Q4 2023 Earnings Call Script –July 30, 2024

Operator: Good morning and welcome to CenterPoint Energy's second quarter 2024 Earnings Conference Call with Senior Management. During the company's prepared remarks, all participants will be in a listen-only mode. There will be a question-and-answer session after management's remarks. [Operator Instructions] I will now turn the call over to Jackie Richert, Senior Vice President of Corporate Planning, Investor Relations, and Treasurer. Ms. Richert.

Jackie Richert - SVP, Investor Relations and Treasurer: Good morning and welcome to CenterPoint Energy's second quarter 2024 Earnings Conference Call. Jason Wells, our CEO; and Chris Foster, our CFO, will discuss the company's second quarter results. Management will discuss certain topics that will contain projections and other forward-looking information and statements that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks and uncertainties. Actual results could differ materially based upon various factors as noted in our Form 10-Q and other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statements.

We will be discussing certain non-GAAP measures on today's call. When providing guidance, we use the non-GAAP EPS measure of diluted adjusted earnings per share on a consolidated basis referred to as non-GAAP EPS. For information on our guidance methodology and reconciliation of the non-GAAP measures discussed on this call, please refer to today's news release and presentation on our website. 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 call over to Jason.

Jason P. Wells - President, Chief Executive Officer: Thank you, Jackie. And good morning, everyone. Before spending most of my time discussing the impacts of and our response to Hurricane Beryl, I will very briefly touch on our results for the second quarter. I'll then turn it over to Chris for a regulatory update and a more detailed recap of our financial results. For the second quarter, we reported GAAP and non-GAAP EPS of $0.36 per share. In addition, we are reaffirming our full year 2024 non-GAAP EPS guidance range of $1.61 to $1.63. Beyond 2024, we are also reaffirming our long-term guidance where we expect to grow non-GAAP EPS and dividend per share growth at the mid to high end of our 6% to 8% range annually through 2030.

Now to turn to our primary area of focus. Earlier this month, Hurricane Beryl impacted our entire 5,000 square mile service territory in the greater Houston area, causing power outages for nearly 2.3 million of our customers, or approximately 80% of our Houston electric customer base. We began tracking Hurricane Beryl and preparing for a possible impact nine days before Beryl made landfall. Initial forecast showed that our service area in Greater Houston would be spared a direct impact by the worst of the hurricane. Nonetheless, we remain vigilant and planned for impact. We initially secured 3,000 mutual assistance crew members from locations safely outside of the projected path of the storm. We also coordinated with utilities across Texas and the region to ensure resource availability. As the forecast trajectory change, we quickly called on additional mutual assistance resources, ultimately activating and deploying over 15,000 CenterPoint and mutual assistance crew members. Early in the morning on Monday, July 8, Hurricane Beryl made landfall as a powerful Category 1 hurricane, with heavy rains flooding and up to 97 mile an hour winds that reached further inland than any storm experienced in Houston since 1983. As part of our response, we restored power to over 1 million customers within 48 hours, replaced over 3,000 distribution poles on our system, walked over 8,500 circuit miles to repair damage and deployed mobile generators at 28 sites across the greater Houston area to various critical facilities.

Impacts to our distribution lines and facilities from vegetation such as uprooted trees and related debris carried by the very high winds were the primary cause of customer outages.

In recent years, trees in the Houston area have been weakened due to a combination of high rainfall, prior drought conditions as well as winter freezes. We trimmed or removed approximately 35,000 trees during our restoration process. Through discussion with one of our largest vegetation management companies, 60% of the vegetation it removed were trees that had fallen from outside of our rights of way. Over the last 18 months, we proactively worked to address the challenges these conditions present to our distribution system through increased vegetation management. In fact, in 2023, our Houston electric business increased its vegetation management spend by over 30% from the prior year. We continue to execute and invest at a similar higher level of vegetation management as we recognize the impacts of the challenging, growing seasons experienced in the Houston area over the last three years and the resulting threat they could have on our lines and infrastructure. In addition, Hurricane Beryl's destructive winds, in combination with already weakened trees, highlighted not only the urgency with which we need to execute on our vegetation management plan, but also the scope. As a result, we have doubled our vegetation management resources and are

aggressively tackling the riskier line miles with trees nearby. We will trim or remove trees related to an incremental 2,000 miles of our system by December 31 of this year. This represents a nearly 50% increase compared to our planned work for 2024. The vegetation work we have begun is only a part of a more comprehensive plan to improve customer outcomes and directly address the customer concerns and frustrations voiced with respect to critical aspects of our emergency response. This plan will also help us better prepare our response in key areas to future storms or hurricanes. I will walk through the three pillars of our Comprehensive Action Plan to address our customer's concerns. Our first pillar relates to our resiliency investments. By accelerating the adoption of advanced construction standards, retrofitting existing assets on an accelerated basis, and using predictive modeling and AI as well as other advanced technologies, we will harden our distribution system to help withstand more extreme weather and improve the speed of restoration. This is in addition to the proactive steps we took nearly two years ago when we moved to constructing at the new National standard for high wind and extreme ice loading. Second, we will build a best-in-class customer communications program. Since the [indiscernible] (00:21:17) that impacted Houston in May, our outage tracker has not been available for our customers. The tracker we previously used was hosted on a physical server that

