



**Third Quarter 2017 Earnings Conference Call
November 3, 2017**

David Mordy – Director of Investor Relations

Thank you Thea. Good morning everyone. Welcome to our third quarter 2017 earnings conference call. Scott Prochazka, president and CEO, and Bill Rogers, executive vice president and CFO, will discuss our third quarter 2017 results and provide highlights on other key areas. Also with us this morning are Tracy Bridge, executive vice president and president of our Electric Division; Scott Doyle, senior vice president of Natural Gas Distribution; and Joe Vortherms, senior vice president of Energy Services. Tracy, Scott and Joe 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 containing 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



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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 2017. 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 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.

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. We mentioned earlier in the year we were thrilled to be hosting the Super Bowl in Houston this year and Minneapolis next year.



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Little did we know, the Astro's would chime in with the World Series win between the two. We're proud of the team and the city and proud to serve Houston. I will begin on slide 4. This morning we reported third quarter 2017 net income of \$169 million, or 39 cents per diluted share, compared with net income of \$179 million, or 41 cents per diluted share in the same quarter of last year.

On a guidance basis, third quarter 2017 adjusted earnings were \$167 million, or 38 cents per diluted share, compared with adjusted earnings of \$177 million, or 41 cents per diluted share in the same quarter last year. Increases resulted from rate relief and customer growth. These benefits were more than offset by a return to more normal weather, lower equity return, higher depreciation and amortization expense and lower right of way revenue. While these offsets translated into lower third quarter earnings versus 2016 they are in line with our plan and we are on track to achieve at or near the high end of our guidance range for 2017. Our businesses have performed well so far this year and we anticipate a strong finish in the 4th quarter.

Turning to slide 5, as you all know, on Friday, August 25th, Hurricane Harvey made landfall in Texas. In the Houston region, Harvey brought nearly a year's worth of rainfall over a four-day period, over 50 inches of rain in some areas. I would like to thank our employees, many of whom experienced flooding in their homes and/or lost vehicles to high water, but remained focused on the needs of our customers in the days and weeks that followed. Their preparation and dedication were crucial to our ability to respond so quickly to our impacted



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natural gas and electric customers. CenterPoint natural gas technicians from Arkansas, Louisiana, Oklahoma and adjacent Texas offices assisted their fellow colleagues along the Texas coast. I would like to thank more than 1,500 electric contractors and mutual assistance crews from seven states who helped in our electric recovery efforts. We are also proud to offer assistance - after restoring power here, some of our CenterPoint electric crews traveled to Florida and, for nearly two weeks, assisted two utilities in their recovery efforts following Hurricane Irma.

Grid investments made over the last decade produced significant benefits during and after the storm. Distribution automation, including devices such as intelligent grid switches, allowed us to quickly isolate problems, enabling faster restoration. Smart meters efficiently executed remote orders, as well as provided outage information to keep customers informed with specific, relevant information. Drones helped us assess damage, efficiently direct crews to accessible work locations and accelerate restoration. These benefits were realized through years of planning, designing, implementing and ultimately utilizing these grid modernization investments.

I would also like to thank the first responders, the cities we serve, community partners, and the thousands of volunteers who continue to support the affected communities.

Next, I will cover business highlights, starting with Houston Electric on slide 6. Electric transmission and distribution core operating income in the third quarter of 2017 was \$229 million, compared to \$234 million in the same quarter last year. We are down slightly, due in



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large part to weather and reduced equity return in this quarter compared to third quarter of last year. We continue to see strong growth in our electric service territory. We added more than 46,000 metered customers since the third quarter of 2016, reflecting 2% customer growth. We believe this level of growth will continue throughout this year and our 5-year period. I am also pleased to announce that we are ahead of schedule on the construction of the Brazos Valley Connection project, which includes a 60-mile transmission line. We expect to complete and energize the project in the first quarter of 2018.

Rate relief reflecting a \$42 million annual increase from the Distribution Cost Recovery Factor or DCRF settlement for investments made during 2016 went into effect in September. Additionally, we recently filed for \$39 million in Transmission Cost of Service or TCOS rate recovery. We anticipate Houston Electric will make another DCRF filing, reflecting 2017 investments, in April of next year, as well as an additional TCOS filing after the completion of the Brazos Valley Connection project. For a complete overview of Houston Electric's year-to-date regulatory developments, please see slide 22.

