Fourth Quarter 2021 Earnings Conference Call
February 22, 2022

Jackie Richert – VP, Investor Relations and Treasurer

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO and Jason Wells, our CFO, will discuss the Company's fourth quarter and full year 2021 results.

Management will discuss certain topics that will contain projections and other forward-looking information and statements 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 various factors, as noted in our Form 10-K, other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statement.

We will be discussing certain non-GAAP measures on today's call. This will be the last quarter in which we will discuss "Utility EPS", which is a non-GAAP adjusted diluted earnings per share guidance measure. Utility EPS excludes earnings from midstream, among other exclusions. When providing guidance for 2022, we will use the non-GAAP EPS measure of adjusted diluted earnings per share, on a consolidated basis, referred to as "Non-GAAP EPS." Jason Wells will provide further details.

For information on our guidance methodology and a reconciliation of the non-GAAP measures used in providing guidance, please refer to our earnings news release and

presentation, both of which can be found under the Investors' section on our website. As a reminder, we may use our website to announce material information.

This call is being recorded. Information on how to access the replay can be found on our website. Now, I'd like to turn the discussion over to Dave.

Dave Lesar – President & CEO

Thank you, Jackie. Good morning and thanks to all of you for joining us for our fourth quarter 2021 earnings call.

As we wrap up a busy 2021 at CenterPoint, I'll run through our annual highlights and headlines. To say the least, it's been quite a year.

First, we continue to build on our consistent track record of earnings delivery with now seven straight quarters of execution by the current management team.

- We raised our utility EPS guidance 3 times throughout 2021 and then delivered on that guidance, reporting $1.27 on a full year basis, an industry-leading 8.5% increase as compared to 2020. And as we discussed, we continue to grow our dividend in line with EPS growth and accelerated the increase in that dividend in Q4 of 2021. This growth is supported by our underlying rate base growing at 11% YoY.
- In 2021, we also saw continued 2% customer growth for electric and 1% for natural gas. And as we have said before, this organic growth is a luxury many other utilities just do not have.

- Even after pulling over $25 million of O&M spending opportunities forward from 2022 into 2021, we achieved a 1% decrease in our controllable O&M and we're sticking with our plan to have annual average reductions of 1-2% in O&M over the course of our 10-year plan.

We also listened to our shareholders regarding two key action items in 2021 and executed on both of them; first, we enhanced our board governance structure, eliminated the executive chair position, and established an independent board chair, and secondly, made substantial progress towards exiting midstream all together with the completion of the Enable / Energy Transfer merger and the sale of 70% of our interest in Energy Transfer in 2021.

With the exit of our interests in Enable, we became more focused on being a pure-play regulated utility. We then became even more weighted toward electric with the sale of our Arkansas and Oklahoma Gas LDC businesses earlier this year.

With the sale of these gas LDC businesses, we are now over 60% electric in our rate base. This electric vs gas business mix now puts us within the range of some of our premium utility peers.

We also unveiled our new ESG strategy in 2021. Our goal to transition to Net Zero on direct emissions by 2035 was particularly well received. This effort has already resulted in a significant rating improvement by Sustainalytics for CenterPoint. I am pleased to say that we are now rated in the top quartile of the Utilities industry, nearly 30% better than the average

utility – a result that will only improve as we execute on our generation transition plan and other ESG initiatives.

As stated, we reported $1.27 for full year 2021 Utility EPS, which is an 8.5% increase over 2020. This was an industry leading outcome. Today we are also reaffirming guidance for 2022 at $1.36-$1.38 for non-GAAP EPS, with the midpoint of this range being 8% growth. And of course, for this year and through 2024, we are still targeting an industry-leading 8% annual non-GAAP EPS growth each and every year.

Let me be clear on one thing though, we don't need the benefit of, nor are we counting on, the remaining Energy Transfer units to achieve this 8% non-GAAP EPS growth. To reinforce this, we plan to exclude the Midstream activity from our non-GAAP results in 2022, and Jason will cover more on this in a moment.

I strongly believe CenterPoint has the right management team in place to execute on our strategy. I, and the board, continue to have a regular dialogue on management succession, how to best develop, cross train and retain the top talent that we have here at CenterPoint. I feel that CenterPoint leadership is among the best in the industry.

Let's move on to Capital investments:

Let me summarize our current capital spending plans and Jason will then provide more details. First, we executed our 2021 capital plan. We said we would catch up on our 2021 capital spend in the fourth quarter and we did.

To benefit our customers, we invested $3.6 billion in 2021 to support growth, resiliency and safety across our system. This included an incremental $100 million above the capital spend we communicated to you on our last analyst day.

Overall, as detailed in our September analyst day, we anticipated capital spending of $18 billion plus over the next five years and of $40 billion plus over the next 10 years. The five-year $18 billion plus plan from Analyst Day included up to $1 billion for the additional tools we were provided by the Texas legislature coming out of winter storm Uri. In addition to the incremental $100mm capital we spent in 2021, so far to date in 2022 we have also been able to accelerate an additional $200mm of capital spend from the 2023 capital spending plan. This has now increased our 2022 capital plan to $4 billion, up from $3.8 billion. And more importantly, we have already identified the $200mm of additional capital opportunities required to fill the capacity created by this acceleration of spend from 2023. This now increases our total capital spend for the 5-year plan from $18 billion plus to $19.2 billion. This ability to identify and spend incremental capital in 2021, identify and accelerate capital spend into 2022 from 2023, and then identify the capital to backfill 2023 capital spend with even more spending opportunities is a really great outcome.

