

Always There

Minnesota Safety, Reliability and Service

Joe Vortherms

Division Vice President – Regional Operations

May 12, 2015

Overview

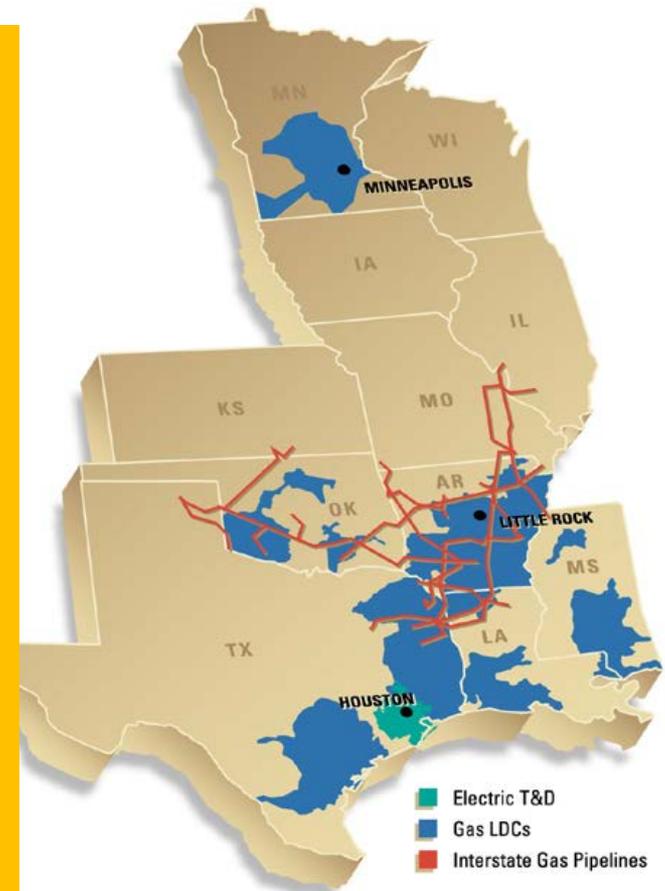


- CenterPoint Energy – Minnesota Gas:
 - Largest natural gas utility provider in the state.
 - High customer satisfaction.
 - Providing low cost service.
- Regulated distribution costs account for approximately 40% of customer's bill; natural gas and upstream transportation costs account for approximately 60%.
- Update topics:
 - Making significant capital expenditures in system infrastructure.
 - Facilities changes.
 - Cost of commodity gas.
 - Franchise – City of Minneapolis renewal.

CenterPoint Energy, Inc.



- Serves approximately 3.3 million gas customers in six states.
- Serves approximately 2.2 million electric metered customers in a 5,000 square mile area that includes nearly all of the Houston/Galveston metropolitan area.
- Business Segments –
 - Electric transmission and distribution
 - Natural gas distribution
 - Including unregulated Home Service Plus line of business
 - Competitive natural gas sales and service
 - Natural gas field services (55.4% limited partnership in Enable Midstream)