Turning now to slide 7, we continue to believe capital requirements to support this business will remain robust. Capital needs for growth, reliability and hardening investment are likely to create an upward shift to our current 5-year capital plan. Earlier this year, we proposed a Freeport, Texas transmission project totaling \$250 million in capital. This project is incremental to our current planned capital expenditures. It is also indicative of continued growth occurring throughout the industrial sector. The Greater Houston Partnership is



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forecasting that Houston's Gross Metro Product will outpace the national GDP over the next 20 years by a full percentage point. In addition to industrial growth, residential customer growth is expected to continue at 2%. We are in the process of refining our capital requirements and will provide an updated capital plan in our 2017 Form 10K.

Turning to slide 8, Natural Gas Distribution reported operating income of \$19 million compared to \$22 million in the same quarter last year. The slight decline was primarily due to timing associated with rate stabilization. We experienced solid customer growth of approximately 1% in this business, with the addition of nearly 38,000 customers since the third quarter of 2016.

On the regulatory front, we continue to benefit from annual recovery mechanisms across most of our service territories. In Minnesota interim rates went into effect on October 1st, following a rate filing made in that jurisdiction in August. In Arkansas, our first Formula Rate Plan or FRP filing was approved and new rates went into effect there on October 2nd. For a complete listing of regulatory filings in our gas distribution business, please see slides 23 and 24.

Similar to our electric business, we anticipate an upward shift in capital investment for gas distribution for our upcoming 5-year plan. These investments will help keep pace with industry norms and regulatory requirements. Safety and system integrity will continue to drive capital spending. Similar to our electric business, an updated gas distribution 5-year capital plan will be provided in our 2017 Form 10K.



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Turning to slide 9, Energy Services operating income was \$5 million in the third quarter of 2017, compared to \$7 million in the same quarter last year, excluding a mark-to-market gain of \$2 million and loss of \$2 million, respectively. Operating income for the quarter included \$2 million of expenses related to the acquisition and integration of Atmos Energy Marketing, or AEM. As anticipated, the AEM acquisition has been modestly accretive year-to-date and we see volume growth opportunities in this segment.

Turning to Midstream Investments, Enable performed well this quarter. Slide 10 shows some of the highlights from their third quarter earnings call on November 1st. Midstream Investments contributed 10 cents per diluted share in the third quarter of 2017 compared to 10 cents per diluted share in the same period last year. The third quarter marked the partnership's highest quarter for natural gas gathered volumes, crude oil gathered volumes and intrastate transportation average deliveries. Enable continues to see a strong level of activity on their system with 40 rigs drilling wells dedicated to their gathering and processing systems. We continue to believe Enable is well positioned for success.

Turning to slide 11, given our performance to date and our views for the balance of the year, we anticipate achieving at or near the high end of our guidance range for 2017. We also continue to expect year-over-year earnings growth for 2018 to be at the upper end of our 4-6% range.

The status of our Midstream Investments ownership review is covered on slide 12. We are in late stage discussions regarding our interests in Enable. We will not comment on the



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status of those activities, nor can we represent that we will reach an agreement. Should our discussions not come to fruition, then we will look for opportunities to constructively sell units in the public market as conditions allow. Proceeds from unit sales will serve as a source of capital for our growing core energy delivery business.

Let me conclude by reiterating that we remain focused on meeting the energy delivery needs of our growing customer base through prudent investment and timely recovery. We are performing well year to date and expect a strong finish to the year.

I will now turn the call over to Bill.

Bill Rogers - CFO

Thank you, Scott. I will start with a review of the financial impact of Hurricane Harvey on slide 14. As noted, Harvey was a balance sheet event, not an income statement event for our company. Our current estimate is that the restoration effort for Houston Electric will cost between \$110 and \$120 million. We expect a third of that amount will likely be covered through claims under our property insurance programs. Remaining costs will be recovered either through capital mechanisms or through regulatory assets in our next general rate case proceeding. We are estimating we will have \$25 to \$30 million of restoration costs for Gas Distribution. We anticipate that the majority of those costs will be recovered by claims under our property insurance programs.