Included in the accelerated spend are the capital leases for 500MW of mobile generation capacity. This fleet is deployed across our greater Houston area electric footprint. Mobile generation has become an important part of our overall resiliency strategy and Texas Governor Abbot has also recently highlighted the importance of these tools as part of his plan

to combat severe weather events. In fact, these mobile backup generation assets were strategically deployed across our service territory, and in working with ERCOT, were ready to be energized in case of a load shed request during the recent Winter Storm Landon.

As Jason will explain, we expect to begin recovery of these costs in our DCRF filings in 2022 and 2023.

We highlighted the growth of Houston in our recent analyst day and two weeks ago the City of Houston and CenterPoint jointly launched the first-of-its-kind long-term strategic power resilience initiative called “Resilient Now”.

As part of this effort, we are working with the City of Houston to develop a Master Energy Plan which will identify the future capital opportunities to help the community handle its continued economic growth, help meet the challenges of more frequent and destructive weather events, support the buildout of its EV infrastructure, and advance its environmental goals. This will include grid and infrastructure hardening and modernization, residential weatherization, and investments around renewable energy infrastructure. We are now working with other cities within our electric footprint for similar initiatives as well.

We will keep you updated on the development of these opportunities and the initiatives in the coming quarters.

As you may remember, I recently assigned Jason Wells the additional responsibility of managing our Indiana Generation Transition efforts so he will cover that in a few minutes and while he is at it, I will also have him provide a regulatory update as well.

In summary, we have had seven consecutive quarters of improved performance and are now executing against the strategy we laid out in our September analyst day.

In 2021, we achieved industry leading 8.5% Utility EPS growth, and grew our rate base at 11%. We have recently executed two large strategic transactions, and are continuing to find ways to increase our $40 billion plus in capital investments over the course of our 10-year plan. All to benefit our customers and our investors.

And lastly, we have listened to you and as you will hear from Jason

- We are simplifying our earnings reporting structure going forward
- And as you can tell, we moved our earnings call date earlier into the reporting season

2021 was a great year for CenterPoint with quarter after quarter of **meeting or exceeding** expectations. I firmly believe we are becoming a premium utility and will consistently extend our track record of delivering on our strategy. Looking ahead, I'll reiterate that we plan to grow our non-GAAP EPS at 8% year-over-year through 2024, with no help from Midstream, and the mid-to-high end of our 6-8% annual range thereafter through our 10-year plan. We intend to invest $40+ billion in capital to support growth, resiliency, and clean enablement for

the benefit of our customers and will look to accelerate investments where appropriate. And lastly, we remain focused on achieving our value proposition which is:

- sustainable earnings growth for our shareholders;
- sustainable, resilient, and affordable rates for our customers,
- and a sustainable positive impact on the environment for our communities.

With that, I'll turn the call over to Jason.

Jason Wells – Executive Vice President & CFO

Thank you, Dave and thank you to all of you for joining us this morning for our fourth quarter call.

As Dave mentioned and hopefully some of you have noticed, we moved this call a couple of days earlier in the reporting calendar. We heard your feedback last year and are committed to continuing to advance our reporting date over the course of this year and next.

Also, with the sale of 70% of our interest in Energy Transfer and resulting elimination of separately reporting midstream results, we are now able to simplify our reporting and focus solely on non-GAAP EPS in 2022 and beyond. This is another important step in further simplifying our story.

Q4 and FY 2021 results

Turning to our financial results.

On a GAAP EPS basis as shown on slide 5, we reported $1.01 for the fourth quarter of 2021, and $2.28 on a full year basis. This included a net after-tax gain of approximately $550 million from the merger of Enable and Energy Transfer, partially offset by losses on the sale of Energy Transfer securities.

Looking at slide 6, we reported 36 cents of non-GAAP EPS for the fourth quarter of 2021, compared to 29 cents for the fourth quarter of 2020. Our non-GAAP EPS was comprised of 27 cents from utility and another 9 cents from midstream in the fourth quarter of 2021.

Our Utility EPS results included favorable growth and rate recovery contributing 4 cents this quarter while weather, usage and other added another penny when compared to the fourth quarter of 2020.

We are also reaffirming our guidance range of $1.36 to $1.38 of non-GAAP EPS for 2022, which reflects 8% growth over the $1.27 Utility EPS results for 2021.

As Dave mentioned, achieving our 8% growth is not contingent on any benefit from the remaining Energy Transfer securities we own. For 2022, we plan to exclude, among others, all impacts associated with our Energy Transfer interests, as well as, all impacts associated with our Arkansas and Oklahoma gas LDC sales, and the ongoing mark-to-market on our ZENs securities from our non-GAAP results.

Beyond 2022, we continue to expect to grow non-GAAP EPS 8% each year through 2024 and then at the mid to high point of 6-8% each year through 2030. Our focus is delivering strong growth each and every year.

Capital investments

Turning to slide 7…

Our capital expenditures for 2021 were $3.6 billion, inclusive of the mobile generation long term leases which is approximately $100 million more than what we indicated at our September Analyst Day.

I want to spend a moment describing the investment in mobile generation and resulting update to our forecast.

This investment gives us an important tool that is in place currently to help mitigate the risk of extended outages for our customers in Texas in the event we are asked to shed load by the ERCOT market or in response to certain other widespread power outages.

