Third Quarter 2018 Earnings Conference Call
November 8, 2018

David Mordy – Director of Investor Relations

Thank you, Catherine. Good morning, everyone. Welcome to our third quarter 2018 earnings conference call. Scott Prochazka, president and CEO, and Bill Rogers, executive vice president and CFO, will discuss our third quarter 2018 results and provide highlights on other key areas, including our pending merger with Vectren. Also with us this morning are several members of management who will be available during the Q&A portion of our call.

In conjunction with our call, we will be using slides which can be found under the Investors' section on our website, CenterPointEnergy.com. For a reconciliation of the non-GAAP measures used in providing earnings guidance in today's call, please refer to our earnings news release and our slides. They have been posted on our website, as has our Form 10-Q.

Please note that we may announce material information using SEC filings, news releases, public conference calls, webcasts and posts to the Investors' section of our website. In the future, we will continue to use these channels to communicate important information and encourage you to review the information on our website.

Today, management will discuss certain topics that will contain projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon factors, including weather variations, regulatory actions, economic conditions and growth, commodity prices, changes in our service territories and other risk factors noted in our SEC filings.

We will also discuss our guidance for 2018. The guidance range considers Utility Operations performance to date and certain significant variables that may impact earnings, such as weather, regulatory and judicial proceedings, throughput, commodity prices, effective tax rates, and non-merger financing activities. In providing this guidance, the company uses a non-GAAP measure of adjusted diluted earnings per share that does not include other potential impacts, such as changes in accounting standards or unusual items, earnings or losses from the change in the value of the Zero-Premium Exchangeable Subordinated Notes or ZENS securities and the related stocks, or the timing effects of mark-to-market accounting in the company's Energy Services business. The guidance range also considers such factors as Enable's most recent public forecast and effective tax rates.

During today's call and in the accompanying slides, we will refer to public law number 115-97, initially introduced as the Tax Cuts and Jobs Act, as TCJA or simply "Tax Reform."

Before Scott begins, I would like to mention that this call is being recorded. Information on how to access the replay can be found on our website.

I'd now like to turn the call over to Scott.

Scott Prochazka – President & CEO

Thank you, David and good morning ladies and gentlemen. Thank you for joining us today, and thank you for your interest in CenterPoint Energy.

I will start on slide 5 with an update on the pending merger with Vectren as well as recent financing activity. In October, we participated in the Indiana Utility Regulatory Commission informal hearing and continue to target closing the pending merger with Vectren in the first quarter of 2019. Our integration planning teams are hard at work as they progress through the design phase. These teams now have targets in place that are in line with our anticipated $50 - $100 million in pre-tax earnings from potential merger benefits by 2020.

CenterPoint completed both the equity and fixed-rate debt components of the merger financing in October. We believe that the strong results of the merger financing will help reduce the equity financing needed for our capital budget. Bill will provide additional color on the financing as well as drivers for our combined 2020 EPS potential.

Turning to slide 6, we are currently conducting our annual CenterPoint capital review process and I wanted to provide a preview. We anticipate a 5 – 10% increase in capital investment for the 2019 – 2023 plan versus the 2018 – 2022 plan. We will provide further detail on our updated capital spending plan in our 2018 Form 10-K and on our fourth quarter earnings call. The increase expected is partially driven by the Freeport Master Plan Project, but we anticipate that the updated plan will also include capital expenditure increases across each of our CenterPoint business segments. We will not be reviewing or updating the Vectren capital expenditure plan until after we are one company.

Next, I will cover the quarterly results. Turning to slide 7, this morning we reported third quarter 2018 net income available to common shareholders of $153 million, or 35 cents

per diluted share, compared with $169 million, or 39 cents per diluted share for the third quarter of 2017.

On a guidance basis, excluding $18 million of after-tax impacts associated with the pending merger with Vectren, third quarter 2018 earnings were $170 million, or 39 cents per diluted share, compared with earnings on a guidance basis of $167 million, or 38 cents per diluted share in the third quarter of 2017. Increases were associated with rate relief, the lower federal income tax rate related to tax reform, midstream investments, customer growth and equity return primarily due to the annual true-up of transition charges. These benefits were largely offset by higher operations and maintenance expense and depreciation and amortization as well as a non-cash charge associated with state deferred tax assets that are no longer expected to be utilized after the internal Midstream spin. Bill will discuss that later in his remarks.

