Fourth Quarter and Full Year 2017 Earnings Conference Call
February 22, 2018

David Mordy – Director of Investor Relations

Thank you, Jennifer. Good morning, everyone. Welcome to our fourth quarter and year-end 2017 earnings conference call. Scott Prochazka, president and CEO, and Bill Rogers, executive vice president and CFO, will discuss our fourth quarter and full-year 2017 results and provide highlights on other key areas. Also with us this morning are several members of management who will be available during the Q&A portion of our call.

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

Please note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and posts to the Investors' section of our website. In the future, we will continue to use these channels to communicate important information and encourage you to review the information on our website.

Today, management is going to discuss certain topics that will contain projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon factors including weather variations, regulatory actions, economic conditions and growth, commodity prices, changes in our service territories, and other risk factors noted in our SEC filings.

We will also discuss our guidance for 2018. The guidance range considers Utility Operations performance to date and certain significant variables that may impact earnings, such as weather, throughput, commodity prices, effective tax rates, financing activities, and regulatory and judicial proceedings to include regulatory action as a result of recent tax reform legislation. In providing this guidance, the company uses a non-GAAP measure of adjusted diluted earnings per share that does not include other potential impacts, such as changes in accounting standards or unusual items, earnings or losses from the change in the value of the Zero-Premium Exchangeable Subordinated Notes or ZENS securities and the related stocks, or the timing effects of mark-to-market accounting in the company's Energy Services business. The guidance range also considers such factors as Enable's most recent public forecast and effective tax rates.

During today's call and in the accompanying slides, we will refer to public law number 115-97, initially introduced as the Tax Cuts and Jobs Act, as TCJA or simply "Tax Reform".

Before Scott begins, I want to mention that we expect to release our 2017 corporate responsibility report in March. Our report will follow the Global Reporting Initiative format. We look forward to sharing additional insight on CenterPoint with investors. Finally, this call is being recorded. Information on how to access the replay can be found on our website.

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

Scott Prochazka – President and CEO

Thank you, David and good morning ladies and gentlemen. Thank you for joining us today and thank you for your interest in CenterPoint Energy. I will begin on slide 4. 2017 was a strong year for CenterPoint. This morning we reported 2017 diluted earnings per share of $4.13. On a guidance-basis, excluding the benefits of tax reform, we finished the year at $1.37 per share versus 2016 earnings of $1.16 per share, an increase of more than 18%. The $1.37 for 2017 is $0.04 above the top end of the $1.25 - $1.33 guidance range we set in January of last year.

Our strong performance in 2017 can be primarily attributed to growth in our core businesses in addition to the performance of Midstream Investments. Turning to slide 5, we added more than 70,000 combined utility customers in 2017. Additionally, rate relief added approximately $90 million for the combined utilities. 2017 also saw numerous operational achievements including the installation of all structures for the Brazos Valley Connection and finishing the replacement of all cast-iron pipe in Texas and Minnesota. Hurricane Harvey tested our system and demonstrated the value of past investments in technology and grid hardening. We also completed an acquisition in our CES business, which was accretive in its first year. In short, we saw several opportunities and handled numerous challenges in 2017 and I'm proud of what our nearly 8,000 employees accomplished.

On slide 6 you can see Houston Electric had a solid 2017. Core operating income was $535 million in 2017 compared to $537 million in 2016. Excluding equity return, operating income increased 4.2%, primarily due to rate relief and continued customer growth. Houston

Electric added nearly 41,000 metered customers last year and we were able to use both of our investment cost recovery mechanisms to effect timely rate relief. These increases were partially offset by increases in depreciation and operations and maintenance expenses as well as lower usage and miscellaneous revenues compared with 2016.

Turning to slide 7, in response to ongoing customer and load growth and lessons learned from hurricanes this past year, Houston Electric will continue to invest significant capital to ensure our system has sufficient capacity and is safe, resilient, and reliable. Our most recent 5-year plan includes $4.8 billion of capital investment at Houston Electric. This plan is now inclusive of the approximately $250 million Bailey to Jones Creek project that will serve the growing needs of the petrochemical industry in the Freeport, Texas area. This project was endorsed by the Electric Reliability Council of Texas or ERCOT in December 2017. We expect to file an application for approval with the PUCT later this year and anticipate a decision in 2019. We would begin construction shortly after approval.

I am very pleased with Houston Electric's strong operational and financial results in 2017, and we expect continued growth in the coming years.

Moving to slide 8, Natural Gas Distribution delivered strong results in 2017. Operating income was $328 million in 2017 compared to $303 million in 2016, an increase of 8.2% year-over-year. The business benefited from rate relief, customer growth, and higher transportation revenues. During the second quarter, we also had a $16 million benefit due to the recording of a regulatory asset, and a corresponding reduction in expense, to recover prior post-retirement expenses in future rates. These benefits were partially offset by increased depreciation and amortization, and operations and maintenance expenses in part due to acceleration of selected reliability projects. Natural Gas Distribution added more than 30,000 metered customers last year with Texas and Minnesota leading the growth.

