

**MPUC Agenda Meeting**  
**Thursday, November 10, 2011, 1:30 pm**  
**Natural Gas Discussion Item**

**Discussion Outline**

**1. Outlook for 2011-2012**

- a. Prices (including effect of shale gas supplies)
- b. Supply (& Demand)
- c. Medium-term and long-term supply, demand and price compared to short-term forecasts
- d. Minnesota and regional supply, demand, and price forecasts compared to U.S. and North American short- and long-term forecasts
- e. Shale (and other unconventional) gas supplies - environmental and other potential concerns and their impact on Minnesota
- f. Individual LDC supply portfolios and purchasing strategies

**Speakers**

- Bruce Coogler, Director Gas Supply, CenterPoint Energy
- Shawn Gillespie, Manager, Gas Supply, Minnesota Energy Resources Corp.
- Tim Carter, Manager, Gas Acquisition/Mid-Continent, Xcel Energy

**Response Comments & Questions**

Relevant Documents & Other Resources

Hydraulic Fracturing: Placing What We Know Today in Perspective  
NRRI Report No. 11-16, October 2011, Ken Costello

[http://www.nrri.org/pubs/gas/NRRI\\_Hydraulic\\_Fracturing\\_Oct11-16.pdf](http://www.nrri.org/pubs/gas/NRRI_Hydraulic_Fracturing_Oct11-16.pdf)

Publicly available forecasts and outlooks:

Short-Term Energy Outlook (STEO)<sup>1</sup>

U.S. Department of Energy, Energy Information Administration (EIA)

[http://www.eia.gov/steo/special/2011\\_winter\\_fuels.pdf](http://www.eia.gov/steo/special/2011_winter_fuels.pdf) (slides)

[http://www.eia.gov/steo/steo\\_full.pdf](http://www.eia.gov/steo/steo_full.pdf) (report)

Annual Energy Outlook 2011

U.S. Department of Energy, Energy Information Administration (EIA)

[http://www.eia.gov/forecasts/aeo/pdf/0383\(2011\).pdf](http://www.eia.gov/forecasts/aeo/pdf/0383(2011).pdf) (report)

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<sup>1</sup> The October 2011 Short-Term Energy and Winter Fuels Outlook is dated October 12, 2011. The release date for the November 2011 Short-Term Energy Outlook is November 8, 2011.

2011-2012 Winter Energy Market Assessment  
Federal Energy Regulatory Commission (FERC)  
<http://www.ferc.gov/market-oversight/mkt-views/2011/10-20-11.pdf> (slides)

Winter Outlook Heating Season 2011-2012<sup>2</sup>  
Natural Gas Supply Association (NGSA)  
<http://www.ngsa.org/Assets/winter%20outlook%20slides%20w%20tps%202011-2012.pdf> (slides)

## 2. Hedging

- a. What are the specific risks LDCs are trying to insure against with hedging?
- b. How involved should the Commission be in pre-approval of hedging guidelines and strategies as compared to approving rule variances that allow provisional cost-recovery for LDC-designed hedging strategies?
- c. Should utilities hedge (or not) as they choose (assuming necessary rule variances have been granted) subject to future (after-the-fact) prudence review and possible disallowance of costs? Is the reasonableness of a hedging strategy and the execution of that strategy a prudence review decision, i.e. should hedging be subject to after-the-fact prudence review for possible disallowance of cost recovery?
- d. Is there still a need for and is it reasonable to hedge against price volatility over the next one to five years given current supply forecasts and market conditions?

### Speaker

- Marlon Griffing, PhD, Department of Commerce, Division of Energy Resources

### Response Comments & Questions

#### Relevant Documents

Natural Gas Hedging: Should Utilities and Regulators Change Their Approach?

NRRI Report No. 11-10, May 2011, Ken Costello

[http://www.nrri.org/pubs/gas/NRRI\\_gas\\_hedging\\_May11-10.pdf](http://www.nrri.org/pubs/gas/NRRI_gas_hedging_May11-10.pdf)

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<sup>2</sup> The Executive Summary, and more a detailed Demand Outlook, and Production and Supply Outlook are available separately on the website of the Natural Gas Supply Association at <http://www.ngsa.org/>