Second Quarter 2022 Earnings Conference Call
August 2, 2022

<u>Jackie Richert – VP, Investor Relations and Treasurer</u>

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO and Jason Wells, our CFO, will discuss the Company's second quarter 2022 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-Q, 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. When providing guidance, we use the non-GAAP EPS measure of adjusted diluted earnings per share, on a consolidated basis, referred to as "non-GAAP EPS."

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 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 thank you to everyone joining us for our second quarter 2022 earnings call.

It has now been a little over two years since I was appointed as the CEO of this great company and the exciting progress at CenterPoint continues, with lots of opportunities still ahead of us. Now that we're a pure play regulated utility, our quarterly updates will continue to be streamlined and focused on our regulated utility operations. In a minute, I'll run through our latest highlights and headlines as we continue to build on our consistent track record of earnings delivery.

But first, a quick sidenote. As Texas has heated up this summer, we have gotten a number of questions from shareholders that indicate there may be a level of confusion to some shareholders about how we participate in the Texas electric market. I thought it might be helpful to remind everyone about our role. As most of you know, the Texas ERCOT market is fully deregulated with respect to the generation and the retailing of electric power in Texas. And CenterPoint does not participate in either the Texas generation or retail markets. The Texas ERCOT market is regulated for the transmission and distribution of power which is the market that CenterPoint operates in. Therefore, CenterPoint only transmits power from third party generators and delivers it to our territories' third-party retail energy providers. Because of this, we take no electric generation cost risk and no retail pricing risk in our business in Texas. Think of us much like a regulated toll road that charges by the vehicle. As temperatures rise, we have more traffic in the form of electricity driving on our regulated toll road.

In addition, our Houston area Transmission and Distribution system makes up only about 2.5% of the geographic footprint of Texas but transmits and delivers about 25% of the total ERCOT summer peak electric load. So, we have a very dense power grid in our territory. Because of that, CenterPoint imports up to 60% of its electric needs throughout our transmission lines which connect to generation supply from locations elsewhere in the state. All of this is why investing in resiliency and reliability is so critical. I hope this helps those of you that are just becoming familiar with our story.

So now, let's turn to our headlines…

We have now delivered **nine** straight quarters of operational execution under this current management team.

We are halfway through 2022 and have increased confidence around our business performance. That increased confidence, specifically around Houston Electric's performance, led us to raise our non-GAAP EPS guidance for the year to $1.37-1.39. This means at the new midpoint we now expect to grow our earnings 9% this year over the prior year. This is also our 5th earnings guidance increase under this new management team, which, at the same time, is laser focused on taking steps to keep our bills affordable for our customers.

This increase to our full year guidance will provide the new and higher starting point for our future earnings guidance growth. In other words, it is from this higher $1.37-1.39 base, that we now intend to grow our non-GAAP EPS 8% annually for 2023 and 2024 and beyond that, we intend to grow at the mid-to-high end of our 6-8% growth range through 2030. We believe this will be an industry leading growth rate. Jason will get into these details shortly.

Commensurate with our earnings guidance increase, we also announced a one cent increase to our second quarter dividend. This quarterly increase is consistent with our objective of growing dividends in line with earnings.

We are also on track to meet our current capital investment plan for the year, having invested over $2B in the first six months of 2022, which is nearly 50% of our 2022 investment plans. We are also tracking very well against our 5-year and 10-year spending plans that support the safety, resiliency, and growth across our system to benefit our customers.

As mentioned in recent earnings calls, we are working to develop the details around incremental customer-driven capital opportunities to support a Houston area regional master energy plan. This includes our Resilient Now initiative with the City of Houston. We plan to provide an update to our capital investment plan on the 3rd quarter call.

We also recently completed the final steps of our Vectren integration. The integrated structure results in a more efficient debt structure which will help us reach our goal of reducing parent level debt to approximately 20%. So, check another box on our strategic commitment to strengthen our balance sheet and credit metrics for the benefit of our customers AND our shareholders. Jason will discuss it in more detail in his section.

Our Indiana generation transition plan is also tracking on course, including the recent commission approval of the Natural Gas peaking facility. We have also filed for another tranche of solar generation, which Jason will discuss. As a reminder, our generation transition plan to cleaner fuels aligns with our peer leading 2035 scope 1 & 2 net-zero emissions goals. I am also pleased to say today that despite the well-known challenges around solar power, our recently signed agreements will bring us to over 800MW of owned or contracted solar.

Those are our latest headlines. We strive to continue our track record we've established over the past two+ years of executing on this world class investment thesis.

Turning now to our earnings guidance update -

As stated, we raised our non-GAAP EPS guidance this morning to $1.37-$1.39. This represents a 9% growth rate at the midpoint, when compared to the 2021 non-GAAP Utility EPS of $1.27. Despite the current inflationary environment, we are continuing to see favorable tailwinds such as continued 1-2% organic growth and warmer weather which led to us raising our guidance this quarter. An example of the continued organic growth in the Houston area can be seen in its greater than 6% year over year jobs growth which added over 191,000 new jobs in the last year alone.

