



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

David Mordy – Director of Investor Relations

Thank you, Natalia. Good morning everyone. Welcome to our second quarter 2017 earnings conference call. Scott Prochazka, president and CEO, and Bill Rogers, executive vice president and CFO, will discuss our second quarter 2017 results and provide highlights on other key areas. Also with us this morning are Tracy Bridge, executive vice president and president of our Electric Division; Scott Doyle, senior vice president of Natural Gas Distribution; and Joe Vortherms, senior vice president of Energy Services. Tracy, Scott and Joe will be available during the Q&A portion of our call.

In conjunction with our call, we will be using slides which can be found under the Investors' section on our website, CenterPointEnergy.com. For a reconciliation of the non-GAAP measures used in providing earnings guidance in today's call, please refer to our earnings news release and our slides. They have been posted on our website, as has our Form 10-Q.

Please note that we may announce material information using SEC filings, news 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 will discuss certain topics containing 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



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

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

We will also discuss our guidance for 2017. The guidance range considers Utility Operations performance to date and certain significant variables that may impact earnings, such as weather, regulatory and judicial proceedings, throughput, commodity prices, effective tax rates, and financing activities. In providing this guidance, the company uses a non-GAAP measure of adjusted diluted earnings per share that does not include other potential impacts, such as changes in accounting standards or unusual items, earnings or losses from the change in the value of the Zero-Premium Exchangeable Subordinated Notes or ZENS securities and the related stocks, or the timing effects of mark-to-market accounting in the company's Energy Services business. The guidance range also considers such factors as Enable's most recent public forecast and effective tax rates.

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.

I'd now like to turn the call over to Scott.

Scott Prochazka – President & 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. I will begin on slide 4. This morning we reported second quarter 2017 net income of \$135 million, or 31 cents per diluted



Second Quarter 2017 Earnings Conference Call
August 3, 2017

share, compared to a net loss of \$2 million, or a loss of 1 cent per diluted share in the same quarter of last year.

On a guidance basis, second quarter 2017 adjusted earnings were \$125 million, or 29 cents per diluted share, compared with adjusted earnings of \$73 million, or 17 cents per diluted share in the same quarter of last year. This increase is a result of rate relief, customer growth, midstream investment's performance and lower interest expense. These improvements were partially offset by higher depreciation and amortization expense, and lower equity return. Additionally, this quarter included positive impacts for the Gas Distribution business from the Texas Gulf rate order which will expand on later.

All of our business segments performed well this quarter. Despite a mild winter, we are well ahead of same period last year. Our business segments continue to implement their strategies, which focus on safely addressing the growing needs of our customers, while enhancing financial performance.

Houston Electric, highlighted on slide 5, delivered in second quarter 2017, core operating income of \$144 million, compared to \$135 million in the same quarter last year. We continue to see strong growth in our electric service territory. We added more than 46,000 residential metered customers since the second quarter of 2016, reflecting 2.2% customer growth. We believe this level of growth will continue throughout this year and our 5-year plan period. Additionally, total electric throughput, across all customer classes, is up 2.5% since the



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

second quarter of 2016, suggesting ongoing strength in our commercial and industrial customer classes as well.

On May 23, in Sealy Texas, on the west side of the Houston metropolitan area was impacted by a rare “Microburst” weather event. This area experienced wind speeds of up to 100 mph, damaging nearly 250 distribution poles and 9 transmission structures. Our crews worked around the clock over the following 2 days, to safely restore power to the residents and commercial customers who were impacted by the storm. I am proud of the work our employees do to respond to events like this and to serve our communities.

In July, the Public Utility Commission approved Houston Electric’s settlement agreement for an incremental annual increase of \$42 million through the Distribution Cost Recovery Factor or DCRF. Rates will go into effect on September 1st. Further, with respect to DCRF, the Texas legislature recently removed the four filing limit, which means Houston Electric will be eligible to file DCRF each year, provided the business is earning below its authorized rate of return. For a complete overview of Houston Electric’s year-to-date regulatory developments, please see slide 19.

Turning now to slide 6, Natural Gas Distribution operating income in the second quarter of 2017 was \$37 million compared to \$20 million in the same quarter last year. We continue to see solid customer growth of approximately 1% in this business, with the addition of more than 32,000 customers since the second quarter of 2016.



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

On the regulatory front, the Railroad Commission approved the Texas Gulf rate case settlement in May. The order includes an annual increase of \$16.5 million. Yesterday, in Minnesota, we filed a rate case proposing an annual increase of \$56.5 million for growth and ongoing infrastructure replacement, including our Minneapolis beltline project. Interim rates are expected to go into effect on October 1st. In Arkansas we reached a unanimous settlement for \$7.6 million on our first formula rate plan filing, subject to approval by the Arkansas public service commission. For a complete overview of Natural Gas Distribution's year-to-date regulatory developments, please see slides 20 and 21.

