


**2008 National Symposium on Market
Transformation
Growth in Natural Gas Energy Efficiency in North
America**

April 1, 2008

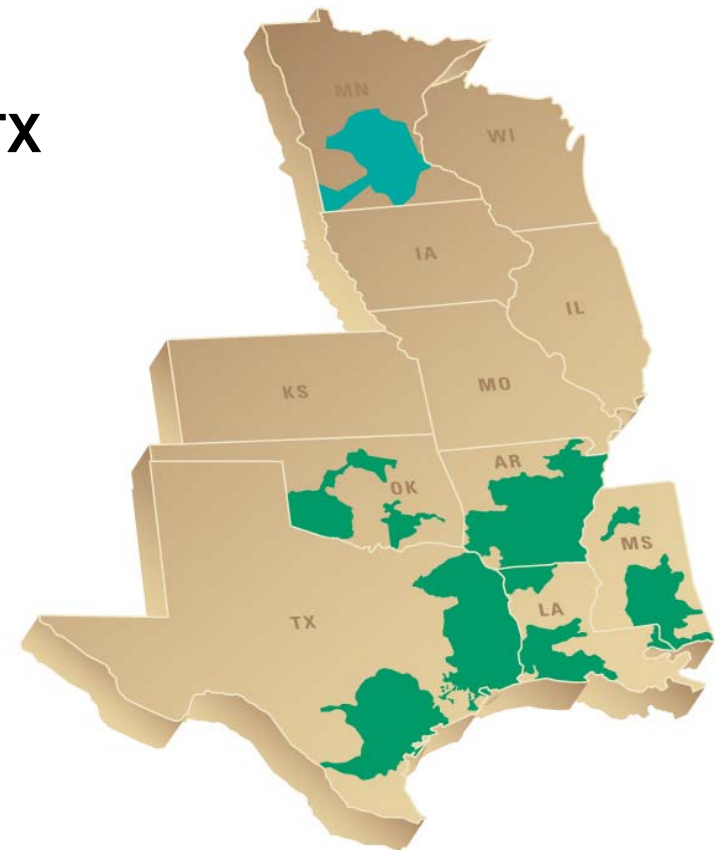
Angie Kline
Manager, Energy Programs
CenterPoint Energy

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- A thick, orange, curved line that spans across the width of the slide, positioned below the header and above the list of topics.
- Overview of CenterPoint Energy
 - Historical CIP Activity in Minnesota
 - CIP Statutory Requirements
 - Keys to Successful Conservation Framework
 - 2008 Minnesota CIP Programs
 - 2008 Arkansas Quick-Start Energy Efficiency Programs
 - Future Consideration for Energy Efficiency

