Third Quarter 2011 Earnings Conference Call
November 2, 2011

Marianne Paulsen – Director, Investor Relations

Thank you very much, Thea.

Good morning, everyone. This is Marianne Paulsen, Director of Investor Relations for CenterPoint Energy. I'd like to welcome you to our third quarter 2011 earnings conference call. Thank you for joining us today.

David McClanahan, president and CEO, and Gary Whitlock, Executive Vice President and Chief Financial Officer, will discuss our third quarter 2011 results and will also provide highlights on other key activities. In addition to Mr. McClanahan and Mr. Whitlock, we have other members of management with us who may assist in answering questions following their prepared remarks.

Our earnings press release and Form 10-Q filed earlier today are posted on our Web site, which is www.CenterPointEnergy.com under the Investors' section.

I remind you that any projections or forward-looking statements made during this call are subject to the cautionary statements on forward-looking information in the company's filings with the SEC.

Before Mr. McClanahan begins, I would like to mention that a replay of this call will be available until 6 p.m. Central time through Wednesday, November 9, 2011. To access the replay, please call 1-855-859-2056, or 404-537-3406, and enter the conference ID number 14698131. You can also listen to an online replay of the call through the Web site that I just mentioned. We will archive the call on CenterPoint Energy's Web site for at least one year.

And with that, I will now turn the call over to David McClanahan.

David McClanahan – President and CEO

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

This past quarter was a very good one for the company. We had a strong quarter from an earnings standpoint and, after seven years, we resolved the long standing issues associated with our true-up proceeding.

Our press release and 10-Q provide the details around our business units' financial performance this past quarter so I won't repeat the specifics but let me summarize the performance of each business unit and talk a little bit about their prospects.

Houston Electric had an outstanding quarter and is having a really good year. This past summer was the hottest summer on record for Texas. This drove the largest part of Houston Electric's earnings gains. I was really pleased at how well our system performed when faced with the stress that the extreme heat placed on it. We've also taken the opportunity to invest more in system hardening and reliability which benefits not only this year but the years ahead as well.

The future looks bright for this unit. While we can't count on repeating the weather-driven earnings we experienced this year, we can count on a solid and growing service territory. We've added more than 35,000 customers since this time last year and believe we'll see a continuation of that pace of growth next year. Very few areas around the country are experiencing this type of economic activity and growth. Capital expenditures should approximate between 5 and 6 hundred million dollars annually as we build infrastructure to serve new loads and automate the grid. The primary earnings head wind this unit faces comes from the rate changes implemented this past September. This will have a negative operating income impact of approximately 35 million dollars next year when the effect of the change in depreciation rates is also taken into account.

Our gas distribution unit is having another outstanding year attributable primarily to our business model and expense controls. Annual rate adjustments in a number of our jurisdictions continue to help us recover increased investments as well as reductions in gas usage without the necessity of a major rate proceeding. This significantly reduces the amount of regulatory lag we would typically experience.

Like most of the industry, we are very focused on pipeline safety and integrity. As a result, we are planning to accelerate the replacement of some aging infrastructure and increase our system improvement expenditures. We expect rate base will grow at a much faster pace as overall capital expenditures are likely to increase to between 300 and 400 million dollars annually compared to an historical level of about 200 million dollars.

Our midstream businesses are also doing well. As expected, our field services unit benefited from infrastructure investments we've made in the Haynesville and Fayetteville shale areas. Our gathering volumes increased by almost five percent over the previous quarter and averaged over 2.2 billion cubic feet per day. About 1 billion cubic feet per day was gathered out of the Haynesville shale. Gathering volumes from our traditional basins were down about two percent from the previous quarter, in line with our expectations.

