1st Quarter 2015 Earnings Conference Call
May 11, 2015

Carla Kneipp - Vice President and Treasurer

Thank you, Ginger. Good morning, everyone. Welcome to our first 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 first 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 about the Company, key personnel, corporate initiatives, regulatory updates and other matters. We encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post 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 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, Carla and good morning ladies and gentlemen. Thank you for joining us today and thank you for your interest in CenterPoint Energy.

As Carla mentioned, this morning we will be referring to slides during our call. They can be located on our website under the investor's section. I will start with slide 4. This morning we reported first quarter 2015 earnings of 131 million dollars, or 30 cents per diluted share, compared with 185 million dollars, or 43 cents per diluted share in 2014. Using the same basis that we use when providing guidance, first quarter 2015 adjusted earnings would have also been 30 cents per diluted share compared to 40 cents for 2014. On a guidance basis, utility operations contributed 22 cents per diluted share and Midstream Investments contributed 8 cents. Compared to baseline earnings of 21 cents per diluted share for the first quarter of 2014, which Bill will discuss in more detail, Utility Operations' earnings are up 4.8%. This is consistent with the utility EPS guidance provided earlier this year.

Our Utility Operations continue to perform well supported by growing service territories, robust capital investment, constructive regulatory environments and limited business risk. These dynamics allow Utility Operations to be the ballast of our diversified portfolio and will help continue to provide earnings growth. Weather related impacts across all of our businesses caused most of the variability this quarter. Tracy, Joe and Bill will share more details about this and other drivers for the quarter.

Despite the challenges that midstream companies have recently experienced due to lower energy commodity prices, we continue to see opportunity in this space and believe that Enable Midstream Partners is well positioned to succeed. Drilling technology has fundamentally changed the landscape of the energy market as well as the role the United States plays in the global energy and feedstock market. We believe domestic and global demand, coupled with continued progress towards greater energy independence, will require significant capital investment in infrastructure. Enable remains well positioned to participate in this infrastructure build out as evidenced by their recent completion of the Bradley Processing Plant in the SCOOP as well as the Bear Den Crude & Produced Water Gathering System in the Bakken. Last week Enable announced their acquisition of Monarch natural gas gathering assets in the Cleveland Sands play and has stated it is immediately accretive.

Early indications show that the Houston economy remains strong despite press coverage regarding recently announced layoffs in the energy sector. Houston Electric's meter count increased by more than 11,000 in the first quarter which equates to an annualized growth rate of 2%. This is consistent with employment and other economic data we are seeing. According to the Greater Houston Partnership, last year the Houston metro area led the nation by adding a record-setting 157,000 residents between July 2013 and July 2014. The partnership forecasts the addition of 120,000 new residents in 2015.

Our projected capital spending remains on target for the year at 1.5 billion dollars, a 9 percent increase over 2014. We continue to utilize timely recovery mechanisms as well as rate case proceedings to help ensure effective and timely return on our investment. Tracy and Joe will provide additional color on a number of these.

Before I wrap up, let me note that CenterPoint continues to be recognized for its strong customer service. We were recently ranked first in the Midwest region and second in the South region among the largest natural gas utilities in the U.S., for operational satisfaction in a 2014

Cogent Report conducted by Market Strategies International. This report evaluated residential brand trust and engagement and the results reinforce our ongoing strategy to utilize technology to improve the customer experience.

We continue to focus on safe, reliable and efficient operations, coupled with improved services for our customers as our path to success and value creation for our shareholders.

I will now ask Tracy to discuss electric operations.

Tracy Bridge - Executive Vice President and President, Electric Division

Thank you, Scott.

Houston Electric had a solid quarter consistent with our expectations. First quarter 2015 core operating income was 68 million dollars compared with 75 million dollars for the same period last year. The business benefitted from higher net transmission-related revenue and strong customer growth. These benefits were more than offset by the impacts of milder weather, reduced equity return primarily related to true-up proceeds and lower right of way revenue.

