficient to apprise potentially interested parties of its nature and general content.

A one-paragraph summary is attached to this filing pursuant to Minn. Stat. § 216B.50 and related Minnesota Rules 7825.1600 to 1800.

Subp. 2 **Service.**

The filing utility shall serve copies of each miscellaneous tariff filing

on which commission action is required within 60 days, and each price list filing increasing the price of a competitive service, on the persons on the applicable general service list, on the department, and on the Residential Utilities Division of the Office of the Attorney General. For other filings, the utility may serve the summary described in subpart 1 on persons on the applicable general service list. The utility shall serve with the filing or the summary a copy of its general service list for the filing.

A copy of this filing has been served on all parties on the enclosed service list.

Subp. 3

Content of filing subject to specific requirements.

In addition to complying with specific requirements imposed by statute or rule, miscellaneous tariff and price filings subject to specific filing rules must contain at least the following information:

- A. the name, address, and telephone number of the utility, without abbreviation;

CenterPoint Energy, a division of CenterPoint Energy Resources Corp., a Delaware Corporation
505 Nicollet Mall
Minneapolis, MN 55402
(612) 321-4976

- B. the name, address, and telephone number of the attorney for the utility, if the utility is using an attorney;

Brenda Bjorklund
Associate General Counsel
CenterPoint Energy
505 Nicollet Mall
Minneapolis, MN 55402
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- C. the date of the filing and the date the proposed rate or service change will go into effect;

Filing Date:

October 12, 2015

Effective Date:

CenterPoint Energy requests that the Commission grant the requested PGA rule variances before the expiration of the current authorization on June 30, 2016 to allow continuous approval and allow purchases for the upcoming heating season. Should the

Commission not issue an order prior to June 30, 2016, the Company requests that the Commission specifically approve continued ability to use financial instruments during the period after June 30, 2016 and prior to issuance of its order in this Docket.

D. the statute that the utility believes controls the time frame for processing the filing; and

Minnesota Statutes and related rules do not provide an explicit time frame for action by the Commission. Under Minn. R. 7829.0100, subp. 11, the filing is properly considered a miscellaneous tariff filing, since no determination of general revenue requirement is necessary. Under Minn. Rule 7829.1400, initial comments are due within 30 days of filing, with reply comments due 10 days thereafter.

E. the signature and title of the utility employee responsible for the filing.

Kevin Marquardt
Regulatory Analyst, Regulatory Services
CenterPoint Energy
505 Nicollet Mall
Minneapolis, MN 55402
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Subp. 4 **Content of filing not subject to specific filing rules.**
In addition to complying with any specific requirements imposed by statute, miscellaneous tariff and price list filings not subject to specific filing rules must contain at least the following information:

Not Applicable.

3. OFFICIAL SERVICE LIST REQUEST

Pursuant to Minnesota Rule 7829.0700, Subpart 1, the Company requests the following persons be placed on the Commission's official service list for this proceeding:

7829.0700 Official Service List

Subp. 1 Content.

The official service list for each proceeding consists of the names of the parties and the names of participants who have filed a written request for inclusion on the service list with the executive secretary.

Kevin Marquardt
Regulatory Analyst, Regulatory Services
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Peggy Sorum
Manager of Rates, Regulatory Services
CenterPoint Energy
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(612) 321-4625

Brenda Bjorklund
Associate General Counsel, Corporate Legal
CenterPoint Energy
505 Nicollet Mall
Minneapolis, MN 55402
(612) 321-4976

Any information requests in this proceeding should be submitted to Mr. Marquardt.

4. DESCRIPTION OF FILING

4.1. Petitioner

CenterPoint Energy Minnesota Gas is a Minnesota public utility as defined in Minnesota Statute § 216B.02, Subdivision 4, and operates as a Division of CenterPoint Energy Resources Corp. CenterPoint Energy is engaged in business as a natural gas local distribution company serving over 800,000 customers in Minnesota.