was not able to accommodate the demand of millions of users at one time. To keep our communities informed, we provided daily restoration updates, but we understand that for many this was insufficient. As one component of our Customer Communication Action Plan, we are launching a new, more customer-oriented outage tracker later this week. Our new outage tracker will help provide our customers more of the information they need in a timely fashion. It will also be comparable to what our Texas peer utility customers experience. The new tracker is cloud-based, which will also allow us to scale to high levels of demand. Third, we will strengthen our partnerships with government and community leaders, effective emergency preparedness and response requires close coordination with government officials. We will hire a seasoned emergency response leader to help the company rapidly accelerate its planning capability and to develop close community partnerships to help ease the burden of storm events on our more vulnerable communities. We believe the work underlying these three pillars will support our efforts to build and operate a grid that meets the demands of one of the most dynamic economies in the United States here in Houston. The initial set of specific actions we are taking is laid out on Slide 3.

We will also be taking additional actions as we continue to learn from our internal reviews and external independent review, as well as through engagement with

emergency response experts, our customers, elected officials and community stakeholders. Our singular and overarching goal is to improve in every area of our emergency preparedness and response, whether it is before, during or after any future storm, we will be better prepared to support, communicate with and serve our customers in these times of emergency.

As we begin to execute this initial plan, we will work to consistently provide updates on our progress. The men and women at CenterPoint go to work every day with an unrelenting focus on delivering safe, reliable and resilient energy to our customers while also striving to improve their experience. We will continue to make customer-focused capital investments to achieve better outcomes for the nearly 3 million electric customers and over 4 million gas customers across our six state footprint. And with that, I'll turn it over to Chris.

Christopher A. Foster - Executive Vice President & Chief Financial Officer:

Thanks, Jason. Before I get into my updates, I want to echo Jason's gratitude to our customers and our communities. Our team is focused on improving our resilience and emergency response capabilities, and I will speak to our financial plan to support those efforts in my remarks today. Today, I'd like to cover three areas of focus. First, the details of our second quarter financial results and guidance. Second, I'll provide a brief update of the progress we're making on our regulatory

calendar. Third, I'll touch on our capital deployment status this quarter and forecasted storm costs. And finally, I'll provide an update on our financing plans.

Again, as Jason noted today, we are reaffirming our full year 2024 non-GAAP EPS guidance range of $1.61 to $1.63, which represents 8% growth at the midpoint from our 2023 actual results of $1.50. Beyond 2024, we are also reaffirming our guidance where we expect to grow non-GAAP EPS at the mid to high end of the 6% to 8% range annually through 2030, as well as targeting dividend per share growth in line with earnings per share growth.

Let's now move to the financial results shown on Slide 4. On a GAAP EPS basis, we reported $0.36 for the second quarter of 2024. On a non-GAAP basis, we also reported $0.36 for the second quarter of 2024, compared to $0.28 in the second quarter of 2023. Diving into more detail of the earnings drivers for the quarter. Growth and rate recovery contributed $0.10, which is primarily driven by the ongoing recovery from various interim mechanisms for which customer rates were updated last year, as well as the interim rates in our Minnesota gas business that went into effect on January 1 of this year. In addition, the Houston area continues to see strong organic growth, extending the long-term trend of 1% to 2% average annual customer growth. This sustained growth has been beneficial for our customers and investors alike. O&M was $0.02 favorable for the quarter. This

favorable variance was driven primarily by the fact that we incurred more of our expenses in the first quarter and had some of our scheduled activities diverted to attend to restoration efforts related to the major hydro storm. Partially offsetting the favorable items from rate recovery in O&M were unfavorable weather and increased interest expense. Weather and usage were $0.01 unfavorable when compared to the comparable quarter of 2023, driven primarily by a milder spring in our Minnesota gas service territory. Interest expense was $0.06 unfavorable, primarily driven by the new debt issuances since the first quarter of last year to fund customer-driven work across our electric and gas territories at a higher relative cost of debt.