Natural Gas Distribution



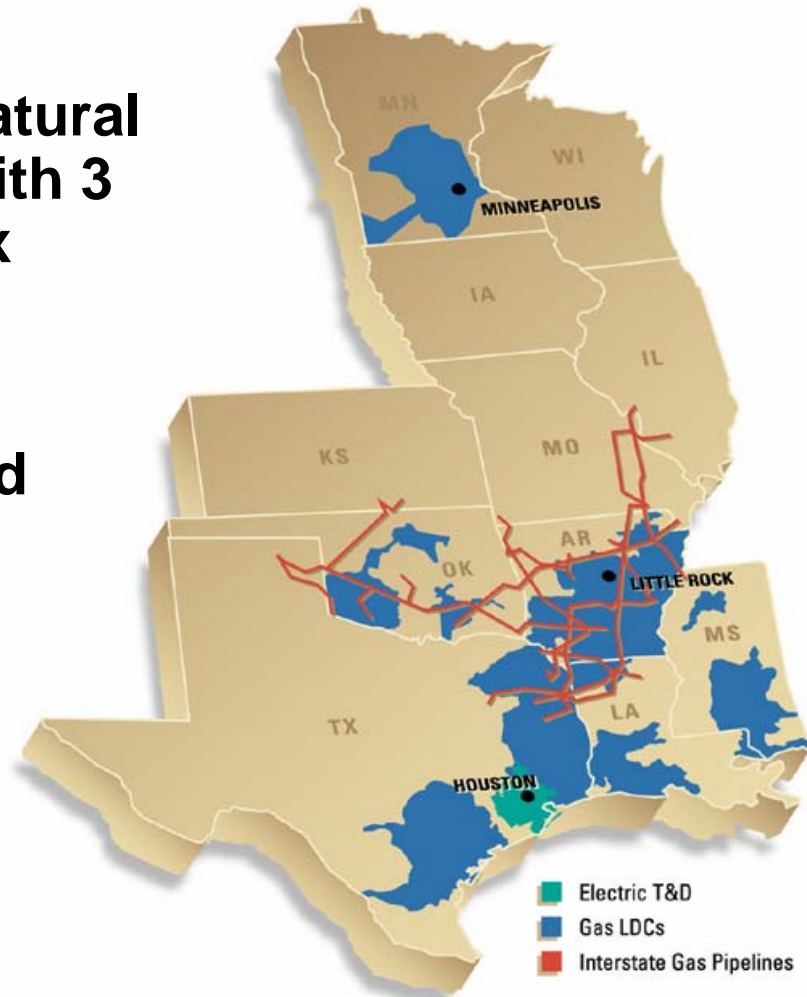
- Regulated local gas distribution companies in AR, LA, MN, MS, OK, TX including the high growth areas of Houston and Minneapolis
- Over 3 million customers
- Solid growth in key urban areas
- 376 Bcf throughput in 2006
- 232 Bcf throughput 2Q YTD 2007



■ CenterPoint Energy Southern Gas Operations
■ CenterPoint Energy Minnesota Gas

CenterPoint Energy is . . .

- The third largest publicly traded natural gas delivery company in the U.S. with 3 million natural gas customers in six states
- The nation's third largest combined electricity and natural gas delivery company



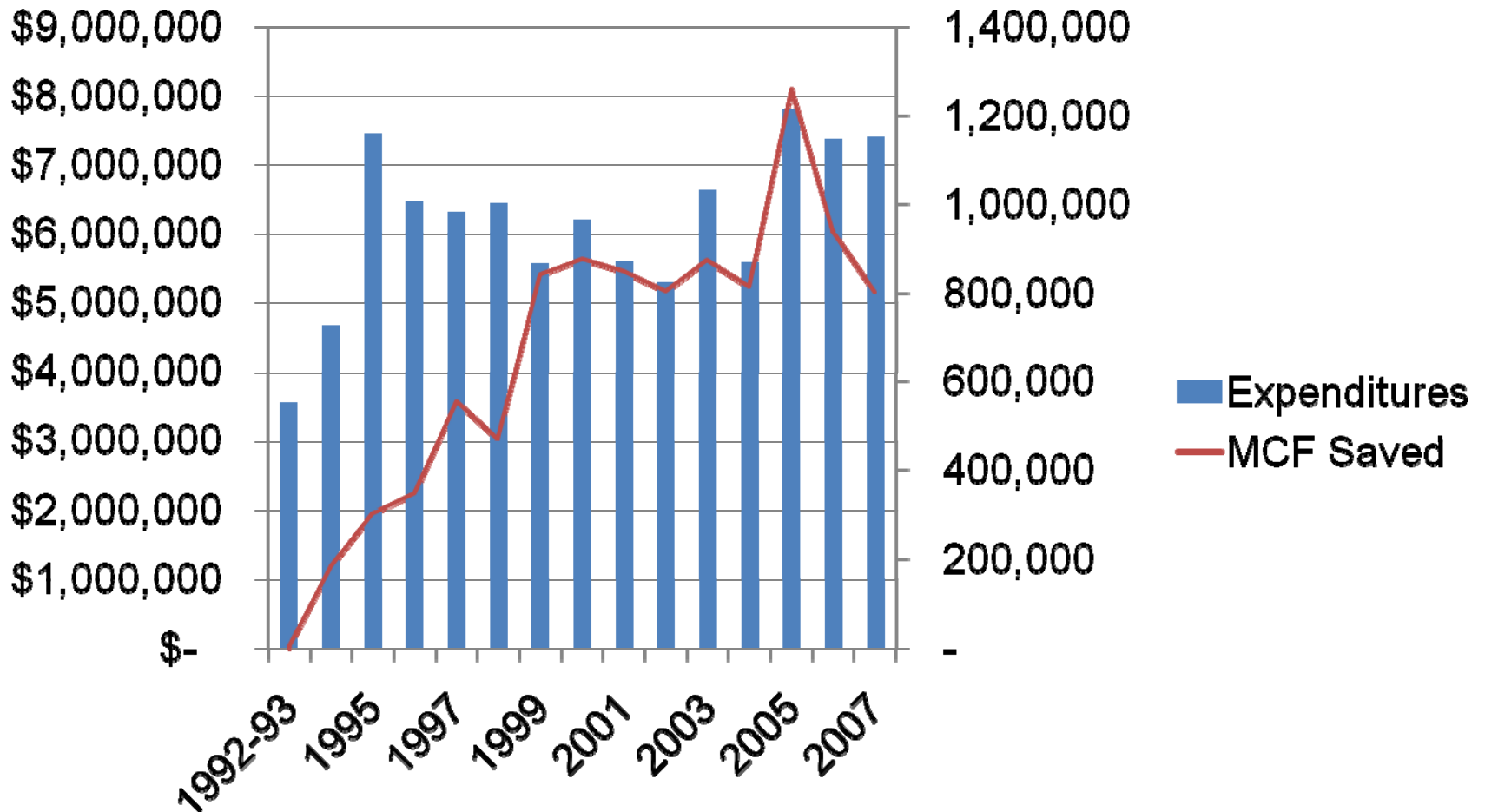
Background on Energy Efficiency in Minnesota