Next year, we expect the volumes out of Haynesville will reach 1.5 billion cubic feet per day by the second quarter. We expect volumes out of the Fayetteville and Woodford to increase as well. While a number of producers are shifting their emphasis from leaner shale plays to more liquids-rich plays, our principal customers have maintained a consistent level of drilling in these shales. Natural gas prices, however, have weakened which could potentially impact our retained natural gas volumes as well. While we continue to seek gathering opportunities in the mid-continent, we are also focused on diversifying and expanding our gathering footprint into more liquids-rich areas like the Eagle Ford, Granite Wash and Marcellus.

Our interstate pipeline earnings were down from last year primarily due to the expiration of an above-market backhaul contract earlier this year and the impacts of a restructured long term contract with our natural gas distribution affiliate. Reduced basis has also resulted in a decline in our off system sales. However, we were able to offset some of this revenue loss with new contracts primarily with electric generation customers as well as increases in some ancillary revenues, or services I should say.

Going forward, we expect considerable competition for new business and contract renewals from other pipelines in or near our footprint. We anticipate basis will remain compressed and off-system revenues will be adversely impacted. However, we believe there are continuing opportunities to serve customers on or near our pipeline with special focus on power generation customers. We currently serve 22 natural gas-fired power plants. There are over 40 coal plants within 50 miles of our system and we anticipate that retirements and more stringent regulations will lead to increased use of natural gas.

Our competitive natural gas sales unit's financial results were down this quarter. Our retail business continues to perform well. However, reduced gas price volatility and the lack of geographic and seasonal basis spreads have reduced wholesale optimization opportunities. Some of the pipeline and storage capacity we contracted for in the past no longer provide value and in some cases are under water. Much of the uneconomic capacity will terminate over the next 18 months. We are also releasing some of this capacity early and expect to recognize the economic loss in the fourth quarter of this year. Our focus is on expanding our commercial and industrial base and increasing our product and service offerings.

Now, let me turn to our true-up appeal. As most of you know, in September, we reached a settlement with the PUC staff and other intervenors resolving all matters in our true-up appeal. The settlement allows us to recover approximately 1.7 billion dollars, out of which we must pay the legal fees associated with this proceeding and the financing costs to issue transition bonds to securitize this amount. Last month, the Commission approved the settlement and a financing order for the issuance of the bonds. We expect to issue the bonds later this year or early next year. Gary will give you a little more color around this process in a few minutes.

As you would expect, we are pleased that this issue is finally resolved and we can now look to the future. The obvious question what will we do with the securitization proceeds? Our first priority is to invest this money in our existing businesses and to acquire similar assets. We will be disciplined in our approach. Our portfolio of energy delivery businesses provides us with significant opportunities for investment. Of course, we'll have to be patient and diligent in evaluating these opportunities.

We have talked in the past about reducing outstanding debt and a modest stock buyback program with a portion of the proceeds. While these alternatives are still viable, our first priority will be to invest the money in our businesses.

Let me conclude by expressing how excited and confident we are in the future of CenterPoint Energy. With the receipt of the true-up proceeds, we have a unique opportunity to build a stronger company which will benefit both our shareholders and customers. Our balanced portfolio of electric and natural gas businesses have served us well since our formation nine years ago. We recognize the energy markets are changing. Lower prices and ample supplies of natural gas will benefit both our electric and gas distribution utilities. At the same time, it will present both challenges and opportunities for our mid-stream and energy services businesses. We look forward to building from our strong base and continuing our track record of strong performance for our shareholders.

I'll now turn the call over to Gary.

Gary Whitlock - Executive Vice President and CFO

Thank you, David, and good morning to everyone.

Today, I will update you on the expected time line to issue the new transition bonds, the replacement of our revolving credit facilities and our revised earnings guidance.

I'll start with the transition bonds. As David mentioned, the Texas PUC issued a financing order on October 27th. We have been working with the PUC staff as well as our financial advisor on various aspects of the issuance and we feel we have made excellent progress. There are two key gating items in preparing to go to market. First, the credit rating agencies have to establish the ratings for the bonds and second we need to register the sale of the transition bonds with the SEC. We will issue the bonds as soon as reasonably possible, in order to take advantage of historical low interest rates for the benefit of our customers. We are making solid progress on all aspects of the preparatory work and, at this point, we anticipate we will be able to market the bonds either late this year or very early in the New Year.