CenterPoint Energy in Minnesota



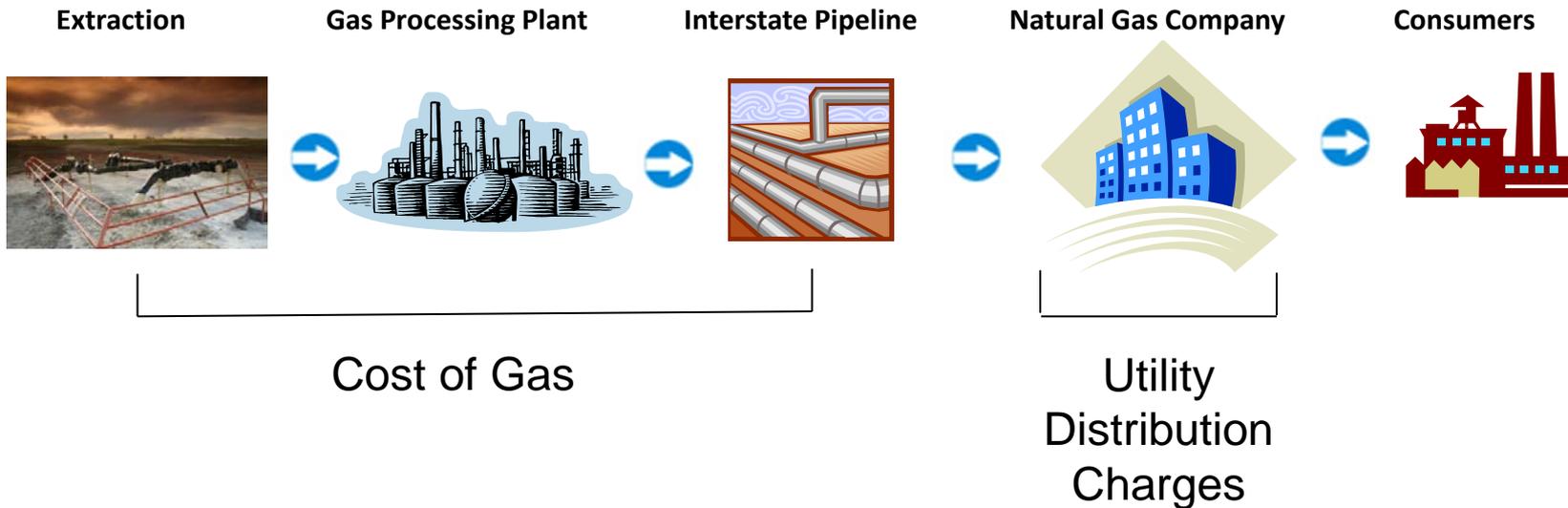
CenterPoint Energy, Minnesota Gas:

- Largest natural gas distribution business in Minnesota.
 - Revenue of \$1.1 billion
 - Plant investment over \$1.6 billion
 - Employ approximately 1,250 Minnesotans
- More than 831,000 residential, commercial, and