

December 11, 2023

Mr. Will Seuffert
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-15-912
G-008/M-19-699
G-008/M-23-360

Dear Mr. Seuffert:

On August 1, 2023, CenterPoint Energy (the "Company") petitioned for an extension of rule variances to Minnesota Rules to recover the costs of certain natural gas financial instruments through the Purchased Gas Adjustment (the "PGA").

On December 1, 2023, the Department of Commerce, Division of Energy Resources (the "Department") filed Comments regarding the Company's petition. The Department recommends approval with modifications to the Company's Petition. The Departments recommendation for approval Company request:

1. Allow multi-year hedging contracts of up to 60 months duration; with annual limits on volume for years 2024-2025 and 2025-2026 of 20 Bcf; with annual limits on volume for years beyond 2025-2026 of 10 Bcf;
2. Maintain the existing annual limit on net option premiums of \$6.5 million, excluding premiums or reservation fees paid for daily call gas;
3. Allow the variance to apply to all financial positions that CenterPoint enters through June 30, 2028;
4. Allow the use of put options only in combination with a call option to form a collar; and
5. Deny recovery of interest costs thru the PGA.
6. Find that CenterPoint's variance extension request complies with the requirements set forth in Minnesota Rules 7829.3200;
7. Require CenterPoint to report data and follow the reporting requirements as detailed in Section 6.2 Proposed Regulatory Reporting of CenterPoint's Petition;
8. Require CenterPoint to include, in future variance requests, a ratepayer benefit analysis like that shown in Section 7.3 Ratepayer Benefit Analysis of CenterPoint's Petition;
9. Require CenterPoint to file, as a compliance, in this docket, a copy of its hedging plans each year after the plan has been approved by Company management;

The Departments recommendations that are modifications of CenterPoint Energy's request:

1. Maintain the overall limit on hedging volume at 65 Bcf;
2. Change the annual limit on Baseload Hedging contract volume from 26 Bcf to 25% of CenterPoint Energy's forecasted Total System Purchases for the subsequent winter heating season.

3. Deny the Company's request that 10 Bcf of hedging for 2024-2025 and 2025-2026 be classified as a minimum.

The Departments recommendation of new reporting requirement:

4. Require CenterPoint to notify the Commission if it has developed an affiliated trading desk and is proceeding with initiating a hedging effort that uses financial instruments CenterPoint purchased on its Minnesota customers behalf as part of the hedging program.

The Company appreciates the analysis and Comments provided by the Department. However, for the reasons identified below, the Company reaffirms its preference for the Company's proposal in the original petition. The Company could accept the Departments proposal with a clarification of the Departments third recommendation of their modifications as it appears to contradict what is stated in item one of the Companies petition, of which, the Company believes the Department is also recommending approval. The Company would prefer to have annual limits on volumes for years 2024-2025 and 2025-2026 of 20 Bcf; with annual limits on volume for years beyond 2025-2026 of 10 Bcf.

The Department correctly points out in their analysis is that hedging does not guarantee lower prices for customers, but instead provides an opportunity for price stabilization. The Company's minimum requests were incremental increases to existing limits in order to provide the Company more opportunity to stabilize prices and reduce risk with no guarantee of providing the lowest possible costs for customers.

The Department is correct when they state that the Company provided no quantitative support for the proposed increase. There is no quantitative support to show that the Company would have better price stabilization with 25%, 30% or no hedging ability at all as well as which hedging level would result in lower prices. The market changes daily, and the Company uses its hedging practices to help stabilize a portion of its portfolio from catastrophic increases. These requests will allow the Company to have adequate hedges in place to target our desired 50% of normal winter usage price stabilization.

For example, in 2022 the Company hedged some of its portfolio at approximately \$5 during a time when gas prices were volatile and \$5 was on the lower end of current market prices. One year later gas prices were down in the \$2 range. Without knowing the future, this was a prudent decision in 2022 as prices continued to fluctuate. In this example, if the market would have continued to go up, we would have been capped at the \$5 price for the amount of hedged gas that was purchased.

The Company locks in customer prices based on the current market conditions at the time of execution in an effort to help stabilize customer prices in an unpredictable gas market. The Company is focused on stabilization and not always beating the market, in order to limit the risk for customers and still gives the Company the ability to provide stabilized pricing.

If you have any questions or require additional information, please contact me at 612.321.4677 or Donald.Wynia@CenterPointEnergy.com.

Sincerely,

/s/

Donald Wynia
Regulatory Analyst

G-008/M-12-166

G-008/M-15-912

G-008/M-19-699

G-008/M-23-360

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Donald Wynia, being first duly sworn on oath, deposes and says he served or caused to be served on behalf of CenterPoint Energy:

- Electronic filing using the EDockets system for service to the Minnesota Public Utilities Commission, the Department of Commerce; and the Minnesota Office of the Attorney General;
- and a copy of the reply comments on persons on the enclosed service list, by delivering by electronic filing, by hand at the respective addresses on the list if paper is requested or by placing in the U.S. Mail at the City of Minneapolis.

/s/ _____
Donald Wynia
Regulatory Analyst, Regulatory Services
CenterPoint Energy