O&M is elevated this quarter compared to the third quarter of 2017, due in large part to timing, both within 2018 and, in comparison to the third quarter of 2017. The compound annual growth rate for Utility Operations O&M during the 2014-2018 period is expected to be approximately 3%. Generally, over a multi-year period, we expect O&M increases to be in line with inflation.

Midstream Investments had a strong quarter and both it, and our Utility Operations posted solid earnings that were in line with our expectations. As a result, third quarter performance keeps us on track to achieve the high end of our $1.50 - $1.60 EPS guidance range

for 2018, excluding impacts associated with the pending merger with Vectren. Our business segments continue to implement their strategies, which are focused on safely and reliably addressing the growing needs of our customers, while enhancing financial performance.

Turning to slide 8, I will cover business highlights, starting with Houston Electric. Electric transmission and distribution core operating income in the third quarter of 2018 was $214 million, compared to $236 million in the third quarter of 2017. We continue to see growth in our electric service territory, adding more than 39,000 metered customers since the third quarter of last year.

On the regulatory front, our transmission investment recovery filing, for an annual increase of $41 million, became effective in July and our most recent distribution investment recovery filing became effective in September, providing an annual increase of $31 million. We filed our certificate of convenience and necessity with the PUCT for the Freeport Master Plan Project in September. The cost estimate, which will be driven largely by the route selected, is in the range of $482 million to $695 million. The PUCT has requested that ERCOT review this project, which we expect will be completed within the next 3 months. We anticipate a decision from the PUCT as early as the third quarter of 2019. For a full update of our current regulatory filings, please see slide 24. Houston Electric is having a strong year and is performing in line with our expectations.

Turning to slide 9, Natural Gas Distribution operating income in the third quarter of 2018 was $3 million compared to $25 million in the third quarter of 2017. We continued to see

solid customer growth with the addition of nearly 29,000 customers since the third quarter of last year. Increases in expense, as compared to third quarter of 2017, are largely impacted by timing issues. Bill will provide additional color during his remarks. Overall, Natural Gas Distribution is performing well and is on target to meet our expectations for 2018.

Energy Services' operating loss was $10 million in the third quarter of 2018, compared to operating income of $5 million in the third quarter of 2017, excluding a mark-to-market gain of $1 million and $2 million, respectively. Year-to-date Energy Services core operating income is $51 million compared to $35 million for the first 9 months of last year. We continue to see value from our acquisitions and are reiterating Energy Services' core operating income target of $70 - $80 million for 2018.

Midstream Investments contributed 14 cents per diluted share in the third quarter of 2018 compared to 10 cents per diluted share in the third quarter of 2017. On slide 10, we've captured some of the highlights from Enable's third quarter earnings call on November 7th. Quarterly volumes of natural gas gathered and processed, natural gas liquids produced and crude oil gathered were at all-time highs since Enable's formation in May of 2013. Enable recently announced the Gulf Run Pipeline that is backed by a precedent agreement with a cornerstone shipper for 1.1 billion cubic feet per day. In addition, they announced increased contractual agreements in the Williston Basin for a substantial expansion of crude and water gathering systems there and an investment in oil gathering capabilities in the Anadarko basin that establishes a credible presence in that region. We are pleased with our Midstream

Investments performance and with the 2019 guidance Enable provided on their most recent earnings call.

Turning to slide 11, we continue to forecast strong earnings growth relative to 2017. For year-to-date guidance EPS, we are 20 cents ahead of where we were at this time last year. We anticipate that utility rate relief and customer growth, contributions from Energy Services and earnings from Enable will continue to drive our earnings growth. We are reiterating our 2018 guidance EPS at the high end of our $1.50 - $1.60 range, excluding impacts associated with the pending merger with Vectren.

As I mentioned earlier, with our permanent financing complete and integration teams continuing to make progress, we expect to close the merger in the first quarter of 2019. We are excited about growing our regulated energy delivery businesses and the complementary nature of our combined competitive businesses. We recognize that customers drive our business and we are excited to serve a larger base of customers with a broader set of products. Recently, CenterPoint was ranked first for the second straight year in the South Region J.D. Power Gas Utility Residential Customer Satisfaction Survey. With utility businesses in eight states, a competitive service footprint in nearly 40 states, and more than seven million customers, we have a unique opportunity to become a leading customer-centric, technology-focused energy delivery company of the future. I want to thank our employees for their dedication to our customers, while also working safely and efficiently, all of which has resulted in continued strong financial results.

