Q1 2024 Earnings Call Transcript –April 30, 2024

Operator: Good morning and welcome to CenterPoint Energy First Quarter 2024 Earnings Conference Call with senior management. During the company's prepared remarks, all participants will be in a listen-only mode. There will be a question-and-answer session after management's remarks. [Operator Instructions]

I will now turn the call over to Jackie Richert, Senior Vice President of Corporate Planning, Investor Relations, and Treasurer. Ms. Richert, you may begin.

Jackie Richert - SVP, Investor Relations and Treasurer

Good morning and welcome to CenterPoint Energy's first quarter 2024 earnings conference call. Jason Wells, our CEO; and Chris Foster, our CFO, will discuss the company's first quarter results. Management will discuss certain topics that will contain projections and other forward-looking information and statements 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 various factors as noted in our Form 10-Q, other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statement.

We will be discussing certain non-GAAP measures on today's call. When providing guidance, we use the non-GAAP EPS measure of diluted adjusted earnings per share on a consolidated basis, referred to as non-GAAP EPS. For information on our guidance methodology and a reconciliation of the non-GAAP measures used in providing guidance, please refer to our news release and presentation on our website. We will use our website to announce material information. This call is being recorded. Information on how to access the replay can be found on our website.

Now, I'd like to turn the call over to Jason.

Jason Wells - President, Chief Executive Officer

Thank you, Jackie. And good morning, everyone. As many of you likely saw from this morning's earnings release, we were off to a strong start in 2024 despite the mild weather and the general trend of higher for longer interest rate environment our sector has experienced. This quarter is yet another illustration of why we believe we have one of the most tangible long-term growth plans in the industry, which we plan to consistently execute and thoughtfully enhance for the benefit of all of our stakeholders.

On this morning's call, I'd like to address three key areas of focus before handing the call over to Chris to discuss our financial results in more detail. First, I'll briefly

summarize the strong first quarter financial results I just alluded to. Second, I'll touch on the details of our most recent filing at Houston Electric related to our resiliency investments, including the potential for incremental CapEx. And lastly, I'll provide an update on where we stand with respect to our regulatory calendar, including an overview of our pending rate cases and an important update on the settlement of our Texas Gas rate case, where we are hopeful for an eventual constructive outcome for our stakeholders.

First, turning to our financial results for the first quarter. This morning, we announced non-GAAP EPS of $0.55 for the first quarter, which represents over a third of our full year non-GAAP earnings guidance at the midpoint. As a reminder, our full year 2024 non-GAAP EPS guidance range of $1.61 to $1.63 represents 8% growth at the midpoint from our 2023 actual results of $1.50 per share and reflects our continued focus of delivering value for our investors each and every year.

Beyond 2024, we are reaffirming our guidance where we expect to grow non-GAAP EPS at the mid to high end of our 6% to 8% range annually through 2030, as well as targeting dividend per share growth in line with earnings per share growth over that same period of time. Chris will provide additional details regarding our financial results and earnings guidance shortly.

Now, I'll turn to the recent announcement we made regarding Houston Electric's resiliency plan filing. There's been a tremendous amount of collaboration by the public and private sector to align our focus on grid resiliency across the State of Texas. I want to applaud the State for its continued support for providing additional tools to help improve resiliency of the electric grid, all of which serves to support the continued economic growth here in Texas.

This legislation is a recognition of investments needed to strengthen the resiliency of the grid for the increasing risk of disruptive, extreme weather-related or security-related events, while at the same time accommodating load growth across Texas. Through these filings, we anticipate achieving a faster pace of investments to support higher levels of resiliency for our customers, while also utilizing a recovery mechanism that is expected to enable smoother and more efficient recovery of certain distribution related costs for the benefit of our customers and our investors.

Our focus on delivering a more resilient grid that serves approximately 2.8 million metered customers across the Greater Houston area has been underway for some time. The sequence of our work portfolio began with enhancing our electric transmission system and related substation, which comprise the backbone of our electric grid. This work included upgrading our transmission structures to better

withstand extreme winds, elevating our substations to mitigate flood risk, and converting our older 69 kV transmission lines to a more robust 138 kV standard. We will continue this work on the backbone of our system, and when the first three-year cycle proposed in this filing is complete in 2027, we believe we will have finished the vast majority of work associated with these programs.

With that series of measures well underway, we're now complementing these program elements by expanding our targeted investments to improve outcomes closer to the customer. Our work articulated in our resiliency filing has 24 individual resiliency measures that are focused on advancing the overall resiliency of our system. The three-year plan is expected to significantly improve customer outcomes from the most severe system events associated with extreme wind, flood, temperature changes and wildfires.

Additionally, measures are being undertaken to bolster physical and cybersecurity. Examples of some of the solutions we'll deploy include composite poles, trip saver devices and intelligent grid switching automation technology. All of these are proven to help the system respond more favorably in extreme conditions, resulting in a reduced number of sustained interruptions that our customers experience.

In fact, we've steadily deployed similar system automation in recent years, saving our customers over 300 million minutes of interruptions over the last five years.

With the investments included in our resiliency plan filing, we could more than triple that figure over the next few years. In aggregate, our filing includes a range of investments of approximately $2.2 billion to $2.7 billion over the three-year period of 2025 to 2027. The high end of our filing, if approved, would increase our total capital expenditures from $44.5 billion to $45 billion over our 10-year plan ended in 2030.

Consistent with how we have historically incorporated incremental investment opportunities in our base plan, the $500 million of additional capital will be formally included in our capital investment plan where we believe we can efficiently execute, finance and recover these investments. We will also align our execution with the feedback and final resolution of the resiliency plan proceeding, which we anticipate will be towards the end of this year.

While we have factored the majority of this resiliency investment within our updated CapEx and financing plans discussed last quarter, Chris will describe thoughts on efficiently funding the incremental $500 million of capital investment opportunity, including pursuing various state and federal incentives. We are excited to work with the Commission and other stakeholders to get feedback on a plan we proposed, and most importantly, executing this work to create a more resilient electric grid for our customers.

