



Third Quarter 2010 Earnings Conference Call October 28, 2010

Marianne Paulsen – Director, Investor Relations

Thank you very much, Tina.

Good morning, everyone. This is Marianne Paulsen, Director of Investor Relations for CenterPoint Energy. I'd like to welcome you to our third quarter 2010 earnings conference call. Thank you for joining us today.

David McClanahan, president and CEO, will provide highlights on key activities, and will also discuss our third quarter 2010 results. Gary Whitlock, Executive Vice President and Chief Financial Officer is also present, but will not provide formal remarks due to a case of laryngitis. We also have other members of management with us who may assist in answering questions following Mr. McClanahan's prepared remarks.

Our earnings press release and Form 10-Q filed earlier today are posted on our Web site, which is www.CenterPointEnergy.com under the Investors section.

I would like to remind you that any projections or forward-looking statements made during this call are subject to the cautionary statements on forward-looking information in the company's filings with the SEC.

Before Mr. McClanahan begins, I would like to mention that a replay of this call will be available until 6 p.m. Central time through Thursday, November 4, 2010. To access the replay, please call 1-800-642-1687, or 706-645-9291, and enter the conference ID number 11725228. You can also listen to an online replay of the call through the Web site that I just mentioned. We will archive the call on CenterPoint Energy's Web site for at least one year.

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

David McClanahan – President and CEO

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

Today I'm first going to talk about new developments that occurred during the third quarter and provide some details around certain business operations that I believe are of interest to many of you. Next, I'll briefly describe our overall financial results and then will provide some details around the performance of each of our business units.

Let me begin with our true-up case. There has not yet been a decision by the Texas Supreme Court on our true-up appeal. While the Supreme Court has already ruled on some appeals that were heard after ours, we know our case is complex and are not surprised that the Court has yet to render a decision. We still believe that there is a good chance that the Supreme Court will reach a decision before the end of this year.

In a related matter, we were pleased that last Friday the Texas Supreme Court rendered a favorable ruling in our competition transition charge, or CTC, case. This case was an appeal by several intervenor groups challenging the interest rate used by the PUC in establishing the CTC, as well as the PUC's decision to allow us to recover the cost of a third-party valuation panel. The Supreme Court upheld the PUC's order. Because our books reflect the PUC's original order, there is no financial impact as a result of this ruling.

As most of you probably know, we filed a Houston Electric rate case on June 30th. Our rate request was for a 92 million dollar increase in our distribution rates and an 18 million dollar



Third Quarter 2010 Earnings Conference Call October 28, 2010

increase in our transmission rates. Hearings were conducted the week of October the 11th. As you would expect, most of the attention during the hearings was focused on our proposed capital structure and return on equity and our requested adjustments for depreciation, pension expense and federal income taxes. As a reminder, we requested a capital structure with a 50 percent equity component and an 11.25 percent return. Each five percent change in equity capitalization has about a 20 million dollar revenue requirement impact. Each quarter percent change in the equity return has a seven million dollar impact on revenue requirements. I would also note that there were no significant challenges to our overall investment in rate base or to our operating expenses. We expect the Administrative Law Judges' recommendation in late November and a final order by the Commission in late December or early January.

In a positive regulatory development, last month the PUC amended its rules relating to the transmission cost recovery factor, or TCRF. This amendment authorizes electric distribution utilities to defer for future recovery, increases in costs charged by other transmission providers until such costs are reflected in rates, thereby reducing regulatory lag. This amendment is particularly important as new, large transmission lines are being placed into service by other transmission providers.

We are progressing well in our implementation of an advanced metering system in our Houston Electric service territory. We are currently installing over 80,000 smart meters per month, and expect to have one million installed by January of next year. To date, we have invested approximately 290 million dollars and have received 58 million dollars of the 200 million dollar DOE grant.