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Next, I will provide a quarter-to-quarter operating income walk for our Electric T&D and Natural Gas Distribution segments, followed by EPS drivers for Utility Operations and then our consolidated business on a guidance basis.

I will begin with Houston Electric on slide 15. Rate relief and continued two percent customer growth translated into a \$12 million and \$9 million favorable variance, respectively, for the quarter. This revenue growth was more than offset by a return to more normal weather, lower equity return, and lower right of way revenue. Usage declined on a quarter to quarter basis, resulting in a \$12 million negative variance. Equity return was lower by \$9 million and miscellaneous revenue, primarily right of way was lower by \$7 million. Core operating income is shown on the chart to provide a better view of the growth, excluding the change in equity return. On that basis, Houston Electric's core operating income increased from \$212 million to \$216 million, a \$4 million improvement on a period-to-period basis despite reductions due to weather.

Turning to slide 16, Natural Gas Distribution operating income for the third quarter was \$19 million compared to \$22 million for the same period last year. The business benefitted from \$5 million of rate relief and \$2 million from customer growth. Usage was down \$4 million due primarily to the timing of revenue recognition associated with the use of decoupling normalization adjustment. The net increase in revenues in Gas Distribution were more than offset by a \$6 million increases in depreciation, amortization, and other taxes.



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Excluding mark-to-market adjustments, Operating Income for our Energy Services business declined from \$7 million in the third quarter of 2016 to \$5 million for the third quarter of 2017. Higher operating costs were primarily a result of \$2 million of expenses related to the acquisition and integration of Atmos Energy Marketing.

Our quarter-to-quarter Utility Operations guidance basis EPS walk begins on slide 17. The decline in EPS in Utility Operations from 31 cents in 2016 to 28 cents in 2017 is a result of previously discussed lower operating income, a decrease in equity return and a collection of other items, which include income taxes and other income.

Our consolidated guidance EPS comparison is on slide 18. Earnings declined from \$0.41 in the third quarter of 2016 to \$0.38 in the third quarter of 2017 as a result of the decrease in EPS contributions from Utility Operations.

We anticipate strong performance for the remainder of 2017, with customer growth, rate relief, Energy Services, and our Midstream segment all contributing to year on year growth.

Turning to slide 19, we continue to expect \$1.5 billion in capital investment in 2017. Our financial strength is evidenced by recent positive rating agency actions. In September, Fitch upgraded CEHE senior secured notes to a rating of A+. In addition, both Fitch and Standard & Poor's revised their outlook to positive for CNP and CERC. We value a strong balance sheet and we're pleased to see the upgrade. As previously discussed, we are not forecasting a need for



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equity in either 2017 or 2018. With respect to our effective income tax rate, although third quarter increased to 37%, we continue to anticipate a full year 2017 tax rate of 36%.

On slide 20, we summarize year-to-date performance. In short, we have seven cents of improvement from Utility Operations and seven cents of improvement from Midstream Investments versus this time last year. This strong year-to-date performance sets us up well to achieve our full year 2017 financial objectives. As Scott commented earlier, we anticipate we will be at or near the high end of our \$1.25 to \$1.33 guidance range for 2017.

Finally, we recognize that our federal legislators are hard at work at tax reform and yesterday provided their reconciliation bill under "The Tax Cuts and Jobs Act." Although it is premature to take a view on eventual tax reform, if at all, we have provided a review of CenterPoint's tax position in the appendix materials in the investor slides that accompany this call.

I will now turn the call back over to David.

Operator: The first question will come from Julien Dumoulin-Smith with Bank of America.

Josephine: Hi. This is Josephine taking the question today. I was wondering if – I know that you guys are a cash taxpayer. If you could maybe talk a little bit about how you're thinking about absorbing some of this tax appetite? Are there any strategies that you're going to start considering?

Scott Prochazka: Bill, you want to take this.

