



**Second Quarter 2016 Earnings Conference Call  
August 5, 2016**

Thank you, Ashley. Good morning, everyone. Welcome to our second quarter 2016 earnings conference call. Thank you for joining us today. Scott Prochazka, president and CEO, Tracy Bridge, executive vice president and president of our Electric Division, Joe McGoldrick, executive vice president and president of our Gas Division and Bill Rogers, executive vice president and CFO, will discuss our second quarter 2016 results and provide highlights on other key areas. We also have with us other members of management who may assist in answering questions following the prepared remarks.

In conjunction with the call today, we will be using slides which can be found under the Investors' section on our website, [CenterPointEnergy.com](http://CenterPointEnergy.com). For a reconciliation of the non-GAAP measures used in providing earnings guidance in today's call, please refer to our earnings press release and our slides, which along with our Form 10-Q have been posted on our website.

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



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We will also discuss our guidance for 2016. 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 service business. The guidance range also considers such factors as Enable's most recent public forecast and effective tax rates. The company does not include other potential impacts such as any changes in accounting standards or Enable Midstream's unusual items.

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.

And with that, I will 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 will begin on slide 4. This morning we reported a second quarter 2016 loss of \$2 million, or 1 cent loss per diluted share, compared with net income of \$77 million, or 18 cents



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per diluted share in the same quarter of last year. Second quarter 2016 earnings were impacted by several charges which Bill will discuss in greater detail later in the call.

On a guidance basis, second quarter 2016 adjusted earnings were \$73 million, or 17 cents per diluted share, compared with adjusted earnings of \$84 million, or 19 cents per diluted share in the same quarter of last year.

The fundamentals of our utility business segments remain strong. On a guidance basis, Utility Operations contributed 14 cents per diluted share in the second quarter of 2016, compared to 13 cents per diluted share in the same quarter last year, improving 1 cent despite milder than normal weather at our electric utility.

We continue to see strong customer growth in both our electric and gas utilities. Combined, our utilities added over 90,000 metered customers during the last 12 months. Capital expenditures remain strong as we invest to meet growth, safety and reliability needs within our service territories. Rate relief, driven by capital investment, continues to be an important contributor to earnings growth. To date, we have secured \$45 million in annualized distribution investment recovery at our electric utility and \$18 million in annualized revenue associated with recovery of capital investments at our Texas gas utilities. Further, we expect approvals in two gas rate cases in the third and fourth quarters. Joe and Tracy will provide additional regulatory updates for their business segments later in the call.



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Turning to Midstream Investments, we have a number of highlights on slide

5. Midstream Investments contributed 3 cents per diluted share in the second quarter of 2016, compared to 6 cents per diluted share in the same quarter of last year. The contribution was reduced as a result of losses attributable to changes in the fair value of commodity derivatives and an increase in deferred taxes. As I mentioned earlier, Bill will provide additional details on these items. Enable's call highlighted the robustness of drilling activity in the SCOOP and STACK plays, which continue to be recognized as two of the top plays in the country. Enable continues to focus on strengthening their balance sheet, lowering costs and improving capital efficiency. We believe they are well positioned to take advantage of market opportunities over the next few years.

Turning to slide 6, given the year-to-date performance and outlook for both Utility Operations and Midstream Investments, we are reaffirming full year earnings guidance of \$1.12 to \$1.20 per diluted share. 2016 earnings growth drivers include utility customer growth, capital discipline, rate relief and operating and financing cost management.

