Q1 2022 Earnings Call Script – May 3, 2022

Jackie Richert – VP, Investor Relations and Treasurer

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO and Jason Wells, our CFO, will discuss the Company's first 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 may use our website to announce material information.

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

Dave Lesar – President & CEO

Thank you, Jackie. Good morning and thank you to everyone joining us for our first quarter 2022 earnings call.

I'll run through our latest highlights and headlines as we continue to build on our consistent track record of earnings delivery.

First, we have now delivered eight straight quarters of operational execution by this current management team.

- We are now among the pure-play utilities, having sold our remaining Energy Transfer position and fully exiting our midstream investment well before the year-end 2022 target that we committed to you. The 2022 ET common and preferred net proceeds were approximately $490 million, after taxes. Bringing the combined total net proceeds from the ultimate divestiture of Enable to approximately $1.3 billion, after taxes.

- In addition, following our first quarter Arkansas and Oklahoma LDC divestiture, our rate base is now forecasted to be 62% electric based on 2022 year-end projections, getting us into the range of some of our premium utility peers.
- We utilized the total net, after tax, proceeds of approximately $2.9 billion from these two transactions to pay down associated debt and plan to recycle the remaining cash to fund our industry-leading rate-base growth all without any planned external equity issuances.
- We are also on track to meet our $1.36-1.38 non-GAAP EPS guidance for 2022, including the $0.47 we reported for the first quarter of 2022. Keep in mind that the Gas LDC's we sold removed 3 cents from earnings this quarter when compared to the first quarter of 2021 and the full year impact of the loss of the divested Gas LDCs will normalize to about 2 cents when compared to last year.
- We also reiterate our non-GAAP EPS annual growth rate guidance of 8% through 2024 and from there, the mid-to-high end of our 6-8% growth guidance through 2030 and Jason will get into these details shortly.
- We also continue to see organic growth across our system, including 11 consecutive years of 2% or greater customer growth in the Houston Electric area. A differentiating luxury many other utilities just do not have.

- We continued working with our customers to identify their needs for increased safety, reliability, and clean sustainable investments, including Houston's master energy plan, called Resiliency Now, which is helping us to determine further capital planning decisions and wee will have more to say on that in future quarters.
- More importantly we remain focused on keeping our bills affordable for our customers. We believe that the combination of expected organic growth across our jurisdictions, when combined with our plan to have average reductions of 1-2% in O&M per year over the course of our 10-year plan, and the securitization charges rolling out of rates in Houston Electric will create bill headroom to help reduce the impact of new capital spending.

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

Moving to Capital investments:

We are in year two of our capital plan which is now increased to $19.3 billion over the next five years. This is an increase from the $19.2 billion we discussed at year-end and is our second increase to our five-year plan since our Analyst Day. Our 10-year plan is still currently expected to be $40 billion plus of

investments to support the safety, resiliency and growth across our system to benefit our customers. We expect that this decade of growth will be achieved through traditional utility investments, with no big project or technology bets and minimal regulatory lag. This leads to our industry-leading projected rate base growth of 9% CAGR over the 10-year plan.

In the first quarter of 2022, we invested approximately $1 billion, including the mobile generation leases, and are now tracking slightly ahead of our capital plan for the full year. Today we are announcing an increase in our estimated spend for 2022 to $4.3 billion up from $4 billion, as we have accelerated approximately $300 million of work from the latter years of our plan which Jason will get into shortly.

As we execute on the capital investment plan we outlined, we also continue to work closely with our customers to serve their needs including safety, increased system resiliency and growth to drive further incremental capital investments that are not currently in the $19.3 billion.

For example, last quarter we highlighted the initiative called "Resilient Now" jointly launched with the city of Houston. We continue to work with the city of Houston and surrounding cities to develop future capital opportunities in the Houston area to help support the community with its continued economic growth,

help meet the challenges of more frequent weather events, support the buildout of its EV infrastructure, and advance its environmental goals. This includes grid and infrastructure hardening and modernization, residential weatherization, and investments around renewable energy infrastructure.

This will be a multi-year investment need. We have made good progress with our customers in identifying the framework for continued grid resiliency and will be excited to discuss more on this topic in the fall of this year.

In addition to the city driven initiatives, the broader Houston port area, which includes the world's largest petrochemical complex, refining industries and global LNG export facilities are experiencing unprecedented investment and increased energy needs. We are anticipating increased load demand across our system over the next three to five years to accommodate their continued investment and development needs. This includes at least 1GW related to expected projects, which based on current system capacity in that area will likely accelerate our capital investment plans by a further $150 million to meet those needs once these projects are finalized. And there is likely more opportunity as other projects in this area gain further support and move toward final investment decisions. Furthermore, we are also continuing to work with other industrial or manufacturing customers across other areas of our service territory which could drive further incremental investments.