I now want to turn to an update on our broader regulatory calendar. I'll cover this sequentially from the dates filed. Starting with our Texas Gas rate case, where we have recently announced an all-party settlement. Although this settlement is still subject to Railroad Commission approval, we believe the settlement agreement reached with parties is a constructive outcome for our customers and all other stakeholders. In its current form, pending approval, the case will result in an annual revenue requirement increase of approximately $5 million, which results in an average increase of well under one-tenth of 1% for our Houston area residential customers. This very modest customer bill increase is a great illustration of the power of organic growth, coupled with our continued focus on reducing O&M across our businesses.

The Texas Gas rate case filing included nearly $500 million of new capital investments and an increase to its authorized cost of capital, that I'll briefly touch on in a moment, all while resulting in a very modest increase for our customers. Since the last rate case, we have invested a total of $1.4 billion in CapEx to continue to improve system safety and reliability for our customers. These investments have translated to more than 1,800 miles of pipe replacement and more than 300,000 advance meter upgrades, all helping to modernize our gas network.

As I just mentioned, our $5 million settled revenue requirement proposal includes an increase to our authorized capital structure and return on equity. The proposed settlement includes an authorized equity ratio of approximately 61% and an authorized return on equity of 9.8% across our entire Texas Gas jurisdiction. In comparison, we are currently authorized on average for a 55.5% equity layer and a 9.64% return on equity across the four historic divisions. Increasing both our authorized equity ratio and our authorized return on equity is vital to the Texas Gas business, as well as our other regulated businesses as we continue to compete for capital to make critical investments for our customers.

In addition to the minimal impact to our customer bills, the settlement combines our four historic Texas Gas jurisdictions into one jurisdiction for future capital recovery mechanisms, which will benefit all stakeholders through reduced administrative burden and the ability to spread future investments over a broader growing customer base. We appreciate the effort of various parties involved in the rate case to this point and expect Railroad Commission consideration of the settlement this summer.

Moving to the filed Minnesota gas rate case. As a reminder, we filed our rate case on November 1 of last year. We requested revenue increase of approximately $85 million and $52 million for 2024 and 2025, respectively. As discussed on the last

call, the interim rates for 2024 were approved in mid-December and went into effect on January 1 of this year. The Commission will consider interim rates for 2025 toward the end of this year, depending on how far along we are in the case. At this stage, we anticipate hearings to occur in the middle of December this year. Ahead of those hearings, we intend to engage parties to the case in settlement discussions. As you may recall, we have settled our previous three rate cases in our Minnesota gas jurisdiction.

Now, turning to the Indiana electric rate case, which we filed in December of last year with a requested revenue requirement of $190 million. As we've discussed previously, much of this revenue requirement increase is associated with our investments in connection with our electric generation transition plan as we move away from coal to more efficient and cost-effective fuel types such as renewables and natural gas. We have slightly delayed the start of the hearings in this case to determine if a settlement is possible with parties. Absent a settlement, we would expect a final decision in this case in the fourth quarter of this year.

And finally, I'll touch on our largest jurisdiction, Houston Electric. As many of you saw, we have filed our rate case last month with our requested revenue requirement increase of 2.6%, which is approximately $60 million. This revenue requirement increase results in a relatively nominal residential customer charge increase of

about $1.25 per month or less than 1%. This revenue requirement increase is premised on a filing seeking an authorized equity ratio of approximately 45% and an authorized return on equity of 10.4%. As a reminder, we've been funding the Houston Electric business with a 45% equity ratio, as we believe this is the minimum amount of equity with which this business should be capitalized even though we are currently authorized at 42.5%.

The modest revenue requirement request truly exemplifies the strong advantage we have here at CenterPoint, as it's driven by, one, our relentless focus on reducing O&M 1% to 2% per year on average; two, prior securitization charges rolling off the bill in October of this year; and three, the nearly unparalleled growth that Houston Electric and surrounding areas experience each and every year. To put these combined factors into perspective, since our last rate case in 2019, Houston Electric's rate base has nearly doubled, while the average residential charges were nearly the same amount at the beginning of 2024 as they were all the way back in 2014.

As a management team, we are acutely aware of the advantage we have to serve a growing economy like Houston, but we also understand the tremendous responsibility that accompanies it. We are tasked with serving and supporting the dynamic growth of Houston's vibrant and diverse population. One recent tangible

example of Houston's continued expansion can be seen from the nearly $6 billion in Department of Energy grants awarded a little over a month ago. Nearly one-third of these grants were awarded for projects in the Greater Houston area. If completed, we believe these projects associated with these grants could contribute well over 500 megawatts alone in new load in the Houston Electric service territory. And this is just one of many examples of the explosive load growth potential in this region. We look forward to working with our stakeholders as we continue to support this incredible growth story here in Houston.

Before moving on, I want to briefly mention that we have one other rate case that we will be filing in 2024 related to our Ohio Gas business. We anticipate filing this rate case in August of this year, and we'll provide more details as we get closer to the filing. We look forward to continuing to work with all of our stakeholders to reach constructive resolutions to all of our rate cases. We believe we are well-positioned in all of our filings as we've made prudent investments on behalf of our customers and have made concerted efforts to reduce controllable O&M for the benefit of the communities we serve.

Those are all of my updates for now. With a strong start here in 2024, we have laid the foundation to once again meet or exceed expectations for the benefit of all of our stakeholders. I'm proud of the early milestones already achieved in 2024 and

look forward to being able to provide progress on our cases and how the resiliency plan filing and other opportunities may influence incremental investments in the future.

I am confident in our path forward and our ability to continue as we reaffirm our commitment to our proven strategy and to our non-GAAP EPS guidance target range of 8% in 2024 and at the mid- to high-end of our 6% to 8% non-GAAP EPS guidance target range annually from 2025 through 2030. And as we've mentioned in recent quarters, we'll be prepared to update a new 10-year plan through an Analyst Day following the conclusion of our rate cases next year.

With that, I'll hand it over to Chris for his financial updates.

