



Second Quarter 2015 Earnings Conference Call
August 10, 2015

David Mordy – Director of Investor Relations

Thank you, Ginger. Good morning, everyone. Welcome to our second quarter 2015 earnings conference call. Thank you for joining us today. Scott Prochazka, president and CEO, Tracy Bridge, executive vice president and president of our Electric Division, Joe McGoldrick, executive vice president and president of our Gas Division and Bill Rogers, executive vice president and CFO, will discuss our second quarter 2015 results and provide highlights on other key areas. We also have with us other members of management who may assist in answering questions following the prepared remarks.

In conjunction with the call today, we will be using slides which can be found under the Investors' section on our website, CenterPointEnergy.com. For a reconciliation of the earnings guidance provided in today's call, please refer to our earnings press release, which along with our Form 10-Q has been posted on our website.

Please note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and posts to the Investors' section of our website. In the future, we will continue to use these channels to communicate important information and encourage you to review the information on our website.

Today, management is going to discuss certain topics that will contain projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon factors including



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weather variations, regulatory actions, economic conditions, commodity prices, changes in our service territories, and other risk factors noted in our SEC filings.

We will also discuss our guidance for 2015. The Utility Operations guidance range considers performance to date and certain significant variables that may impact earnings, such as weather, regulatory and judicial proceedings, volumes, commodity prices, ancillary services, tax rates, interest rates and financing activities. In providing this guidance, the company does not include other potential impacts, such as changes in accounting standards, the value of ZENS securities and the related stocks, or the timing effects of mark-to-market and inventory. In providing Midstream Investments' guidance, the company takes into account such factors as Enable's most recent public forecast, effective tax rates, the amortization of our basis difference in Enable and other factors. The company does not include other potential impacts, such as the impact of any changes in accounting standards or Enable's unusual items.

Before Scott begins, I would like to mention that this call is being recorded.

Information on how to access the replay can be found on our website.

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

Scott Prochazka – president and CEO

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

This morning as noted on slide 4, we reported second quarter 2015 earnings of 77 million dollars, or 18 cents per diluted share, compared with 107 million dollars, or 25 cents per



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diluted share in the same quarter last year. Using the same basis that we use when providing guidance, second quarter 2015 adjusted earnings would have been 19 cents per diluted share, compared with 21 cents for 2014. On a guidance basis, Utility Operations contributed 13 cents per diluted share vs. 10 cents in 2014. Midstream Investments contributed 6 cents per diluted share compared to 11 cents in 2014. Bill will discuss these results in more detail later in the call.

Our Utility Operations continue to perform well. We have added over 85,000 metered customers during the last 12 months. Growth, along with system improvements, remain key drivers behind our robust capital spending. We are carefully managing costs as O&M expenses, net of revenue offsets, are up 1 percent versus the second quarter of 2014. We continue to execute our regulatory strategy, filing rate increases and annual recovery mechanisms as needed in pursuit of earning our allowed returns. Our growing service territories and capital plan, coupled with constructive regulatory environments and disciplined O&M spending, continue to support strong performances by our Utility Operations.

Next, let me turn to Enable Midstream which we highlight on slide 5. As many of you know, Enable recently shared its growth outlook of 3 to 7 percent per unit annual distribution growth in 2016 and 2017. This includes a forecast for high single digit growth in natural gas gathering volumes, 25% growth in natural gas processing volumes and a doubling of crude oil gathering volumes. As Enable said on their earnings call, they are well positioned for growth with assets in some of the best shale plays including the SCOOP, STACK, Cana Woodford and Cleveland Sands plays. Enable has connected more wells year-to-date through July 2015 than



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year-to-date through July of 2014. For 2016 and 2017 combined, Enable's expansion capital outlook ranges from 1.6 billion to 2.5 billion dollars. We continue to believe in the value of our Enable Midstream investment and remain focused on providing governance in support of enhancing Enable's performance.

Overall, I am pleased with our second quarter results. Utility Operations experienced strong ongoing growth and Enable performed as anticipated in a challenging commodity market.

Today we are updating our dialog regarding how we think about returning capital to our investors. After consideration of the current market environment, input from the investment community and discussions with our board, we believe an earnings-based approach to our dividend practice will help provide clarity, simplicity and consistency. Our objective will simply be to grow our dividend in line with our consolidated earnings growth, which Bill will discuss in more detail later in the call.

