



Wolfe Utilities & Energy Conference Webcast  
October 2, 2018

**Steve Fleishman (Wolfe) - Managing Director**

All right. Well, thank you. Welcome, everyone. Our technical difficulties matched up with Brant's traffic difficulties, so everything worked out perfectly and we can we can start with the whole team here. So, welcome to the Wolfe Utilities Energy Conference. Appreciate everyone coming. I think we've got a great event set up for the next few days and happy you could join us. The way we do this conference is a little different. We host panels either with similarly positioned companies from business mix or strategic focus or state focus. And then – or just topical panels and hopefully get a little more color than just the typical dog and pony show. But please, please, we want that part, too. So, we'll have presentations from each company with a short version of their investment case and then we'll go – I'll ask some questions, but most importantly, it's a great format and opportunity for you to ask questions of the panel. You can ask specific members of the panel, so please take advantage of that when you get a chance.

So, to kick us off, we're going to start with our first panel. We've titled it Texas and Beyond. We did this panel last year too. And I know Bill has gone further beyond since last year with the Vectren transaction. But very happy to have with us, CenterPoint Energy, Bill Rogers, who's the Chief Financial Officer and Executive Vice President and then from InfraREIT, Brant Meleski, who's the Senior Vice President and Chief Financial Officer as well. At one point in our lives, we all three worked together at Merrill Lynch. So, it's nice to have a reunion panel as well.

So, let me let me turn it over to Bill to get us going.



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**Bill Rogers – EVP & CFO**

Thank you, Steve, and good morning to everybody. This is the third year that we've had the Texas panel and it's been a privilege for CenterPoint to be joined by InfraREIT on that. Brant, I look forward to your comments.

I'll begin by saying thank you to Wolfe and your securities firm, Steve. We place high value on your firm's research across all sectors. And if you're not aware of it in the investment community, Wolfe has served on multiple public offerings by CenterPoint in both the debt and the equity markets. As Steve said, the title of this is Texas and Beyond. Texas is extremely important to CenterPoint. We're proud of our long-term performance, serving our customers and communities in the Greater Houston metropolitan area. But most of this presentation will be beyond Texas. So, before I begin, I would like to direct your attention to the cautionary statements on slides 2 and 3, which include forward-looking statements on the use of non-GAAP financial measures in this presentation. The cautionary statement on the forward-looking statements provides among other things that we cannot guarantee forward-looking statements or financial results.

Let me begin by saying again, we appreciate your interest in CenterPoint Energy. Our company's vision is to lead our nation in delivering energy, service and value. We have a history of success due to our strategy of operate, serve and grow. These three elements keep us focused on safely and reliably maintaining and operating more than \$20 billion in assets, making sure our customers receive the benefits of our investments and product offerings, and



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creating growth opportunities for our employees and our investors, as well as our customers.

We achieve this through making the right investments in energy systems delivery process and introducing new technologies and our commitment to employees and communities.

During this presentation, I will discuss how CenterPoint's high-quality assets and diversified cash flows will be complemented with our pending merger with Vectren. We anticipate the merger to create a stronger, more stable utility platform that is better positioned to serve the needs of a growing customer base.

We expect the combined company will realize additional utility earnings by investing capital to meet the needs of more than 7 million customers. The growth and increased offerings for customers positions us as a customer-centric, energy delivery company for our future.

We believe this merger reduces business risk by increasing our size, scale, and business diversity; creating opportunities for operating efficiencies, increasing the percentage of utility earnings to our total earnings and providing enhanced certainty of consolidated cash flows and earnings. The pending merger with Vectren advances our vision and strongly supports the elements of our strategy.

We have completed several recent offerings that complete our equity financing needs for the Vectren merger. In August, we issued \$800 million of Series A Perpetual Preferred Stock. This offering received 50% equity credit from all three rating agencies. Yesterday we closed on our concurrent offering of \$1.90 billion of common equity and \$978 million of Series



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B Mandatory Convertible Preferred Stock, This included the exercise by the underwriting group of their overallotment option for each offering.