I will now turn the call over to Bill to discuss our business segments and earnings walks. Bill…

Bill Rogers - EVP & CFO

Thank you, Scott. I will start with quarter to quarter operating income walks for our Electric transmission and distribution and Natural Gas Distribution segments. I will follow this with EPS drivers for Utility Operations and our consolidated business on a guidance basis. My intent is to help investors understand the elements that give us confidence in achieving the high end of our 2018 EPS guidance range, excluding impacts associated with the pending merger with Vectren. We have adjusted our GAAP EPS for two items to determine guidance EPS. Those adjustments are mark-to-market impacts at our Energy Services business and the net of the mark-to-market of assets and liabilities associated with our ZENS securities and related stocks. I will also exclude $15 million of pre-tax costs plus $5 million of Series A Preferred Stock Dividend requirement associated with the pending merger with Vectren. As we noted in earlier quarters, the adoption of the accounting standard for compensation-retirement benefits resulted in increased operating income for 2017 as it moved certain amounts below the operating income line.

Beginning with Houston Electric's operating income walk on slide 13, revenue decreased $22 million as a result of tax reform. When reviewing net income, this revenue impact is offset by lower federal income tax expense. Rate relief translated into a $30 million favorable

revenue variance for the quarter and customer growth provided another $9 million positive revenue variance.

O&M had an unfavorable variance of $38 million. O&M increased primarily as the result of increases in vegetation management, preventative maintenance, support services, labor and benefits costs and third-party claims. Much of this is timing related; this is in part influenced by the impact of Hurricane Harvey in the third quarter of 2017. We have been catching up on operating expenses that were deferred as well as increasing our resiliency expenditures as a result of lessons learned from last year's hurricane. Equity return, related to the true up of transition charges, increased $4 million. Lastly, depreciation and taxes accounted for a $5 million unfavorable variance.

Excluding equity return and impacts of the tax reform adjustment, Houston Electric's operating income decreased by $4 million on a quarter to quarter basis. Year-to-date, Houston Electric is performing in line with our expectations for 2018.

Turning to slide 14, Natural Gas Distribution operating income for the third quarter was $3 million versus $25 million for the same period last year. Revenue decreased $6 million as a result of tax reform. This was offset by lower income tax expense on the Net Income line. Operating income included a $5 million positive variance from rate relief, a $2 million benefit from customer growth, and a $6 million positive variance due to a decoupling normalization accrual recorded in the third quarter of 2018.

On a quarter to quarter basis, O&M was higher by $25 million. This is largely due to increases in support services, contracts and services, labor and benefits costs and other operations and maintenance expenses. We believe the quarter to quarter comparison of O&M is not informative as to annual trends. Some of the variance in the "other" column is timing related. In 2017 certain expenses or benefits were incurred in other quarters compared to the same quarters in 2018. Lastly, depreciation and taxes were a negative $4 million variance. Year-to-date, the Natural Gas Distribution segment is performing in-line with our expectations.

Energy Services' third quarter operating loss, excluding mark-to-market adjustments, was $10 million versus operating income of $5 million in the third quarter of 2017. Margin decreased due to reduced opportunities to optimize natural gas supply costs, which offset favorable margins from incremental sales volumes. Operations and maintenance expenses increased, and were primarily due to higher legal, technology and support services expenses. CES remains on track for a core operating income contribution of $70 to $80 million in 2018.

Our quarter to quarter utility operations EPS walk on a guidance basis is on slide 15. We will start with twenty-eight cents for the third quarter of 2017 and subtract five cents for the change in core operating income inclusive of Energy Services and excluding equity return. Interest expense was flat, excluding merger-related interest expense connected with our acquisition financing. Next, we add one cent of improvement from equity return and one cent of improvement for other. Other includes the benefit of the lower federal income tax rate.

Other also includes a 2 cent tax charge in the gas segment as a result of the internal spin of the midstream segment. This brings us to twenty-five cents of utility operations EPS on a guidance basis, excluding four cents of merger-related impacts in third quarter of 2018.

Our consolidated guidance EPS comparison is on slide 16 starting with 38 cents for the third quarter of 2017 and ending with 39 cents for the third quarter of 2018. In short, we were down three cents quarter over quarter for utility operations. Midstream Investments, including a two-cent unfavorable mark-to-market variance, had a net four cent EPS gain.