Even as the Houston area temperatures recently peaked at 105° and continue to be persistently hot, our grid has held up well with limited disruptions for our customers. These limited disruptions are largely related to the typical high intensity afternoon rain and windstorms that are common in Houston during our summer heatwaves. Related to these peak heating events, we have seen a modest uptick this year in customer transformer-related outages that occur across the industry, however, our operations have responded well. We had virtually all of our customers restored in less than two hours; and we continue to expect to meet or exceed the reliability standards set by the Texas Public Utility Commission.

During these recent record weather events, we only utilized commercial load management one time. And, while we didn't need mobile generation during this recent weather event, we have approximately 500MW of capacity deployed across our system and will be prepared to utilize it for the benefit of our customers should the conditions call for it.

I am pleased with the performance of our system, but more importantly, with the performance of our employees who manage all of our grids for CenterPoint. Now of course we still have several weeks of summer in front of us with more extreme temperatures forecasted and we will remain vigilant.

Now, Moving to Capital investments:

Our five-year capital investment plan of $19.3 billion has been increased twice since our September of 2021 Analyst Day. Our 10-year plan is still currently expected to be $40+ billion in investments to support the safety, resiliency, and growth across our system to benefit our customers. This leads to our industry-leading projected rate base growth of 9% CAGR over the 10-year plan.

We are making good strides in our strategic conversations with our customers to explore their views for further grid and infrastructure hardening and modernization, residential weatherization, and investments around renewable energy infrastructure. This has included workshops with industrial customers, the City of Houston, and other surrounding cities. I don't want to front run those conversations this quarter, but we should be in a place to better describe the potential additional capital investments related to these customer-driven infrastructure discussions in our third quarter call. We expect that this will include investment updates for the greater Houston area regional master energy plan which includes the "Resilient Now" initiative jointly launched with the City of Houston earlier this year.

As we invest to meet our customers' interests, we continue to remain focused on the affordability of our capital spend. We believe we have done a really good job in this area. For example, from 2013 through 2022, our average Houston Electric charge has only increased by an average of about 1% per year. Focus on that fact for a second, that 1% translates to only a $5 increase in the average monthly charge over the last 10 years. That's the beauty of having strong and continuous organic growth and charges rolling off the bill. The Houston area has averaged 2% annual customer growth over the last 30 years.

To further benefit customer charges, in 2024, our final Houston Electric securitization charge will roll off the customer bill, which will provide an additional 5% reduction to the current average residential charge. This is on top of the 3% current average residential securitization charge that rolled off just this month. These changes, combined with an organically growing customer base and O&M discipline across our footprint, work to help to reduce the customer impact of capital investment programs across our system. And we will seek to keep executing on these kinds of opportunities to help keep bills affordable for our customers.

As I mentioned in the highlights, our Indiana coal generation transition plan is also tracking nicely against the filed IRP, and we have some potential bill mitigants such as a recently filed securitization.

Jason will cover regulatory items in more detail in just a few minutes.

So, in summary before I turn the call over to Jason -

With all of the recent strategic actions behind us, we are focused on our pure-play regulated utility footprint with a projected 2022 rate base that is approximately 62% electric, which is within the range of some of our premium utility peers.

We believe we are one of the most tangible growth stories in the industry. Our capital investments are not contingent on big bets. They are focused on meeting the needs of our customers across our system due to both organic growth and our continued investment in current systems' safety, reliability, and resiliency needs. We expect this will likely lead to incremental capital above our $40 billion plus included in our current 10-year plan. We anticipate to provide a more detailed update of this additional investment opportunity on our third quarter call.

We raised our 2022 non-GAAP EPS guidance to $1.37-1.39, a 9% growth over 2021 and from that increased number, project to grow at 8% annually for 2023 and 2024, and at the mid-to-high end of 6-8% annually thereafter through 2030, an industry-leading growth rate. And, we have a peer-leading 2035 net zero goals on our scope 1 and 2 emissions.

And for those that continue to track it, we still expect to reduce O&M expenses by 1-2% per year on average over the 10-year plan. And we still have no plan to issue any equity to meet our current capital spending plans.

As I stated in my opening remarks, we are excited about the 9 straight quarters of execution and I want to thank all of the great employees here at CenterPoint that are delivering on those results to you every day.

Lastly, we remain focused on achieving our value proposition which is:

unstainable, resilient, and affordable rates for our customers;

sustainable earnings growth for our shareholders;

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 second quarter call.

Q2 2022 results

I'll start by covering the financial results for the quarter as shown on slide 6.

On a GAAP EPS basis, we reported 28 cents for the second quarter of 2022. Our GAAP EPS results included a portion of the tax on the gain on sale of our Arkansas and Oklahoma Gas LDCs which we are required to recognize over the course of the full year.

On a non-GAAP basis, we reported 31 cents for the second quarter of 2022 compared to 28 cents in the second quarter of 2021.

Usage for this quarter was a favorable variance of 3 cents when compared to the same quarter of 2021, largely driven by the hot weather we have been experiencing in the greater Houston area.

Growth and rate recovery contributed another 2 cents, largely driven by continued organic customer growth and TCOS rate recovery in our Houston Electric territory.

These favorable drivers were partially offset by higher interest expenses of 2 cents, one cent of which was related to absorbing costs previously allocated to midstream segment in 2021.

The last thing I'll mention on the drivers is a tax benefit related to a lower state effective tax rate identified during the VUHI restructuring at the end of this quarter. This translated to a benefit of 2 cents, which largely offset the 3-cent one-time benefit for Louisiana NOL tax benefits recognized in 2021.