Before I move on to discuss our Energy Services business, I want to take this opportunity to thank local emergency officials and first responders for their response to yesterday's incident in Minneapolis. We are cooperating with investigating authorities and are providing information and assistance to them as part of the investigation. Our thoughts continue to be with those who have been impacted. Once the authorities have completed their investigation and we are able to share additional information, we will do so.

Turning to slide 7, Energy Services operating income was \$10 million in the second quarter of 2017, compared to \$7 million in the same quarter last year, excluding a mark-to-market gain of \$6 million and loss of \$7 million, respectively. We benefited from increased customer count and throughput primarily related to the acquisition of Atmos Energy Marketing, or AEM. We continue to anticipate solid performance from Energy Services, with projected



Second Quarter 2017 Earnings Conference Call
August 3, 2017

operating income of \$45 to \$55 million in 2017. As anticipated, the AEM acquisition has been modestly accretive year-to-date.

Slide 8 shows some of the highlights from Enable's second quarter earnings call on August 1st. Midstream Investments contributed 9 cents per diluted share in the second quarter of 2017 compared to 3 cents per diluted share in the same period last year. Enable performed well this quarter. Daily volumes of gas gathered and processed were higher than the same quarter last year. There has been a 38% increase in active rigs in the Enable footprint since April of this year. They have secured over 50,000 new dedicated acres since January 1st. We continue to believe Enable is well positioned for success.

Turning to slide 9, we are reiterating our \$1.25 - \$1.33 EPS guidance for the year and continue to anticipate 2018 EPS growing at the upper end of our 4-6% range.

The status of our Midstream Investments ownership review is covered on slide 10. Although we were hopeful of providing closure by this earnings call, the sale process remains ongoing. Multiple parties are completing their due diligence and we will not comment on the status of those activities nor can we represent that any of these parties will make a binding offer. Given that the process remains ongoing, we issued another Right of First Offer to OGE in July per the terms of our partnership agreement.

We did, however, recently determine that we will no longer pursue a spin option. We concluded that with a reasonable level of debt at SpinCo, we would not maintain the desired credit metrics for CenterPoint.



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

Finally, if we are unsuccessful with an outright sale of our Enable investment, we will look for opportunities to constructively sell our units in the public market as conditions allow. Bill will provide additional detail later in the call regarding our considerations.

Let me conclude by reiterating how pleased I am with the performance of all four business segments this quarter. These were strong results and we are well on our way towards meeting our 2017 financial objectives.

I will now turn the call over to Bill.

Bill Rogers CFO

Thank you, Scott. I will provide a quarter-to-quarter operating income walk for our Electric T&D and Natural Gas Distribution segments, followed by EPS drivers for Utility Operations and then our consolidated business on a guidance basis.

Beginning on slide 12, Houston Electric performed well during the second quarter. Rate relief translated into an \$11 million favorable variance for the quarter. Two per cent customer growth translated into a \$9 million positive variance. Our Electric T&D segment remained disciplined on O&M expenses this quarter, with a focus to keep annual O&M growth under 2%. Excluding certain expenses that have revenue offsets, O&M increased by only \$4 million. Depreciation and other taxes accounted for an unfavorable variance of \$4 million. As we have previously disclosed, we expect equity return to be lower in 2017 relative to 2016; our decline this quarter relative to second quarter 2016 was \$7 million. In order to have a view of our



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

growth in core operating income, we exclude the change in equity return. Houston Electric's core operating income increased from \$118 million to \$134 million, a \$16 million improvement on a period-to-period basis. Investors can find our forecast for equity return income in the year-end slide deck, posted to our investor relations website on February 28.

Turning to slide 13, Natural Gas Distribution also performed well for the quarter. Operating income for the second quarter was \$37 million compared to \$20 million for the same period last year. The business benefitted \$6 million from rate relief, \$1 million from customer growth and \$8 million in favorable usage primarily due to the timing of a decoupling normalization adjustment. In prior years, this normalization adjustment was recognized in the third or fourth quarter. These benefits were partially offset by a \$7 million increase in depreciation and amortization and other taxes. Also included in the quarter are adjustments related to the Texas Gulf rate order. We had a \$16 million benefit due to the recording of a regulatory asset, and a corresponding reduction in expense, to recover prior period postretirement expenses. These post retirement expenses will be recovered in future rates. We also had a negative \$6 million depreciation adjustment for vehicle fleet overhead that was expensed in O&M as a result of the depreciation study approved by the rate order. In order to have a view of our core operating income we remove these expense adjustments recorded with the Texas Gulf case order. Therefore, we view the operating income as improving from \$20 million to \$27 million on a period-to-period basis. The primary driver of this improvement was rate relief.