CenterPoint's core strategy remains to operate, maintain and invest in our current utility service territories; deploying capital to address needs for system growth, maintenance, reliability, safety and customer interactions. In February, we announced that we would conduct two strategic reviews focused on possible incremental value creation for our long-term shareholders. One review contemplated placing utility assets in a REIT structure, with the assumption of executing a public offering of that REIT and redeploying those proceeds on



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behalf of our shareholders. We have completed our REIT evaluation based upon assumptions for qualified assets, revenue requirements determined through general regulatory proceedings, and capital markets considerations. Key variables include the collection of federal income taxes within the revenue requirement and the timing of adjustments to lease payments related to capital investments by the REIT on behalf of the utility operating company. We have concluded that current uncertainties, along with the complexity of the structure, do not warrant pursuit of a REIT. As always, we remain open to explore avenues for long-term value creation for our current shareholders. The strategic review regarding our Enable ownership is ongoing, and we remain committed to providing an update on this subject before the end of 2016.

As I mentioned before, our utility fundamentals continue to be strong and on track. We remain committed to our vision to lead the nation in delivering energy, service and value. We are focused on consistent performance, including safe, reliable and efficient operations for our customers and long-term value creation for our shareholders.

Tracy will now update you on Houston Electric.

**Tracy Bridge – EVP & President – Houston Electric**

Thank you, Scott.

I am pleased with Houston Electric's performance this quarter. As you will see on slide 8, core operating income in the second quarter of 2016 was 135 million dollars compared with 131 million dollars for the same period last year. The business benefited from rate relief,



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customer growth, higher equity return primarily related to true-up proceeds, and higher right-of-way revenues. These benefits were partially offset by higher depreciation and taxes, lower usage primarily due to milder weather, and modestly higher O&M. Similar to the first quarter of this year, higher depreciation was anticipated due to both the amount and type of capital invested. We continue to focus on keeping annual O&M growth under 2%, excluding certain expenses that have revenue offsets.

Houston Electric added approximately 55,000 metered customers since the second quarter of last year. We continue to anticipate approximately 2 percent metered customer growth this year. As we've mentioned before, 2 percent customer growth equates to approximately 25 to 30 million dollars of incremental revenue annually.

Slide 9 provides a regulatory update for Houston Electric. In April, we filed an application with the Texas Public Utility Commission for a DCRF interim rate adjustment. Our application requested the annualized revenue requirement be set at 49.4 million dollars. In July 2016, a settlement was approved by the commission providing for an annualized revenue requirement of 45 million dollars effective September 1, 2016. As a reminder, the amount is reset with each filing, so it is not additive to the approved DCRF revenue requirement from the prior filing.

Recently, Houston Electric was awarded the International Smart Grid Action Network Award of Excellence and the Global Smart Grid Federation Best Smart Grid Project. Through our smart grid deployment, key technology partnerships and the dedication of our employees, we



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have reduced outages by more than 134 million minutes, enabled restoration of more than 1.5 million outage cases without a customer phone call, and saved millions of dollars in eliminated fees for more than 2.3 million metered customers in our service area.

I am pleased to report Houston Electric's performance is on track for the year. Although we experienced milder than normal weather in the second quarter, the third quarter to date has been warmer than normal. Further, the third quarter has historically been the most impactful quarter for Houston Electric. We will continue to focus on the safety, reliability and efficiency of our system to meet the growing needs of our service territory.

Joe will now update you on the results for Gas Operations.

**Joe McGoldrick – EVP & President – Gas Division**

Thank you, Tracy.

Our Natural Gas Operations, which includes both our gas distribution business and our non-regulated Energy Services business, had a solid quarter.

As you will see on slide 11, operating income for our Natural Gas Utilities was \$20 million compared to \$19 million for the same period in 2015. Operating income was higher, primarily due to rate relief and continued customer growth. These increases were offset by higher depreciation and taxes as well as increased contractor services expense, related to integrity services and increased credit and collection activities.



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Customer growth remains strong at our Natural Gas Utilities having added nearly 36,000 customers since the second quarter of 2015, almost identical to the growth in customers this time last year. This represents customer growth slightly in excess of 1%.

Slides 12 and 13 provide detail on 2016 regulatory developments, including our rate cases in Minnesota and Arkansas. The Minnesota PUC issued an order authorizing a \$27.5 million rate increase based on an ROE of 9.49%. We have had interim rates in effect since last fall and will implement final rates later this year.