We procured 500MWs of mobile generation valued at approximately $700 million of capital spread across 2021 and 2022 which was previously in our Analyst day capital plans for $600 million, spread across 2021, 2022 and 2023.

The increase in costs and acceleration of the investment over our previous plan shared at Analyst Day results in the following:

First – it contributed to approximately $100 million more of capital in 2021.

Second – the acceleration will result in an increase of $200 million of capital in 2022.

As a result, we are increasing our 2022 capital expenditure guidance to $4.0 billion and increasing our year-end 2022 rate base guidance by $300 million to $20 billion.

And finally, we have already identified $200 million of incremental capital to replace the capacity in 2023 created by the acceleration of the mobile generation investment.

Overall, this results in a $300 million increase in our 5-year capital expenditure plan which is now expected to be $19.2 billion.

Approximately $200 million of this mobile generation investment will be included in the upcoming distribution capital recovery tracker, or DCRF filing, planned in 2022, with the remaining $500 million balance expected to be included in our 2023 DCRF filing.

That means, from an earnings standpoint, we expect the entire mobile generation capital will be included in rates and earning a return on equity by September 2023.

As a reminder, we will not be eligible to earn an equity return on this investment until the amounts are included in rates.

Overall, this is a great example of the State of Texas providing additional tools to help mitigate the risk of extended outages and our team moving quickly to implement these changes for the benefits of our customers and our shareholders.

Turning to the Indiana Transition plans for a moment as Dave mentioned.

We still continue to work with stakeholders in Indiana for the successful transition from coal generation.

We recently completed hearings on our proposed simple cycle gas plant and anticipate the associated decision in the 3rd quarter of this year.

We also recently reduced the size of our initial solar project in Posey County from 300MW to 200MW as a response to the recent materials cost increases and community feedback and will be going back to the commission for approval of this modification later in early 2nd quarter.

We anticipate filing the certificates of public convenience and necessity for the remaining solar and wind build-transfer projects during the second and third quarters, respectively.

Overall, we continue to work towards a goal of owning 50% of our renewable generation needs, contracting for the remaining 50% through power purchase agreements and owning the simple cycle gas plant for reliability purposes.

This progress on our renewable generation transition is a key driver in achieving our industry leading Net Zero direct emissions goal by 2035.

We are further demonstrating our alignment to our Net Zero goal by adding an emission reduction component to our long-term employee incentive compensation program this year.

And, as Dave mentioned, we recently received a positive update on our ESG rating score from Sustainalytics that now places us in the top quartile of the utility industry. We are very proud of the enhancements we've made towards our environmental, social and governance commitments and we look forward to continued progress.

Now I want to provide a broader update on our regulatory progress:

We are going through a full rate case in Minnesota and are optimistic that we will reach a settlement before our April evidentiary hearing.

Additionally, all of the gas utilities in Minnesota have a separate docket outstanding for the prudency of incremental gas costs resulting from last year's winter storm. This is our only jurisdiction with an open prudency review.

Turning to the state of Texas, the railroad commission issued the financing order for the statewide securitization bonds. We expect that this will provide 100% recovery of the $1.1 billion gas costs incurred during last year's winter storm, as well as carrying costs, with the recovery spread over a longer time period to minimize bill impact for our customers. These bonds are expected to be issued before mid-2022.

Turning to Strategic Transactions…

As Dave mentioned, we are very proud of the effort of our employees for completing two major strategic transactions that position us as a purely regulated utility while recycling capital to efficiently fund our industry leading growth.

The closure of the Enable transaction in December is a great example of what the current CenterPoint team is capable of.

After closing the transaction, we completed sales of a portion of our Energy Transfer securities and inclusive of the previously announced forward sale of common units, we have now sold approximately 70% of our interest in Energy Transfer, which includes half of the Energy Transfer Series G preferred units and 150 million common units, for nearly $800 million of net after-tax proceeds which were used to pay down parent level debt.

We expect that our remaining Energy Transfer position of 51 million common units and approximately $190 million of Series G preferred units will be sold well before our target timing of year end 2022.

Turning to the Arkansas and Oklahoma LDC transaction which closed in January, we received over $1.6 billion net of tax including approximately $400 million related to the remaining outstanding incremental gas costs.

A portion of those proceeds were used to pay down $300 million of CERC level debt to right size our capital structure and another $425 million of floating rate notes associated with the incremental gas costs from last year's winter storm. We plan to use the remaining proceeds to efficiently fund our industry leading rate-base growth.

At the CenterPoint parent level, we have also paid down $500M of CenterPoint senior notes and reduced our commercial paper balance. These actions are in line with our goal to reduce parent level debt to approximately 20% by year end 2022.

Our current liquidity remains strong at $2.9 billion, including available borrowings under our short-term credit facilities and unrestricted cash.

In addition to the previously mentioned debt paydown associated with the strategic transactions, we now have the order in place for the state level securitization in Texas to recover our remaining $1.1 billion of gas costs from last year's winter storm. We plan to use the proceeds from this securitization to pay off the remaining balance of our floating rate short term notes and a portion of the fixed rate notes due September 2023.

Our long-term FFO/Debt objective remains between 14% - 15%, aligning with Moody's methodology, and is consistent with the expectations of the rating agencies. Now with the statewide securitization in place, Moody's has revised CERC's outlook to stable. This now means that all of our rated entities have a stable outlook with all three agencies, underlying the significant credit-supportive actions we have taken over the past year and a half.

With the near-complete exit of midstream, we continue to engage with the agencies on our improved business risk profile and advocate for lower downgrade thresholds.