Importantly, growth continues to be strong. Houston Electric added more than 11,000 metered customers during the first quarter of 2015, and if annualized, this represents 2 percent meter growth. On page 6 we show a chart contrasting oil prices, employment and residential metered customers in the Houston area since 1980. This chart shows steady customer growth despite large swings in oil prices and smaller variations in employment. We believe long-term annual customer growth of 2% will be supported by Houston's diversified economy and culture, as well as mild winters and a low cost of living. Houston Electric continues to focus on O&M expense management even as we address customer growth and robust capital spending. During the first quarter of 2015, Houston Electric's O&M increased less than 2 percent versus the first quarter of 2014. This growth rate excludes certain expenses which have revenue offsets.

Next, I will update you on our 345-kV transmission project, which we call the Brazos Valley Connection, detailed on slide 7. On April 24th, we filed an application for a Certificate of Convenience and Necessity with the Public Utility Commission of Texas. We estimate the total project cost will be between 276 million and 383 million dollars, depending upon the route approved by the PUC. We expect the PUC will issue a final order in the fourth quarter addressing all issues, including which route should be used. Upon final approval, we will begin construction and anticipate completing the project no later than mid-2018. The new import project will improve the capacity of the Texas electric grid, strengthen regional transmission capabilities and help support growing demand in the greater Houston area.

Turning to capital cost recovery mechanisms, our transmission capital costs are recovered via Transmission Cost of Service, or TCOS filings. The rate adjustment from our fourth quarter 2014 TCOS filing, totaling over 23 million dollars annually, went into effect on February 25th. We anticipate making the two allowed TCOS filings this year.

For distribution capital cost recovery, you will see, on slide 8, that we filed on April 6th to increase rates by 16.7 million dollars annually using for the first time, the distribution cost recovery factor mechanism or DCRF. We expect a decision in July, and have requested that rates become effective on September 1st. I would also like to note that legislative authority for the DCRF mechanism currently sunsets on January 1st, 2017, and as a result, we have been working to get the legislation extended. The DCRF sunset extension bills, which move the sunset to September 1st, 2019, have successfully passed through the Texas House and Senate, and we anticipate enactment by the end of the second quarter.

I will conclude by highlighting our successful smart meter deployment and on-going intelligent grid implementation referenced on slide 9. In addition to reducing costs, these projects deliver additional reliability and efficiency benefits, provide enhanced customer functionality and help the environment. Since the beginning of these projects, our customers have saved over 23 million dollars per year in service fees. Additionally, a residential customer surcharge covering part of the cost of the smart meter project will end this month, reducing overall customer rates, which are already among the most competitive in the nation. Further, since the beginning of the project, we have saved more than 1 million gallons of fuel, avoided 9,300 metric tons of CO_2 and restored power to nearly 1.2 million customers without a phone call. CenterPoint is at the forefront of the industry in this area, and we are proud of our environmental contributions and our ability to manage expenses through the use of this technology.

I am pleased with Houston Electric's first 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, also had a solid quarter in line with our expectations. Natural Gas Utilities' first quarter 2015 operating income was 146 million dollars, compared with 162 million dollars for the same period last year. Energy Services reported operating income of 13 million dollars this quarter, compared with 26 million dollars last year.

During the quarter, our Natural Gas Utilities business continued to benefit from rate relief and customer growth. Robust economies in our service territories led to the addition of approximately 37,000 new customers year over year, and we are on track for continuing our 1 percent growth in 2015. We were also successful in controlling O&M expenses.

These benefits were more than offset by a decrease in usage, related to less extreme weather in 2015 compared to 2014, higher depreciation and amortization, and higher property taxes. Although heating degree days were higher than normal across our service territories, they were significantly lower than the first quarter of last year. As a reminder, since 2007 we have hedged winter weather at our LDCs in those jurisdictions where we do not have weather normalization adjustments. Normally, the hedges mitigate significant year over year fluctuations. However, weather in the first quarter of 2014 was so cold, we exceeded the cap on that hedge by the end of January 2014. As a result, we were unhedged in February and March of 2014 and booked significant income from weather related usage in those two months. This variance alone accounted for 9 million dollars of the operating income decline in the first quarter of 2015. Additionally, the capital investments we're making to meet growth and ensure system reliability and safety have increased depreciation and amortization expenses. These higher D&A expenses will be recovered through rate recovery mechanisms and rate cases.