I want to express my appreciation to our employees who, after a series of severe storms in April, May and June, worked countless hours to restore power safely and efficiently. You may have seen some of the images of flooding in Houston on national news. More than 25 inches of rain fell over two concentrated periods of time and our collective utility systems performed well. The gas system was essentially not impacted by the rains and the customer effects of outages on our electric system were reduced by distribution automation. Proactive communications to those customers enrolled in our new "Power Alert Service" provided them with timely outage and restoration information. I am extremely proud of our employees and



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their commitment to ensuring that every day our customers receive energy from safe, reliable energy delivery systems.

I will now ask Tracy and Joe to discuss quarter over quarter operating income as well as provide updates on their respective businesses. Bill will follow by bridging operating income to EPS and contrasting our performance with last year's baseline number. Tracy...

Tracy Bridge - executive vice president and president, Electric Division

Thank you, Scott.

Houston Electric had a solid quarter consistent with our expectations. As you can see on slide 8, second quarter 2015 core operating income was 131 million dollars compared with 115 million dollars for the same period last year. The business benefitted from higher net transmission-related revenue, continued strong customer growth and a return to more normal weather. These benefits were partially offset by an expected reduction in the equity return primarily related to true-up proceeds.

Houston Electric's customer growth remains strong. Through the first half of the year, we have added nearly 23,000 metered customers, which equates to an annualized growth rate of 2 percent. As we have mentioned in the past, our forecasted 2 percent customer growth equates to approximately 25 to 30 million dollars of incremental revenue annually. Houston's 4.5 percent unemployment rate in June remains below the national average of 5.3 percent and our housing market remains tight at 3 months supply, versus a balanced supply of 6 months. As



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the chart on slide 9 shows, employment growth may slow at times, but over the past 24 years, our residential customer compound annual growth rate has slightly exceeded 2 percent.

Houston Electric continues to manage costs effectively. During the second quarter of 2015, O&M expenses increased approximately 2 percent over the second quarter of 2014. This growth rate excludes certain expenses that have revenue offsets. We will strive to continue operating the business as efficiently as possible, while maintaining a safe and reliable system to serve our growing customer base.

As you will see on slide 10, we've had a busy quarter on the regulatory front and we are pleased with the results. During the quarter, we filed our first Distribution Cost Recovery Factor filing, or DCRF, which allows for rate adjustments associated with recovery of distribution capital invested since our last general rate case. A settlement was reached and approved for an annual revenue increase of 13 million dollars, which will go into effect on September 1. Additionally, in June the DCRF sunset extension legislation was enacted which extends the mechanism's sunset until September of 2019, allowing us to utilize the mechanism up to three additional times before a general rate case is required.

We also filed two other cost recovery mechanisms which include our first of two planned Transmission Cost of Service, or TCOS, filings this year, and our annual Energy Efficiency Cost Recovery Factor filing. Our TCOS filing was submitted on June 26th and seeks an annual revenue increase of 13.7 million dollars. We anticipate a decision on this filing during the 3rd quarter of this year. Our Energy Efficiency Cost Recovery Factor filing seeks to recover



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next year's estimated expenses associated with our energy efficiency program, as well as a 7 million dollar incentive related to the program's performance in 2014.

Finally, in April, we filed an application for a Certificate of Convenience and Necessity for our Brazos Valley Connection transmission line. This transmission line is the largest capital project in our five year plan. 32 alternative routes were submitted to the PUC and the final route they select will determine the estimated capital cost of the project. We anticipate a Commission decision on both the route of and need for the transmission line during the fourth quarter of 2015, with construction of the project being completed by mid-2018. The critical status granted to this project highlights the load growth our service territory is experiencing. As an example of that load growth, during the last week in July, Houston Electric hit four consecutive July peak loads.

I am pleased with Houston Electric's second quarter performance. Growth remains strong and we will continue to focus on delivering safe, reliable and efficient service.

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

Joe McGoldrick - executive vice president and president, Gas Operations

Thank you, Tracy.

Our Natural Gas Operations, which includes both our gas utilities and our non-regulated Energy Services business, performed in line with our expectations during the second quarter as more normal weather returned to all our jurisdictions. As you can see on slide 12, Natural Gas Utilities' second quarter 2015 operating income was 19 million dollars, compared with 30 million dollars for the same period last year.