4.2. Purpose of Filing

CenterPoint Energy was initially granted permission to use hedging tools via a variance to the PGA rules in Docket G-008/M-04-368 on November 3, 2004. On March 6, 2009, in Docket G-008/M-08-777, the Commission issued an order granting CenterPoint Energy a variance extension to vary Minnesota Rules parts 7825.2400, 7825.2500, and 7825.2700 in order to recover through the PGA the cost of forward futures contracts, call options, and put options in combination with call options to form a collar, entered into by June 30, 2012. On July 26, 2012, in docket G-008/M-12-166, the Commission Ordered the following:

“Pursuant to Minnesota Rules 7829.3200, granted CenterPoint Energy the necessary variance extensions to Minnesota Rules, parts 7825.2400, 7825.2500, and 7825.2700, to continue recovering hedging costs through its PGA, permitting recovery of hedging costs from arrangements entered into from July 1, 2012 through June 30, 2016 with the following conditions recommended by the Department:

- Allow the variance to apply to all Commission-approved financial positions that CenterPoint enters into through June 30, 2016;

- Require an annual limit on hedging volumes of 26 Bcf;
- Require an overall limit on hedging volumes of 65 Bcf;
- Allow multi-year hedging contracts of up to 60 months in duration; with annual limits on volumes for years beyond 2016-17 of 13 Bcf;
- Require an annual limit on net option premiums of \$6.5 million, excluding premiums or reservation fees paid for daily call gas;
- Deny recovery of interest costs thru the PGA;
- Continue to allow CenterPoint to engage in put options in combinations with call options to form a collar, but deny the Company's use of put options for any other reasons without specific Commission approval;
- Require CenterPoint to report data and follow the reporting requirements as detailed in Section II of CenterPoint's Petition;
- Require CenterPoint to include, in future variance requests, a ratepayer benefit analysis similar to what the Company provided in its response to information Department discovery in this docket;
- Require CenterPoint to file, as compliance in this docket, a copy of its hedging plan each year once the plan has been approved for use by Company management; and
- Require CenterPoint to provide, on an annual basis, any, and all, input data, output data, and results associated with any statistical analyses (e.g., Monte Carlo simulation) used in the determination of its annual hedging strategy and risk analyses."

CenterPoint Energy seeks a four (4) year extension of its approval to utilize and recover costs for forward futures contracts, call options, put options in combination with call options to form a collar, and financial swaps due to the expiration of its current variance on June 30, 2016. Products used may be simple calls or collars or may be combinations of multiple calls and puts within the same instrument in order to provide varying levels of protection.

CenterPoint Energy proposes the following updated provisions:

- I. An annual limit on hedging volume of 26 Bcf ;
- II. An overall limit on hedging volume of 65 Bcf;
- III. Multi-year hedging contracts of up to 60 months duration; with annual limits on volume for years beyond 2020-21of 13 Bcf;
- IV. An annual limit on net option premiums of \$6.5 million, excluding premiums or reservation fees paid for daily call gas;
- V. Variance applies to all financial positions that CenterPoint enters into through June 30, 2020;
- VI. Reporting required detailed in Section 6 of this filing;
- VII. Use put options only in combination with a call option to form a collar; and
- VIII. No recovery of interest costs thru the PGA.

5. BACKGROUND

CenterPoint Energy Minnesota Gas ("CenterPoint Energy", "the Company" or "CNP") makes this financial instruments filing as part of its broader gas procurement strategy. CenterPoint Energy manages a diversified gas supply portfolio that considers: reliability, reduced price volatility, and reasonable price. CenterPoint Energy believes such a balanced strategy serves all interests--the Company's, its customers and regulators.

In considering price volatility in building our supply portfolio, CenterPoint Energy works to lessen our customers' exposure to severe month-to-month changes in the PGA that would otherwise be experienced if all gas purchased was subject to short-term market influences. And while providing gas at a reasonable cost does not imply that CenterPoint Energy will try to "beat the market," our objective is to reduce volatility while providing protection against prices that greatly exceed normal market levels.