Turning to slide 9, we invested $523 million of capital in our Natural Gas Distribution business in 2017. Our new $3.2 billion, 5-year capital plan reflects steady growth and focuses on safety, growth, reliability and infrastructure replacement. This was an impressive year for Natural Gas Distribution, especially considering we started the year with an extremely warm first quarter throughout our service territories.

Turning to slide 10, our capital plan is expected to translate to an annualized consolidated average rate base growth of approximately 8.3% through 2022. The majority of this growth is driven by strong capital investment. Tax reform also contributes to the growth. Changes in tax depreciation at the lower federal rate are expected to increase forecasted year end 2019 average rate base by approximately $300 million. This increase in rate base will be included in our normal recovery mechanisms beginning as early as 2018.

Moving to slide 11, in 2017, the Texas legislature passed a law that provides permanence for the distribution investment recovery mechanism, removes the 4-time limit on its use between rate cases, and calls for the PUCT to create a rate case schedule for all Texas electric utilities. Given that our last rate case occurred in 2010, we recently agreed to file a base rate case no later than April 30, 2019. Our most recent earnings monitoring report, or EMR, for the year 2016, indicated a 9.6% ROE which is below our allowed ROE of 10.0%.

Additionally, rather than waiting until our next rate case to incorporate tax reform, we will utilize the existing electric rate mechanisms, TCOS and DCRF, to accelerate returning certain tax reform benefits to customers. This will not impact expected earnings.

With our Natural Gas Distribution business, tax reform related benefits for our customers will be incorporated through rate cases, annual mechanisms or other regulatory proceedings and will differ from state to state.

Turning to slide 12, Energy Services delivered solid results in 2017. Operating income was $46 million in 2017 compared to $41 million in 2016, excluding a mark-to-market gain of $79 million and loss of $21 million, respectively. This improved performance was achieved despite incurring $5 million of expenses specifically related to acquisition and integration costs during the year. We expect to capture synergies and reduce G&A over time as we realize economies of scale. We anticipate Energy Services will contribute $55 million to $65 million in operating income in 2018.

Slide 13 shows some of Enable's highlights for 2017. Enable performed very well in 2017, exceeding their net income guidance range. Operationally, they had record results achieving their highest full-year performance on gathered volumes, processed volumes, NGLs produced and volumes transported since their formation. Enable remains on schedule for key project integrations and completions throughout the year. As of February 5th, Enable had 49 active rigs drilling wells connected to their gathering system. We continue to believe Enable is well positioned for success. They have an attractive footprint, strong balance sheet and are focused on pursuing accretive growth and maintaining a solid distribution coverage ratio, which was 1.2x in 2017.

Slide 14 illustrates the spirit of our industry, our company and our employees. When energy delivery systems are devastated, we respond. Many came to our aid following Hurricane Harvey. We were pleased to help Puerto Rico with their hurricane restoration effort.

I will wrap up with slide 15. Today we are announcing our 2018 guidance range of $1.50 - $1.60 per share. We are also targeting guidance EPS growth of 5 - 7% in 2019 and in 2020 off the previous year's EPS on a guidance basis. In 2017, each of our business units had solid operating income growth, excluding equity return for Houston Electric. Our projected 5-year rate base CAGR of 8.3% is strong as we invest to meet the needs of our growing service territories. Bill will now provide more detail on CenterPoint's financial performance, impacts of tax reform, balance sheet strength and capital formation. Bill…

Bill Rogers CFO

Thank you, Scott. Let me begin with a reconciliation of our GAAP and guidance basis earnings for the fourth quarter of 2017 shown on slide 17. This morning we reported fourth quarter earnings of $2.99 per diluted share, $2.89 on a guidance basis and $0.33 on a guidance basis without the benefit of tax reform. This compares with reported earnings of $0.23 per diluted share and guidance basis earnings of $0.26 per share for the fourth quarter of 2016. In the fourth quarter of 2017, we subtract $0.09 of mark-to-market adjustments from our Energy Services business and $0.01 of ZENS related adjustments in order to arrive at guidance basis earnings of $2.89. We then subtract the $2.56 per share benefit associated with tax reform to arrive at $0.33. This represents a 27% improvement on a guidance basis adjusted for tax reform on a quarter to quarter basis.

For the full year 2017 we reported $4.13 in earnings per diluted share, $3.93 on a guidance basis and $1.37 on a guidance basis without the benefit of tax reform. This compares with reported earnings of $1.00 per diluted share and guidance basis earnings of $1.16 for full year 2016. For 2017, we subtract $0.12 of mark-to-market related adjustments from our Energy Services business and $0.08 of ZENS related adjustments in order to arrive at a guidance basis earnings of $3.93. We then subtract the $2.56 benefit associated with tax reform to arrive at $1.37. This represents an 18% improvement on a guidance basis adjusted for tax reform on a year to year basis.