In the Arkansas case, a non-unanimous settlement was reached for an annual revenue increase of \$14.2 million. The settlement includes the use of a formula rate plan mechanism starting in 2017, to recover future capital investment and expenses. The recommended ROE in the Arkansas settlement is 9.5%. The settlement is pending commission approval and we expect a final order and new rates to be implemented in the third quarter.

As Scott mentioned we have also finalized four Texas GRIP cases, which collectively increase revenue \$18 million on an annualized basis.

Turning to slide 14, operating income for our Energy Services business was \$7 million for the second quarter of 2016, compared with \$7 million for the same period last year, excluding a mark-to-market loss of \$7 million and a gain of \$2 million respectively.

Our integration efforts from our recent acquisition are anticipated to be completed within 2016. With more than 12,000 new metered customers, Energy Services now has more than 30,000 customers. Inclusive of integration and acquisition costs, this year we anticipate the Energy Services business will roughly match last year's financial performance of \$38 million





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in operating income, excluding mark to market adjustments. For 2017, the first full year of combined operations, we now expect Energy Services to provide annual operating income, excluding mark-to-market gains or losses, in the range of \$45 - \$55 million.

Overall, our Natural Gas Operations performed well this quarter. Excluding mark-to-market, year-to-date operating income is up \$13 million or 7% higher than 2015 despite lower weather-related throughput at the utilities and acquisition and integration costs at Energy Services. We will continue to operate effectively and efficiently as we focus on growth, safety, and the reliability of our system.

I'll now turn the call over to Bill, who will cover financial performance and forecasts.

**Bill Rogers – Executive Vice President and CFO**

Thank you, Joe and good morning to everyone. I will begin on slide 16.

We reported a second quarter 2016 loss of 1 cent per diluted share. Earnings included a charge of \$110 million or \$0.17 per diluted share associated with our ZENS securities. This charge is primarily due to the merger of Time Warner Cable and Charter Communications through a cash and stock sale and the related re-evaluation of associated assets and liabilities on our books. Further details on the accounting at the merger date of May 18 are provided on page 17 of the slide deck as well as note eleven in our second quarter Form 10-Q. In addition, the quarter also included a one cent mark-to-market charge in our Energy Services segment. Therefore, our earnings per share on a guidance basis was 17 cents versus earnings of 19 cents per share for the second quarter of 2015.



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Earnings per share increased one cent for our Utility Operations segment and decreased 3 cents for our Midstream Investments. Midstream was impacted by losses attributable to changes in the fair value of commodity derivatives. As discussed on Enable's call and disclosed in their second quarter form 10-Q, Enable uses derivatives to manage the partnership's commodity price risk. The accounting for these derivatives requires that the charges associated with the fair value of the instruments be recognized in current earnings. In addition, at the CenterPoint level we recognized an increase in deferred tax expense related to recent Louisiana tax law changes and our Enable income from Louisiana. The sum of these two factors reduced the Midstream per share contribution to our earnings by approximately three cents.

Additionally, this is the first quarter that we recognized income from our investment in the Enable preferred, as disclosed in footnote eight and within other income. Assuming, Enable declares this dividend on a going forward basis, we expect to earn three cents per share in 2016 and five cents per share per year on future years.

As a reminder, second quarter has historically provided the least contribution to our annual earnings. For the first two quarters this year, we have delivered \$0.49 in guidance earnings per share, consisting of \$0.37 in utility earnings and \$0.12 in midstream earnings. Given our performance year to date and ongoing strong utility fundamentals, as Scott mentioned earlier, we are reiterating EPS guidance of \$1.12 to \$1.20. As shown on slide 18, we are also reiterating our target of 4 to 6 percent EPS growth in each of 2017 and 2018.



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On slide 19 we provide an overview of our anticipated financing plans, interest expense and effective tax rate. Year to date internally generated cash is strong, allowing us to fully fund capital expenditures and to pay dividends.