In addition, operating income was reduced 3 million dollars in the first quarter of '15 as compared to the same quarter in 2014, due to a change in the customer charge in our last Minnesota rate case. This reduction is primarily timing related and will reverse in subsequent quarters as the higher customer charge has the effect of smoothing revenues throughout the year.

As indicated on slide 11, we have made several important regulatory filings in 2015. These filings represent a combination of rate cases and annual recovery mechanisms which are intended to compensate us for the substantial investment made to better serve our growing customer base. We filed a Texas Coast rate case in late March seeking a nearly 7 million dollar increase. We expect the Texas Railroad Commission will issue a final order in the fourth quarter of this year. Once the Texas Coast case is finalized, we expect to utilize GRIP, the annual infrastructure recovery mechanism, to recover future incremental capital investment which will help reduce regulatory lag. We also made GRIP filings in our Texas jurisdictions during the first quarter, seeking a combined annual increase in rates of 10 million dollars in two of those jurisdictions. Additionally, we plan to file rate cases in Minnesota during the 3rd quarter and in Arkansas during the 4th quarter. The majority of the increases will be reflected in 2016 results, and we will update you on the specifics later in the year.

As noted on slide 12, Act 725 was recently passed by the Arkansas legislature, and we believe this new law will benefit our utility operations in future years. We have worked closely with the Arkansas PUC and its staff over the years in utilizing multiple alternative rate mechanisms. Act 725 allows a utility to move away from filing multiple annual mechanisms to requesting a comprehensive formula rate plan that includes a forward test year with annual true up of rates around a banded ROE. We view this regulatory option as positive, with the potential to reduce regulatory lag in Arkansas and recover capital investment in a more timely manner.

Turning to our non-regulated Energy Services business, the first quarter's results include a 4 million dollar mark to market loss compared with a 4 million dollar gain the previous year. The remaining decrease was margin-related, resulting primarily from reduced weather-related optimization opportunities compared to the 1st quarter of 2014. Our Energy Services business continued to grow its retail customers at a solid pace, adding over 800 commercial and industrial customers, or a 5% increase over the last year.

This was a solid quarter despite the impact of quarter over quarter weather variances, and again, consistent with our expectations. We continue to focus on delivering safe and reliable natural gas as well as creating first rate customer experiences by providing customers with more choices and customized services.

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

Bill Rogers - Executive Vice President and CFO

Thank you, Joe and good morning to everyone. I have a few topics to review this morning and will start by discussing the quarter over quarter earnings drivers, some of which Tracy and Joe addressed.

As Scott mentioned earlier and as slide 14 shows, our earnings per share on a guidance basis was 30 cents in the first quarter of 2015 compared with 40 cents per share earned in the 2014 quarter. 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, lower equity income from Enable Midstream Partners impacted EPS by five cents per diluted share.

At the Utility Operations level, we have provided two waterfall charts to help illustrate our normalized operational performance on a quarter to quarter basis. The first of these charts is at the bottom of page 14 and shows Utility Operations' first quarter 2014 EPS on a guidance basis of 27 cents per share. After normalizing 5 cents to exclude the benefit of colder weather and one cent associated with 2014's higher equity return primarily associated with Houston Electric's true-up proceeds, we arrive at a 2014 first quarter Utility Operations baseline of 21 cents per diluted share. These adjustments are consistent with the baseline adjustments we highlighted for you in our 2014 year end call when we provided our 2014 full year Utility Operations baseline of 70 cents. This is the baseline from which we feel operational performance should be measured.

Turning to slide 15, the second chart takes you from the Q1 2014 Utility Operations baseline of 21 cents to the first quarter 2015 Utility Operations EPS on a guidance basis of 22 cents. As you can see, strong customer growth and rate relief benefited the quarter by three cents per diluted share. These benefits were partially offset by a penny of higher interest expense and another penny of other factors such as higher depreciation expense, lower right of way revenue and higher O&M. These drivers resulted in the 2015 first quarter Utility Operations EPS on a guidance basis of 22 cents per diluted share. This 4.8 percent growth rate from our 2014 first quarter baseline of 21 cents is in line with our 2015 guidance and our longer-term EPS growth rate of 4 to 6 percent.