Turning to slide 18, I will review our year-over-year Utility Operations EPS walk on a guidance basis excluding tax reform. We begin with $0.88 in 2016. Operating income improvements, excluding amounts associated with the equity return, equate to a net seven cents per share improvement. We had a further three cents per share improvement from interest expense reduction, despite approximately $650 million in additional borrowing at year end 2017 relative to year end 2016. This interest expense benefit was primarily due to refinancing and balance sheet management of our company. Equity return reduced earnings by three cents per share and other income improved earnings by four cents per share. Other income includes $17 million in lower charges for bond redemption relative to 2016 and $14 million in additional income from a full year of dividends on the Enable preferred securities. This brings us to $0.99 for Utility Operations in 2017, over a 12% improvement versus 2016.

Now turning our attention to slide 19, we show the combined eleven cents per share utility improvement and ten cents per share year-on-year improvement from our Midstream Investments, bridging the $1.16 of 2016 guidance basis EPS and the $1.37 of 2017 guidance basis EPS without tax reform. As depicted on the slide, Midstream Investments included four cents of improvement from mark-to-market accounting on commodity derivatives.

Slide 20 highlights the impact of tax reform on CenterPoint. We anticipate a shift upward in earnings of approximately ten cents in 2018 primarily as result of a lower effective tax rate for our income from unregulated businesses. We anticipate the effective tax rate will decrease from approximately 36% in 2017 to approximately 21% in 2018 as a result of tax reform. This effective tax rate of 21% is inclusive of state taxes and the projected amortization of excess deferred income taxes through the income tax expense line.

There are four impacts on our cash flow as a result of tax reform. First, the change in tax depreciation expense at the lower tax rate reduces tax shield, thereby reducing expected near-term cash flows. Second, the timing of the return of the excess deferred tax regulatory liability may reduce expected near-term cash flows. This will ultimately depend upon the amortization schedules established in each jurisdiction. The third impact relates to our income that is not under utility rate regulation. That income will now enjoy the benefit of a lower cash tax rate. The final impact is also expected to be positive to our cash flow. Enable has the option to elect to fully expense its capital investments for tax purposes. Should Enable make this election, this will create greater tax shield at the CenterPoint consolidated income tax return level. In aggregate, we anticipate a reduction in expected near-term cash flows as a result of tax reform. However, we do not foresee this impacting the strength of our balance sheet or our ability to maintain our credit metrics at or above our target ranges.

Slide 21 provides more detail on our balance sheet and the credit metric impacts of Tax Reform. My first comments relate to the deferred tax liability adjustments at year end. This tax benefit recorded at year-end associated with the tax reform improved our year-end consolidated equity to capital ratio from 35 to 40 percent. Additionally, as the capital base at Houston Electric and CERC improved, we were able to reduce the percentage of our holding company debt to total debt from 21% at year-end 2016 to 14% at year-end 2017. Regarding our credit metrics, for the full year 2017, adjusted FFO to debt was approximately 24%. As noted earlier, our debt increased by $650 million in 2017. Over $300 million of this increase was temporary in nature and it was associated with working capital financing, as we experienced higher gas prices and much colder weather right at year-end. We anticipate adjusted FFO to debt will be reduced by approximately 300 basis points in 2018, principally as a result of the cash flow impacts from tax reform and discussed earlier.

Finally, tax reform is a win for CenterPoint utility customers as a result of the $1.3 billion regulatory liability and the lower 21% federal tax rate for 2018 and beyond. As discussed earlier, these benefits will be returned to customers through various mechanisms or rate proceedings for each jurisdiction.

On slide 22 we note our planned $1.7 billion investment for 2018 and our current ratings with Moody's, Standard & Poor's and Fitch. Our financing plan for 2018 does not contemplate the issuance of common equity. Nor does it suggest a need to sell some of our Enable units as a source of capital.

As we've shared in the past, our goal, over a multi-year period, remains to reduce our exposure to commodity prices through the sale of Enable common units we hold in the public equity markets or otherwise. The timing and size of any sale will be subject to equity market conditions. With any action we take, Enable's public float will likely impact sizing. As a reminder approximately 80% of the common units are currently held by the general partners. Net proceeds from any sale will support our balance sheet and the recently announced increased investment in our utilities.

In December, we announced a 27.75 cents per share quarterly dividend. This represents a 4% increase over the previous quarterly dividend, consistent with our 4% increases in 2015, 2016 and 2017. This marks the thirteenth consecutive year we have increased our dividend. Further, we have had a significant reduction in our dividend payout ratio. Assuming the midpoint of our 2018 guidance basis EPS range and annualizing the recently declared dividend over four quarters, our dividend payout ratio will have been reduced from 90% in 2015 to 72% in 2018.