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This decline is attributable to a return to more normal weather in addition to higher depreciation expense. As I mentioned on the first quarter call, we exceeded our weather hedge cap in January 2014, and benefitted from the subsequent extreme cold weather that persisted well into April and May that year, particularly in Minnesota. As a result, our Natural Gas Utilities experienced a decline in operating income in the 1st half of this year but we expect year over year improvements in operating income through the remainder of the year.

The economies continue to be strong in our service territories and we added approximately 36,000 new customers year over year. Excluding expenses that have a revenue offset, we were successful in managing O&M expenses to an increase of under 1 percent compared to the second quarter of last year.

Moving on to slide 13, I would like to highlight a number of items that advance our long-term strategy, specifically regulatory developments and capital investments to meet growth needs and ensure system reliability and safety.

Recent regulatory filings represent a combination of rate cases and annual recovery mechanisms, which are intended to help recover the substantial investments we've made to better serve our growing customer base. On August 3rd we filed a general rate case in Minnesota to increase overall rates by 54 million dollars annually. Our filing is based on a forward test year and a rate base of 913 million dollars, which reflects the significant capital expenditures we are making across our Minnesota service territory. We have requested an ROE of 10.3 percent and a 53 percent equity capital structure. Interim rates are expected to go into effect in October with a final decision around mid-2016.



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We reached a settlement agreement in our Texas Coast rate case and are awaiting approval by the Texas Railroad Commission. The settlement provides a 4.9 million dollar annual increase, and a 10 percent ROE. With the Texas Coast case finalized, we expect to utilize GRIP, the annual infrastructure recovery mechanism, as early as March 2016, to recover incremental capital investment.

In Arkansas, we continue to anticipate filing a rate case in the fourth quarter of 2015 and are evaluating for the case the possible usage of Act 725, Arkansas' recently enacted law related to formula rate plans.

Slide 14 highlights a portion of our capital spending in Minnesota. Our "Belt Line" replacement project began in 2012 and is expected to be completed in 2023. This project is replacing pipe that was put into service over 60 years ago and entails replacing bare steel pipe, upgrading cathodic protection systems and installing remote controlled valves. Investing capital to improve safety and reliability, while reducing O&M, is a win for all our stakeholders.

I'll next turn to slide 15 and our Energy Services business, which primarily provides competitive natural gas supply services to commercial, industrial, institutional, and transportation customers. This business' second quarter results reflect another solid performance. Operating income was \$7 million for the second quarter of 2015, compared with \$5 million for the same period of 2014, excluding mark-to-market gains of \$2 million and \$6 million respectively. Volumes were nearly flat-as economic growth in certain regions has slowed somewhat, but overall customer count increased 1.8% year over year. Additionally, O&M



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expenses were slightly lower, consistent with the company's focus on holding down operating costs.

This was a solid quarter for Natural Gas Operations, despite the impact of a return to more normal weather and the regulatory filings I discussed should position us well to continue growing this business.

I'll now turn the call over to Bill who will cover financial activities.

Bill Rogers - executive vice president and CFO

Thank you, Joe and good morning to everyone.

Tracy and Joe have reviewed their respective operating income on a quarter to quarter basis. I will now provide a review of our earnings per share on a guidance basis. Following that, I will review Utility Operations for second quarter 2015 versus the baseline for second quarter 2014 with a focus on those items that are below the operating income line.

Our earnings per share on a guidance basis were 19 cents in the second quarter of 2015 compared with 21 cents for the second quarter of 2014. As a reminder, our EPS on a guidance basis excludes the impacts of items such as mark-to-market adjustments at our Energy Services business and our ZENS securities and related reference shares. At Midstream Investments, as previously mentioned by Scott, lower equity income from Enable Midstream Partners impacted EPS at CenterPoint Energy by five cents per diluted share.

For Utility Operations, we have provided two waterfall charts to help illustrate our normalized operational performance quarter over quarter. The first of these charts is on page 17 and shows Utility Operations' second quarter 2014 EPS on a guidance basis of 10 cents per



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diluted share. Houston Electric experienced cooler than normal weather in second quarter of 2014; therefore we normalize up one cent. We normalize down one cent to account for 2014's higher equity return, primarily associated with timing issues around Houston Electric's equity true-up proceeds. As a result, we landed on a baseline of 10 cents per diluted share for 2014 second quarter Utility Operations. This is the baseline from which we feel operational performance should be measured. These adjustments are consistent with the baseline adjustments we highlighted in our year end 2014 call. We have included a slide from that call in the appendix along with a breakdown of the adjustments by quarter.

