Jackie Richert – VP, Investor Relations and Treasurer

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO and Jason Wells, our CFO, will discuss the Company's third quarter 2022 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 adjusted diluted 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 earnings news release and presentation, both of which can be found under the Investors' section on our website. As a reminder, we 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 discussion over to Dave.

Dave Lesar – President & CEO

Thank you, Jackie. Good morning and thank you to everyone joining us for our third quarter 2022 earnings call.

As you have seen from the press release we issued this morning, this has been a very busy quarter at CenterPoint and today's call may seem a bit like a mini analyst day update.

When I became CEO of CenterPoint nearly two and a half years ago, the company needed to quickly establish a strategic path forward to, among other things, realign our relationships with our regulators, customers and investors. We looked to immediately set challenging but executable goals by which you could measure progress while collectively adopting a management mindset of "over delivering on our commitments." I want to highlight what that has looked like here at CenterPoint over the last 2 ½ years.

What we've achieved thus far…

First, we committed to achieving industry-leading non-GAAP EPS growth. Now, including this quarter, we have met or exceeded that goal for 10 consecutive quarters. In addition, we have over-delivered on that growth by raising our non-GAAP EPS guidance FIVE times during that 2 ½ year span and continue to reiterate that we will grow future earnings off of each new and higher base that we achieve.

Second, we committed to becoming a pure-play regulated utility that was not subject to the earnings volatility of our now divested midstream investment. And now, more than 95% of our earnings are derived from regulated utility operations. The approximately $1.3B of after-tax midstream sale proceeds exceeded your expectations and allowed us to reinvest the money into our regulated utility businesses for the benefit of our customers.

Finally, we committed to funding our increased regulated utility investments without reliance on external equity issuances. This led to the sale of our Arkansas and Oklahoma LDCs for which we obtained a landmark valuation and then recycled those cash proceeds efficiently back into our regulated businesses - all for the benefit of our customers and investors.

Now, looking at today…

We earned 32 cents in the third quarter on a non-GAAP basis.

We are also reiterating full year 2022 non-GAAP EPS guidance of $1.37 - $1.39 which represents a 9% growth rate at the midpoint, when compared to 2021 non-GAAP Utility EPS of $1.27. And, as Jason will discuss, we are also ahead of plan in terms of capital spend for 2022 in spite of supply chain pressures and have deployed more capital than anticipated.

In addition, today we are also initiating our full year 2023 non-GAAP EPS guidance target range of $1.48 - $1.50. At the midpoint, this represents an additional 8% growth over our previously raised 2022 non-GAAP EPS guidance.

Beyond 2023, we continue to expect 8% non-GAAP EPS growth for 2024 and at the mid to high end of 6% - 8% annually thereafter through 2030. I also want to point out here that these earnings growth rate targets do not reflect any potential earnings from the $5.3 billion in incremental capital opportunities that we will discuss next.

Our track-record of over delivering continues with today's announcement of what is now a third increase to our 2021 Analyst Day $40 billion 10-year capital plan. We continue to anchor around this Analyst Day number to provide consistency, clarity and clearly marked goalposts for our investors to follow. Our new incremental capital opportunities are based on customer-driven investments that were developed through our increased stakeholder engagement strategy.

Our outreach strategy, initially kicked off with the City of Houston on our collective Resilient Now initiative under the leadership of Mayor Sylvester Turner, has grown to include over 30 cities and some of our largest industrial customers. With their collective input, we have developed $5.3B in additional capital opportunities related to increased system resiliency, reliability, and grid modernization, as well as to facilitate eventual EV adoption.

There is a well-known saying that "demographics is destiny" and in looking at its demographics, the City of Houston is destined for great things. As the only investor-owned utility headquartered in Texas, we are fortunate to serve customers in the City of Houston and its surrounding areas. The Houston area is one of the fastest growing and most ethnically diverse areas in the nation, averaging more than 2% annual population growth over the last three decades. We believe that this diversity only strengthens Houston's future growth prospects which benefits our customers and our investors alike.

Although Houston today is well known as the energy capital of the world, not as well known is that it's also home to one of the largest active ports in the nation and the Houston based Texas Medical Center, which is the largest medical center in the world.

For example, the Port of Houston is the largest port in the US by waterborne tonnage and is also the US's largest exporter with over $140 billion of goods shipped annually. This is more than 35% greater than that of New York, the next largest US shipping exporter.

The Houston Ship Channel's petrochem complex alone boasts 272 chemical plants, refineries, and other industrial facilities which generate about $800 billion in business annually. Just this summer, an additional $1B project was started to widen and deepen the channel to support immense future growth. In addition, the port authority is now looking at electrifying its port operations. This will additionally benefit our communities and customers who live near the port by helping reduce emissions from idling cargo ships.

Turning to the Texas Medical Center, or TMC. If this complex was standing on its own, it would already be the eighth largest business district in the United States. And just last month, it was announced that the TMC would nearly double in size in the next 5 to 10 years. It is now anticipated that this doubling in size of the TMC will alone create over 100,000 new jobs. With a

greater focus on the bio sciences and biomanufacturing of critical medical products, the TMC should continue to attract diverse talent for years to come. Today, it already sees roughly 8 million patients every year – so much like the region, it continues to grow.