Christopher A. Foster - Executive Vice President & Chief Financial Officer, CenterPoint Energy, Inc.

Thanks, Jason. Today, I'd like to cover three areas of focus. First, the details of our strong first quarter financial results. Second, I'll touch on our capital deployment progress this quarter and the potential for incremental capital related to Houston Electric system resiliency plan filing. And finally, I'll provide an update on where we stand with respect to our current financing plan and credit metrics.

Let's start with the financial results shown on slide 6. As Jason highlighted earlier, the first quarter of 2024 was yet another strong quarter of financial performance

here at CenterPoint. On a GAAP EPS basis, we reported $0.55 for the first quarter of 2024. On a non-GAAP basis, we also reported $0.55 for the first quarter of 2024 compared to $0.50 in the first quarter of 2023. With these first quarter results, we have now earned over a third of our full year 2024 non-GAAP earnings guidance at the midpoint.

Diving into more detail of the earnings drivers for the quarter, growth and rate recovery contributed $0.09, which is primarily driven by the ongoing recovery from various interim mechanisms for which customer rates were updated last year. In addition to those capital recovery mechanisms, interim rates in our Minnesota Gas business went into effect on January 1 of this year. These rates reflect a revenue requirement increase of approximately $69 million, which, when combined with our requested 2025 revenue increase, represent an approximately 5% average bill increase over the next two years.

In addition, we continue to see strong organic growth in the Houston area, extending the long-term trend of 1% to 2% average annual customer growth, which continues to benefit both customers and investors. A great illustration of this continued growth can be found in the impressive job creation we've observed in Houston over the last. According to the US Department of Labor, the Houston metro area added the second most jobs in the entire US from February of last year

to February 2024. Weather and usage were $0.02 favorable when compared to the same quarter of 2023. And despite the mild weather, the $0.02 favorable variance was largely driven by more favorable weather when compared to an extremely mild Q1 of 2023.

Partially offsetting the favorable items from rate recovery in usage were increases in O&M and interest expense. O&M was $0.02 unfavorable for the first quarter. This unfavorable variance was driven by additional work pulled forward in the first quarter of this year, as well as storm response recovery efforts. However, we remain on track to achieve our target of reducing O&M 1% to 2% per year on average through 2030. Interest expense was $0.04 unfavorable, primarily driven by the new debt issuances in the first quarter of last year at a higher relative cost of debt. However, the impact of this increase was partially offset by the redemption of all outstanding shares of the Series A preferred for $800 million last September, which eliminated the approximately $12 million quarterly dividend. I'll discuss our long-term financing plan and balance sheet in greater detail later.

Next, I'll touch on our capital execution thus far in 2024 and the state of our 10-year capital plan target, which you can see here on slide 7. In short, we are right on plan. The first quarter of 2024 represented yet another quarter of solid capital investment execution as we invested $800 million for the benefit of our customers

and communities. This represents a little over 20% of our 2024 capital expenditure target of $3.7 billion.

Our approach to incorporating customer driven capital has resulted in a capital investment plan of $44.5 billion, and potentially more, which represents an increase of over 10% since our 2021 Analyst Day. This increased capital plan is expected to drive a nearly 10% rate base CAGR through 2030, which supports strong earnings growth for the remainder of the decade.

We continue to estimate our growth in customer delivery charges at Houston Electric to be equal to or less than historical inflation rate at 2% through 2030 with this capital investment profile. We have confidence in our ability to achieve this given the size of Houston Electric's customer base and the underlying tremendous organic growth, securitization charges that are rolling off the bill later this year, and our plan to reduce O&M, as I referenced.

In addition to enhancing the customer experience through our capital investments, we remain focused on affordability, both from an O&M and ongoing targeted capital perspective. A great illustration as to why we are confident that we can continue to prudently invest while keeping customer charges modest can be found by looking at our utility delivery charge increases over the last 10 years. Since 2014, Houston Electric's average monthly delivery charges have stayed essentially

flat. That's a truly remarkable outcome for our customers. And as Jason mentioned, our capital has potential for further incremental revisions driven by our resiliency filing in Texas.

The system resiliency plan filing could drive incremental customer driven opportunities of up to $500 million at the high end range of our proposed investment. And I want to reiterate that over the past couple of years, we have been increasing our capital investment plan through 2030 as we identify incremental investment opportunities that we believe we can efficiently execute, finance and recover.

Let's spend a moment on the potential for funding the incremental resiliency investment opportunities of approximately $500 million which Jason mentioned. We are applying for various federal dollars through multiple avenues and have already applied for $100 million of grant applications through the Department of Energy Grid Resilience and Innovation Partnerships funding opportunity, and that was submitted a little over a week ago. These funds, if approved, would primarily assist in providing a lower cost of borrowing for our resiliency initiatives around distribution circuit rebuild and substation resiliency innovations. In addition, we will also seek other efficient funding opportunities through federal and state matching programs such as the DOE Loan Guarantee Program.

CenterPoint has three separate loan applications working through the process in various stages for over $2 billion in aggregate. While these are loan dollars, not grant dollars, the relative cost savings versus traditional debt can be substantial, around 100 basis points, representing meaningful savings for customers. As Jason alluded to, we are actively pursuing these avenues of funding as we believe these are incredibly valuable initiatives for customers. To the extent that we are not successful, our consistent growth capital investment rule of thumb holds, which is funding in line with our consolidated capital structure.

Finally, to highlight the balance sheet and credit strength, as of the end of the first quarter, our calculated FFO to debt is 14.6%, based on our calculation aligning with Moody's methodology as shown on slide 20. On a full year 2024 basis, we still anticipate delivering on 100 to 150 basis point cushion we continue to emphasize when applying Moody's methodology.

As you can see on the slide, we've also included S&P's calculation on the slide this quarter and we'll continue to do so going forward. As the computations illustrate, we've adjusted our calculations for onetime items, mainly driven by Winter Storm Uri. We have had two years of onetime items related to the over $1 billion of extraordinary gas costs associated with that storm.