In the second quarter, our interest expense was lower on a period to period basis due to refinancing maturing debt at lower interest rates. During the quarter, we refinanced \$300 million of short term debt at Houston Electric with a five year maturity at a coupon of 1.85%. We expect to refinance another \$300 million of short term debt at Houston Electric in the 2nd half of 2016. Therefore, for the full year 2016, we expect interest expense to be lower compared to 2015, with an EPS contribution of approximately two cents. Interest expense saving opportunities should also present themselves in 2017 and 2018. We have \$1.15 billion in maturities in those years and the weighted average coupon for this maturing debt is roughly 6.1%.

With respect to tax expense, as a result of the deferred tax recognition for the Midstream segment income, we expect our effective tax rate to be 37% this year. This is higher than our previously stated anticipated tax rate of 36%.

In addition to our earnings release and our 10-Q filings for all of our registrants filed this morning, we would like to remind you of other press releases or filings of interest.

First, our board of directors declared a 25.75 cents dividend per share on July 28th, payable on September 9, 2016.



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Second, on July 21st, we filed with the SEC an amendment to our Form 13-D with respect to our ownership interest in Enable Midstream. The required update to our February filing reflects that we sent OGE a right of first offer (or "ROFO") and that we will solicit offers from third parties to acquire our interests in Enable. As stated in our press release earlier this year and in our Form 13-D/A, we continue to evaluate a number of strategic alternatives for our investment in the partnership, including a sale, a spin-off or maintaining our ownership. As Scott stated, our intent is to provide an update on the review prior to the end of the year.

And with that I will turn the call back over to David.

**David Mordy – Director of Investor Relations**

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

Operator: Our first question is from Insoo Kim of RBC Capital Markets

Insoo Kim: Just regarding the Enable strategy, I know you can't comment much on that, but with the ROFO notice that you provided to OGE, if they do make an offer for your stake in Enable in the coming weeks, how does that impact, if any, your ability to still potentially pursue the spinoff? Just wanted to make sure -- depending on what they say on the stake and whether you have some offers outstanding with other third parties, if that bounds you toward the sell option versus having a spinoff option.

Bill Rogers: Insoo, good morning, it's Bill. The spinoff and the consideration of the sale are two separate tracks. So if OG&E were to make an offer to CenterPoint for CenterPoint's stake, then we are not obligated to accept that offer.

Insoo Kim: Okay. So the two options are still open regardless of what they come back with?



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- Bill Rogers: Correct.
- Insoo Kim: Understood. I know you guys can't comment much more on that, so I will leave it there. But just moving to the electric utility, given customer growth has been above forecast for the past couple quarters, how do you see the customer growth for the balance of the year and outlook for future years? I know you've mentioned 2% annual growth as sort of a target, but it seems like it's been trending a little bit higher.
- Scott Prochazka: Insoo, this is Scott. We continue to see strong customer growth, as you've obviously noted and we've posted in our results. We see all signs pointing to that continuing. We continue to track the leading indicators about housing development and that continues to be strong.
- I will say that one area that may provide a little softening would be multifamily homes. That market is getting a little long here, but I think what that would do is that would probably tend to drive our growth rate from perhaps slightly above 2% down closer to 2%. Nothing that I would consider to be problematic.
- But that could be the downside piece of it. But other than that, we continue to see very strong local development.
- Insoo Kim: Got it. Thank you very much.
- Operator: Our next question is from Ali Agha of SunTrust.
- Ali Agha: Good morning. Scott, first question.... As you are continuing to look at strategically what to do with Enable, can you tell us what are some of the big milestones? What is it that you are looking at in terms of reaching your final conclusion for that?
- And related to that, if the sale option were to be exercised by you, have you been able to dissolve the tax issue or will that still be the same as you have talked about in the past?
- Scott Prochazka: Ali, I will provide a little bit of comment on this. I'll let Bill comment on the tax piece of it.