We believe that these improvements in the balance sheet, coupled with our efficient recycling of capital, put us in the position of being able to offer industry-leading growth without the need for external equity.

As we continue to express, we take our commitment to be good stewards of your investment very seriously and realize our obligation to optimize stakeholder value.

And with that, we look forward to more of these shorter earnings calls in the future. I'll turn the call back over to Dave.

Dave Lesar – President & CEO

Thank you, Jason. As you heard from us today, we have 7 quarters of meeting or exceeding expectations and have checked the box on executing on our strategic transactions. We are nearly a pure regulated utility, and we are demonstrating the pathway to a premium.

Jackie Richert VP of Investor Relations and Treasurer

[**GO TO LIVE**] Thank you, Dave. We will now turn to Q&A.

Q & A

Operator:
At this time, we will begin taking questions. [Operator Instructions] Thank you. Our first question is from the line of Shahriar Pourreza with Guggenheim Partners.

Shahriar Pourreza:
Hey, good morning, guys.

Dave Lesar:
Good morning, Shah

Shahriar Pourreza:
So thank you. David, I think you drilled down fairly well in the drivers with sort of the near-term CapEx increases. Do you still see more spending acceleration opportunities, let's say, in the 2022 to 2024 timeframes? And could this higher CapEx be included in the Master Energy Plan in Houston, where that collaboration with Houston will be purely incremental to the spend?

Dave Lesar:
Now, I think the – as we as we try to walk the tightrope of our words here today, I mean, clearly thee resilient now opportunity is a really good one for CenterPoint, but it's early days. We have to complete the master energy plan, which we believe we'll do at some point in the latter part of this year that should identify the incremental capital that's there.

I also think that as you, you think through what we have said over the past seven quarters about the build and our ability to spend capital, a member refers to a $16 billion plus, then it was $18 billion plus, now it's $19.2 billion. But keep in mind, throughout all of this, we've also have said we have $1 billion in reserve capital that we can always look to spend or accelerate, and that $1 billion in reserve capital has not gone away. So as I said, it's early days, but we're really excited about the opportunity in and around resilient now and what it can do for our customers here in Houston. But I'm not going to sort of tip our hand as to what that might look like until we're a little bit further down the road.

Shahriar Pourreza:
Got it. And then just lastly, for me, just what's the timeline for the master energy plan? And I just want to just reiterate one point or just confirm it, whatever comes out of the master energy plan or the resiliency now, are you still sticking with no needs for equity to fund the incremental CapEx?

Dave Lesar:
Yeah, that – that really is our North Star at this point in time. I think given what has transpired with the company over the last couple of years, not needing to go back into the equity market is something that is really, really important to us. And so we have other – we have other options to fund an acceleration of capital or incremental capital that's out there. We've talked about a number of them over the past several calls. You know, continued sales of gas LDCs, for instance, would be one. And so, the short answer is no. We do not see a need to have to go back in the equity markets and our plans that were outlined here is not predicated on doing that at all.

Shahriar Pourreza:
Fantastic. That's all I wanted to confirm. Thank you, guys. Congrats.

Dave Lesar:
Thanks

Operator:
Your next question comes from the line of Steve Fleishman with Wolfe Research.

Dave Lesar:
Hey, Steve.

Steve Fleishman:
Hey, good morning. Thanks. Maybe just following up on that last question on kind of funding. The – Jason, I think you mentioned the potential of kind of your credit rating, I guess thresholds coming down fully. Could you give a sense of what might happen there in terms of those thresholds?

Jason Wells:
Yeah, Good morning, Steve.

Steve Fleishman:
When you're fully out of midstream. Good morning.

Jason Wells:
Yeah. Happy to. Currently with Moody's our downgrade threshold is 14%. And we're strongly advocating for a decrease to 13%, which we think is more consistent with what our dual fuel peers have today. You know, when we've looked at this over the last year or so, one of the reasons we've had a higher downgrade threshold was because of a higher business risk profile with respect to our investment in enable. Now that that's been converted to energy transfer and we're 70% out of that position, you know, we're advocating strongly to be held consistent

with our peers. The intention behind that advocation of the lower downgrade threshold, though, is not to utilize it for funding purposes.

We want to retain that and, you know, couple that with the fact that we see ourselves sort of in the upper half of the 14% to 15% FFO to debt range, really provide about 150 basis point plus cushion between where our credit metrics are and our downgrade threshold.

Steve Fleishman:
Great. And then just, Dave, maybe just you brought up the gas LDCs, you know, being a potential another source of capital, if needed, as I think you've called them, the prepaid debit card, so to speak. Just, you know, is it possible that, you know, the Houston Resilient Plan, Resilient Now, could be enough to kind of tap that?

Dave Lesar:
Yeah. I think as I said, I'm not going to – I'm not going to try to front run our thinking on this, Steve, obviously we have. One, we're really excited about the Resilient Now opportunity because I think it's going to be great for not only the city of Houston, but the whole all of the surrounding communities and cities that really are in our territory.

But as I said, it's early days, but I think the advantage we have with our gas LDC is, you know, there are various sizes. So at this point in time, we're not essentially headed down any specific path. It's just a great option to have as we look at our ability to spend more capital here and what is essentially one of the crown jewels of CenterPoint, which is Houston Electric.

Steve Fleishman:
Great. And just on, I guess, lastly on Indiana. How – how are you feeling on just conviction on getting your – your approvals of the various, you know, power generation plants, just overall conviction on getting approvals.