In September, we had a very successful syndication of our new revolving credit facilities and closed on three five-year senior unsecured facilities totaling 2.45 billion dollars. The economic terms and covenants are in line with other recently syndicated facilities. The drawn costs under the new facilities are approximately 100 basis points higher than the costs for the previous facilities. We are very pleased that we have locked in our short-term liquidity sources for the next five years.

Finally, let me discuss our earnings guidance for the year. As David discussed, we are very pleased with the overall financial performance of our businesses this year, and this morning we said that we expect 2011 earnings to be at the high end of our guidance range of a dollar four to a dollar fourteen cents per fully diluted share. On a guidance basis, which excludes the earnings impact of recording the true-up settlement, the change in the value of Time Warner stocks and the related ZENS securities as well as the timing effects of mark-to-market and inventory accounting, we earned 95 cents per fully diluted share through the third quarter. In providing earnings guidance, we have assumed normal weather for the balance of the year, and we have taken into consideration our year-to-date performance as well as various economic, operational and regulatory assumptions.

Now, I would like to turn the call back to Marianne.

Marianne Paulsen – Director, Investor Relations

Marianne Paulsen: Thank you, Gary. And with that, we will now open the call to questions. In the interest of time, I would ask you to please limit yourself to one question and a follow-up. Thea, would you please give the instructions on how to ask a question?

Operator: At this time we will begin taking questions. If you wish to ask a question please press star one on your touchtone keypad now. To withdraw your question press the pound key. The company requests that when asking your question callers pick up their telephone handsets. Thank you.

Operator: And we do have a question from Carl Kirst with BMO Capital Markets.

Carl Kirst: Thank you, good morning everybody. The first question I had, David, to your comments about the first priority to invest, I was wondering if maybe you could comment on what you are seeing as far as the M&A

market given some of the multiples, being paid right now. And when you say of similar assets, do you have a preference, if you will, whether it is increased T&D or going more after sort of the gas infrastructure?

David McClanahan: Okay Carl, thank you for those questions. The last one, first. We don't have a preference, we like our portfolio today. We are willing to invest in more electric or gas distribution utilities. But at the same time, we like the midstream business and we'd like to invest there as well. It's really going to depend on where we have the most opportunities and the ones that will create the most value for us. We know, on the regulated side, it is a little bit more difficult to do M&A there. But it's not impossible, certainly, and there are assets that come on the market from time to time.

You are right, I think the midstream businesses, some of the multiples that have been paid lately are pretty rich, and we're not going to do anything that's not going to create value for us. So you'd have to have some real growth potential for those assets to pay that kind of multiple, I would think. So, we have seen some opportunities. We've looked at them, and we continue to look at them. We are going to spend some time the next three to six months to really decide where the opportunities are and if there are any real opportunities in one sector or the other.

Carl Kirst: Appreciate that,and maybe just a follow-up on the earnings and the top end of guidance, I guess, is an implied 18 to 19 cents for the fourth quarter. And considering field services should be continuing to move ahead, I didn't know if there was something of specific note maybe that you felt was holding you back? And here I guess I'm really more referring to perhaps wholesale marketing. And so I thought I'd get the feeling, and when we entered into 2011 the idea was retail would be 30 to 35 and wholesale would be breakeven, and so I'm trying to kinda get a sense of where we may be falling down on that for the year.

David McClanahan: You are right, Carl, we did say that and that's what we had intended to do, but we have not been able to have our wholesale business breakeven. Our retail business, as I said, is doing just fine. But we're still having losses in our wholesale business. We are going to try to get out from under some of the capacity that we are not using today. We've already posted some of that for release. We are going to take some losses early in the fourth quarter. So that's a little bit of headwind there that you noted.