Those attempting to out-perform the market necessarily take on risks that CenterPoint Energy believes are imprudent for a regulated local distribution company to undertake. As well stated by the U.S. General Accounting Office in a December 2002 report:

"A gas utility company that follows a hedging strategy is not guaranteed that it will pay the lowest price for natural gas. In fact, minimizing price volatility through hedging and minimizing gas costs (beating the market) are two entirely different objectives. A hedging strategy for a gas purchaser aims at gaining more certainty with respect to future costs, or avoiding exposure to large price fluctuations in the future that could come from total reliance on spot market prices. This is a different strategy from one that tries to secure the lowest possible prices in the future. Neither strategy is costless, and parties that use them risk that their effective costs, after the fact, may be higher than those of alternative strategies."

Thus, what CenterPoint Energy strives to achieve through its "reasonable price" objective is a supply cost that will be reasonable based upon two factors: market conditions at the time purchase transactions are entered into and the level of services needed to provide continuous service to our firm sales customers.

CenterPoint Energy's use of the competitive bidding process to secure gas supplies, our use of published market price indices to establish long-term and daily gas purchase prices as well as our use of NYMEX gas future price quotes or over-the-counter price quotes all work to accomplish gas supply for our customers that is reasonably priced. While we believe that physical hedging and financial hedging yield approximately equivalent results at approximately equal costs, we believe the continued ability to use financial instruments to hedge provides flexibility in timing, and request that the Commission allow us the continued ability to use this tool as well.

Pursuant to Minnesota Rules Part 7829.3200 and related Minnesota rules, CenterPoint Energy hereby petitions the Minnesota Public Utilities Commission ("Commission") for

an order extending the variance to Minnesota Rules, Parts 7825.2400, 2500 and 2700 (“Purchased Gas Adjustment rules” or “PGA rules”) to allow for the use of certain financial instruments to minimize price volatility of natural gas supplies purchased on behalf of Minnesota customers granted by the Commission on March 6, 2009 in Docket G-008/M-08-777. CenterPoint Energy seeks continued approval of the ability to enter forward futures contracts, call options and put options in combination with call options to form a collar. Products used may be simple calls or collars or may be combinations of multiple calls and puts within the same instrument in order to provide varying levels of protection. Additionally, CenterPoint Energy requests continued approval to utilize and recover costs for financial swaps which effectively result in a fixed price. CenterPoint Energy remains agreeable to maintaining the restriction that does not allow the purchase of a put outside of a call.

5.1. The Company’s Commodity Purchasing Practices

CenterPoint Energy’s gas procurement objective is to provide reasonably priced and reliable natural gas supply to its customers. CenterPoint Energy uses a mix of firm and interruptible supplies (based on both first-of-the-month index pricing and spot market prices to meet daily swings), contract storage, and company-owned storage and peak-shaving resources. Sources of supply are analyzed considering cost, reliability, and logistics. Company guidelines call for a diversified supply portfolio in order to maintain long-term system reliability and flexibility.

The Company’s objective in hedging the price it pays for a portion of its winter natural gas supply is to maintain a gas supply portfolio that has a predictable and stable price. Even when the market prices of gas appear to be somewhat stable, many factors beyond the control of the Company could occur that would create high price volatility and even extreme short-term fly-ups in market prices. Hedging winter gas supply prices stands to protect the Company’s customers from the most severe price spikes during the coldest and, thus highest consumption, periods of the year.

CenterPoint Energy plans to continue to use both physical transactions and financial transactions in its Minnesota region to accomplish its hedging objectives. Use of the physical transactions means that the Company’s suppliers provide supply contracts that incorporate the desired hedge into the supply contract, thereby accomplishing the same financial results that the Company would have if it contracted for physical supplies at an index price, then bought separate financial instruments to hedge the price of those supplies.

The ability to use separate financial instruments, purchased directly by CenterPoint Energy, may provide significant administrative ease and flexibility when executing hedging transactions. As the diversity increases, the ability to use financial instruments versus physical hedges could provide even more value to CenterPoint Energy’s customers.

