

SHAREHOLDER ADVOCACY NEWS

In 1987 the United Nations General Assembly's *Report of the World Commission on Environment and Development: Our Common Future* included a clear definition of "sustainability": an entity that "meets the needs of the present world without compromising the ability of the future generations to meet their own needs." At Miller/Howard Investments, we are conscious of the need to prepare for and protect the future. In an age when an oil spill can damage the ecosystem of a body of water the size of the Gulf of Mexico and the surrounding area, we think it is an appropriate time to review our recent efforts regarding shareholder advocacy and other issues of sustainability.

HYDRAULIC FRACTURING

In our Fall 2009 Newsletter, we spoke of our efforts to address issues related to hydraulic fracturing. Hydraulic fracturing, or "fracking", is a process by which water, chemicals and particles (often sand), are injected with extremely high pressure into the ground to open fractures in rock, from which reserves of natural gas can be extracted. The process requires an enormous amount of water, ranging from 3 to 9 million gallons of water each time a natural gas well is fracked. Together with our partners Green Century, Investor Environmental Health Network (IEHN) and Ceres, Miller/Howard has worked for better transparency of information and reporting from companies engaged in fracking. We are not asking companies to stop the practice, but as investors, we would like companies to assure the investment community that fracking is performed in ways that do not have a negative impact on drinking water or create other deleterious environmental scenarios. Such issues have not been of great importance in the past, and investors have lacked information on the environmental health hazards of fracturing – which carry litigation, reputational, competitive and regulatory risks. As environmental disasters awaken policymakers and citizens alike, investors want to distinguish between the companies that fully understand and address the risks attendant to fracturing from those that do not.

To this end, Miller/Howard and numerous other investors and investor advisors have engaged approximately 20 companies via letters, phone calls and meetings. This stakeholder group has filed shareholder resolutions requesting improved disclosure on hydraulic fracturing operations at 12 of the 20 companies initially engaged.

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*"Water is the driving force of all nature."
— Leonardo da Vinci*

*"We forget that the water cycle and the life cycle are one."
— Jacques Cousteau*

*"Water, like religion and ideology, has the power to move millions of people. Since the very birth of human civilization, people have moved to settle close to it. People move when there is too little of it. People move when there is too much of it. People journey down it. People write, sing and dance about it. People fight over it. And all people, everywhere and every day, need it."
— Mikhail Gorbachev*

Federal and State Updates

In March 2010, the Environmental Protection Agency (EPA) announced it will embark on a \$1.9 million study to examine how hydraulic fracturing could impact drinking water.

Richard Liroff of the Investor Environmental Health Network (IEHN), presented comments and an oral statement on April 7, 2010, to the EPA Science Advisory Board Environmental Engineering Committee Panel on Hydraulic Fracturing Review. In his statement, Mr. Liroff commented on investors' lack of sufficient information on the environmental health hazards of hydraulic fracturing. IEHN has been a helpful partner in our efforts to promote disclosure by the natural gas companies. Mr. Liroff has been invited to participate in the EPA's formal stakeholder engagement process on its new hydraulic fracturing study.

Miller/Howard was the lead filer of a shareholder resolution on El Paso Corporation and co-filed a proposal with Green Century and the New York State Common Retirement Fund on Chesapeake Energy Corporation. We asked these companies to adopt better management practices for reducing hazards by:

- Using less toxic fracturing fluid
- Disclosing the chemicals used in the fracturing process
- Employing state-of-the-art cementing and casing practices to reduce the risk of leaks. (Interestingly, one aspect of the BP Deepwater disaster now under investigation is a choice by BP to use a type of casing for the well that the company knew was the riskier of two options.)¹
- Increasing recycling and the reuse of waste water to reduce freshwater use, waste disposal hazards and local community impacts from truck transport
- Reducing air pollution impacts by "green completions" of wells, and reducing emissions from onsite storage and processing equipment