Slide 17 shows the year-to-date consolidated guidance EPS comparison starting with $1.04 for the first three quarters of 2017 and ending with $1.24 for the first three quarters of 2018, a 19% increase. The thirteen-cent improvement at utility operations is primarily due to the strong performance in our electric utility and Energy Services segments. Midstream Investments, including the negative five-cent mark-to-market variance year-to-date, delivered a seven-cent improvement year-to-date. We would note that going forward, this segment will have interest expense associated with the debt at CenterPoint Energy Midstream. With twenty cents of total improvement year to date, we are well on track to meet the high end of our 2018 EPS guidance range.

On slide 19, we cover our recent financings. Through a combination of common stock, preferred stock, mandatory convertible preferred stock and senior notes and an increase on available revolving credit and commercial paper capacity, we are now in a position, financially, to close the merger. All of the offerings required significant effort from our Treasury group, as

well as Legal, Accounting and Tax professionals. I would like to commend the team on successfully completing all of these offerings.

On slide 20, we provide an update on the CenterPoint Midstream spin. The internal spin of our equity investment in Enable out of CERC was completed in early September. Moody's and Fitch upgraded CERC's credit rating to Baa1 and BBB+, respectively, as a result of the spin. Associated with the spin, CenterPoint reduced a deferred tax asset and took a non-cash charge of $11 million in the tax expense line reducing net income by 2 cents per diluted share.

On slide 21, we provide the drivers of our potential 2020 EPS on a guidance basis. We do not anticipate issuing equity in 2019 and 2020. As Scott mentioned, we anticipate our capital investments will increase 5-10% for the 2019 – 2023 plan relative to the 2018 – 2022 plan. Our integration teams have targets in line with our anticipated $50 - $100 million in pre-tax earnings from potential commercial opportunities and cost savings by 2020. We have positive momentum in our competitive businesses; and we see that same momentum in Vectren's competitive businesses. Further, we are pleased with Enable's year-to-date performance in 2018 as well as their recently announced forecast for 2019. Therefore we continue to anticipate potential 2020 guidance EPS in the range of $1.76 - $1.98.

Slide 22 lists some of the information we intend to update on our 4th quarter 2018 earnings call in conjunction with filing our 2018 annual report on form 10K. These include our five-year capital plan, details on merger cost savings, an overview of our competitive businesses

performance objectives, updates from Enable that would flow through to CenterPoint Energy Midstream, our anticipated effective tax rate and projected EPS expectations.

I will conclude by noting our recently declared dividend of 27.75 cents per share of common stock. This approximate 4% increase relative to a year ago is consistent with our 4% annual increases in dividends over the last several years. I'll now turn the call back over to David.

David Mordy – Director of Investor Relations

Thank you, Bill. We will now open the call to questions. In the interest of time, I will ask you to limit yourself to one question and a follow up. Catherine…

(Operator instructions)

Operator:

Your first question comes from the line of Julien Dumoulin-Smith with Bank of America, Merrill Lynch.

Julien Dumoulin-Smith:

Sorry about that guys. Had a little bit of IT issue on our side. New telephone systems. Anyway, just wanted to follow-up here first on the CapEx question if you can. You talked about 5% to 10%, what is above and beyond some of the transmission spending you all have talked about, in terms of the initial plan here?

Scott Prochazka:

So Julien, it's – the, as you pointed out the project we've already talked about but it's a review of capital expenditure or capital plans with respect to what I consider more normal business around maintenance and infrastructure replacement and growth. Those are the major themes that will impact the other elements of our capital plan in addition to the Freeport Master Plan.

Julien Dumoulin-Smith:

Got it. Excellent. And then also wanted to follow-up a little bit here on the Enable side of the business. Obviously, we're seeing some reinvigorated investment opportunities here. Does that shift at all your longer term thinking about Enable and certainly there have been a variety of different elements including potentially greater cash flow contributions here?

Scott Prochazka:

When you say reinvigorated, you're talking about the opportunities that Enable is seeing?

Julien Dumoulin-Smith:

Yeah. It was organic opportunities, the acquisitive opportunities and then ultimately how that translates back into cash flow back into your pocket.

Scott Prochazka:

Look, I would characterize this as we are pleased to see what Enable is doing, you know their recent performance and how they're looking into 2019 based on, you know, the performance of their core business as well as these growth opportunities. We – as we mentioned earlier we have no need to sell any units over the coming 24-month period. That said I think that if there were opportunities to opportunistically sell units down the road, we may take those opportunities, but we are certainly very pleased to see that Enable is performing well and they are, you know, being presented with these growth opportunities.