We don't believe that this debt nor the eventual receipt of the proceeds and associated taxes were indicative of the fundamental credit health of the company, and adjusted accordingly. For comparative purposes, you can see on the slides that we put our calculated 14% in the middle of the 18.5% FFO to debt that Moody's derived and the 11.2% calculation that S&P derived. To be clear, we see no need to change our current financing plan we shared with our rating agencies earlier this year to improve the outlook from S&P on our credit metrics.

In addition, we've made good progress against the modest $250 million at the market or ATM equity program year to date. We have completed approximately 75% of our equity sale through today, leaving only around an expected $60 million of equity remaining to be issued this year. As a reminder, we continue to have slightly elevated parent debt to total debt as we are continuing to carry over $400 million of debt at the parent to support what we believe is the proper capitalization of the CEHE and CERC operating companies through rate cases. We plan to continue to carry that through the CEHE rate case, supporting its approximately 45% equity layer today.

On the solid footing of a strong first quarter, we continue to reaffirm our non-GAAP EPS target of 8% this year and the mid- to high-end of 6% to 8% annually thereafter through 2030. This growth is supported by differentiating factors that we

enjoy, including consistent customer organic growth, which has averaged 2% per year over the last 30 years in the Houston area; Texas's pro-business environment, which continues to attract new investment, especially in the Gulf Coast region; and lastly, our relentless focus on O&M discipline. We believe these factors will allow us to sustainably grow for years to come.

The last thing I want to mention is that we are making good progress related to the sale of our Louisiana and Mississippi Gas LDCs. We, along with the buyer, have now made all required regulatory filings, including filings with the Louisiana and Mississippi Public Service Commissions, and we look forward to working constructively with the Commission to facilitate the approval proceeding. We still anticipate closing the sale late first quarter 2025 and it is anticipated to result in after tax cash proceeds of approximately $1 billion, which equates to an earnings multiple of nearly 32 times 2023 earnings. This would be in terrific outcome for all stakeholders.

With that, I'll now turn the call back over to Jason.

Jason Wells - President, Chief Executive Officer

Thank you, Chris. I look forward to continuing not only to execute on what I believe to be one of the most tangible long-term growth plans in the industry, but

also enhancing it for the benefit of all of our stakeholders, in both the near and long term.

Jackie Richert - SVP, Investor Relations and Treasurer

Thank you, Jason. Operator, we're now ready for Q&A.

Operator: Thank you. At this time, we will begin taking questions. [Operator Instructions] And the first question will come from Shar Pourreza with Guggenheim Partners. Your line is open.

QUESTION & ANSWER SECTION

Q. Hi. Good morning, team. It's actually Constantine on for Shar. Congrats on a great quarter.

A. Thanks, Constantine. Good morning.

Q. Good morning. Appreciate the updates on the call today, especially with the resiliency filing, and I see that it was largely embedded in the 4Q update. But as we think about the $500 million upside, just how are you thinking about in terms of accretion versus the 10% rate base growth and maybe any specific threshold there on the incremental updates and CapEx? And how are you kind of planning to announce any kind of financing optimization there?

A. Yeah. Thanks, Constantine. Pretty comprehensive question there. Let me kind of start at the highest level, and I think there's three main points to this CapEx

update. The first is, we've got a great base plan, 10% rate base growth through the end of the decade. The second point I'd make is, we've been spending significantly on resiliency because it's the right thing to do for our customers. And case in point, we've increased our CapEx plans over 10% since our 2021 Analyst Day. That was largely to support increased resiliency efforts. And so, this is, again, spend that has been already incorporated in this plan.

And then, importantly, I do think, third, we have a significant amount of opportunities in front of us. Those take the form of continued resiliency investment, particularly on the distribution side. One of the things that I'm probably most excited about is the industrial electrification opportunity that we have here, particularly in the Greater Houston area. Just as one quick example, there's about 10 gigawatts of hydrogen production in development to come online before 2030. That hydrogen production requires significant increases in electric transmission capacity, substation capacity. Also carries with it, significant jobs, which will help continue to drive residential load growth.

And on a gas side of things, we continue to see significant opportunities for incremental CapEx, particularly around maybe local gas transmission, pipeline capacity in the Greater Houston area. We're one of the few gas LDCs in the country that don't have localized gas transmission capacity and I think it can help

our customers help mitigate the cost in severe weather events. And so, the short of it is, we've got a great base plan, we've been spending on resiliency, and we have significant increases in CapEx still in front of us.

In terms of being accretive to the plan, we wouldn't spend it if it wasn't the right thing to do for customers, wasn't the right thing to do for shareholders, for all of our stakeholders. I think we've developed a track record of executing upon that. In terms of financing, maybe I'll turn it over to Chris to share some thoughts about funding any incremental CapEx from this point forward.

A. Sure. Happy to hit it. And morning, Constantine. I think if you look at the larger incremental potential CapEx that Jason was just referencing, you should think about it as just the prior approach that we've referenced, which is continuing to incorporate that in our capital plan as we can execute it, finance it and recover it. And the way in which we would do it would largely be to fund it in line with our enterprise cash structure.

As you look specifically at the roughly $500 million opportunity we referenced this morning around the resiliency filing, we did reference that we're going to go after some potential both federal and state base loan and cost matching programs. But to the extent that we're not successful on those, again, the simple way to think about it is we'd be funding in line with the enterprise capital structure.

Q. [indiscernible] Appreciate that. And maybe a quick follow-up on that. You kind of highlighted the path on credit metrics, and how are you thinking about options of refinancing needs on both floating rate exposure and kind of near-term maturities? And is there any optimization opportunities there with convertibles, hybrids or any of these kind of federal loan programs to supplement?

A. Sure. Happy to touch on it. And I have to say, we're pleased with where we are today. So, as reported, 14.6% in terms of FFO to debt based on the Moody's calc and consistently are seeing as we go forward a good trajectory both on the Moody's and S&P calculations. As we think about the different financing alternatives, it is certainly the case that we are already pursuing some DOE loan program dollars to the tune of just over $2 billion already. So, those have already been filed. Really, that's just a cheaper alternative for better financing cost for customers.