In our gas distribution business, early next year we expect to begin installing remote electronic transmitters on the 1.2 million natural gas meters in and around our Houston service territory. These devices, along with related communications infrastructure, will initially allow us to automate natural gas meter readings and ultimately enable other functionality in the years to come. We expect to invest approximately 85 million dollars on this project, which should be completed within 36 months.

Now, let me turn to our field services business. This has been our fastest growing business segment and we expect significant growth to continue for the next few years. Our daily gathering volume has grown from an average of 1.2 billion cubic feet per day in the third quarter of last year, to 2 billion cubic feet this year, an increase of nearly 70 percent. Our gathering revenues are primarily fee-based, but there is a portion related to sales of retained natural gas. We retain gas from either a usage component of our contracts or from compressor efficiencies. As a rule of thumb, we generally retain about one and a half percent of all gathered volumes.

Activity in our traditional gathering basins continues to be below historical levels. In these basins we both gather and process natural gas and the majority of our processing comes from these areas. Our operating margin, which is our reported revenue less natural gas expense, includes gathering and processing fees as well as the sale of retained gas and natural gas liquids. For the third quarter of this year, approximately 35 million dollars, or about 46 percent, of our total operating margin was realized from our traditional basins on gathering volumes of approximately 77 billion cubic feet. We estimate that the third quarter operating margin from our traditional basins has declined by about 4 million dollars from the same period of last year primarily as a result of the decline in drilling and production in those basins.



Third Quarter 2010 Earnings Conference Call October 28, 2010

Our largest gathering volumes have now shifted from the traditional basins to the shale plays. In the shales, our three largest customers are subsidiaries of Shell, Encana and Exxon-Mobil, the successor to our long-time customer, XTO. Gathering for Exxon-Mobil is concentrated in the Fayetteville and Woodford shales, while gathering for Shell and Encana is concentrated in the Haynesville shale.

The majority of our activities and investments last year and this year have been in the Haynesville shale, where we have two major gathering systems.

The Magnolia system in north Haynesville is substantially complete with only well-connect activity remaining. Through September, we have spent about 294 million of our projected 325 million dollar budget for the original project scope. In addition, construction of the 200 million cubic feet per day expansion that Shell and Encana requested is under way and should be in service in the first quarter of next year at a cost of approximately 60 million dollars.

The Olympia system in southern Haynesville is also under construction. This system is designed to gather and treat about 600 million cubic feet per day and will cost approximately 400 million dollars, of which 210 million dollars has been spent through September. Construction is going well and we expect to have the necessary treating plants in service before the end of the year and substantially all facilities, except for well connects, completed in the first quarter of next year.

Shell and Encana have contracted for a total of 1.5 billion cubic feet per day in capacity on the Magnolia and Olympia systems, and have the option to request expansions totaling an additional 1.3 billion cubic feet per day.

Our total gathering volumes in the Haynesville shale in Northwest Louisiana include some third-party volumes not related to Shell and Encana. Of the nearly 900 million cubic feet of daily volumes gathered in the third quarter, about 175 million cubic feet were not related to Shell and Encana.

We have also seen some modest increases in gathering from other shale areas. In total, our estimated daily volume from all the shale areas in the third quarter was approximately 1.1 billion cubic feet per day. Operating margin from these areas was about 40 million dollars, or about 54 percent of our total margin, on gathering volumes of approximately 103 billion cubic feet. In the third quarter of last year, we had less than 10 million dollars in operating margin from the shale areas.

We remain interested in investing in gathering facilities in other areas and continue to have discussions with producers in the Eagle Ford and Marcellus shales.

Now let me review the company's overall operating results for the third quarter. We had a good, solid quarter with most business units performing at or ahead of our expectations.

Operating income for the company was 327 million dollars this quarter compared to 287 million dollars last year. Our net income was 123 million dollars compared to 114 million dollars last year. However, earnings per diluted share declined by 2 cents to 29 cents as a result of the new shares that have been issued this year.

Let me give you a little more detail about the performance of our individual business units.