Julien Dumoulin-Smith:

Excellent. And then just one last quick clarification, you talk about a 1Q close, would you expect to provide an update pro forma as soon as you close or are we going to be holding out to like a fuller update with 4Q?

Scott Prochazka:

Well, you know we have to close before we really get access to the information and begin that process. So what we anticipate is there will be a reasonable period of time between close and when we have our fourth quarter call, which will give us time to prepare what you described.

Operator:

Your next question comes from the line of Michael Weinstein with Credit Suisse.

Khanh Nguyen:

Yeah, hi. Yeah. Good morning. Thanks for taking the question. Just wanted to follow-up quickly on that Vectren merger. So far the integration exercise – planning exercise that you've had, anything that would point to where you are in that range of $50 million to $100 million? Are you in a position to share that at this point?

Scott Prochazka:

Yeah, we're not in a position to share other than say we're really in the middle of what I'll call the design phase. And given the targets that we have established for the team, our level of confidence in that range is perhaps as good or stronger than it was when we shared that target earlier. So what we're doing is we're seeing – we're seeing their work in line with what our expectations are. We'll be in a much better position to describe in some greater detail, what we think that looks like when we after we've merged and we have a chance to share that with you.

Khanh Nguyen:

That's great. So quickly on that too. So what kind of business outlook for the VISCO and VESCO at Vectren that you embedded in that 2020 guidance on slide 21? And given their results and third quarter, how – have you updated your view on that business?

Scott Prochazka:

Yeah, we have not updated our view other than to believe that what we were using as we initially described our earnings potential in 2020 is still very appropriate. They just had their earnings call and shared their results and their performance was good and their backlog is good. So, you know, we continue to be very optimistic and believe that we know what we had in our - the basis on which we built our estimates for 2020 so far is still very accurate.

Operator:

Your next question comes from the line of Abe Azar with Deutsche Bank.

Abe Azar:

So just following up on the 2020 range. Why is it still so wide given the execution of the financing and when might you update it or narrow it?

Scott Prochazka:

Yeah. So, you know, we've obviously answered one of the variables on there. But we know as we're going through capital planning and we're thinking about other variables in there, we felt it is best to wait and do a single, consolidated, new view of 2020 after many of these other variables have been resolved. So you are right, we've taken one of the variables out, but there are other things that we want to be able to finalize before revise or tighten that range.

Operator:

Your next question comes from the line of Chris Turnure with J.P. Morgan.

Christopher Turnure:

Good morning, Scott and Bill. I have a question on the 2020 guidance slide as well. I think I heard your comments in your prepared remarks on some of the moving pieces within there and your answers to some of the previous questions, but could you maybe walk us through how you can maintain that range, how you can still have confidence there despite the higher equity layer embedded there versus your original estimate?

Bill Rogers:

Chris, good morning. It's Bill. We shared with you on the slide and Scott shared with you in his remarks as well as mine, some of the impacts. You're correct that we've completed the equity financing both -- and as we look forward to greater rate base investment. But we have yet to complete our capital planning, and we have yet to complete our views of the synergies and commercial opportunities associated with the pending merger of Vectren which would be on the top lines of that slide. And that's what we'll need to update and tighten the potential 2020 EPS guidance which we'll provide for you at our year-end call.

Operator:

Your next question comes from the line of Ali Agha with SunTrust.

Ali Agha:

Good morning. I have two unrelated questions, Scott. First off, with regards to Enable from your commentary and the fact that you don't need as you said any proceeds for the next couple of years. Is it fair to assume that your overall strategic thinking on Enable may have changed as well to the sense that hey, no longer a big push to necessarily exit that business, but over time maybe if the opportunity is there you could do that? That's question number one. Question number two, could you also give us some now, as you look out, longer term and as you're updating your CapEx, can you just remind us how you're thinking about the growth rate beyond 2020 as well? So two separate questions.