I would also remind you that we do have the rate case, the full impact of the Houston Electric rate case will be felt in the fourth quarter. That's probably 10 million dollars, give or take, impact in the fourth quarter of this year. And there is a little bit of timing issue around field services. We have these guaranteed throughput agreements. We booked some commitments in the third quarter because we know that our customer is not going to make their full volume commitment. So that kinda moves between quarters, and we probably took a little bit more in the third quarter because they are just not going to make it than we had earlier anticipated. But overall for the year, we are right where we thought we'd be. There is just a little bit of movement between quarters.

Carl Kirst: Understood, appreciate the color.

Operator: Please remember if you wish to ask a question to press star one on your telephone keypad now. Thank you for your cooperation. And the next question will come from Lauren Duke, with Deutsche Bank.

Lauren Duke: Good morning.

David McClanahan: Good morning.

Laruen Duke: I wanted to ask about the DCRF mechanism that was authorized in Texas and whether you guys plan to file for that rider and if you see potential to ramp up CapEx on the distribution side with that rider in place?

David McClanahan: Lauren, we do plan to file with it. It would probably not be in '12, it would probably be in '13 before we file with it. As you know, the Commission passed that rule earlier this year. We can file once a year, I think it's in April, the new rates would be implemented in September. It covers any new distribution investments, but some of those investments are offset by any deferred taxes that are associated with them and a few other items. But we do see value in it. It is not quite as good as we wanted, but I think we do see value. We plan to use it, it would probably be 2013 before we'd have our first filing.

Lauren Duke: Okay, and then just one other, if I might. Can you comment on, I know you've talked about some of the gathering RFPs that are going on that you guys are participating in, and just potential timing to hear about some of those and whether that is something we should still expect this year, or are we are looking more towards next year?

David McClanahan: Well, you know, we've had a number of lines in the water, so to speak. We've been looking at a lot of different assets that come on the market. The RFPs that we referred to earlier, those have been delayed. In particular the one that we were most interested in was in the Eagle Ford area. That one has been delayed into next year. We had expected that would be this year. And then there are a few that we expect to happen in other liquids-rich plays that just haven't come about yet. So I would say that the RFP process that we've discussed in the past has really been shoved out into next year.

Lauren Duke: Okay, thanks guys.

Operator: The next question will come from Yves Siegel, with Credit Suisse.

Yves Siegel: Thanks and good morning. If I could, could you elaborate once again on the opportunities that you are looking at in terms of midstream? Would you change the balance of the mix between regulated and non-regulated, if the opportunity set and the return profiles are more attractive in the midstream?

David McClanahan: Today, our midstream business, and let me speak specifically about field services, represents probably less than 20 – between 15 and 20 percent, maybe 17 percent. And I think we would see that percentage increasing. But there is a given level that we can go to before we start impacting our credit risk profile, and we are sensitive to that with the utilities we have in our portfolio. So, yes, I think we can increase the size of midstream relative to the rest of our portfolio. But I think we have to be cautious that we can't go too far. But I think there is ample room in it today to increase it. That's where we see a lot of potential growth opportunities. So, we are very interested in looking at that.

Yves Siegel: Okay, so, and I hate to keep coming back to this but given those comments, given the amount of cash that you'll have, how does that calibrate with the notion of perhaps doing an MLP or not doing an MLP?

David McClanahan: You know, we've said that we would do an MLP or consider it if we get some - either a large acquisition or a significant amount of growth, which we need to fund. And I think that is still our position. Today, we are going to have an ample amount of proceeds to invest. Having said that, I think the MLP has to be still part of our tool kit. If in fact we find something bigger that we want to buy, or if we get into a situation where we are having a lot of more rapid growth than we are today. And I think we would look to the MLP if that is the case.

Yves Siegel: That would be a good problem to have.

David McClanahan: Yeah, it would be. I agree with you wholeheartedly.