It’s fair to say that when our investments are helping support the economic vitality of the communities that we have the privilege to serve, it’s an exciting time here at CenterPoint.

Shifting to customer affordability

As I stated earlier as we invest in future capital, we remain focused on how to keep customer bills affordable. One way we can do this is with continued discipline on our operating and maintenance expenses. We have opportunities across our system which we expect will result in an annual average 1-2% of O&M savings over the course of our 10-year plan. It is our responsibility as a management team to strive to achieve this benefit for our customers, even in these inflationary times. As we look across our system, we still believe there are plenty of ways to do so.

One great example of such work is our Intelis smart meter system deployment which some of you saw in-person back at our Analyst Day. We initially piloted this program in the first quarter of 2021 and began the official deployment here in our Texas gas business last month. These advanced meters are expected to offer safety, environmental, operational and cost benefits for our customers. For example, they are designed to enable automatic shut-offs to help reduce the risk associated with safety events, allow for remote disconnects and

centralized meter reads. This program will help drive significant savings across our gas system when deployed fully. We'll soon be working towards implementing this in our other service territories as well.

Similarly, our continued execution of our coal transition plan in Indiana is helping avoid what otherwise would be significant customer bill increases related to coal generation. Continued operation of our coal facilities would cost customers an additional $50 per month as Federal EPA Regulations around operating coal plants, which we are obligated to comply with, become increasingly stringent. All things being equal, we currently estimate that the cleaner portfolio of renewables and the gas CT will result in customer bill increases less than the $10 a month we originally anticipated, while also significantly reducing our carbon footprint.

Back in our Houston Electric territory, there will be incremental headroom created through the continued roll off of charges from securitization bonds associated with the 1999 electric market restructuring law and Hurricane Ike from 2007. Back in 2019, two transition bonds ended. The charges related to these bonds of almost 7% of the average residential bill was then eliminated. The bill charges related to the upcoming storm bond rolling off in August makes up over 3% of the current average residential bill, while the charges related to the remaining transition bond that rolls off in 2024 is approximately another 5% of current average residential bills.

All of these things will help reduce the impact to our customers of capital investments across our system. And we will seek to keep executing on these kinds of opportunities to keep bills affordable for our customers.

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

We are meeting our customers' growing needs across our system due to both organic growth and by upgrading the current systems' safety and resiliency needs, which we expect will likely lead to incremental capital above our $40 billion plus over the course of our 10-year plan. And we plan to fund it without issuing external equity and without straining our balance sheet.

Despite this growth, we remain committed to providing affordable service by managing our costs, targeting an average 1-2% reduction annually in O&M, taking advantage of our organic growth and benefiting from things like regulatory charges that are rolling out of rates at Houston Electric.

Our current capital investment plan leads into our 10-year rate base outlook. We project approximately 11% rate-based growth CAGR through 2025, which normalizes into an approximately 9% CAGR over the full 10-year plan. From that rate base we expect industry leading 8% annual non-GAAP EPS growth through 2024 and the mid-to high end of our 6-8% range from there through 2030. And we

are excited to share with you later this year the impacts of the expected incremental capital that I have discussed.

As I stated in my opening remarks, we are excited about the 8 straight quarters of execution, and all of the employees here at CenterPoint that are delivering results every single day.

- We heard loud and clear that many of you wanted CenterPoint to exit the Midstream industry…we did it in a way we believe was better and quicker than many of you ever expected. Within four months of the merger between Enable and Energy Transfer, we sold 100% of our common units at a 20% premium to Energy Transfer's unit price when the transaction was announced last February. Not a bad outcome for those shareholders who thought we would never get out of this investment, let alone receive approximately $1.3B of net after-tax proceeds from it.

We listen to our investors and are now a pure-play regulated utility with continued growth driven by customer demands.

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

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

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

Jason Wells – Executive Vice President & CFO

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

Q1 2022 results

I'll start by covering the financial results for the quarter.

On a GAAP EPS basis, we reported 82 cents for the first quarter of 2022. This includes midstream-related earnings of 5 cents, including the net gain on the sale of the Energy Transfer common and preferred unit sales, and the costs associated with the early extinguishment of the related debt, as well as, the net, after-tax gain on our Arkansas and Oklahoma LDC sale of 30 cents.

Excluding those and other items as noted, we reported 47 cents of non-GAAP EPS for the first quarter of 2022 which was flat to the comparable quarter of 2021 as shown on slide 5. Our first quarter of 2022 earnings were reduced by 3 cents due to losing the earnings related to Arkansas and Oklahoma operations which were divested on January 10, and as Dave mentioned those earnings are seasonally weighted towards the winter months.