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

Our quarter-to-quarter EPS basis walk begins on slide 14. We start with 14 cents of utility operations EPS and add five cents of improvement from core operating income, excluding equity return. As a reminder, the improvement from core operating income includes the adjustments to expense related to the Texas Gulf rate order. Next, we add two cents of improvement from lower interest expense and a partial quarter increase in distribution income from the Enable preferred investment. The decline in equity return resulted in a one-cent decrease per share on a quarter-to-quarter basis. In summary, Utility Operations' guidance EPS increased from fourteen cents to twenty cents on a quarter-to-quarter basis.

Our consolidated guidance EPS comparison is on slide 15. With the Utility Operations increase of six cents and the Midstream Investments increase of six cents, consolidated guidance basis EPS improved from seventeen cents in the second quarter of 2016 to twenty-nine cents in the second quarter of 2017. We continue to anticipate strong performance for the remainder of 2017, driven by utility customer growth, rate relief, Energy Services growth, interest expense savings and the improved performance of our Midstream segment.

On slide 16 we provide an overview of our anticipated financing plans and effective tax rate. We continue to expect \$1.5 billion in capital investment in 2017. Cash generation and credit metrics remain consistent with year-end 2016 actuals, therefore we are reducing anticipated net incremental borrowing needs in 2017 to between \$200 million and \$400 million, inclusive of the approximately \$150 million funding for our purchase of AEM in the first quarter. As previously discussed, we are not forecasting a need for equity in either 2017 or



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

2018. With respect to tax expense, our second quarter 2017 effective tax rate was 36%, similar to the first quarter. We continue to anticipate a full year 2017 tax rate of 36%.

In addition to our earnings release and 10-Q filings for all of our registrants filed this morning, we would like to remind you of other news releases or disclosures of interest.

First, our Board of Directors declared a dividend of 26.75 cents per share on July 27, payable on September 8, 2017. Second, as Enable stated on their call, we anticipate that the financial test required for conversion of all subordinated units will be satisfied by August 30th; therefore, all subordinated units are expected to convert to common units on that date on a one-for-one basis.

With respect to our midstream ownership, as Scott shared in his comments, we have determined that we will no longer pursue a spin option and we continue discussions for a sale of our interests. Let me provide some detail on our path if an outright sale of our Enable stake is not viable. We continue to support Enable's investment, credit quality and distribution objectives. We also support Enable's efforts to reduce commodity exposure, primarily via contract design. Additionally, we will consider selling units in the public markets. We are very aware of capital markets limitations such as average daily volume. Therefore, we would be patient and sell units opportunistically under the right capital markets' conditions. Any sales would be in accordance with the partnership agreement. We have not established nor do we intend to communicate an objective on the target price, timing or amount of unit sales. We are only communicating that we would look for the opportunity to reduce the size of our



Second Quarter 2017 Earnings Conference Call
August 3, 2017

midstream investment should market conditions allow, and in the event an outright sale is not viable.

Finally, on slide 17 we summarize year-to-date performance. This strong year to date performance of \$0.66 per share on a guidance basis sets us up well to achieve our full year 2017 financial objectives. We will update our earnings guidance as appropriate, accounting for, but not limited to, weather impacts on volume sales, the midstream segment's contribution to earnings including mark to market accounting, rate relief, and changes in operating and maintenance expenses.

With that, I will now turn the call back over to David.

David Mordy – Director of Investor Relations

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

Operator: The first question will come from Neel Mitra of Tudor Pickering.

Neel Mitra: Regarding the Enable update, is the right way to look at the updates going forward is that the Enable portion of the business is something that you don't want to own longer term? And you'll pursue ways to, kind of, lower that stake in your overall portfolio but not to expect an absolute decision as to whether you're going to keep it or not?

Scott Prochazka: I think, Neel, the way to think about this is as we've expressed from the beginning we would like to reduce our exposure to oil and gas sector with our investment in Midstream. So, if we're not able to effect an outright sale,

as Bill suggested, we would look for opportunities to lighten our ownership via public sale. But we're also very much aware of the need to be cognizant of market conditions when we attempt to do that. So, I think that's maybe a long-winded answer, but I think the way you described it is, perhaps, accurate.

Neel Mitra: And then just with the outright sale process, how do you look at the tax leakage associated with that?