Yves Siegel: And I'm going to go over the limit, so I apologize. But any thoughts in terms of how you may approach the regulatory environment given Houston Electric and the hit that you are taking there? Could you see a filing coming up soon?

David McClanahan: You know, we are going to have a good solid year this year as you would expect, because of the weather, but we are going to have a good, solid year even when you weather-adjust. As I look to next year, I think next year is gonna - we're gonna be - have a good, solid year. I think we are going to have a good opportunity to earn our regulated rates of return on a normalized weather basis. So I don't think there is any near-term rate case. And if we can grow this business, customer growth is looking pretty good, then maybe we can delay a rate case into the 2013, 2014 timeframe. But at this stage, we think next year's going to be pretty solid so there's certainly not going to be anything on the table next year.

Yves Siegel: Thanks for the answers.

David McClanahan: Okay.

Operator: The next question will come from Faisel Khan, with Citi.

Faisel Khan: Good afternoon.

David McClanahan: Hello Faisel.

Faisel Khan: Hey, once you receive the proceeds and book this gain on the true-up, does this pretty much reset your debt-to-total cap ratio in a more normalized range with other utilities? Or you still have room to go on the debt-to-cap area?

David McClanahan: I looked at some figures on that, and I think we are going to be pretty close to 40 percent equity, when all is said and done. So that is, I think, within striking distance of our peers. We'd probably like to have a little bit more equity in our capitalization, but not much. Gary you may want to add to that.

Gary Whitlock: I think that is right, David. And also, you look over the long-term and we do have some debt at the holding company that we've made headway. Over the long-term, you'll see I think we'll not refinance at the holding company, and financings in the future would be at the regulated utilities. So I think 60/40. This is a significant move and recognized by the credit rating agencies. As David said, I think it now gives us the flexibility with cash coming in, a good, strong balance sheet, the opportunity to be very disciplined and thoughtful to execute our growth plan going forward.

Faisel Khan: Okay, and following the approval by the PUCT for this transition bond offering, is there anything else outstanding or is this pretty much it, this 1.695 billion?

Gary Whitlock: This is it.

Faisel Khan: Okay, gotcha. And then also, on the diluted shares outstanding, it seems like the DRIP is still on, is that right? Because I thought the diluted shares continued to ramp up a little bit.

Gary Whitlock: Maybe just a little bit, but, no, the DRIP is not on.

David McClanahan: Savings plan and DRIP are no longer on, Faisel. There probably is some on benefit plans and there is some old options that are outstanding that get exercised from time to time. But there shouldn't be anything big there, I wouldn't think.

Gary Whitlock: There's nothing big.

Faisel Khan: Okay understood. Last question for me. On the midstream side, the 206 Bcf of throughput in the quarter. Can you give us an idea, break that down by new projects versus your legacy portfolio - what do you have going on in the Haynesville obviously versus what you have from your legacy midstream portfolio?

David McClanahan: Let's see if we have that broken out easily here. Yes, we were averaging 1 Bcf a day in Haynesville for the quarter. And we had a little, plus or minus, about 800 million a day in our traditional basins, and about I think 350 or so in the Fayetteville, Woodford areas. Those are round numbers, I hadn't gone to calculate all that stuff out, that is a per day. The 206 is total volumes. I would say that – let me see something here. Those are the relative contributions from each of the areas. We just have to do the math to make sure it all adds up to approximately 206 for the quarter.

Faisel Khan: The 800 a day on the legacy portfolio, is that still declining in mid- to high-single-digit range?

David McClanahan: It declined about two percent from the second quarter. It's leveled off, it obviously is still declining a little bit. There are still some rigs working, not a lot. And once you…the first year or two after you quit drilling is the biggest decline. So we're not having the types of steep declines that we saw in 2009 and '10, but they are still declining just because they are being depleted.

Faisel Khan: Okay, understood, thanks guys, appreciate it.