Turning to O&M, CenterPoint's total O&M, excluding expenses that have a corresponding revenue offset such as TCOS, was up just under 2 percent on a quarter to quarter basis. This increase in O&M expense was primarily due to higher labor costs including benefits. We are committed to looking for further opportunities to optimize our operating cost structure.

Now turning to cash flow. During the quarter, we posted strong cash flows from operating activities, including 165 million dollars from retroactive bonus depreciation and 72 million dollars in distributions received from Enable. Further, with respect to cash distributions from Enable, the Enable board of directors declared on April 24th a quarterly cash distribution of which we expect to receive approximately 73 million dollars. This represents a 1.2 percent increase over the prior quarter distribution and if annualized, is consistent with the midpoint of Enable's 2015 forecast of 3 to 7 percent distribution growth.

Our 1.5 billion dollar capital plan for 2015 is on track. Through the end of the first quarter, we have invested 309 million dollars. As described in our 2014 form 10K, we plan to invest 7.4 billion dollars over the next five years. As we consider how to finance this capital plan, we are continually looking for opportunities to optimize our capital structure through our debt and equity capital formation activities and we are diligent in considering if and when equity is appropriate. We have strong financial liquidity at the company and plan to use our existing debt capacity to source much of our financing needs. As we do this, we will be attentive to debt refinancing opportunities to further reduce our interest expense as well as to maintaining our regulatory capital structures and our solid investment grade credit ratings. Additionally, as we shared in our February earnings call, we are not planning a secondary offering of common equity over the next five years. However, if appropriate, we may consider issuing original issue shares through our benefits and investor choice plans.

Based on CenterPoint's results and the most recent public forecasts made by Enable, we reaffirm our 2015 consolidated earnings estimate of one dollar to one dollar and 10 cents per diluted share. We reaffirm the component parts of that range with the Utility Operations range of 71 to 75 cents and the Midstream Investments of 29 to 35 cents per diluted share. This guidance assumes a consolidated effective tax rate of approximately 37 percent and an average share count of 431 million shares.

Before I turn the call back over to Carla, I would like to remind you of the 24.75 cents per share quarterly dividend declared by our Board of Directors on April 23rd. We believe that the strength of our balance sheet, coupled with strong earnings and cash flow, support our dividend under a wide variety of circumstances.

With that, I would like to thank you for your continued interest in CenterPoint Energy and I will now turn the call back over to Carla.

Carla Kneipp - Vice President and Treasurer

Thank you, Bill. We will 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 Carl Kirst of BMO Capital.

Carl Kirst: Good morning, everybody. Maybe a couple of questions on just CenterPoint Electric and first on Brazos Valley, could you just remind me if there is from an opposition standpoint, is there anything in front of ERCOT that we need to be following or to the extent there is any opposition that will get taken into account in the PUC proceeding?

Scott Prochazka: Carl, good morning. This is Scott. I'm going to as Tracy to answer that question for you.

Tracy Bridge: Good morning, Carl. We have two sizable generation interveners in that proceeding. One is Cal Pine and the other is NRG. That is not a surprise to us. They filed a complaint at the PUC relative to the methodology that ERCOT used to determine the critical need for this asset. But this is all in the course of business so we will see how it plays out. I still like our chances very much.

Carl Kirst: Okay but it basically all kind of wrapped up within the PUC proceeding, we are not waiting to hear from ERCOT for instance on anything?

Tracy Bridge: That is exactly right.

Carl Kirst: Second if I could, I will chalk it up to Monday morning, can you remind me the issue of the reduced return on equity at CEHE with respect to the true up proceeds?

Tracy Bridge: Carl, this is Tracy. I am not clear on your question. Could you restate it please?

Carl Kirst: The $6 million reduction over first quarter of 2014 that was attributed to the true up proceeds. And I just want to make sure I am understanding the mechanics that is going on.

Scott Prochazka: Carl, I'm going to ask Bill to answer that question for you. I think he can give you the answer.

Bill Rogers: Carl, good morning. Thank you. So it is not so much that it was reduced in 2015 as it was that we were earning more than forecast in 2014.

Carl Kirst: I got it. Okay. Thanks, guys.