Scott Prochazka:

Ali, I'll start with the latter question because I think I can answer that one fairly quick. We have, as you know, we've not provided any guidance respect with respect to growth rate beyond 2020 because we get to the end of the year and we merge and we can go through a more integrated planning process. We'll be in a position to determine when we're better suited to provide thinking beyond 2020. So that's the answer I would give to the second question. Your first question, I think was about Enable. And in there, you mentioned, has our strategic interests in Enable changed, I would say no, it has not. We continue to believe that our objective here is to have less exposure to the Midstream segment. By virtue of this merger, we accomplished some of that. We have less percentage exposure to the Midstream segment. But we will continue to look for constructive opportunities to reduce our position over a longer period of time. You know, we've said in the past that the considerations around monetization of that investment will be as market conditions allow and as we have the needs and the opportunity to redeploy that capital into other investments, and those are going to be the drivers for us.

Operator:

Your next question comes from the line of Ashar Khan with Verition.

Ashar Khan:

Good morning. Can you just – just for – little bit of – can you just tell us exactly what assumptions have changed apart from the financing assumptions since the guidance was given for 2020?

Scott Prochazka:

So at this point, we haven't changed any of the assumptions relative to that. We've just addressed or now know what the outcome of the financing is. And we still have the Vectren forecast that we've been using all along, that's the information that we have. We do know that our forecast internally will change somewhat in part from the capital update that I described in my comments. So that would be a variable that would change.

Ashar Khan:

Okay. So that has not been important to that analysis yet, right?

Scott Prochazka:

That is correct.

Operator:

Your next question comes from the line of Michael Lapides with Goldman Sachs.

Michael Lapides:

Hey guys. Just listening to a lot of the questions, it seems as if there's not a lot of focus on what looks like to be a really fast-growing utility you happen to own in Houston. So just curious can you talk to us about your views for first – power demand growth. Meaning how different now that you're three quarters into the year do you think your weather normalized demand view is in Houston relative to what it was maybe at the beginning of the year or at the end of last year at this time when you gave guidance? That's question one. Question two, what do you see, I don't mean over the next couple of years with – with the big transmission project, but I'm trying to think longer term, what do you think the opportunity set is and the size and the scale is for distribution investment in Houston relative to the historical last five year run rate?

Bill Rogers:

Michael, good morning. It's Bill. I'll start with demand and then Scott, I think will pick up with CapEx and talk about that. So I would begin to comment that we've now worked through most of Harvey with respect to residential housing considerations and residential housing considerations translating into meters has accelerated in a 12-month period ended September 30th relative to the 12-month period ended June 30th. You'll see that if you compare those periods, it was 1.5% for end of September 30th and 1.2% end of June 30th. So we're seeing

meter count pick-up again. We've had a normal weather year. We've had a modest decline, meaning less than 1% used per customer in the normal weather year. And if you look at our sales volumes and depending on the period you want to use that will be somewhere total increase of 2% to 4%. So, industrial and large commercial load continues to be there. That all looks good in the service territory, if you've been reading about various economic data and facts on Texas, we continue to add employment at a much faster rate relative to the nation. People are moving here for jobs and unemployment rate in Texas and in Houston is close to the country as a whole.

Scott Prochazka:

Michael, I'll just add because I think Bill gave a lot of the building blocks that would suggest what's driving capital investment opportunity, but we continue to see strong growth in residential and commercial and even in the industrial space. So, much of the capital that we have planned in the Houston area is around growth as well as investments we'll make around resiliency and around maintenance, that type of thing. So we – as Bill give you many of the indicators, we did see a little bit of a slowing in the residential meter count; we believe it was because of two things. One was a slight overbuild in high-rise residential, and that wave came to completion about a year ago, and the industry or the environment or the community here is now absorbing those units. And the impact that we had from Harvey, a year ago, and we're seeing that -- we're seeing that start to tick back up. So you set those two things aside, all the other indicators suggest the area continues to grow at record pace, and that's what drives a lot of our considerations about additional capital needs.

Operator:

Your next question is a follow-up question from the line of Abe Azar with Deutsche Bank.

Abe Azar:

Great, thank you. Can you convert the increase in Enable's guidance between 2018 and 2019 into the CNP earnings view? And then also the – you exclude the VVC deal cost and the dividends, but do you make a change for the shares issued or is that a little bit of dilution this year?

Scott Prochazka:

Abe, I'll have Bill answer that question, I think he's got the numbers in front of him.

Bill Rogers:

Right. Abe, Enable announced yesterday their net income estimate of $435 million to $505 million for 2019. That would translate to us $0.42 to $0.48 per share on the share count of 504 million. And that would be before the interest expense burden at CenterPoint Energy Midstream, but would also include $49 million of basis difference accretion. And what was the second part of your question, if you're still there?