Our results included favorable growth and rate recovery contributing 5 cents this quarter while weather, usage and other contributed 2 when compared to the first quarter of 2021.

These positive benefits were partially offset by 3 cents compared to the same quarter last year due to higher ongoing cost management expenses. One penny of which was related to interest expense that was previously allocated to our midstream segment in the first quarter of 2021 which will be absorbed in the consolidated earnings going forward. The remaining variance is related to the timing of our O&M savings in 2021.

On the O&M side, and as we discussed throughout last year, we had a fast start to savings in the first quarter, but we reinvested that savings back into the business throughout the remainder of the year. That acceleration into last year has driven a higher run rate for O&M in the first quarter of 2022 but we see this as purely a timing related variance. The bottom line is we fully expect to hit our average annual 1-2% O&M reductions over the 10-year plan.

We continue to have confidence in our ability to drive further O&M efficiencies. One example is the meter program that Dave discussed. We piloted this program back in the first quarter of 2021, and as of April this year, we are now

in full deployment mode for the meter program in Texas and anticipate productivity improvements for the remainder of this year.

We are also reaffirming our full year 2022 guidance range of $1.36 to $1.38 of non-GAAP EPS, which reflects 8% growth over the comparable $1.27 non-GAAP EPS results for 2021. We expect that our earnings for this year will be somewhat backend loaded as some of our recovery mechanisms are skewed towards the latter half of the year, such as our DCRF filing which I'll discuss shortly.

The actions we have taken to simplify our story are illustrated on this page. We expect to have a simpler, more digestible, investor story going forward.

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

Capital investments

Turning to slide 6…

Dave covered a lot of the customer-driven capital investment opportunities we have ahead of us. As he said, we are in year two of a very attainable and

tangible capital investment plan of $40 billion plus through 2030 which you can see here on this page. These projects are focused on safety, resiliency, reliability, growth and clean enablement.

One item to discuss on the clean energy side - recognizing there is a lot of conversation regarding the availability of imported solar panels and while we are not immune to the current market factors, our next facility is not slated to come into service until the fourth quarter of 2023, and a lot can and will happen between now and then.

We are working with our developers and suppliers and feel good about their early attention towards identifying possible alternatives if needed. We will obviously be learning more over the coming weeks and months, but we remain firmly committed to our long-term renewable generation transition and our timeline for our net zero and carbon reduction emission goals will remain unchanged.

It is important to note that while we are only anticipating less than 2 cents of earnings benefit in 2024 from the generation transition, we have pulled forward some other capital work into 2022 from the latter part of the plan to reduce the risk and continue to invest for the benefit of our customers.

As a result of this acceleration, we are now forecasting to spend $4.3 billion in capital expenditures during 2022 and have increased our 5-year capital expenditure forecast to $19.3 billion from $19.2 billion. This is our second increase to the plan since Analyst Day.

We are also fortunate to have regulatory mechanisms that allow for timely recovery of our capital investment. About 80% of the 10-year capital plan is eligible for recovery and expected to be recovered through interim capital recovery mechanisms.

An example of which includes our recent Distribution Cost Recovery Factor, or DCRF rate, which is expected to go into effect September 1st this year.

This is a filing for Houston electric to recover $1.6 billion in distribution capital we have made since 2018. These investments were dedicated to system improvements, load growth, intelligent grid projects, and temporary emergency mobile generation. Our continued focus on cost controls and other items should help mitigate the bill impact for our customers.

As is often the case with including something new like mobile generation in an existing mechanism, there is more regulatory scrutiny than usual around this year's DCRF, which includes the first tranche of our mobile generation investment.

We look forward to working constructively with stakeholders to resolve that rate application on a timeline consistent with the DCRF statute.

In our Minnesota gas jurisdiction, we recently filed a constructive rate case settlement with all intervening parties specifying a rate of return on equity of 9.39% and resulting in an annual revenue requirement increase of $48.5 million. The settlement is subject to Minnesota PUC review in the anticipated approval as expected in the 3Q of 2022. That rate case application used a forward test year, providing timely recovery of our forecasted capital investments in reliability and safety across our system for the benefit of our customers, as well as our first green hydrogen pilot project, which recently went into service.

We are excited to now have the green hydrogen production facility online, which will use about 1MW of renewable generation to produce hydrogen which is then mixed into our natural gas system. While this is a small pilot project, it’s the step in the right direction as we, our customers and regulators progress towards a better understanding of how hydrogen can fit into our long term, broader carbon emission reduction goals. Additional green hydrogen and other renewable gas projects will be considered in future Natural Gas Innovation Act filings which we plan to submit later this year.

