



**First Quarter 2020 Earnings Conference Call
May 7, 2020**

David Mordy – Director of Investor Relations

Thank you, Joelle. Good morning, everyone. Welcome to our first quarter 2020 earnings conference call. John Somerhalder, interim president and CEO, and Kristie Colvin, interim executive vice president and CFO, will discuss our first quarter 2020 results and provide highlights on other key areas. Also with us this morning are several other members of management who will be available during the Q&A portion of our call.

In conjunction with our call, we will be using slides which can be found under the Investors' section on our website, CenterPointEnergy.com. Please note that we may announce material information using SEC filings, news releases, public conference calls, webcasts and posts to the Investors' section of our website.

Today, management will discuss certain topics that will contain projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon factors, including weather, regulatory actions, the economy and unemployment, commodity prices, the impact of the COVID-19 pandemic and other risk factors noted in our SEC filings.

We will also discuss guidance for 2020. To provide greater transparency on utility earnings, 2020 guidance will be presented in two components, a guidance basis Utility EPS



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range and a Midstream Investments EPS expected range. Please refer to slide 26 in the appendix for further detail.

Utility EPS guidance range includes net income from Houston Electric, Indiana Electric and Natural Gas Distribution business segments, as well as after tax operating income from the Corporate and Other business segment. The 2020 utility EPS guidance range considers operations performance to date and assumptions for certain significant variables that may impact earnings, such as customer growth (approximately 2% for electric operations and 1% for natural gas distribution) and usage including normal weather, throughput, recovery of capital invested through rate cases and other rate filings, effective tax rates, financing activities and related interest rates, regulatory and judicial proceedings, anticipated cost savings as a result of the merger and reflects dilution and earnings as if the newly issued preferred stock were issued as common stock. In addition, guidance incorporates a COVID-19 scenario range of \$0.05 to \$0.08 which assumes reduced demand levels with April as the peak and reflects anticipated deferral and recovery of incremental expenses, including bad debt. The COVID-19 scenario also assumes a gradual re-opening of the economy in our service territories, leading to diminishing levels of demand reduction, which would continue through August. To the extent actual recovery deviates from these COVID-19 scenario assumptions, the 2020 Utility EPS guidance range may not be met and our projected full-year guidance range may change. The utility EPS guidance range also assumes an allocation of corporate overhead based upon its relative earnings contribution. Corporate overhead consists of interest expense, preferred stock



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dividend requirements, income on Enable preferred units and other items directly attributable to the parent along with the associated income taxes.

Utility EPS guidance excludes:

- Midstream Investments EPS range
- Results related to Infrastructure Services and Energy Services, and anticipated costs and impairment resulting from the sale of these businesses
- Certain integration and transaction-related fees and expenses associated with the merger
- Severance costs
- Earnings or losses from the change in value of ZENS and related securities, and
- Changes in accounting standards

In providing this guidance, CenterPoint Energy uses a non-GAAP measure of adjusted diluted earnings per share that does not consider the items noted above and other potential impacts, including unusual items, which could have a material impact on GAAP reported results for the applicable guidance period.

In providing the 2020 EPS expected range for Midstream Investments, the company assumes a 53.7 percent limited partner ownership interest in Enable and includes the amortization of our basis differential in Enable and assumes an allocation of CenterPoint Energy



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corporate overhead based upon Midstream Investments relative earnings contribution. The Midstream Investments EPS expected range reflects dilution and earnings as if the CenterPoint Energy newly issued preferred stock were issued as common stock. The company also takes into account such factors as Enable's most recent public outlook for 2020 dated May 6, 2020, and effective tax rates. The company does not include other potential impacts such as any changes in accounting standards, impairments or Enable's unusual items.

For a reconciliation of the non-GAAP measures used in providing earnings guidance in today's call, please refer to our earnings news release and our slides on our website.

Before John begins, I would like to mention that this call is being recorded. Information on how to access the replay can be found on our website.

I'd now like to turn the call over to John.

John Somerhalder – President & CEO

Thank you, David, and good morning ladies and gentlemen. We will start with slide 4. Let me begin by thanking our employees in the field. Our linemen, service technicians and other field employees are essential personnel, vital to supporting the communities we serve. During these unprecedented times, we are extremely proud of the tremendous efforts our employees are making every day to continue providing safe and reliable electricity and natural gas to our customers. Thank you all for representing CenterPoint well and living up to our brand promise of being "Always There".



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This morning our company announced strong first quarter results, along with several other key announcements, highlighted on slide 5.

Over the past year, CenterPoint Energy's portfolio transformation has shown the company's strategic commitment to increasing its focus on the regulated utility sector. This portfolio transformation is better aligned with investors' risk return objectives and has earned the support of several highly credible investors. As a result, today the company announced a \$1.4 billion transaction, which was comprised of \$725 million of shares of mandatory convertible preferred stock and \$675 million of shares of common stock, as detailed on slide 6. This transaction, in combination with the cash proceeds received from the recent sale of Miller Pipeline and Minnesota Limited, or Infrastructure Services business, and the pending sale of CenterPoint Energy Services, will be used to de-lever CenterPoint's balance sheet, further strengthening its investment-grade credit metrics and overall credit profile. As a result of this action, measures announced on April 1st, and current assumptions, we anticipate that the company will not raise additional equity capital through 2022.