Lastly, in perhaps the purest illustration of Houston's incredible organic growth, there were over 70,000 births in the Houston area alone last year. That's a new baby born every 7 minutes.

While Houston's natural growth and positioning in the gulf coast provides a clear competitive advantage, we are also mindful of our exposure to severe weather.

Our Houston Electric customers know what's at stake – a day without power can equal a loss of up to $1.4B of GDP. This is one factor that drives the collective community desire for a more reliable and resilient energy supply. This desire has led to customer driven investment opportunities that we will be folding into our 10- year capital plan through 2030.

For reasons to be discussed next, at this time, we are now only incorporating $2.3B of this additional $5.3 billion in capital into the balance of our existing 10-year investment plan through 2030 -- $1.0 B of which is expected to be deployed by the end of 2025 and the other $1.3B to be deployed by the end of 2030. All for the benefit of our customers. And while we are not updating our Analyst Day non-GAAP EPS guidance targets previously discussed, the deployment of this increased capital will clearly increase the potential future earnings power of the company.

The initial $2.3B in capital now being added to our capital investment plan reflects the subset of opportunities we believe we can currently and confidently execute efficiently and is comprised of the following:

$1.6B - $1.8B of this new capital will be dedicated toward our distribution system resiliency, reliability and expanded grid modernization. This also includes strategically

undergrounding certain parts of our system, replacing poles with higher wind resistant ones, and elevating parts of the grid, especially substations, to help protect such structures from the threat of flood damage. We recognize our customers want more resiliency more quickly, which is why we have already jumped ahead and began some of these projects in 2022. For example, $300 million of the $1.6B – $1.8B related to this category of capital spend is expected to be completed by the end of this year.

$600 - $800 million of this new capital will be focused on transmission upgrades. As we have stated before, our Houston Electric service territory comprises just 2.5% of the geographic footprint of the state of Texas but we consume nearly 25% of ERCOT's peak summer load. At the same time, our service territories need to import up to 60% of that load from generators outside our territory. This requirement to import a significant portion of the energy that is consumed in the Houston area each and every day creates a risk of disruption. As this summer has illustrated, when Houston endures sustained high temperatures, statewide power generation can struggle to keep up with demand and the need for additional transmission lines to deliver a cheaper and more diverse power supply for our customers in the Houston area becomes even more apparent.

On top of the $2.3B described above, we have separately identified other capital investment opportunities of $3B and, as discussed shortly, we will opportunistically integrate into our long-term capital investment plan. These additional opportunities include even more grid modernization and system reliability investments as well as increased investments for accelerated electrification in the Houston area – including EVs.

As a reminder, we conservatively estimate that each light duty EV is approximately $80 of margin per year. The Houston area remains a laggard in adoption with about 30,000 of EV on its roads today. None of the of the potential future earnings upside from additional EV penetration is currently reflected in our current earnings forecast. Furthermore, the $3B in additional future capital spend I mentioned earlier does not fully include the potential impact of increased or

accelerated EV adoption. With nearly 5 million cars in the Houston area, that's a lot of potential upside.

The remaining $3B of opportunities beyond the $2.3 billion we have added to our investment plan through 2030 also provides capital upside and additional potential earnings power for us. However, as is our management team's history, we are taking a prudent approach and are not yet adding it to our capital plan. We will start to add these amounts incrementally into our planned capital spend once we are convinced we can access the labor, nail down the availability of the equipment, and deploy it to benefit of our customers. In other words, we fully expect to include the $3B balance of the $5.3B of these other new capital opportunities in our plan when we believe we can operationally execute it, efficiently fund it and prudently recover it. This approach is no different than our recent history of folding incremental capital into our plan once we are convinced we can efficiently deploy it to benefit our customers.

The customer benefits of our revised capital plan are exciting…and tangible, enhancing both reliability and resiliency, while also helping us to advance restoration of service during outages.

To summarize the capital spend, this will increase our current capital plan by $2.3B which now totals nearly $43B through 2030. As I stated, today we are only including $2.3B of investments in our updated capital plan for which we believe today we have the crews and materials for efficient installation and can efficiently finance while remaining focused on overall affordability at the same time customers are facing rising energy costs. The remaining $3B will be folded in once they also meet that same criterion which we believe will be achievable through prior securitization charges rolling off, our commitment to O&M discipline, and the continued organic growth in our Houston Electric service territory.

This increased capital investment will also contribute to our ongoing efforts to reduce O&M over the longer-term which will help continue to keep customer bills affordable. Included in our capital spend are grid modernization investments such as circuit re-closers and other “smart” grid investments that will reduce the number of truck rolls to restore power which should translate into lower O&M costs that directly benefit our customers. The benefit of O&M savings is exemplified by the fact that every dollar saved of O&M roughly translates to $8 that can be invested as capital for the benefit of customers.