The second chart, on slide 18, takes you from the second quarter 2014 Utility Operations baseline of 10 cents to Utility Operations EPS on a guidance basis of 13 cents for this quarter. As Tracy and Joe discussed, their combined core operating income, on a guidance basis, improved from 150 million dollars to 157 million dollars in the quarter. This 7 million dollar improvement, along with an increase of 4 million dollars of other income, resulted in a favorable earnings per share of two cents for the quarter.

Through debt management, interest expense was flat on a period to period basis. For all of 2015, we expect interest expense to be lower when compared to all of 2014.

We had a lower effective tax rate of 32 percent in the quarter. This was due to a lower Texas tax rate and to some permanent differences. For the full year we expect an effective tax rate of 35%.

All together, the second quarter was stronger than anticipated for Utility Operations.



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Now, with respect to earnings and dividends, you will see on slide 19, we are targeting annual EPS growth of 4-6% on a guidance basis through 2018, inclusive of our Midstream Investments. We anticipate dividend growth will follow EPS growth. We recognize that our overall payout ratio for 2015 will likely be above 90%. We are comfortable with that payout ratio and related earnings retention due to the sources of cash and earnings supporting the dividend. We anticipate the overall payout ratio will result in a retention of 30-40% of our Utility Operations earnings. These retained earnings support needed capital investment without having to consider a secondary offering of common equity. In addition to these considerations, our board of directors takes into account the current state of the capital markets, our financial liquidity, capital strength, and our financial forecasts when reviewing and declaring our dividend.

On slide 20, I review our anticipated financing plans for 2015 and 2016. As stated earlier, retaining 30 to 40 percent of our Utility Operations earnings will allow us to finance our investment in rate base with minimal need for additional equity. We have strong financial liquidity and plan to use our retained earnings and balance sheet strength to source much of our financing needs. This year we expect to have incremental borrowings of \$400 million. These increased borrowings are primarily through our commercial paper program. If appropriate, we will consider fixed rate, longer term maturity debt. Looking to 2016, we expect to have similar financing needs, however, the ultimate amount will depend upon our capital investment, our ability to manage working capital, and bonus depreciation, amongst other



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factors. We expect to finance in 2016 via fixed rate debt and commercial paper borrowings. If appropriate, we may consider equity financing through the limited use of our DRIP and benefit plans.

Finally, based on our Utility Operations results and forecast and the most recent public outlook provided by Enable, CenterPoint is pleased to reaffirm our 2015 consolidated earnings estimate of one dollar to one dollar and 10 cents per diluted share. We believe Utility Operations will be on the high side of the 71 to 75 cent range and Midstream Investments will be on the low side of the 29 to 25 cent range.

As I conclude, I would like to remind you of the 24.75 cents per share quarterly dividend declared by our Board on July 24th.

David Mordy – Director of Investor Relations

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

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

Neel Mitra: My questions are around the dividend policy. Is the 4 – 6% something that you intend to sustain regardless of kind of where earnings are? Or is it that the dividend is going to move with earnings growth? And if the second case is true, how is that really different from, I guess, the policy part of this?

Scott Prochazka: Neel, the intent is that earnings, or dividends will follow earnings. So what we have done on this call is we firmed up our earnings target over the next three years of 4 – 6% growth and that is inclusive of both the utility and the equity investment in our midstream business.



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- Neel Mitra: Got it. So is it – are you still kind of sticking to the policy of 60 – 70% of the utility earnings and paying out almost all of the Enable cash distributions out?
- Scott Prochazka: I think those numbers may work out fairly close. It is certainly our intent to have the utility operate such that we are retaining 30 – 40% of their earnings for reinvestment. Given the fact that we are at a relatively high payout ratio, a good amount of all the cash coming in from Enable is being paid out through the dividend. But the policy we want to really emphasize is now that we are at this elevated payout ratio the policy is – or the approach I should say, is that we will target dividend growth of our earnings growth.
- Neel Mitra: Great. And one last quick follow-up. With the 2% customer growth, what has the trend been for usage, I guess, for customers? So has that come down or has it stayed fairly constant?
- Scott Prochazka: It's been very constant, Neel. We see a little bit of what I will call "noise" on usage, but it has to do with imperfect calculation of making weather adjustments. But as we look over the longer period, we are essentially seeing a very flat usage profile on a weather adjusted basis.
- Operator: Our next question comes from Matt Tucker from KeyBanc Capital Markets.
- Matt Tucker: Hoping you could talk a little bit more about what's driving the utility operations toward the higher end of your guidance range for the year?
- Scott Prochazka: Well, a couple of things and I will let my colleagues add to it if they would like to. But first of all, we have got good expense management that is occurring. We are benefiting from maintaining a very strong focus on expense management.
- We are also experiencing - as we sit here today and we look forward, we can see that the weather continues to be warm here in Houston. And we know that that will have some impacts in third quarter as we look forward. So that is impacting us as well. Bill, do you want to add anything about--?