I now want to turn to an update on our broader regulatory calendar and progress, and I'll cover these sequentially from the dates filed. Starting with Texas Gas, where last month we received Railroad Commission approval of our now final settlement. As a reminder, our four Texas gas jurisdictions will now be consolidated on a go-forward basis for our ongoing rate adjustments. This new consolidation should benefit many customers through a lower impact on their bills from certain investments and also a reduced administrative burden for other stakeholders. Moving next to the filed Minnesota gas rate case. And as a reminder, we filed our rate case on November 1 of last year. As discussed on the last call, the

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

Now turning to the Indiana Electric rate case. We currently have a non-unanimous settlement pending approval. Hearings on this settlement will begin the first week of September with the new statutory deadline for a final order of February 3. We look forward to continuing to work with stakeholders to achieve what we believe to be a reasonable outcome for all parties. I'll now touch on our largest jurisdiction, Houston Electric. Over the last month, we have been engaged with many stakeholders as part of settlement discussions in our pending rate case. Those discussions are ongoing and we continue to provide regular updates to the ALJ in the case. In addition, as we execute on the actions we've laid out following Hurricane Beryl, we intend to work with stakeholders on how to amend our system resiliency plan with the PUCT. The process is fluid, but at this stage we have abated the schedule on the underlying system resiliency plan, which all parties

have agreed to. This allows us to take the coming months to reflect stakeholder input and additional potential system resiliency concepts that emerge from our after action review and the review at the PUCT. We currently anticipate filing a revised plan later in Q1 2025.

Lastly, I want to briefly mention that next month we will file a notice of intent for our upcoming rate case for our Ohio Gas business, which is approximately $1.4 billion in rate base. Next, I'll touch on our capital investment thus far in 2024, as shown on Slide 6, including the anticipated impact of storm costs and the associated recovery. In the second quarter of 2024, we invested $800 million of base work for the benefit of our customers and communities. This excludes spending related to storm restoration. We now have a little less than 60% of our original 2024 capital expenditure target of $3.7 billion to be invested over the remainder of the year, excluding storm costs. We remain on track to meet our capital investment target despite the interruptions of normal capital deployment from the storms we've experienced this year. Maintaining our target as we consider a revised version of the resiliency work is a reflection of the conservatism with which we plan each and every year. Although the cost invoicing is not final, total spending associated with the May storm events and Hurricane Beryl are currently estimated to be approximately $1.6 billion to $1.8 billion. We currently anticipate

that we will securitize both the capital and non-capital portion of the $1.5 billion to $1.7 billion distribution costs to limit the impact to our customers on their bills and will include approximately $100 million of transmission investments within the next TCOS recovery filing. Based on the total current average residential electric bill, we estimate that these costs could result in an increase of a little more than 2%. As a reminder, the mechanism to recover storm costs in the state of Texas is very constructive and cost effective for customers. Texas TDUs are able to securitize non-TCOS storm-related costs in excess of approximately $100 million under existing statutory authority. As a result, we anticipate filing for securitization in the fourth quarter of this year, with securitization bond proceeds expected to be received towards the end of next year.

Finally, I want to touch on our balance sheet and how we're thinking about funding the storm costs I just discussed. As of the end of the second quarter, our calculated FFO to debt was 13.3% based on our calculation aligning with Moody's methodology as shown on Slide 7. The second quarter tends to be our lightest quarter due to the timing of incremental financing relative to interim recovery mechanisms. This quarter also had a temporary cash flow item that we expect to normalize through the next quarter. Taking a step back. As we continue to see the need to fund growth we are experiencing in Texas, we remain focused on the

balance sheet. And with respect to our financing plans through the end of the year, we've evolved our approach, recognizing the storm impacts. As we remain committed to maintaining our current credit metrics in light of these incremental costs, we intend to pull forward $250 million of equity planned for 2025 into this year, which is in addition to the $250 million issued to date. This does not change our long-term equity guidance, rather should only be considered as an acceleration. We will also incorporate higher equity content into our upcoming debt issuances to enhance credit metrics until the anticipated securitization proceeds are received. We would also see this as pulling forward instruments we've been considering in our long-term plans as mentioned in recent quarterly calls. We remain confident in the continuation of our long-term execution.

The last thing I want to mention is we are making good progress related to the sale of our Louisiana and Mississippi gas LDCs. We, along with the buyer, have now made all required regulatory filings, including filings with the Louisiana and Mississippi Public Service Commissions. And we look forward to working constructively with the commission to facilitate the approval proceedings. We still anticipate closing the sale late in the first quarter of 2025 and is anticipated to result in after cash tax proceeds of approximately $1 billion. As a reminder, a majority of these proceeds will be used to fund our capital investments at Houston

Electric for the benefit of customers. And with that, I'll now turn the call back over to Jason.

Jason P. Wells - President, Chief Executive Officer : Thank you, Chris. Regardless of the challenges we face, this management team remains firmly committed to delivering for all of our stakeholders, our customers, our communities, our regulators, our legislators, and our investors.

Jackie Richert - SVP, Investor Relations and Treasurer: Thank you, Jason. With that operator, we're now ready for Q&A.

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

Question & Answer Section:

Q: Hey, guys. Good morning.

A: Good morning, Shar.

Q: Good morning. Just maybe a little bit of a tough question to answer, but I guess, how do you see the commentary that you know, that we've all been listening to from customers, legislators and kind of stakeholders impacting the current settlement negotiations in the Houston Electric Rate case?