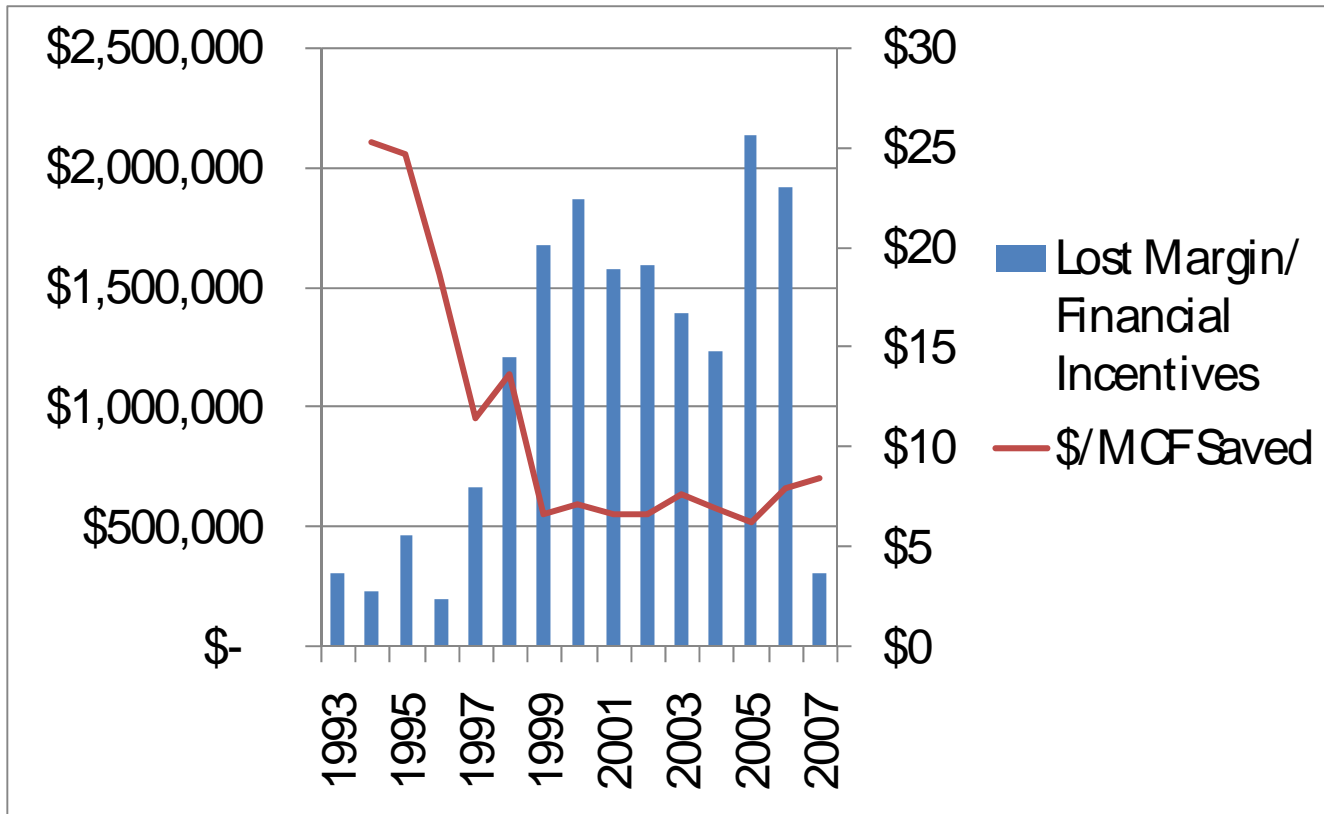
Since 1992 CenterPoint Energy:


- \$93 million in CIP expenditures;
- 9.9 BCF of natural gas energy savings (annual energy usage of approximately 99,000 residential customers);
- ~240,000 participants; and
- \$16.9 million in lost margins or CIP financial incentive awards

Background on Energy Efficiency in MN



Background on Energy Efficiency in MN



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- Old Statute: Minnesota natural gas utilities are required to spend 0.5% of gross operating revenue on energy efficiency programs.
 - New Statute: Minnesota natural gas utilities will be required to save 1.5% of natural gas throughput through energy efficiency programs.

2008 Minnesota CIP Programs



- 2008 CIP Total Program
 - Expenditures balanced between Residential and Commercial/Industrial Market Segments
 - Energy Savings driven by Commercial/Industrial Market; Participation driven by Residential Market Segment.
 - If spending and energy savings goals are met the approved program qualifies for a CIP Financial Incentive.

| | Budget | Participation | Energy Savings |
|-------------------------------|-------------|---------------|----------------|
| Residential Market | \$4,225,200 | 26,750 | 166,307 MCF |
| Commercial /Industrial Market | \$3,794,135 | 5,411 | 712,000 MCF |
| Other Projects | \$367,000 | N/A | N/A |
| Total | \$8,386,335 | 32,161 | 878,307 MCF |

2008 Minnesota CIP Programs: Residential Market Segment



| Program | Budget | Participation | Energy Savings | Delivery Mechanism |
|---------------------------------------|--------------------|---------------|--------------------|---|
| Residential Heating System Rebate | \$1,502,000 | 9,000 | 105,358 MCF | Internal (Marketing) w/Trade Ally network |
| Residential Energy Audit | \$329,800 | 2,000 | N/A | 3 rd Party Vendor (CIP Department) |
| Residential Low Flow Showerhead | \$151,000 | 10,000 | 36,800 MCF | 3 rd Party Vendor (CIP Department) |
| Residential Water Heater Rebate | \$365,000 | 5,000 | 5,950 MCF | Internal (Marketing) w/Trade Ally network |
| Low-Income Weatherization | \$1,706,400 | 650 | 13,941 MCF | Community Action Agency (CIP Department) |
| Non-Profit Affordable Housing Project | \$171,000 | 100 | 2,458 | CIP Department |
| Total | \$4,225,200 | 26,750 | 166,307 MCF | |