Operator: Your next question comes from Ali Agha of SunTrust.

Ali Agha: Thank you, good morning. Scott, first question, you guys have told this to us before that the dividend that you are going to get from Enable tax rate on that distribution is going to go up pretty materially over the next few years. So on an after-tax basis, should we assume that that distribution to CenterPoint should be declining over that three-year period as that tax rate jumps up? Is that a fair way to think about it?

Bill Rogers: Thanks, Scott, and good morning, Ali. I will take this question and answer it in two parts if I can. It is unclear as to the direction of the tax rate. Enable has provided where they expect to invest in 2015 as well as their distributions in 2015. The effective tax rate to CenterPoint in future years will depend upon the rate of Enable's investment as well as any changes or what is in effect at the time on the tax code. We have provided a forecast to you as to what that could be and that is over the next five years approximately 25% but that will go up and down depending upon how much Enable invests.

Ali Agha: Okay. So we will keep an eye on that. Secondly, when do you think you will be in a position, CenterPoint, to be able to articulate your dividend growth plans going forward? I know a lot of that is hampered by the timing from the Enable side but from a CenterPoint perspective, when do you think you are in that position?

And related to that, if the macro environment doesn't change six or twelve months from now, is there a Plan B or what is the plan from your side?

Scott Prochazka: Ali, the question you asked about -- the first one you had asked about our dividend growth rate, we, as you know, we had pulled back from providing multiple years based on Enable's reduction in terms of the period they were looking forward. We will be in a better position to articulate a growth rate once Enable is able to provide a little bit more clarity on their future growth. In other words, beyond 2015.

At this point they have said that they anticipate being able to provide more projection on their second quarter call so that is when we should have more information. I will tell you though that just from a dividend standpoint we remain committed to providing a secure, competitive and growing dividend and we are going to keep focused on that. Hopefully we will be able to provide a little bit greater clarity on what that growth rate looks like once we get some more information from Enable.

Ali Agha: And your ownership plans for Enable, Scott?

Scott Prochazka: You know, our ownership plans are staying as they are, Ali. We have Enable as part of our portfolio, they are an important part of our portfolio. We see great opportunity for them to take advantage of what is going on in the marketplace today. They've got a solid balance sheet. There are good opportunities ahead of them. I personally believe the infrastructure space is going to be – it is going to continue to be built out for a number of reasons.

So I think there is good growth opportunity there and I would hate offer, hypothesize considerations on alternatives when our focus right now is to make sure that Enable is performing well and is capitalizing on the opportunities that they have in front of them.

Ali Agha: Thank you.

Operator: Your next question comes from Matt Tucker of KeyBanc Capital Markets.

Matt Tucker: Good morning. Just wanted to ask first on the Brazos Valley project, could you talk a little bit more about the variables behind the low and the high-end of the cost range? And should we look at that as 276 million or 383 million or could it land somewhere in between?

Scott Prochazka: Matt, good morning. This is Scott. I'm going to as Tracy to answer that one for you.

Tracy Bridge: It could land somewhere in between to answer your question directly. The low-end is more related to a direct route which could be selected by the PUC. The high-end is to take account of the fact that there are more than 30 routes proposed as alternatives for the PUC to consider and if you imagine some 90 degree angles and some different transmission structures, the cost goes up as the variance from a straight line and from traditional construction standards vary.

So back to the answer, the answer is it could be somewhere in between. We have said fairly consistently that 300 million is our best estimate but this is a more precise range depending on the route and the actual construction materials that have to be used based on the route.

Matt Tucker: Got it. Thanks, Tracy. Just wanted to ask also about the weather impact on utility operations. Understand that there was a significant headwind year-over-year, looks like it was still colder than normal though this year. So was there a benefit versus normal in the first quarter of 2015 or was that all offset by the weather hedge?

Scott Prochazka: The benefit we saw in the first-quarter was technically favorable but it was fairly negligible, it was fairly small. It was colder than normal, you are correct, but it was fairly negligible on a normal -- comparing it to normal.

The bigger consideration is as you have noted and that is a substantial impact to the negative when compared to last year's rather severe winter.

