Third Quarter 2023 Earnings Conference Call
October 26, 2023

Jackie Richert – VP, Investor Relations and Treasurer

Good morning and welcome to CenterPoint's third quarter 2023 earnings conference call. Management will discuss certain topics that will contain projections and other forward-looking information and statements that are based on management's beliefs, assumptions, and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based on various factors as noted in our Form 10-Q, other SEC filings and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statement.

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

Dave Lesar – CEO

Thank you, Jackie and good morning, everyone. Before we review our third quarter results, I'd like to touch on the leadership transition announcement we made earlier today. As you've seen, effective January 5, 2024, Jason Wells will succeed me as CEO and a member of the board. It has been a great personal and professional experience to work alongside him and our very talented executive team. I am incredibly proud of all that we have accomplished together in the past three and a half years as we worked hard to position the company to achieve the premium market valuation we have today. We could not have done it without the support and buy-in of our management team and all of our great employees. I have full confidence that Jason is the right person to take the helm, and given how far we've come, now is the right time to advance this transition.

As our very strong third quarter results demonstrate, we have great momentum and a solid foundation in place. Making this change at the beginning of 2024 allows Jason and the team to hit the ground running. And as you will hear shortly, this move has no impact on our financial plans, capital growth plans, [ph] nor impacts the great (00:03:37) opportunities ahead for CenterPoint. I have no doubt about CenterPoint's ability to continue to outperform. I'm looking forward to working closely with Jason and the rest of the management team to support a seamless transition. With that, I'll turn the call over to Jason for a few comments.

Jason Wells – President & COO

Thank you, Dave. I am honored and excited for the opportunity to lead and serve CenterPoint and all of its stakeholders into this next chapter. From my first day at the company, I've worked with Dave and our board of directors to reshape and launch our utility-focused strategy. I've also been fortunate to have worked alongside Dave in our pursuit of a track record of consistent execution to unlock value. I appreciate the board's confidence in me, and I'm thrilled with the opportunity to work alongside this talented team we have here at CenterPoint to continue enhancing and executing on one of the most tangible, long-term growth plans in the industry.

I am confident that with our team, who puts our customers at the heart of all we do, the opportunities ahead are boundless. I look forward to spending the next few months continuing to engage with our stakeholders and sharing my vision for the company's great future, as we continue to be laser-focused on providing outstanding service to our customers and communities and executing consistently to deliver enhanced stakeholder value. Now before I turn it back over to Dave to kick off the discussion of our strong third quarter results, I want to personally thank him for his tireless leadership, mentorship, and friendship. He is a force for change, and I look forward to building off the momentum he has created.

Dave Lesar – CEO

Thanks, Jason. Now let's turn to what was a great quarter. I'm excited to announce that despite the continued headwinds the industry faces, our Q3 2023 represents our 14th consecutive quarter of meeting or exceeding expectations here at CenterPoint. And as you probably saw from the results published this morning, this quarter can squarely be put in the not only meets but exceeds column. And as I did last quarter, I will share the quarter's headlines. Headline one, strong financial results even with ongoing macro headwinds. Despite the persistent inflation across the economy and increasing interest rate headwinds, we were able to deliver $0.40 of non-GAAP EPS in the third quarter of 2023. This represents a 25% increase over the comparable quarter of 2022.

Headline two, strong Q3 results give us visibility and confidence to increase full year 2023 non-GAAP EPS guidance range from $1.48 to $1.50 to $1.49 to $1.51 per share. At the new and higher midpoint this projected increase would represent a 9% growth over 2022. This would also be our third consecutive year of 9% growth in our third consecutive year, with a compounding beat and raise, reflecting our ongoing strong execution. In addition, we yet again increased our dividend this quarter from $0.19 to $0.20, which represents a 10% increase over the last 12 months, one of the highest increases in the sector. These are just outstanding results.

Headline three, initiating 2024 non-GAAP EPS guidance of $1.61 to $1.63 per share. Our new 2024 non-GAAP EPS guidance range represents an 8% growth over the midpoint of our new and now higher 2023 guidance range of $1.49 to $1.51. This continues to reflect the compounding effects of our three years of expected, beaten, raised results. This due to excellent execution over the past several years. As we've said previously, we continue to target year-over-year growth to deliver value to our customers and investors each and every year. We are also demonstrating that we continue to have upside to our previously stated annual growth targets.

Headline four, another upward revision to our capital plan. We continue to be prudent in formally incorporating incremental capital into our plan. We will not deviate from our practice of only adding in incremental investments when we believe we can operationally execute them, efficiently fund them and effectively recover them. I am delighted to say today that we now have line of sight to increase our capital plan by an additional $500 million. This brings our total 10-year capital plan through 2030 to nearly $44 billion, supporting a 10% rate base CAGR throughout that same period. Better yet, this amount also includes an increase to our 2023 plan from $4 billion to $4.2 billion. This represents a nearly 17% increase since our beginning of the year target of $3.6 billion. The remaining incremental $300 million will be deployed in 2024 and 2025. These additional capital investments will continue to support safety, reliability and resiliency for the benefit of customers, while balancing the impact on their bills. Chris will discuss the funding of this incremental capital a little later in his remarks.

Headline five, O&M discipline continues to help results and benefit customers. We continue on a path of reducing O&M costs by 1% to 2% per year on average over our current 10-year plan. We have successfully been able to reduce overall O&M on an annual basis even in years when we have pulled forward O&M. This benefits all of our stakeholders. This year's strong results will allow us to pull approximately $0.03 of O&M into 2023 from 2024.
Now, over time, we've discussed a lot of pluses, minuses, and pull forwards to our own O&M in our earnings calls over the past three years. In sometimes it's easy to get lost in the weeds on our great progress in reducing O&M. In fact, that happens to me at times. But here's the bottom line that you should focus on. Even with higher inflation, we are now on track to have reduced total, controllable O&M from $1.46 billion to $1.28 billion since the beginning of 2021, a reduction of over 12%.