This mix of offerings provides us with approximately \$3.3 billion of equity financing credit for the Vectren merger. This is more than the \$2.5 billion we originally anticipated. We took advantage of strong demand and increased the size of each offering to higher than our initial launch amounts. The increased equity will reduce the debt needs to complete the financing of the Vectren merger. Also, we anticipate the increased equity raised now will reduce our future equity needs through the 5-year planning cycle while still allowing us to meet our stated credit metrics goal of 15% adjusted funds from operation to debt as calculated by the rating agencies.

With these issuances completed, we anticipate the remaining financing to fund the Vectren merger will be \$2.3 billion of debt financing at our holding company and cash on hand at our holding company. Finally, with the acquisition of Vectren stock we expect to assume \$2.5 billion of Vectren debt.

We communicated the 2020 EPS Potential slide on our first and second quarter earnings call. While we are not providing an update to this slide today, we anticipate that we will be able to provide more detailed guidance around earnings, cost savings and commercial opportunities after the anticipated close, which is expected to occur in the first quarter of 2019.



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We continue to complete major milestones on our timeline of closing this merger in the first quarter of 2019. In late August, Vectren shareholders voted to approve the merger, and therefore, the remaining milestones are the FERC order, and the completion of filings in both Indiana and Ohio. You'll note on this slide that Indiana is expected to have hearings with respect to the filing on October 17.

In our second quarter earnings call, we posted this combined view of our rate base growth. Which we expect to be approximately 7.6% a year over the five-year forward-looking period out to 2022. And rate base growth is the driver of our utilities earnings growth in the future and is a key component of our earnings profile.

Analysts have asked when we will update this, our answer is that every year, we update it with our filing of the Form 10-K. So, we'll update it with the filing of the 2018 Form 10-K in late February and then would expect to provide a view to our investors on what we label as the fourth quarter earnings call.

Based upon combining historical data of the two companies from 2017, we expect an increase in the percentage of income from utilities and enhanced visibility of these earnings driven by the utility investment. Additionally, revenues at Vectren's infrastructure business or VISCO, are driven primarily by long-term infrastructure replacement plans within the gas utility sector.



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As referenced earlier, the combination of these elements provides us greater visibility and enhanced certainty of consolidated cash flows.

The enhanced certainty of these cash flows and the recently executed equity financings should improve our credit metrics in the near term and increase our confidence in attaining the 15% adjusted funds from operation to debt as measured by the rating agencies.

As a management team, we view our credit quality as a strategic priority with a target credit rating of mid BBB or better for all debt securities issued by CenterPoint Energy or its subsidiaries. We have demonstrated this commitment to credit quality through our historically strong FFO to debt metrics, a lower amount of holding company debt, a lower business risk profile, and our recent equity offerings.

Going forward, we intend to reduce our holding company debt, implement external financing for CenterPoint Midstream and execute a balanced approach to permanent financing. By balance we mean an appropriate mix of equity and debt to invest in our rate base.

Recently we completed the internal spin of our Enable common units and interest in Enable's general partner from our subsidiary CERC to a new wholly owned subsidiary, CenterPoint Midstream. CenterPoint Midstream now has all of the investments in Enable with the exception of the \$363 million 10% preferred investment which is at our holding company.

Concurrent with the spin, CenterPoint Midstream borrowed \$900 million from CenterPoint Energy, Inc. We intend to refinance this with external borrowings in the future. At



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this time, we do not intend for CenterPoint Midstream's borrowings to either be rated by the agencies or to be publicly registered debt. We are also pleased that Moody's recognized the spin and published an upgrade for CERC from Baa2 to Baa1 and placed CERC on positive outlook.

In summary, CenterPoint has had a history of success with our strategy to operate, serve and grow. The pending merger with Vectren fits well with the strategy and reduces our business risk by increasing our geographic and business line diversity, as well as improving the certainty of our earnings and cash flow.

Thank you for your interest.

**Question & Answer Section**

**Steve Fleishman / Wolfe Energy**

Great. Thanks, Brant. So maybe just to kick off something that obviously matters to both of you which is Texas and it's obviously one of the states with what seems to be the best growth outlook dynamics. And maybe you could talk a little bit about what each of you are seeing in terms of growth in the economy and from your business standpoint and what that might mean for rate-based investment opportunities for each company. Bill, want to go first?