- Bill Rogers: Certainly. You're correct in that we are a cash taxpayer at CenterPoint. And like other companies, we do look for opportunities to accelerate deductions and defer revenue recognition.
- Josephine: Are there any strategies that you've thought about, like beyond of course the tax reform maybe like looking at tax equity?
- Bill Rogers: I don't think we would comment on this time with respect to strategies that we have. And we'll certainly continue to take a look at proposals to tax reform in Congress.
- Josephine: Okay. Of course. Thank you, guys.
- Operator: The next question will come from Greg Gordon with Evercore ISI. Please go ahead.
- Greg Gordon: So just a follow-up on that question and then I've got follow-up. I understand you have a negative basis on Enable, such that if you were to sell it, you'd have a large tax hit to manage. But from an ongoing basis, my understanding is – and please correct me if I'm wrong – that your actual effective cash tax rate now on an ongoing basis is quite low? Isn't around 5%? And if so, how do you see that trending through the rest of the decade?
- Scott Prochazka: I'll ask Bill take this as well.
- Bill Rogers: Yeah. Greg, you're correct in that that last year, 2016, our cash tax was mid-single digits or 5%. This year, it's approaching closer to 20%.
- Greg Gordon: Got you. And can you give us any sense of whether – would you be willing to forecast what that will look like prospectively or no?
- Bill Rogers: I think, over the longer course of time, it will approach our accrual rate, which today is 36%.

- Greg Gordon: Great. Thanks. Follow-up question, when it comes to the earnings growth targets that you lay out, the guidance range, what is the convention you use for the underlying assumption with regard to Enable contribution, are you still assuming that for purposes of articulating that range that Enable is a flat contributor prospectively?
- Scott Prochazka: Greg, if you're asking about 2017, the answer to that is yes. We just take their contributions or their projections and roll that into our numbers.
- Greg Gordon: Right. But when you give a longer **(inaudible)** your longer-term earnings guidance aspiration.
- Scott Prochazka: So, what we've done is we've given a view as to what we believe 2018 would look like. And we incorporate what Enable has articulated in terms of their views of 2018 relative to 2017, which they provided a couple days ago.
- Greg Gordon: Okay. So their public pronouncements?
- Scott Prochazka: Yeah. They've given some indication of income for – net income range for 2018.
- Greg Gordon: Okay. No, I just wanted to be clear that it wasn't that internal forecast that was the public forecast?
- Scott Prochazka: Yeah. We use their forecast for 2018.
- Greg Gordon: Thank you very much, Have a great day.
- Operator: The next question will come from Neel Mitra with Tudor, Pickering.

- Neel Mitra: First question was in regards to what you project your earned ROE and – at Houston Electric is going to be this year? Just with the moving parts with maybe moving some of the O&M to regulatory asset given Hurricane Harvey and whether you'd be eligible to file for the DCRF this year?
- Scott Prochazka: Neel, we anticipate since – as Bill indicated, the financial effects of the storm are primarily balance sheet driven, we anticipate that we will be able to file a DCRF or, said another way, that our year-end return will be below our allowed return of 10%.
- Neel Mitra: Okay. Great. And then second question, now that you have Atmos and you have a lot more throughput through the competitive businesses, how do you see that kind of going forward relative to the qualitative commentary that you've given around your growth rate going forward?
- Scott Prochazka: So, we see this as a great complement to our utility business. We see this business growing as our core business– our other core businesses are growing. Today, it's kind of mid-single digits in terms of percent earnings contribution to our overall mix. We see that staying in about the same place. In other words, we see this business growing as our utilities are growing.
- Neel Mitra: Okay. And how do you view incremental acquisitions going forward? Is it a business that you want to have as a higher portion of your overall mix or is it a business you just want to grow organically at this point with the segments that you've already acquired or have under your hood?



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Scott Prochazka: Well, we're pleased with additions that we've made. It certainly created for some nice critical mass for this business. We've got some work to do to fully absorb and integrate this. But we don't comment on M&A, but we look for opportunities that are value-creating to grow each of our businesses.

Neel Mitra: Great. Then if I could ask just one last quick question, would it be fair to say that you won't comment on Enable process unless there's something definitive going forward or is there going to be another kind of deadline or milestone we should look for to get a progress report??

Scott Prochazka: Yeah. Neel, this has been admittedly a long process, so we think as we come to the end of this, we will communicate the outcome irrespective of what it is.

Operator: The next question will come from Abe Azar with Deutsche Bank.

Abe Azar: If you do reach a transaction on Enable, do you continue to believe it will be for another stock that you'll sell over time and not cash?