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- Bill Rogers: I think, Matt, that I would add that through what we will refer to as debt management within our balance sheet, we will be able to lower interest expense in 2015. If you've had a chance to take a look at our 10-Q, you will see we are free cash flow positive for the first six months of the year, that is to say the cash from operations exceeded dividends and capital investment. So we feel good about that. And then finally, the last element would be a lower effective tax rate for the 2015 year.
- Matt Tucker: As a follow-up to that, I didn't see right of way revenues mentioned. It's been a nice tailwind for Houston Electric over the past several quarters. Where are you on that year to date and kind of where do you expect to end up for the year?
- Scott Prochazka: I'm going to ask Tracy to answer that for us.
- Tracy Bridge: For the second quarter, Matt, we had about 1 million dollars of right-of-way revenue. So through the first half of the year we are at about 9 million dollars, we continue to estimate that our range at year end will be somewhere between 10 million and 20 million dollars of right-of-way revenue.
- Matt Tucker: And if I could ask one more. You'd expressed interest in the past in potentially acquiring Oncor. It looks like Hunt is going to end up buying that. Just curious if you could comment on how that process played out for you guys, how involved were you?
- Scott Prochazka: Matt, I will just respond by saying I think you know we don't – we are not commenting on specific transactions. That is the position we have taken here. And we, like you and the rest of the industry, have kind of been watching this event unfold as EFH works through their bankruptcy process.
- Operator: Our next question comes from Ali Agha from SunTrust.

Ali Agha: Scott, coming back to the dividend growth policy, 4 – 6% along with earnings growth, as you know, that is pretty consistent with what normal regulated utilities are providing and telling investors as well. So I'm just curious, from your vantage point, given that outlook through 2018, are you feeling that the MLP ownership is providing you that extra value added – that it is commensurate with the extra risk and volatility that business brings to the table to you and your share price?

Scott Prochazka: Well Ali, I would tell you that I still remain very bullish on the investment that is going to be made in this space. And if you just look at what Enable reported on their call, their investment continues to increase, their volumes are up.

It is apparent -- becoming more apparent to me that producers in the US are able to compete even at these lower commodity prices. And we are very pleased with many of the plays that we are in. So I am still very bullish on this space.

Now the growth that we've put out from an earnings forecast for the Company is, as you pointed out, consistent with what we have said that would be the utility performance. And I would say it is there largely because of the near-term forecast associated with these lower commodities. So I think we all believe we'll turn around and go back up at some point in the future. And if Enable's performance improves or increases in the future then that gives us some upside potential to reflect in our own EPS.

Ali Agha: Also, Scott or Bill, how stress tested are those numbers, particularly I am thinking from the Enable side, given where we have come from? If the commodities start to go further south how comfortable would you be in that 4 - 6% number you have laid out for us?

Scott Prochazka: Ali, I would characterize it as we have done our own stress testing and sensitivity analysis beyond what Enable has provided publicly. So we have done some stress testing of their performance and we have done some stress testing around the utility performance.

And collectively have some confidence or have confidence that in the near-term a 4 - 6% earnings growth target is achievable. I will say that it is within what I would consider the reasonable implications of commodity sensitivity looks.

If oil gets down to \$25 or \$30 a barrel for a sustained period of time and gas drops to very low levels, we will have to re-evaluate. But we have done stress testing beyond what Enable has shared as their ranges.

Ali Agha: Okay, and last question, Bill, when at the earliest -- when you look out to this program to 2018, do you see a need for potentially block equity or more equity than smaller DRIP programs or do you not see that at all over the 2018 period?