5.2. Relationship with CenterPoint Energy, Inc.

CenterPoint Energy, Inc. has established and documented a Risk Control Policy, which is designed to ensure that the use of financial instruments is a carefully controlled operation monitored at the highest level of authority within the CenterPoint Energy organization. A copy of the Risk Control Policy was included in the G-008/M-08-777 docket. This document is strictly confidential. In order to avoid the necessity to make this filing Trade Secret, CNP did not attach the policy document to this filing, but will make it available upon request in a Non-Public document.

Consistent with what was in filed in the Company's 2012 request and in accordance with the Risk Control Policy, only authorized personnel may execute transactions on behalf of a CenterPoint Energy company. In practice, this means that when CenterPoint Energy Minnesota Gas seeks to use the financial instruments discussed in this filing, it will initiate any call and will have a designated CenterPoint Energy employee who has been authorized by the CNP Board of Directors to undertake financial transactions of this type, on the call as well. That CNP employee will authenticate the authority of the employee to initiate the transaction with the financial institution. CenterPoint Energy Minnesota Gas will be billed the costs associated with these transactions, but there will be no additional charges from our affiliated trading desk. Thus, no Affiliate Interest filing is required. The Company wants the Commission to be fully aware of this practice.

5.3. PGA Treatment of all Costs Associated with the Use of Financial Instruments is Appropriate

To allow for the use of financial instruments, it is appropriate to include any gain or loss and other direct transaction costs in the PGA. Specifically, the PGA should reflect gains and losses on the financial transactions and basis differences. We are also seeking permission to recover other direct transactional costs, including brokers fees and option premiums. We are not seeking interest on margin calls since the Minnesota Public Utilities Commission specifically denied this request in our previous request.

Handling these items through the PGA is appropriate for several reasons. The gains and losses and other transaction costs to fulfill the financial transaction are being incurred to deliver natural gas to our Minnesota jurisdictional customers. These costs are direct costs to fulfill that obligation. Since a futures contract is used to lock-in the price of natural gas for customers, the price paid for the actual delivered gas will nearly always be different than the locked-in (strike) price. The hedge is achieved by matching the gain or loss on the financial transaction with the cash transaction. When CenterPoint purchases physical gas at a fixed price bid by third parties, all costs associated with the imbedded financial transaction are included in the price quote. Similar costs incurred by the Company to accomplish the same result should be treated in the same manner by including them in the PGA.

6. PROPOSED TREATMENT OF FINANCIAL INSTRUMENTS

6.1. Accounting

CenterPoint Energy proposes to record the gain or loss on various transactions based on the settlement cost of each of the transactions and the other transaction-related costs of the various financial instruments in Account No. 804. CenterPoint Energy will maintain records of the specific transactions including the gain or loss and other transaction costs so there is an audit trail for each transaction.

6.2. Proposed Regulatory Reporting

Similar to previous Commission Orders, the Company proposes to:

- Include information concerning the purchase of financial instruments in our annual Request for Demand Units Filing submitted on approximately November 1 of each year, pursuant to Minn. Rule 7825.2910, subp. B. In this filing, CenterPoint Energy Minnesota Gas describes the changes to its current supply portfolio necessary to meet firm requirements for the upcoming heating season. The Company would include a list of all financial instrument arrangements entered into for the upcoming heating season, including all relevant terms for each contract: the cost associated with the contract (premium), the size of the contract (in Dth/day), the date the contract was entered into, the price assigned to the contract, and an explanation of the benefits of these activities to the Company's ratepayers.
- Include in our AAA reports (to be filed September 1 each year) data on the specifics of any price hedging contracts, including a list of each hedging instrument entered into, the total Dth contracted for, for each instrument and the net gain or loss, including all transaction costs.
- Include in our monthly PGA filings a schedule separately identifying those financial instrument costs included in the calculation of the demand cost recovery rate for the month.
- Include a copy of its hedging plan each year once the plan has been approved for use by Company management in this docket.