Headline six, our four upcoming rate case filings remain on track with a slight modification to the timing of our Houston Electric rate case. With the support of key stakeholders, we are requesting a shift to the timing of our CEHE rate case. With PUCT approval we will seek to file a couple of months later to allow the use of a calendar year test year, which should simplify the filing for all parties. Jason will get into that in a few minutes.

Headline seven, Houston growth continues at a blistering pace. The Houston area has seen a nearly 15% increase in housing starts through the first three quarters of 2023. This activity continues to support our annual 1% to 2% organic customer growth that benefits customer charges. In fact, 10 years ago, our average monthly customer charges were approximately $49. Today, even after historic inflation, our monthly charge is still thatsame $49. This is a testament to benefits of the decades-long 2% organic customer growth here in the Houston area.

Headline eight, still targeting Houston Electric customer charges at or below the 2% historical rate of inflation. While continuing to heavily invest in the fundamentals of safety, resiliency and reliability, our goal is to keep Houston Electric customer charge increases at or below the 2% historical level of inflation over the longer-term.

In summary, balancing the economic headwinds such as higher interest rates and inflationary pressures with the tailwinds of unseasonably warm weather, especially in our Houston service territory, we continue to deliver for both our customers and investors. The third quarter of 2023 highlights this management team's commitment and ability to execute even through adverse macro conditions. We continue to believe that we have one of the most tangible long-term growth plans in the industry, and we believe we have the right team in place to extend our track record of execution. Before I hand it over to Jason and Chris, I want to express my sincere appreciation to all employees here at CenterPoint that endured extreme weather conditions this summer to keep the power on for our customers when it mattered most. Now, let me turn the call over to Jason.

Jason Wells – President & COO

Thank you, Dave. Before I get into my updates for the quarter, I also want to extend my gratitude to all of our employees who worked through the challenging weather and economic conditions this summer to provide exceptional service to our customers. Now, looking at the regulatory calendar on slide 5. I want to provide an update regarding the timing of our four upcoming rate case filings, beginning with the first one of two that will be filed next week that is our Texas gas rate case.

For the benefit of our customers and to reduce administrative burden on all of our stakeholders, for the first time, we will be combining our four Texas gas jurisdictions into a single rate case filing. We expected this combined filing will result in reduced monthly bills for certain customers, specifically to those in our smaller, rural Texas gas areas of our service territory, as well as our large commercial and industrial users. Those residential customers in more urban areas are anticipated to see a moderate overall monthly bill increase. Additionally, this single filing will simplify future consolidated annual GRIP filings from four to one per year.

Moving on to our other Texas business, Houston Electric. We are now targeting the second quarter of 2024 to file our rate cases. We previously guided to the first quarter of 2024. However, to simplify the case for all stakeholders, we now anticipate using a calendar test year ending December 31, 2023, rather than the previously contemplated test year end of September 30, 2023. This shift to a calendar test year reduces the administrative burden for all parties. Given the anticipated new test period end date, we wanted to ensure that we had enough time to compile our filing. While we're still developing the parameters, we are still anticipating the rate case to have a relatively flat revenue requirement and look forward to highlighting the large O&M reductions we've been able to achieve, which will be a key contributor to the expected revenue requirement.

In our Minnesota Gas and Indiana Electric businesses, we don't anticipate any changes to the timing of our filings as we continue to target early November-December of this year, respectively, for those filings. Although we don't expect the timing of the Minnesota rate case to change the structure of our filing will. We are planning to file a two-year forward-looking rate case instead of a one-year rate case, which we've historically filed. This change will allow us to file for a revenue increase for the second year and maintain those rates to the next rate case, putting us on an expected path to smooth revenue increases for the benefit of our customers. Additionally, given the filing will cover a longer period, it will naturally result in fewer rate case filings, lessening the administrative burden for all stakeholders.

Moving to the regulatory updates shown on slide 6. Outside of our rate cases during the quarter, we began to recover on our interim mechanisms at Houston Electric. The first interim mechanism related to our distribution investments known as the DCRF, which went into rates on September 1 with an annual revenue requirement increase of $70 million. The $70 million increase relates to our distribution investments made during calendar year 2022. As many of you are aware, recently enacted legislation now enables Texas utilities to make two such filings per year instead of the one we were previously allowed. This should allow for the reduction of regulatory lag associated with our future distribution capital spend at Houston Electric as we continue to make customer-driven investments.

The second interim mechanism that also went into rates relates to our recently settled emergency generation, or TEEEF filing, which, like the DCRF was included in customer rates beginning on September 1. This is a tremendously constructive outcome for our customers. These emergency generation assets can be deployed during some of the most critical times, like extended outages caused by severe weather events that occur in the Houston area. As power, resiliency and reliability remain a key focus of ours in the communities we serve, we will continue to advocate for these customer-focused outcomes.

I want to take a moment and highlight that although we continue to make these customer-driven investments in resiliency and reliability, which in aggregate equate to over $300 million in incremental revenue, we are still mindful of the impacts to customer charges. As Dave said, 10 years ago, our average monthly delivery customer charges were approximately $49 a month. Today, even after historic inflation, our average monthly delivery charge is still that same $49. This is a testament to benefits of the tremendous organic customer growth here in the Houston area, as well as our disciplined focus on managing O&M.