industrial customers in Minneapolis and 260 other communities in Minnesota.
- Headquartered in Minneapolis with regional offices in Brainerd, Mankato and Willmar.
- Non-Regulated Home Service Plus®.



Natural Gas Delivery

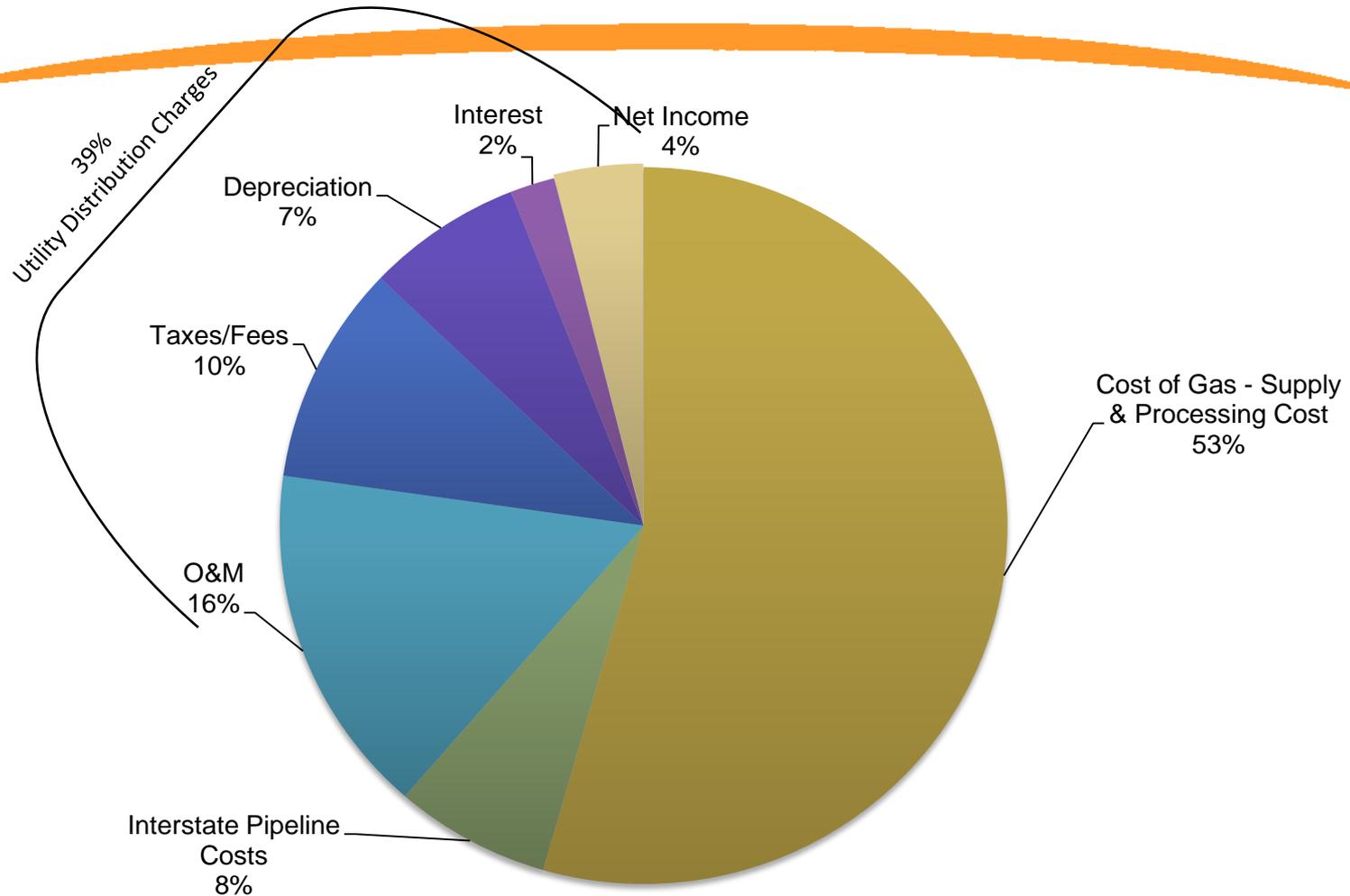
Natural Gas Production = 90% efficient from its source to the end user