Abe Azar:

Sorry, I'm here. You excluded the cost around the impacts of the merger for this year. Did you also take out the dilution in your numbers or is that still in from the...

Bill Rogers:

In the 2018 numbers, yes, we're taking – we're taking out that dilution as well as the other cost of capital.

Operator:

Thank you. Ladies and gentlemen, I'd like now to turn the call back over to David Mordy for any closing comments.

Dave Mordy:

Thank you everyone for your interest in CenterPoint Energy today. This will conclude our third Quarter 2018 earnings call. We look forward to seeing many of you at EEI. Have a great day.

Operator:

This concludes CenterPoint Energy's third quarter 2018 earnings conference call. Thank you for your participation.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and energy services operations. The company serves more than five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. The company also owns 54.0 percent of the common units representing limited partner interests in Enable Midstream Partners, a publicly traded master limited partnership it jointly controls with OGE Energy Corp. Enable Midstream Partners owns, operates and develops natural gas and crude oil infrastructure assets. With more than 8,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 150 years. For more information, go to www.CenterPointEnergy.com.

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Risks Related to CenterPoint Energy
Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the performance of Enable Midstream Partners, LP (Enable), the amount of cash distributions CenterPoint Energy receives from Enable, Enable's ability to redeem the Series A Preferred Units in certain circumstances and the value of CenterPoint Energy's interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including factors such as: (A) competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable; (B) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and natural gas liquids (NGLs), the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines; (C) the demand

for crude oil, natural gas, NGLs and transportation and storage services; (D) environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing; (E) recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable; (F) changes in tax status; (G) access to debt and equity capital; and (H) the availability and prices of raw materials and services for current and future construction projects; (2) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the demand for CenterPoint Energy's non-rate regulated products and services and effects of energy efficiency measures and demographic patterns; (3) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (4) future economic conditions in regional and national markets and their effect on sales, prices and costs; (5) weather variations and other natural phenomena, including the impact of severe weather events on operations and capital; (6) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's and Enable's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses; (7) CenterPoint Energy's expected timing, likelihood and benefits of completion of CenterPoint Energy's pending merger with Vectren Corporation (Vectren), including the timing, receipt and terms and conditions of any required approvals by regulatory agencies that could reduce anticipated benefits or cause the parties to delay or abandon the pending transactions, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what CenterPoint Energy expects; (8) tax legislation, including the effects of the comprehensive tax reform legislation informally referred to as the Tax Cuts and Jobs Act (which includes any potential changes to interest deductibility) and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of excess deferred income taxes and CenterPoint Energy's rates; (9) CenterPoint Energy's ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms; (10) the timing and extent of changes in commodity prices, particularly natural gas, and the effects of geographic and seasonal commodity price differentials; (11) actions by credit rating agencies, including any potential downgrades to credit ratings; (12) changes in interest rates and their impact on CenterPoint Energy's costs of borrowing and the valuation of its pension benefit obligation; (13) problems with regulatory approval, construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates; (14) local, state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (15) the impact of unplanned facility

outages; (16) any direct or indirect effects on CenterPoint Energy's or Enable's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt CenterPoint Energy's businesses or the businesses of third parties, or other catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts, hurricanes, pandemic health events or other occurrences; (17) CenterPoint Energy's ability to invest planned capital and the timely recovery of CenterPoint Energy's investments; (18) CenterPoint Energy's ability to control operation and maintenance costs; (19) the sufficiency of CenterPoint Energy's insurance coverage, including availability, cost, coverage and terms and ability to recover claims; (20) the investment performance of CenterPoint Energy's pension and postretirement benefit plans; (21) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of CenterPoint Energy's financing and refinancing efforts, including availability of funds in the debt capital markets; (22) changes in rates of inflation; (23) inability of various counterparties to meet their obligations to CenterPoint Energy; (24) non-payment for CenterPoint Energy's services due to financial distress of its customers; (25) the extent and effectiveness of CenterPoint Energy's risk management and hedging activities, including but not limited to, its financial and weather hedges and commodity risk management activities; (26) timely and appropriate regulatory actions, which include actions allowing securitization, for any future hurricanes or natural disasters or other recovery of costs, including costs associated with Hurricane Harvey; (27) CenterPoint Energy's or Enable's potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses (including a reduction of interests in Enable, if any, whether through CenterPoint Energy's decision to sell all or a portion of the Enable common units it owns in the public equity markets or otherwise, subject to certain limitations), which CenterPoint Energy cannot assure will be completed or will have the anticipated benefits to CenterPoint Energy or Enable; (28) acquisition and merger activities involving CenterPoint Energy or its competitors, including the ability to successfully complete merger, acquisition or divestiture plans; (29) CenterPoint Energy's or Enable's ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (30) the outcome of litigation; (31) the ability of retail electric providers (REPs), including REP affiliates of NRG and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and its subsidiaries; (32) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy and RRI), a wholly-owned subsidiary of NRG Energy, Inc. (NRG), and its subsidiaries, currently the subject of bankruptcy proceedings, to satisfy their obligations to CenterPoint Energy, including indemnity obligations, which may be contested by GenOn; (33) changes in technology, particularly with respect to efficient battery storage or the emergence or growth of new, developing or alternative sources of generation; (34) the timing and outcome of any audits, disputes and other proceedings related to