David McClanahan: Okay.

Operator: The next question is from from Andrew Weisel, with Macquarie Capital.

Andrew Weisel: Thanks. Most of my strategic questions have been answered, but I do have one bookkeeping question. The equity component of the true-up will be recognized over the life of the securitization bonds. I just want to verify from what you've said in the past, will you be considering that ongoing earnings, and about how many years would you expect that bond to last?

Gary Whitlock: Andrew, yes, we would consider that ongoing earnings. And I would expect the high-end would be fourteen years. We would have to look at the tranching, there may be some fives, tens and a bit longer. So we will have a lot of clarity on that obviously when we sell those bonds, and we can give you the exact numbers then. But the math is exactly – it will be amortized over the average life of those bonds.

Andrew Weisel: Great. Thank you very much.

Operator: The next question will come from Steve Fleishman, with BoA.

Steve Fleishman: Hi, good morning.

David McClanahan: Good morning.

Steve Fleishman: Just in thinking about the use of proceeds and the environment we are in, obviously particularly in your gas businesses, there has been a lot of – it's been a pretty attractive market environment and stocks, currencies have all done well. So it sounds like you're going to be pretty patient with use of proceeds, and I'm just wondering, do you think you really can be so patient in this environment? And also, do you sense any opportunities from a competitive standpoint to make sure that you've got competitive opportunities, particularly on the G & P side, where it's been tough to get new projects?

David McClanahan: We would rather, as you would expect, Steve, build rather than buy. Organic growth and building new systems are much more attractive than buying, especially at today's multiples. But I think there are some potential opportunities out there we continue to look at. We're not going to let this money say “got to go do something right today”. I think we are going to be patient, that is the message. But we are going to be very active, diligent, we are going to decide, is there something here over the next three to six months. It may take longer to execute it.

But we have to decide how long do we want to hold the money to try to invest it as opposed to looking at some of the alternatives. But I would say by mid-year next year, we ought to have a pretty good idea. And hopefully we will be able to spend some of this money before then. You might have picked up in my comments, we do think our capex in our – both our gas distribution as well as our electric utility is going to pick up from this year. So we’ll spend a little bit more in those areas. But obviously we're not going to spend all of our money in just that area, so we are going to have to find some new investments. But we're not going to do anything that doesn't create value for our shareholders. If it's not a good deal we are not going to spend the money just to spend it.

Steve Fleishman: And can you just remind us the framework you look at when you're looking at investment or acquisition opportunities? How you look at accretion/dilution returns? What kind of framework you're using?

David McClanahan: We have hurdle rates for each one of our businesses, and clearly, the investment has to meet the hurdle rate over the long-term. And I would say that we are not looking to have very much dilution at all. I guess there could be a little bit in the first year, but we are not looking in any long-term dilutive-type transactions.

Steve Fleishman: Okay, thank you.

David McClanahan: Okay.

Operator: The next question is from Ali Agha, with SunTrust Robinson.

Ali Agha: Thank you, good morning.

David McClanahan: Good morning.

Ali Agha: And I apologize, Gary, David, I jumped on a little late on the call so I apologize if you are going to repeat this. But could you remind us again, so the use of proceeds, how much has been earmarked for say, CapEx or internal growth versus say, debt or equity reduction? Did you quantify that?

David McClanahan: We didn't, Ali, what we've said is our first priority is to invest the money. So that's our number one priority. We have some debt maturing in a little over a year in 2013, and obviously, some of that debt we could actually buy in today at par. But we are not going to use the money for those purposes until we've really scrubbed our investment opportunities. And then we will decide if we should take out some debt or buy back some stock, but at this stage our number one priority is to invest it all in our businesses.

Ali Agha: I see. Okay, and related to that, David, obviously field services will have a very strong year this year, as expected. When you look at the base that you are creating in 2011 and your projects looking forward. What kind of growth rate should we be expecting for that business over the next few years?