This ability to reduce O&M, along with prior securitizations charges coming off the bill in 2022 and 2024 and continued organic growth, create a perfect opportunity to invest incremental capital for the benefit of our customers while keeping our customer charges affordable. We believe our continued O&M discipline and organically growing Houston customer base will also allow us to make these investments while customer charge increases stay below the average historic level of inflation of 2%. This is in line with the increases to our charges that we’ve seen for our Houston Electric customers over the last ten years which averaged a little over 1% annually.

We also still expect to reduce our O&M by 1-2% per year on average over our 10-year plan.

And in case you are wondering, this updated capital plan still does not require us to issue any additional external equity nor does it rely on the use of strategic proceeds from the sale of any additional regulated CenterPoint assets as our cash flow remains strong. This is a nice combination and a great position to be in today. Jason will walk you through our capital investment financing plan in a few minutes.

Importantly, recovering on our updated capital plan does not rely on big bets - as approximately 80% of the total plan can be recovered through interim regulatory mechanisms – again, Jason will go into more detail on the funding and financial details in his section.

So, in summary before I turn the call over to Jason -

Our management team is committed to executing on what we believe is one of the most tangible growth stories in the industry which is driven by the growth profile of our largest jurisdiction – the Houston area. Our customer driven investments are focused on meeting our customers' desires for reliable and cleaner energy so they can continue to contribute to one of the country's strongest and fastest growing economies. We will look to deliver on those investments while keeping customer charges affordable – targeting charge increases at or below an average of 2% annually through 2030. As we continue to engage with stakeholders, we believe additional customer driven opportunities can be identified and we look forward to furthering those customer discussions to help them achieve their objectives.

We reiterate 2022 non-GAAP EPS guidance of $1.37-1.39, a 9% growth over 2021 while initiating 2023 non-GAAP EPS guidance of $1.48 - $1.50 - a further 8% growth. After that, we continue to target further 8% growth off the 2023 non-GAAP EPS guidance through 2024 and at the mid-to-high end of 6-8% annually thereafter through 2030 - an industry-leading growth rate.

As a result of customer driven initiatives, we have identified $2.3B of new capital and $3B of future capital to increase resiliency, grid modernization, as well as to facilitate expanded electrification that will drive additional potential earnings power.

We believe our continued focus of over delivering on our commitments has served our customers and investors well and will continue to in the future. We are proud of our 10 consecutive quarters of execution and look to build on that streak while also delivering above expectations for the benefit of both our customers and our investors.
Lastly, we remain focused on achieving our value proposition which is striving for:

- sustainable, resilient, and affordable rates for our customers;

- sustainable earnings growth for our shareholders;
- and a sustainable positive impact on the environment for our communities.

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

<u>Jason Wells – Executive Vice President & CFO</u>

Thank you, Dave and thank you to all of you for joining us this morning for our third quarter call.

Q3 2022 results

I'll start by covering the financial results for the quarter as shown on [**Slide 5**].

On a GAAP EPS basis, we reported 30 cents for the third quarter of 2022. Similar to the second quarter, our GAAP EPS results include a portion of the tax on the gain on sale of our Arkansas and Oklahoma Gas LDCs which we are required under GAAP to recognize over the course of the full year.

On a non-GAAP basis, we reported 32 cents for the third quarter of 2022 compared to 25 cents for the same period in 2021.

Growth and rate recovery contributed 5 cents, largely driven by continued organic customer growth and capital recovery mechanisms for Houston Electric which included TCOS, and one month of DCRF recovery.

Usage for this quarter was a favorable variance of 2 cents when compared to the same quarter of 2021, largely driven by the warmer than normal weather we have been experiencing in the greater Houston area.

Ongoing cost management was a benefit of 2 cents for the quarter and we have been able to pull forward work for the benefit of our customers due to favorable weather through

the second and third quarters of this year. This included accelerating additional vegetation management work into 2022 which began in the second quarter. We continue to expect to achieve our average annual 1-2% O&M reductions over the 10-year plan.

These favorable drivers were partially offset by higher interest expense of 4 cents, one cent of which was related to absorbing costs previously allocated to midstream segment in 2021.

Other items contributed another 1 cent of favorable variance over the comparable quarter in 2021. Included in these other drivers are miscellaneous revenues and the disallowance of the 2021 winter storm-related extraordinary gas cost recovery by the Minnesota Public Utilities Commission.

As Dave mentioned, we are initiating non-GAAP EPS guidance of $1.48-1.50 for 2023 which represents 8% growth over the midpoint of our previously increased 2022 non-GAAP EPS guidance of $1.37-$1.39. We continue to target 8% growth through 2024 and at the mid-to-high end of 6-8% annually thereafter through 2030.

Before I turn to future capital updates, I wanted to note that we are tracking nicely against our current 2022 capital plan as seen on [**Slide 6**]. Through the third quarter we have spent $3.2B which represents nearly 70% of the updated current year **$**4.6B capital plan target. Again, these figures include the incremental $300 million investment in grid hardening.