6.3. Proposed Timing

CenterPoint Energy requests that the MPUC approve this variance to apply to all financial positions entered into on or before June 30, 2020, regardless of their termination date. CenterPoint Energy will limit any hedge transaction to no longer than 60 months and that any hedge transaction that extends beyond the variance period may be recovered through the PGA (subject to prudence review) under the initial term of the variance, if granted.

CenterPoint Energy respectfully seeks Commission approval of this request prior to the expiration of its current authorization, or June 30, 2016. Should the Commission not issue an order prior to June 30, 2016, CNP respectfully request that the Commission

specifically approve CNP's continued ability to use financial instruments during the time period after June 30, 2016 and prior to issuance of its order in this docket. We believe our existing PGA tariff, which allows for recovery of the cost of natural gas and other costs, needs no change to be consistent with the requested variances to allow for recovery of the cost of financial instruments.

6.4. Effect on CenterPoint Energy Revenue

The proposed changes would only affect charges that are billed to CenterPoint Energy's retail natural gas customers in accordance with the PGA and PGA true-up. Therefore, there will be no impact on the Company's non-gas revenues.

7. PROPOSED VARIANCE SERVES THE PUBLIC INTEREST

In the Company's previous variance requests to allow financial instruments (Docket G-008/M-04-368, Docket G-008/M-08-777, and Docket G-008/M-12-166), the Commission determined variances to the automatic adjustment rules are necessary and appropriate to allow for the inclusion of financial instrument costs in a utility's automatic adjustment calculations. Minn. Rules 7829.3200 provides that a variance can be granted when the following criteria are met:

- Enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- Granting the variance would not adversely affect the public interest; and
- Granting the variance would not conflict with standards imposed by law.

The Company submits that granting the requested variances to Minn. Rule 7825.2400, 7825.2500 and 7825.2700 meets these criteria, as discussed below:

7.1. Enforcement of Rule would Impose an Excessive Burden on CenterPoint Energy and its Customers

CenterPoint Energy has described how the use of financial instruments can be used for the benefit of customers. The requested variances would allow the Company the ability to execute transactions in a cost effective manner that would benefit customers by mitigating price volatility risk. Without use of such tools, the Company would be deprived of a tool for mitigating the risks of price volatility. In contrast, granting variances to allow for PGA recovery of these costs, subject to on-going regulatory oversight, provides CenterPoint Energy with the ability to more efficiently hedge customers' existing and future price risk, thereby reducing concerns about retail rate volatility.

7.2. The Public Interest is Not Adversely Affected by Varying the Rules

The public interest would not be adversely affected by granting the requested variances. Ongoing Department review will protect consumers. The reduced retail rate volatility that can result from use of financial instruments will benefit customers, particularly during periods of high price volatility.