David McClanahan: I think will still have growth from just our existing contracts in the Haynesville, Fayetteville, and Woodford. They are going to continue to grow up to their contracted capacity. Today, they are not there. They are about two-thirds of it, especially in the Haynesville. So I think though that our expectations around expansions, where we thought they would actually expand from 1.5 to maybe up to 2.9 Bcf in the Haynesville over the next five years, I think we have tempered some of our expectations there, and we don't think that's going to happen in the next couple of years. It may ultimately happen and we hope it does. But we had expected that might happen in late '12, or '13, and I think we are pushing that out a little bit.

Now we still talk to our customers routinely. And we have to read the tea leaves a little bit when we do that, but expansions are probably pushed out a little bit. So we are going to make sure we capture all of the growth of our existing contracts and there's some additional I think, expansions, small ones that we will see in that light, but our real goal is to try to go with some of these customers to some other areas. We'd like to diversify our footprint. We are pretty much mid-continent-based today and we would like to diversify that base some.

Ali Agha: And the last question, David, again I thought I heard you correctly but just to be clear. Did I hear you that you are saying that when you look at your existing portfolio and the near-term capex that you're not contemplating an

MLP structure for the pipelines, field surfaces, but if a big growth opportunity comes up, you will contemplate it at that point. Did I hear that right?

David McClanahan: You did. With the level of proceeds we are going to get, we don't see really any need right now to go out and do an MLP. Having said that, if we get into at very high-growth area or have a big opportunity, we would certainly consider it.

Ali Agha: Because one as the exercises you were going through was not as a source of capital but a valuation enhancement exercise. That was complete and you did not reach the conclusion that that would be a valuation enhancement, setting up an MLP?

David McClanahan: I would say that the results are mixed. I think there are definitely examples that you can find where an MLP appears to enhance the value of the sponsoring, the C corp behind it. At the same time, there are those examples where it doesn't appear to have value. So I don't think that is going to drive our determination, if we use an MLP or not. But I think a good, solid financing source for a growth business, I think, is the reason we would consider it.

Ali Agha: Thank you.

Operator: The next question will come from Jim Krapfel, with Morningstar.

Jim Krapfel: Hi, good morning.

David McClanahan: Good morning.

Jim Krapfel: In light of the expected securitization proceeds, how does it change your thinking in regards to the 2012 dividend payout level, if at all?

David McClanahan: We haven't considered that yet, Jim. But I would think that, we look at continuing earnings and cash flow, and I think we need to make sure we see where we are going to invest this money and the level of earnings we are going to get before it really influences our dividend decision. I think our dividend decision next year is going to be based on our current businesses, plus what we have done up to that point in time.

Jim Krapfel: Okay, so your early indication, I know this year you added one penny onto your dividend, is that somewhere in the ball park what you're looking at in 2012 or maybe a little bit higher?

David McClanahan:	We really aren't ready to discuss that at this time. We generally look at the dividend level in the first quarter of the new year, and that's what we'll do this coming year.
Jim Krapfel:	Okay, thank you.
Operator:	The next question will come from David Frank, with Catapult Capital.
David Frank:	Hi, good morning guys.
David McClanahan:	Good morning.
David Frank:	David, I know there's a lot of talk about potential uses of the cash. As management, and I'm going to say you're in the later part of your seniority there.
Gary Whitlock:	David, you are getting a little personal.
David Frank:	I know, and I don't want to get personal, I like you guys. But you're sitting there with 5 dollars, you know, you're going to have almost 5 dollars per share of cash on there. How important is it for you guys to see that this cash is spent and you grow the business and you ride out into the sunset, or how open would you guys be to actually selling the company?
David McClanahan:	David, I think you know the answer to that. We're not looking to sell our company, but we are absolutely focused every day on how do we create more value for our shareholders. And we think we have a unique opportunity with the proceeds we are getting. So I'm not sure we are going to ride off into the sunset before we get it all spent, but we are going to get it invested and used long before we get out of here.
David Frank:	Alright, thanks guys.
David McClanahan:	Alright.
Operator:	You have a follow-up question from Carl Kirst, with BMO Capital Markets.
Carl Kirst:	Sorry, just two quick ones. The first is with respect to the third quarter earnings on the Electric side. It sorta looks back of the envelope that the weather impact down here was, call it 35 or 40 million of EBIT. I know

sometimes it's difficult maybe to tease apart, but is that roughly what you guys are seeing?