Houston Electric reported operating income of 178 million dollars compared to 187 million dollars in 2009. As Gary explained last quarter, our rates now include a credit to



Third Quarter 2010 Earnings Conference Call October 28, 2010

customer bills to reflect the time value of the accelerated tax benefits we received in connection with the costs associated with Hurricane Ike. The reduction in revenues from this credit was approximately 9 million dollars for the third quarter, and accounted for substantially all of the decline in Houston Electric's operating income this quarter. Since the third quarter of last year, we have added approximately 21,000 customers to our system. Customer growth is running at about 1 percent, or half of our historical growth rate. We also experienced some increased operating expenses compared to last year. Exceptionally warm weather this past summer did not have a significant impact compared to last year when weather was also warmer than normal.

Our gas LDCs typically report a loss in the third quarter due to the seasonal nature of the business. However, the operating loss this year of 4 million dollars was significantly less than the loss of 15 million dollars last year. This improvement was primarily due to rate increases and improved rate designs which we have incorporated into our rate structures in several of our service territories. The continued success of this unit is a reflection of the efforts we've devoted to improving our rate structure as well as continued efforts to control operating expenses. Our customer to employee ratio continues to improve as we maintain focus on productivity and efficiency. Particularly noteworthy are our efforts to reduce delinquencies and bad debt expenses.

Our competitive natural gas sales and services business reported operating income of 7 million dollars compared to an operating loss of 8 million dollars last year. Adjusting for market-to-market impacts and the write-down of inventory to lower of cost or market, we would have had an operating loss of 6 million dollars this year compared to a loss of 2 million dollars last year. This unit continues to be impacted by significantly reduced locational and seasonal price differentials. However, retail sales to commercial and industrial customers were slightly ahead of the third quarter of last year.

Our interstate pipelines reported operating income of 68 million dollars compared to 64 million dollars last year. Our core business performed well and benefited from increased margins from Phase IV of our Carthage-to-Perryville line and deliveries to our power generation customers. However, ancillary services continued to be impacted, primarily due to a tightening of basis spreads across our system and reduced commodity prices. Our equity income from SESH, our joint venture with Spectra, was 8 million dollars for the third quarter of 2010 compared to a loss of 5 million dollars last year. The third quarter of last year included an 11 million dollar non-cash charge to reflect SESH's discontinued use of regulatory accounting.

Our field services segment reported operating income of 40 million dollars compared to 23 million dollars last year. Substantially all of the increase was a result of increased volumes associated with our new gathering systems in the Haynesville area. Overall gathering volumes increased from 106 billion cubic feet in the third quarter of 2009 to 180 billion cubic feet this year, a 70 percent increase. Operating expenses were higher this quarter due primarily to the new facilities placed in service in the shale areas.

Overall, we are pleased with our business performance through the third quarter, and this morning we reaffirmed our 2010 earnings guidance in the range of a dollar two to a dollar twelve cents per diluted share. This guidance reflects the earnings per share impact of the new shares we have issued earlier this year and an estimate of the shares that will be issued in our benefit and investor choice plans for the remainder of the year.



Third Quarter 2010 Earnings Conference Call October 28, 2010

In closing, I'd like to remind you of the 19 and a half cent per share quarterly dividend declared by our Board of Directors on October 21st. We believe our dividend actions continue to demonstrate a strong commitment to our shareholders and the confidence the Board of Directors has in our ability to deliver sustainable earnings and cash flows.

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

Marianne Paulsen – Director, Investor Relations

Marianne Paulsen: Thank you, David. With that, we will now open the call to questions and in the interest of time I would ask you to please limit yourself to one question and a follow-up. Tina, would you please give the instructions on how to ask a question?

Operator: At this time, we will begin taking questions. If you wish to ask a question, please press star then the number one on your touchtone key pad. To withdraw your question, press the pound key. The company requests that when asking a question, callers pick up their telephone handsets. Thank you. And our first question will come from the line of Lasan Johong with RBC Capital Markets.