Turning towards a broader regulatory update

We have securitization efforts going on in a couple of jurisdictions which I'll provide an update on. This mechanism allows for recovery of certain costs, while once again, lessening the impact to our customers by recovering over a longer period of time. The funds received from securitization can also be redeployed into capital investments for another form of efficient funding. Lastly, from a credit perspective, the rating agencies typically remove securitization bonds and cash flows from the credit metric calculations.

In the state of Texas, we still anticipate the statewide securitization bonds to be issued in the coming months as the Texas Public Financing Authority is currently in their RFP process. We expect that this will provide 100% recovery of the $1.1 billion of gas costs incurred during last year's winter storm, as well as the carrying costs.

In Indiana, in the coming weeks, we anticipate filing for costs related to the retirement of two coal facilities. This is a first of its kind filing in Indiana. 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.

Outside of these updates on securitization, I'll remind everyone on the regulatory side, we have limited regulatory risks near term with no major rate cases until late 2023.

Turning to Strategic Transactions…

We sold our remaining 51 million Energy Transfer common units and preferred units this quarter for approximately $700 million of combined net proceeds, or roughly $490 million net of taxes. Along with the 2021 sales, we received approximately $1.3 billion net, after tax which is a 20% premium to the Energy Transfer unit price when the transaction was announced.

Additionally, in January we received Arkansas and Oklahoma LDC transaction proceeds of $1.6 billion, net of taxes, including approximately $400 million for the remaining outstanding incremental gas costs.

We have now utilized $1.8 billion of the combined LDC sale and Energy Transfer sales proceeds to reduce debt, including the $1.2 billion discussed on last quarters call, as well as, paying down CNP parent level debt, including $600 million of high coupon senior notes this quarter.

These actions are also in line with our goal to reduce parent level debt to approximately 20% of total debt by the end of this year. A goal we are well on our

way towards achieving. We plan to use the remaining proceeds to fund the equity portion of our industry leading rate-base growth without external equity issuances.

Separately, and as we discussed at our Analyst Day and throughout last year, we have had an ongoing evaluation of our repairs expense deduction methodology, which would be another way for us to mitigate our cash tax position, efficiently funding our growth and helping offset customers' bills. We currently expect that this process will result in a one-time cash tax benefit of approximately $300 million in 2022 and at least an incremental $25 million annually in future years, which over the 5-year period would equate to at least $400 million of capital that we can redeploy into our business for the benefit of our customers and shareholders. This is approximately $50 million more than we estimated at our Analyst Day update and is yet another example of efficiently funding our industry-leading growth plan.

Our long-term FFO/Debt objective remains between 14% - 15%, aligning with Moody's methodology, and is consistent with the expectations of the rating agencies. Additionally, let me remind you, Moody's recently revised their downgrade threshold to 13% noting our improved business risk profile. And to be clear, we are continuing to focus on retaining this incremental credit cushion as opposed to using it to fund our growth.

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

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

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

Dave Lesar – President & CEO

Thank you, Jason. As you heard from us today, we now have 8 straight quarters of meeting or exceeding expectations and have checked the box on executing on our strategic transactions. We are a pure 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

[**GO TO LIVE**] Thank you, Dave. We'll now turn to Q&A and we'll be cognizant of the busy calendar call schedule following us .

Question & Answer Section

At this time, we will begin taking questions. [Operator Instructions] Thank you. Our first question is from Nick Campanella from Credit Suisse. Your line is open.

Nick Campanella (Credit Suisse):

Good morning.

Hey. Good morning team. Thanks for having me on. Appreciate it. I just want to talk quick, you talked about industrial load and just higher demand leading to incremental capital over the course of the ten-year plan. You talk about not issuing external equity for the incremental capital. So I guess just if – if you don't, is it that you don't need the equity or that you would look to further portfolio rotation? Just about how should we think about that?

Dave Lesar:

Now, I think if you set a track all the way back to our Analyst Day and what we've talked about since then the proceeds of enable transaction, the original LDC sales when matched up against our $40 billion plus plan, don't really require us to go into the market for any equity which is a sort of a North Star for us right now and nor does it require us divesting of any LDC. So we have sufficient cash flow to meet this plan. What we have tried to signal is that as we identify additional capital opportunities, either on top of the five year $19.3 billion plan we have with a $40 billion-plus plan. At that point, we would look to selling additional gas LDC but right now we have sufficient cash flow to meet our needs without issuing any more equity.

Nick Campanella:

Very helpful. Thank you for that. And then I guess just, you know, higher level like thinking through the cadence of your updates through the course of 2022 here. And you know, as I look back to 2020 and 2021, you've kind of maintained a pace that's been kind of fairly splashy, you know, I understand there has been a lot to do also. But that story is kind of behind us now. And things, you know, to your point in your prepared remarks, are just a lot simpler. So I guess just to kind of set expectations on the pace of updates, are you just kind of planning for this to just be all around a quieter execution year blocking and tackling on the core metrics? Or

are there larger strategic items in your mind that we should be kind of thinking about?