But our options are essentially the same as we've communicated in the past and that is to look at a sale or a spin. The timing is such that, as we have indicated, we're just continuing to step through the process. Providing the ROFO notice to OGE was one step in the process and so we're just going to continue marching down that path with the expectations that we will be able to provide an update to you all, certainly by the end of the year.

Bill, would you like to comment on the tax question?

Bill Rogers: Certainly. Good morning, Ali. The tax consideration is still there. As we have discussed, we have negative basis in our investment in Enable Midstream and, therefore, a sale for cash would result in a significant taxable gain.

Ali Agha: Okay. And the sale option I guess that reminded me you mentioned that sale for stock would still be an option within that sale option?

Bill Rogers: Yes. So there's potential to defer an eventual recognition of the gain through a sale for stock or some other currency. We would likely get there if we went on that structure through a reorganization under the tax code.

Ali Agha: Last question. Scott, there's a lot of consolidation going on on the regulatory front, both in the gas and electric side. Just wanted to get a sense of what your current view is as you're looking at the landscape around you and other opportunities that you guys could potentially capitalize on.

Scott Prochazka: Ali, I've certainly observed the same thing you are and that is that there have been a number of consolidations. The strategy that we have is still very much centered around the investment we can make in our utilities in our current service territories. So our focus continues to be around the \$1.3 billion-plus we are spending on our own utilities and growing those utilities to meet the needs of our customers and grow our earnings along with that.

Ali Agha: Thank you.



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- Operator: Our next question is from Michael Lapides of Goldman Sachs.
- Michael Lapides: I think Dave is going to hate me, because I have a couple of them for you. One is simple. In your multiyear -- your EPS growth rate guidance for 2017 and 2018, do you assume Enable earnings contribution grows, shrinks, or stays flat in that period? I'm trying to just kind of think about the puts and takes between utility, regulated utility earnings growth versus consolidated EPS growth.
- Scott Prochazka: Michael, as you know, Enable has not put out any information beyond this current year. That said, we have looked at a number of possible growth rates that could come from Enable and we've tested that against our capabilities at the utility. And combined, under a number of different scenarios, we feel comfortable that we can achieve that 4% to 6% rate.
- Michael Lapides: Got it. So even if Enable were to decline in 2017 and 2018, you are still pretty comfortable getting the 4% to 6% consolidated growth rate?
- Scott Prochazka: Yes. We have looked at -- like I said, Michael, we have looked at a number of scenarios. One of them would be one where the growth rates have not returned for that segment as they had been in the past.
- Michael Lapides: Got it. One question on the Houston business, the CEHE business. I want to make sure I understand the DCRF. The \$45 million - what is the incremental amount that's going into rates in September of 2016?
- Tracy Bridge: Michael, this is Tracy. We don't think about it as an incremental amount because every year the revenue requirement is determined on a standalone basis. You might recall that a year ago we implemented a rate increase of \$16 million and now we're going to be implementing a rate increase of \$45 million. But the two are not related because we calculate the revenue requirement independently every year. So if you are modeling it, just put in \$45 million on an annualized basis starting September 1, 2016.
- Michael Lapides: Yes, but I got to know what's in your current numbers, right? Because otherwise we could be overstating -- we could be completely misstating. So I'm just trying to make the bridge here.
- Tracy Bridge: So the revenue for 2016 for DCRF would be \$16.2 million and the revenue for 2017 would be \$53.8 million. Okay?