David McClanahan: Yes, we think that weather and usage was about 35, 36 million dollars. And we are pretty sure that at least 25 to 26 million is weather, and probably a little bit more. We had a drought together with this extreme heat, and I'm not sure our weather models capture all of the impact of weather, but of the 36, we are pretty sure that 25, 26 is weather-driven.

Carl Kirst: Great, that's helpful. And then just, second question, you sort of touched on it in the comment with respect to perhaps reviewing the dividend at the normal time in January, but as we think about use of proceeds, a fairly large sum of money and given the market today and how they are rewarding yield-growing companies. In 2011 we saw a dividend bump of around a percent; is there any change in the thought of the framework of using some of that cash, earmarking some of that cash for potential dividend bumps rather than say, for instance, share buyback?

David McClanahan: Not at this time, Carl. We have a guide that we use, 50 to 75 percent of ongoing earnings we pay out in dividends. We are at the top-end of that range. We need to grow earnings to grow dividends. But I don't expect that we'll take this money and make any kind of special dividends with it. What we want to do is invest it, drive our earnings and then drive dividends, and that's our goal.

Carl Kirst: Great, thanks guys.

Operator: There are no further questions at this time.

Marianne Paulsen: Thank you very much. Since we do not have any further questions, we are going to end the call. Thank you very much for participating today. We appreciate your support very much. Have a great day, thank you.

Operator: This concludes CenterPoint Energy's third quarter 2011 earnings conference call. Thank you for your participation, you may now disconnect.

Cautionary Statement Regarding Forward-Looking Information

This information includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Statements regarding CenterPoint Energy's earnings outlook for 2011, future financial performance and results of operations, the anticipated future recovery as a result of the Texas Supreme Court's true-up decision, including the amount, timing and method of recovery, the expected accounting treatment and cash flow impacts of the true-up decision, the future impact of the PUC's rate case decision and the anticipated timing for the new rates, the timing for deployment of smart meters and remote electronic transmitters, the future growth expectations for the field services business, including the anticipated growth in gathering volumes in certain shale plays, customer growth rates, future levels of natural gas production and drilling activity, and other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained herein speaks only as of August 4, 2011. Factors that could affect actual results include (1) the resolution of the true-up proceedings, including future actions by the Public Utility Commission of Texas in response to the decisions by the Texas Supreme Court and the Texas Third Court of Appeals, and any further appeals thereof; (2) state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (3) other state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform and tax legislation; (4) timely and appropriate rate actions and increases, allowing 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; (9) the timing and extent of changes in the supply of natural gas, including supplies available for gathering by the Field Services business and transporting by its interstate pipelines; (10) weather variations and other natural phenomena; (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 financing and refinancing efforts, including availability of funds in the debt capital markets; (15) actions by 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 customers; (19) the ability of GenOn Energy, Inc. (formerly known as RRI 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 two largest customers of the TDU, to satisfy their obligations to CenterPoint Energy and its subsidiaries; (21) the outcome of litigation brought by or against CenterPoint Energy; (22) CenterPoint Energy's ability to control costs; (23) the investment performance of pension and postretirement benefit plans; (24) potential business strategies, including restructurings, acquisitions or dispositions of assets or businesses; (25) acquisition and merger activities; and (26) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, CenterPoint Energy's quarterly reports on Form 10-Q for the quarters ended March 31, 2011, and June 30, 2011,and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.