Dave Lesar:
The short answer, very positive. But I'll let Jason elaborate on that since it's part of his bailiwick now.

Jason Wells:
Thanks, Steve and I'll reiterate the strong conviction that Dave expressed. You know, we continue to work broadly with our stakeholders in Indiana. We think we have a plan that balances stakeholder interests. We see a significant amount of support for this coal transition with respect to a number of our industrial customers in the Greater Evansville area who themselves have their own ESG commitments. And so, between taking the feedback from the commission and continuing to work with our customers, we feel like we have a plan that has broad stakeholder support. We anticipate we'll continue to see approvals on each of the

tranches we filed throughout the course of this this year, likely the solar PPAs in this upcoming second quarter, the simple-cycle or gas CT plant in Q3. And then we'll be making a filing for the balance of the generation transition a little later this year. So, we think each quarter you should see a positive data point. We remain strongly convicted that this is – that this continues to have strong stakeholder support.

Steve Fleishman:
Great, thank you.

Operator:
Your question comes from the line of Jeremy Tonet with JPMorgan.

Jeremy Tonet:
Hi. Good morning. It's actually Rich Sunderland on for Jeremy. Can you hear me?

Dave Lesar:
We can hear you loud and clear.

Rich Sunderland:
Great. Thank you. Maybe just circling back to the Master Energy Plan. Could you speak a little bit more to what that will actually evaluate. And similarly, do you expect subsequent planning updates after the initial filing this year.

Dave Lesar:
Yeah, I think it's basically it is what it says it is. It's the Master Energy Plan for the City of Houston, but also, as we said, we are now enrolling some of the surrounding communities into some of the potential outcomes. But as I said in our prepared remarks, it's really focused on, what does the power grid need to look like in Houston and the surrounding areas going forward, given the continued fantastic growth that we're seeing in this market, the continued impact of sort of distressed weather patterns either, hard freezes or rains or floods or hurricanes.

So getting the system more resilient and more hardened, getting the city ready for basically the EV infrastructure that it needs and think if you recall back to our analysts day, the city only has like 30,000 or 40,000 EVs in it today, with the mayor wanting a half a million here relatively quickly. That is – that's going to be quite a load on the system with respect to what we need to do. And then, there's obviously a number of social and community efforts that will come out of this. So I mean, I think it's focused in those areas. All of that, I think, will drive investment opportunities to support our customers and make sure that we continue not to have a major impact on bills.

Rich Sunderland:
Great, thank you for the color there, and then – and I know you've touched on this in the script, but just what are the guardrails around selling the remaining ET stake. Is there anything more you can give on timing there?

Dave Lesar:
I'll let Jason handle that one because he's living it by the day.

Jason Wells:
Good morning, Rich. You know, I'm not going to talk about specifics, but I'll try to provide a little bit of color. The lock up from the marketed offering that we undertook in December expired kind of early February. So now we are free to transact on the remaining position. We do retain, you know, flexibility to work with Energy Transfer on another marketed offering. We also retain discretion to dribble those shares sort of out – under sort of an equivalent of an at-the-market equity program. So we have a lot of different tools to dispose of this interest. And what I would say is we've obviously moved expeditiously to this point. We will continue to do so and we will be well within our goal of exiting the position before the end of this calendar year.

Rich Sunderland:
Great. Thank you for the time today.

Operator:
Your next question comes from the line of Julien Dumoulin-Smith with Bank of America.

Julien Dumoulin-Smith:
Hey, good morning, team. Thanks for the time.

Dave Lesar:
Hey, Julian. Hey, congratulations to you. Congratulations to you too.

Julien Dumoulin-Smith:
Appreciate it. Thank you so much. Hope to see you guys soon. Maybe if I can, I know a lot of questions here around Houston, but what about the Natural Gas Innovation Act in Minnesota here? I mean, where do you stand in that process? I think there's the midyear filings here. Can you talk about how that could impact the plan as well to a certain extent?

Dave Lesar:
Sure, I'll let – I'll let our renewable energy transition master, Jason Wells, handle that one.

Jason Wells:
Hey, good morning, Julien, and congrats as well. You know, we're excited about the Natural Gas Innovation Act. To your point, you know, we will have a filing about the middle of this year outlining our plan. We have a green hydrogen pilot project coming online here, and we look to build on that success with this upcoming filing.

I would say at this point, I wouldn't see it as a material driver of CapEx in the short run, call it the next few years of our 10-year CapEx plan. But there is some opportunity when we look at the sort of the back end of the 10 years. We want to make sure that we're starting to develop kind of expertise around alternative fuels, but doing so, in a – at a prudent pace so that it's cost effective for our customers in Minnesota. And we look forward to working with the commission on finding that balance and kind of growing into this opportunity, as I said, over the course of the full 10-year CapEx plan.

Julien Dumoulin-Smith:
Oh, very much [indiscernible]. I appreciate that. But if I can, going back to the tone on the Master Energy Plan in Houston, I mean, as I understand it, a lot of this is dealing with storms and resiliency, how near term of an opportunity is this, especially when you think about developing transmission plans that might require permitting, undergrounding, etc. It could very well be extended, how near term could we see some of these impacts be realized? And then maybe, if – less so, if you can elaborate a little bit, I mean, how long does this extend here? I mean, it seems like the analog with the South Florida and urban growth in the face of storms seems a reasonable parallel here if you can elaborate as well.