Now shifting to the long-term capital plan and its corresponding earnings growth…

As Dave already touched upon, we are updating our capital investment plan to include an incremental $2.3B of customer driven capital which now totals nearly $43B of capital to be deployed through 2030. Because we continue to update on our previously announced 10-year capital plan which we are already 2 years into, this is really increasing the remaining 8 years by

$2.3B. Furthermore, we have an additional $3B of potential opportunities that we will continue to evaluate to determine the appropriate time to incorporate into our capital plan.

You may notice on [**Slide 18**] that the timing of our capital deployment has shifted somewhat from our last Analyst Day. As I will discuss later, the Posey Solar project is now expected to be placed in service in 2024, rather than the end of 2023. In light of supply chain delays and in line with what we've previously communicated, this shift in our capital profile was not completely unexpected and does not change our view of our non-GAAP EPS guidance for 2023 or beyond because of the capital investment we announced we executed on earlier this year.

It is also important to reiterate the recovery of this incremental capital is not based on any big bets. It is a series of small projects that we expect will be recovered through our routine and recurring interim capital recovery mechanisms.

The result of the incremental $2.3B of customer driven capital investment will be a rate base CAGR of over 9.5% through the 2030 capital plan. We are not updating our longer-term non-GAAP EPS growth guidance of 8% in 2024 and at the mid-to-high end of the 6% - 8% annually thereafter through 2030 despite this increase in capital investment. That is because it's very important to remember we have a number of large rate cases in 2024 that will set rates in 2025. We will update our long-term non-GAAP EPS growth estimates after those cases are resolved.

However, I want to reiterate this additional capital investment we are announcing today will undoubtedly provide incremental earnings power for the company. Our goal continues to be delivering industry leading growth each and every year while over-delivering for our customers and shareholders.

With that being said, we're taking measured steps to achieve constructive outcomes in our various upcoming rate cases. For example, we have already funded Houston Electric's current capital structure with 45% equity whereas the current approved capital structure is 42.5%. When looking at other non-ERCOT Texas utilities, national averages, and the fact we have potential exposure to severe weather, we believe a 45% equity ratio is the minimum level that should be considered going forward. We have not assumed the increase in the equity ratio in our long-term EPS growth guidance but will work with stakeholders to constructively address in our next rate case.

Now to the financing of our capital plan…

As Dave discussed, the updated capital plan does not require external equity financing, nor does it require the sale of any of our rate regulated utility assets. The capital plan is expected to be funded through Opco debt consistent with our regulatory capital structure and higher FFO from potential changes in capital structure or the cash currently funding the 45% equity at Houston Electric for which we only have approval for 42.5%. I also want to point out that we used some conservative cash estimates at our previous Analyst Day, specifically around cash taxes associated with the sales of the Energy Transfer units and gas LDCs. This provided an additional source of cash that we can use to help fund this incremental capital.

We believe we will be able to deliver on this increased capital plan while still targeting long term FFO/Debt of 14% - 15%. As of the end of the third quarter, our FFO/Debt was over 15%, above our stated target, aligning with Moody's methodology.

Shifting gears, there has been some concern among shareholders around the level of floating rate debt some utilities have. I want to address this topic. We intentionally entered 2022 with an elevated level of variable rate debt as we knew we were going to de-lever using the strategic proceeds from the sale of Energy Transfer Units and the Arkansas and Oklahoma LDCs.

We have paid down over $1.6B in floating rate debt this year resulting in a 35% reduction in floating rate debt since the beginning of 2022. In addition, we expect to pay down an incremental $1.1B of debt with the Texas gas securitization proceeds before year end. As a result, we anticipate that we will end the year with around $2B of outstanding floating rate debt. In addition, as the end of the third quarter 2022, we have reduced our parent level debt to total debt by 9 percentage points from the beginning of the year and project to be around the 20% area by year end.

With our continued focus on reducing parent-level debt as a percentage of total debt and successful restructuring of the legacy Vectren legal entities, next year we will look to finance SIGECO at the Opco level which should allow us to reduce parent level debt by another $640M resulting in a more normalized and efficient financing structure for both our customers and our investors.

One other item to note is that we have upcoming rate cases in 2023 where the elevated interest rates will be included in the calculation of our revenue requirement. We have the ability to file rate cases earlier than the previously communicated fourth quarter of 2023 and will likely take this approach for CERC. We anticipate CERC filing a Texas rate case in mid-2023 which will allow us to update our revenue requirement for, among other things, increased interest costs.

Moving to a broader regulatory update on [slide 9]

In Minnesota, we sought the full recovery of the $409 million of extraordinary gas costs incurred during Winter Storm Uri, while at the same time we sought to minimize the impact on our customers by extending the payments of that amount for about 5 years. In May, the two administrative law judges that heard the evidence concluded that we acted prudently to procure gas to serve our customers during this extreme event. Unfortunately, in a split

decision, the Minnesota Public Utilities Commission disallowed recovery of approximately $35 million of $409 million incurred, about 8.7% of the total. Similar percentage disallowances were applied by the Minnesota PUC to the other companies that had excess gas costs in the state. As this case continues, we will continue to work toward an outcome that we believe is both fair for our customers and CenterPoint alike.