Scott Prochazka: Well, I think the best way to answer that is for a cash transaction to work, it would have to be a price that would allow us to accomplish all of our objectives. So, as I think we've said on earlier calls, the most likely outcome would be something that is not a cash transaction – a cash sale transaction.

Abe Azar: Okay. So no change to that.

Scott Prochazka: No.

- Abe Azar: And then, if you do not reach the transaction, we noticed a slight change in your language on the slide, from you're going to pursue opportunities to sell Enable in the public markets on the Q2 slides and now it's a little bit more vague, but evaluate the sale of the units. Is there anything to read into that or is that just....
- Scott Prochazka: No. There's nothing to read into that. We're trying to communicate the same message as we did last quarter.
- Abe Azar: Got it. And then for the Minnesota rate case, do you book revenues as you receive them for the interim rate increase or is there a reserve against that?
- Scott Prochazka: We do book revenues as we receive them, starting when the interim rates went into effect on October 1.
- Operator: The next question is from Ali Agha with SunTrust.
- Ali Agha: Good morning. Scott or Bill, I wanted to just to be clear, the 2018 sort of indicative range, the high-end of the 4% to 6%, does that assume that Enable stays as is like no transaction, just looking at the business as is right now?
- Scott Prochazka: Yes. That is correct.
- Ali Agha: Okay. Just to be clear on that, because about a few weeks ago, you guys had put some slides out that have basically indicated that based on known and measurable stuff that's already out there, utility earnings would be up by \$0.10 year-over-year. So, mathematically, that would imply that you would likely could exceed the 4% to 6%. Is that still the case assuming that then there's no change to Enable?
- Bill Rogers: Ali, good morning. It's Bill. I think you're referring to some slides that we put out in September at an investor conference, where, as you've put it, we had some known and measurable events, which included growth in our electric business, rate relief in our electric business as

approved and as filed; flat for the gas business and then increases in energy services, as well as equity return. And I think you're right to say that that did not include any additional rate relief, nor did it incorporate the earnings forecast that Enable's put out Wednesday of this week. All of which to say is, those are the items that give us comfort to saying, we will be at the higher end of that 4% to 6% guidance.

Ali Agha: Okay. And also just to clarify, so if there is a transaction for Enable, either sale for stock or you start to sell down the units on your own, in the very sort of near term as that happens, how should we think about the earnings impact from that, because the earnings would go away from Enable, but the proceeds coming in will take a while to be reinvested? So from a timing perspective, at least, should we assume that if there is a transaction, there is some, at least, short-term downward impact to the earnings power?

Scott Prochazka: Ali, I'll start with this. Bill may want to add a little color to it. And I think the way I would think about this is, our objective, as we said early on, was to – if we did anything, it would be in the context of keeping our investors whole or achieving our financial objectives. So, our objective would be through whatever we do, we would still continue to target our growth objectives as we've laid them out for you.

Ali Agha: And also the dividend as well?

Scott Prochazka: That is the target. Yes.

Operator: The next question will come from Shar Pourreza with Guggenheim Partners.

Shar Pourreza: So most of my questions were answered at this point, but just on the capital program that you discussed today and

appreciate we have to wait for the K to come out in order to get it. But on the electric side, the higher CapEx potential, is that predominantly the Freeport project or do you envision sort of the reliability and resiliency stuff you discussed this morning to be incremental to that?

Scott Prochazka:

So, Freeport is clearly a large component of that. We hope to get support from ERCOT by the end of the year. And assuming that happens, then we'll enter the process with the PUC early next year. But in addition to that, we are thinking about other opportunities associated with growth. Growth needs in the area and reliability and hardening investments as well in the area.

Shar Poureza:

Got it. And then just, obviously, you don't have – you guys have never had trouble growing, right. So when you sort of think about the higher capital program on the gas to electric side, do you envision sort of maintaining that top end of that 4% to 6% beyond 2018 with what you know now?

Scott Prochazka:

We haven't given any indications beyond 2018 at this point, but we are preparing to share more of our views in the outer years at our year-end call. So, we're developing that thinking. Certainly, the need for capital spending helps support a good growth rate, but we'll be better prepared to communicate what we think that looks like out into the future at our year-end call..