Lastly, I'd like to provide an update regarding the generation transition in Indiana. We had filed for cost increases associated primarily with the increased cost in solar panels and MISO interconnection costs. This quarter, we have received reapproval for Posey Solar, which is one of our 200-megawatt utility-owned solar projects.

We are also revising the placed-in-service dates for two of our renewable generation projects that are now expected to be operational in 2026, which were previously anticipated to go into service in 2025. These delays common with these types of projects are due to increased pricing and the long queue for MISO interconnects among other factors. As we said before, in instances of delayed projects, we will work to sequence our other capital deployment opportunities to eliminate any earnings impact to our plan. We want to recognize the Indiana Commission who continues to work to balance all stakeholder input of our ongoing energy transition as we work towards moving away from more costly coal generation to cleaner, lower-cost generation investments in wind, solar and natural gas.

Those are my updates for the quarter. I am proud of our operational execution, especially in light of the extreme weather some of our jurisdictions endured during the quarter. Our Houston Electric service territory experienced 12 new record demand peaks. Our crews restored transmission lines to mitigate generation congestion, provided relief through voltage reduction, and organizationally took a leading role in socializing the need for customer energy conservation. Through these efforts, we were able to not only keep the power on for our customers, but also manage our O&M while doing so benefiting future customer rates. Although our sector continues to face headwinds, I am still firmly in the belief that our tailwinds such as efficient capital deployment, strong organic growth and O&M reduction opportunities exceed our headwinds. With that, I'll now turn it over to Chris to provide his financial update for the quarter.

Chris Foster – CFO

Before I get started on the financial results, Dave, thank you for your support of me as I sought to hit the ground running, and Jason, congratulations to you.

Today, I'll cover three areas of focus. First, our Q3 results, including our positive revision to 2023 non-GAAP EPS guidance, and the initiation of 2024 non-GAAP EPS guidance. Second, our positively revised capital plan and corresponding financing plan. And third, a look at where we stand today with respect to our balance sheet.

Now, let's start with the financial results on slide 7. As Dave mentioned in his headlines, with three quarters of 2023 behind us, we now have the visibility and confidence to provide an upward revision to our full-year 2023 non-GAAP EPS guidance range from $1.48 to $1.50 per share to $1.49 to $1.51 per share. This increased guidance range reflects projected 9% growth over full-year 2022 actual non-GAAP EPS of $1.38 when using the midpoint. This would represent our third consecutive year of 9% growth.

On a GAAP EPS basis, we reported $0.40 for the third quarter of 2023. Our non-GAAP EPS results for the third quarter remove the results of our now divested non-regulated business Energy Systems Group. On a non-GAAP basis, we also reported $0.40 for the third quarter of 2023, compared to $0.32

in the third quarter of 2022. Growth and rate recovery contributed $0.09, which was driven by the ongoing recovery of various interim mechanisms for which customer rates were updated earlier in the year, such as the transmission tracker or TCOS at Houston Electric and the Texas GRIPS. Also contributing and as Jason noted earlier, during the quarter, we began recovery of two separate mechanisms at Houston Electric, DCRF and TEEEF.

In addition, we continue to see strong organic growth in the Houston area, extending the long-term trend of 1% to 2% average annual customer growth, which continues to benefit both customers and investors. Weather and usage were $0.05 favorable when compared to the same quarter of 2022, primarily driven by the historic summer heat in our Houston Electric service territory. This Q3 warmer weather impact partially offset the unfavorable cooler weather impact of $0.06 we experienced in Q1 and Q2 of this year.

O&M was flat for the third quarter, and $0.02 favorable year-to-date when comparing to the first three quarters of 2022. And we remain laser-focused on reducing O&M by 1% or 2% per year on average, while executing our core work plan to meet our customers' needs. In fact, due to the favorable impact from the weather, we were able to increase Q3 spending on certain O&M items for the benefit of our customers. These O&M activities included accelerated vegetation management, which we see as prudent given the heightened recent drought conditions and other targeted projects that should help us improve safety and reliability for our customers.

Our consistent progress on O&M is clear. Over the last couple of years, we have been able to use hotter summers to increase our spend on O&M for the benefit of our customers. However, when looking at our current O&M trajectory, even with this increased spend, we are anticipating reducing controllable O&M by over 12% since 2021. These are excellent results for customers and investors alike. We continue to look for and execute on additional opportunities each year.

Closing out the earnings drivers for the quarter, favorability from rate recovery and weather were partially offset by an $0.08 increase in interest expense. The continued rising interest rate expense on short-term borrowings was the primary driver for this unfavorability when compared to the third quarter of last year. However, we continue to be opportunistic in reducing short-term floating rate debt exposure. I'll discuss this in greater detail in just a moment.

Let me now focus a bit on our 2023 capital plan, which you can see here on slide 8. The third quarter of 2023 represents yet another quarter of sound capital deployment execution as we invested $1.1 billion for the benefit of our customers and communities. This brings our year-to-date total investments to $3.4 billion year-to-date across our various service territories, or over 80% of 2023 capital plan.

Additionally, as Dave mentioned in his headlines, we are now able to incorporate an additional $200 million of customer-focused investments in 2023, which increases our full-year 2023 capital plan from $4 billion to $4.2 billion.

Let me provide a little context around this update. This year saw a couple of operational factors beyond the second DCRF law that benefited us. First, we did not experience the temporary loss of our great frontline crews to mutual aid requests, as there were not major weather events that activated that need. With those crews at the ready to execute more work, we were able to support our continued customer growth of over 2% in our Texas Electric business, as well as advance some of our pipeline modernization work at our Texas Gas business as opposed to waiting until next year. I'm proud of the team's ability to be nimble in this way as we continue to invest in safety, reliability and resiliency for our customers.