Scott Prochazka: Well, the viable sale processes that are there are ones that don't involve a cash transaction and therefore would not involve an immediate tax liability.

Neel Mitra: And just really quickly, Houston Electric is doing very well for you. Wanted to just try and to think about rate base growth versus sales growth. When you think about the capital spending that's involved there, is it mostly due to keeping up with the sales growth or are there reliability needs that need to be addressed as well and you know, a kind of, rough percentage of what's driving the rate base sales growth or just reliability and need for new equipment?

Scott Prochazka: There is a mix of investment for those categories you described. I would estimate, I don't have the numbers in front of me, that the largest category is centered around growth investment. Perhaps around 60% of our capital is growth oriented. The remainder would be geared towards maintenance and reliability spend.

Operator: The next question is from Insoo Kim with RBC Capital Markets.

- Insoo Kim: Hey, Scott. Just going back to the Enable options....Per the partnership agreements I understand the five percent limit that triggered the ROFR, but is there a limit to how many or what percentage you guys can sell either via an open market or in exchange in a given year?
- Bill Rogers: Insoo, good morning. This is Bill. The five percent limit would be to a single owner. There is not a limit with respect to what we might sell in the capital market. Having stated that, we are well aware of the practical limitations, I think, which center around the actual float and average daily trading volume of Enable.
- Insoo Kim: Got it. But in terms of the partnership agreement, there is no written language of amending any – it would just be subject to the market conditions that you guys mentioned
- Bill Rogers: Yes.
- Insoo Kim: And then just maybe another technical question on - if you were to do a non-cash unit exchange with a third party for a sale, what happens to the current negative tax basis that you guys have in Enable?
- Bill Rogers: Insoo, it's Bill again. That negative tax basis stays. And whenever we would sell those securities, we would recognize a capital gain.
- Insoo Kim: And then, maybe turning to the CEHE, with the legislative change in Texas, do you foresee the chances of your filing a rate case in the foreseeable future as pretty low?
- Scott Prochazka: Well, in our last disclosed estimate of filings we did not have a full-blown rate case in our – in that plan. The removal of the four-time limit on DCRF would potentially allow us to defer a rate case even further. Keep in mind that DCRF is only usable if our total ROE is below our authorized ROE.

- Operator: Your next question is from Shar Pourreza with Guggenheim Partners.
- Shar Pourreza: So, thanks for the additional color on Enable. Let me get your fresh thoughts here. In a scenario where you are – there's not an outright sale and you're divesting a small percentage on an annual basis, can you just remind us how you're thinking about other ways to potentially dilute your ownership in Enable, maybe looking at non-organic growth opportunities and tapping what seems to be an underutilized balance sheet, which I guess is a bit of a surprise for the rest of the sector, so how are you, sort of thinking about M&A maybe potentially diluting Enable's exposure?
- Scott Prochazka: Well, certainly our objective of having our Midstream exposure on a percentage basis being lower could be accomplished through continued utility growth. Our emphasis continues to be around organic growth for our utility. You know we – when we invest organically we know the returns that we will get on those investments. It would be nice to find an opportunity or to be able to accelerate our utility growth. But we have to compare the returns of other investments against the returns we can get investing in our organic growth opportunities.
- Bill, did you want to add to that?
- Bill Rogers: Sure. Thanks, Scott.
- Shar, I'll just remind investors that we did revise our five-year CapEx higher in the 2016 Form 10-K. And with the growth that we continue to see, I think that CapEx investment is biased to go higher yet. The strength of our balance sheet and our credit metrics allows us to make those investments without having to consider common equity in the near term.



Second Quarter 2017 Earnings Conference Call
August 3, 2017

Shar Pourreza: That's helpful. Okay. Got it. So, the organic opportunities far outweigh you having to look at the M&A market. Thanks. Appreciate it.

Operator: Your next question is from Chris Turnure with JPMorgan.

Chris Turnure: Good morning. To continue on the conversation regarding Enable, can you just kind of give us a little bit of background and remind us of the exact trigger of when you need to go to OG&E with the right of first offer, or you've done this, I think, a couple of times now? You said that you recently kind of refreshed that with them last month?

Scott Prochazka: Sure, I'll ask Bill to do that.

Bill Rogers: Good morning, Chris. See, if we intend to have discussions with third parties to sell more than five percent, then under the partnership agreements, OG&E has a right of first offer. Given that we have been having discussions and continue to have those discussions, the time period lapsed and therefore we need to provide OG&E with another right of first offer

Chris Turnure: Okay. Then how did the time period lapse exactly?

