

**Memorandum of Understanding
between
CenterPoint Energy Minnesota Gas and
Minneapolis Energy Options**

July 23, 2013

This Memorandum of Understanding formalizes the agreement between Minneapolis Energy Options and CenterPoint Energy Minnesota Gas regarding the operations and activities of CenterPoint Energy Minnesota Gas in Minnesota, potential expansions and enhancements to its Conservation Improvement Program and other programs, and the issue of the establishment of a municipal natural gas utility in the City of Minneapolis.

Minneapolis Energy Options (“MEO”) is a non-profit coalition interested in the energy issues faced by the City of Minneapolis and its citizens. MEO has been exploring options regarding franchise agreements between the City of Minneapolis and the energy utilities serving the City, to achieve the goal of an energy supply that is clean, affordable, reliable, and local.

As the natural gas utility serving Minneapolis for over 140 years, CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or “the Company”) affirms that it is a willing partner in the advancement of these aims.

The City of Minneapolis has established a goal of reducing greenhouse gas emissions by 30% by 2025 (measured against a 2006 baseline). In order to help the City move toward this goal, and to assist all of its customers in reducing their energy consumption and the associated greenhouse gas emissions, CenterPoint Energy commits to pursue this goal collaboratively with the City of Minneapolis and other stakeholders. Specifically, the Company plans to engage proactively in the development of a series of opportunities, described below.

Expansion of Conservation Programs

CIP Program Additions/Expansions

CenterPoint Energy agrees to collaboratively explore options to expand its existing nationally recognized Conservation Improvement Programs (“CIP”). Potential additions/modifications include:

- **On-bill loan-repayment options** for residential energy efficiency investments (with the understanding that CenterPoint Energy would provide only billing and related administrative services to be identified, not the capital or financial management. While securing capital and loan origination will be the responsibility of other partners, CenterPoint Energy will support those efforts in order to ensure a smooth interface with the Company’s billing, administrative, and promotional systems).
- **Pilot residential program** to test the idea of a comprehensive residential retrofit program featuring “hand holding” to identify potential energy-saving measures, assist customers with decision-making regarding implementation and contractor selection, and quality assurance inspections, possibly including a bulk contracting component;
- **Build on Multi Family** pilot efforts already underway in order to develop a comprehensive multifamily program, possibly including market sub-segmentation to better target specific customer types according to their savings opportunity and other characteristics (e.g., brownstones vs. high-rises);

- **Study** energy savings potential and CIP participation specifically within the City of Minneapolis in conjunction with an upcoming system-wide conservation potential study, with an eye to identifying opportunities to maximize program uptake and savings in Minneapolis.

Other Strategies for Reducing Climate Impact

Recognizing that methane is a more potent greenhouse gas relative to carbon dioxide, CenterPoint Energy agrees to collaboratively explore activities that might fall outside of CIP (or require modifications to current CIP policy):

- **Energy Usage Data.** CenterPoint Energy will support state data privacy and disclosure policies (for example, in the current PUC inquiry regarding privacy policies, Docket No. E,G-999/CI-12-1344) that facilitate the use of customer energy usage data for purposes of tracking consumption against goals and encouraging greater conservation, provided such policies adequately balance customer privacy interests with conservation goals;
- **Combined Heat and Power**, which offers significant energy savings at a system level where there are both electric and thermal requirements but which is not currently well-incorporated into state CIP policy;
- **Renewable Energy Technologies** such as solar thermal and biogas, to the extent that such technologies can be incorporated into CIP, or can be developed cost-effectively through another approach;
- **Report to the City** efforts to address methane leakage from its distribution system on an annual basis, along with estimates of leakage and methodologies used to derive those estimates. The Company will also annually inquire of its Minnesota natural gas suppliers what information they can provide regarding efforts to reduce methane leakage.

Commitment to Equity in Employment:

The City of Minneapolis has adopted a series of strategies designed to address racial disparity in employment. CenterPoint Energy recognizes that diversity and inclusion are key components of the Company's business competencies and acknowledges the importance of the City's established goal to reduce disparity in hiring. The Company will continue its efforts set forth below and will seek to engage with the City in pursuit of its adopted goal and strategies. Specifically:

- CenterPoint Energy will continue to support the availability of work and training experiences for youth (the City's Strategy 1) through participation in programs such as STEP-UP Achieve;
- CenterPoint Energy will continue to encourage the development of a qualified and diverse regional talent pool through its support of training programs at local educational institutions (the City's Strategy 2);
- The Company will continue its successful efforts to promote supplier diversity through its support for minority- and women-owned business enterprises (the City's Strategy 5); and
- The Company will seek to engage with the City to explore additional approaches to expanding the diversity of its workforce and of the qualified regional talent pool.

Legal Compliance and Good Faith Commitment

Any of the programs proposed above would necessarily be designed to be fully consistent with state and federal law. Note that depending on the specifics of the programs, some of the initiatives touched on above would also require approval from one or more Minnesota regulatory bodies before implementation. In addition, moving the programs from the idea stage through design, approval and implementation may take significant time (possibly multiple years) and the engagement of multiple

partners, likely including the City of Minneapolis. That said, CenterPoint Energy is prepared to make a good faith effort to work with collaborating partners to develop such programs, seek required approvals, and implement either pilot or full-scale programs as appropriate, with the intention of including most or all of the agreed-on conservation enhancements in the Company's upcoming 2016-2018 CIP Triennial Plan (if appropriate), which is expected to be filed in June 2015.

In acknowledgement and recognition of CenterPoint Energy's willingness to explore new programs, Minneapolis Energy Options considers the Company to be a partner in the advancement of the City's energy goals. Given the combination of CenterPoint Energy's record of successful conservation and the proposals outlined above, MEO and CenterPoint Energy believe the City of Minneapolis can best achieve its energy goals by working with CenterPoint Energy in pursuit of the strategies outlined in this agreement.

MEO agrees to work with CenterPoint Energy to communicate this agreement to its members and to members of the Minneapolis City Council in advance of the August 1, 2013 public hearing on the topic of municipalization. These efforts will include meeting directly and jointly with city council members to describe the agreement and explain that the partnership of the Company and the alignment of CenterPoint Energy's goals with the City's energy goals obviates the need to explore municipalization at least until the expiration of a renewed franchise agreement in order to allow the above strategies to come to full fruition.

MEO agrees to advocate at the August 1, 2013, public hearing that the City of Minneapolis not put a question relating to the creation of a municipal gas utility on the ballot. Should the question of municipalizing the natural gas utility be placed on the ballot, MEO will work to communicate its position on the question, as well as the Company's efforts described in this agreement, to the public.

The two parties agree to coordinate and collaborate on public messaging regarding the topics of municipalization and of clean, affordable, reliable, and local energy as appropriate.

This agreement shall be considered in effect once finalized and signed by both parties. Once finalized and signed, both parties understand that the agreements put forth in this document may be shared with the City of Minneapolis and the general public.

This Memorandum of Understanding represents the full extent of the agreement between CenterPoint Energy and Minneapolis Energy Options; any other topic not specifically mentioned in this Memorandum of Understanding is not included in the agreement and this Memorandum of Understanding shall not be construed to create any contract or obligation regarding such other topic. This agreement is entered into in good faith and in the spirit of partnership and collaboration by the undersigned representatives of each organization.



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John Farrell
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