Now turning to our 2024 non-GAAP earnings guidance. As we enter the final quarter of 2023 with confidence in our ability to deliver strong full-year results, we are already looking to next year. And going forward, we would intend for our traditional rhythm to be to provide subsequent year non-GAAP EPS guidance for you in the third quarter of the prior year. And as a result, today, we are initiating our 2024 non-GAAP EPS guidance range of
$1.61 to $1.63 per share. This would represent an 8% earnings growth over our now higher expected 2023 earnings midpoint.

Beyond 2024, we continue to target the mid-to-high end of 6% to 8% non-GAAP EPS growth through 2030. We also target growing dividends in line with earnings. And as some of you may have noticed, we took the step to increase our dividend this quarter from $0.19 to $0.20, which represents a 10% increase over the last 12 months, one of the highest increases in the sector. Supporting this 2024 growth is our now revised capital plan. For 2024, we are targeting to deploy $3.7 billion of customer-driven capital to support the growth, resiliency and safety of our system for our customers.

On top of the incremental $200 million added to the 2023 capital plan, we will add approximately $300 million of incremental capital to the existing $43.4 billion 10-year capital plan through 2030. This brings our new total amount to $43.9 billion. This $300 million is anticipated to be deployed in 2024 and 2025. Allow me a minute to step back, and give all of you a feel for our thinking here on this upward revision.

It's much like we've said before, we need to be able to efficiently execute, fund and recover our costs as we think about including more capital for customers. This additional capital represent our move to take advantage of a few factors. First, we have the opportunity provided by the recent resiliency legislation that passed in the Texas Legislature, where we can start to pull some of that work into play soon, and the team has come a long way on better capital execution in recent years. I want to take a moment and put in perspective just how far we've progressed in our capital plan since our last Analyst Day in 2021.

The new $43.9 billion capital plan through 2030 is nearly 10% higher than the $40 billion-plus plan we outlined when we hosted that Analyst Day, and with our revised 2023 capital target, we will have deployed over $12.5 billion in capital since the beginning of 2021, over $1 billion more than our then market capitalization. Additionally, the five-year capital target of $18 billion-plus communicated back in 2021 and which now stands at over $21 billion, represents over a 16% increase in capital. At that same prior Analyst Day, we also announced that we did not need any equity to fund our $40 billion-plus capital plan, nor did we need equity to fund the previous increases to $43.4 billion. And that was still the case when we referenced our most recent revision to $43.4 billion, in part due to the financing lift from the non-core ESG transaction we announced in the last quarter.

However, as we have previously said, as our capital plan grows and as we began to spend incremental capital beyond the $43.4 billion plan, equity or equity-like funding would be required. And the reason for this is simple. While we are committed to making customer-focused investments for safety, reliability and resiliency, we are equally committed to preserving a strong balance sheet. As we go forward and evaluate acceleration of incremental growth capital additions to our plan, you should assume that we will fund in line with our consolidated capital structure.

So, it follows today that in order to efficiently fund the $500 million of incremental capital opportunities I discussed a moment ago, we anticipate initiating a modest ATM program in 2024 of approximately $250 million. Ultimately, we see this capital we highlighted today, along with the ATM, introducing additional flexibility for our future plans. And as we've said before, we will continue to evaluate efficient funding for future incremental capital that we formally fold into the plan.

To be clear, any ATM program proceeds are dedicated to enhance growth and incremental capital investments. The equity issued under this program will in no way reduce our earnings growth targets through 2030. As discussed, we continue to reaffirm our target 8% next year and the mid-to-high end of 6% to 8% thereafter through 2030.

With our revised capital plan, we are still intently focused on delivering work affordably. We continue to target our customer delivery charges at Houston Electric to be equal to or less than the historic inflation rate of 2%. We have confidence in our ability to achieve this through Houston's tremendous organic growth, securitization charges rolling off the bill later next year, and our plan to reduce O&M 1% to 2% per year on average.

A great example of our ability to keep customer charges manageable even as we make our system more resilient, can be found in Q3. Even with the recovery of more than $700 million in investments in our temporary emergency generation now being included in customer rates, customer charges have increased at less than an annual average of 1%. We have a strong track record on bringing focus to affordability, and smoothing of rates for our customers. Like Dave mentioned earlier, our average charge was $49 10 years ago, and it's averaging $49 today.

Finally, I will cover some of our financing and credit related topics on slide 9. As of the end of the third quarter, our calculated FFO to debt was 14.3%. This represents an expected increase from Q2 as the recovery of our investments accelerates going into the back half of the year. We anticipate this acceleration to continue through Q4 of this year as we will have a full quarter recovery on our DCRF and TEEEF investments that we indicated began on September 1st. We continue to target FFO to debt of 14% to 15%, which runs through 2030, and importantly provides at least 100 basis points of cushion to our downgrade threshold of 13%.

As a reminder, we are carrying approximately $400 million of debt at the parent, which was issued to fund our higher equity layer at Houston Electric and Texas Gas, which we believe is the proper capitalization of these businesses. Another area in which we've seen improvement is the continued reduction of our exposure to floating rate debt. Through the third quarter, we reduced floating rate debt to approximately $1.8 billion, which represents a 60% reduction from the beginning of 2023. We continue to be opportunistic in reducing this balance further and the convertible bond issuance during the quarter is a great example of capitalizing on opportunities.Our $1 billion convertible issuance allowed us to redeem our $800 million Series A preferred shares that were set to go floating during the quarter on September 1st of the year at nearly 9%. So, some good opportunistic savings were achieved there. The remaining approximately $200 million of convertible bond proceeds allowed us to pay down commercial paper, contributing to the net reduction of floating rate debt exposure.