We also have a couple of securitizations that we continue to make progress towards completing….

In Texas, the securitization related to the extraordinary gas costs incurred during Winter Storm Uri continues to work its way through the regulatory process and we expect to receive the approximately $1.1B of bond proceeds by the end of 2022.

In Indiana, we continue to work with stakeholders to finalize a first of its kind $360 million securitization of the AB Brown coal facilities that will result in savings for our Indiana electric customers. We are expecting a decision by the end of this year and if the financing order is approved, a bond issuance to occur sometime in the first quarter of 2023.

Aside from the extraordinary gas costs and the securitizations, we have a few other regulatory items I wanted to highlight:

- We had a constructive outcome in our gas rate case in Minnesota where we settled our rate case which resulted in a revenue increase of approximately $48.5 million.
  We filed our second Transmission Cost of Service of 2022 for approximately $37 million which we anticipate to start recovering in November of this year.

Moving to our IRP Update on [slide 10]…

We are focused on delivering on our Indiana generation transition to support our net zero goals and, as I just discussed, we are still on track to receive a securitization order by the end of 2022 and bond proceeds in Q1 of 2023

Our Posey County solar asset was originally expected to be placed in service in the fourth quarter of 2023, the project is now anticipated to be placed in service in 2024 due to supply chain delays. Given this delay, the forecasted capital amount for 2023 on the electric side has been shifted to 2024, but as a reminder, we are able to begin recovery as soon as it's placed in service.

To enhance the disclosures around our progress of our energy transition, we have published our first Task Force on Climate-related Finance Disclosures Report which we committed to at our 2021 Analyst Day.

As we continue to express, we take our commitment to be good stewards of your investment very seriously and realize our obligation to optimize stakeholder value.
I'll now turn the call back over to Dave.

Dave Lesar – President & CEO

Thank you, Jason. As you heard from us today, we have 10 straight quarters of meeting or exceeding expectations. We are a pure-play regulated utility, and firmly on the pathway to premium with incremental growth opportunities driven by our customer demands.

Jackie Richert VP of Investor Relations and Treasurer

Thank you, Dave. We will now turn to Q&A.

Jackie Richert VP of Investor Relations and Treasurer

Thank you, Dave. Operator, we are now ready to turn the call over to Q&A.

Q&A

Operator

At this time, we will begin taking questions. If you wish to ask a question, please press *11 on your touch tone keypad. The company's request when asking a question, callers pick up their telephone handset. Thank you.

Our first question comes from Anthony Crowdell with Mizuho. Your line is now open.

Anthony Crowdell

Hey, thanks so much for taking my questions. Congratulations, Jason, and best of luck in a new position. And I guess your new team, Go 'Stros.

Jason Wells

Thanks, Anthony.

Anthony Crowdell

David, if I could hit you with the first question, just some insight or color into the CFO search, are you looking internally to the utility sector externally, just what's the ideal candidate? And I have a CapEx question after that.

Dave Lesar

Okay. Now, I think this is going to be a really, really attractive job for a CFO. So, we're going to cast the net really, really wide, essentially across the whole public sphere in the US and

see what we can find. But as I said, I think it's going to be a great opportunity, a great job, and I expect that we're going to see some really good candidates.

Anthony Crowdell

Great. And then, on slide 7, I just wanted to focus on the $3 billion of incremental opportunities. Just if you give us some like structure and timing of that, is that's something I could apply maybe linear throughout the forecast period as a back end loaded. Just any color you could give on that $3 billion and where we should be applying that forecast.

Dave Lesar

Yeah. I think the way to think about this is look at the track record that we've developed as a management team. I think we've done a pretty good job identifying sort of incremental capital opportunities, finding a way to efficiently execute that, fund it and bring it in to our rate base at the right time. And this is really no different. Maybe it's a little bit bigger than the ones we've had in the past.

But I think from a contact standpoint, if you think back to our first Analyst Day, this is the fifth time that we raise capital. If you go to our second Analyst Day, this is the third time that we raised capital. So I think we've got a pretty good track record of identifying and bringing this -- this into not only execution and then rate base, but then earnings. And as we said a couple of times and hopefully, Jason, sort of walk you through the numbers, our guidance targets do not include any of the earnings from this, but I think the really important thing to focus on is that we still continue to believe that we will have industry leading growth as we -- as we basically take on all the headwinds and the tailwinds that are thrown at us in this business. But I think the bottom line the – yeah the bottom line is think industry leading growth.

Anthony Crowdell

Hey, if I could just squeeze one in for Jason. Jason, you talked about you pulled forward some O&M from 2023 to 2022. And I think you mentioned maybe some vegetation management. Are you able to quantify how much O&M you pulled forward to 2022?