Bill Rogers: Yes, there is a time limit by which we would have to conclude the process and the close and that time limit is 120 days after we respond to OG&E, should OG&E give us an offer. And OG&E has 30 days to respond to our right of first offer notice, and we have 30 days to respond to that.

Chris Turnure: So, as you've been going through the process over the past year and a half or so, now we can assume that's cycled through a couple times. And each time, you've not been able to get it done, obviously, by the finish line, okay. And then switching gears to the energy services business, it seems like since you closed the transaction with Atmos earlier this year, you're generally pleased with the results and you've said that it kind of remains accretive. Could you



Second Quarter 2017 Earnings Conference Call
August 3, 2017

just speak in a little bit more detail to the kind of business market conditions there and the outlook going forward?

Scott Prochazka: Yes, I'm going to ask Joe to make a comment on this one. He's sitting at the table here with us.

Joe Vortherms: Hi, Chris. Yes, it just gave us the opportunity to broaden our geographic scope, which is one. And it lessens the overall impacts of economic conditions and weather conditions across the country. And two, the integration, has been going well and it allows us to look for further organic optimization of the businesses as we combine them. So with Continuum and with Atmos and Legacy CES, it's put us in a good position to grow from an organic perspective, just based off of the size we've accumulated with the acquisitions.

Chris Turnure: And just the overall commodity and volume environment out there remains supportive and kind of in line with your expectations from six or nine months ago?

Joe Vortherms: It has. With the gas prices and the gas availability out there, the market looks good.

Operator: Your next question is from Kamal Patel with Wells Fargo.

Kamal Patel: A few questions on Enable. Regarding the spin, I'm of the understanding that the risk profile of CenterPoint would've improved. So, I'm not understanding the inability to maintain desired kind of metrics. Could you kind of clarify that?

Scott Prochazka: Go ahead.

- Bill Rogers: Yes, you're correct in that the business risk profile would have improved without having the Midstream investment as part of our business. Having said that, we think there is real advantage to our credit metrics. And we specifically look at FFO to debt. And we did not think that we could put the amount of debt on SpinCo for it to have a sustainable credit quality, as well as to meet our objectives of maintaining our credit metrics at CenterPoint.
- Kamal Patel: Regarding the potential sale opportunities, if you go down the path of selling via the public markets, would you go back to a potential block sale? Or would you just remain on the public market sale path?
- Bill Rogers: We will not be commenting as to how we might do that. But there are various, either programs, or as you suggested, block sale opportunities. I think it very much depends upon the capital market considerations. And I know I've said it twice, but I'll say it again. We do recognize practical limitations that exist today as a result of average daily trading volume and float.
- Kamal Patel: And one last one. Back when you had the cable business, you used the ZENS structure to offload the position in the cable business. Is that something that could be evaluated for your Enable LP interests?
- Bill Rogers: I don't think that would practically work with units.
- Operator: Your next question is from Ali Agha with SunTrust.
- Ali Agha: Good morning. First question, Scott, I just want to understand the sort of strategic thinking behind the sale for shares because it seems to me that all you're doing is essentially adding another layer in your ultimate goal of exiting that exposure. Is that fair? I mean, essentially what you may get is a more liquid share ownership that you could sell more easily. Or I'm just trying to understand what the sale for shares would accomplish given where you want to go.



Second Quarter 2017 Earnings Conference Call
August 3, 2017

- Scott Prochazka: So, Ali, our objective with this transaction was to have more visibility into the earnings associated with midstream investments as well as the option to have more liquidity to change our ownership. So, your point is exactly right. The transition to another security, in part, would be to provide optionality for us to lighten our investment in Midstream over time.
- Ali Agha: Okay. And so presumably that potential buyer is understanding of that fact, there may be some pressure on their shares if they do give you shares for that ownership exchange?
- Scott Prochazka: Yes.
- Ali Agha: Okay. And also to clarify, Scott, I think you said that there is -- to clarify, as far as selling the Enable units in the market is concerned, there is no official limit for the partnership agreement? I mean, theoretically you could sell all of it in one go if you wanted to. I understand the capital market issue, but there is no other limit to how much you could sell at any given time.
- Scott Prochazka: That is correct for just straight capital markets transaction.
- Ali Agha: Right. And then second question, Bill, for you, if I look at what you've reported so far through the first half and I look at the guidance range you have for the year, even at the high end of the guidance range, it essentially is telling us that second half results will be flat with second half 2016. Is there any rationale or any reason why that would be the case?