As Dave mentioned, we are raising our full year 2022 guidance range to $1.37 to $1.39 of non-GAAP EPS, which reflects 9% growth over the comparable $1.27 non-GAAP EPS results for 2021, when using the midpoint of this new range.

On the O&M side for the balance of the year, and for the benefit our customers, and similar to what we did in 2021, we see the opportunity to pull forward certain O&M work from 2023 and reinvest it back into the business in latter quarters of 2022. Some of this reinvestment will include accelerating additional vegetation management work into 2022. I want to emphasize that we still expect to achieve our average annual 1-2% O&M reductions over the 10-year plan.

Beyond 2022, and from our new and higher $1.37-1.39 baseline we continue to expect to grow non-GAAP EPS 8% each year for 2023 and 2024 and at the mid to high point of 6-8% annually through 2030. Our focus continues to be on delivering strong, industry leading, growth each and every year.

Capital investments

Turning to capital investments on slide 7…

We are tracking nicely against our current investment plant, having spent just over $2 billion in the first six months of this year, which is nearly 50% of our full year program. These programs are focused on continuing to invest in safety, resiliency, reliability, growth, and clean enablement of our service. To echo Dave's earlier remarks, we are well on our way to developing incremental customer-driven opportunities above our existing plan, including for the greater Houston area regional master energy plan. We expect to provide a comprehensive update on our third quarter earnings.

We announced earlier this year that our Minnesota gas utility is now among the first gas utilities to add green hydrogen to its distribution system. We appreciate the state's support of these kinds of innovative solutions that reduce carbon emissions and advance a clean energy future. And we look forward to working with the commission and other stakeholders as we get closer to filing our first plan under the Natural Gas Innovation Act next year.

Turning to our generation related investments, we've received a few positive outcomes from the Indiana commission recently, including the IURC's approval of our 460MW Natural Gas peaking facility. This facility will help provide stability to our customers' energy needs in times of intermittent renewable generation and is targeted to be operational in 2025. The cleaner generation footprint compared to coal generation aligns with our current net-zero goals.

Beyond this, we recently filed for approval of 130 MWs of owned solar generation. These projects will bring our total owned and contracted solar to over 800MW, which is tracking well against our Integrated Resource Plan that called for approximately 700-1,000MW of solar and approximately 300MW of wind. We anticipate filing for remaining balance of generation needs later this year, which will include a project to be owned by our Indiana Electric utility.

We will begin the planning process for our next Integrated Resource Plan soon after earnings and anticipate filing that plan in mid-2023. This upcoming IRP will provide guidance on our remaining coal-fired assets. As a foundation for this IRP, we recently conducted an all-source Request for Proposal where we received nearly 100 proposals from several dozen participants including wind, solar and battery storage that will help inform our IRP process. We look forward to working with stakeholders through the process to develop a constructive outcome for our customers.

Moving to a broader regulatory update on slide 8

We have securitization efforts going on in a couple of jurisdictions. We anticipate receiving securitization proceeds in the coming months in Texas related to incremental natural gas costs also related to winter storm Uri which will securitize approximately $1.1 billion of these costs. With that, we will have recovered over 80% of the incremental gas costs incurred during winter storm Uri.

In addition to the Texas securitization, we recently filed for securitization in Indiana of approximately $360 million of costs related to the retirement of two coal facilities. This is a first filing of its kind in Indiana. The securitization supports the generation transition capital investment plans and should result in a decrease for the benefit of our customers of the associated retirement costs of those assets by up to $60 million when compared to traditional rate making. The current procedural schedule anticipates a decision by the end of 2022, and if the financing order is approved, we would expect a bond issuance in the first quarter of 2023.

Beyond the securitizations, we will begin recovering the $78 million in Texas related to the "traditional distribution capital" portion of the DCRF filing in September. Based on a Texas Public Utility Commission order, we filed an amendment for the mobile generation related portion of the DCRF filing and have a hearing scheduled in October. As noted on our last call, there is often more regulatory scrutiny to get a new capital item into the existing mechanism. We look forward to working constructively with stakeholders to resolve that rate application in the coming months. We continue to believe these are valuable tools to help meet the needs of our customers in the event they are called upon.

Outside of those updates, I'll remind everyone on the regulatory side, we have limited regulatory risks near term with no major rate cases to be filed until the latter part of 2023.

Turning to VUHI Transaction…slide 9

We're excited to complete the VUHI restructuring this past quarter, which has been about 4 years in the making. We were able to transfer our Indiana Gas Company and Vectren Electric Delivery of Ohio subsidiaries into CERC, which now holds almost all of our natural gas utility businesses.

Along with the restructuring, we were able to pay off approximately $700 million of additional parent level debt that will now be more efficiently financed at the CERC operating company instead of relying on intercompany borrowings. The greater scale and stronger credit profile of CERC should benefit our customers through lower future financing costs on an ongoing basis, resulting in anticipated customer savings over the long term.

Through the restructuring process, we were able to remove certain restrictive covenants previously contained in the VUHI private placement notes that restricted the amount of securitization bonds that Indiana Electric could issue which I discussed earlier.