Dave Lesar:

No, I think blocking and tackling is probably a good way to summarize it, although if you think about even Q1, it was still a pretty active quarter for us here. We closed on the LDC sales, we got rid of the rest of the Enable transaction proceeds we had. We continue to execute against a very aggressive rate base growth plan. We certainly met our earnings commitment. We've reiterated our 8% growth for the next few years and sort of at the top end of the range going forward. We met the challenges of inflation and supply chain. So I guess I would think about it as yes, blocking and tackling. I think we did a really good job to Q1. I don't anticipate that changing, but I think the, you know, the pace of change that I am trying to drive through Center Point is going to continue. That's not going to change, and we expect to hit all our marks that we have in our strategy.

Nick Campanella:

Thanks a lot, we will see you at AGA.

Operator

Thank you. Our next question is from Ross Fowler from UBS. Your line is open.

Ross Fowler (UBS):

Good morning.

Dave Lesar:

Good morning, how are you?

Ross Fowler:

I'm good. So just maybe following on Nick's question and just looking for, from the Analyst Day, incremental capital changes, so at year-end you accelerated $200 million into 2022 and then you added $300 million around this 500 megawatts of

mobile generation and now you're adding another $100 million into 2022, kind of on industrial demand if my understanding is correct. So that's $300 million of that total $600 million increase since the Analyst Day in 2022, but you point some of that, from the back end of the five-year plan. So maybe talk a little bit about that shift and then your ability to sort of backfill capital in sort of year four and five.

Dave Lesar:

Sure, let me – let me let Jason handle that one, he keeps track of our capital going forward, literally on a day-to-day basis as I think you picked up today.

Jason Wells:

Good morning Ross, and thanks for the question. Tou know as you pointed out we increased the CapEx forecast for 2022 by $300 million and increased the five year CapEx plan by $100 million, what we effectively did was brought forward $200 million from 2023 and 2022 and then increased the overall plan by about $100 million, really that increase relates to routine work in our gas and electric businesses that we have the luxury to pull forward because as mentioned in our prepared remarks, we've an efficient way to fund that for our shareholders in terms of higher incremental proceeds from the tax repairs adoption, as well as higher incremental proceeds from the securitization that's anticipated in Indiana. And this work continues to help kind of benefit our customers by improving, again, the safety and resiliency of the system, which is why we put it forward. It further helps de-risk any impact from solar delays, as I mentioned in my prepared remarks. And so as we look at then sort of a longer term execution to your plan or to your question, we continue to, I think, make positive momentum working with the city of Houston around improving resiliency here in Houston. We will likely have an update around that work, probably around the Q4 or sorry, Q3 earnings call. And then as Dave mentioned in his prepared remarks, we're seeing increased demand from our industrial customers both here in Houston as well as Indiana and as we work to serve those customers' needs, we hope to have a more holistic update around the longer term impacts to our CapEx plans later this year. So it's an exciting time here at CenterPoint. The best is still yet to come.

Ross Fowler:

Thanks, Jason. Thanks for that very detailed review. I'll hop back into the queue and see you guys at AGA.

Operator:

Thank you. Your next – our next question is from Anthony Crowdell from Mizuho. Please ask your question.

Anthony Crowdell (Mizuho):

Hey, good morning, Dave. Good morning, Jason.

Jason Wells:

Good morning.

Anthony Crowdell

Dave, is Jason doing both of blocking and tackling or is he just doing the tackling?

Dave Lesar:

No, he can do both. He can block and tackle as can everybody on our management team today.

Anthony Crowdell:

Well, that's great, just hopefully two quick questions. One is you talked about the O&M targets in your 10-year plan, I believe you said it's about 1% to 2% reduction each year, just curious you know, current tight labor market, supply chain issues, just maybe how challenging is it going to be to meet that, and I also think you kind of highlighted the AMI investment press releases, I guess, went out in April, just wondered, if you could give us some color on the rate base opportunity that AMI represents and plans on getting regulatory recovery of that and I've one more follow-up.

Dave Lesar:

Okay, I'll let Jason handle the AMI question I think I'll take sort of the former part of your question, I guess my view is you know that since you pay a management team to do it, so they take the challenges of supply chain, the challenges inflation head on. So my view is every utility is experiencing it, most companies across the US are experiencing it, you know, it's coming at us every day believe me. But I think that, we have put a standard out there reducing our O&M 1% to 2% on average every year and as Jason said, we believe we're going to continue to do that. As to AMI I'll let Jason talk about that.