Let me wrap up by reiterating five key messages. First, as a result of higher capital investment and the changes in tax depreciation rates for utility investments, we now have a combined expected average rate base growth above 8% through 2022. Second, our credit metrics are strong with adjusted FFO to Debt projected to remain above 20% which means we are not anticipating a secondary offering of equity in 2018. Third, 2017 guidance basis EPS without the tax reform benefit surpassed our EPS guidance range for 2017 and produced an 18% increase over 2016. Fourth, we provided 2018 guidance with a midpoint 13% above our 2017 guidance basis EPS excluding tax reform benefit. And fifth, we are targeting guidance basis EPS growth of 5-7% off prior year EPS in each of 2019 and 2020.

Operator: Our first question is from Michael Weinstein with Credit Suisse.

Michael Weinstein: I understand no equity for 2018. Maybe you could comment on how financing will shape up in terms of equity and debt going forward through 2022.

Scott Prochazka: Bill, you want to take this?

Bill Rogers: Sure. Michael, good morning. It's Bill Rogers. With respect to 2019 and beyond, I think it's – let's begin with, we have a commitment to our capital investment on our utilities, we have a commitment to our credit quality, and we've spoken about our dividend. Therefore, I think it will matter what the forward-looking credit metrics are at that time and how much debt we can reasonably take on and whether we should consider sales of Enable units as a source of financing and/or sales of common equity. In any event, if we were to consider the sale of common equity, it would be modest.

Michael Weinstein: Got you. And one just follow-up question on Enable. Now that you'll be holding onto it a little bit longer than, I think, the original plan would have been if you had been able to sell it through a direct sale. I'm just wondering if this changes your view on M&A. In other words, is there a view that the company needs to acquire more regulated utilities or more regulated exposure, considering that you'll be holding on to Enable probably longer than you initially planned?

Scott Prochazka: Michael, good morning. I don't believe the status of where we are with Enable impacts our views with respect to M&A. Our comments in the past have been that we've got a very large capital budget, as you've seen, $8.3 billion over the next five years that we can invest organically and can grow our core utility business through that investment with known returns. To the extent we were to look at anything outside of that, we have to weigh the returns available against what we can get internally. So perhaps opportunistic, but our core attention remains on the investments in our core business.

Michael Weinstein: Understood. Thank you.

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

Julien Dumoulin-Smith: So perhaps just to follow a little bit up on the commentary on the balance sheet impact and the cadence of the Enable share monetization. How are you thinking about that through the forecast period? I mean, obviously, you commented that – I believe I understood that no sale for this year, but how are you thinking about the future years against the backdrop of where you want your balance sheet to be from an FFO to debt perspective?

Bill Rogers: Julien, good morning. It's Bill. Just to clarify our prepared remarks, we said that we do not require the sale of Enable units to support or strengthen our balance sheet and credit metrics in 2018. With respect to the cadence of any sales, I think there are two points for consideration. One is capital markets considerations in the sector and Enable, so we'd want to be doing that constructively in the marketplace. We also want to be respectful of any capital formation needs that Enable might have. And then the second consideration is our use of proceeds and strengthening our balance sheet to redeploy that into our utility businesses.

Julien Dumoulin-Smith: Maybe to help provide a little bit more certainty around this. What is the FFO to debt that you're thinking about through the forecast period? Obviously, you're talking about a 300 basis point impact on 2018 metrics. Would you expect us to support that at kind of a roughly consistent level, net of the drop here?

Bill Rogers: Should be at that level, if not higher.

Julien Dumoulin-Smith: Right. So from a modeling perspective, it would be probably a good assumption of backfill monetization of units to kind of keep you there?

Bill Rogers: That would be one way to approach it.

Julien Dumoulin-Smith Excellent. Thank you all very much. Best of luck.

Operator: Your next question comes from Ali Agha with SunTrust.

Ali Agha: Good morning. Scott or Bill, when you look at your CapEx plan, which you've laid out to us through

2022, and the rate base growth assumption that goes with that, does that provide you also visibility or confidence that this 5% to 7% growth rate to 2020 could actually continue through 2022, which is kind of the timeframe for your CapEx plan?

Scott Prochazka: Yeah. Ali, I think one way to think about this is we've provided growth guidance in earnings for a shorter period than we provided CapEx for, and that's because of visibility around Enable, primarily. But as you can tell from our spending that the impacts associated with earnings coming from the utilities would conceptually continue given the CapEx that we're spending throughout the entire plan period.

Ali Agha: Okay. And on Enable then, Scott, I understand you talked about the balance sheet issues, to keep an eye on the capital markets, et cetera. But just strategically coming back to your original premise that you don't want that commodity exposure as part of your business mix or earnings profile. So from a strategic perspective, when would you like to have that exposure eliminated from the overall CenterPoint portfolio?