Additionally, in the future, we anticipate financing Indiana Electric on a standalone basis through first mortgage bonds, further reducing intercompany borrowings from the parent.

These actions also align with our goal to have parent level debt at approximately 20% of total debt outstanding which will help mitigate the impact of a rising interest rate environment. This restructuring is another example of delivering value for both our customers and our investors.

Lastly to cover some Credit related topics-

In addition to our improving parent level debt balance, our FFO/Debt as of the second quarter was approximately 16%, exceeding our long-term objective of 14% - 15%, aligning with Moody's methodology.

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

I'll briefly mention that we plan to renew our shelf registration in the near future as the existing 2019 registration statement is expiring. We have not issued any new shares under that program in a few quarters and have no intentions of doing so in the future, but believe it is good practice to keep one outstanding.

Those are my updates for the quarter. 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.

I'll now turn the call back over to Dave.

Dave Lesar – President & CEO

Thank you, Jason. As you heard from us today, we have 9 straight quarters of meeting or exceeding expectations. We are a pure-play regulated utility, and firmly on the pathway to premium with incremental growth opportunities driven by our customer demands.

Jackie Richert VP of Investor Relations and Treasurer

Thank you, Dave. We'll now turn the call over to Q&A. Operator?

Q & A

Operator: At this time, we will begin taking questions. [Operator Instructions] [Our first question comes from Shahriar Pourreza with Guggenheim Partners. Your line is open.

Shahriar Pourreza

Hey. Good morning, guys.

Dave Lesar

Good morning, Shahriar.

Shahriar Pourreza

Dave, in terms the guidance raised today for 2022, as you call out, is now kind of implying 9% growth in 2022. Does that kind of imply a stronger trajectory for future years, despite you just reiterating 8% in the near term? I mean, you're obviously showing some confidence in the raise despite the sort of the broader backdrop and a pending GRC filing potentially at the end of 2023. So, what's driving it and any placeholders there with your internal planning assumptions for resiliency now in there?

Dave Lesar

Now, I think, you know, first of all, we wouldn't express the confidence that we have in continuing to grow earnings if we didn't believe in it. So, I think that needs to be your first take away. Second is, we do have a lot of tailwinds in the business right now. I think the great thing for us is that almost all of them are customer-driven tailwinds. We clearly have the organic growth that we highlighted, the jobs growth, the 2% residential growth quarter-overquarter. Certainly, weather is helping us at this point in time and helping us really because the margin we're getting from that, we're allowed then to pull O&M forward from 2023 to benefit our customers in 2022. And then clearly, we continue to have the 1% to 2% long-term O&M

reduction. The increased capital is clearly showing up in earnings and will continue to show up in earnings. So as I said, you know, if we weren't really confident in where we were going, we wouldn't say it. I mean, you know, maybe the benefit I get as CEO is focusing on the tailwinds. There are some headwinds out there. Maybe Jason can get on those.

Jason P. Wells

Sure. Thanks, David. Thanks for the question, Shahriar. I know the industry has been talking a lot about rising interest rates and pension expense. I think we're in an enviable position on both of those. From an interest expense standpoint, we're really one of the few utilities that are significantly paying down parent company debt and floating rate debt. You know, over the last six months, we paid off at $1.1 billion of parent company debt with a weighted average coupon of 3.4%. And as I indicated in the prepared remarks, we're prepared to pay down $1 billion of floating rate debt as soon as the Texas securitization proceeds are received here in the second half of the year. And from an expense, we're really fortunate to work in constructive regulatory jurisdictions. We get to defer about twothirds of our pension expense. So, we're in a good spot.

And while maybe not necessarily a headwind, what I do want to remind folks of is the fact that we increased capital already $500 million this year, and so that provides further tailwinds to address anything that comes up. And sort of central to your question, Shahriar, the guidance raise and resulting increase in subsequent years is before the addition of the Resiliency Now capital. We will provide a comprehensive update as it relates to that incremental capital on our Q3 call.

Dave Lesar

Yeah, I think that's the key point that Jason just said. We're not going to front run our Q3 conversation on incremental capital. So, the increased guidance we're given as we gave you today is essentially from the capital that we've already communicated to you in the past.

Shahriar Pourreza

Got it. So, the incremental capital will be incremental to your guidance. Got it. So, that's – and we'll look forward to that on the third quarter. And then just, Dave, just looking at sort of that interest rate backdrop, I guess, does that kind of prompt any potential reconsideration of the M&A outlook as we think about the value potentially monetizing more LDC asset? Has anything changed here versus your prior thoughts? It sounded like from your prepared remarks, you may be comfortable with sort of that electric gas business mix as you comp closely with other premium names now… so just curious as you're thinking about it just given the change in the capital markets. Thanks.

Dave Lesar

Well, I think Jason alluded to, we've got plenty of cash flow at this point in time. And if you recall what we've said almost from day one or I've said from day one, I mean, our North Star is no further issuance of equity to dilute our shareholder base out. So, that's sort of the stake in the ground.

As Jason said in his prepared remarks, we've got certainly a lot of cash flow from the prior LDC sales, the Enable sale. We've got some upcoming securitizations as we refine sort of the tax exposure on some of the transactions, we're finding additional capital there. So, at the end of the day, we're going to wait until Q3 and we'll give a comprehensive update to not only the incremental capital that may come out of our Resilient Now and master energy plan, but how we intend to finance all that without additional equity issuances. So, just sort of hold that thought.