- Bill Rogers: Well, we never said it was flat with 2016, but what I said in the prepared remarks, Ali, was that we will update earnings guidance as appropriate and hope you'll appreciate we are in the middle of our big quarter for Houston Electric. So, volume sales related to weather do matter to our earnings. And we do recognize that oil and gas forward price has changed, and that could change the mark-to-market accounting that is at the Enable level.
- Ali Agha: Okay. But there is no structure, there was no one-time gain or anything in last year's second half that would make up for a tougher comparison?
- Bill Rogers: That's correct.
- Operator: Your next question is from Steve Fleishman with Wolfe.
- Steve Fleishman: Good morning, Scott. I'm just curious that, you know, obviously beginning of the year you moved the date to this call giving more time for this process and then we have this happen again. And you could, I guess in theory, just say, hey, we're just going to go status quo and obviously anytime somebody could make an offer to do something else. So maybe just give some color, like why, kind of continue with this process as is instead of just saying, hey, let's just go status quo and if something happens strategically then it happens?
- Scott Prochazka: Well, Steve, the reality is that we are still in discussions with parties. Admittedly, there were some parties that came into the conversation a little bit later in the process and that may be the driver for this not being concluded. But we are working towards a conclusion of the discussions that we are having. So, while we didn't get closure by this call, and I'm hesitant to provide another date for target, hopefully it will be in the near future when this is closed out.



Second Quarter 2017 Earnings Conference Call
August 3, 2017

Steve Fleishman: Okay. Got it. That's helpful. And then secondly, just in terms of thinking about the credit thought process, if you applied it to any type of sale for stock. It really wouldn't, in theory, it wouldn't really change your credit situation much because you'd still be effectively getting the Enable distribution through to CenterPoint from whatever entity you've invested in. So, you wouldn't have any of the credit issues that you would have with a spin at a high level. Is that correct?

Scott Prochazka: That's correct, Steve.

Operator: Your next question comes from Charles Fishman with Morningstar.

Charles Fishman: Good morning. Just one question I had left. In thinking about this idea of a sale of units for some type of like kind exchange so you can time your tax liability – have a little more control over that. Is some of that due to the uncertainty with respect to tax reform?

Scott Prochazka: No, I would say it's not. When we started this process we were talking about this option and that was before any discussion of tax reform. It is possible if tax reform were to occur that there could be some benefit from it.

Operator: Your next question is from Paul Patterson with Glenrock Associates.

Paul Patterson: Just to sort of follow up on Ali Agha's question, and some of the others in terms of this like-kind exchange. Is the only purpose for taxes? Or is there any other benefit that you would get from accounting and what have you in having a lower percentage of ownership in a larger entity than you have with Enable?

Bill Rogers: Paul, good morning. It's Bill. We currently account for our Enable investment as equity accounting under really the real estate accounting rules. So, if we were to exchange those units for units or C corp common of some other

entity at this time, we don't see a change in the accounting. What – and we would not expect to recognize any tax liability. The exchange would defer the tax liability until the time in which we sold either units or C corp common in that the exchange for the units would be under a plan of reorganization.

Paul Patterson:

Okay. And then with respect to – I mean, just with respect to the management of the tax liability, is this a big driver in this? Is that – I mean, as opposed to potentially selling your Enable ownership for cash? Is that what we're talking – is that one of the big drivers here that you guys are considering? Is that the big portion of the consideration here?

Bill Rogers:

Well, we do have to think through that. And we have significant negative basis. So, in order for us to meet our objectives as Scott has outlined, we would need a very high sales price to first recognize that capital gains liability. And then drive the rest through to get back to our earnings per share.

Paul Patterson:

Okay. So, with that in consideration, when we're talking about capital markets opportunities and what have you, the idea of a secondary offering of selling security holders or what have you. It would seem that because of that management of the tax liability issue, you would be probably divesting if you were doing it to the capital markets. Your preference would be to not do a block sale or not do a large sale? It would seem to be that you would be, for lack of a better word, dribbling it out over a considerable period of time as you would with a like-kind exchange.

I mean is that the right way to sort of think about the likely outcome? I'm not trying to preclude you from any potential disposition. But does that make more – is that sort of the way we should think about it just in general?