Bill Rogers: Certainly. Ali, we don't see any need for a block offering of equity. We don't see a need for issuing any equity in 2015, as I said. We continue to visit both 2016 and 2017 as to whether there is a need for any equity in those years earlier. But there is nowhere in this forecast that we are providing a view with respect to a need for block equity.

Operator: Our next question comes from Brian Russo from Ladenburg Thalmann.

Brian Russo: Just in terms of back to the utility guidance and being at the high end. Can you talk about some of the drivers you referenced earlier and which one of those drivers would you consider sustainable into 2016 and 2017 versus what looks like to be a positive weather event in July that is obviously not repeatable under normal weather conditions?

Scott Prochazka: Sure, Brian, I will ask Bill to lead this one off.

Bill Rogers: Sure. And, Brian, I think I will start with what I will call some below the line factors, give you an update on that, then ask Tracy and Joe to talk about O&M cost discipline in their respective businesses.

With respect to below the line, we have significant, I think, opportunities to reduce our interest expense on a going forward basis. And we recognize that on a going forward basis we will have more debt. But we do have both maturities in 2016 and 2017 as well as those maturities we have had in 2015. So you will see that come through.

Second item below the line with respect to tax, I mentioned in the prepared remarks that we'll be at 35% this year. I think we will be somewhere between 36% and 37.5% on a going forward basis in 2016 and 2017. So those are the below the line items that we would see as



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recurring at least looking at those few years. And with that I will ask if Tracy or Joe want to add comments on O&M discipline.

Joe McGoldrick: Sure, Brian, this is Joe. I would just reiterate what I said in my remarks that, obviously, we had a down quarter and a down first half in gas ops. But that was expected because of the extreme cold weather we had in 2014. But we expect op income to continue growing again in the second half of the year, and that is in large part due to the O&M discipline that both Scott and Bill have mentioned, as well as executing on our regulatory plan.

We had the settlement in our Texas coast case, we filed our Minnesota case last week, and we expect to file a case in Arkansas in the fourth quarter of this year. So all things are looking very positive right now in the gas business.

Tracy Bridge: Brian, I would just -- this is Tracy. I would just add that our 2% year over year O&M expense growth rate is a sustainable target for us and we are going to work very hard to maintain expenses in that range, even though we are growing considerably here. So everything is looking on the up and up for the electric business.

Operator: Our next question comes from Faisal Khan from Citigroup.

Faisal Khan: Just a quick question on your ownership position in Enable. Currently, it doesn't look like the general partnership gets any value at all in the current stock price of CenterPoint. I was wondering how will you think about that general partnership over time.

I mean, I know the idea is to sort of grow those distributions over time. But if it gives Enable sort of a shot in the arm and reduces their cost of equity and makes them more competitive in the market, would you think about rolling the general partnership and IDR structure into the limited partner?

Scott Prochazka: Faisal, I would say it is too early to really have those considerations or discussions. We are a ways from beginning the IDRs. I believe Enable mentioned they thought there may be some IDR payments as early as the end of next year, which would be very small payments. So you are out into 2017 or 2018, really before you would have the issue or the consideration of how those IDRs might affect their cost of capital.



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Listen, we certainly have an ongoing -- very strong ongoing interest in Enable's success and if appropriate, we would contemplate the right things at the right time. But it is just far too early to consider doing anything differently with the GP and the IDRs.

Operator: Our next question comes from Charles Fishman from Morningstar Research.

Charles Fishman: I just had one question. Bill, you said the lower tax rate, effective tax rate, was because of Texas, I believe. So I am assuming that was at the utility, not Enable. Could you maybe provide a little more color?

Bill Rogers: That is correct. That is the income tax rate here in Texas that we recognized the lowering of that, and it went through the second quarter. And then we also had some permanent differences change, which moved the tax rate down to 32% for the quarter. But for the year, Charles, it should be at 35%.

Charles Fishman: Okay. Then what did you say then next year -- you made some comments about that earlier, about guidance?

Bill Rogers: Next year and on a forward-looking basis if you were to ask me what the provision should be for the accrual tax rate, I think it will be in the range of 36% to 37.5%. And if you wanted a point estimate, use 37%.

Charles Fishman: Okay. So actually the 37% is really pretty consistent with what you have said in the past, correct?

Bill Rogers: That's right.

Operator: Our next question comes from Michael Dandurand from Goldman Sachs.