Shahriar Pourreza

Okay. Perfect. Congrats, guys, on the results. Appreciate it.

Dave Lesar

Thanks.

Operator

Our next question comes from Steve Fleishman with Wolfe Research. Your line is open.

Dave Lesar

Hey, Steve.

Steve Fleishman

Yeah. Thanks. Hey. Good morning. Great update. Just curious. I know it's very recent, but the – curious on how you think the company is positioned on the corporate minimum tax that's part of the proposed inflation act from last week?

Dave Lesar

Yeah, I'll let Jason take that one.

Jason P. Wells

Hey. Good morning, Steve, and appreciate the question. Maybe before turning directly to the minimum tax, I do think the real opportunity here is the opportunity for incremental margin associated with transportation electrification.

You know, as we highlighted in our Analyst Day, every electric vehicle that's connected to our grid is about $80 a margin a year, so we are excited about the continued support of electrification. And then, in addition, the extension of the tax credits will help us more efficiently execute our coal transition up in Indiana. So, we think those are definitely tailwinds for the company. As it relates to the minimum tax, it's going to likely be a very modest headwind for the company that we will be able to efficiently overcome. We've been historically cash taxpayer, and as you cut through kind of all the onetime transactions, as we've been executing on our strategic reset and the timing of the unrecovered natural gas costs, we've generally paid federal cash taxes at an effective rate of about 10%.

So we see, the introduction of a minimum tax that will likely be reduced from the credits that will be generated from the coal transition in Indiana as a modest headwind. But again, I would emphasize, this is something that we will be able to efficiently overcome and I think that candidly, that we're in a much better position than many of our peers who haven't been paying federal cash taxes over the years.

Steve Fleishman

Great. Thank you. And one other question just we had a little bit of a tougher market environment in terms of capital markets. And I know you just said that you don't really – you have a lot of cash available. But in the event you were to pursue another gas LDC sale, do you feel like that the market is still there to sell at a strong price somewhere in the ballpark of last time?

Jason P. Wells

We do, Steve. We continue to get a significant amount of inbound from the market. And clearly, rising interest rates are having, what I would say, sort of a modest impact. But what I think is more than offsetting that is, I think, comfort and a much higher terminal value for gas LDCs, I think, a confluence of events, whether it be winter storm Uri or the war in the Ukraine has kind of led to sort of better comfort for a long-term diversity in energy supply. And so, as we get kind of inbound interest, we're seeing, again, much more comfort with a much higher terminal value for gas LDCs, particularly Mid-Continent, where we're fortunate to operate ours. But I just want to sort of emphasize what Dave already mentioned. We've had a number of incremental improvements to our cash flow forecast since our last update at Analyst Day. A couple of things that I quickly point out is we were really conservative as it related to the tax basis for the gas LDC sales. So, we've lower taxes there than we expected.

In a theme of continuing to optimize our tax position, we were able to minimize some of the taxes on the sale of the energy transfer common units. We've got about $100 million more of incremental proceeds from the securitization up in Indiana. And so, what I would say all in all, we have a significant amount of positive cash flow developments that will help us efficiently fund our capital update that we plan to provide on the Q3 call.

Operator

Our next question comes from Jeremy Tonet with JPMorgan. Your line is open.

Jeremy Tonet

Hi. Good morning.

Dave Lesar

Morning.

Jeremy Tonet

Just wanted to come back to the DC package if we could. Just wondering on the tax credit side, is there anything particular there that's catching your interest that you're closely watching that could present more opportunities for CenterPoint.

Jason P. Wells

I think for us, the core benefit is the extension of the tax credits in and of themselves and if some of our peers are talking about transferability, we're not necessarily in a position to really take advantage of that just given the fact that we have a fairly modest coal transition program. We're talking about effectively 1 gigawatt of generation up in Indiana.

So, we'll utilize those credits to kind of optimize our current tax position. And so, I think the key benefit is just the extension of the tax credits. We'll look at the opportunity to maybe elect production tax credits for solar. But ultimately what's going to govern this is sort of what's the most efficient way for us to complete the coal transition for our customers up in Indiana.

Jeremy Tonet

Okay. Got it. So maybe this does an impact generation replacement in Indiana depending on how things fall out here, but just wondering if there's any more details on that side, specifically that you might be able to provide?

Jason P. Wells

What, you know, I think we've – as we talk about, I think we're well on our way to transitioning in retirement of 2 of the 3 coal units up in Indiana. I think with the extension of the tax credits, they put us in a better position with this third and final coal facility that we'll be addressing in our Integrated Resource Plan that we will file in early 2023. But I just think with the certainty around the extension of the tax credits, we're just going to be in a much better place to efficiently execute on the retirement of that third and final coal facility.

Jeremy Tonet

Got it. Just a real quick last one. As far as the capital update, I know you're not going to front run it here for 3Q, but should we be thinking this is largely Houston focused or could there be other elements to say?

Dave Lesar

We're not going to front run the conversation. Sorry.

Jeremy Tonet

Got it. Thank you very much.

Jason P. Wells

Yeah. Thanks.

Operator

Our next question comes from Andrew Weisel with Scotiabank. Your line is open.