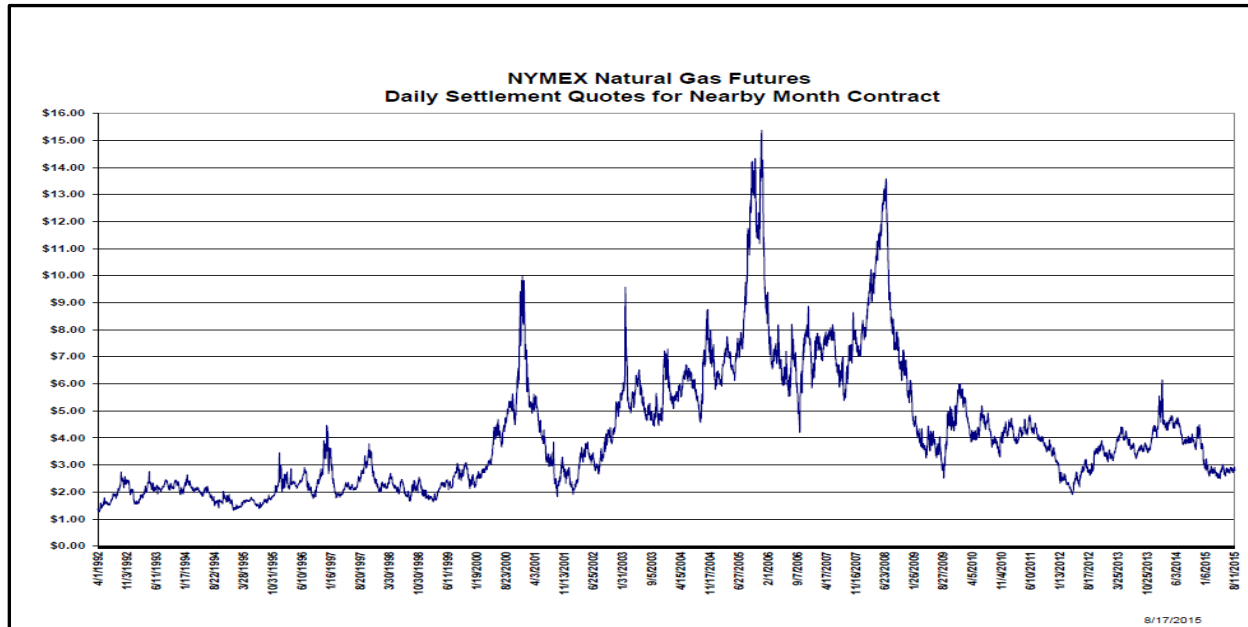
7.3. Ratepayer Benefit Analysis

7.3.1. Commodity Prices are Unpredictable

CenterPoint Energy believes that hedging tools, either physical or financial, are important because natural gas prices will continue to be unpredictable, and despite current low prices, volatility will continue to exist in the market. Current low prices are not a guarantee of low prices in the future. Customers can be negatively impacted when prices are unpredictable. Without continued approval, CenterPoint Energy would no longer have the ability to use financial instruments to protect customers from price volatility.