Second Quarter 2017 Earnings Conference Call
August 3, 2017

- Bill Rogers: I think with respect to sale in the public markets, the capital markets considerations are much more of a limiting factor than paying capital gains tax as we liquidate.
- Paul Patterson: Even like – so, but what about the idea of a secondary offering for instance? Like in other words, an underwritten kind of offering, or something of that sort of nature? I'm thinking in those terms. Do you follow me? Yes, obviously if you're just selling in the open market like you've been saying, there'll be some restrictions there just because of the flow and what have you. But just in thinking in terms of the block sale or something of that sort of nature or marketed effort. That would sort of be precluded as well, would it not, because of the tax considerations?
- Bill Rogers: Well, it would. But just practically, we own over 54% of the LP units of Enable. So, we have to think through how much any one block sale would be relative to that ownership.
- Operator: Your next question is from Andy Levi with Avon Capital Advisors.
- Andy Levi: How long has the just pure sale process been going on for Enable?
- Scott Prochazka: We announced it about 18 months ago. But from a practical standpoint, it began a little less than a year ago. We had some challenges right after we announced with the commodity markets and basically caused a delayed start, if you will. But I'd say it's been active since a little under a year.
- Andy Levi: And just – again, I'm not talking about the strategic review. I'm just talking about the actual sales process, straight sales process for Enable, which is kind of where we're at right now. It's been about a year?
- Scott Prochazka: Yes it has.

- Andy Levi: Okay. And I'm just curious. I mean obviously you mentioned obviously the energy markets as well. And obviously you know there's been some number of times where OGE has been offered the right of first offer or whatever it's called, ROFO. But the point being is – why is it taking so long? Is it because it's a – not a minority stake, but obviously that there's another owner of Enable? Is that the problem? Or can you give us any color of why the process is taking so long?
- Bill Rogers: Admittedly, it's taking longer than we had expected. I think I'll begin with it took some time to get confidence in a forecast over multiple years that we could represent to potential buyers. And you just have to think back to the state of the E&P industry and the Midstream segment for the first half of last year. And then you're right, this has an added layer to it in that any potential purchaser wants to get comfortable with their partner.
- Andy Levi: So then move to the like-kind exchange, I would assume that may be a similar issue. In a like-kind exchange how does it work, just, logistically with OGE? I mean, obviously I guess they could participate in that like-kind exchange, tell me if I'm right or wrong, but also as far as their first look at it, for no better way to put that.
- Bill Rogers: That's within the ROFO. So, if we're offering our interest for sale, OG&E has a right of first offer.
- Andy Levi: But in the like-kind exchange as well?
- Bill Rogers: Correct.
- Andy Levi: Okay. And that's just based on a cash price, I guess?
- Bill Rogers: That's based on the fact they have a right of first offer...

- Andy Levi: No, no, no, no I understand that, but I'm saying, as far as the like-kind exchange; obviously you would be offered shares in a new – another company, in exchange for your shares of Enable. But that would be based on a, I guess, a price, right? Obviously, so that's how OGE would determine whether they're kind of in the game or not?
- Bill Rogers: Right. Well, under a right of first offer, they make the offer first, if they elect to do that.
- Andy Levi: Okay. Okay, so they – I guess I didn't realize that. I thought they were able to at least be able to review what the offers were, but I guess that's not the case.
- Bill Rogers: No, they have first offer rights.
- Andy Levi: Right. Okay. But I was – something I had in my head that they were at least part of the process beyond that first offer. Okay. So basically, on a like-kind exchange, we'll find out about that fairly soon. Is that fair?
- Scott Prochazka: Yes. We hope to move this to conclusion here pretty quick.
Yes.
- Operator: Your next question is from Insoo Kim with RBC Capital Markets.
- Insoo Kim: Sorry for the follow up. Just one follow up on the Enable, I know that's been a – essentially off the table – but was the decision for that, you say it was credit metrics, but did the math that you guys work through, in terms of potentially paying down the debt and maybe re-equitizing CERC via equity offerings, did that not make sense to you guys as – in terms of accretion or whatnot?
- And then, the other part is, are you able to tell us whether you received a private letter ruling from the IRS that it would or would not be a largely tax-free thing?

- Bill Rogers: I'm not in a position to comment on the latter. Well, we're not in the position to talk about private letter rulings publicly. But, with respect to the way we looked at it, Insoo, it was the consolidated credit metrics of CenterPoint after a spin, and the amount of debt that we could reasonably place on SpinCo, so that SpinCo would have reasonable access to the debt capital markets.
- Insoo Kim: Got it. Okay. All right. I'll follow up with you guys offline. Thank you.
- Operator: Your next question from Paul Patterson with Glenrock Associates.
- Paul Patterson: Hi. Just a quick a follow-up. So, assuming that you guys do a like-kind exchange and there is no liquidity issue or very little of one. What would then be, in terms of the disposition of those assets, would you think, because at that point assuming there is no liquidity issue, it's just a question of tax liability management, it would seem to me. How should we think then, of the disposal of the new securities that you would own and would those be accounted for in operating earnings potentially?
- Scott Prochazka: Well, I'll start, and maybe, Bill, can add to the latter part of the question. Thinking through that option, that far down is reaching way far ahead in terms of what may happen if the first assumption were to occur. We maintain our objective of trying to reduce the volatility of the investment proportion that we have in our Midstream space.
- So, the timing for disposition, there are many factors that would go into that. One is the variability of the earning stream that we now have, and as you know, capital markets considerations. But there are many factors that would go into it, and we have not at all described what our objectives would be relative to that investment.