Lasan Johong: Thank you. Couple questions. I noticed that on the release, energy services had very large increases in volumes and seems like commensurate, relatively speaking, commensurate increases in margins as well. And obviously a large part of that was an increase in customers. But is this signaling a change in your strategy towards energy services? Or is this just some, you know, coincidence for the third quarter and don't expect to repeat over the next several quarters?

David McClanahan: You know, Lasan, the energy services margins have maintained pretty much the way they were last year. We have added customers and our overall margin from our retail business is up year over year. The big increase in natural gas expenses is really due to both volume increases but to also natural gas price increases. We lock in natural gas prices and you can't look at this as the current price of natural gas. When we lock in a sale like maybe six months ago gas prices would have been different than they are today. So I don't think you can read anything into that, to those ratios this quarter.

Lasan Johong: I see. On the, we're still constantly hearing about there's a lot of liquids flowing through the system in the U.S. Are you at all concerned that there's a price cliff coming on NGLs?



Third Quarter 2010 Earnings Conference Call October 28, 2010

David McClanahan: You know, there, with the, with the Eagle Ford, which is very liquids rich and Marcellus has a lot of liquids in it, I think there are those in the industry that are wondering whether or not there's going to be a flood of liquids on the market and where it's all going to go and what it's going to do to prices. Now as you know in our Haynesville area, that is not a liquids rich area. This is really dry gas. So we're not affected by that. We do have some processing in our traditional basins and certainly a decline in price would impact us there. But that's not a very big part of our business.

Lasan Johong: Excellent. Just recently Spectra, actually DCP Midstream and Southern announced a project in the Eagle Ford area. Are you seeing any opportunities where CenterPoint can participate in these ongoing expansion of infrastructure. There was also one announced in the Marcellus with Spectra and El Paso. Are these things that you guys took a look at and passed on? Or is this something that you guys were never involved in? Or do you have similar opportunities that you access? Can you talk more about your other opportunities that you mentioned?

David McClanahan: You know, Lasan, the way we go about this is we work with our producers and with producers that we don't necessarily gather for today but we approach and try to put together a project that would cover enough volumes to make it economic for the producers as well as advantageous to us. So yes, we are absolutely talking to producers in the Eagle Ford and in the Marcellus. Lots of people are doing the same thing. There are others that have some existing infrastructure that they can build off of that we don't. We don't have any infrastructure in either of those areas. So, but we're actively talking with producers and we'd like to get into some of those areas. We'll just have to see if we're successful in, you know, getting a good project.

Lasan Johong: Great. Thank you so much.

David McClanahan: OK.

Lasan Johong: Oh, I hope Gary feels better.

Operator: Our next question will come from the line of Carl Kirst with BMO Capital Markets.

Carl Kirst: Thank you so much. Actually maybe you just, David you guys have a good relationship obviously with Shell. We've got a good acreage package down there at the Eagle Ford. Given the amount of infrastructure



Third Quarter 2010 Earnings Conference Call October 28, 2010

that exists in the Eagle Ford, there isn't an immediate need for incremental infrastructure. But when do you kind of get the sense that Shell might be needing something, i.e., when might they put out an RFP like the same process we saw in the Haynesville?

David McClanahan: You know, it's hard to say. We obviously talk with those folks. My expectation is we probably will not see that till sometime next year, first or second quarter of next year. But that's just kind of our guess based on reading the tea leaves. They're clearly going to develop that, all that acreage. But I think they're being very methodical and, about it. But I don't think it's in the next few months.

Carl Kirst: OK. But no, that's helpful. Maybe also one other one on field services. Just with respect to what you currently are seeing here in the fourth quarter with respect to the basing out, if you will, of the traditional volumes, the traditional operating margin decline. At least back in September, we were sort of looking at a, at a basing out. And I guess the question is as the gas curve has continued to come down, are you still seeing sort of this basing out in fourth quarter and perhaps expectations of 2011? Or are you starting to see it, the decline ramp back up again?