Matt Tucker: Got it. Thanks, Scott. And then just final question, maybe a bit early but would you expect much opposition to the legislation to extend the DCRF or should that get approved fairly easily?

Scott Prochazka: We are fairly confident that is going to pass. It has been approved by both the House and Senate, it is on the Governor's desk at the moment. So we are anticipating passage by the end of the second quarter.

Matt Tucker: Sounds good. Thanks a lot.

Operator: Your next question comes from John Edwards of Credit Suisse.

John Edwards: Good morning, everybody. Thanks for the color. Just following up Ali's question, I am just trying to figure out basically how you are thinking about your strategy going forward. It sounds like your dividend growth outlook is dependent on Enable. So kind of if that is slowing down, that is slowing down the dividend grow so obviously it raises the question of whether you should spin it off or not to Ali's question. It doesn't look like you have that much growth out of the utility given what the payout is to support dividend growth. Maybe I'm just missing something here so maybe you could kind of talk about those type of trade-offs as you sort of look forward with respect to dividend policy.

Bill Rogers: John, this is Bill. I will start out with that and if Scott cares to add comments, he will follow.

As Scott said, we recognize the importance of a secure and competitive dividend as well as a growing dividend. We also recognize the volatility of earnings growth rate in the midstream sector. But we have to accept that this volatility does not necessarily translate into a volatile growth rate in dividends as we seek value in a stable consistent payout and growth rate.

Scott Prochazka: Just echoing Bill's comments, we have clearly been impacted by the change in forecast that Enable has shared with us and what we are really waiting for is some additional clarity from them as to what the future holds as they get more information in from their producers. That said, they have specific levers that they can use to help manage cash flows. We have specific levers as well that we can use to help manage cash flows and as Bill said, our objective is to have a dividend that is competitive, it is secure and it is growing and that is what we are going to focus on.

John Edwards: Okay, that's helpful. So just if for example Enable is on more of this, call it a 4% to 5% growth trajectory for their distributions, how does that impact your -- because remember when they came out they obviously were thinking much higher than that if it is a mid-single-digit type profile. How should we think about what the growth profile might be at the CenterPoint level?

Scott Prochazka: We haven't provided direction on that but one way to think about it is if their growth rate is less than what they had originally forecasted over the long-term, they will have some levers internally that they can use to help manage the actual cash flows and distributions and then we have some levers internally as well to ensure that we are working toward providing a dividend that is competitive with our peers.

So we've got some levers here, they have some levers so even if the growth rate they project comes down, we both have some levers we can use to help manage the growth of the dividend appropriately.

John Edwards: Okay. Can you articulate on some of the internal levers you are thinking about now?

Bill Rogers: John, clearly the declaration of the dividend and longer-term growth rate is something the Board studies hard and they make the declarations. We don't want to get ahead of our Board on this but we recognize that the levers that we have are not only the strength of our balance sheet but taking a look at other factors that go into our financial statements.

Scott Prochazka: John, I will just -- I want to point out too, just to remind you, that we do have good utility growth over this period. So we've got good support from our utilities for growth dividend as well.

John Edwards: I recognize that, just the payout is obviously pretty high right now so that is what has given rise to this question.

Scott Prochazka: I think the overall payout for the Company probably is high but when you look at the component parts, the utility is still in a fairly reasonable range of payout.

John Edwards: Okay. That's helpful. Thank you.

Scott Prochazka: You're welcome.

Operator: Your next question comes from Lauren Duke of Deutsche Bank.

Lauren Duke: Good morning. Bill, you talked a little bit about looking for other ways to kind of control O&M. Can you just talk about where you are seeing the most opportunity there and what sort of increased run rate do you think we should think about for you guys in the future?

Bill Rogers: Lauren, it's Bill. I will start with that and then ask if either Tracy or Joe would like to add to it.

We are committed to discipline with respect to the growth rate in our O&M. We do recognize that there will be some growth because we have a growing customer base, growing volume sales in both the electric and the gas business. But the way for us to address that is to look hard at not only our labor cost structure but maintenance contracts and quite frankly to get more efficient in all that we do which is more a matter of many, many small items throughout our business than it is any one large item. Joe or Tracy?