**Bill Rogers / CenterPoint Energy**

I'll start off. First, with respect to our economy, both the city of Houston and the state of Texas, the unemployment rate is right at the national unemployment rate. The GDP growth rate continues to exceed the national GDP growth rate. And we continue to see significant industrial investment along the coast, whether it be LNG plants or refinery and chemical and specialty chemical plants. Our load growth across all classes of customers has been approximately 4% with the greatest growth in the industrial and large commercial customers. We also measure residential meter growth as an indicator of growth. We have been below 2% for each of the last three quarters, and a reason for that is we had Hurricane Harvey in third quarter of 2017. But not only did we have a lot of our community out of their homes, but a lot of contractor work was dedicated to repairing homes and places of business. That will have to work its way through the system to really get a sense of our residential meter count. We'll get a better sense of that with our third quarter 2018 numbers, but it will probably be the full year, if not first quarter of 2019, when we get a good look at it. So, we remain excited about the economy. Last comment would be in our electric business; 65% or greater of our rate base investment goes towards those growth activities versus replacement. On our gas pipeline business across our company, 10% to 15% in any given year goes to growth and the majority of our investment is actually pipeline replacement.



**Steve Fleishman / Wolfe Research**

Before we switch over, Bill, I know you mentioned a quarter or so ago the Freeport transmission, which was an upside rate base from growth essentially. Is there more of these kinds of things that are possible just given some of the industrial growth?

**Bill Rogers / CenterPoint Energy**

Right. So, the Freeport transmission line, which we also call Bailey to Jones Creek, which are two substations. We filed with ERCOT earlier this year on a point-to-point estimate that it would be \$250 million. That's how ERCOT prescribes that you file. We are going through some, I'll call it, challenging lands and challenging soil conditions in terms of how we design the transmission.

So, ERCOT approved it. We then designed it and filed with the Public Utility Commission of Texas for a Certificate of Convenience and Necessity and that capital estimate is \$630 million. If approved by the PUCT with the CCN, which we need to move forward, then the significant expenditures would begin in late 2020 and go through 2022. Are there more of those? Not that we see at this time. We tend to have one large transmission project in every five-year planning cycle. I know that we just finished the Brazos Valley import project earlier this year, which was the large project in the last five-year cycle.

**Brant Meleski / InfraREIT**

From an InfraREIT perspective, we too are seeing the similar growth overall in the state, in and around our assets. But as a transmission focused company, and even the 10% of our business that is distribution is really wholesale distribution, we no longer benefit or we no longer see



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CapEx and growth opportunities from distribution growth from customers or meter growth.

Our CapEx needs and growth really is derived more at a wholesale level.

And due to – or from that perspective, our growth is really driven by two factors within the state. One, in the Panhandle, it's really driven by renewables activity. And so, at the beginning of this year, we wrapped up a significant expansion of our CREZ asset, it was a little more than \$100 million of CapEx to put a second circuit around our CREZ loop and add two synchronous condensers, each about \$25 million to \$30 million in our Pan –in two of our Panhandle substations to increase the export capacity of renewable electricity. Primarily wind, today, we're beginning to see some solar interest up in the Panhandle area as well.

The other area where we see growth is, a part of our assets, are in West Texas, over portions of the Permian Basin. In the 2012 to 2015 time period, we saw a significant expansion there, frankly, at rates that from an engineering angle, we struggled to keep up with. The turndown in oil prices for a year-and-a-half or so actually helped us catch-up with the growth that occurred, and proceeded to then strengthen that system with the expectation that we not only needed to support the growth that was there, but we expected some to come as oil prices rebounded.

We have seen that over the course of the past couple of years, really last two years, and continue to see strong load growth in that region that will eventually lead to additional CapEx needs. Similar to what Bill referenced on his large – at CenterPoint's large transmission projects, as a transmission focused company, most of our projects have a long lead time associated with them right now. So, for those of you familiar with our story, you'll know that our 2019 and 2020 CapEx are at levels that are below where they've been in the past three or four years. This is as



we worked our way through some very large projects. We're in a period without a large project. But LP&L's integration into ERCOT is now on the horizon, as are some additional generation interconnections that are being pursued in West Texas. So, that is all in the future and on the come. But those are the two big drivers for growth for InfraREIT. And I would say, Bill, I don't know how you all are experiencing this, but we continue to see a lot of support out of, not only ERCOT, but the PUCT to support new build transmission and new investment in the system, provided that it is economically justified.