These equity issuances highlight the substantial value proposition of CenterPoint as a premier regulated utility with high growth opportunity. The company's robust 5-year \$13 billion capital investment program, combined with a strong regulatory strategy and keen O&M discipline, are anticipated to drive 5 – 7% utility earnings compounded annual growth over the planning horizon, all while keeping customer rates low. CenterPoint is uniquely positioned to operate from a place of heightened strength and flexibility while remaining focused on



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providing safe, reliable and affordable services to its customers and executing on the wide range of long-term opportunities across its utility businesses.

Additionally, turning to slide 7, the company has also appointed two new outside directors to serve on the company's board, bringing the total number of directors on the Board to 10. These directors come to the Board with exemplary leadership experience, unique backgrounds and well-matched skillsets tailored for the needs and opportunities ahead for CenterPoint. In addition to the new director appointments, the Board has formed a new advisory Business Review and Evaluation Committee of the Board. The new Committee will assist the Board in evaluating strategic business actions and alternatives related to CenterPoint's portfolio of businesses, assets and other ownership interests to further enhance the Company's financial strength, positioning and value proposition.

I would now like to provide an update on the COVID-19 pandemic. Turning to slide 8, safety is our top priority and we have implemented social distancing protocol, rotational shifts and alternative work facilities in order to enhance the safety of our customers, employees and contractors. The CenterPoint Energy Foundation has also created a \$1.5 million relief fund to assist nonprofit organizations within our service territories with the effects of the pandemic. The COVID-19 pandemic has impacted almost every facet of our customers' lives and we believe it is more important than ever to support the communities that we serve.

We continue to deliver the same reliable service our customers rightfully expect from us. Since the start of the pandemic, we have not experienced material interruptions in our



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supply chain. Our safety precautions allow us to continue moving forward with planned capital projects and we continue to anticipate filing an Integrated Resource Plan in Indiana in the second quarter.

Moving to slide 9, we delivered first quarter guidance basis utility EPS of 50 cents per share, excluding impairments, compared with 41 cents for the first quarter of 2019. Rate relief, customer growth, O&M savings and favorable tax impacts associated with the CARES Act as well as having a full quarter for the legacy Vectren utilities were the primary contributors to the improvement. For full year 2020, we are reiterating our utility guidance basis EPS range, projected to deliver \$1.10 to \$1.20 in adjusted earnings. We are projecting that earnings dilution from a higher share count attributable to the equity issuances we announced this morning and the negative earnings impact from COVID-19 will be offset by the previously announced O&M reductions as well as tax benefit from the CARES Act.

Turning to slide 10, regulators have been broadly supportive of the recovery of increased bad debt and other incremental COVID-19 pandemic-related expenses. Nearly 70% of our jurisdictions have a form of pandemic mechanism in place. In our largest service territory, the Public Utility Commission of Texas approved a mechanism to assist the Retail Electric Providers with increased bad debt expense, as well as to cover pandemic-related expenses Houston Electric will encounter. As a reminder, approximately 70 Retail Electric Providers make up the customer base of Houston Electric. We will continue working with



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regulators in all of the states we serve to ensure customers impacted by the pandemic are supported.

During the first quarter, we experienced very minimal demand impacts associated with COVID-19, as the “Stay at Home” restrictions began to take effect across the communities we serve towards the end of March. On slide 11, we have provided an early estimated demand impact for April and the anticipated impact on our full-year guidance assumption. As a result of “Stay at Home” practices, we estimate a modest decline in April demand for our commercial and small industrial electric customers, partially offset by increased residential usage due to folks staying in and working from home. Natural gas distribution commercial and industrial demand reduction was influenced primarily by restaurant, retail and manufacturing closures. In total, we estimate that reduced demand impacted Utility EPS by 1 to 2 cents in April. Overall, based on past experience, we believe our rates have become less sensitive to demand shocks as a result of rate design efforts in recent years. I will note that the Houston Electric sensitivities incorporate rates that went into effect in April. For the purposes of our full-year 2020 guidance, the range assumes April to be the peak of reduced demand levels and reflects anticipated deferral and recovery of incremental expenses, including bad debt. As states are beginning to loosen “Stay at Home” restrictions, we assumed a gradual re-opening of the economy in our service territories, leading to diminishing levels of demand reduction, which would continue through August in our guidance. Under this scenario, we project the full-year COVID-19 impact to be in the range of 5 to 8 cents to Utility EPS. To the extent actual recovery



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deviates from our COVID-19 scenario assumptions, our projected full-year guidance range may change.