Shar Poureza:

Got it. And then just lastly on Enable, obviously, OGE still has their proposal out there, they responded on, I think, August 14. So, whatever outcome in this process, just remind us the offer that you accept has to exceed what OGE is sort of out there with? And then, what's the deadline for you to respond?

Bill Rogers:

Yeah, you're right. OG&E has a right of first offer opportunity and may exercise that right in August, as you said. If we accept another offer, that has to be completed within 180 days and that offer does have to be higher by 105% or greater than OG&E's offer.

- Shar Pourreza: Okay. Got it. So, that 180 days puts you somewhere around January 11?
- Bill Rogers: I think that's fair.
- Charles Fishman: Good morning. Just two quick ones. In addition to the CapEx, you'll provide your projection of rate base for electric, T&D as well as the natural gas on that fourth quarter call?
- Scott Prochazka: Charles, we've done some of that in the past. We haven't put together our projections yet, but we will contemplate providing disclosure on that as well as what we think our capital spending is.
- Charles Fishman: Okay. And then a second real quick question. You had \$7 million less right-of-way revenue. Bill, do you have a year-to-date total on that? What we're down to as that project – as that goes lower?
- Scott Prochazka: I think, we're looking here real quick to see if we have that number available for you.
- Charles Fishman: If not, I'll get it at EEI from you.
- Bill Rogers: We owe you an answer.
- Operator: The next question will come from Steve Fleishman with Wolfe Research.
- Steve Fleishman: So just on Enable, in the event – in the scenario where you do not have a transaction for it, is there any consideration to not kind of looking to monetize it in the market because it – as I'm sure you're aware, it's kind of a bit of an overwhelming overhang on Enable stock to have that out there. And so, I'm just kind of curious, is there still some openness to thinking about that?
- Scott Prochazka: Steve, I'd go back to what our initial objective was and that was to reduce our exposure to commodity, variability by

our investment in midstream. So we would still continue to look for opportunities to reduce our exposure in that space. That said, I mean, you bring up very valid points about market conditions. And as we've said in the past, as we consider the sale of units, we have to be extremely mindful of what is actually going on in respect of the markets.

Steve Fleishman: Okay. And then my other question, I guess, in terms of the capital plan updates that you're going to give early next year, is there any way that you could maybe give some sense of how much higher they might go? Is this like 50% higher or is this just a little higher or any sense of scale?

Scott Prochazka: Well, we're not going to go – it's not going to go 50% higher, I can tell you that. It's not that kind of adjustment, but it's also not – I would say, it's not insignificant. I mean, we've mentioned this because the opportunities we're looking at are significant enough to disclose and mention, but we just don't have the plan yet finalized. So, I'd characterize it as meaningful, but not a doubling of our current capital plan.

Operator: Our final question will come from Michael Lapedes with Goldman Sachs.

Michael Lapedes: Yeah. Hey, guys. Actually, couple of questions. First of all, on the capital plan following up to Steve. Do you see the change being as, on a percentage basis, higher on the electric side or the gas side?

Scott Prochazka: Michael, we're actually looking at changes to both of the businesses. So I don't know what the percentage numbers would be like, but they are – I would say they're meaningful for both segments.

Michael Lapedes: And because you give out a multi-year CapEx plan, is it more ratable throughout or is it more back-end loaded when you're thinking about it? Meaning, kind of lumpier

and more in the last two years than maybe in the first couple of years?

Bill Rogers:

Yeah. Michael, it's Bill. I would say that both gas and electric are biased to go higher by a similar amount. Admittedly, gas is a smaller percentage of the total capital program. The gas business are more programs as we think about pipe replacement. So that's a more levelized capital investment. The electric business and our visibility of that tends to be front-end-loaded and to the extent that we have large transmission projects, such as Brazos Valley or Freeport, we have visibility into that. So, they get biased on the front end of the electric business because we can see the growth in the Houston metropolitan area.

Michael Lapides:

And do you worry about lag, in Houston, you all have been very good about earning authorized – earning close to authorized. You've needed the DCRF, but are you worried that incremental capital will – and staying out of rate cases will eventually push earned returns to a level that's kind of beneath what you've been able to generate for the last couple of years there?