A: Yeah. Thanks for the question, Shar. You know, clearly, as I've said in a number of different forums, we can and will be better. You know, these are important issues for the greater Houston region, for Texas. Ultimately, though, the answer for getting better is continued investment in resiliency of our system. And I

think that, you know, needs to or will be reflected, you know, in the continued negotiations that are occurring from a settlement standpoint. And so, you know, there's, again, clear demand that we need to communicate better, that we need to mitigate the risk of these outages moving forward. And I think ongoing settlement discussions are all just part of putting the company in a position to continue to be able to make that progress.

Q: Okay. Got it. And then just lastly, obviously, Hurricane Beryl certainly highlighted more work needs to be done. And you had a level of resiliency spending bucketed as upside to the $44.5 billion CapEx plan. I guess how do the recent events impact that bucket even directionally? So how fast do you plan to ramp up in light of the increased urgency with the current regulatory construct that's out there? Thanks.

A: Yeah. I think it's definitely an area of focus. You know, we were investing in resiliency prior to that resiliency
legislation. I think we heard loud and clear at the PEGT meeting last week that we need to continue to move forward. We've made commitments to move forward. And so ultimately, while we pull down the system resiliency plan and we are working with outside experts taking feedback, we'll obviously work with parties in the case. We plan to rapidly refile it. And I think the short of it means there's probably more support for incremental resiliency investments. I'll give you one example. You know, in the filing we proposed, continued sectionalization of our system, which is an important part of isolating outages, helping minimize the overall number. We proposed a pace of about 20 years in that program. I think that's a program that we need to revisit. I don't think the 20 year pace is no longer kind of a pace that folks expect of us. Right. And so, if anything, I think the bias will be towards accelerating incremental resiliency investment as opposed to delaying it.

Q: Got it. Okay. Appreciate it. I'll pass it to someone else. Thank you, guys.

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

Q: Yeah. Hi. Good morning.

A: Good morning.

Q: So just – good morning. So just on the – I guess, first, a question on the financing plan, the comment on the equity content in the upcoming refinancing. Should we assume that's more like a junior subordinated or could that be like a convertible? And any more color on the likely type of financing there?

A: Good morning, Steve. It is fair to say that we're certainly looking at different versions of hybrids to pull in more equity content into the plan. And as I mentioned this morning, the other piece is just to pull forward $250 million. Again, to be clear, that doesn't change the overall guide from 2024 to 2030 of the $1.75 billion total. It's just a pull forward of that piece. And as you can imagine, the point there is to just be able to have that in place to comfortably position the balance sheet until we get the anticipated securitization proceeds. Currently thinking those are probably going to be end of year next year.

Q: Okay. And then maybe you could just give us some color on how the rating agencies are reacting to this event
and spend and your updated plan. And kind of, you know, it's going to be a little while before we know and seethe securitizations, so just thoughts on kind of their, you know, willingness to be patient. Sure thing. I think it's fair to say we're having a conversation, Steve, obviously, about both how we're thinking about the plan that Jason has referenced, where we're going to aggressively move forward here in 2024 to do some critical work in the immediate sense. Longer term we're also talking about some initial thinking on moving forward, ideally in Q1 with a subsequent revised system resiliency plan filing. I think that in this case, Texas has had a consistent construct in the state for utilities to securitize costs above the $100 million point. Certainly that's the case here. And so sharing certainly that history and consistent history in the state as well in terms of all construct. So fairly fluid conversations as you can imagine just given how quickly we're moving on a few fronts, but certainly sharing all of our different activities.

Q: Okay. Great. Thank you.

A: Thanks, Steve.

Operator: Our next question comes from Jeremy Tonet with JPMorgan Securities. Your line is open.

Q: Hi. Good morning.

A: Good morning, Jeremy. I wanted to pick up on the Storm commentary. Thank you for the details today. Just, you know, pulling it all together, looking at your post hurricane action plan in the items you laid out here, how do you feel about I guess, how Houston Electric can respond to the next storm out there? Do you think you have the pieces in place now to see a better response, even if everything is not in place altogether? Just wondering how you guys think you stand now.

A: Yeah. No. Thanks for the question. I you know, I do feel confident. You know, as I mentioned yesterday in the Senate hearing it offers no relief to the customers impacted by Beryl. You know, we were moving with pace and urgency after the rate show to move to, you know, a fully scalable outage tracker platform that would offer estimated times of restoration consistent with industry-leading practices, and have begun the work to overhaul our communications. That's why I feel confident that, you know, with the name Storm threatens the Texas Gulf Coast region, you know, we'll be in a much better position to communicate before, during and after that storm. I think giving our customers the information they unfortunately lacked during during Hurricane Beryl. But it's that work that we've been doing in advance that I think helps on the communication front. And then equally it offers no relief to the customers that experienced this pain during Beryl. But we had been working on bringing a lot of the innovative predictive modeling to target enhanced vegetation management and resiliency investments forward. And that's why I'm confident that as we execute on the incremental resiliency commitments that we've made to Governor Abbott and others, it will have a meaningful impact for our communities. And so, you know, the last month has been tough on the city of Houston. We understand the role
we play, but that's also why I have confidence looking forward.