**Bill Rogers / CenterPoint Energy**

We agree on this. LP&L, Lubbock?

**Brant Meleski / InfraREIT**

Yes. Sorry. Lubbock Power & Light, yes.

**Steve Fleishman / Wolfe Research**

And then, maybe that's a good lead into just the PUC legislature kind of – the PUCs changed over a lot over the last year or so. Kind of how are you seeing those changes? And really, what are they focused on do you think in terms of kind of key objectives? And then, just any legislation – I know the Texas legislature only meets every two years. Any legislative efforts that the industry is focused on either getting done or stopping from happening?

**Bill Rogers / CenterPoint Energy**

Well, I'll just begin with the commenting on the PUCT. You're correct. We have three appointed commissioners and the Utility Commission, which regulates the electric business and the water business in Texas. And all three are new within the last year. We have not had a general rate

case decision out of the PUCT, but there are two in front of it right now. So, in, I think, short order, we'll get more information on that. Then, with respect to legislature, you're right, Steve, our legislature will meet in 2019. Don't have any comment as to how we might work with our legislature with respect to agenda items. Of note, in the last legislative session, which is 2017, we worked with our legislature and our DCRF mechanism which is Distribution Cost Recovery Factor was extended, so it no longer has a sunset period on it. But also, out of that, the legislature directed the Commission to come up with a schedule for general rates cases. And then, within that, it allowed the Commission to have off-ramps. For example, if a company had not been overearning for several years, why bring them in for general rate case? That's our most recent update.

**Brant Meleski / InfraREIT**

Yeah. Just a couple points to add from a PUCT perspective. There has been a significant change with three new commissioners in the last 12 months. But we continue to find all three of them to be incredibly constructive. They each have different areas of focus that the prior commissioners did. So, we need to be aware of that and have our eyes open to that but finding each of them to be incredibly constructive and relatively consistent in how they are running the Commission and their expectations out of the utilities.

**Steve Fleishman / Wolfe Research**

Okay. I want to make sure we get questions to the audience, so why don't we start opening that up. In the meantime, I can ask to Bill - so, CenterPoint obviously just got its equity issuance done. One thing I heard from some folks as concern is that you ended up doing more equity

than you initially said. I think you've explained that somewhat in the slides, but just maybe a little more color on that and is it, in a way, kind of pre-funding your growth plan? Is it because you're going to have upside your growth plan or how should we think about the context of the additional equity?

**Bill Rogers / CenterPoint Energy**

You're correct. We increased the size of the equity offering relative to what we determined we needed for the acquisition of Vectren in order to meet our credit metric targets. So, why the increase? And you're also correct, the increase addresses the capital formation needs in the equity markets as we look at rate base investment opportunity in the years ahead. And then, third, you're also correct that it's biased to go higher. One reason it's biased to go higher for us, as I just mentioned, the Freeport project and our current rate base forecast, that's \$250 million, we've publicly said that we've revised that number to \$630 million.

**Steve Fleishman / Wolfe Energy**

And is that kind of the main one thing or there are other things in process there on the rate base or is it really just Freeport?

**Bill Rogers / CenterPoint Energy**

Ultimately, it will be based upon our capital expenditure needs to support growth in Houston. If you've observed us for the last couple years, we tend to revise the five-year forecast higher as we get closer to actually spending that capital on behalf of our customers and communities. And the reason for that is it doesn't appear to us in the near-term that the growth in customers is decelerating. We'll see as we work through our planning cycle this year.

**Steve Fleishman / Wolfe Energy**

Questions from the audience?

**Question**

It now appears in the national polls that the democratic party is making significant gains, particularly the possibility in the Senate race in Texas with apparently a good strong candidate. Do you pursue – do you perceive there being any benefit or detraction to your future by having more democrats in office?

**Bill Rogers / CenterPoint Energy**

Well, Carl was asking about kind of the trend with respect to democrats or republicans in the state. You're right, the Democrats have an exciting candidate in Beto O'Rourke, who is challenging Senator Ted Cruz. Last polls were that Ted Cruz had a 9% advantage, so we'll see. The state levels probably have more interest to us. And we don't see an issue one way or another with respect to where the legislature might land. Today, our legislature is heavily Republican and, of course, our governor is a Republican as well.