Dave Lesar:
Yeah. I'll let Jason, I think – Jason handle the question. But I think go back to our Analyst Day, Julien, where we said we have decades of spending ahead of us in Houston. So, although the Master Energy Plan will sort of set the direction, and Jason can talk about sort of the near term and short term, this will set the direction for what should be a decade spend in terms of upgrading the system here in Houston. So, I think the South Florida analog actually is a pretty good one.

Jason Wells:
Yeah. I think it's a great analog. And maybe I'll reinforce a couple of the points that Dave made and then try to unpack this with a little bit more detail about front running a plan. For every day that the Greater Houston area is without power, it's – it costs our GDP $1.4 billion. And so it's really looking at how do we provide a more resilient economy here in the Houston area?

As Dave pointed out, it was also about a concerted effort for – to support the adoption of electric vehicles, both for light duty vehicles for our customers as well as medium and heavy duty vehicles for the city of Houston. And then, as Dave said, there's also the need to address

social equity and the impacts these storms have on certain communities here in the Greater Houston area.

And so with that in as sort of the goals behind the Master Energy Plan and you look at kind of what we've done to date, we've made a lot of really great progress on the transmission side of the business. We are in the final stages of converting our entire transmission system to an extreme wind standard over the next few years.

We've made a lot of progress with respect to our substations. After Hurricane Harvey, we embarked on a 10-year project to essentially raise our substations that were prone to flood risk, and we're well underway there. Where I see a real opportunity for us is on the distribution side of the business. We have about 35,000 miles of overhead conductor.

That has the opportunity to be hardened. Whether that's undergrounding or changing to stronger poles, shorter spans, we have the opportunity to really, I think, increase some resiliency and improve reliability around the distribution system. And we think about the context of 35,000 miles. That is to Dave's point kind of a decade-long program. And so you'll see hardening of the distribution system. You'll see increases in distribution system capacity to handle electric vehicles. And we're really excited about what this could mean for our customers. We just really want to work with the city and likely will be in a position of unveiling this Master Energy Plan towards the end of this year.

Julien Dumoulin-Smith:
All right. Got it. Thank you again, speak soon.

Operator:
Your next question will come from the line of Stephen Byrd with Morgan Stanley.

Stephen Byrd:
Hey, good morning. Congrats on constructive update.

Dave Lesar:
Great to have you

Stephen Byrd:
I wanted to talk about another part of Texas growth potential, which is electric transmission, and just thinking about the potential to bring more clean energy into your load centers and just – there's some challenges that I think the renewable energy community has had around interconnection and actually getting the power to where it's really needed. And I know you are quite focused on this, but just curious if I could get your latest thoughts on the opportunity there, some of the key challenges in bringing renewables into your load centers.

Dave Lesar:
Yeah, I think it's a good question because it's something that we deal with every day. And you know, here's some sort of anecdotes to put things in context. Our service territory is only about 2.5% of the geographic footprint in the state of Texas. But we're almost a quarter of the load in the state of Texas from an electric standpoint. So, you know, having adequate transmission in from the rest of the state into what's a relatively small geographic footprint is really, really critical. I think you're seeing a couple of issues sort of evolve around that. One is, as we've said at our Analyst Day, we're seeing more renewables basically built inside of our service territory so that that interconnect to the system is shorter and it's easier to do. But there's also, I think, a focus at the new PUC in Texas in terms of getting more transmission into sort of the high demand areas. And that is a dialogue that we've got going on with them right now. But there clearly is a recognition generally that the renewables are going to be in West Texas and the demand is in the eastern side of the state. And having more access points into – into where our load center is and the load centers around Dallas and places like that is really critical. And I think you'll see some move in that area over the next year or so.

Jason, you got anything you want to add?

Jason Wells:
I would also just say that we've seen an increase in the number of developers that are trying to site utility scale solar closer to these load centers to sort of Dave's point. So we're not having to build extended transmission lines. And this year we have about 4.4 gigawatts of renewable projects that will be tied into our system here close to the city of Houston. We've got about 14 gigawatts of proposed projects in the queue. And so we see the opportunity for generation interconnects in and around our service territory to be a growth driver in the short run, and as Dave said in some of these longer transmission lines to continue to provide flexibility and resiliency to our electric transmission grid as long term drivers as well.

Stephen Byrd:
That's really helpful. And is it fair to say you're encouraged by the dialogue you're having with the PUC teams in terms of the recognition of the need for this?

Dave Lesar:
Absolutely.

Jason Wells:
Absolutely.

Stephen Byrd:
Okay, that’s great. That’s all I have. Thank you.

Operator:
Your next question will come from the line of Anthony Crowdell with Mizuho.

Anthony Crowdell:
Hey, good morning, Dave. Good morning, Jason.

Dave Lesar:
Hey, Anthony.

Jason Wells:
Good morning.

Anthony Crowdell:
Hopefully, two easy questions. Just I believe I heard you correctly, Jason, but in Texas and the recovery of the mobile generation, I believe you said through the DCRF, you get – recovering, you start earning on it in September, was that in 2023?

Dave Lesar:
That's right. The full balance will be September 2023. We'll make the DCRF filing that we'll make here shortly. We'll include the first $200 million, so some of that will fold into rates and we'll begin earning an equity return on it in September 2022. We will make a filing for the balance, the $500 million in the DCRF filing next year. And so think about this as the full earnings power really coming into rates and therefore into earnings in September 2023 and beyond.