David McClanahan: No. You know, when we look at the traditional volumes in the third quarter compared to the second quarter, they're pretty flat. They're, they kind of leveled out. And clearly, you know, we had seen almost quarter after quarter a decline. So that was the good news as we saw a flattening out. Gas prices have fallen a lot. We still see wells, I mean rigs in these traditional basins. So they're not, they're not gone. But I think at very low prices, you might see another dip there. But at this stage, we think, we think it's flattened out quite a bit from what we saw from the beginning of last year.

Carl Kirst: Great. Appreciate the color and I'll throw in one last question maybe for Scott just because of the Friday, last Friday Texas Supreme Court ruling on the CTC case. Could you just remind us as we get closer to the end of the year if the TSC were to, in fact just go ahead and, you know, keep the appellate decision? You know, from what I recollect, we're talking about perhaps something along the neighborhood of 35 million dollar negative cash outflow up front. And then something like maybe 10 million dollars sort of left on a go forward basis relatively de minimis. I just want to make sure that we're all on the same page on that.

Scott Rozzell: Carl, if what we assume is that the Supreme Court were to affirm the Court of Appeals, the impact on us, meaning the difference between what



Third Quarter 2010 Earnings Conference Call October 28, 2010

the PUC had originally approved plus interest since that time, would be from somewhere in the 100 to 400 million dollar range depending upon exactly how they handle tax normalization issues going forward. But the point that you raised is a good one. The way that would work is we would have to give back money that we had already received through the securitization process and that ratepayers, our customers had paid. Plus we would put in place an ongoing credit against our transition charges to refund the last, the remainder of it. I'd have to go back and do that math. But the amount of the 100 to 400 million dollar range that would have an immediate cash impact would be a very small percentage. As I said, I haven't done that math recently. But it would probably be in the 15, 15 percent range or so. That would be the immediate cash impact with the remainder of it being spread out over the remaining life of the transition bonds.

Carl Kirst: Great. Thanks guys.

David McClanahan: You bet.

Operator: Our next question will come from the line of Leon Dubov with Catapult.

Leon Dubov: Can you guys hear me?

David McClanahan: Yes, go ahead.

Leon Dubov: Hi. Can you walk us through some of the reasons that in the past you guys have chosen not to pursue an MLP structure for some of your gas assets? And can you talk about whether those reasons are still valid today or still relevant?

David McClanahan: Yes, we've looked at the MLP a number of times, Leon. It's, we consider it an alternative financing. And when we really looked at it, it was an alternative to equity financing at the parent. We also, as you know, we've, we needed to strengthen our balance sheet in our judgment before an MLP would make a lot of sense. We think we've done that now. But it's taken the last 12 months, I think, through the sale of these equity shares that everybody knows about that has really strengthened our balance sheet. I think it's a viable alternative financing for us that we continue to have in our tool kit. You know, there are some other benefits perhaps that we continue to study and look at. But by and large, it's an alternative financing. And we just hadn't felt it was necessary up to this point in time. And I think it really depends on the kind of projects that we get



Third Quarter 2010 Earnings Conference Call October 28, 2010

going forward in field services and in pipelines as to whether or not we'll do, need one.

Leon Dubov: OK, fair enough. And also could you walk us through some of the earnings drivers that you guys see kind of for next year? Maybe by business segment if you can.

David McClanahan: Well that may take a little longer than you thought I think or, that we have here... Let me just suggest a couple. One is really in field services. This is our growth engine. It's where next year ought to be better than this year as we gather and treat more volumes in the Haynesville. And we hope to get some expansions down the road as well in that area. So field services will be our primary growth vehicle. I think the, on the electric side, it really depends on this rate case. This rate case is going to determine whether or not we, you know, we have some growth there or not. And we'll know that by the end of this year. We think we put on a really strong case in Austin. But we're just going to have to wait and see how all that turns out. Our gas LDCs are doing great. They've been doing fine for the last couple of two or three years. And we expect that that will continue. And you know, on our energy services business, we're really focused on the retail sales to our industrial and commercial customers. And if we get some wholesale business because of price differentials, great. But we've refocused and we've got to just focus on making that margin from our end use customer. Our pipeline group, they're having a good solid year. And next year, you know, we're going to have to overcome a few headwinds. One is we have a big backhaul contract that is going to start playing out in the middle of the year. We're working to offset that at this time.