Q: Got it. Thank you for that. And then just a follow up here. You mentioned that 60% of the downfall came from outside of your right of ways. What can you do about that going forward? And also, I guess just the assets overall.
How did the Harden assets perform during the hurricane? You know, just want to see what value do you think has been delivered with kind of prior, you know, hardening here?
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A: Yeah. You know, it's again, offers no relief to the customers. But, you know, we are seeing the value of resiliency investments. We saw very minimal structural

damage on our transmission system substations, you know, and strategically, it makes sense to put the first investments in the backbone in the system from a resiliency standpoint. We've begun some of the incremental sectionalization work and hardening of distribution circuits, and that work saved over 150,000 outages in the communities that we deployed that. And so I think moving forward from a resiliency standpoint, it's the acceleration of that work on the distribution grid that will have kind of the most meaningful impact to minimizing outages going forward. You know, the key issue, though, at the end of the day was candidly, there was little structural damage on the system. You know, it was less well, less than even 0.5% of our poles failed. But what really caused the outages were, as you pointed out, 60% of the trees impacting our lines were outside of our right of way. And candidly, we don't have any authority today to trim and manage those trees. We are doing the work to identify the trees that create those hazards. We are proactively trying to work with property owners to access that property and address those trees, which are safety issue obviously for the residential homeowner, as an example, tree could easily just as easily fall under their home as it could into the power line. But we don't have authority today unless granted by the homeowner. And so looking to work with, you know, community leaders or regulators, elected officials, to make sure that we can continue to work at pace to address this vegetation that threatens our system moving forward.

Q: Got it. Thank you for that.

Operator: And our next question comes from Nicholas Campanella with Barclays. Your line is open.

Q: Hey. Good morning. Thanks for taking my questions this morning and appreciate all the detail.

A: Good morning, Nick.

Q: Good morning. Just wanted to follow up, you know, as we kind of contemplate pulling forward some of this equity into from 2025 into 2024. And then you also talked about doing this equity content financing as well. I know you talked about some kind of onetime issues in the trailing 12 month FFO to debt. Where do you think you kind of end at the base year just based on the current plan today?

A: Sure. Good morning. I think if you saw us report this morning, as you can imagine, some of those are just the differing methodologies. But from the standpoint and the S&P methodology, there's the assumption that these securitization proceeds do come through. Right. Which moves us up to well above the downgrade threshold, up to 12.9%. At Moody's. right, they ttreat it slightly differently. So takes us to that from that roughly 14% to 13.3% where we are this morning. I do have to emphasize, though, Nick, keep in mind that last year this is the same situation. This is a bit of the trough that occurs in Q2. Before we pick back up and we've got a onetime item that we believe in Q3 that you'll able to see come through further improving FFO to debt. Hard for me to be specific about about year-end, but just you can imagine where we are at this point is it's really a transitory impact here of the time period that will pass between now and the securitization proceeds.

Q: Okay. Thanks for that. And then I guess just you spoke about kind of doubling some of the labor efforts around the tree trimming. Just can you remind us, because you do have this 1% to 2%, I think it's an O&M reduction forecast in the long-term plan. Does that need to be kind of reassessed? Can you kind of execute on that even net of these budget management increases? And just how do we kind of think about that? Does that bucket deferred? I'll leave it there. Thanks.

A: Thanks for the question, Nick. I think, you know, we continue to see opportunity to drive efficiency in our O&M practices to help support that overall 1% to 2% reduction in O&M. You know, we continue to highlight, as we have in the past, a classic example of that is the benefit of deploying smart, you know, the next generation of smarter meters on the gas side. So we see plenty of opportunity to continue to be efficient, which is, I think obviously in our customer's interest, but also helps free up some opportunity to accelerate in other areas. You know, and as I highlighted, we increased proactively our vegetation management over 30% last year in 2023. And we still achieve that 1% to 2% reduction year-over-year in 2023. You know, we'll always make the investment that's needed to drive an improvement in service. But I still feel like we've got a number of opportunities across, you know, the full scope of the company's operations to achieve on a consolidated basis that 1% to 2% O&M reduction.

Q: That's helpful. Thanks so much.

Operator: And our next question comes from Durgesh Chopra with Evercore. Your line is open.

Q: Hey, team. Good morning. Thank you for giving me time. Just I think, Chris, you mentioned 2% will increase from the securitization of the distribution spending. I have two questions related to that. First, the confidence level in $1.6 billion to $1.8 billion, I guess, where I'm getting at with that is have you basically taken a deep dive of your cost or are you still in current cost and the number could be significantly higher? That's one. And second, what the 2% is over, assuming, I guess, cost recovery over a timeframe, over multiple years, maybe just if you could elaborate on that, please. Thank you.