As we look at the financing plan throughout the year, certainly we've got a few maturities here that are coming up. We've hedged against a portion of the current offering that's probably closer here in front of us at the parent level. And then, as you look at hybrid alternatives, I think you referenced there, that's certainly something that we're evaluating. You should assume we kind of like the profile there, but we are looking really at a couple of alternatives, both for some tax alternatives this year and some hybrid opportunities if they make sense. And it's

just my way of saying, Constantine, that we're always going to be pursuing the most efficient financing we can as we go forward.

Q. Okay. So, everything's on the table. And just a quick one on Jason's comments around demand growth that you mentioned and cost shift has kind of become more of a prominent issue with the inflection in load that we are seeing. Do you see any issues in Texas or even Indiana where you would need to adjust kind of cost allocation? And would those be addressed in the current rate case process or any kind of separate proceedings?

A. Hey, Constantine, I think it's a great question. Probably less kind of an issue directly in the service territories that we serve, largely because the growth that we're seeing both the potential for it up in Southwest Indiana as well as here in the Greater Houston area is really driven by industrial load growth that comes with significant jobs.

Much of the discussion over the last couple of quarters has been around data centers, AI growth. That's some of the toughest electric load growth to serve, right? Low margin, doesn't necessarily come with the jobs. And so, it goes back to your point sort of pressure more largely on cost allocation. I think here, again, where I think it's a clear differentiator for CenterPoint, we serve load that is not only growing from a residential standpoint and industrial standpoint, but it keeps that

cost allocation issue sort of less impactful than maybe some of the peers that have data center growth really driving their electric sales.

A. Thanks. That's really helpful. Really appreciate the question today.

Operator: One moment for the next question. The next question will come from James Thalacker with BMO Capital Markets. Your line is open.

Q. Good morning, guys. Thanks for the time.

A. Hey. Good morning.

Q. I just wanted to follow up on Constantine's question on the system resiliency filing. The planned $2.2 billion to $2.7 billion, which I think is roughly almost double the $1.3 billion you've been planning the last couple of years. But if I heard you correctly, the $500 million of incremental capital is kind of in line with the higher end of the filing. So, if we kind of run this forward, if the QPC ultimately decides to approve a spending that say near the bottom or even below the range, could you talk a little bit about where you see other investment opportunities and how would this change your financing plan if at all?

A. Yeah. Maybe a couple of quick points on that, Jim. So, the $2.2 billion, the low end of the range is consistent with our $44.5 billion. The upper end of the resiliency filing, that incremental $500 million would put us to $45 billion overall through 2030.

Look, I think that there is pretty strong alignment across the state here in Texas around investments to keep the grid resilient and can help the economic growth that we're experiencing in Texas. I also think what's important part of this filing and what is maybe different than some of the historical resiliency spend is, as part of the filing we have to prove the benefits of the incremental resiliency mitigation measures exceed the cost. So, part of this filing really demonstrates that on a net basis this is still in the customer's best interest for us to make these investments. And so, I feel like there's going to be strong support for our filing and the other filings of the transmission distribution utilities.

That being said, to your point, if there is concern around the proposed mitigation measures that we have in our filing, as a quick reminder, this is about 15% of our total CapEx plan. And as I alluded to in my answer to Constantine, I think we have plenty of incremental CapEx opportunities outside of this, whether they be on the gas side of the business. I talked about local transmission pipeline there, potential to accelerate our next generation smart meter deployment. And then, on the electric side, I cannot reiterate enough the opportunity with this exponential load growth driven by industrial electrification and electrification of commercial fleets. So, I think that there an abundant set of opportunities of incremental CapEx. And I don't know, Chris, if you want to continue to reinforce thoughts on the financing plan.

A.And sure. Just to build on that, again, as we look at the base plan, at the low end of the resiliency filing, that would just support the $44.5 billion with the ongoing very modest ATM program that we've got through 2030. And again, as we look beyond that for some of these incremental opportunities, it really would be funding in line with the existing cap structure.

Q. Got it. Great. Thank you so much for the update, guys.

Operator: One moment for the next question. The next question will come from Steve Fleishman with Wolfe Research. Your line is open.

Q. Yeah. Hi. Good morning. Thanks. Just on the Indiana update that you mentioned on the settlement or got delayed in the hearing, just maybe a little more color on how long it's delayed and just likelihood of an agreement.

A. Good morning, Steve. Thanks for the question. We pushed the start of the hearings by a day as we continue to explore the potential here for settlement. It's hard to handicap kind of expectations. I think we're working hard with stakeholders to find what we believe would be a constructive path forward. As a quick reminder in this case, a lot of the CapEx that's included in the electric filing has been in front of the IREC and our stakeholders in previous forums, whether that's the cost of the coal transition or the transmission and distribution investments that we are making to improve reliability and resiliency in that area. And so, a lot of the issues of the

case have kind of been seen by stakeholders in a number of different forums. And so, we continue to try to work constructively towards a settlement and we'll update as we have more information.

Q. Okay. Great. And then, just on the kind of S&P negative outlook, I just want to clarify, I mean, I think these things usually take like a year or so to go through. But just, your intention is just these metrics will get better just as the Uri impact goes away and that should be sufficient to meet the targets there, is that how to think about it?

A. Good morning, Steve. That's accurate. Really, what S&P was looking at was the path, right, as they evaluated and arrived at that outcome. Our general assumption is that roughly yearlong period, and as we look at the plan going forward, as we look over the next few years, you'll see naturally that Uri impact roll off and we'll see ourselves really as we see even just in 2024 looking at the year, you're going to see us at Moody's continuing to target that 100 to 250 basis point cushion. That won't change. And additionally, you're going to see it grow into a greater cushion at S&P as we walk into the subsequent years. So, comfortable with the base financial plan and what it informs for the years ahead.