Lastly, after quarter close, we issued $450 million of private placement notes at SIGECO. As we've noted in prior quarters, this was an opportunity to fund the entity on a standalone basis rather than relying on intercompany borrowings from the parent. On a go-forward basis, this should translate to a lower relative cost of borrowing versus the parent. And as a result, this reduced parent-level debt to total borrowing by another 2%. This is a milestone as our final step of the Vectren financing integration.

We remain intensely focused on maintaining a strong balance sheet, especially in what appears to be a higher- for-longer interest rate environment. We have worked hard to build an additional conservatism in our long-term plan, and today shows another step of progressing that plan for our customers and investors. This shared focus on good planning is what we believe will allow us to continue to execute, even in the face of continued headwinds.

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

Dave Lesar – CEO

As you heard from us today, we now have 14 straight quarters of meeting or exceeding expectations. We are a pure-play, regulated, premium utility, and on a course to continue execution of our current plan with incremental growth opportunities to support our customers well beyond that. Thank you for listening to me tell our story for the past 3.5 years. This has been a great ride, and I look forward to finding my next opportunity. We also look forward to celebrating Jason's promotion with all of you at EEI.

Jackie Richert – VP, Investor Relations and Treasurer

Thank you, Dave. Operator, we'll now turn it back to you for Q&A.

Q&A

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

Q

Hey, guys. Good morning.

A

Good morning Shar,

A

Good morning.

Q

Good morning. So, I want to just touch on the confidence that's going into 2024 and obviously growing at the top- end from the raised guidance. I guess how are you kind of maybe addressing the headwinds like interest rate pressures on about $1 billion worth of maturities? And you do have some additions you've been talking about this. You have rate cases, right, in Texas, Indiana and Minnesota that you have to get through, which could also create some lag, so lot of moving pieces. So, I guess where are the levers, and just talk about your confidence level in these cases [indiscernible] dictate 2024 and beyond.

A

Sure, Shar. Thanks for the question. I think there's probably three things I would focus on. I'll make sure to hit the rate case piece, and in fact let Jason to maybe give you some color there. I think there's probably three things that give us the confidence. First is the thoughtful capital planning, where we're now seeing some of the benefit with improved regulatory mechanisms. Second is O&M discipline that we're starting really continuing to improve on.
Third would be just really looking across the plan for incremental opportunities as we go.

So, I'll unpack each of those. On the capital side, we're now experiencing some of the benefits that are layering in over the increases that we've put in over the last 18 months. And on top of that, we've got the Texas legislation that passed earlier this year that's going to help reduce the regulatory lag. And we'll start to see some of the benefit of those investments in 2024 and 2025. And so, we think that ability to file two DCRFs per year in particular, and that incremental recovery of incentive comp can help us reduce regulatory lag by about half.

On the O&M side, really, as Dave said in particular, we continue to be focused on reducing O&M 1% to 2% on average. And you heard that now that we're looking back and really 2021 forward, we're now looking at a 12% reduction, which is pretty substantial. Then lastly, I was getting at looking really across the plan. And so, there, although not really O&M-specific, we're looking at exploring some savings opportunities with respect to income tax.
And so, if you divested all of those non-regulated entities within the company that were of any real material size, we've been looking to ensure that there's an efficient state income tax structure that exists beyond that. So, we're looking here in the near term for some potential tax savings as well.

Maybe I'll just kick it to Jason for more color on the regulatory cases.

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Sure

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Yeah. Thanks, Chris. And, Shar, I would say that the extension of the filing date for Houston Electric will not create any additional regulatory lag. I want to be clear about that. As a quick reminder, we have access to the DCRF and TCOS, the capital recovery mechanisms up to the date that we make that rate case filing. So, we don't see this extension in the filing date creating any additional regulatory lag.

Q

Got it. Okay. Perfect. And then just lastly, obviously appreciate the CapEx increase and the modest step-up in equity. What's left in the upside CapEx you've highlighted in the past versus what you put into plan? And I guess is there any reason to even track that anymore given the incremental opportunities? It's obviously not something you guys have highlighted on the deck, so.

A

Yeah. Thanks, Shar. And I think you hit it at the end of your question there. Candidly, I don't think that there's a reason to continue to track. What we had originally for our last quarter articulated is a $2.6 billion set of capital opportunities that were outside of the plan. Candidly, as we've gone through our planning process for 2024 and looking at our long-term plans, the pipeline of additional CapEx opportunities above our now $43.9 billion CapEx plan remains significant, well in excess of that $2.6 billion. And so, I think it...

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Yeah.

A

Just becomes a confusing factor to reconcile that. I think we've earned the confidence and track record that pipeline of opportunities is deep, and as we see the opportunity to efficiently execute them, efficiently fund them, and efficiently recover them, we will continue to fold them in for the benefit of our customers.

A

Okay, perfect. Jason, congrats to you on phase 2, and obviously not a surprise to anyone. And Dave, congrats to you on your next phase. And if you're not bored of the utility sector, I'm sure there're other utilities that may need your help this year. Thanks.

A

Yeah

A

Yeah, I’m not bored of the utility. Thanks, Shar. Thanks!

Operator: Please stand by for the next question. The next question comes from Steve Fleishman with Wolfe Research. Your line is open.

Q

Yeah. Hi. Good morning. Thanks. First, my condolences on the Astros, but more importantly, congrats to Dave on a great job, and very happy for you, Jason.