Leon Dubov: Great. Thank you very much. I appreciate it.

David McClanahan: You bet.

Operator: Our next question will come from the line of Daniele Seitz with Dudack Research.

Daniele Seitz: ...your ROE on electric operations at the end of September?

David McClanahan: OK. Yes.

Marianne Paulsen: I'm sorry, Daniele. We didn't...



Third Quarter 2010 Earnings Conference Call October 28, 2010

- Daniele Seitz: What was the ROE for the 12 months ending September 2010 on the electric side?
- David McClanahan: You know, we don't have a 12 month trailing ROE there. I can't give you that.
- Daniele Seitz: Uh huh.
- David McClanahan: At the end of last year for the 12 months ended '09 on a, on a weather adjusted basis, it was about a little over 10 percent on a... with weather in it was somewhere eleven three or so.
- Daniele Seitz: Mhm mhm. I also, you mentioned that you changed the rate design in gas distribution. Does that mean seasonality or it's just comes up to the same number anyway? It doesn't change with seasonality. Does it?
- David McClanahan: Well it does to some extent because we're trying to put more of our revenue recovery in the customer charge. And the customer charge is the same every month. So you tend to spread your revenue recovery over the 12 months and you have no volumetric risk when you get your increased revenue through customer charges. That's one way. The other way is through adjustments that allow us to basically adjust rates going forward for impacts of energy conservation and energy efficiency impacts.
- Daniele Seitz: OK.
- David McClanahan: And we have that in some of our jurisdictions as well.
- Daniele Seitz: So it doesn't mean that the improvement of the third quarter was going to be taken away in following quarters? That's what I was get, driving to.
- David McClanahan: I think, I don't think, there's no reason it will be taken away. No that's correct.
- Daniele Seitz: OK. That's what I was wondering. Thank you.
- David McClanahan: OK.
- Operator: Our next question comes from the line of Stephen Huang with Carlson Capital.
- Stephen Huang: Hi, good morning guys.



Third Quarter 2010 Earnings Conference Call October 28, 2010

David McClanahan: Good morning.

Stephen Huang: I'm sorry. I just jumped on the call here. I heard the back end of it. You said that next year there's a headwind from the pipeline on a backhaul contract. Did you guys quantify how much that's worth? Versus market rate today.

David McClanahan: You know, probably next year it's in the, if I'm not mistaken I'll have to look, 10 to 15 million dollar range.

Stephen Huang: Pre-tax. Correct?

David McClanahan: Correct.

Stephen Huang: OK. And that starts in the middle of the year? It's an annualized number, David?

David McClanahan: No. That's... Gosh. Now, Stephen, that's next year's impact, I think.

Stephen Huang: OK. So a half year impact.

David McClanahan: Yes.

Stephen Huang: And then I don't know if you guys addressed this but was there any discussion by Encana with you guys, I guess, in regards to their drilling development? It sounded like they're a little bit more cautious with their '11 drilling program.

David McClanahan: You know, we saw that in their analyst call, their discussion about that. We've had conversations with them. I think in the northwest Louisiana, Haynesville, I think that's an area they're still very high on. I think they're, they may very well move some rigs out of the east Texas, Haynesville area. So we still feel pretty good about their production schedules they've given us in the past. So but we do think that there are some rigs moving out of Haynesville. But Haynesville, where we are, it's a pretty, the sweet spot in the Haynesville and there's still a lot of rig activity in there.

Stephen Huang: So, but I guess we know that they, you know, they elected a couple of expansions this year. But I guess based off, have you got any indication that further expansions, maybe slow down?