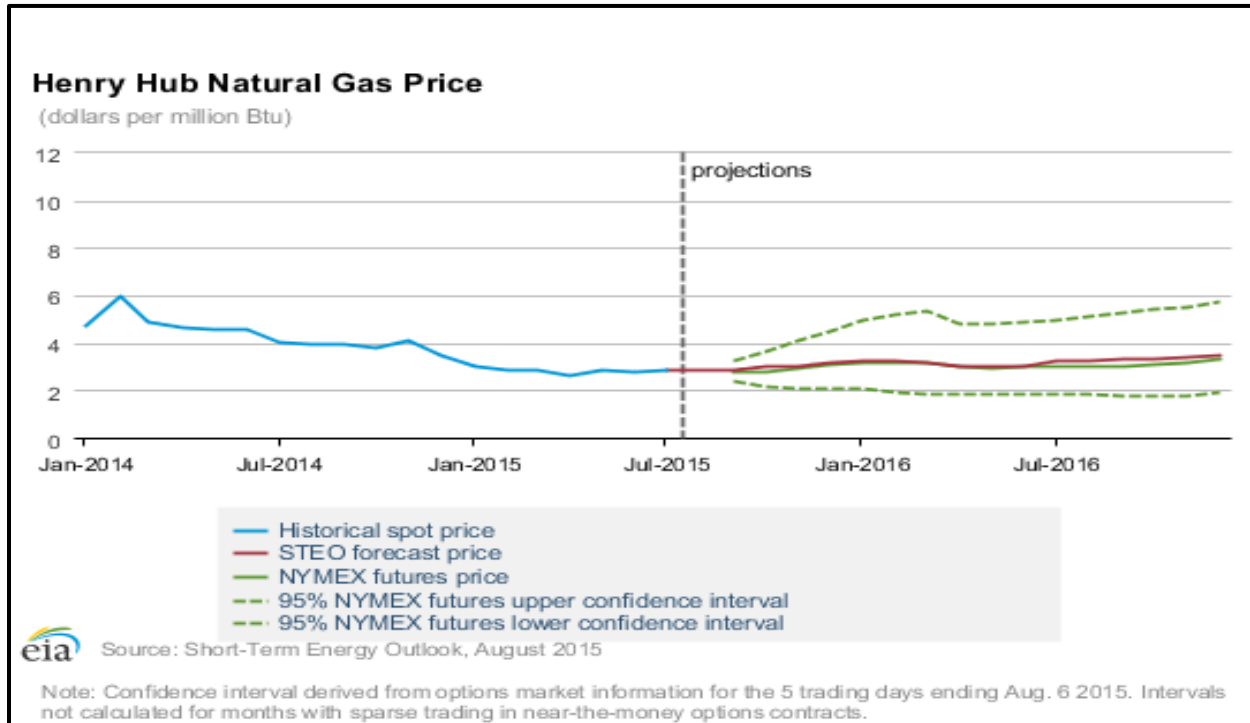
7.3.2. Historical Prices

The graph below illustrates the NYMEX natural gas futures from 4/1/1992 to 8/11/2015. As the graph indicates, the gas futures prices can experience unexpected, volatile spikes in prices. The prices over the last 23 years have fluctuated from ~\$1.50 to ~\$15.25. Unfortunately, it is unknown whether prices will continue at their current price, or when a price spike will occur. Hedging allows CenterPoint Energy to minimize the impact of unexpected and potentially catastrophic price fly-ups throughout the winter seasons. Future price fly-ups could occur depending on unforeseen environmental disasters or major pipeline ruptures that impact gas supply, or adverse regulations on gas production and/or transmission, or other unforeseen market influences.



7.3.3. Current Statistical Analyses of Natural Gas Prices

The Energy Information Administration (EIA) price projection for March 2016 range from \$1.82 to \$5.37. The projected Henry Hub natural gas price averages \$2.89 in 2015 and \$3.21 in 2016.



7.3.4. Volatility Remains Even When Prices are Low

Volatility in natural gas prices still exists in the market today, despite the expectations for low gas costs due to shale gas production. Short-term price spikes can occur from geo-political events, financial market turmoil, environmental regulation, and supply disruptions. As discussed below, CenterPoint Energy’s analysis includes reviewing market fundamentals and historical prices along with reviewing movement in underlying market prices and options prices (including NYMEX and indicative bid sheets). A quarterly comparison for the period July 2008 through July 2015 is shown in the table below.

History of Option Prices & Volatility by Quarter				
Date	(1) Winter Strip Price	(2) Call Premiums	Premium as % of Strike Price	(3) Volatility %
07/01/08	\$14.07	\$1.93	14%	
10/01/08	\$8.08	\$0.75	9%	
01/01/09	\$7.41	\$1.23	17%	
04/01/09	\$5.58	\$0.90	16%	
07/01/09	\$5.58	\$0.81	15%	
10/01/09	\$5.68	\$0.62	11%	56%
01/04/09	\$6.57	\$1.04	16%	57%
04/01/10	\$5.20	\$0.69	13%	41%
07/01/10	\$5.27	\$0.66	13%	70%
10/01/10	\$4.17	\$0.34	8%	56%
01/03/11	\$5.10	\$0.65	13%	43%
04/01/11	\$5.00	\$0.57	11%	34%
07/05/11	\$4.71	\$0.45	10%	33%
10/03/11	\$4.00	\$0.29	7%	34%
01/04/12	\$3.77	\$0.48	13%	40%
04/05/12	\$3.25	\$0.43	13%	48%
07/02/12	\$3.39	\$0.17	5%	61%
10/01/12	\$3.77	\$0.30	8%	42%
01/02/13	\$3.88	\$0.29	7%	37%
04/01/13	\$4.35	\$0.21	5%	27%
07/01/13	\$3.84	\$0.13	3%	29%
10/01/13	\$3.79	\$0.24	6%	28%
01/02/14	\$4.38	\$0.27	6%	35%
04/01/14	\$4.50	\$0.28	6%	28%
07/01/14	\$4.52	\$0.24	5%	27%
10/01/14	\$4.09	\$0.09	2%	33%
01/02/15	\$3.45	\$0.09	3%	58%
04/01/15	\$3.07	\$0.25	8%	39%
07/01/15	\$3.13	\$0.15	0%	40%
(1) The NYMEX Strip price for the next November-March period.				
(2) Call Premium for a Strike at Market.				
(3) Per EIA monthly STO reports (first reported in Oct 2009).				