taxes; (35) the effective tax rates; (36) the effect of changes in and application of accounting standards and pronouncements; and (37) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, CenterPoint Energy's Quarterly Report on Form 10-Q for the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

Risks Related to the Merger
Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the risk that CenterPoint Energy or Vectren may be unable to obtain regulatory approvals required for the proposed transactions, or that required regulatory approvals or agreements with other parties interested therein may delay the proposed transactions or may be subject to or impose adverse conditions or costs, (2) the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed transactions or could otherwise cause the failure of the proposed transactions to close, (3) the risk that a condition to the closing of the proposed transactions or the committed financing may not be satisfied, (4) the outcome of any legal proceedings, regulatory proceedings or enforcement matters that may be instituted relating to the proposed transactions, (5) the receipt of an unsolicited offer from another party to acquire assets or capital stock of Vectren that could interfere with the proposed transactions, (6) the timing to consummate the proposed transactions, (7) the costs incurred to consummate the proposed transactions, (8) the possibility that the expected cost savings, synergies or other value creation from the proposed transactions will not be realized, or will not be realized within the expected time period, (9) the risk that the companies may not realize fair values from properties that may be required to be sold in connection with the merger, (10) the credit ratings of the companies following the proposed transactions, (11) disruption from the proposed transactions making it more difficult to maintain relationships with customers, employees, regulators or suppliers and (15) the diversion of management time and attention on the proposed transactions.

Use of Non-GAAP Financial Measures by CenterPoint Energy in Providing Guidance

In addition to presenting its financial results in accordance with generally accepted accounting principles (GAAP), including presentation of net income and diluted earnings per share, CenterPoint Energy also provides guidance based on adjusted net income and adjusted diluted earnings per share, which are non-GAAP financial measures. Additional Non-GAAP financial measures used by the Company include utility earnings per share and core operating income. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or

future financial performance that excludes or includes amounts that are not normally excluded or included in the most directly comparable GAAP financial measure. CenterPoint Energy's adjusted net income and adjusted diluted earnings per share calculation excludes from net income and diluted earnings per share, respectively, the impact of ZENS and related securities and mark-to-market gains or losses resulting from the company's Energy Services business. The Company's utility earnings per share calculation includes all earnings except those related to Midstream Investments (but includes the Enable Series A Preferred Units). The Company's core operating income calculation excludes the transition and system restoration bonds from the Electric Transmission and Distribution business segment, the mark-to-market gains or losses resulting from the Company's Energy Services business and income from the Other Operations business segment. CenterPoint Energy is unable to present a quantitative reconciliation of forward looking adjusted net income and adjusted diluted earnings per share because changes in the value of ZENS and related securities and mark-to-market gains or losses resulting from the Company's Energy Services business are not estimable. CenterPoint Energy's guidance does not currently reflect impacts associated with the pending merger with Vectren.

CenterPoint Energy's management evaluates CenterPoint Energy's financial performance in part based on adjusted net income, adjusted diluted earnings per share, utility earnings per share and core operating income. CenterPoint Energy's management believes that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results across periods. The adjustments made in these non-GAAP financial measures exclude items that CenterPoint Energy's management believes does not most accurately reflect the Company's fundamental business performance. These excluded items are reflected in the reconciliation tables of this release, where applicable. CenterPoint Energy's adjusted net income, adjusted diluted earnings per share, utility earnings per share and core operating income non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, net income and diluted earnings per share, which respectively are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.