Third Quarter 2010 Earnings Conference Call October 28, 2010

- David McClanahan: No, we hadn't, we hadn't gotten any indication one way or the other on that, Stephen.
- Stephen Huang: OK. Great. Thank you.
- David McClanahan: OK.
- Operator: We have a follow up question from Lasan Johong with RBC Capital Markets.
- Lasan Johong: David, this pipeline backhaul contract expires, wouldn't you be replacing this with another contract?
- David McClanahan: Well certainly we're looking to. You know, we're looking to try to replace some of that revenue loss. Absolutely, Lasan. But we have to accomplish it.
- Lasan Johong: So I'm assuming you're in discussions or negotiations with existing shippers.
- David McClanahan: You know, that's a every day event. So absolutely. We're looking at ways to try to maximize the value of that pipe and where gas comes onto our system. And you know, there's lots of ways you can move gas around by displacement as opposed to, you know, actually moving it, backhauling it. And that's what we're looking at. You know, there's going to be some interest out there. The question is can we, can we get the same level of revenue that we have today?
- Lasan Johong: Understood. Just kind of a big picture item question. I know you guys don't sell electricity directly to end consumers. But you see the flow of all the electricity in Houston and you certainly see flow of gas in your LDC. Can you kind of give a sense of where you think demand growth is going over the next 18 months or so?
- David McClanahan: Well, if you look at our LDCs, gas LDCs, we have a customer growth of about a half percent there. And on the electric side we've had customer growth of about 1 percent. We've seen some pretty modest increase in deliveries on the commercial and industrial side of our electric business. It is up year over year. But this is not a hockey stick kind of growth. This is kind of a steady slow growth. And there's no signs that we're going to have some huge burst of growth here. I think it's going to be pretty modest.



Third Quarter 2010 Earnings Conference Call October 28, 2010

- Lasan Johong: So you think this recovery is going to be different than some of the other deeper recessions we've had in the '70s and '80s?
- David McClanahan: Well, Lasan, the only thing I can say, we don't see an indication that we're going to get that big burst of growth. Hopefully we're wrong. Maybe it's something we don't see. But there's no indication certainly on the construction side. And we connect a lot of both commercial and residential customers that would lead us to believe that.
- Lasan Johong: Thank you.
- Operator: Please remember if you wish to ask a question, press star then the number one. Thank you for your cooperation. And we have a follow up question from the line of Carl Kirst with BMO Capital Markets.
- Carl Kirst: Hey guys. Sorry, just going back to this backhaul issue. And I want to make sure that I'm clear that the 10 to 15 million dollar for the half year impact is basically the quantification of that contract that's expiring and not necessarily the net impact, for instance, of where the contract is versus what we might call the current market.
- David McClanahan: No, that's purely contract expiration impact. And we have to, you know, what Greg and his team's going to do is go out and try to offset that.
- Carl Kirst: Is, you know, David, and I understand this is kind of a moving bogey every day with basis, but you know, as we look at a relatively flat basis in the derivative market for 2011, what is, what do you think, if you had to do it today, that market recontracting could be?
- David McClanahan: You know, we're in discussions with lots of producers out there that still want to move gas and they're thinking about different directions to move gas. So it's hard to handicap this one, Carl. I would say that we haven't given up. We're still working hard at it.
- Carl Kirst: OK, no, I appreciate the candor.
- David McClanahan: Carl, just a minute. Let me ask Greg Harper who, as you know, heads up that group, to give a little bit more information.
- Gregory Harper: Hey, Carl. How're you doing?
- Carl Kirst: Hey man.