Dave Lesar

Good morning, Andrew.

Andrew Weisel

Thank you. Good morning, everyone. Good morning. First, just a couple of questions on the summer heat waves and how you're managing that. I think you said, you only use the commercial load management once. Can you remind us the relative sizes of the voluntary demand response program versus force load shedding? And can you specifically comment on the role that cryptocurrency miners played in terms of curtailing demand? And if you view that to be a real and reliable lever to pull going forward?

Jason P. Wells

Good morning, Andrew. Thanks for the question. You know, our official load management program was roughly, call it, 125 megawatts. And that was the official – the one official – the one official sort of use of the commercial-led management program. There was one other day where we curtailed load on a very minor basis using a reduction in voltage. But again, to give that a size, it's roughly about 125 megawatts versus our peak demand of call it 19.5 gigs, so kind of a fraction of the overall demand on our system.

As it relates to crypto mining, what I would say is I think parties are still trying to kind of understand how effective of a lever that is. We're not seeing directly as much mining in the Greater Houston area. As we've talked about historically, we represent about 2.5% of the geography of Texas but a quarter of the energy demand.

And so, we're sort of short power requiring a significant import from out of state as a result. That and land is more expensive here. As a result of that, we're seeing crypto mining more located kind of in the Texas Panhandle closer to the generation sources. Some of that is really flexible and I think has been a lever that ERCOT has used. Some of that is behind the meter and is maybe a little less visible to ERCOT. So I think there's opportunity around embracing sort of economic development of crypto mining for the state is one that will require a continued focus to make sure that we can balance demand and supply as we see some of these peak events.

Dave Lesar

Yeah. It is fair to say that it is on the radar screen of the PUC because the last time we visited with a number of the PUC commissioners, which was just a few weeks ago, it was really top of mind at that point in time. But as Jason has said, everybody is trying to get a handle on how much of it really is behind the meter right now and how much of it is addressable if the state continues to get tied on power?

Andrew Weisel

Okay, great. And then, maybe more broadly, after being tested so intensely through July, how do you feel about the condition of the grid? Has it kept up with the strong economic and population growth in recent years? I'm talking about the wires specifically, not the supply piece, which is beyond your control. I think you just remind us how much of the $40 billion plan relates to Houston reliability or resiliency before the update in a few months?

Dave Lesar

Yeah. Jason, you want to take that?

Jason P. Wells

Yeah. I think that the grid itself, so the transmission and distribution system held up remarkably well. We have – we built our system here in the greater Houston area to withstand, this peak sort of heat event that we experienced. And as we said, our system stood up well. You know, our focus is on making sure there's adequacy of this energy supply, but very proud about how our system, how the power crews responded when we had some outages from storm-related events, like Dave mentioned in his prepared remarks.

You know, the $40 billion CapEx program that we outlined, the 10-year CapEx plan for the entire company, about $22 billion of that relates to Houston Electric. And what I would say, currently, about $8 billion of that $22 billion is really sort of resiliency spent. Think about $11 billion of that is really sort of growth enablement, connecting new customers, increasing capacity, their system. The rest is sort of capital that used to kind of support the overall business.

And so, as we think about our broader capital update and ensuring that our system remains resiliency – resilient in the face of more extreme temperatures, more extreme weather events. We likely will see an increase in that resiliency component. But again, we'll provide a comprehensive update on the Q3 call.

Andrew Weisel

Very good. Then, one more if I may. Jason, I think you said you're starting to – you're thinking about pulling forward expenses from future years into 2022. Has that already started? I think you mentioned tree trimming. How does the hot summer weather impact your ability, both physically and in terms of affordability in the context of inflation? And then, are you thinking about the timing of O&Ms. relative to the Houston Electric Rate case you intend to file in 15 or 18 months or so?

Dave Lesar

Now, let me handle sort of the front end of that. I'll let Jason handle the latter part of the question. I think to put it in context, if you remember back to our discussions last year where we did reduce our O&M 1% year-over-year even though we brought forward $20-some million plus of O&M from 2022 into 2021 basically to attack things like vegetation management and opportunities like that. And we really are sort of in a rinse-and-repeat year here in 2022, taking advantage of the margin that the hotter weather has provided us to pull some O&M forward from 2023 to 2022 to address the various – the exact issues that we've talked about, more vegetation management and really spending that money for the benefit of our customers while still being able to reduce O&M 1% to 2% over the 10-year average we have.

So, again, it really is the benefit of the fantastic market that we have in Houston. I know you probably get tired of me harping on it, but the beauty of organic growth and the ability to invest ahead of that growth is just a luxury that other utilities don't have that we have here in Houston. And so, every decision we make is made through the lens of how can we benefit our customers sooner rather than later. And that's the decisions that we're making.

Andrew Weisel

Great. Thank you very much.

Operator

Our next question comes from David Arcaro with Morgan Stanley. Your line is open.

David Arcaro

Hey. Good morning. Thanks so much for taking my question

Dave Lesar

Good morning, Dave.

David Arcaro

I'm wondering if you could talk to load growth for a minute, just what you're seeing in terms of whether normal load growth and specifically on the industrial growth side of things.

I'm also curious if you're seeing just any indications or early indications of any softness in the industrial load levels.