7.3.5. When the Unpredictable Occurs – Customers can be Negatively Impacted

As part of its gas contracting responsibilities, CenterPoint Energy is not only concerned with procuring physical gas supplies to meet their required obligation to serve, but it is also concerned about the cost of those supplies. Buying exclusively at index would expose customers to a “roller coaster” of prices over different time periods, and may

expose them to the highest prices when gas use is the highest in the winter, while using risk management tools to smooth out the market price effects should be perceived as positive by the customers, even if the “smoothed” price is slightly greater than the index prices in the long-run. To hedge effectively, CenterPoint Energy’s gas supply portfolio must contain a diversity of hedges so that it has the flexibility to adjust based on changing market conditions. The hedge portfolio would primarily include structured options (calls and collars) because they do not lock CenterPoint Energy into a given market price. Both tools limit exposure to price spikes while call options also provide for lower gas costs if market prices fall.

7.3.6. “Ratepayer Benefit” – Cost of Winter Supply with and without Hedges

CenterPoint Energy has included an analysis of its previous three winters and the results are displayed in the table below. The annual costs over/under market due to hedged purchases ranged from (\$1.11) to \$0.40 per dekatherm. The annual costs as a percentage of total costs ranged from (2.2%) to 1.6% and averaged (0.5%) over the three-year period.

Analysis of Hedged Purchases						
For Winter Periods Beginning November 1, 2012 thru March 31, 2014						
Month/Year	Hedged Volumes Purchased	Actual Costs	Cost at Market	Cost Over (Under) Market	Cost Per Dekatherm	Cost as % of Annual
Winter 12-13	21,027,000	\$74,701,492	\$75,563,502	(\$862,010)	(\$0.04)	(0.2%)
Winter 13-14	17,906,820	\$77,143,203	\$96,951,355	(\$19,808,152)	(\$1.11)	(2.2%)
Winter 14-15	26,000,000	\$110,642,794	\$100,240,839	\$10,401,955	\$0.40	1.6%
TOTALS/ AVERAGE	64,933,820	\$262,487,489	\$272,755,696	(\$10,268,206)	(\$0.16)	(0.5%)

7.4. The Proposed Variance Will Not Conflict with Standards Imposed by Law

CenterPoint Energy is not aware of any conflict with any other laws. Since the Commission has previously granted similar variances in the dockets referenced in this filing, the Commission has already determined a variance to the PGA rules does not conflict with standards imposed by law.

8. CONCLUSION

For the reasons stated above, CenterPoint Energy respectfully requests that the Commission grant the PGA rule variances specified above to allow for continuous availability of financial instruments, subject to the reporting requirements and limitations described herein. Such variances will allow the Company to continue to have financial instruments available to it to reduce price volatility risk to the benefit of customers.

If you have questions about this filing, please contact me at (612) 321-4677 or

Kevin.Marquardt@CenterPointEnergy.com.

Sincerely,

/s/

Kevin Marquardt
Regulatory Analyst, Regulatory Services
CenterPoint Energy

**STATE OF MINNESOTA
BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION**

Beverly Jones Heydinger
Nancy Lange
Dan Lipschultz
John Tuma
Betsy Wergin

Chair
Commissioner
Commissioner
Commissioner
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AN EXTENSION OF
A VARIANCE TO THE PURCHASED
GAS ADJUSTMENT RULES**

SUMMARY OF FILING

Pursuant to Minnesota Rule 7829.1300, Subp. 1, CenterPoint Energy (the "Company"), herewith electronically submits a one paragraph summary of its Petition for Approval of an Extension of a Variance to the Purchased Gas Adjustment Rules.

The Company respectfully requests this filing be accepted as being in full compliance with the filing requirements of the Minnesota Public Utilities Commission (the "Commission") and that Commission approval is granted before June 30, 2016. We have electronically filed this document with the Commission, and copies have been served on the parties on the attached service list.

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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