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- Michael Lapides: Got it, so that makes sense. Then the agreement to go from \$45 million to \$49 million - so does that just imply -- and I'm being very simplistic here - a \$4 million step up? I assume that's what that is, but I'm just making sure I'm understanding that correctly.
- Tracy Bridge: That's what it implies, yes.
- Scott Prochazka: Michael, that would be a \$4 million step up, assuming we did not make another DCRF filing next year.
- Michael Lapides: So this doesn't preclude you from making another DCRF filing next year?
- Scott Prochazka: That's correct, right. We can make another filing next year and then we would go through a whole new determination. And then there would be a new number that would be in place of the \$45 million that's there today.
- Michael Lapides: I appreciate that. Thank you, Scott. Much, much, much more clear there. Much appreciated.
- Operator: Our next question is from Steve Fleishman of Wolfe Research.
- Steve Fleishman: Just a clarification on disclosure maybe. When OGE responds within their 30 days on the ROFO either way, would that be something you are going to disclose what their response is??
- Bill Rogers: Steve, we will look at the required disclosure at that time and that, of course, would depend upon their response.
- Steve Fleishman: Okay. So it's possible they could not make an offer, we just wouldn't know?
- Bill Rogers: That's correct.
- Steve Fleishman: Okay. Then my understanding is, just to be clear, once they have responded either way, you then have 120 days to basically transact, after which the process starts again. Is that right?
- Bill Rogers: Yes. Just to put some more clarity on that, Steve, they have 30 days to respond to the ROFO. If they did not respond, then we would move forward with a solicitation of offers, although we are not precluded from



doing that at this time. If they did respond, then we would have 30 days to respond to their offer and then, subsequent to that, we would have the 120 days.

Steve Fleishman: Okay, that's great. Then just on the mark-to-market hit that you took on the Enable hedges, do you expect that that will come back to you by the end of the year?

Bill Rogers: Steve, again it's Bill. If nothing happened other than the forward curve staying the same at June 30 and they didn't enter into any more hedges, as it played out, much, but not all, of that would come back in 2016 with the balance in 2017. But should gas prices go higher, under mark-to-market accounting, that could impact what Enable records. Or should it go lower or go the other way. So it very much depends upon where gas prices are at each quarterly statement period.

Steve Fleishman: Okay, got it, thank you.

Operator: Our next question is from Neel Mitra of Tudor Pickering.

Neel Mitra: I had another question around Enable and the possible tax leakage from a sale. If OGE were to make an offer that you would accept, would the same tax consequences arise as if it were a third-party buyer? Would you still be on the hook for the negative tax basis or is there something different about OGE being a buyer?

Bill Rogers: Neel, it's Bill, good morning. There's no difference between OG&E and any other buyer, with respect to tax consequences.

Neel Mitra: Okay, great. And I noticed in the presentation that you noted that you wouldn't need equity for 2016 and 2017, but I wanted to just understand under what scenario you could possibly need equity 2018 and beyond. Would it be that you found additional growth projects that would kind of put you at the top or above the 6% growth rate at the utilities, or is it something else? Or do you feel that you don't need any equity at all until the end of the decade or farther?

Bill Rogers: Neel, here's how we get to our thinking on equity. We take a look at our credit metrics, principally FFO to debt, and we are currently at approximately 20%, we want to maintain that because we would like our

credit ratings. Admittedly, we think we have some debt capacity within that.

But if that were to erode, then we would consider equity. And that could erode from any number of factors including, as you said, a higher rate of capital investment.

Neel Mitra: Okay. Would the Enable stake -- if that were to decline, would that be something that would cause you to issue equity? Or do you view that as a separate entity that is self-funding?

Bill Rogers: Enable in 2015 was under 20% of our cash flow in the way we think about our internally-generated cash flow. So it's significant, but we would have to take a look at what the credit metrics would be for us and what that might imply for equity at that time.

Neel Mitra: Okay, got it. Thank you very much.

Operator: Our next question comes from Jeremy Tonet of JP Morgan.

Jeremy Tonet: Just wanted to follow up on the Enable situation. If you were to sell your stake there and receive stock against that and then you were to subsequently distribute that stock, would that introduce tax leakage as well? Or would that be a way to mitigate that?

Bill Rogers: Good morning, Jeremy. I am going to restate what you posited and then if I don't get that right, correct me. But you're assuming we would sell for stock and would not have a taxable recognition at that time, and then we would spin whatever we received out to shareholders. Is that correct?

Jeremy Tonet: Yes, spin it out to shareholders, that's right.