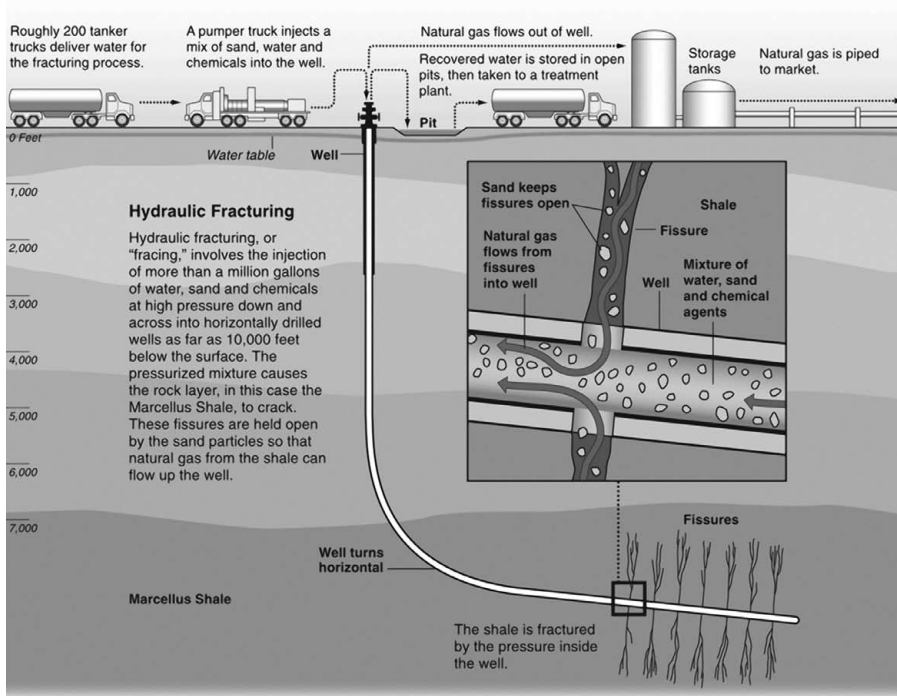
Chesapeake Energy showed no interest in pursuing a dialogue regarding these issues, so the Chesapeake resolution went to a vote at Chesapeake's June 11, 2010 shareholder meeting. The resolution received 25% of the vote. El Paso, on the other hand, has agreed to provide information in its 2009 Corporate Sustainability Report (CSR)*, published June 2010. Because of El Paso's willingness to discuss and publish information on its hydraulic fracturing operations, Miller/Howard withdrew the resolution. Some of the information El Paso agreed to incorporate in the report includes:

- Typical makeup of additives used in fracking
- Number and locations of wells using fracking
- Assurance of cementing and multiple steel casing in their well designs
- Several other points, including information regarding testing, treatment and pursuing new technologies
- Initiating discussions with its key suppliers to encourage public disclosure of additives used in the fracking process

Some of our partners have also had success in addressing these issues with other companies. The resolution filed by Green Century on Williams Companies received 42% of the vote in support of the fracking proposal in its initial year. According to historical data compiled by RiskMetrics, this vote is among the top 10 of the highest votes for a first-year, environmentally-focused proposal. Resolutions at Cabot Oil and Gas as well as EOG Resources each received more than 30% supporting votes. Statistically, first-year resolutions rarely garner such high support. Clearly, this is an important environmental issue that is gaining traction among shareholders.

*<http://www.elpaso.com/CSR/ouoperations.html>

¹ "BP Used Riskier Method To Seal Well Before Blast," by Ian Urbina, *New York Times*, May 26, 2010. <http://www.nytimes.com/2010/05/27/us/27rig.html>



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2010 CERES CONFERENCE

Ceres (pronounced “series”) is a national network of investors, environmental organizations and other public interest groups working with companies and investors to address sustainability challenges such as global climate change.

At the Ceres 2010 conference, *Roadmap for a Sustainable Future*, Miller/Howard hosted a topic table, “Investor Concerns Regarding the Use of Hydraulic Fracturing in the Natural Gas Industry.” Participants included representatives from Ceres, utility companies, financial management companies, energy companies, engineering and project management companies, and radio media. Members of our ESG research team presented detailed information to a diverse audience about this important topic. One of the participants, from the engineering company Hadley & Aldrich, shared information on the technical costs of water recycling and clean-up in the fracking process. Since the amount of water in the fracking process is enormous, and since chemical additives are also present, the ability and willingness of companies to recycle, clean and reuse water will be an important future point of discussion. Understanding the metrics and associated costs will be very helpful in establishing dialogue with energy companies.