Jason P. Wells:

Yeah, thanks, Anthony, for the question. It's several hundred million dollars over the course of the 10-year plan, you know we will seek to recover that. We started here, as Dave mentioned in his prepared remarks, in Texas. The recovery will follow our typical capital investment through the grips and then obviously the longer-term implementation of the AMI program will be addressed in the gas LDC rate case that we will file late 2023. So it follows sort of the normal course of events here and we'll follow kind of a similar process, as we roll it out to the rest of our service territory. What I would say in interest to sort of reinforcing confidence around our ability to continue to meet our O&M objective this – I think this is one of many programs that we highlighted where, as we implement improvements to our system to lower our O&M cost structure going forward, just like we've highlighted the coal transition in Indiana, I think these -- these O&M reductions from -- from capital is a core sort of driver near-term of our ability to meet our O&M targets. And then we continue to see broad adoption of our continuous improvement program throughout our service territory and are excited what that will yield over time as we mature in that area.

Anthony Crowdell:

Great. And just lastly, I guess -- I guess, Dave, following up on maybe next question earlier. We've seen, you know, LDC valuations have recovered and are more in line with like electric utility valuations. And it seems that right now investors are really focused on maybe energy security and the view of an LDC has kind of changed more favorably. Just I know you don't have any need for funds in the current 5-year or the 10-year plan, but does the recovery in LDC valuations

change your view that you view them more as a source of funds or as a prepaid debit card? And I'll leave it there.

Dave Lesar

No, I think as we've said, I think nearly every quarter when we've talked about this, I do view them as sort of prepaid debit cards. I guess that's become the lexicon of the industry. I guess we've talked about it so much, but my view is it gives us the optionality. But I -- and I do like the fact that the valuations, I think, are being more accurately reflected in share prices today. But because they're not opportunistic assets for us, I don't see any reason to accelerate the divestiture or any of those until we have an opportunity to redeploy that capital back into our electric business. So we're just going to stay the course in that area for now. As I said, be opportunistic. But as we've said several times in the prepared remarks, we are looking for incremental capital opportunities and I'll trade off selling gas LDCs at a multiple of rate base and investing at a one-time – one-time rate base every day of the week. We just got to wait for those opportunities to develop and then we'll make the decision.

Anthony Crowdell:

Great. Solid quarter. Thanks for taking my questions.

Dave Lesar:

Thanks.

Operator

Thank you so much. Our next question from Shar Pourreza from Guggenheim Partners. Your line is open.

Shahriar Pourreza (Guggenheim):

Hey, good morning, guys.

Dave Lesar:

Hey, Shar.

Shahriar Pourreza:

Good morning.

So just on as we're kind of looking broadly at sort of the some – some of the supply chain issues and inflation and – and mainly obviously the tariff circumvention, investigations going on with the commerce department, which could kind of lead to some pricing uncertainty at least through 2023 and maybe beyond, I guess how do these sort of tail risks impact how you're thinking about the electric IRP process, especially as we're shifting focus to the upcoming 2023?

Jason Wells:

Yeah. Shar, thanks for the – the question. Obviously, it's – it's front of mind. I would say, as – as we mentioned, we're not immune to what's going on in the market. However, we've got a great set of development partners that we're working with constructively to find a solution. We are seeing the price increases that you alluded to. But I think what's important to reinforce is that despite the price increases that we are currently seeing, the path on the coal transition is still substantially less than the cost of continuing to operate this coal facilities. The current estimate given the age of those coal facilities would be – it would cost our customers in Indiana about $50 a month to continue to maintain and I think will come in, despite the cost increases at a cost of the coal transition of less than $10 a month. So while we still see sort of short term pressure, this is still the best long term solution for our customers in Indiana. And as we think about gearing up for the IRP, we will be going out with a broader request for proposal here this summer. We will be trying to get kind of the best and latest thinking on pricing, technology costs that will factor into the integrated resource plan that we will file next year that will address the third remaining coal facility and so more to come on this. But we've got a great set of development partners that we're working with constructively to find a solution here.

Shahriar Pourreza:

Got it. And then just lastly, I know – obviously with the Texas energy legislation passed, you've got resiliency now, there's a lot of incremental opportunities. I guess

at what point could we start seeing some of these opportunities kind of materially come into plan versus these small bumps we've been seeing recently?

Jason Wells:

Sure. These – I'll take these small bumps every day, second increase since the Analyst Day almost six months or so ago. But that being said, I do think by Q3 this year on the earnings call, we should have a better view of the longer-term impact to our capital plans around resiliency, not only in the city of Houston, but the surrounding communities. And then the pace of the updates around the industrial demand, and that's going to be dependent on those customers, those industries. But I would likely want to be in a place where we can provide a holistic update to the 5- and 10-year in a place where we can provide a holistic update to the 5- and 10-year CapEx plan again around the Q3 timing related to – to that incremental demand as well.