Scott Prochazka: Ali, we haven't specified a timeline. What we have done, as you know, is go through the process of considering options that were more rapid exit from this investment and, as you know, none of those worked for us. So, having completed that, we are now in the mode of focusing on selling units in a constructive fashion over a longer period of time to reduce our exposure to the commodity space. And as we've outlined, we don't have any specificity on what that looks like, other than to say, over a period of time, we intend to reduce our exposure and ownership here.

Ali Agha: Right. And lastly, just to clarify, I believe it was in the slides, but the 2019 and 2020 growth rate number that you've laid out for us, that does not assume any sale of any units of Enable, that just assumes your current ownership continues in those two years as well?

Scott Prochazka: I'd say that the fairest way to say that is we are committed to targeting that growth rate over this period of time, and we've considered a number of options for financing on how we could get there.

Ali Agha: I see. Thank you.

Operator: Our next question comes from Insoo Kim with RBC Capital Management.

Insoo Kim: In terms of the sell-down of Enable units, would there be a possibility for you to pursue potential private placements, instead of at the market type of transactions that will enable you to sell a greater portion of the units at a faster pace.

Bill Rogers: Insoo, good morning. It's Bill. You're correct and that remains an option. Our only constraint there is in our partnership agreement we can – are limited to selling no more than 5% of our current holdings to one buyer.

Insoo Kim: Right, right. I remember that, okay. And my second question is, I might have missed it, but is the proposed $250 million Freeport project included in the five-year forecast that you laid out or is it not?

Scott Prochazka: Yes, it is now included in the new $8.3 billion total.

Insoo Kim: Got it. Thank you very much.

Operator: Our next question is from Lasan Johong with Auvila Research.

Lasan A. Johong: Thank you. Bill, I'm having a little bit of trouble circling the square here. 8.3% CAGR growth in rate base, but only 5% to 7% earnings growth in next – 2019 and 2020. So does that mean you're expecting a higher growth rate past 2020 or is there something else? And then I'm assuming that Enable stays with distributed operations. Are you expecting, for example, CES to drag down earnings going forward?

Bill Rogers: I think you're right directionally, in that rate base growth should translate into EPS growth with adjustments for regulatory lag and any common equity that a utility company might contemplate. We have visibility into what our midstream segment will produce the next three years. Our midstream segment has publicly said only what 2018 looks like. So suffice it to say, until we get better visibility over the longer-term period, we're not able to stretch out that growth rate beyond 2020.

Lasan A. Johong: So what you're saying is that, what I think you're saying, actually I should say, is that, while you expect a certain outcome, you're not going to commit to it until there's more visibility from the midstream sector?

Scott Prochazka: I think that's fair.

Lasan A. Johong: Is that about right?

Scott Prochazka: Yes.

Lasan A. Johong: In other words you're being conservative.

Scott Prochazka: We think we're providing a reasonable view of growth through the three-year window that we are providing, given the visibility that we have to the various business components.

Lasan A. Johong: Fair enough. Thank you, Scott.

Operator: Our next question is from Charles Fishman with Morningstar Research.

Charles Fishman: Thank you. Bill, I just want to confirm – I appreciate your comments on the dividend payout ratio overall, but your dividend policy has not changed, in other words 60% to 70% payout of the utility and, I think, it was 90% of cash flow from Enable, is that correct?

Bill Rogers: Charles, good morning. The way we express this is first thing, the board takes a look at our dividend every quarter on our capital needs or strength of our financials and so forth, and then decides whether to declare a dividend. With respect to the trajectory of the dividend, we are intending to grow the dividend. We have deliberately shared that it grew 4% in each of 2015, 2016, 2017, and 2018. We recognize that is a lower growth rate than our earnings per share growth rate, but that allows us the ability to retain earnings and reinvest that capital in our utility business.

Charles Fishman: But at the end of the day, I mean, because of Enable, you still – and I realize Enable's only going out this year on their guidance, but it does put you in a position to be at the upper end of that 60% to 70% and the board would still feel comfortable potentially, correct?

Bill Rogers: I won't speak for the board, but I think we're certainly comfortable with the dividend payout ratio we have today.

Charles Fishman: Okay. Thank you very much. That's all I had.

Operator: Our next question is from Ryan Levine with Citi.

Ryan Levine: What's driving the large increase in your load growth electric CapEx for 2018 through 2021?

Scott Prochazka: So, to make sure I understand the question, what's driving the investment need over this period?

Ryan Levine: Yeah. Page 7 of your presentation, the increase from $302 million to $419 million and beyond?

Scott Prochazka: Let me make sure I get the right – oh, you're talking about the growth in CapEx during the middle part of the plan?

Ryan Levine Yes.

Scott Prochazka: That is being impacted heavily by this single project I referred to as the Bailey to Jones Creek Project. It is incorporated – that $250 million is a discrete project that's incorporated essentially right in the middle of that plan, with the majority of the spend occurring in 2020.