Miller/Howard and Green Century also participated in the Utility Stakeholder Committee Meeting, the only two members of the investment community to do so. National Grid, Exelon, PG&E were among industry participants. Some utility companies, notably PG&E and Exelon, are beginning to engage and assist their supply chains with filing sustainability

FRAC Act

In June, 2009, the Fracturing Responsibility and Awareness of Chemicals Act — or FRAC Act — was introduced in Congress to reinstate the EPA’s authority to regulate hydraulic fracturing under the Safe Drinking Water Act. The EPA was restricted from this regulatory oversight by the 2005 Energy Policy Act.² As of early May 2010, there were 56 co-sponsors in the House and 8 in the Senate.

New York State Department of Environmental Conservation (DEC) is responsible for regulating the development and production of oil and gas resources in New York State. DEC is re-evaluating its oil and gas regulatory program through development of a draft Supplemental Generic Environmental Impact Statement (“dSGEIS”). On September 30, 2009, the DEC released the Draft SGEIS for additional public review and comment. The comment period ended on December 31, 2009 and the Department is now in the process of evaluating the many comments received.

² Senator Robert Casey, Jr., “Statement for the Record, Introduction of the Fracturing Responsibility and Awareness of Chemicals (FRAC) Act,” June 9, 2009. <http://casey.senate.gov/newsroom/press/release/?id=3D78271C-E412-4B63-95B8-419E75CE2BB6>

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reports, reporting on emissions, and encouraging their suppliers to participate in the Carbon Disclosure Project (CDP), an extensive reporting initiative launched in London in 2000 to accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions. Participation in CDP has increased from 235 disclosing companies in 2003 to nearly 2500 in 2009.³

We believe, as do many others, that the integration of environmental, social and corporate governance (ESG) provides the best framework for achieving sustainable long-term investment returns while building strong global economies and markets. We are pleased to see that issues of environmental liability, more transparent reporting and better dialogue with concerned investors are increasingly becoming the subject of more focused scrutiny by corporate managers. The BP oil spill disaster, water quality issues related to fracking, and municipal and corporate failures in planning for infrastructure have brought environmental liability and governance boldly into relief. Far from being a footnote, environmental liability can become an enormous bottom-line issue for companies, and some directors and officers are beginning to be much more responsive to investor concerns.

We will continue to work with our partners to encourage companies to provide for proper planning, appropriate fail-safe measures, and to consider the importance of transparent reporting to the investment community.

³ <https://www.cdproject.net/en-US/WhatWeDo/Pages/overview.aspx>

The commentary in this piece represents the opinion of Miller/Howard, and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. This information is prepared for educational purposes only.

Miller/Howard Investments is an employee-owned management firm with over 18 years experience managing dividend-focused portfolios for major institutions and individuals. We emphasize high-quality stocks with high yield and strong dividend growth. Our portfolios offer clients the opportunity for capital appreciation, high current income, and growth of income.

Our oldest investment strategy, "Global Utilities + Infrastructure," is a long-only portfolio of utilities including energy, utilities, pipelines (the largest segment of the listed infrastructure asset class), and in asset-based, broad market common stock investments.

Our four member portfolio team collectively has over 120 years of experience and has been focused on the eternal verities of asset-based essential service type companies for most of their investment careers. Miller/Howard's focus has always gravitated toward "foundational" assets that are the building blocks for any society.

Against a backdrop of a water crisis in Boston, the Ceres conference highlighted the crucial importance of water for future generations. Governor Deval Patrick declared a state of emergency in 30 communities in and around Boston when a water main broke in early May 2010. More than 2 million people were without clean water for three days.⁴

⁴ http://www.boston.com/news/local/breaking_news/2010/05/catastrophic_le.html