Bill Rogers:

Well, certainly our mechanisms help us minimize regulatory lag. But you're correct to say with higher capital on the margin that regulatory lag increases. It's not something that we worry about at this point in time. I think it's very manageable.

Michael Lapides:

Got it. Okay, guys. Thank you very much. Much appreciated.

David Mordy:

And I believe Michael was the final question. So thank you everyone for your interest in CenterPoint Energy. We will now conclude our third quarter 2017 earnings call. Have a great day.



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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 a 54.1 percent limited partner interest in Enable Midstream Partners, a publicly traded master limited partnership it jointly controls with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets. With more than 7,700 employees, CenterPoint Energy and its predecessor companies have been in business for more than 140 years. For more information, visit the website at www.CenterPointEnergy.com.

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements in this news release regarding future earnings, and future financial performance and results of operations, including, but not limited to earnings guidance, targeted dividend growth rate and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained in this news release speaks only as of the date of this release. Factors that could affect actual results include (1) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's businesses (including the businesses of Enable Midstream Partners (Enable Midstream)), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation, and actions regarding the rates charged by CenterPoint Energy's regulated businesses; (2) state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (3) recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable Midstream; (4) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (5) the timing and outcome of any audits, disputes or other proceedings related to taxes; (6) problems with 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; (7) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns; (8) the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids, and the effects of geographic and seasonal commodity price differentials, and the impact of commodity changes on producer related activities; (9) weather variations and other natural phenomena, including the impact on operations and capital from severe weather events; (10) any direct or indirect effects on CenterPoint Energy's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt its businesses or the businesses of third parties, or other catastrophic events; (11) the impact of unplanned facility outages; (12) timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters; (13) changes in interest rates or rates of inflation; (14) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of its financing and refinancing efforts, including availability of funds in the debt capital markets; (15) actions by credit rating agencies; (16) effectiveness of CenterPoint Energy's risk management activities; (17) inability of various counterparties to meet their obligations; (18) non-payment for services due to financial distress of

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CenterPoint Energy's and Enable Midstream's customers; (19) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc.), a wholly owned subsidiary of NRG Energy, Inc., and its subsidiaries to satisfy their obligations to CenterPoint Energy and its subsidiaries; (20) the ability of retail electric providers, and particularly the largest customers of the TDU, to satisfy their obligations

to CenterPoint Energy and its subsidiaries; (21) the outcome of litigation; (22) CenterPoint Energy's ability to control costs, invest planned capital, or execute growth projects; (23) the investment performance of pension and postretirement benefit plans; (24) potential business strategies, including restructurings, joint ventures, and acquisitions or dispositions of assets or businesses, for which no assurance can be given that they will be completed or will provide the anticipated benefits to CenterPoint Energy; (25) acquisition and merger activities and successful integration of such activities, involving CenterPoint Energy or its competitors; (26) the ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (27) future economic conditions in regional and national markets and their effects on sales, prices and costs; (28) the performance of Enable Midstream, the amount of cash distributions CenterPoint Energy receives from Enable Midstream, and the value of its interest in Enable Midstream, and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and: (A) the integration of the operations of the businesses contributed to Enable Midstream; (B) the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of Enable Midstream's business plan; (C) competitive conditions in the midstream industry, and actions taken by Enable Midstream's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable Midstream; (D) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly natural gas and natural gas liquids, the competitive effects of the available pipeline capacity in the regions served by Enable Midstream, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable Midstream's interstate pipelines; (E) the demand for crude oil, natural gas, NGLs and transportation and storage services; (F) changes in tax status; (G) access to growth capital; and (H) the availability and prices of raw materials for current and future construction projects; (29) effective tax rate; (30) the effect of changes in and application of accounting standards and pronouncements; (31) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

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. 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, mark-to-market gains or losses resulting from the company's Energy Services business and adjustments for impairment charges. 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, mark-to-market gains or losses resulting from the company's Energy Services business and impairment charges are not estimable.

Management evaluates the company's financial performance in part based on adjusted net income and adjusted diluted earnings per share. We believe 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 Management believes does not most accurately reflect the company's fundamental business performance. These excluded items are reflected in the reconciliation tables of this news release, where applicable. CenterPoint Energy's adjusted net income and



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adjusted diluted earnings per share 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.

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