Shahriar Pourreza:

Okay.

Dave Lesar:

Yeah, I mean, I would – I would just add maybe an editorial comment. I know that we have sort of teased the update here for a couple of quarters. But I also think it's important for everyone to understand we are working with the city of Houston here. We're not going to front run the outcome. Those discussions are ongoing. But I think it's just in everyone's best interest to wait until the plan is finalized and we sort of can announce it jointly, and we'll do so when us and the city are ready to do it.

Shahriar Pourreza:

Okay. Perfect. Thank you, guys. Appreciate everything else. Thank you. Thanks.

Operator:

Thank you so much. Our next question is from Julien Dumoulin-Smith from Bank of America. Your line is open.

Julien Dumoulin-Smith (Bank of America):

Hey. Good morning team. Thanks for the time. Appreciate it. So just follow up and clarify some of the earlier questions around inflation and spending. Just -- can you speak a little bit more about the -- the sort of normal course inflationary impacts on CapEx budgets? I'm just trying to get a sense of especially across the industry, you know, to what extent is some of this pull forward and just allocated in this year driven in part by just normal course inflation? And to what extent does that have sort of an expectation for cascading into your program? Or said differently, is there sort of an assumption that there's some deflation in the back end of your program? Or is that the entire program being inflated at this point?

Jason Wells:

Yeah. Thanks, Julien for the question. You know, at this point, the increase that we've been discussing related to the -- this quarter's update is really a reflection of a pull forward of projects, less around inflation. This is in a discrete work that we have planned in 2023 pulling forward to 2022 and then plan the incremental $100 million over the five years is really a component of that $1 billion of capital that we hold in reserve to make sure that we have the opportunity to fold in when we can efficiently execute and fund that work. So it really isn't a reflection of inflation now. That being said, clearly we are starting to feel the impacts of inflation. I think our supply chain team has been working effectively with our suppliers to find long-term commitments around work volumes that can be of interest not only to their workforce, but interest to our plants as well. And so I think today we're managing the impact of inflation. I wouldn't consider it a driver. I'd consider it a potential risk, depending on how long we continue to face this inflationary pressure. We're not making any assumptions around deflation today on the back end of the plan. We're really just trying to understand how long it will be in this inflationary cycle. And so, again, it's really driven by work as opposed to inflation at this point.

Julien Dumoulin-Smith:

Right. And just to clarify that even the degree to which that you look at your plan here, is there potential further inflationary factor as you just reassessed what it costs you for electrical equipment here and gas equipment?

Jason Wells:

Realistically there could be some inflationary impact too, we're starting to monitor what that risk in terms of a cost increase could be. But to-date we have not seen that the need to fold that into the plan yet. So it'll be something we continue to monitor and happy to continue to provide updates in future quarters around it.

Julien Dumoulin-Smith:

Excellent. And just going back to the other Texas conversation on ERCOT here, I mean, obviously it's been developments in flight with the queue here on transmission. Any thoughts or perspectives to add on that front specifically moving past the Houston resiliency and just focusing on additional transmission integrity.

Jason Wells:

We continue to be very excited about the opportunity there. You know, it was clear coming out of the legislature last year that the state of Texas wanted to put a priority around incremental transmission lines, bringing more pathways, if you will, to provide electricity. We continue to work with the commission to see how we can accelerate the siting of new transmission projects and we can execute on that work. So I would say it's early days, but that continues to be another area where we may see incremental upside to the plan and we continue to have excitement around.

Julien Dumoulin-Smith:

All right. Good luck guys. Thanks for the time. Appreciate it.

Operator:

Thank you so much. Our next question is from Steve Fleishman from Wolfe Research. Your line is open.

Dave Lesar:

Good morning, Steve.

Steve Fleishman (Wolfe):

Thank you. Good morning, Dave. So just a question on the, I guess Indiana and the solar projects and IRP, there's, you know, there's other utilities in Indiana, pretty much all of them are going through the same transition you are. So I'm curious, just overall political regulatory feedback on this, on this kind of solar anti-circumvention. And do they get – do they have -do they give you the sense that they understand the cost increases and just in the context of obviously everything going on with energy inflation?

Jason Wells:

Yeah. Thanks, Steve, for the question. You know it's an ongoing dialogue with commission staff, you know, as you pointed out we're certainly not alone. Not only other utilities in Indiana, but obviously utilities all over the country are facing these inflationary cost pressures as well as have impacts on timing of the projects. And so I think the broader set of issues around timing and cost are well known and I think the commission is looking at us to work effectively with the developers to find a constructive solution for our customers, for the developers and for the execution of this work. And so we'll continue to do so. I think it's early days in these conversations. But again, they're – I think they're well attuned to kind of the pressures that we're all facing.