A: Sure thing. Happy to. Good morning, Durgesh. I think there's really two pieces there. I think the first is I'll hit the second one first in terms of timeframe. At this stage, we would be compiling the costs. The thing to keep in mind is that the existing construct in the state does allow for the entity to combine events that occur, including multiple events over a calendar year into one securitization. So again, we would seek to file that and ultimately assume at this case, in this situation end of year 2025 timeframe for recoveries there. As it relates to the overall kind of profile itself, the thing to keep in mind here is that we do already have a good feel of the asset base costs associated with both the [indiscernible] (00:50:37) and Hurricane Beryl. The primary driver beyond that is most commonly the labor costs, right? The costs associated with the nearly 15,000 individuals that were doing work on our system. And so we do have a pretty good feel of how those are forecasted at this stage, which informs the disclosure this morning at the high end of $1.8 billion. So again, it's going to be a somewhat similar profile, just given the crews and the associated contracts are very similar as to what we saw in the situation with the [indiscernible] (00:51:08). And we're well over 75% of those costs already. So gives us confidence to inform the profile that you see today.

Q: Excellent. Thank you. Just one quick clarification, Chris. The 2% I think you mentioned the 2% impact on customer bills. I guess where I was going with the timeframe is that assumes that $1.8 billion is collected over how many years?

A: Sure. Traditionally in the statutory requirement in Texas, it's 15 years.

Q: Thank you. I appreciate the time.

A: Sure thing.

Operator: Our next question comes from David Arcaro with Morgan Stanley. Your line is open.

Q: Oh, hey, good morning. Thanks for taking my questions.

A: Good morning, David.

Q: You might be able to comment – good morning. Wondering if you might be able to comment on the legislative outlook from here. Curious if there are legislative initiatives that you might pursue or support. Just any ideas that are maybe being explored by lawmakers in the state to help improve resiliency?

A: Yeah. I mean, a couple of the topics that have come up early on are sort of consistent with my previous discussion around vegetation management. Is there I think the question is, you know, just state of Texas, do we need to do something different to be able to attack these hazard trees that are outside of right of ways and do so in a manner that, you know, is obviously constructive with property owners. I think that's obviously a place to work. The other thing that's come up is sort of the unique aspect of the market here in Texas, the fact that we have a service relationship with customers but not a commercial relationship. You know, there it's – at the end of the day inexcusable that we don't have customer contact information at each address, since we have that servicerelated responsibility and, you know, there may be something around that as well. Clearly, yesterday there was a lot of feedback on mobile generation. You know, right now we want to be constructive with the policy objectives of the state. As I mentioned in the Senate hearing, we have an order by the PCT that we cannot allow a customer to go more than 12 hours without power in a load-shed event. Those assets are necessary to comply with that order. But if policymakers want to change that direction, obviously we will work to support the policy direction of the state. So there's a lot of different things being discussed now, and I think that they will come into greater focus as we approach the end of the year. And they obviously the start the legislative session next year.

Q: Okay. That's helpful. Thanks. And maybe, Chris, just wondering if you might be able to clarify, is there a target for when you would expect to get back the FFO

to debt level? You would expect to get back into the target range and get above 14%, for example [indiscernible]

A: Sure thing. I think. Sure, David. I think what you'll see there naturally is that you'll have the adjustment upward from S&P that will take place. And then Moody's does so upon receipt of proceeds again. So you'd be looking at roughly Q4 of next year in this timeframe.

Q: Okay. Understood. Thanks so much.

Operator: And the next question comes from Julien Dumoulin-Smith with Jefferies. Your line is open.

Q: Hey, good morning, team. Thank you, guys, for the time you guys are hanging in there. Just maybe on the puts and takes. Obviously, you talked about some of the accelerated equity here on 2024. Just can we talk a little bit about your thoughts on the positive offsets here to the pressure points, whether it's additional OpEx in the form of these storms, you know, to the extent which realize the extent to which that there's any realized interest expense or ultimately just lost sales. How do you think about the good guys and bad guys and the offset there to maintain the outlook here in the very near term?

A: Oh, sure thing, Julien. In the very near term, as you can imagine, right, there was a usage impact associated with the storm itself. We also had a situation where we were, you know, having to adjust work temporarily as it relates to the literal storm response and restoration. But ultimately, as we're looking through the remainder of the year, as you saw, we reaffirmed this morning, gives us confidence that we've got both two things going on. One, the ability for the mutual aid and other crews who joined our colleagues to really effectively work to restore customers quickly. But also, as I mentioned, we have been able to retain confidence in achieving the base CapEx plan as well. So net of the different factors, including interest expense, we're confident that we're still able to reaffirm this morning.