Second Quarter 2017 Earnings Conference Call
August 3, 2017

Paul Patterson: Okay. I thought I'd try. Thank you.

Operator: Your next question is from Kamal Patel with Wells Fargo.

Kamal Patel: Hi, sorry. One quick follow-up regarding the GP interest in Enable. Would you hold on to it until you sold down, or got out of your LP position, down to a reasonable level? Or to more of a smaller stake per se?

Scott Prochazka: Our expectation is the GP would go with the sale.

Operator: Your next question is from Neel Mitra with Tudor, Pickering.

Neel Mitra: Thanks for the follow-up. Just another question on the like for kind exchange? If you were to exchange units with somebody else would that ultimately actually reduce the tax liability, or just manage your ability to basically pay that out over time when you sell the units?

Bill Rogers: That would not change our tax liability.

Neel Mitra: Okay. So, to just be able to manage it over time.

Bill Rogers: That's correct.

Operator: Your next question is from Andy Levi with Avon Capital Advisors.

Andy Levi: I think I'm all set.

Operator: Our last question is from Andy Gupta with Hite.

Andy Gupta: Hi. Thanks for taking my question. Just a clarification. In the sale option, is the only option you're considering taking units of shares? Or what if it's a cash offer?

Bill Rogers: Cash offer would work, but it has to be at the right price to meet the other obligations.

Andy Gupta: Understood. Okay. Thank you.



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

David Mordy: This concludes our second quarter 2017 earnings call. Thank you, everyone, for your interest in CenterPoint Energy. And have a wonderful day

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 a 54.1 percent limited partner interest in Enable Midstream Partners, a publicly traded master limited partnership it jointly controls with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets. With more than 7,700 employees, CenterPoint Energy and its predecessor companies have been in business for more than 140 years. For more information, visit the website at www.CenterPointEnergy.com.

This news release 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 news release 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 news release 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 Midstream)), 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) recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable Midstream; (4) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (5) the timing and outcome of any audits, disputes or other proceedings related to taxes; (6) 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; (7) 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; (8) 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; (9) weather variations and other natural phenomena, including the impact on operations and capital from severe weather events; (10) 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; (11) the impact of unplanned facility outages; (12) timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters; (13) changes in interest rates or rates of inflation; (14) 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; (15) actions by credit rating agencies; (16) effectiveness of CenterPoint Energy's risk management activities; (17) inability of various counterparties to meet their obligations; (18) non-payment for services due to financial distress of

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Second Quarter 2017 Earnings Conference Call August 3, 2017

CenterPoint Energy's and Enable Midstream's customers; (19) 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; (20) the ability of retail electric providers, and particularly the largest customers of the TDU, to satisfy their obligations

to CenterPoint Energy and its subsidiaries; (21) the outcome of litigation; (22) CenterPoint Energy's ability to control costs, invest planned capital, or execute growth projects; (23) the investment performance of pension and postretirement benefit plans; (24) 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; (25) acquisition and merger activities and successful integration of such activities, involving CenterPoint Energy or its competitors; (26) the ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (27) future economic conditions in regional and national markets and their effects on sales, prices and costs; (28) the performance of Enable Midstream, the amount of cash distributions CenterPoint Energy receives from Enable Midstream, and the value of its interest in Enable Midstream, 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 Midstream; (B) the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of Enable Midstream's business plan; (C) competitive conditions in the midstream industry, and actions taken by Enable Midstream's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable Midstream; (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 Midstream, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable Midstream's interstate pipelines; (E) the demand for crude oil, 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; (29) effective tax rate; (30) the effect of changes in and application of accounting standards and pronouncements; (31) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

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

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. 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. 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, mark-to-market gains or losses resulting from the company's Energy Services business and impairment charges are not estimable.

Management evaluates the company's financial performance in part based on adjusted net income and adjusted diluted earnings per share. We believe that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results across periods. The adjustments made in these non-GAAP financial measures exclude items that Management believes does not most accurately reflect the company's fundamental business performance. These excluded items are reflected in the reconciliation tables of this news release, where applicable. CenterPoint Energy's adjusted net income and



**Second Quarter 2017 Earnings Conference Call
August 3, 2017**

adjusted diluted earnings per share 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 financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.

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