Source: Minnesota Pollution Control Agency, DOE-EIA and ASHRAE, AGA.

Components of Natural Gas Bill

(At The Conclusion of The 2013 Minnesota Rate Case)



- 39% utility distribution charge.
- Approximately 61% of every dollar paid to CenterPoint Energy by customers reimburses the Company for its direct cost of natural gas including upstream transportation.

CenterPoint Energy Minnesota Customers and Throughput



	2014 Average CUSTOMERS		Normalized THROUGHPUT	
	Count	%	BCF	%
Residential	756,226	92.0%	68.2	40%
Commercial/Industrial	65,813	8.0%	35.0	20%
C/I Dual Fuel	2,661	--	21.9	13%
C/I Transportation	571	--	35.3	20%
Electric Generation - System	16	--	1.7	1%
Electric Generation - Transport	3	--	10.5	6%
TOTAL	825,290	100%	172.5	100%

- LIHEAP recipients – ~34,000
- Source: December 2014 Company records.

CenterPoint Energy Makes Customer Satisfaction a Priority



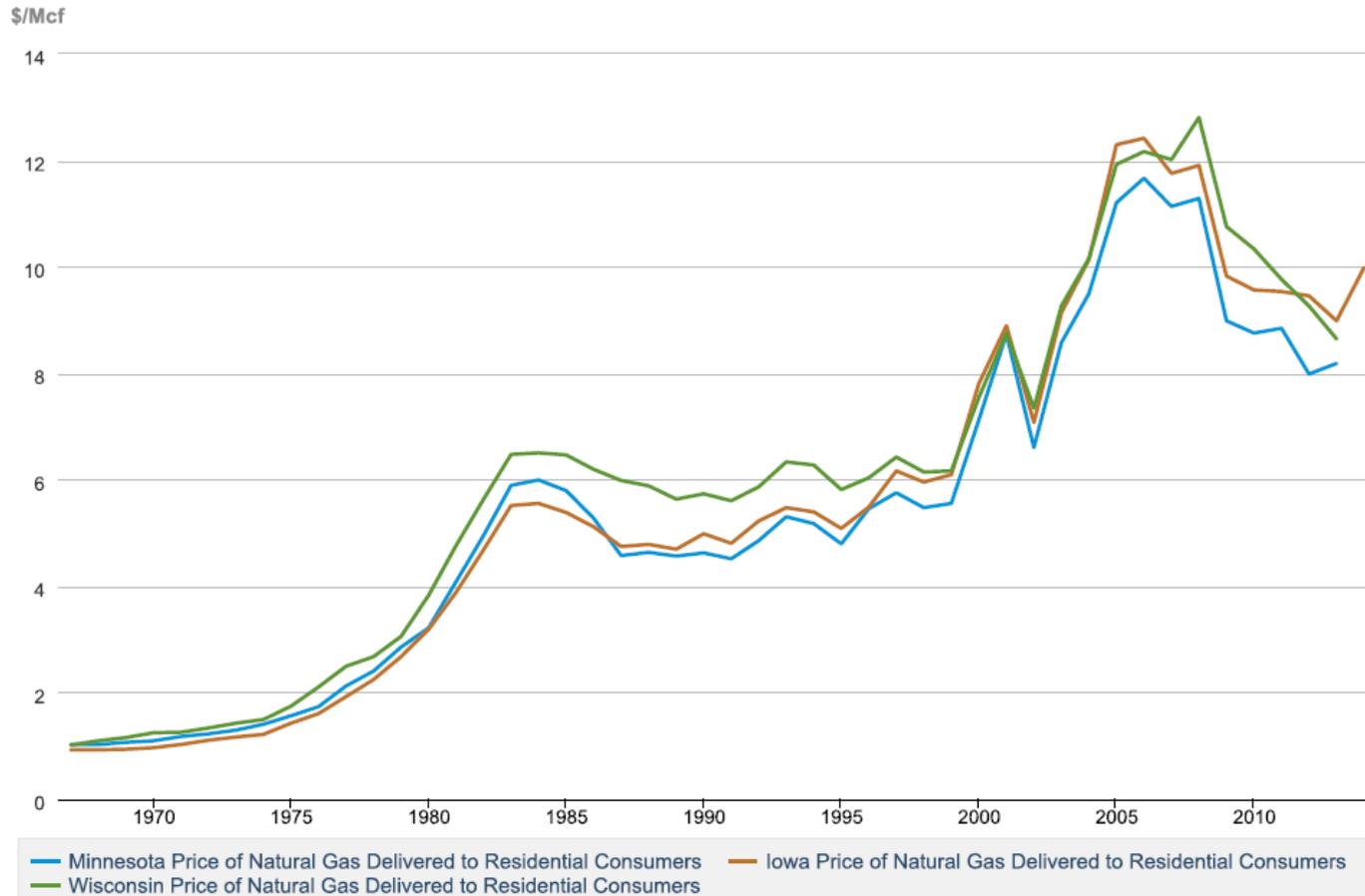
- Ranked in the first quartile in the J.D. Power Gas Utility Customer Satisfaction Study in the Midwest for the past 13 years.
- Ranked among the top 3 of all U.S. investor-owned utilities in the 2014 American Customer Satisfaction Index (ACSI) for the past 5 years.
- Cogent Residential Utility Trust Brand and Engagement Study:
 - First place in Midwest – 2014.