Ryan Levine: But there is a big increase between 2018 and 2017. So is any of that in the 2018 number?

Scott Prochazka: Yes. Part of that is in 2018, but we've also – as we rework our plans for growth and investment needed for growth, we've just updated the amount of spend that we associate with related to load growth, and that's what's being categorized here, is a recognition that the spend would go up from the $300 million range to $400 million for load-related investments as a result of the planning exercise we do each year.

Ryan Levine: Okay. And then how does tax reform impact the basis that you have in Enable?

Bill Rogers: Well, as I think you're aware, we have a negative basis at Enable. Tax reform does not impact our basis. Tax reform does impact the capital gains rate that we pay, if we were to sell any of our investment in Enable.

Operator: Our next question is from Greg Gordon with Evercore ISI.

Durgesh Chopra: Hey. Good morning, guys. It's actually Durgesh on for Greg. Just if I missed this, the 5% to 7% EPS growth target in 2019 and 2020, could you tell us what are you assuming for Enable in that growth, is it flat, is it high growth, or is growing or is it actually deteriorating?

Scott Prochazka: We have not specified what our assumption is there. We take into consideration a range of options, and incorporating that with the capabilities and the options for the rest of the portfolio. We're comfortable that 5% to 7% growth off of the prior year is a very doable target.

Durgesh Chopra: Okay, excellent. And then the $8 billion roughly CapEx, the total CapEx through 2022, high level, what percentage of that CapEx is actually covered through like existing mechanism, so you don't actually have to go in for like a major rate case filings?

Scott Prochazka: So I'll give you the answer in pieces. So on the electric business, it's approximately 95% that can be achieved recovery achieved through mechanisms. On the gas side, it's virtually all of it, with the exception of Minnesota, which does not have these mechanisms, but has a forward-looking test year and also utilizes interim rates. So those two features in Minnesota mitigate regulatory lag.

Durgesh Chopra: Excellent. And just one last follow-up for Bill. The actual cash tax rate, Bill, how does that look like through the forecast period versus the effective tax rate, so what actual cash taxes you'll be paying?

Bill Rogers: Right. Our cash tax rate should approximate or be below our provision rate of 21%.

Durgesh Chopra: Perfect. Thanks, guys, and congrats.

Operator: Our next question is from Christopher Turnure with JPMorgan.

Christopher Turnure: Good morning, guys. Most of my questions have been answered. I just wanted to get a sense if you guys could classify your revision of your deferred tax liability. You already gave us, I think, the $1.2 billion for the utility piece, but what's the total amount, how is it classified, and what are the ramifications on your subsidiary capital structures?

Bill Rogers: The total amount of excess deferred income taxes was $2.4 billion, $1.1 billion of that was associated with income from non-utility regulated investments, and so that went through the income statement and strengthened the balance sheet in 2017. $1.3 billion of that $2.4 billion was recorded as a regulatory liability, which will be amortized over different lives depending upon the assets associated with those liabilities and depending upon the jurisdiction. Then do I have it right, your second question was on the balance sheet?

Christopher Turnure: Yeah. The ramifications for that at subsidiary level balance sheets?

Bill Rogers: Got it. So the $1.1 billion recognition that went through the income statement strengthened the consolidated balance sheet from 35% to 40% equity to cap after adjusting out securitization bonds. And some of that benefit flowed through the balance sheet for Houston Electric and for CERC, where those balance sheets are close to 45% at year end and at 50% at year end 2017. Now, to get those balance sheets at that level, because they add more equity content as a result of tax reform, there were dividends from both of those entities to CenterPoint, Inc. at the holding company.

Christopher Turnure: Okay, great. Thank you, Bill.

Operator: Our next question is from Michael Lapides with Goldman Sachs.

Michael Lapides: Hey, guys. Thank you for taking my question. I want to come back to regulatory lag, and I asked this seeing in the

K that O&M at the Houston Electric was actually up a good bit year-over-year. On a net income basis – let's not worry about the financing and share count, but on a net income basis, how much regulatory lag do you think you have electric versus the gas LDC business? I mean, do you think you can earn authorized? Do you think there's just some natural lag on O&M that you can't recover, so you earn something below? If so, how material? How do you think about that or what do you assume kind of in your multiyear outlook?

Bill Rogers: Michael, it's Bill. Let's begin by assuming that O&M growth stays with volume – sales growth on the residential side, so that we have an offset, if you will, to that element of regulatory lag. Now the real regulatory lag is how quickly our mechanisms allow capital expenditures to go into rate base and earn a return. The TCOS mechanism allows for filings twice a year and is relatively quick when that gets into the revenue requirement, and so that regulatory lag can be as short as six months.
The DCRF mechanism is filed once a year, that's in April and that's off of books that close at year end. And our experience in the last filings is that then gets reflected in revenue requirement towards the end of the third quarter. So, if you assume that we had an average spend and distribution investments in the prior year, you get a regulatory lag of as short as nine months, but it could be up to a year.