Bill Rogers: We have not contemplated that strategy. I think that that would have some combination of the tax effects that you would either have in a sale for stock and a spin.

Jeremy Tonet: Okay, thanks. And just with the whole strategic review process here, I'm just wondering if you could help us into your thought process. While the commodities have softened a little bit recently, it seems like the cycle has turned a bit. So I'm just wondering how that enters into the calculus of your decisions here with the cycle getting better.



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- Scott Prochazka: Well, it certainly is nice to see the commodities turning around as they have, but we went into this evaluation geared at looking for alternatives to reduce the volatility associated with this earnings stream, so we are continuing our process. We're going to continue through even as commodities are improving, because we want to see if there's a way to reduce that volatility in a way that could create value for our shareholders.
- Jeremy Tonet: Great, thanks. Then just a quick one. Correct me if I'm wrong, but I think there was a slug of the energy resources debt, \$325 million, that matured in May. I was just wondering what happened to that, if that was refinanced or if we should take any meaning from that.
- Bill Rogers: You're correct, \$325 million did mature in May. We met that maturity with cash flow generated [at CERC] and short-term borrowings. As I said on our March -- on this call, we were cash flow positive for this first six months of the year, including investments in CapEx on behalf of our customers and including dividends paid to our shareholders.
- Jeremy Tonet: That's helpful, thank you very much..
- Operator: Our next question comes from Brian Russo of Ladenburg Thalmann.
- Brian Russo: Just to clarify - is OGE required to respond with a yes or a no, or can they just not respond and that's just an implied no?
- Bill Rogers: Brian, good morning, it's Bill. The latter is correct, they can stay silent.
- Brian Russo: Got it, okay. Then also to clarify....The decision not to pursue the REIT structure for the Texas asset, does that conclude all strategic alternative reviews or are there other options that you are looking at?
- Scott Prochazka: Brian, that concludes our strategic review of the concept of a REIT for utility assets, but our other review underway is the consideration around our Enable ownership, and as we've said, that's still ongoing.
- Brian Russo: Okay. But there's no ongoing review of your gas LDCs?
- Scott Prochazka: That's correct.
- Brian Russo: Okay, thank you.



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- Operator: Our next question comes from Nick Raza of Citi.
- Nick Raza: Thanks, guys. Really couple of just housekeeping items. In terms of the marketing business or energy services business that you acquired. When you acquired it, you said that combined with your existing operations and the acquisition you would generate anywhere from \$40 million to \$50 million in operating income. That number seems to be a little higher now. Could you just talk about that real quick?
- Scott Prochazka: Joe, do you want to take that one?
- Joe McGoldrick: Sure. Good morning, Nick, this is Joe. That's correct; we have increased that guidance for our energy services business, given the integration of the business and some improved performance at our CES base business. So we are now comfortable that we will be in the \$45 million to \$55 million range in the first full year, which is 2017.
- Nick Raza: Okay. And then I guess one of the aspects that you mentioned that would help you meet your EPS guidance in the outer years is O&M, or operating cost reductions, or not as much growth. But if I look at your O&M expenses they seem to have been growing by about 5%. Can you just talk about what's driving that and how you guys view that?
- Scott Prochazka: So the 5% that you see on the charts includes some items that have revenue offsets. So if you back that out and you consider some timing aspects of spend on a quarter-to-quarter basis, we are still confident we can manage this expense in that around 2% to 3% range.
- Nick Raza: Okay, that's all I had. Thank you, guys.
- Operator: Our next question comes from Charles Fishman of Morningstar.
- Charles Fishman: Bill, just based on your comments, the effective tax rate, that 37%, was really just a one-time thing. And just assuming business as usual with respect to Enable, going forward from a modeling standpoint still 35%, 36% would be a long-term rate?
- Bill Rogers: Yes, I would advise using 36% for our provision. It's just going to be 37% this year due to the change in Louisiana law.