Jason Wells

Yeah, I think about it as a couple of cents of pull forward work that we've incurred already. And, you know, we continue to look to optimize our plan in the fourth quarter. And I think this is just an incredible luxury that we have to continue to do more work on the system for the benefit of our customers, as well as kind of giving us additional flexibility as we enter 2023 from an earnings standpoint. So we're happy to continue to execute on it. We've incurred about $0.02 of that and still have some to go in the fourth quarter.

Anthony Crowdell

Great. Thanks for taking my questions. And David, the ‘Stros need to win. I don't know if we can handle a very successful Philly sports mindset.

Dave Lesar

We are – we're – we're hoping for the best.

Operator

Please stand by for our next question.

Our next question comes from Steve Fleishman with Wolfe Research. Your line is now open.

Dave Lesar

Good morning.

Steve Fleishman

Hey, good morning. Good morning, Dave. Congrats, Jason. So just the $2.3 billion of CapEx that's in the plan, but not kind of in the earnings power. How should we – I mean, I assume you're not going to spend that if you're not going to get it recovered. So it's just a matter of kind of getting the certainty on the visibility of recovery to get that into the kind of earnings outlook instead of just earnings power.

Jason Wells

Thanks, Steve, for the question and that's right. We wouldn't spend it if we didn't have full confidence that will earn on it. We continue to stress that we've got great capital recovery mechanisms here across our jurisdictions, that this is capital that our customers are asking for. And so, we have confidence that as we execute this work, we will fold it into rate base and earn on it. Really, the fact that we haven't increased the long-term EPS growth targets is really a function of the point that I stressed in our prepared remarks. I mean, we are entering a period here in 2024, where we'll have several major rate cases; Houston Electric, Texas Gas, Indiana Electric, among others. And I think it's just prudent for us, we've taken conservative assumptions as we approach these rate cases, but I think it's prudent for us to kind of get to the other side. I think the takeaway, though, is the capital we're deploying will flow in to rate base. We have confidence in that and undoubtedly enhances the long-term earnings power of the company. I think the other thing just to point out beyond the capital, from the standpoint of the long-term earnings power of the company, I want to reemphasize what I shared in my prepared remarks. We've already pre-funded a higher equity ratio at Houston Electric as well. And while we have not assumed that increase in the long-term earnings growth rates that we've provided, should we be successful in achieving that higher equity ratio that presents yet another tailwind without a financing overhang. And so I think we are just continuing to put ourselves in a position to overdeliver for our shareholders, our customers, and continue to enhance what is an already industry leading growth rate.

Steve Fleishman

Okay. Great, that's helpful color. When you talked about kind of incremental CapEx going back in the past, there was also a discussion of potential asset sales that could potentially help fund it. And I think there's been more concern in the market just on asset sale values given just the financial market conditions, higher rates, could you just comment if anything's changed in the strategy on asset sales and why maybe that's not discussed as part of this updated plan?

Jason Wells

Sure, yeah. Thanks for the question, Steve. No change in our strategy. Our strategy is to finance our incremental capital as efficiently as possible. We are fortunate today as part of this CapEx update to have identified sources of funding that are more efficient than incremental sales of utility assets. We've had a handful of conservative assumptions around tax positions, which have all resolved themselves favorably for the company. As I said, we pre-funded the equity ratio at Houston Electric. We will either have higher FFO coming out of that as a result of that higher equity ratio, or we can pull back and use the cash to fund the capital directly. And so, I think we have not changed our approach to strategy. We just continue to find the most efficient sources of funding this incremental capital. More broadly to your point, though, we have not seen a softening in the private demand for utility assets, as we've talked about extensively over the years. With our previous communications, we still continue to receive pretty extensive outreach and interest. We just have not, as I said, needed to take that approach because we continue to find other sources that are more efficient to fund the CapEx that we've announced today.

Steve Fleishman

Great. Very helpful. Thanks.

Operator

Please stand by for our next question.

Our next question comes from Julien Dumoulin-Smith with Bank of America.

Julien Dumoulin-Smith

Hey, Jason, congratulations. And good morning to the team. Thank you guys for the time.

Jason Wells

Thank you, Julien.

Julien Dumoulin-Smith

If I may. Of course, absolutely. If I may, just picking up on Steve's question there a little bit further here, can you talk a little bit about when you get to a position to talk about that mid to high end of 6 to 8 here? I mean, as you describe it, you're going to wade to the other side of these cases, which puts you perhaps in the latter half of 2024 to give that update on the 2025 onwards outlook. And at the same time, if I can during the pendency, presumably of a CEHE case, presumably there might be additional lag given the lack of the track or follow through. How do you think about the step-up in 2025 earnings power given the additional CapEx as well as the related step up tied to earnings from the cases you know, given the trajectory of 8% in 2024 and 6% to 8% in 2025?