A

Thank you , Steve

A Thanks, Steve

Q So, I

A

I'm not thanking you for the Astros. I', thanking you for (indiscernible)

Q

Yea, I know, Dave you can win every year in the utility business, but you can't in baseball, so.

A

Yeah, So true.

Q

Got to give. So, I guess just could you give a little color on the $250 million of equity of just kind of should we expect that to be kind of largely done kind of during the year next year? And then, is there anything to just read into it about in the past you talked about kind of asset sale potential and things like that. Is that just less likely now given the market environment or is it maybe just the needs are not enough to consider asset sale as you're kind of feathering this in the incremental CapEx? Thanks.

A

Sure, Steve. Happy to hit it. I think if you just look at what we updated today, we took the plan from $43.4 billion to

$43.9 billion. And really fairly, relatively small amount of the CapEx increase, but one that we thought was reasonably funded with the modest movement in the ATM of introducing it to $250 million. Stepping back going forward, if you look at kind of how we've articulated it previously, we've probably been putting ourselves in the position to talk about the longer-term CapEx plan and the associated refresh. Really, once we get through the key rate cases there in front of us at this stage.

Pointing to kind of the last factor that you mentioned, we're going to consistently look at the most efficient way to fund our equity going forward. But I just want to be clear that we are talking about at this stage any future considerations on an ATM would be incremental to the $43.9 billion, right. So, they'd really be growth-centric beyond the $43.9 billion that we're talking about today. And again, we'll be looking to do that larger capital refresh once we can work our way through these cases.

Q

Okay, great. Thanks. I'll leave it to others for questions. Thank you

A

Thanks, Steve

A

Thanks, Steve

Operator: Please stand by for the next question. The next question comes from Julien Dumoulin-Smith with Bank of America. Your line is open.

Q

Hey. Good morning. And congratulations, guys. Well done. Jason, look forward to more.

A

Good morning, Thanks Julien .

Q

Yeah, absolutely. All righty. Just wanted to pivot back to that last question a little bit. I mean, incremental resiliency spending through some of these filings in Texas seems like a pretty clear opportunity. I know it's preliminary. Can you elaborate a little bit more about that upside relative to the $2.6 billion you guys had articulated earlier? I get that there's kind of a "big opportunity", but just the sense of what you guys are seeing out there. I know some out there are really putting some big numbers.

And then related, if you can, how does that timeline square up with the Texas Electric case here, if at all, to the extent to which that drove some of that timeline consideration? And then maybe lastly, I'll throw in this since it's related, how do you think about the merits of further LDC asset sales versus ATM, considering there's upside in the plan tied to resiliency or what have you? Again, I get that the modest-size ATM is sort of tied to the modest CapEx increase. But as you think about these bigger, chunkier increases, is that still on the table or is it little bit in the back burner considering the backdrop today?

A

Yeah. Thanks, Julien. There's a lot to unpack there. On the CapEx side of things, let me just say last quarter, we had talked about pipeline of opportunities of $2.6 billion outside of the plan. As we've gone through our planning process, it is well in excess of that. I think those opportunities are in all kind of aspects of our business. I mean, you hit on it. I think the resiliency opportunity here at Houston Electric remains significant. I think it's a real question around the pace of work. And we're in the middle of preparing that filing that I'll come back to in a minute. But resiliency is clearly a key driver. But I equally see an incredible amount of opportunities on our gas side as well, particularly given all of the growth that we've seen here in Texas for our Texas Gas business.

So, I would say they're equally weighted. They're well in excess of the $2.6 billion we used to track. We're just moving away from tracking that because it becomes confusing what's in the plan, what's out of the plan, how does it adjust quarter by quarter? But suffice it to say, it remains a deep pipeline of opportunities.

With respect to the filing timing, we are waiting for the final set of rules to be voted out by the PUC team, likely in December here. We will then – and we are now currently preparing our filing, which will likely be sometime, kind of late in the first quarter for that, that resiliency filing. I think this is a – incredible piece of legislation and we're excited about proposing plans to really enhance – continue to enhance the resiliency of our Houston Electric business. And so more to come there, I think as it relates to the timing of the filing, it will likely come in maybe a month or two or so before we file the Houston Electric rate case. So it'll be a busy regulatory calendar for the Houston Electric business next year, but roughly kind of the same time, as I said, end of first quarter for their resiliency filing a little bit after that for the Houston Electric filing.

And then sort of more broadly on asset sales, look, we love the businesses we run. It's a privilege to serve all of our communities. We constantly receive inbound interest on, all of our assets. And as we think about additional movements, increases in our CapEx plan, I think we've earned the confidence that we will find the most efficient way to finance that incremental growth. So I would say, we will make the right decision to maximize value for all of our stakeholders as we look to funding this incremental capital pipeline that I articulated.

Q

Got it. Excellent. Nicely done. And then just quick clarification there, you made an allusion to some CapEx timing shifts in Indiana based on the renewable project. Just what's the backfill plan, if you can elaborate a little bit more?

A

Well, some of it's already underway. I mean, I think some of the capital that we've announced today, we're executing that capital, putting that capital into service that will allow us then to begin to seek recovery of it next year and [ph] fully earn on it (00:49:53) in 2025. And so, this pattern of looking out in the plan and seek resequencing capital has been something that I think we've built the track record for. Originally when the Department of Commerce opened up its original investigation that moved the timing on a handful of our original solar projects. We seamlessly accelerated some capital, particularly here in Houston Electric to offset that. And effectively, that's what we're doing today with this CapEx increase. So yeah, I think the important part about these renewable generation projects up in Indiana and I think, it's important to reemphasize, it represents less than 10% of our total CapEx for the company. And so it gives us a great deal of flexibility as we see the potential slowdown in, operational dates for those plants. We can accelerate either in the other electric or gas portions of our business.