Third Quarter 2010 Earnings Conference Call October 28, 2010

- Gregory Harper: You know, the original intent for this contract was to get, you know, our customers' gas moving, you know, this Haynesville driven gas and to get to market before they would take on gas. It turned into a forward haul on our CP IV project for about half the volume. And then they'd be taking their other volume to another pipeline that they contracted on as well. So there's, you know, there's producers looking to move their gas to markets. We were able to get their gas moving early with this backhaul that they were producing. And then they'd be stepping into the forward haul once we got the facilities built, which was the phase IV project that went into service in February. So it was a good way to get their gas moving. It was a hedge for them on their other production for another competitor's pipe was to go into service and still hasn't gone into service. So you know, there's a chance of extending the contract, kind of go with when that other competitor's pipe goes in as well.
- Carl Kirst: OK, no. That... appreciate that. And then one other question just to clarify. I'm not sure, David, if I caught this correctly. Did you say in your prepared comments that the warm weather in Houston did not give an uplift to the utility earnings?
- David McClanahan: Yes, that's right. If you, both periods, both '09 and '10, they were warmer than normal. So when you look at it year to year, no uplift to speak of in the third quarter compared to the third quarter of '09.
- Carl Kirst: Relative. OK.
- David McClanahan: Now, if you look at it compared to normal...
- Carl Kirst: Yep, yep. But I thought you meant on an absolute basis.
- David McClanahan: ... there was an uplift. Yes.
- Carl Kirst: I know I was doing my part. All right guys. Thank you.
- David McClanahan: We appreciate that.
- Operator: And we also have a follow up question from Daniele Seitz with Dudack Research.
- Daniele Seitz: Wondering in view of your comment about Encana, do you anticipate any changes in your capex expenditures for 2011? Or are you still looking at about 1.3 billion?



Third Quarter 2010 Earnings Conference Call October 28, 2010

David McClanahan: Daniele, we're now right in the middle of putting together our new, you know, plans for the next five years. And certainly next year we're looking at closely. You can't really go by, you have to adjust the numbers we had in the 10-K for the Shell Encana contract we got after those numbers were published.

And we still have next year on the Olympia system, we'll probably spend 100 million dollars that, you know, we will spend close to 300 million dollars this year but we'll spend another 100 next year that weren't in those estimates that were in last year's 10-K. And there'll be other changes. It will certainly be well north of a billion dollars, I would expect.

Daniele Seitz: OK. Thanks.

Operator: And we have no further questions at this time.

Marianne Paulsen: OK. Great. Thank you so much everybody. I think it's about time we left it, wrapped this call up. I would like to thank everybody for participating in our call today. We appreciate your support very much. Have a good day. Thanks.

Operator: This concludes the CenterPoint Energy Third Quarter 2010 Earnings Conference Call. Thank you for your participation. You may all disconnect.

END

Cautionary Statement Regarding Forward-Looking Information

This information includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual events and results may differ materially from those expressed or implied by the forward-looking statements. Statements regarding the company's earnings outlook for 2010, future financial performance and results of operations, the anticipated timing for a decision on the True-up appeal, the anticipated timing for, and potential implications of, a decision on CenterPoint Houston's rate application, the anticipated costs and timing for completion of capital projects, future levels of natural gas production and drilling activity, the potential impact of changes in natural gas prices on the company's Field Services business, and other statements that are not historical facts are forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include: the timing and outcome of appeals from the true-up proceedings, the timing and impact of future regulatory, legislative, and IRS decisions, effects of competition, weather variations, changes in CenterPoint Energy's or its subsidiaries' business plans, financial market conditions, the timing and extent of changes in natural gas and natural gas liquids prices, the impact of unplanned facility outages, changes in the gathering volumes and in the overall contract portfolio of our Field Services business, and other factors discussed in CenterPoint Energy's and its subsidiaries' Forms 10-K for the fiscal year ended December 31, 2009, CenterPoint Energy's and its subsidiaries' Forms 10-Q for the periods ended March 31, 2010, and June 30, 2010, CenterPoint Energy's Form 10-Q for the period ended September 30, 2010, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission. Information contained in these remarks speaks as of October 28, 2010. The company has not undertaken to update or otherwise revise these remarks subsequent to this date.