Jason Wells

Thanks, Julien, for the question. There's a lot there. Let me let me try to sort of unpack a handful of these items. You know, I wouldn't ascribe an exact timeline to the to the update on the long term or long-term growth rates of the company sort of post these rate cases, as you said. You know, we want to final resolve those cases constructively and favorably for all stakeholders. You know, as we have better certainty, you know, we will provide an update. I think what I want to stress around this point, though, is, you know, we would not spend this

capital if we didn't assume and have a high degree of confidence that it would be included in rate base. And so, you know, as you model, as others model, I would look at enhancing and increasing the long-term earnings power of the company to sort of post these rate cases. You know, I think as it relates to kind of navigating a handful of these timelines, you know, we have a fair degree of flexibility with respect to the capital trackers, just given the multiple jurisdictions that we operate in. We will not have access to the capital trackers here in our Texas businesses while we're in those rate cases. So, that does present a small amount of additional regulatory lag as we as we look to earn on those. We have tried to get in front of that issue by accelerating additional capital here under 2023 that we will file for recovery for – sorry here in 2022 that will file for recovery in 2023 and will be fully into the earnings power of the company in 2024. We also have a fair degree of flexibility in Indiana Electric, particularly with a generation transition that will coincide with the timing of these rate cases. As you may recall there, as we bring our renewable projects on to line – online, we can begin earning the month they become operational. And so, there is minimal, if any, regulatory lag with respect to the investments in Indiana Electric. And so, we're sequencing these investments either having accelerated as I said, this year or balancing some of the chunkier projects over the next couple of years to sort of seamlessly work through the rate cases that are on the horizon. But the short of it is, again, we wouldn’t spend this capital if we didn't believe and have confidence we'd earn on it. And so, the takeaway should be this enhances the long-term earnings power of the company.

Julien Dumoulin-Smith

Got it. Indeed it does. And if I may, just going back to the here and now, if you will. Thanks for the additional details on the reduced variable rate debt year-to-date. You mentioned accelerated rate cases and offset. You talked about timing of costs and accelerating some of those costs. What are the other mitigation opportunities that corporate or elsewhere, frankly, to dampen the impact of these higher financing costs to maintain the EPS trajectory, which you obviously have, but what other latitude and levers might there exist?

Dave Lesar

I would say, Julien, I think you hit on the cost side. I think the big one that that we talked about, that people sometimes forget about it, as soon as we talk about it is our organic growth. I mean, we are spreading, as we reduce our O&M, we are spreading a smaller amount of O&M across a larger rate base or a larger customer base year after year after year, and that's just a luxury most other utilities don't have.

Julien Dumoulin-Smith

Got you, indeed. Excellent. Well, good luck and we'll see you soon.

Jason Wells & Dave Lesar

Thanks.

Julien Dumoulin-Smith

Cheers.

Operator

Please stand by for our next question.
Our next question comes from Jeremy Tonet with JPMorgan. Your line is now open.

Jeremy Tonet

Hi, good morning.

Dave Lesar

Good morning, Jeremy.

Jason Wells

Good morning, Jeremy.

Jeremy Tonet

Thanks for taking my question here. And just wanted to build a little bit more, I guess, infused opportunity. And what milestones are you looking for from Houston to incorporate more of this $3 billion potential incremental capital and just trying to get a feel for timing, possibilities here?

Jason Wells

Yeah, thanks again for the question, Jeremy. I mean, a couple of points that I'll stress that Dave made in his prepared comments. We have had a history here now, 5 times since our first day and 3 times since our second Analyst Day of, increasing our CapEx, so hopefully we've got the track record that, as we identify this capital that's in the best interest of our customers, we look to efficiently fold it on. I wouldn’t again put a timeline on it, what we're looking at is kind of balancing probably three factors, confidence and execution, we've been significantly increasing our CapEx over the last couple of years. We want to make sure that we have access to the materials, the crews, and that we're putting away this capital effectively for our customers. And second, we always are cognizant of where we are with respect to rate increases for our customers and so we try to balance that over the plan. And then, third and finally, we look to finance the incremental capital efficiently for the benefit of our shareholders and investors. And so, I wouldn't think about this as I'm not going to assign a specific timeline. I wouldn't also look at this as a series of big chunky projects. This is sort of additional routine spend that we will look to fold in when we have confidence on those three factors and hopefully we've earned that trust that we have a track record of – of doing so.

Dave Lesar

Yeah, I would just like to add. I think Jason did a great job sort of covering the strategic aspects of it coming in and hit on the really important point at the end there. And that I hope that with all of you, we've developed the confidence, you have the confidence in us that we're always going to do the right thing at the right time, what's best for our customer and what's best for our investors. And I think you should think about this $3 billion in no other context than that. When we kind of identify it, we'll execute it, we'll get it in right base and it'll help our customers.

Jackie Richert

Operator, if you would, please, we have time for one more call.

Operator

Please stand by for our next question.

Our next question comes from Durgesh Chopra with Evercore. Your line is now open.

Durgesh Chopra

Thank you. Thank you for taking my question. Jason, congrats.

Jason Wells

Thanks, Durgesh.