Steve Fleishman:

Great. And then one just other quick one, appreciate you highlighted the shift in the business mix more to electric, I think 62% now. Do you have any kind of target for that long term where do you see that going?

Dave Lesar:

I think, Steve, if you would – if you sort of look at the $40 billion in capital spend, it's clearly biased toward electric. So if we did nothing else, I think you would see that 62% creep up over the 5- and 10-year plan that we have. Clearly, as we've indicated, if we find a big slug of incremental capital to invest in, that generally is going to be focused on the electric side. We would have the commensurate sale of an LDC to fund that. So we wouldn't have to issue equity that would push it even more dramatically in the direction of higher bias toward electric. But I think inevitably over time, if we did nothing else, it's going to bias toward electric. And as I said, if we – if and when we find the larger slug of capital, it'll push in that direction even more aggressively. So instead of a perfect mix, I don't think there is one out there. But at the end of the day, I – we'll sort of seek the level that makes sense for our investors and for our customers.

Steve Fleishman:

Great. Thank you.

Operator:

Thank you so much.

Jackie Richert:

Operator, I think we're at the top of the hour. I think we have time for one more question.

Operator:

Okay. Sure. Our last question is from Insoo Kim from Goldman Sachs. Your line is open.

Insoo Kim (Goldman Sachs):

Hey, thank you for squeezing me in. And just first question, going back to the capital plan and the increases there, we've talked a lot about the cost side on the inflationary front. But just in terms of labor availability, are you not seeing any pressures in finding the labor to accommodate any increase in the CapEx?

Dave Lesar:

No. I think what if you remember back two calls or three calls ago, I can't remember which quarter was in, we highlighted the fact that we recognize that labor was going to be an issue to – to basically address the challenges of our capital plan. So we – we actually moved pretty aggressively at that point in time to tie up crews that were sufficiently large enough for us to handle the capital spend plan that we have. So at this point in time, we've got those – those crews sort of tied up and sequenced to come in and serve our needs as we do this capital build. So I mean certainly there is labor – there's labor cost pressure, but the actual bodies, I think, we're in really good shape on that.

Insoo Kim:

Got it. That's good color. My other question is just on Houston electric demand growth, we – I know customer growth is strong and I think weather may have helped this quarter as well. But still pretty impressive numbers, especially on the residential front.

Just more color on what you've seen on the ground there that's contributing to that, you know, versus some other parts of the country that have, you know, some more normalization?

Dave Lesar

Well, I mean, yeah, I think in almost any economic indicator you look at, I mean, Houston is doing just great. I saw a note the other day that there were more housing starts in the city of Houston in the last two years than anywhere in the United States. You look at the turmoil going on in Europe and all of a sudden, the pivot toward needing sort of more energy exports out of the US to serve Europe and the whole set of LNG and petrochem complex, refinery complex that sits in our territory and in our backyard here in Houston. And the number of conversations that are taking place about either starting new facilities, upgrading facilities they have here, the sort of a continued industrial growth outside of the ship channel that's taking place in this area, continued population growth. You just set a goal right down the line and, you know, you really just got to come here and experience it and just get in your car and drive around Houston and this area. And you just see the economic vitality is oozing out of every quarter of this city at this point in time.

Insoo Kim:

Make sense. No, I definitely felt that at the Analyst Day there last fall, so thanks for the color. Thanks, Dave.

Dave Lesar:

All right. Thank you.

Jackie Richert:

Thanks, Insoo. All right. Thank you, everyone again for joining us for our 2022 first earnings call. And with that operator, I think we can all disconnect. That will conclude our call for today.

Operator:

Thank you. The recording for this call will be available on our website by 11 AM Central Time today until May 11. This concludes CenterPoint Energy's first quarter 2022 earnings conference call. Thank you for your participation.

Forward-Looking Statements

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

Examples of forward-looking statements in this document include statements about capital investments (including with respect to renewables projects, mobile generation spend and the City of Houston's Master Energy Plan 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 potential business strategies and strategic initiatives, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the completed sale of our Natural Gas businesses in Arkansas and Oklahoma and exit from midstream, 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 timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment, including those related to Indiana Electric’s generation transition plan as part of its more recent IRP; (4) financial market and general economic conditions, including access to debt and equity capital and the effect on sales, prices and costs; (5) continued disruptions to the global supply chain 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 Report on Form 10-Q for the quarter ended March 31, 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. Please

also review the section entitled “Forward-Looking Statements” included in this document.