Dave Lesar

No. I think the industrial load growth continues to expand. I think if you just look at who our customer base is down and basically if it takes the port facility in Houston through refinery road through the petrochem complex and the amount of final investment decisions that have been made over the last few years, expanding capacity in basically the whole petrochem complex. So, we see that as a continued growth engine for us. And I think the short answer is I don't think we're seeing any indication of any slowdown in industrial demand on our system at this point in time.

Jason P. Wells

I would add from a – from a residential standpoint, we're continuing to see just north of 2% increase in new customers. On a weather-adjusted basis what I think is really interesting is at least through the first five months of the year, so through May, we saw usage on a weather-adjusted basis outpacing customer growth.

We didn't see that as much in June, but June was as we've talked about sort of a record month with weather. But I come back to this sort of usage trend that we're monitoring to see how this unfolds. There could be what I'll call maybe a new normal in terms of residential usage with more of a work-from-home model. As we see customers spending a couple of days working from home while also at the same time businesses are welcoming the employees back, we may see on a longer term basis a trend with a slightly higher usage on a weather-adjusted basis than we're seeing in terms of just new customer connection.

So base business remains strong as David continue to highlight in terms of new customer connects, weather's been great, but we're also seeing kind of a modest uptick in usage.

Dave Lesar

Yeah. And I would say the other thing that we're looking at is another potential tailwind. And Jason hit on it a little bit earlier. As we said in our last Analyst Day, Houston is one of the least penetrated EV markets of a major city in the US and what the Inflation Reduction Act basically being very supportive of the electrification of the vehicle fleet. We see a big potential for the City of Houston and the need for us to continue to enhance the grid just to handle the needs that are going to come out of there.

Jason mentioned the $80 per margin per car per year from an electric vehicle.

I think another way to think about it is the stat that we gave at our last Analyst Day where it could be another 1% organic growth driver on top of the 2% organic growth we have at this point in time, which really would be sort of extraordinary baseline growth in your organization, all pointing to why, for the benefit of our customers, we would have to continue to upgrade the resiliency and hardening of the grid. So, it's a really good place to be right now.

David Arcaro

Got it. That's really helpful caller. Sounds like continued strong fundamentals on that basis. And then, I was wondering if you could just talk to any transmission growth opportunities that emerge. You see such a tight power market in Texas recently just this season. Wondering if any transmission-related solutions have popped up, whether it's congestion related around the City of Houston, and whether that could be an element of the CapEx upside or CapEx update that we see.

Jason P. Wells

Yeah. I think we're continuing to work on a number of transmission opportunities. You know, as I highlighted, kind of we're sort – anywhere between sort of 40% and 60% of kind of power needs here in the greater Houston area, just kind of given our profile. So, there is a strong focus on increasing the number of import transmission lines, sort of, available to bring power in and, kind of, reducing congestion. I think it was really in customer's interest. The state passed and put into law last year the opportunity to build new transmission from an economic dimension standpoint. So, on an economic basis, So, on an economic basis reducing kind of the congestion charges. We're working with ERCOT & the PUC to develop this projects. And they're maybe some incremental transmission updates that we provide as part of the Q3 update which will be a comprehensive capital update at that time. So, you know, it continues to be an area where we think that there is incremental investment opportunity and we'll say, if sort of quantifying that update until we provide that comprehensive CapEx increase on the Q3 call.

Dave Lesar

Yeah, I think, you know, if you look at what came out of the change in Texas law at the end of the last session, sort of a move from reliability-based to economic-based transmission lines. You know, we're waiting and I know the PUC is focused on getting their regulations set. Hopefully, here by the end of the year, in and around how they're going to approach the deciding and putting in a new transmission line. So, as Jason said we're excited about it. We think that we can make the case for economic transmission lines. We've just got to wait for that process to get it get itself completed.

David Arcaro

Okay. Great. That makes sense. Thanks so much.

Operator

Our next question comes from Julien Dumoulin-Smith with Bank of America. Your line is open.

Julien Dumoulin-Smith

Hey. Good morning, team. Thanks for the time.

Dave Lesar

Hey, Julien.

Jason P. Wells

Good morning, Julien.

Julien Dumoulin-Smith

Pleasure. Just first off, on the store update, just can you give us a little bit of a sense of the timeline for those projects now and the CapEx that was moved around and pull forward to offset the impact of delays previously? This is kind of imply a higher step up in 2024 and 2025 than previously expected. Or how should we think about the latitude created and/or exactly where sort of the status of solar projects are today as best you see them?

Jason P. Wells

Yeah. Thanks for the question, Glenn. I think we are seeing a lot more comfort from the developers that we're working with in terms of panel supply. Our original 10-year plan assumed our first solar project coming online at the end of 2023. That may move into 2024, but I think, as I said, overall, we're starting to see a lot more comfort with panel supply. So I think that we will largely be on sort of schedule for the build out and ownership of the solar component of the plan.

As you as you pointed out, we – on a net basis over the first 5 years that 10-year plan increased our capital expenditures $400 million last quarter. That gives us the opportunity to overcome any potential delay if that first solar project shifts from 2023 to 2024. As we get back on schedule, to your point that $400 million then becomes incremental earnings power for the company. So, we'll give a sort of broader update on that as well as the incremental capital from resiliency now and in other opportunities on the Q3 call. But think about this as just a stronger sort of set of tailwinds for the company as we move forward.