**Brant Meleski / InfraREIT**

Yeah. Nothing else to add on that.

**Steve Fleishman / Wolfe Energy**

Maybe, Brant, can you – when you talk about the story that the structure sounds very complicated but, at least theoretically, on the surface, the underlying assets of the company are just regulated assets. So, maybe you can just talk about underlying assets of InfraREIT, is there anything that complicated there or are they just regulated transmission assets?

**Brant Meleski / InfraREIT**

Yeah - a question that we've had since the IPO. So, one that we've dealt with a lot and one that we have reiterated over and over that despite the fact that we're currently organized as a real estate investment trust, from a corporate perspective, the business fundamentals, the fundamentals that are driving our earnings or driving our cash flows, how we think about managing our balance sheet, are all utility factors. So, yes, while we have our – well, our revenue is derived from leases instead of directly from customer payments or customer receipts, those lease payments go up and down based on what's happening with our – is our rate base growing, how is our ROE changing over time, and how are we managing our cost, just like any other utility out there. And so, that's a conversation we've had a lot this year, as we've talked about looking at de-REIT alternatives or possibly unwinding the structure and looking at just being a traditional C corp. The overall strategy, the overall business fundamentals, the overall long-term funding of the business should not change and should continue on the path that it has because while we are organized as a – again, as we're organized as a REIT, we run the business as though it is a utility because that is what not only that – that it's not only what the fundamentals of the business are, it's what the regulator expects, and how we maximize value to shareholders.

**Steve Fleishman / Wolfe Energy**

Okay. Any other questions from the audience? You're going to make me ask all of mine?

So, Bill, have to ask the question that no one seems to have asked for a while - Enable. So, Midstream has been doing better. Enable's been performing financially very well. Is there any change in how you're thinking about whether it's core or not and path to – if it isn't, path to monetizing it?

**Bill Rogers / CenterPoint Energy**

Right. We are excited about Enable's prospect. There's no change to our thinking with respect to where it fits in an energy delivery company. With respect to monetizing our investment over time, we've recognized it's been a challenging capital markets experience for the Midstream space, whether they be primary or secondary offerings in this year and prior years as well. But we have the benefit of time. And so, we're not captive to the market with respect to when we sell Enable units, and we certainly do not want to get in front of Enable for their own capital investment opportunities that may require capital formation and an equity or equity-linked or debt markets or anything like that. So, that's where we are.

**Steve Fleishman / Wolfe Energy**

Great. Well, if not, Bill, Brant, thank you very much. Appreciate the panel.



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CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and energy services operations. The company serves more than five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. The company also owns 54.0 percent of the common units representing limited partner interests in Enable Midstream Partners, a publicly traded master limited partnership it jointly controls with OGE Energy Corp. Enable Midstream Partners owns, operates and develops natural gas and crude oil infrastructure assets. With more than 8,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 150 years. For more information, go to [www.CenterPointEnergy.com](http://www.CenterPointEnergy.com).

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements in this document regarding future earnings, and future financial performance and results of operations, including, but not limited to earnings guidance, targeted dividend growth rate and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained in this document speaks only as of the date of this release.

*Risks Related to CenterPoint Energy*

Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the performance of Enable Midstream Partners, LP (Enable), the amount of cash distributions CenterPoint Energy receives from Enable, Enable's ability to redeem the Series A Preferred Units in certain circumstances and the value of CenterPoint Energy's interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including factors such as: (A) 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; (B) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and natural gas liquids (NGLs), 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; (C) the demand