Anthony Crowdell:
Got it. So, I think of it more of a two-step process. Some of it comes in 2022 in the filing, September 2022, other, the remaining in 2023.

Jason Wells:
That's right. Yeah.

Anthony Crowdell:
Great. And just a last question, and I know it's not a part of the core business, just on one of the earliest slides you talked about excluding, I guess, the ZENS from the ongoing number. Any thought to – or is there an ability to monetize your ownership in that or is that in your 10-year plan? Do you still see the company having the ZENS throughout the forecast?

Jason Wells:
Yeah. It's a great question around ZENS, and this was originally a tax deferral strategy from the late 1990s and the securities that we own we account for in a mark-to-market basis, and so what we exclude is essentially the mark-to-market volatility since it's not reflective of the

ongoing earnings power of the company. However, those securities basically offset debt that we also have on our books. The deferred tax bill will be due in 2029, and we are looking at ways to monetize the underlying investment to feed the debt, and address that deferred tax liability, so that it's not something that sits out there until the end of 2029.

Anthony Crowdell:
Great. That's all I have. Thanks for taking my questions.

Operator:
Our final question comes from the line of Insoo Kim with Goldman Sachs.

Insoo Kim:
Thank you. Just a couple of clean-up questions, if I may. One, on that 2022 guidance range, I know it's still excluding midstream, but how should we think about any of the drivers that go into the consolidated non-GAAP versus kind of how you are thinking about it before? Is there really no change or is there something in there that's actually making you incrementally more positive from a – from making this change?

Jason Wells:
Yeah. Insoo, thanks for the question. I mean, this is really about trying to simplify the story. We had, as part of sort of what I would consider to be a transition year in 2021, really focused on utility EPS and sort of the ongoing earnings power of the company. Now that we're out of 70% of the ET segment, we can focus on a consolidated basis. We're still reaffirming that 8% growth off of Utility segment. I think that when you look at what we're excluding from earnings from – related to energy transfer, it will actually be a net positive, but we want to make sure that the market continues to focus on the underlying earnings power of our utility businesses as we fully exit that position this year.

Insoo Kim:
Okay. Yeah. That makes sense. And then secondly, just I think we have talked in the past or tried to figure out , that difference between your rate base CAGR over the 5- or 10-year period, and then the 8% EPS growth. Just for our modeling purposes, how should we think about the earned ROE trajectory versus allowed in this 5-year period? Are we assuming kind of stable earned ROEs in 2022 through 2025 or just to continue increasing, you know, I guess earned ROE so closing the gap versus allowed.

Jason Wells:
Yeah. I think we have the opportunity to continue to close the gap on earned ROEs. You know, if you – it depends on the jurisdiction. But generally speaking, at some of the larger jurisdictions, we're earning slightly less than our allowed return on a pure sort of, I'll call it, rate base math basis. We make up that small amount of under earning with, I'll call it, below the line

activity, whether it's AFUDC earnings or incentive revenues, you know that are more than our below the line costs. So, as we continue to focus on driving to earning and allowed return in each of our jurisdictions, continue to minimize corporate and parent overhead, I do think we have the opportunity to continue to improve on that, that earnings growth profile over the course of the next five years.

Insoo Kim:
Got it. Thank you and congratulations.

Dave Lesar:
Thank you.

Jackie Richert:
Yeah, Thank you, operator. If you would. I think that’s going to be all in the queue for now if you don’t mind to go ahead and give the replay details. Operator, with that if I you don’t mind.

Operator:
Today's call will be available for replay, running through midnight Eastern Time on March 2. This does conclude today's call and you may now disconnect

Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this document are forward-looking statements made in good faith by CenterPoint Energy, Inc. (“CenterPoint Energy” or the “Company”) and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements concerning CenterPoint Energy’s expectations, beliefs, plans, objectives, goals, strategies, future operations, events, financial position, earnings and guidance, growth, impact of COVID-19, costs, prospects, capital investments or performance or underlying assumptions and other statements that are not historical facts. You should not place undue reliance on forward-looking statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “target,” “will,” or other similar words. The absence of these words, however, does not mean that the statements are not forward-looking.

Examples of forward-looking statements in this document include statements about capital investments (including with respect to renewables projects, mobile generation spend and the City of Houston’s Master Energy Plan), the impacts of the February 2021 winter storm event on our business and service territories and the recovery and timing of recovery of gas costs in connection with the winter storm event, future earnings and guidance, including long-term growth rate, dividends and dividend growth rate, operations and maintenance expense reductions, financing plans (including future equity issuances, credit metrics and parent level debt), and future financial performance and results of operations, including with respect to regulatory actions and recoverability of capital investments, our ability to exit midstream investments (including the disposition of Energy Transfer common units and Series G preferred units we own), customer rate affordability, value creation, opportunities and expectations, ESG strategy, including transition to Net Zero. We have based our forward-looking statements on our management’s beliefs and assumptions based on information currently available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions, and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements include, but are not limited to, risks and uncertainties relating to: (1) CenterPoint Energy’s potential business strategies and strategic initiatives, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the completed sale of our Natural Gas businesses in Arkansas and Oklahoma, which we cannot assure you will have the anticipated benefits to us, and our planned sales of our remaining Energy Transfer equity securities, which may not be