A

Congrats again, guys. See you soon. All right.

A

Thanks, Julien.

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

Q

Congratulations again to Dave and Jason here. Great to see and maybe just kind of picking up with this point. Obviously, Dave is a big figure in the City of Houston, very ingrained in the culture there. Just wondering, Jason, if you could maybe speak a bit, I guess, having moved to Texas, how you feel, your relationships with the local community stakeholders has evolved over time, being somewhat newer to the city?

A

Yeah. Thanks for the question, Jeremy. I appreciate it. Obviously, incredibly big shoes to fill from the standpoint of Dave's status in the community here. But, I've been working since I hit the ground here with a variety of organizations outside of Houston Electric and obviously our greater CenterPoint family. So I'm deeply involved in the community serving a number of different interests. I would say that Houston is a very welcoming and transitory community with a strong civic focus, and I've been able to tap into that to build a broad network. My focus isn't just on Houston alone, it's incredibly important and I think the activities, outside of my day job here at CenterPoint reflect my commitment to the community. But, even this week, we were up in Minnesota meeting with the Governor and other elected officials around priorities for our Minnesota gas business. I continue make my way around our full service territory. And so, I think and hopefully you have seen, I understand, the importance of being involved in our communities, Houston being obviously our home base, but we have the privilege to serve six states and want to be active in all of them.

A

Yeah, let me just add little something to that, it's hard. As you know, Jason is a humble guy and he finds it hard to pat himself on the back. But I think he's done a great job in three plus years. He's been here in the Houston community and in the broader places that CenterPoint serves, and I think he's doing a great job there. He's embedding himself in the community. I'm not going anywhere, and I think, it's going to be all easily handled, and I don't think there should be any concern at all about it.

Q

Got it. That's great to hear. Thank you for that. And then maybe just pivoting over towards Minnesota, if I could, I think you touched on the potential to change the structure of the filing to two-year forward looking rate case instead of one year and just I was wondering [ph] with that raised your earn (00:54:00) return expectations in the jurisdiction if this does come to fruition? And is this a benefit to CenterPoint's outlook if the Commission approves for the two-year test look there.

A

I think it's just an overall sort of smoothing of rate increases for customers and sort of consistent with a common theme around a lot of our regulatory update today, sort of simplifying our rate case schedule. I wouldn't really look at it, as much as an earned return. Minnesota is the one state that we operate in that has a forward-looking test year. Historically, what I used to say was that, in even years we would see a revenue increase and in odd years, we wouldn't see any increase until we'd have to overcome, that regulatory lag on odd years. This filing for a two- year forward test year begins to address that profile and so again, starts to reduce a little bit of regulatory lag, smooths rate increases for our customers and overall reduces the administrative burden. So we're excited about making that filing next week.

A

Got it. That's very helpful. I'll leave it there. Thanks.

A

Operator, we have time for one more question.

Operator: The last question will come from David Arcaro with Morgan Stanley. David, your line is open.

Q

Hey, good morning. Thanks so much for taking my question and congrats to both Dave and Jason as well.

A

Thank you David.

A

Thank you.

Q

I was wondering just on the Houston Electric rate case filing, I appreciate the color there. And just wondering if you could dig a little more into, have there been any changes in your expected -- expectations in terms of the size of the revenue requirement asked does it gives you an opportunity to capture any kind of chunkier capital projects that might have been, completed in the fourth quarter this year or any O&M savings, things like that, as you head into that second quarter timing?

A

Yeah, David, I appreciate the question. And the short answer is no. I don't think the expansion was for that reason, really with the fact we have now two – the opportunity for two DCRFs, and two TCOS a year, the rate case, Houston Electric largely becomes a rate case that centers around cost of capital, around depreciation rates and any deferred regulatory assets and liabilities. As I mentioned, we have the opportunity to seek recovery of capital that we're spending now and through the fourth quarter up until the time we file that rate case through the DCRF and TCOS mechanisms. And so I wouldn't really look at this extension as opportunity for us to address any capital, really is going to be a case that involves revolves around cost of capital, O&M and regulatory assets.

And back to sort of the first part of your question, no, there's no fundamental change. I think we're looking at the potential for a small revenue decline, potentially a flat revenue increase when we – I've been clear that we're going to advocate for a higher cost of capital. But we – as we forecast what that calendar year test year is going to look like, we have reduced O&M more than the increases that we would propose from a cost of capital. So I think that should put us in a standpoint of filing for a revenue requirement, again, relatively flat, potentially modest decrease as we've communicated in the past.

Q

Okay, great. Thanks. That's helpful. And maybe just on the floating rate debt that the $1.8 billion you still get out there, do you plan to continue to reduce that and term it out going forward or is the level it's at now the comfortable balance overall as you think about capitalization?

A

Sure. Hey, Dave. I think, first of all, I got to give some credit to the team for working down even what we walked into this year with 27% floating rate debt as a percent of the total, we're now at about 10%. So really good progress there. As we look at near-term financing, even looking into earlier next year, just as an example for what we think, how we think this is manageable, we're looking at roughly $700 million at CNP. And just to give you a feel for that, that component of our outstanding floating rate already sits at 5.8%. And so, as you can imagine, given where things are right now, we think it's pretty manageable. In fact, we might be opportunistic in going after that relatively soon. So just give you an example of we're already looking here and have laid out kind of the next couple of years for you in terms of what's in front of us and think it's manageable at this stage, even with the longer for higher kind of macro theme that's going on right now.