for crude oil, natural gas, NGLs and transportation and storage services; (D) environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing; (E) recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable; (F) changes in tax status; (G) access to debt and equity capital; and (H) the availability and prices of raw materials and services for current and future construction projects; (2) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the demand for CenterPoint Energy's non-rate regulated products and services and effects of energy efficiency measures and demographic patterns; (3) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (4) future economic conditions in regional and national markets and their effect on sales, prices and costs; (5) weather variations and other natural phenomena, including the impact of severe weather events on operations and capital; (6) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's and Enable's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses; (7) CenterPoint Energy's expected timing, likelihood and benefits of completion of CenterPoint Energy's pending merger with Vectren Corporation (Vectren), including the timing, receipt and terms and conditions of any required approvals by Vectren's shareholders and governmental and regulatory agencies that could reduce anticipated benefits or cause the parties to delay or abandon the pending transactions, as well as the ability to successfully integrate the businesses and realize anticipated benefits, the possibility that long-term financing for the pending transactions may not be put in place before the closing of the pending transactions and the risk that the credit ratings of the combined company or its subsidiaries may be different from what CenterPoint Energy expects; (8) tax legislation, including the effects of the comprehensive tax reform legislation informally referred to as the Tax Cuts and Jobs Act (which includes any potential changes to interest deductibility) and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of excess deferred income taxes and CenterPoint Energy's rates; (9) CenterPoint Energy's ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms; (10) the timing and extent of changes in commodity prices, particularly natural gas, and the effects of geographic and seasonal commodity price differentials; (11) actions by credit rating agencies, including any potential downgrades to credit ratings; (12) changes in interest rates and their impact on CenterPoint Energy's costs of borrowing and the valuation of its pension benefit obligation; (13) problems with regulatory approval, 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;



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(14) local, state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (15) the impact of unplanned facility outages; (16) any direct or indirect effects on CenterPoint Energy's or Enable's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt CenterPoint Energy's businesses or the businesses of third parties, or other catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts, hurricanes, pandemic health events or other occurrences; (17) CenterPoint Energy's ability to invest planned capital and the timely recovery of CenterPoint Energy's investment in capital; (18) CenterPoint Energy's ability to control operation and maintenance costs; (19) the sufficiency of CenterPoint Energy's insurance coverage, including availability, cost, coverage and terms and ability to recover claims; (20) the investment performance of CenterPoint Energy's pension and postretirement benefit plans; (21) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of CenterPoint Energy's financing and refinancing efforts, including availability of funds in the debt capital markets; (22) changes in rates of inflation; (23) inability of various counterparties to meet their obligations to CenterPoint Energy; (24) non-payment for CenterPoint Energy's services due to financial distress of its customers; (25) the extent and effectiveness of CenterPoint Energy's risk management and hedging activities, including but not limited to, its financial and weather hedges and commodity risk management activities; (26) timely and appropriate regulatory actions, which include actions allowing securitization, for any future hurricanes or natural disasters or other recovery of costs, including costs associated with Hurricane Harvey; (27) CenterPoint Energy's or Enable's potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses (including a reduction of interests in Enable, if any, whether through CenterPoint Energy's decision to sell all or a portion of the Enable common units it owns in the public equity markets or otherwise, subject to certain limitations), which CenterPoint Energy cannot assure will be completed or will have the anticipated benefits to us or Enable; (28) acquisition and merger activities involving CenterPoint Energy or its competitors, including the ability to successfully complete merger, acquisition or divestiture plans; (29) CenterPoint Energy's or Enable's ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (30) the outcome of litigation; (31) the ability of retail electric providers (REPs), including REP affiliates of NRG and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and its subsidiaries; (31) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy and RRI), a wholly-owned subsidiary of NRG Energy, Inc. (NRG), and its subsidiaries, currently the subject of bankruptcy proceedings, to satisfy their obligations to CenterPoint Energy, including indemnity obligations; (33) changes in technology, particularly with respect to efficient battery storage or the emergence or growth of

new, developing or alternative sources of generation; (34) the timing and outcome of any audits, disputes and other proceedings related to taxes; (35) the effective tax rates; (36) the effect of changes in and application of accounting standards and pronouncements; and (37) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, CenterPoint Energy's Quarterly Report on Form 10-Q for the quarters ended March 31, 2018, and June 30, 2018, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