A. I think, Steve, if I could add to that, obviously, as Chris said, we're comfortable. But I think it's important to highlight the core difference in methodology here

because it is transitory in nature. The way that – the issue at hand is we've received securitization proceeds from Winter Storm Uri, significant cash inflow, we have to pay taxes on that cash outflow. S&P's methodology excludes that significant inflow, but includes the associated cash outflow, right? That's sort of a transitory effect. And as Chris said, as we look forward, we feel comfortable about the trajectory that we're on. And so, just a very sort of idiosyncratic impact from their calculation.

Q. Okay. And then, last question, just on Texas. And I know you kind of answered this, the hydrogen hub sounds exciting, that just feels like that just takes time. But there's just so many other dynamic economic things, whether it's data centers or other industrial, could you just give maybe a little more flavor of kind of CenterPoint's ability to get to opportunity set related to the growth in Texas?

A. Yeah. Thanks, Steve. What I would say is I don't think you can find a more dynamic setting anywhere in the country, particularly on electric sales growth, than you can here. Residential load growth continues to be best in class, right? We continue to see the industrial load growth that I mentioned, transportation, electric load growth. And I think that's really reflective in our sales numbers for the first quarter. On a quarter-over-quarter basis, when you adjust for weather, sales are up

8% over first quarter last year, driven by strong residential, commercial and large industrial growth.

Electrification, one our nation's largest ports here in Houston, we continue to see incremental growth in the petrochem complex. We're becoming one of the dominant areas in the country for life sciences. And so, what I would say is basically the growth that you see at any one sector, including data centers around the country, we see it in all of the sectors here in the Greater Houston area. And so, I see it showing up in the numbers this quarter. I see it driving continued growth, at least through the remainder of the decade, if not well beyond.

Q. Okay. Thank you.

Operator: One moment for the next question. The next question comes from Nick Campanella with Barclays. Your line is open.

Q. Hey, good morning. Thanks for taking my questions. A lot of things have been answered, but I guess just on your comment about kind of pursuing state and federal incentives for this plan. It sounds like some of this is grants, but some of it's also DOE loans. But can you just kind of talk, I think, it's very helpful from a financing benefit and from a customer affordability benefit, but how do we kind of think about the contribution from EPS if you were to kind of pursue state programs rather than kind of traditional financing?

A. Hi, Nick. Good morning. I think about it, just to be clear, very small, right? We're really talking about a component here where we're looking at the federal programs from a loan standpoint, as you mentioned, as well as the specificity that we provided around the grid program that's there, which has already been filed. We've also got some Texas Department of Energy – excuse me, emergency management funds that we've also asked for on the state level. Those would be in the form of grants. Again, just a situation where we can get better outcomes in total for customers.

I don't know, Jason, if you want to give kind of color on high level how it informs the EPS guide.

A. Yeah. Thanks, Chris. What we've consistently said, Nick, is that we'll come back after these rate cases next year and provide new 10-year plan well into the mid-2030s, kind of reflecting our continued confidence in long-term growth. What I want to highlight though are, there's been a handful of things that we've been able to accomplish since we rolled out that guidance, that long-term EPS guidance, which is again 8% growth here in 2024, and then the mid- to high-end of the 6% to 8% range through 2030.

And what I would say is, we certainly have more tailwinds than we have headwinds. From a tailwind standpoint, we had some success in the legislative

session, helping reduce some regulatory lag in key jurisdictions. As I mentioned previously, we've increased CapEx since we've issued that guidance by more than 10%.

The third thing I'd point to is, last quarter when we announced the sale of Louisiana, Mississippi and the recycling of that capital, that's moving what is nearly $800 million of rate base and $1 billion of CapEx into jurisdictions that earn a higher return. I'd be remiss to say that, obviously, interest rates are a little higher and we've announced a modest equity program. But suffice it to say, the tailwinds here exceed the headwinds. And as we get to the other side of these rate cases, we'll be in a better position to give kind of a long-term comprehensive update to the earnings guidance for the company.

Q. That's great. And I guess just kind of a follow-up on high grading the plan here, you mentioned in your prepared remarks the higher for longer interest rate environment. And expectations, I think, across the market have certainly changed from January to today on the trajectory of rates. Can you just kind of remind us on – not necessarily what you're assuming if you don't want to comment, but just how the plan is kind of provisioned into the back half of this year and then going forward, if we do kind of continue to be higher for longer here?

Q. That's great. And I guess just kind of a follow-up on high grading the plan here, you mentioned in your prepared remarks the higher for longer interest rate environment. And expectations, I think, across the market have certainly changed from January to today on the trajectory of rates. Can you just kind of remind us on – not necessarily what you're assuming if you don't want to comment, but just how the plan is kind of provisioned into the back half of this year and then going forward, if we do kind of continue to be higher for longer here?

A. Sure thing, Nick. And I'll just say, as we are building the plan heading into 2023, I don't know that any of it's really could have perfectly predicted the impact there. But I think you saw the company execute well and overcome that pressure. As we look into 2024, walking into the year, we definitely plan conservatively there. And it's hard for me to be too specific, but just know that as you look across our plan, I hope that you've seen we're consistently bringing forward conservatism so that there are no surprises in the end. I think it's the same thing on our capital programs, right? As we've folded in CapEx over time, we're making sure we're doing so conservatively as we see opportunity to execute it, to finance it and recover it. So, it really holds on the same side in terms of higher for longer. We walked in this year assuming this was going to be the case.

Q. That's really helpful. Thank you.

A. Thank you.

Operator: One moment for the next question. The next question comes from Jeremy Tonet with JPMorgan Securities. Your line is open.

Q. Hi. Good morning.

A. Good morning, Jeremy.

Q. Just wondering, going back to the SRP here, if you could frame overall wildfire mitigation needs relative to the $140 million in the SRP filing, and looking more broadly, how might SRP capital composition evolve over time from this first application, and what does the SRP investment runway look like at this point?