Michael Lapides: Got it. A follow-up, tax follow-up, very simple one. Do you assume you're a full cash taxpayer at all during the next four or five years, like when I think about the backend of the forecast, are you still not a full cash taxpayer out there?

Bill Rogers: We don't expect to be a full cash taxpayer.

Michael Lapides: Got it. Finally, just a regulatory question, what's the process for the proceeding that's coming up in Texas regarding the Commissioner's memo and the rate review for CenterPoint Houston?

Scott Prochazka: Michael, so we have agreed recently to file a rate case before April 30, 2019. So sometime before then we're obligated to make our next full rate case filing.

Michael Lapides: Using a historical test year with kind of six months of known and measurables type of deal?

Scott Prochazka: It's a full historical test year. And we've not specified exactly that what that test year would be, but it, obviously, has to be sometime between now and when we have to file.

Michael Lapides: Got it. Okay. Thank you, Scott, much appreciated guys.

Operator: Our next question is from Angie Storozynski with Macquarie.

Angie Storozynski: Thank you. Actually just two follow-ups. So, given the tax law changes and the lower tax leakage that a sale of your stake in Enable would entail, would you potentially reconsider strategic options for that business? I understand that the tax leakage was a big adverse effect of potential sell-downs of the assets in the previous review, but now with the tax law change, does it change your perspective?

Scott Prochazka: Angie, this is Scott. No, we are not – it does not change our perspective on it. You are right, it gets better, but it's still very challenging to do and accomplish our financial objective. So, it doesn't change our intent in terms of how we plan to reduce our exposure there.

Angie Storozynski: Okay. And separately, on potentially incremental transmission CapEx in ERCOT we're seeing finally some inflection point in forward power prices in ERCOT north probably more so than in Houston. Have you identified any potential additional transmission projects that could be necessary, given the recent wave of retirements?

Scott Prochazka: We have not, but our operators continue to study this and depending on how the system is performing and what the needs are with respect to capacity to move power as demanded by the system, it could give rise to additional investments. We look at this annually. We adjust our plan annually based on how the system is operating and what the most recent projections are. But as of now, we've included everything that we have in sight.

Angie Storozynski: Thank you.

Operator: Our next question comes from Will Zhang with LNZ Capital.

Reza Hatefi: Hi. This is Reza, actually. Just a quick question. What is the portion of Enable earnings within 2018 guidance?

Bill Rogers: Reza, good morning. It's Bill. If you were to take the midpoint of Enable's net income guidance that they put out last year, and then translate that into CenterPoint EPS, you would get $0.46 per CenterPoint share. And the way to do that is to take the midpoint of their guidance, the effective tax rate state and federal associated with our Enable investment is 24%. We own 54% of Enable. And then after you've done that, add $0.07 per share for the accretion.

Reza Hatefi: Okay, got it. And then just to clarify, there's no Enable sales contemplated in 2018, but in the three-year CAGR timeframe, is there Enable unit sales contemplated in that?

Bill Rogers: What we've said is that our 2018 plan doesn't call for the sale of Enable units in order to support our capital investment. We've also said that this multi-year view that we've given you contemplates a range of scenarios to include a range of financing alternatives.

Operator: Our last question is from Lasan Johong with Auvila Research.

Lasan A. Johong: Oh, thank you. Bill, CES has a $900 million credit facility, of which $899 million was used through February – or as of February 9. Is that an indication that CES is doing a lot of business or is there something else and would you be looking to increase the facility going forward?

Bill Rogers; Lasan, are you speaking to a specific credit facility for CES?

Lasan A. Johong: I was just looking through the 10-K and it said that CES had a $900 million credit facility outstanding, of which $899 million was used as of February 9.

Bill Rogers: That is the credit facility for CERC.

Lasan A. Johong: I apologize, CERC.

Bill Rogers: And CERC include CES as well as all of our natural gas distribution utilities, and those companies, along with our other companies, share a common money pool.

Lasan A. Johong: Right. So what's driving that? It's really pretty close, you've only got $1 million cushion left there, I think that's kind of tight.

Bill Rogers: Well, as I've shared on our call, we had a run-up in gas prices right at year-end, and in our disclosure you'll see that we went from receiving marginal collateral at year-end 2016 to posting margin collateral at year-end 2017. So that's the price impact. And then we had to purchase gas at higher prices, put it into storage, which we then provided to our customers, so that was a...

Lasan A. Johong: Understood.

Bill Rogers: I characterize it as a temporary swing and we're beginning to see that cash flow come in as our customers pay their bills.

Lasan A. Johong: Got you. So it's not something that's critical or needs attention.

Bill Rogers: No, sir.

Lasan A. Johong: Thank you very much.