A

Okay. Before we go off the call, I would just want to thank all of our shareholders and analysts that are on the call that have believed in me, in our story and just stick with us because the best is yet to come. Thank you.

Operator: I would now...

Thank you, operator.

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

Third Quarter 2023 Earnings Conference Call
October 26, 2023

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 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 timing and extent of CenterPoint's recovery, including with regards to its generation transition plans and projects, mobile generation spend, projects included in CenterPoint's Natural Gas Innovation Plan, and projects included under its 10-year capital plan, the extent of anticipated benefits of new legislation, future earnings and guidance, including long-term growth rate, customer charges, operations and maintenance expense reductions, financing plans (including the timing of any future equity issuances, securitization, credit metrics and parent level debt), the timing and anticipated benefits of our generation transition plan, including our 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, 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 ESG 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 Energy's business strategies and strategic initiatives, restructurings, including the internal restructuring of certain subsidiaries, joint ventures and acquisitions or dispositions of assets or businesses, including the completed sales of our Natural Gas businesses in Arkansas and Oklahoma, and Energy Systems Group, and the exit from midstream, which we cannot assure you will have the anticipated benefits to us; (2) industrial, commercial and residential growth in CenterPoint

Energy's service territories and changes in market demand; (3) CenterPoint Energy's ability to fund and invest planned capital, and the timely recovery of its investments; (4) financial market and general economic conditions, including access to debt and equity capital, inflation, interest rates and instability of banking institutions and their effect on sales, prices and costs; (5) continued disruptions to the global supply chain and increases in commodity prices; (6) actions by credit rating agencies, including any potential downgrades to credit ratings; (7) the timing and impact of regulatory proceedings and actions and legal proceedings, including those related to Houston Electric's mobile generation and the February 2021 winter storm event; (8) legislative decisions, including tax and developments related to the environment such as global climate change, air emissions, carbon, waste water discharges and the handling of coal combustion residuals, among others, and CenterPoint Energy's net zero and carbon emissions reduction goals; (9) the impact of pandemics, including the COVID-19 pandemic; (10) the recording of impairment charges; (11) weather variations and CenterPoint Energy's ability to mitigate weather impacts, including approval and timing of securitization issuances; (12) changes in business plans; (13) CenterPoint Energy's ability to execute on its initiatives, targets and goals, including its net zero and carbon emissions reduction goals and operations and maintenance goals; and (14) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and CenterPoint Energy's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2023, June 30, 2023, and September 30, 2023, including under "Risk Factors," "Cautionary Statements Regarding Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in such reports and in other filings with the Securities and Exchange Commission ("SEC") by the Company, which can be found at www.centerpointenergy.com on the Investor Relations page or on the SEC website at www.sec.gov.

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

Use of Non-GAAP Financial Measures

In this document, CenterPoint Energy presents, based on diluted earnings per share, non-GAAP income, non-GAAP earnings per share ("non-GAAP EPS"), as well as non-GAAP funds from operation / non-GAAP rating agency adjusted debt ("FFO/Debt") which are not generally accepted accounting principles ("GAAP") financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance that excludes or includes amounts that are not normally excluded or included in the most directly comparable GAAP financial measure.

2022 and 2023 non-GAAP EPS excluded and 2023 and 2024 non-GAAP EPS guidance excludes: (a) Earnings or losses from the change in value of ZENS and related securities, (b) (for 2022) Gain and impact, including related expenses, associated with Arkansas and Oklahoma gas LDC sales, (c) (for 2022) Income and expense related to ownership and disposal of Energy Transfer common and Series G preferred units, and a corresponding amount of debt related to the units and (d) (for 2023 and 2024) Impact, including related expenses, associated with mergers and divestitures such as the divestiture of Energy Systems Group. 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 2023 and 2024 non-GAAP EPS guidance ranges 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 2023 and 2024 non-GAAP EPS guidance ranges 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 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, non-recurring items and defined benefit plan, as well as non-recurring Winter Strom Uri related securitization proceeds. Non-GAAP rating agency adjusted debt adds to Total Debt, net certain adjustments consistent with Moody's methodology, including adjustments related to Series A preferred stock, pension benefit obligations, and operating lease liabilities, as well as non-recurring Winter Storm Uri debt. CenterPoint Energy is unable to present a quantitative reconciliation of forward-looking FFO/Debt because certain adjustments and other unusual items are not estimable and are difficult to predict due to various factors outside of management's control.

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 to FFO/Debt is provided in the appendix of CenterPoint Energy'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 non-GAAP 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 (in the case of non-GAAP EPS) and net cash provided by operating activities to total debt, net which, respectively, are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.

Net Zero Disclaimer

Our **Scope 1 emissions** estimates are calculated from emissions that directly come from our operations. Our **Scope 2 emissions** estimates are calculated from emissions that indirectly come from our energy usage, but because Texas is in an unregulated market, our Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and exclude emissions related to purchased power between 2024E-2026E. Our **Scope 3 emissions** estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) Form EIA-176 reports and do not take into account the emissions of transport customers and emissions related to upstream extraction. While we believe that we have a clear path towards achieving our net zero emissions (Scope 1 and Scope 2) by 2035 goals, our analysis and path forward required us to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of our underlying assumptions prove incorrect, our actual results and ability to achieve net zero emissions by 2035 could differ materially from our expectations. Certain of the assumptions that could impact our ability to meet our net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with Company expectations (inclusive of changes related to the sale of our Natural Gas businesses in Arkansas and Oklahoma); regulatory approval of Indiana Electric's generation transition plan; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; our ability to implement our modernization plans for our pipelines and facilities; the ability to complete and implement generation alternatives to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of 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.