A. Yeah. I know. Thanks for the comprehensive question. Look, from a wildfire standpoint, as you highlighted, $140 million] isn't a significant driver available of $2.2 billion to $2.7 billion plan. I think it's important to understand why 60% of our system is currently underground. And Jeremy, as I know you know, we have high relative humidity here. So, all things being equal, we have significantly lower wildfire risk than our peers. That being said, obviously, we haven't sat on our hands. We've been addressing this risk with changes in operations, shut it off, automatic closers, enhanced inspections during periods of higher wildfire risk. But this plan basically addresses about 1% of overhead miles that are in higher fire risk

areas. And so, this is probably under the current set of conditions sufficient to mitigate our wildfire risk.

Now, obviously, we're going to continue to look at weather patterns, drought patterns, to see how that evolves over time. But I don't really see the wildfire mitigation being a significant long-term driver of CapEx. Where I do see further opportunity beyond this plan is really on the distribution side. As I said in my prepared remarks, we have been really focused on hardening the backbone of our system, the electric transmission and the substation flood control efforts. We will largely be through those programs by the end of this first cycle. And so, the real opportunity as I mentioned is on the distribution side going forward, and really creating kind of a more resilient, reliable overhead electric system for our customers.

So, more to come on that front. We're happy to make this first filing and I see the opportunity for continued CapEx growth as we make subsequent filings in the future.

Q. Got it. Makes sense. If there's one thing we know, it's that Houston is humid. I'll leave it there. Thank you

A. Operator, I think we have time for one more question, please.

Operator: Okay. One moment. And the last question will come from Durgesh Chopra with Evercore. Your line is open.

Q. Hey. Thanks for giving me time. I appreciate it. I'll ask two very quick questions and I'll ask them together. Just first, can you help us sort of pen out a timeline for the resiliency plan approval, what to look for there? And then second, Jason, in your comments, you mentioned regulatory lag as a tailwind opportunity. Can you just quickly remind us what your regulated ROEs are as of the end of the first quarter? Thank you.

A. Yeah. Thanks, Durgesh, for the questions. On the first side, the timeline for approval of the resiliency plan, I think the legislation call for about a six-month approval period. What I will say is, this is a first of its kind legislation. So, we'll have to kind of get in the middle of it. I'm sure there'll be a number of parties sort of intervening, but I would look towards the tail end of this year, calendar year, to get a final decision on the resiliency plan that we file.

On the question on regulatory lag, we've historically seen, particularly here in the Texas business, about 150 basis points on average regulatory lag. And what I would say is we sort of meaningfully reduced that amount. But it's an odd time to really be calculating kind of what regulatory lag is at the end of the first quarter just because we're in the middle of our rate case filing. And as a result, we don't

have access to the full complement of capital recovery mechanisms that we will have sort of on the other of this rate case. And so, just know that we've taken steps to begin to reduce that historical regulatory lag. And I think we'll be in a place to give sort of a more normalized view of that on the other side of the rate case.

Q. That's very helpful. Thank you so much again. Appreciate the time.

A. Yes. Thanks, Durgesh.

Okay. Operator, with that, that concludes our call for the quarter. Thanks, everyone, for joining.

Operator: This concludes CenterPoint Energy first quarter 2024 earnings conference call. Thank for your participation. Have a great day.

Forward-Looking Statements:

This document contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this document are forward-looking statements made in good faith by CenterPoint Energy, Inc. (“CenterPoint Energy” or the “Company”) and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements concerning CenterPoint Energy’s expectations, beliefs, plans, objectives, goals, strategies, future operations, events, financial position, earnings and guidance, growth, costs, prospects, capital investments or performance or underlying assumptions and other statements that are not historical facts. You should not place undue reliance on forward-looking statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “target,” “will,” or other similar words. The absence of these words, however, does not mean that the statements are not forward-looking.

Examples of forward-looking statements in this document include statements regarding capital investments (including with respect to incremental capital opportunities, deployment of capital,

renewables projects, and financing of such projects), the timing of and projections for rate cases for CenterPoint and its subsidiaries, the timing and extent of CenterPoint's regulatory recovery, including with regards to its generation transition plans and projects, projects included in CenterPoint's Natural Gas Innovation Plan and Texas System Resiliency Plan filing, and projects included under its 10-year capital plan, the extent of anticipated benefits from new legislation, the pending sale of CenterPoint's Natural Gas LDC businesses in Louisiana and Mississippi, future earnings and guidance, including long-term growth rate, customer charges, operations and maintenance expense reductions, financing plans (including the timing of any future equity issuances, securitization, credit metrics and parent level debt), the timing and anticipated benefits of our generation transition plan, including our planned exit from coal and our 10-year capital plan, the Company's 2.0% Zero Premium Exchange able Subordinated Notes due 2029 ("ZENS") and impacts of the maturity of ZENS, tax planning opportunities, future financial performance and results of operations, including with respect to regulatory actions and recoverability of capital investments, customer rate affordability, value creation, opportunities and expectations, expected customer growth, sustainability strategy, including our net zero and carbon emissions reduction goals. We have based our forward-looking statements on our management's beliefs and assumptions based on information currently available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions, and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements include, but are not limited to, risks and uncertainties relating to: (1) CenterPoint's business strategies and strategic initiatives, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the announced sale of our Louisiana and Mississippi natural gas LDC businesses, and the completed sale of Energy Systems Group, LLC, which we cannot assure you will have the anticipated benefits to us; (2) industrial, commercial and residential growth in CenterPoint's service territories and changes in market demand; (3) CenterPoint's ability to fund and invest planned capital, and the timely recovery of its investments; (4) financial market and general economic conditions, including access to debt and equity capital and inflation, interest rates and instability of banking institutions, and their effect on sales, prices and costs; (5) disruptions to the global supply chain and volatility in commodity prices; (6) actions by credit rating agencies, including any potential downgrades to credit ratings; (7) the timing and impact of regulatory proceedings and actions and legal proceedings, including those related to Houston Electric's mobile generation and the February 2021 winter storm event; (8) legislative decisions, including tax and developments related to the environment such as global climate change, air emissions, carbon, waste water discharges and the handling of coal combustion residuals, among others, and CenterPoint's net zero and carbon emissions reduction goals; (9) the impact of pandemics; (10) weather variations and CenterPoint's ability to mitigate weather impacts, including the approval and timing of securitization issuances; (11) the impact of potential wildfires; (12) changes in business plans; (13) CenterPoint's ability to execute on its initiatives, targets and goals, including its net zero and carbon emissions reduction goals and operations and maintenance goals; and (14) other factors discussed CenterPoint's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and CenterPoint's Quarterly Report on Form 10-Q for the

quarter ended March 31, 2024, including under "Risk Factors," "Cautionary Statements Regarding Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in such reports and in other filings with the Securities and Exchange Commission ("SEC") by the Company, which can be found at www.centerpointenergy.com on the Investor Relations page or on the SEC website at www.sec.gov.