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- Charles Fishman: Okay. And then a second question was for Tracy. Right-of-way revenues, remind me are -- I know they are going down, but are we still talking \$5 million to \$10 million total this year? I forgot what you'd said in the past.
- Tracy Bridge: Good morning, Charles. We are projecting \$10 million to \$20 million of right-of-way and miscellaneous revenue this year.
- Charles Fishman: \$10 million to \$20 million, which is still an elevated level over normalized, correct?
- Tracy Bridge: Well, it depends what you mean by normalized. Certainly 10 years ago, and beyond that, it would be much lower, but we've had some pretty strong miscellaneous revenues in the last few years, as you recall.
- Charles Fishman: Right. Okay, that's all I had. Thank you.
- Operator: Our next question comes from Lasan Johong of Auvila Research.
- Lasan Johong: The ZENS issue, does it make sense to buy back given the low current interest rate environment?
- Bill Rogers: Lasan, good morning, it's Bill. This remains a very low-cost source of capital for us. If we were to think about buying back the debt, we would have recognition from a tax perspective associated with the capital gain that we have otherwise deferred.
- Lasah Johong: I see. I understand. Okay, next question I guess is for -- well, I guess it's for anybody who wants to answer it. The hot weather in that area tends to get super-hot and I understand it's approaching 100 degree weather, so maybe Tracy is the best person to ask this question.
- Are you guys having any issues with infrastructure overheating or melting down or having any kind of equipment problems, even with trucks or anything like that?
- Tracy Bridge: We are not, the system is holding up very well. Unlike some parts of the country, we're accustomed to this heat and humidity so the system is holding up fine. Thank you for asking.



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- Lasan Johong: Excellent. I guess this question goes back to Bill, my last question. Is there any way you can engineer a like-kind exchange for Enable? Essentially to avoid the big tax bill now.
- Bill Rogers: Right. There are ways to continue to defer recognition of taxes if we sold for stock or units of another entity. But it would not be through a like-kind exchange, it would be through a reorganization within the tax code.
- Lasan Johong: Okay. So you couldn't take cash for Enable and then, say, buy pipeline or buy a gas utility somewhere and transfer your basis over that way?
- Bill Rogers: We do not see a path in that direction.
- Lasan Johong: I understand, thank you for your help.
- Operator: Our next question comes from Michael Lapedes of Goldman Sachs.
- Michael Lapedes: Cash taxes - I know you've talked about the effective tax rate, but how long do you expect not to be a cash tax payer for?
- Bill Rogers: Michael, it's Bill. We will be a cash tax payer it's just that it's at a very low rate. We expect to be a cash tax payer this year, as measured by cash income taxes paid divided by accrual income before taxes. And that number will be in the high single digits.
- Michael Lapedes: And then for how long --? How big is your effective -- whether it's in an NOL or a like balance, whether generated via bonus D&A or something else, how long do you expect to be a very low cash tax payer for?
- Bill Rogers: It will gradually creep up to 35% over the planning horizon in terms of cash tax rate. That, of course, will be impacted by the level of capital investment and depreciation rates, amongst all the other factors that go through our tax return.
- Michael Lapedes: So getting closer to a normal GAAP and cash tax rate by the next two to three years, or kind of longer term than that?
- Bill Rogers: Longer than that, Michael. At the end of our five-year planning horizon.
- Michael Lapedes: Got it. Thank you, Bill. Much appreciated.



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David Mordy: Thank you, everyone, for your interest in CenterPoint Energy. We will now conclude our second quarter 2016 earnings call. Have a nice day.

Operator: This concludes CenterPoint Energy's second quarter 2016 earnings conference call. Thank you for your participation.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and energy services operations. The company serves more than five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. The company also owns a 55.4 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 7,400 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](http://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 CenterPoint Energy's and Enable Midstream's customers; (19) the ability of GenOn Energy, Inc. (formerly known as RRI Energy,



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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

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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, 2015, as well as in CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 and June 30, 2016, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.