Gas Prices at the Burner Tip are Low in Minnesota



Natural Gas Prices



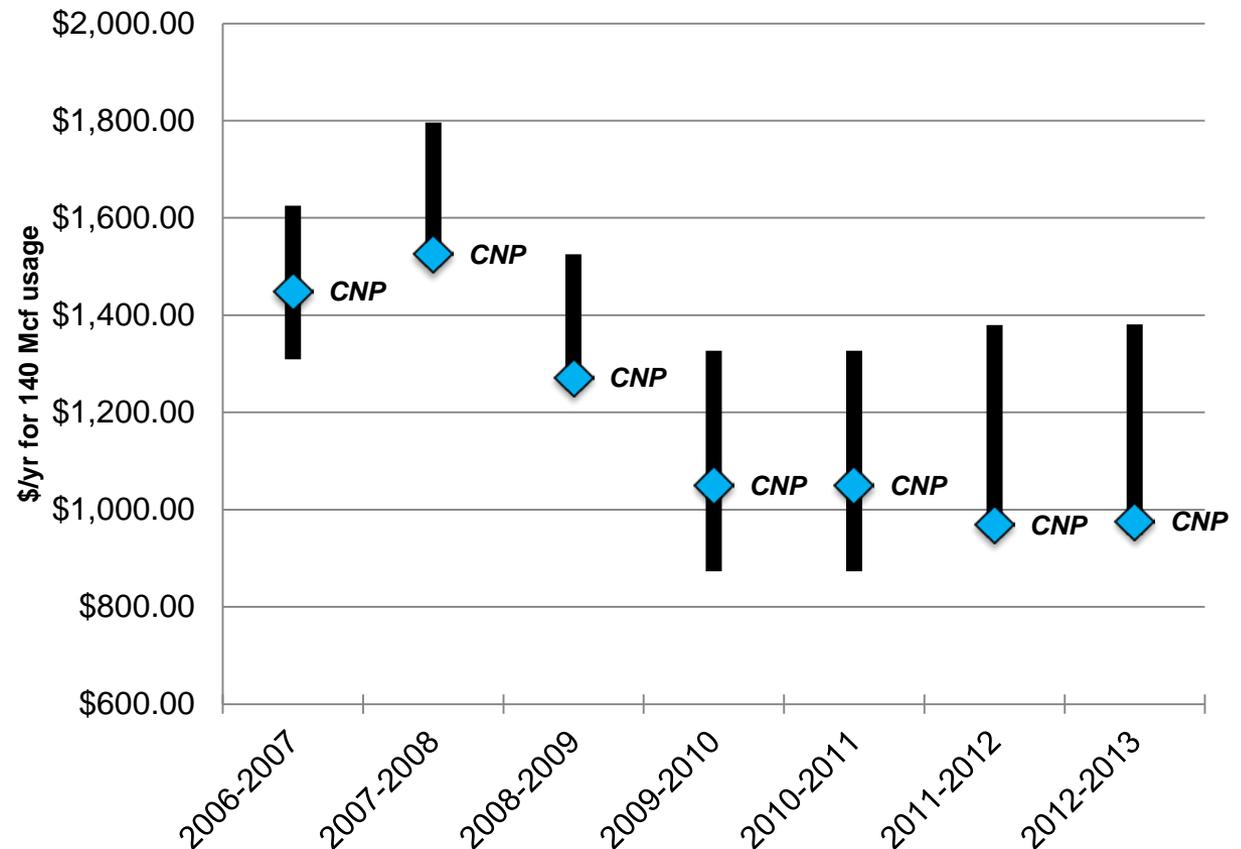
Source: U.S. Energy Information Administration

Cost Structure: Costs Passed on to Customers are Favorable



CenterPoint Energy, Minnesota Gas rates have consistently produced bills for comparable usage at or near the lowest annual amount among all regulated gas companies in Minnesota.

Comparable Annual Bills CNP vs. Range of Other MN LDCs



Update Topics



- Capital Expenditures
- Facilities
- Cost of Gas
- City of Minneapolis

Capital Expenditures - Background



- 2002-2010 Capital Expenditures averaged approximately \$65 million/year.
- Annual Capital Expenditures approximately \$200 million/year through 2021.
- Major Drivers:
 - System safety requirements
 - Uptick in new customer additions
 - Increased public improvement activity

Capital Expenditures – System Safety Requirements

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- In response to Federal requirements, CenterPoint Energy has developed and implemented:
 - Transmission Integrity Management Program (TIMP)
 - Distribution Integrity Management Program (DIMP)
- Regulated by the Federal Department of Transportation's Pipeline and Hazardous material Safety Administration (PHMSA).
 - Minnesota Department of Public Safety's Office of Pipeline Safety (MNOPS) is responsible for administering and enforcing pipeline safety rules.
- MNOPS has reviewed CenterPoint Energy's TIMP and DIMP and issued a closing letter on 1/30/14.