Michael Dandurand: Actually most of my questions have been answered already. The only one I wanted to touch on was more housekeeping just with the cash taxes on distributions from Enable. Has the outlook changed at all there given the update in guidance from Enable?



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- Bill Rogers: Michael, this is Bill. First of all we look forward to being at your conference the next couple of days, so thank you for including us.
- Michael Dandurand: Yes, look forward to having you.
- Bill Rogers: Look forward to that. With respect to taxes, we are certainly moving away from that more formulaic view to dividends. What we are focused on is our target earnings growth of 4% to 6% through 2018, the dividends will follow that.
- If you wanted to ask a question about cash taxes, we file a consolidated return at CenterPoint. There are some years where the Utility's cash or tax characteristics might shield income from Enable. And there are years where the tax characteristics at Enable might shield the Utility. So we don't really look through to any specific operations, cash tax rate.
- Michael Dandurand: Understood. I guess I'm just trying to get a feel for the incoming cash net of tax from Enable. But -- maybe we can follow up off-line a little bit on that with the IR team.
- Bill Rogers: Yes. It might help just to give you a sense of what we think our cash taxes would be. On a consolidated basis we were not a taxpayer in 2014 and our cash tax rate, if we did not have bonus depreciation for 2015, will be in the low 30%. If we have bonus depreciation in 2015 it is unlikely that we would be a cash taxpayer on a consolidated basis.
- Michael Dandurand: Okay, that is helpful. Thank you.
- David Mordy: Thank you, everyone, for your interest in CenterPoint Energy. We will now conclude our second quarter 2015 earnings call. And have a nice day.
- Operator: This concludes CenterPoint Energy's second-quarter 2015 earnings conference call. Thank you for your participation.



Cautionary Statement Regarding Forward-Looking Information

This information includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements regarding future earnings, and future financial performance and results of operations, including, but not limited to earnings guidance, and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement speaks only as of the date of this release. Factors that could affect actual results include (1) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's businesses (including the businesses of Enable Midstream Partners (Enable)), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation, and actions regarding the rates charged by CenterPoint Energy's regulated businesses; (2) state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (3) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (4) the timing and outcome of any audits, disputes or other proceedings related to taxes; (5) problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates; (6) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns; (7) the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids, and the effects of geographic and seasonal commodity price differentials, and the impact of commodity changes on producer related activities; (8) weather variations and other natural phenomena, including the impact on operations and capital from severe weather events; (9) any direct or indirect effects on CenterPoint Energy's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt its businesses or the businesses of third parties, or other catastrophic events; (10) the impact of unplanned facility outages; (11) timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters; (12) changes in interest rates or rates of inflation; (13) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of its financing and refinancing efforts, including availability of funds in the debt capital markets; (14) actions by credit rating agencies; (15) effectiveness of CenterPoint Energy's risk management activities; (16) inability of various counterparties to meet their obligations; (17) non-payment for services due to financial distress of CenterPoint



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Energy's customers; (18) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc.), a wholly owned subsidiary of NRG Energy, Inc., and its subsidiaries to satisfy their obligations to CenterPoint Energy and its subsidiaries; (19) the ability of retail electric providers, and particularly the largest customers of the TDU, to satisfy their obligations to CenterPoint Energy and its subsidiaries; (20) the outcome of litigation brought by or against CenterPoint Energy or its subsidiaries; (21) CenterPoint Energy's ability to control costs, invest planned capital or execute growth projects; (22) the investment performance of pension and postretirement benefit plans; (23) potential business strategies, including restructurings, joint ventures, and acquisitions or dispositions of assets or businesses, for which no assurance can be given that they will be completed or will provide the anticipated benefits to CenterPoint Energy; (24) acquisition and merger activities involving CenterPoint Energy or its competitors; (25) future economic conditions in regional and national markets and their effects on sales, prices and costs; (26) the performance of Enable, the amount of cash distributions CenterPoint Energy receives from Enable, and the value of its interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and: (A) the integration of the operations of the businesses contributed to Enable; (B) the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of Enable's business plan; (C) competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable; (D) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly natural gas and natural gas liquids, the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines; (E) the demand for natural gas, NGLs and transportation and storage services; (F) changes in tax status; (G) access to growth capital; and (H) the availability and prices of raw materials for current and future construction projects; and (27) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.