Q: All right. Fair enough. And then just coming back to the Mobile Gen, I mean, that's been getting a certain amount of attention here. And obviously, perhaps they would contemplate it for slightly given circumstance. How do you think about developing a more refined program here to target more of these localized

distribution-related outages with the vegetation management issues that you've encountered here? And ultimately, how does this work in which you evaluate this or otherwise into a revised timeline on the resiliency filing here? I know that there's various permutations there as well.

A: Yeah. I mean, I strongly believe we have the most comprehensive mobile gen program consistent with what has been asked of us by the state in its policy objectives. You know, legislation was passed in 2021 and there was afocus on load-shed events. Those are sort of larger units tied to substations. And as I mentioned yesterday, there's been 115 instances since that legislation started to be discussed where there were tight system conditions on [indiscernible] (00:57:33) Those units may be utilized. We had also utilized in 2021, one of the medium-sized units for storm restoration that got a significant amount of pushback. And I think the legislature clarified that in 2023. And as soon as we got that that clarification in the fall of 2023, we increased the number of small units. And so I'm proud that we were able to scale to 18 small units out of a total of 30. The other 12 we borrowed from our utility peers to be part of the storm response. And so as I said yesterday, we manage a number of different risks, whether those are load-shed events or storm response, we've got a portfolio of assets to kind of meet those needs. Now, obviously, as I said, if the policy objectives of the state change, we will change with them. But I think you know, today we are maintaining a diversified portfolio for the diversified set of risks that we manage.

A: Operator, I think we're going to have time for one more question.

Operator: Okay. And our last question will come from Anthony Crowdell with Mizuho. Your line is now open.

Q: Hey, thanks for squeezing me in. I appreciate it. Just two quick ones. I'm not sure if one was answered. If I look on Slide 3 and the plan and everything else. If I remember correctly, your system resiliency plan was between $2.2 billion and $2.7 billion. $2.2 billion was the base case. Can what's on slide 3 be accomplished? Is the $2.7 billion number or that would be above the $2.7 billion number?

A: Anthony, good morning. I would think about it within the $2.7 billion. Keep in mind that we provide that higher end as an articulation of the ability to accelerate some work. And that's really what you're seeing here is a pretty aggressive acceleration here in 2024 to make sure we're doing more work on the system.

Q: Great. And then follow up to an earlier question. You guys identified a lot of the outages occurred due to, I think, trees that are on your customer's property. You guys didn't really have any responsibility over it. I mean, does undergrounding become more of a solution in your service territory than maybe years past?

A: Yeah. Thanks, Anthony. It's a great question. And I think one where there's certainly going to be a greater push for undergrounding and it will play probably an even more prominent role in our resiliency efforts going forward. But you know what I think is important as well as to kind of balance it. About 60% of our customers today receive service through underground lines. You know, it's a pretty penetration of undergrounding already in the system. But, you know, the point of weakness is those communities are often fed with overhead lines kind of at the feeder level. And that's where we saw the tree damage. And so I think we have to find a balance between undergrounding where it makes sense and where we have overhead lines, making sure that they are hardened and more resilient so that they're not the single point of failure, so to speak, from an outage standpoint. So it's a little bit of an all of the above, but I would imagine that undergrounding takes an even greater prominence moving forward.

Q: Great. Thanks for taking my questions.

A: Thanks, Anthony.

A: Great. Operator, with that, I will now conclude our Q&A for the day. Appreciate everyone dialing in.

Jackie Richert - SVP, Investor Relations and Treasurer: I think with that, we'll conclude the call.

Operator: This concludes CenterPoint Energy's second quarter 2024 Earnings Conference Call. Thank you for your participation and have a good day.

Forward-Looking Statements:

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this document are forward-looking statements made in good faith by CenterPoint Energy, Inc. ("CenterPoint Energy" or the "Company") and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements concerning CenterPoint Energy's expectations, beliefs, plans, objectives, goals, strategies,

future operations, events, financial position, earnings and guidance, growth, costs, prospects, capital investments or performance or underlying assumptions and other statements that are not historical facts. You should not place undue reliance on forward-looking statements. You can generally identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "target," "will," or other similar words. The absence of these words, however, does not mean that the statements are not forward-looking.