Update – Integrity Management Capital Expenditures



- TIMP: Prescribed assessments in High Consequence Areas to evaluate and mitigate threats to system integrity lead to increased capital needs.
 - Transmission integrity assessments & ongoing reassessments
 - Transmission replacement (incl. Beltline)
 - Certain pipe couplings
- DIMP: Continual identification, assessment and remediation of distribution risks and threats.
 - PVC and Cast Iron main replacement completion expected in 2016 and 2018 respectively. Other projects currently underway:
 - Bare steel mains
 - Copper service lines, vintage plastic service lines (beg. 2016)
 - Inside meters relocated to outside

Update – Integrity Management Capital Expenditures



- TIMP: Beltline Replacement
 - Background:
 - 20" & 24" high pressure transmission line installed in the 1950's.
 - Early generation manufacturing and construction techniques less rigorous than today.
 - Previous assessments showed that the pipe will need to be replaced in segments over time.
 - If we have to do ongoing reassessment while replacing, it will take until 2030 to replace pipe.
 - PHMSA – replacement reduces more risk than reassessment.
 - Special Permit – Allows us more flexibility to focus on replacement.
 - Will complete replacement in core downtown Minneapolis in 2015.
 - Replacement of pipeline in all HCA's will be done by 2020.
 - Conclusion: Replacing pipe faster enhances safety and reliability.

Update – Other Capital

- Increased capital for new additions.
 - 2010-2012 average approximately 5,300 customer additions/year.
 - 2014 approximately 9,900 customer additions.
 - 2015-2016 estimate: approximately 9,000-10,000 customer additions/year.

- Public Improvements
 - 2010 - \$15 million
 - 2014 - \$35 million

Analysis: Growth in Plant and Customers, but not in Throughput



- Considerable capital expenditures been made at a time of significant conservation and energy efficiency all while meeting our obligation to serve.
- Rate Cases since 1997 – 2004, 2005, 2008, 2013

Measure	1997	2014	Percent Change
Total Customers – YE	653,450	831,825	27%
Average Gross Plant (\$000)	\$724,192	\$1,649,000	132%
Res & Sm Business ¹			
Throughput (normalize BCF)	119.1	119.4	Flat

¹Provides approximately 90% of CNP's distribution margin.

Challenges: Capital Investments Consequences



- Implications
 - Entering a period of ongoing pressure on rates to pay for continuing capital investment.
 - On August 3, 2015, CenterPoint Energy will be filing a rate case.
 - Company, regulators and customers need to work together to find solutions that permit investments while mitigating “lumpy” rate increases.

Current Facilities Activities

- Minnesota Headquarters
 - LaSalle lease expiring.
 - The Company's existing LaSalle lease rate is well below current market rates.
 - Long term commitment to the City of Minneapolis and supporting its downtown.
 - Opportunities to purchase meeting our needs in downtown Minneapolis are not frequent, however one became available on Nicollet Mall.
 - Purchase of Nicollet Mall site best fit for long term needs – based on costs, size and location.
- New Warehouse in Golden Valley to support Minnesota Operations
 - Driven by capacity constraints.
 - Allows for consolidation of warehouse spaces.

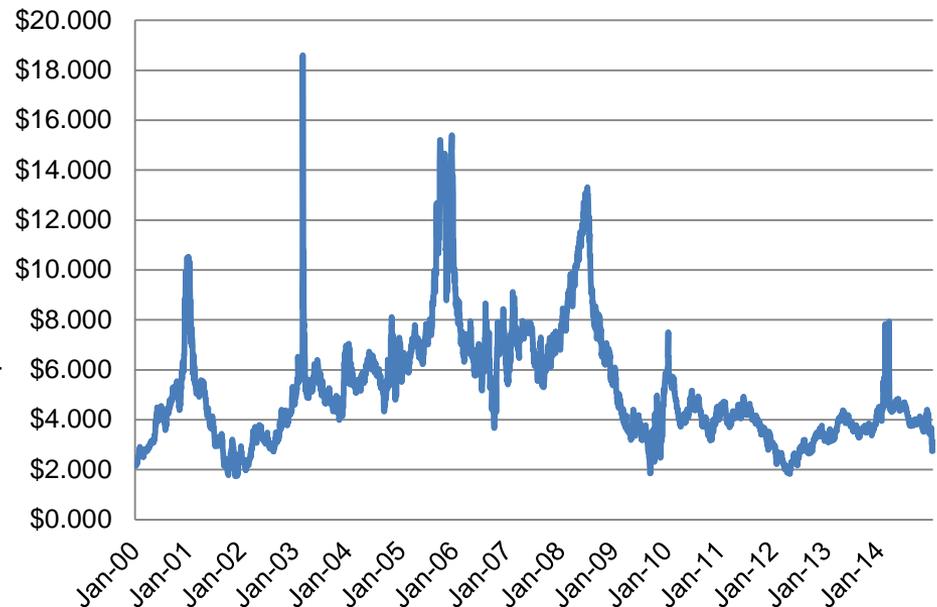
Rates: Cost of Gas

- Prices

- Historical high price with price volatility
- Shale gas helps lower price
- Volatility exposure remains due to weather, economic and geopolitical action on fracking.
- 2015-2016 current consensus - \$3.00-\$4.00/DT