2008 Minnesota CIP Programs: Commercial/Industrial Market Segment



| Program | Details | Participation | Delivery Mechanism |
|--|---|----------------------------------|---|
| Commercial/Industrial Heating System Rebates | Boilers, burners, boiler tune-up's, steam traps, controls, vent dampers, furnaces, water heaters, heat recovery | 1,920 customers annually | Internal (Sales, Trade Allies, Technical Sales, Marketing & CIP Department) |
| Commercial Foodservice Rebates | 10 pieces of equipment including ovens, fryers, broilers, & pasta cookers | 470 pieces of equipment annually | Internal (Trade Allies, Marketing & CIP Department) |
| Custom "Process" Rebates | Equipment such as grain dryers, heat treating, tunnel ovens, and thermal oxidizers | 60 industrial customers | Internal (Sales, Technical Sales and CIP Department) |
| Commercial Energy Audit | On-Site audit for commercial heating customers | 225 audits annually | 3 rd Party Vendor with CIP Department |
| Engineering Assistance | Reimbursement to engineers for technical assistance | 25 annually | Internal (Technical Sales and CIP Department) |
| Commercial Foodservice Training Facility | On-Site training of customers and trade allies on efficient use of equipment (Linden Facility) | 500 annually | Internal (Trade Allies, Marketing & CIP Department) |
| Technical Seminars | Seminars for customers and trade allies on programs and technologies | 150 annually | Internal |

CenterPoint Energy Arkansas 2008 Energy Efficiency Programs



CenterPoint Energy Arkansas 2008 Energy Efficiency Program Overview

| Program | Budget | Participation | Project Delivery Mechanism |
|--|-------------|---------------|---|
| CenterPoint Energy Education Program | \$106,000 | 10,000 | CenterPoint Energy/3 rd Party Fulfillment Vendor |
| Commercial Natural Gas Energy Audit | \$87,000 | 34 | CenterPoint Energy/3 rd Party Fulfillment Vendor |
| Arkansas Weatherization Project | \$597,327 | 646 | 3 rd Party Fulfillment Vendor |
| Arkansas Energy Office Education Program | \$279,066 | N/A | Arkansas State Energy Office |
| Regulatory Administrative Expenses | \$147,000 | N/A | CenterPoint Energy |
| Total 2007-2008 | \$1,216,393 | 10,680 | |

Keys to Successful Conservation Framework



Regulatory Framework:

- **Timely Funding and Cost Recovery of Expenditures;**
- **Financial Incentives Mechanism;**
- **Base Rate Fixed Cost Recovery;**
- **Budget Flexibility;**
- **Ability to Modify Programs;**
- **Stable Framework; and**
- **Conservation Policy Debate outside of Rate Case Proceeding.**

Keys to Successful Conservation Framework



Operational Framework: Delivery Mechanism

- Utility;
 - Vendors (Residential, Commercial Audits);
 - Community Action Agencies (Low-Income Weatherization);
 - Trade Allies (Foodservice Dealers);
 - Engineers (Custom “Process” Rebates);
 - Distributors (Lennox, Carrier);
 - HVAC Contractors/Plumbers (Standard Heating);
 - Retailers (Menards, Lowe’s)
 - Non-Profit Agencies (Habitat for Humanity)
-
- Ramp-Up Time Required for New Programs

Keys to Successful Conservation Framework



Operational Framework:

- **Internal Organization must be aligned to successfully deliver programs;**
- **Internal Commitment to Delivery (Regulatory, Sales, Marketing, Customer Service, I/T, Accounting and Communications)**

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Carbon Reduction Initiatives will lead to increased requirements for conservation;

Consequences:

- ✓ Bar on Energy Savings Goals Raised
- ✓ Tension created between selling natural gas and saving natural gas

Importance of Non-Volumetric Rate Design

Conclusion



- Questions?????

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