David Mordy: With no additional questions, thank you everyone for your interest in CenterPoint Energy. We will now conclude our fourth quarter 2017 earnings call. Have a great day.

CenterPoint Energy, Inc., headquartered in Houston, Texas, is a domestic energy delivery company that includes electric transmission & distribution, natural gas distribution and energy services operations. The company serves more than five million metered customers primarily in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma, and Texas. The company also owns a 54.1 percent limited partner interest in Enable Midstream Partners, a publicly traded master limited partnership it jointly controls with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets. With more than 7,700 employees, CenterPoint Energy and its predecessor companies have been in business for more than 140 years. For more information, visit the website at www.CenterPointEnergy.com.

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements in this news release regarding future earnings, and future financial performance and results of operations, including, but not limited to earnings guidance, targeted dividend growth rate and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained in this news release speaks only as of the date of this release. Factors that could affect actual results include (1) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's businesses (including the businesses of Enable Midstream Partners (Enable Midstream)), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation, and actions regarding the rates charged by CenterPoint Energy's regulated businesses; (2) state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (3) recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable Midstream; (4) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (5) the timing and outcome of any audits, disputes or other proceedings related to taxes; (6) problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates; (7) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns; (8) the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids, and the effects of geographic and seasonal commodity price differentials, and the impact of commodity changes on producer related activities; (9) weather variations and other natural phenomena, including the impact on operations and capital from severe weather events; (10) any direct or indirect effects on CenterPoint Energy's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt its businesses or the businesses of third parties, or other catastrophic events; (11) the impact of unplanned facility outages; (12) timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters; (13) changes in interest rates or rates of inflation; (14) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of its financing and refinancing efforts, including availability of funds in the debt capital markets; (15) actions by credit rating agencies; (16) effectiveness of CenterPoint Energy's risk management activities; (17) inability of various counterparties to meet their obligations; (18) non-payment for services due to financial distress of

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CenterPoint Energy's and Enable Midstream's customers; (19) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc.), a wholly owned subsidiary of NRG Energy, Inc., and its subsidiaries to satisfy their obligations to CenterPoint Energy and its subsidiaries; (20) the ability of retail electric providers, and particularly the largest customers of the TDU, to satisfy their obligations

to CenterPoint Energy and its subsidiaries; (21) the outcome of litigation; (22) CenterPoint Energy's ability to control costs, invest planned capital, or execute growth projects; (23) the investment performance of pension and postretirement benefit plans; (24) potential business strategies, including restructurings, joint ventures, and acquisitions or dispositions of assets or businesses, for which no assurance can be given that they will be completed or will provide the anticipated benefits to CenterPoint Energy; (25) acquisition and merger activities and successful integration of such activities, involving CenterPoint Energy or its competitors; (26) the ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (27) future economic conditions in regional and national markets and their effects on sales, prices and costs; (28) the performance of Enable Midstream, the amount of cash distributions CenterPoint Energy receives from Enable Midstream, and the value of its interest in Enable Midstream, and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and: (A) the integration of the operations of the businesses contributed to Enable Midstream; (B) the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of Enable Midstream's business plan; (C) competitive conditions in the midstream industry, and actions taken by Enable Midstream's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable Midstream; (D) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly natural gas and natural gas liquids, the competitive effects of the available pipeline capacity in the regions served by Enable Midstream, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable Midstream's interstate pipelines; (E) the demand for crude oil, natural gas, NGLs and transportation and storage services; (F) changes in tax status; (G) access to growth capital; and (H) the availability and prices of raw materials for current and future construction projects; (29) effective tax rate; (30) the effect of changes in and application of accounting standards and pronouncements; (31) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

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

In addition to presenting its financial results in accordance with generally accepted accounting principles (GAAP), including presentation of net income and diluted earnings per share, CenterPoint Energy also provides guidance based on adjusted net income and adjusted diluted earnings per share, which are non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance that excludes or includes amounts that are not normally excluded or included in the most directly comparable GAAP financial measure. CenterPoint Energy's adjusted net income and adjusted diluted earnings per share calculation excludes from net income and diluted earnings per share, respectively, the impact of ZENS and related securities, mark-to-market gains or losses resulting from the company's Energy Services business and adjustments for impairment charges. CenterPoint Energy is unable to present a quantitative reconciliation of forward looking adjusted net income and adjusted diluted earnings per share because changes in the value of ZENS and related securities, mark-to-market gains or losses resulting from the company's Energy Services business and impairment charges are not estimable.

Management evaluates the company's financial performance in part based on adjusted net income and adjusted diluted earnings per share. We believe that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results across periods. The adjustments made in these non-GAAP financial measures exclude items that Management believes does not most accurately reflect the company's fundamental business performance. These excluded items are reflected in the reconciliation tables of this news release, where applicable. CenterPoint Energy's adjusted net income and adjusted diluted earnings per share non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, net income and diluted earnings per share, which respectively are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.

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