Julien Dumoulin-Smith

Got it. All right. This is just a slight shift in earnings still.

Jason P. Wells

Yeah.

Julien Dumoulin-Smith

All right. Excellent. Let me come back to your O&M commentary. I just want to make sure I understand this because you guys have been – have your foot forward on this 1% to 2% for a while here. But what's the growth level, if you can speak of it this way of inflation that you're seeing out there? And how much of an incremental fight are you having to put up here to offset that impact? I just want to – I get that you guys nicely packaged it into saying we reiterate our commitment on the reductions. Just wanted to understand how much of an inflationary pressure you are otherwise having to track I guess here to maintain that commitment and obviously cognizant here of the pull forward in the 2022 year to de-risk 2023 as well.

Jason P. Wells

Yeah. Thanks, Julien, for the question. We're not immune to inflation, but I think we're relatively well-positioned. We're seeing the impact of inflation more on the capital side, more on sort of materials than we are necessarily on labor.

As it relates to sort of a broader kind of labor costs, our crews and our contractors that we use relates to sort of a broader kind of labor costs. Our crews and our contractors that we use all sort of follow our union agreements. Those are multi-year agreements that have stated annual increases in labor costs. And so, we have set those. Those have been sort of in place. And I think what that does is that provides certainty to our workforce in years where maybe inflation is lower. Our workforce is getting a benefit in terms of a stated increase and in years where maybe inflation runs a little higher. Our customers are getting the benefit of a stable overall cost to labor. So, for that reason, we're not necessarily seeing the cost impact of inflation on O&M quite as much as one may think. And so, at the end of the day, it really is kind of a little bit more pressure on supplies on the capital standpoint.

Julien Dumoulin-Smith

It's interesting that, so, this is the equivalent of your third quarter update. Would you expect to also sort of cascade forward that inflationary impact on your core plan in addition to some of these other factors you talked about before? Or are you thinking about just simply shifting out projects in order to keep your sort of "core plan" intact, if you will, just given those inflationary pressures on capital?

Jason P. Wells

Yeah. I know it's a good question and I want to provide context. You know, as we look at kind of a $19.3 billion 5- year plan, a $40 billion CapEx plan over 10 years, the incremental inflationary pressure is not that significant. It's not going to be one of the growth drivers. We are focused on executing our projects. Right. It's important to, you know, modernize our gas system, improve the reliability of our, you know, electric system. So, you know, it's about executing work, sort of to, you know, directly answer your question. And, you know, yes, it will be a comprehensive capital update inclusive of new project work for resiliency now inclusive of the potential for some inflation. But I wouldn't necessarily driver of any CapEx increase.

Julien Dumoulin-Smith

Understood. Excellent. See you guys soon. Be well.

Jackie Richert

Operator, we're going to thank everyone for joining our second quarter call now that we are just past the hour here. So we're going to disconnect. But thank you, everyone, for joining in on the second quarter call.

Operator

This concludes CenterPoint Energy second quarter earnings conference call. Thank you for your participation. 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 expected updates to our 10-year capital plan, renewables projects, mobile generation spend and the City of Houston's Master Energy Plan and Resilient Now), the impacts of the February 2021 winter storm event on our business and service territories and the recovery and timing of recovery of associated gas costs, future earnings and guidance, including long-term growth rate, operations and maintenance expense reductions, financing plans (including the timing of any future equity issuances, credit metrics and parent level debt), the impact of disruptions to the global supply chain on our business, including our generation transition plan, the Company's 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 ("ZENS") and impacts of the maturity of ZENS, tax planning opportunities (such as any potential use of the repairs expense deduction), future financial performance and results of operations, including with respect to regulatory actions and recoverability of capital investments, customer rate affordability, value creation, opportunities and expectations, and 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 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, the exit from midstream, and the internal restructuring of certain subsidiaries which we cannot assure you will have the anticipated benefits to us; (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 the timely recovery of its investments; (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 and increases in commodity prices; (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; (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 and carbon emissions reduction 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 and carbon emissions reduction 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 and CenterPoint Energy's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022 and June 30, 2022, 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, CenterPoint Energy presents, based on diluted earnings per share, non-GAAP income, (in 2021) non-GAAP Utility earnings per share ("Utility EPS") and (in 2022) non-GAAP earnings per share ("non-GAAP EPS"), as well as non-GAAP long-term funds from operations ("FFO") which are not generally accepted accounting principles ("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.

2021 Utility EPS included net income from the company's Electric and Natural Gas segments, as well as after tax Corporate and Other operating income and an allocation of corporate overhead based upon Electric's and Natural Gas's relative earnings contribution. Corporate overhead consisted primarily of interest expense, preferred stock dividend requirements, and other items directly attributable to the parent along with the associated income taxes. Utility EPS excluded: (a) Earnings or losses from the change in value of the Company'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 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, (in 2021) Utility EPS, (in 2022) 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. In addition, because Texas in an unregulated market, CenterPoint Energy's Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and exclude emissions related to purchased power between 2024E-2026. CenterPoint Energy's Scope 3 estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) For EIA-176 reports and do not take into account the emissions and transport customers and emissions related to upstream extraction. Please also review the section entitled "Cautionary Statement and Other Disclaimers" included in this document.