completed or result in the benefits anticipated by CenterPoint Energy; (2) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand; (3) CenterPoint Energy's ability to fund and invest planned capital, and timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment, including those related to Indiana Electric's generation transition plan as part of its more recent IRP; (4) financial market and general economic conditions, including access to debt and equity capital and the effect on sales, prices and costs; (5) continued disruptions to the global supply chain; (6) actions by credit rating agencies, including any potential downgrades to credit ratings; (7) the timing and impact of regulatory proceedings and actions and legal proceedings, including those related to Houston Electric's mobile generation leases; (8) legislative decisions, including tax and developments related to the environment such as global climate change, air emissions, carbon, waste water discharges and the handling of coal combustion residuals, among others, and CenterPoint Energy's Net Zero emission goals; (9) the impact of the COVID-19 pandemic; (10) the recording of impairment charges; (11) weather variations and CenterPoint Energy's ability to mitigate weather impacts, including impacts from the February 2021 winter storm event; (12) changes in business plans; (13) CenterPoint Energy's ability to execute on its initiatives, targets and goals, including its Net Zero emission goals and operations and maintenance goals; and (14) other factors discussed CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, including under "Risk Factors," "Cautionary Statements Regarding Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in such reports and in other filings with the Securities and Exchange Commission ("SEC") by the Company, which can be found at www.centerpointenergy.com on the Investor Relations page or on the SEC website at www.sec.gov.

This document contains time sensitive information that is accurate as of the date hereof (unless otherwise specified as accurate as of another date). Some of the information in this document is unaudited and may be subject to change. We undertake no obligation to update the information presented herein except as required by law. Investors and others should note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and the Investor Relations page of our website. In the future, we will continue to use these channels to distribute material information about the Company and to communicate important information about the Company, key personnel, corporate initiatives, regulatory updates and other matters. Information that we post on our website could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website.

Use of Non-GAAP Financial Measures

In this document, in addition to presenting its financial results in accordance with generally accepted accounting principles ("GAAP"), including a presentation of income (loss) available to common shareholders and diluted earnings per share, CenterPoint Energy presents, based on diluted earnings

per share, non-GAAP income, non-GAAP Utility earnings per share ("Utility EPS") and non-GAAP earnings per share ("non-GAAP EPS"), as well as non-GAAP long-term funds from operations ("FFO") which are not 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.

Utility EPS includes net income from Electric and Natural Gas segments, as well as after tax Corporate and Other operating income and an allocation of corporate overhead based upon the company's Electric and Natural Gas segments' relative earnings contribution. Corporate overhead consists primarily of interest expense, preferred stock dividend requirements, and other items directly attributable to the parent along with the associated income taxes. Utility EPS excludes: (a) Earnings or losses from the change in value of CenterPoint Energy's 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 ("ZENS") and related securities, (b) Earnings and losses associated with the ownership and disposal of midstream common and preferred units (including amounts reported in discontinued operations), net gain associated with the consummation of the merger between Enable and Energy Transfer, a corresponding amount of debt related to midstream common and preferred units, and an allocation of associated corporate overhead, (c) Cost associated with the early extinguishment of debt, (d) Impacts associated with Arkansas and Oklahoma gas LDC sales and (e) Certain impacts associated with other mergers and divestitures. 2022 non-GAAP EPS guidance excludes: (a) Earnings or losses from the change in value of ZENS and related securities, (b) Gain and impact, including related expenses, associated with Arkansas and Oklahoma gas LDC sales and (c) Income and expense related to ownership and disposal of Energy Transfer common and Series G preferred units, and a corresponding amount of debt related to the units. In providing this guidance, CenterPoint Energy does not consider the items noted above and other potential impacts such as changes in accounting standards, impairments or other unusual items, which could have a material impact on GAAP reported results for the applicable guidance period. The 2022 non-GAAP EPS guidance range also considers assumptions for certain significant variables that may impact earnings, such as customer growth and usage including normal weather, throughput, recovery of capital invested, effective tax rates, financing activities and related interest rates, and regulatory and judicial proceedings. To the extent actual results deviate from these assumptions, the 2022 non-GAAP EPS guidance range may not be met or the projected annual non-GAAP EPS growth rate may change. CenterPoint Energy is unable to present a quantitative reconciliation of forward-looking non-GAAP diluted earnings per share because changes in the value of Energy Transfer, ZENS and related securities, future impairments, and other unusual items are not estimable and are difficult to predict due to various factors outside of management's control.

Management evaluates the Company's financial performance in part based on non-GAAP income, Utility EPS, non-GAAP EPS and long-term FFO. 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 Management believes do not most accurately reflect the Company's fundamental business performance. These excluded items are reflected in the reconciliation tables, where applicable. CenterPoint Energy's non-GAAP income, Utility EPS, non-GAAP EPS and long-term FFO non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, income available to common shareholders, diluted earnings per share (in the case of Utility EPS and non-GAAP EPS) and net cash provided by operating activities, 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.

Net Zero Disclaimer

While we believe that we have a clear path towards achieving our net zero emissions (Scope 1 and Scope 2) by 2035 goals, our analysis and path forward required us to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of our underlying assumptions prove incorrect, our actual results and ability to achieve net zero emissions by 2035 could differ materially from our expectations. Certain of the assumptions that could impact our ability to meet our net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with Company expectations (inclusive of changes related to the sale of our Natural Gas businesses in Arkansas and Oklahoma); regulatory approval of Indiana Electric's generation transition plan; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; our ability to implement our modernization plans for our pipelines and facilities; the ability to complete and implement generation alternatives to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of scarcity of resources and labor, the lack of any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; and enhancement of energy efficiencies. Please also review the section entitled "Forward-Looking Statements" included in this document.