Joe McGoldrick: I'll start. Lauren, in our gas business for years now we've been investing in capital that has of the effect of making us more efficient operationally and I think if you were in New York in June, we showed a pretty low growth rate in our O&M over the last several years and we don't expect that to be much more than 2% or so over the next several years as we continue to take advantage of that.

A good example is our customer service. We have made a lot of investment in technology and in systems there and so we are bringing down the unit cost of fielding calls and taking care of our customers and we have taken advantage of all of that. And not to mention as we spend more capital, more of our labor is capitalized as opposed to expensed. So those are a few of the factors that will help us control O&M.

Tracy Bridge: Lauren, this is Tracy. I will build on Joe's point because it is a similar story. I touched on the very significant capital projects we have -- we have completed our smart meter deployment of 2.3 million meters in 2012 and we are in the process of deploying our intelligent grid. That automates what were previously very manually intensive processes so that definitely helps us convert manual expense driven things into capital driven things and also customer service on the electric side.

The best example we have there is power alert service. We have 400,000 of our 2.3 million customers enrolled in this voluntary program and it allows us to proactively send them messages on what we know when we know it so that they don't have to call us and if they don't have to call as we don't have to have as much customer service expense and customer satisfaction increases. So discipline, efficiency, substituting capital for expense, those are all themes that we continue to drive.

Lauren Duke: Okay, great. Can you also, beyond the Brazos Valley connection, can you talk a little bit about whether you are seeing other larger scale transmission opportunities in the states that you guys are considering?

Scott Prochazka: Yes, Lauren, this is Scott. I will answer that one for you. Most of our investment on transmission is right around our footprint so the nature of investment is either within the footprint where we are building investing in transmission and substations for industrial growth which is kind of the other big theme in terms of transmission investment. Beyond that, kind of the next wave of potential investment might be for additional import capabilities but that would be many, many years out into the future and really going to have to be a function of evaluation done at that time about the balance between growing demand in the load pocket and the amount of generation that is available locally.

Lauren Duke: Okay, great. Thank you, guys.

Operator: Your next question is from Charles Fishman of Morningstar.

Charles Fishman: Thank you. I have got a question for Tracy. But maybe before that, I will just say that I've been one of the people concerned about the impact of the fall in oil and gas prices with respect to Houston load growth or customer growth. That slide you have on number six really addresses that very well. I compliment you on that.

Tracy, my question is do you see any significant challenges to the DCRF extension? I would think that would be a lot tamer than what has gone on with the import project.

Tracy Bridge: Charles, the answer is no, we don't foresee any issues with that. We think it will be enacted into law by the end of the second quarter. Both bills are identical, they have passed the House and have passed the Senate in Texas and as Scott said, we are simply waiting for enactment so we don't see any issues with the continuation of that legislative authority

Charles Fishman: Ok, thank you, that was all I had.

Operator: Your next question is from Jeremy Tonet of JP Morgan.

Jeremy Tonet: Good morning. Just wanted to start off with a quick housekeeping item, could you remind us on the utility side, what was the trailing 12 months payout ratio? Do you have that handy?

Scott Prochazka: Bill, do you happen to have that?

Bill Rogers: We will get that for you.

Jeremy Tonet: Okay, that would be helpful. Great. And then just wanted to see if you had any thought, I think there was some discussion as far as alternative structures. I think a peer out there had been discussing in the marketplace as far as whether or not to utilize an REIT structure or there was some discussion general around that. And I am wondering if you guys had paid any thought to that and if you had any thoughts to share there?

Scott Prochazka: Jeremy, that is an interesting space. We have actually been looking at REITs and examining the many issues around them as you well know, looking for opportunities where a REIT structure could be value enhancing for either our customers or the rate payers -- I'm sorry -- or the investors. And what we are seeing so far is while this is interesting, there is still a number of complications and regulatory issues that we think make this space more challenging than opportunistic. But that said, we are going to keep exploring it and keep looking at how that area develops to see if it could represent opportunity for us.

Jeremy Tonet: That is very helpful. Thank you.

Operator: This does conclude CenterPoint Energy's first-quarter 2015 earnings conference call

Carla Kneipp: Thank you everyone for your interest in CenterPoint Energy. That will conclude our first quarter 2015 earnings.

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

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.