Durgesh Chopra

Just – yeah, absolutely. Just one quick question and then I'll follow up with Jackie on the other one. Could you just give us what the pro forma variables debt amount would be for securitization proceeds what the dollar amount and then as a percentage of your total debt, please? Thank you.

Jason Wells

So the one point it's with Texas securitization, because we have two securitizations pending the Texas gas securitization, it's $1.1 billion of incremental debt that we will pay down. And then we have the second securitization in Indiana, which is about another $360 million in proceeds that we expect kind of at the end of the third quarter. That will leave us with about a $1.5 billion of variable rate debt as we enter next year. Some of that, as I've said, attributable to our Texas gas businesses that we will file a rate case for in the middle of next year that helps reduce any potential long-term earnings drag from that higher level of interest cost that we'll see there.

Durgesh Chopra

Awesome, $1.5 billion. Thanks so much, guys. Appreciate the time.

Jackie Richert

All right. Operator, thank you so much for the time today, everyone, for the call. This will conclude our call and we look forward to seeing everyone at EEI.

Operator

This concludes CenterPoint Energy's third quarter earnings conference call. Thank you for your participation.

Jackie Richert

Thank you.

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, impact of COVID-19, 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 about capital investments (including with respect to incremental capital opportunities, deployment of capital, renewables projects, mobile generation spend and Resilient Now), the impacts of the February 2021 winter storm event on our business and service territories, the recovery and timing of recovery of associated gas costs and litigation, 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 impact of disruptions to the global supply chain on our business, including our generation transition plan and our capital plan, the Company’s 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (“ZENS”) and impacts of the maturity of ZENS, tax planning opportunities (such as any potential use of the repairs expense deduction), 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, and ESG strategy, including transition to Net Zero. 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 Energy’s business strategies and strategic initiatives, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the completed sale of our Natural Gas businesses in Arkansas and Oklahoma, the exit from midstream, and the internal restructuring of certain subsidiaries which we cannot assure you will have the anticipated benefits to us; (2) industrial, commercial and residential growth in CenterPoint Energy’s service territories and changes in market demand; (3) CenterPoint Energy’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, inflation and their effect on sales, prices and costs; (5) continued disruptions to the global supply chain and increases 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 Energy's Net Zero and carbon emissions reduction goals; (9) the impact of pandemics, including the COVID-19 pandemic; (10) the recording of impairment charges; (11) weather variations and CenterPoint Energy's ability to mitigate weather impacts, including impacts from the February 2021 winter storm event; (12) changes in business plans; (13) CenterPoint Energy'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 Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and CenterPoint Energy's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2022, June 30, 2022, and September 30, 2022 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 diluted earnings per share, non-GAAP income, (in 2021) non-GAAP Utility earnings per share ("Utility EPS") and (in 2022) non-GAAP earnings per share ("non-GAAP EPS"), as well as non-GAAP long-term funds from operations ("FFO") which are not generally accepted accounting principles ("GAAP") financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance that excludes or includes amounts that are not normally excluded or included in the most directly comparable GAAP financial measure.

2021 Utility EPS included net income from the company's Electric and Natural Gas segments, as well as after tax Corporate and Other operating income and an allocation of corporate overhead based upon

Electric's and Natural Gas's relative earnings contribution. Corporate overhead consisted primarily of interest expense, preferred stock dividend requirements, and other items directly attributable to the parent along with the associated income taxes. Utility EPS excluded: (a) Earnings or losses from the change in value of the Company's 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 ("ZENS") and related securities, (b) Earnings and losses associated with the ownership and disposal of midstream common and preferred units (including amounts reported in discontinued operations), net gain associated with the consummation of the merger between Enable and Energy Transfer, a corresponding amount of debt related to midstream common and preferred units, and an allocation of associated corporate overhead, (c) Cost associated with the early extinguishment of debt, (d) Impacts associated with Arkansas and Oklahoma gas LDC sales and (e) Certain impacts associated with other mergers and divestitures.

2022 non-GAAP EPS guidance excludes: (a) Earnings or losses from the change in value of ZENS and related securities, (b) Gain and impact, including related expenses, associated with Arkansas and Oklahoma gas LDC sales and (c) Income and expense related to ownership and disposal of Energy Transfer common and Series G preferred units, and a corresponding amount of debt related to the units. 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 2022 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 2022 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.

Management evaluates the Company's financial performance in part based on non-GAAP income, (in 2021) Utility EPS, (in 2022) non-GAAP EPS and long-term FFO. 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, Utility EPS, non-GAAP EPS and long-term FFO non-GAAP 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 (in the case of Utility EPS and non-GAAP EPS) and net cash provided by operating activities, 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

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 (inclusive of changes related to the sale of our Natural Gas businesses in Arkansas and Oklahoma); 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 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; and enhancement of energy efficiencies. In addition, because Texas in an unregulated market, CenterPoint Energy’s 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-2026. CenterPoint Energy’s Scope 3 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) For EIA-176 reports and do not take into account the emissions and transport customers and emissions related to upstream extraction. Please also review the section entitled “Forward-Looking Statements” included in this document.