- Gas prices have an impact on the Company's finances by affecting customers' ability to pay their bills and carrying cost of inventories.
- Conservatively, through 2014, our customers have saved over \$3 billion on natural gas bills since the high prices experienced leading up to and into 2008.

Henry Hub Daily Price



City of Minneapolis Franchise

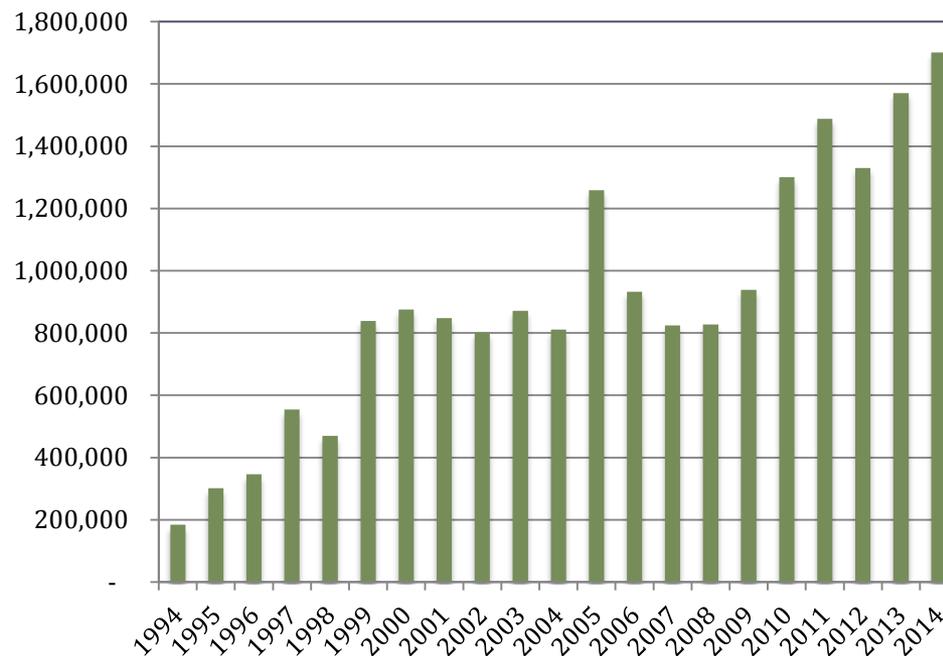


- Served Minneapolis since 1870.
- Previous agreement was in place for 30 years.
- New 10-year agreement effective January 1, 2015.
- City may terminate franchise before 10 year term, but not before 5 years.
- Option to extend beyond 10 years.
- No change in franchise fees.
- Clean Energy Partnership – our interests are aligned with the City.

Energy Conservation Commitment



CIP Energy Savings (Dth)



- State Policy and Business Interests are aligned – unleashed us to gather energy savings.

- Timely recovery of costs (tracker, decoupling)
- A positive incentive.

- Energy savings more than doubled from 2007 to 2014, from 825,000 Dth to 1,702,000 Dth.
- After a ramp-up period from 2010-2012, the Company has exceeded the 1.0% minimum energy savings level set by the NGEA in the last two years; 2014 results were 1.25%.

In Summary



- In accordance with natural gas safety and integrity regulations, significant capital expenditures are necessary to maintain a safe and reliable distribution system.
- Entering a period of ongoing pressure on rates to pay for continuing capital investment.
- Conservatively, through 2014, our customers have saved over \$3 billion on natural gas bills since the high prices experienced leading up and into 2008.
- Customer Satisfaction is a Priority.
- State Policy and our business interests are aligned to unleash us to gather energy savings.

CenterPoint Energy Minnesota

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Thank You

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