This document contains time sensitive information that is accurate as of the date hereof (unless otherwise specified as accurate as of another date). Some of the information in this document is unaudited and may be subject to change. We undertake no obligation to update the information presented herein except as required by law. Investors and others should note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and the Investor Relations page of our website. In the future, we will continue to use these channels to distribute material information about the Company and to communicate important information about the Company, key personnel, corporate initiatives, regulatory updates and other matters. Information that we post on our website could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website.

Use of Non-GAAP Financial Measures

In this document, CenterPoint Energy presents, based on income available to common shareholders, diluted earnings per share, and net cash provided by operating activities to total debt, net, gross margin to total debt, net, the following financial measures which are not generally accepted accounting principles ("GAAP") financial measures: non GAAP income, non GAAP earnings per share ("non GAAP EPS"), as well as non GAAP funds from operations non-GAAP rating agency adjusted debt (Moody's and S&P) ("FFO/Debt") which are not generally accepted accounting principles (" 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 2023 non GAAP EPS excluded and 2024 non GAAP EPS guidance excludes (a) Earnings or losses from the change in value of ZENS and related securities, and (b) Gain and impact, including related expenses, associated with mergers and divestitures, such as the divestiture of Energy Systems Group, LLC, and the Louisiana and Mississippi natural gas LDC sales. In providing this guidance, CenterPoint Energy does not consider the items noted above and other potential impacts such as changes in accounting standards, impairments or other unusual items, which could have a material impact on GAAP reported results for the applicable guidance period The 2024 non-GAAP EPS guidance range also considers assumptions for certain significant variables that may impact earnings, such as customer growth and usage including normal weather, throughput, recovery of capital invested, effective tax rates, financing activities and related interest rates, and regulatory and judicial proceedings To the extent actual results deviate from these assumptions, the 2024 non-GAAP EPS guidance range may not be met or the projected annual non-GAAP EPS growth rate may change CenterPoint Energy is unable to present a quantitative reconciliation of forward looking non-GAAP diluted earnings per share because changes in the value of ZENS and related securities, future impairments, and other unusual items are not estimable and are difficult to predict due to various factors outside of management's control.

Funds from operations (Moody's) excludes from net cash provided by operating activities accounts receivable and unbilled revenues, net, inventory, taxes receivable, accounts payable, and other current assets and liabilities, and includes certain adjustments consistent with Moody's methodology, including adjustments related to total lease costs (net of lease income), Series A preferred stock dividends, and defined benefit plan contributions (less service costs) Non-GAAP rating agency adjusted debt (adds to Total Debt, net certain adjustments consistent with Moody's methodology, including Series A preferred stock, pension benefit obligations, and operating lease liabilities and further adjustments related to Winter Storm Uri debt and one time cash taxes.

Funds from operations (S&P) excludes from gross margin O&M, taxes and other, cash interest paid and cash taxes paid, and includes certain adjustments consistent with S&P's methodology, including adjustments related to total lease costs (net of lease income), Series A preferred stock dividends, non-recurring items, and defined benefit plan. Non-GAAP rating agency adjusted debt (S& adds to Total Debt, net certain adjustments consistent with S&P's methodology, including adjustments related to Winter Storm Uri related one time cash tax.

A reconciliation of income (loss) available to common shareholders and diluted earnings (loss) per share to the basis used in providing guidance, as well as a reconciliation of net cash provided by operating activities total debt, net (and gross margin to total debt, net) to FFO/Debt is included in the appendix of CenterPoint's slide presentation used to present its first quarter earnings information.

Management evaluates the Company's financial performance in part based on non-GAAP income, non-GAAP EPS and long term FFO/Debt Management believes that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results across periods The adjustments made in these non GAAP financial measures exclude items that Management believes do not most accurately reflect the Company's fundamental business performance These excluded items are reflected in the reconciliation tables, where applicable CenterPoint Energy's non GAAP income, non GAAP EPS and FFO/Debt financial measures should be considered as a supplement to, and not as a substitute for, or superior to, income available to common shareholders, diluted earnings per share, net cash provided by operating activities to total debt, net and gross margin to total debt net, 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.

Net Zero Disclaimer

Our **Scope 1 emissions** estimates are calculated from emissions that directly come from our operations. Our **Scope 2 emissions** estimates are calculated from emissions that indirectly come from our energy usage, but because Texas is in an unregulated market, our Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and exclude emissions related to purchased power between 2024E-2026E. Our **Scope 3 emissions** estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) Form EIA-176 reports and do not take into account the emissions of transport customers and emissions related to upstream extraction. While we believe that

we have a clear path towards achieving our net zero emissions (Scope 1 and Scope 2) by 2035 goals, our analysis and path forward required us to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of our underlying assumptions prove incorrect, our actual results and ability to achieve net zero emissions by 2035 could differ materially from our expectations. Certain of the assumptions that could impact our ability to meet our net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with Company expectations; regulatory approval of Indiana Electric's generation transition plan; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; our ability to implement our modernization plans for our pipelines and facilities; the ability to complete and implement generation alternatives to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of or scarcity of resources and labor, the lack of any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; changes in applicable standards or methodologies; and enhancement of energy efficiencies.