#### *Risks Related to the Merger*

Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the risk that Vectren may be unable to obtain shareholder approval for the proposed transactions, (2) the risk that CenterPoint Energy or Vectren may be unable to obtain governmental and regulatory approvals required for the proposed transactions, or that required governmental and regulatory approvals or agreements with other parties interested therein may delay the proposed transactions or may be subject to or impose adverse conditions or costs, (3) the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed transactions or could otherwise cause the failure of the proposed transactions to close, (4) the risk that a condition to the closing of the proposed transactions or the committed financing may not be satisfied, (5) the failure to obtain, or to obtain on favorable terms, any equity, debt or other financing necessary to complete or permanently finance the proposed transactions and the costs of such financing, (6) the outcome of any legal proceedings, regulatory proceedings or enforcement matters that may be instituted relating to the proposed transactions, (7) the receipt of an unsolicited offer from another party to acquire assets or capital stock of Vectren that could interfere with the proposed transactions, (8) the timing to consummate the proposed transactions, (9) the costs incurred to consummate the proposed transactions, (10) the possibility that the expected cost savings, synergies or other value creation from the proposed transactions will not be realized, or will not be realized within the expected time period, (11) the risk that the companies may not realize fair values from properties that may be required to be sold in connection with the merger, (12) the credit ratings of the companies following the proposed transactions, (13) disruption from the proposed transactions making it more difficult to maintain relationships with customers, employees, regulators or suppliers, and (14) the diversion of management time and attention on the proposed transactions.

#### **Use of Non-GAAP Financial Measures by CenterPoint Energy in Providing Guidance**



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In addition to presenting its financial results in accordance with generally accepted accounting principles (GAAP), including presentation of net income and diluted earnings per share, CenterPoint Energy also provides guidance based on adjusted net income and adjusted diluted earnings per share, which are non-GAAP financial measures. Additional Non-GAAP financial measures used by the Company include utility earnings per share and core operating income. 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. CenterPoint Energy's adjusted net income and adjusted diluted earnings per share calculation excludes from net income and diluted earnings per share, respectively, the impact of ZENS and related securities, mark-to-market gains or losses resulting from the company's Energy Services business and adjustments for impairment charges. The Company's utility earnings per share calculation includes all earnings except those related to Midstream Investments (but includes the Enable Series A Preferred Units). The Company's core operating income calculation excludes the transition and system restoration bonds from the Electric Transmission and Distribution business segment, the mark-to-market gains or losses resulting from the Company's Energy Services business and income from the Other Operations business segment. CenterPoint Energy is unable to present a quantitative reconciliation of forward looking adjusted net income and adjusted diluted earnings per share because changes in the value of ZENS and related securities and mark-to-market gains or losses resulting from the company's Energy Services business are not estimable.

CenterPoint Energy's management evaluates CenterPoint Energy's financial performance in part based on adjusted net income, adjusted diluted earnings per share, utility earnings per share and core operating income. CenterPoint Energy's 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 CenterPoint Energy's management believes does not most accurately reflect the Company's fundamental business performance. These excluded items are reflected in the reconciliation tables of this release, where applicable. CenterPoint Energy's adjusted net income, adjusted diluted earnings per share, utility earnings per share and core operating income non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, net income and diluted earnings per share, which respectively are the most directly comparable GAAP



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financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.

### **Additional Information and Where to Find It**

This communication may be deemed to be solicitation material in respect of the merger of Vectren into CenterPoint Energy. In connection with the pending transactions, Vectren filed a definitive proxy statement with the SEC on July 16, 2018, which was mailed or otherwise provided to its shareholders. **INVESTORS ARE URGED TO READ THE PROXY STATEMENT AND THESE OTHER MATERIALS FILED WITH THE SEC CAREFULLY BEFORE MAKING ANY VOTING OR INVESTMENT DECISION BECAUSE THEY CONTAIN IMPORTANT INFORMATION ABOUT THE PENDING MERGER.** Investors can obtain free copies of the proxy statement and other documents filed by Vectren with the SEC at <http://www.sec.gov>, the SEC's website, or from Vectren's website (<http://www.vectren.com>) under the tab, "Investors" and then under the heading "SEC Filings." Security holders may also read and copy any reports, statements and other information filed by Vectren with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC's website for further information on its public reference room.

### **Participants in the Solicitation**

CenterPoint Energy, Vectren and certain of their respective directors, executive officers and other persons may be deemed to be participants in the solicitation of proxies from Vectren's shareholders with respect to the pending transactions. Information regarding the directors and executive officers of CenterPoint Energy is available in its definitive proxy statement for its 2018 annual meeting, filed with the SEC on March 15, 2018, and information regarding the directors and executive officers of Vectren is available in its definitive proxy statement for its 2018 annual meeting, filed with the SEC on March 22, 2018. More detailed information regarding the identity of potential participants, and their direct or indirect interests, by securities, holdings or otherwise, is set forth in the proxy statement and other materials filed with the SEC in connection with the pending transactions.



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