Examples of forward-looking statements in this document include statements about Houston Electric's hurricane preparedness and response initial action plan, capital investments (including with respect to incremental capital opportunities, deployment of capital, renewables projects, and financing of such projects), the timing of and projections for upcoming rate cases for CenterPoint and its subsidiaries, the transmission and distribution system resiliency plan filed by Houston Electric with the Public Utility Commission of Texas, the timing and extent of CenterPoint's recovery, including with regards to the May 2024 storm events and Hurricane Beryl, its generation transition plans and projects, projects included in CenterPoint's Natural Gas Innovation Plan and System Resiliency Plan, and projects included under its 10-year capital plan, the extent of anticipated benefits of new legislation, the pending sale of CenterPoint's Louisiana and Mississippi natural gas LDC businesses, future earnings and guidance, including long-term growth rate, customer charges, operations and maintenance expense reductions, financing plans (including with respect to the restoration costs for the May storm events and Hurricane Beryl and the timing of any future equity issuances, securitization, credit metrics and parent level debt), the timing and anticipated benefits of our generation transition plan, including our exit from coal and our 10-year capital plan, the Company's 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 ("ZENS") and impacts of the maturity of ZENS, CenterPoint's continued focus on liquidity and credit ratings, tax planning opportunities, future financial performance and results of operations, including with respect to regulatory actions and recoverability of capital investments, customer rate affordability, value creation, opportunities and expectations, expected customer growth, and sustainability strategy, including our net zero and carbon emissions reduction goals. We have based our forward-looking statements on our management's beliefs and assumptions based on information currently available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions, and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements include, but are not limited to, risks and uncertainties relating to: (1) CenterPoint's business strategies and strategic initiatives, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the announced sale of our Louisiana and Mississippi natural gas LDC businesses, and the completed sale of Energy Systems Group, LLC, which we cannot assure you will have the anticipated benefits to us; (2) industrial, commercial and residential growth in CenterPoint's service territories and changes in market demand; (3) CenterPoint's ability to fund and invest planned capital, and the timely recovery of its investments; (4) financial market and general economic conditions, including access to debt and equity capital, inflation, interest rates and instability of banking institutions and their effect on sales, prices and costs; (5) disruptions to the global supply chain and volatility in commodity prices; (6) actions by credit rating agencies, including any potential downgrades to credit ratings; (7) the timing and impact of regulatory proceedings and actions and legal proceedings, including those related to the May 2024 storm events and Hurricane Beryl, Houston Electric's mobile generation and the February 2021 winter storm event; (8) legislative and regulatory actions or developments, including any action resulting from the May 2024 storm events and Hurricane Beryl, as well as tax and developments related to the environment such as global climate change, air emissions, carbon, waste water discharges and the handling of coal combustion residuals, among others, and CenterPoint's net zero

and carbon emissions reduction goals; (9) the impact of pandemics; (10) weather variations and CenterPoint's ability to mitigate weather impacts, including approval and timing of securitization issuances; (11) the impact of wildfires; (12) changes in business plans; (13) CenterPoint's ability to execute on its initiatives, targets and goals, including its net zero and carbon emissions reduction goals and operations and maintenance goals; and (14) other factors discussed in CenterPoint's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 and CenterPoint's Quarterly Report on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024, including under "Risk Factors," "Cautionary Statements Regarding Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in such reports and in other filings with the Securities and Exchange Commission ("SEC") by the Company, which can be found at www.centerpointenergy.com on the Investor Relations page or on the SEC website at www.sec.gov.
This document contains time sensitive information that is accurate as of the date hereof (unless otherwise specified as accurate as of another date). Some of the information in this document is unaudited and may be subject to change. We undertake no obligation to update the information presented herein except as required by law. Investors and others should note that we may announce material information using SEC filings, press releases, public conference calls, webcasts and the Investor Relations page of our website. In the future, we will continue to use these channels to distribute material information about the Company and to communicate important information about the Company, key personnel, corporate initiatives, regulatory updates and other matters. Information that we post on our website could be deemed material; therefore, we encourage investors, the media, our customers, business partners and others interested in our Company to review the information we post on our website. M

Use of Non-GAAP Financial Measures

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

adjustments related to total lease costs (net of lease income), Series A preferred stock dividends, and defined benefit plan contributions (less service costs). Non-GAAP rating agency adjusted debt (Moody's) adds to Total Debt, net certain adjustments consistent with Moody's methodology, including Series A preferred stock, pension benefit obligations, and operating lease liabilities and further adjustments related to Winter Storm Uri debt and one time cash taxes.

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

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

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

Net Zero Disclaimer

Our **Scope 1 emissions** estimates are calculated from emissions that directly come from our operations. Our **Scope 2 emissions** estimates are calculated from emissions that indirectly come from our energy usage, but because Texas is in an unregulated market, our Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and exclude emissions related to purchased power between 2024E-2026E. Our **Scope 3 emissions** estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) Form EIA-176 reports and do not take into account the emissions of transport customers and emissions related to upstream extraction. While we believe that we have a clear path towards achieving our net zero greenhouse gas emissions (Scope 1 and certain 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 Scope 1 and certain Scope 2 greenhouse gas emissions by 2035 could differ materially from our expectations. Certain of the assumptions that could impact our ability to meet our net zero Scope 1 and certain Scope 2 greenhouse gas emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with Company expectations; regulatory approval of Indiana Electric's generation transition plan; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption

of electric vehicles; rate of technology innovation with regards to alternative energy resources; our ability to implement our modernization plans for our pipelines and facilities; the ability to complete and implement generation alternatives to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of or scarcity of resources and labor, the lack of any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; changes in applicable standards or methodologies; and enhancement of energy efficiencies.