Turning to slide 12, on April 9th we completed the sale of our Infrastructure Services business, providing approximately \$670 million of cash to pay down debt, net of taxes. Completing this sale, along with the pending Energy Services sale, improves our business risk profile, strengthens our credit quality and reduces our earnings volatility. Above all, it is in line with our strategy to increase the contribution of earnings from utilities. These divestitures highlight our commitment to focusing squarely on high organic growth utilities.

Turning to slide 13, many shareholders have asked about Enable's overall health, especially given the distribution cut they announced on April 1st. We are confident in Enable's ability to weather the current downturn for a number of reasons. First and foremost, Enable has a strong balance sheet and a healthy coverage ratio. Second, approximately 1/3rd of Enable's business is associated with Transportation and Storage, which we anticipate will provide earnings stability during the current commodity downturn. Third, dry gas drilling in Haynesville is actually accelerating as oil wells with associated gas in other shale plays are being shut-in. Finally, Enable has both O&M and capital levers they can utilize to help maintain cash flow if volumes drop lower than currently anticipated.

Let me close by summarizing our investor value proposition as shown on slide 14. Following our successful Vectren merger integration and portfolio transformation, CenterPoint is committed to delivering increased shareholder value in the coming years. Our \$13 billion



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capital investment program, combined with a strong regulatory strategy and O&M discipline, are anticipated to drive 5-7% utility EPS growth over our planning horizon. Additionally, we are firmly committed to maintaining solid investment grade credit quality. We believe this framework positions CenterPoint for long-term success and provides a compelling opportunity for shareholders.

I am very pleased to have Kristie Colvin discuss our financial results in greater detail. Kristie has been integral to the success of our finance organization for over 30 years and has outstanding knowledge of every facet of our business. Over the past month she has more than risen to the challenge of leading our finance organization and I am eager to have her interact more with the investment community in the months ahead. Kristie...

Kristie Colvin, CFO

Thank you, John, and good morning everyone. I'm honored to serve as the interim executive vice president and CFO of CenterPoint Energy, and I look forward to meeting many of you in the near future.

Turning to slide 15, let me highlight some key accomplishments within Utility Operations during the first quarter. We deployed approximately \$600 million of utility capital investment and achieved strong fundamental customer growth across both our electric and gas utilities. Additionally, to date, we have identified approximately 60% of our targeted 2020 O&M reductions. We remain steadfast in our focus on disciplined O&M management to support



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long-term earnings growth and maintaining investment-grade credit metrics. On the regulatory front, we made various rate relief filings, including the Houston Electric Transmission and Texas Gas capital recovery mechanisms.

Moving to slide 16, I would like to comment on the non-cash impairments recorded in continuing operations this past quarter. In the first quarter of 2020, CenterPoint recorded an after-tax non-cash impairment charge of approximately \$1.2 billion related to our investment in Enable and the company's share of impairment charges recorded by Enable for goodwill and long-lived assets, and \$185 million related to Indiana Electric. It is important to note these impairments do not affect the company's liquidity, cash flow or compliance with debt covenants. The impairment charge related to our investment in Enable recognizes the severity of the decline in the estimated fair value of our investment. The decline is primarily due to the macroeconomic conditions related in part to COVID-19 and the excess supply and depressed prices of natural gas and oil impacting the midstream industry, combined with Enable's announcement last month to reduce its quarterly distributions per common unit by 50%. With these non-cash charges, we have reduced our balance sheet investment in Enable Midstream from approximately \$2.4 billion to \$848 million. Now I will provide some context regarding the non-cash impairment charge recorded at Indiana Electric of \$185 million. Upon acquisition of this business in the Vectren merger in February 2019, the carrying value of this business unit approximated fair value; therefore, there was minimal cushion to absorb the significant decline in current market conditions as a result of the pandemic. We do not believe that this



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impairment is indicative of the long-term value of this utility, which continues to deliver strong earnings with continued significant capital investment needs.

I would now like to review the quarter-over-quarter Utility Operations and Midstream Investments guidance basis EPS drivers on slide 17. Excluding impairment charges, Utility Operations delivered \$0.50 cents per diluted share and Midstream Investments provided \$0.10 per diluted share for the first quarter of 2020, compared to \$0.41 and \$0.05, respectively, in the first quarter of 2019. Utility Operations delivered a solid performance this quarter, providing 9 cents of positive variance. Rate relief contributed 7 cents of positive variance, largely as a result of the capital recovery mechanisms in Indiana Electric and Texas Gas jurisdictions, along with the implementation of interim rates in Minnesota. Additionally, the first quarter of 2020 benefited approximately 5 cents from an additional month of earnings associated with the jurisdictions acquired through the merger in February 2019. O&M savings provided 3 cents of favorability. Lastly, CenterPoint Energy's continued strong customer growth, primarily along the Texas coast and our Minnesota service territory, provided for 2 cents of positive variance. Partially offsetting these positive variances were higher depreciation and amortization and other tax expense, lower usage and lower equity return, primarily due to the annual true-up of transition charges. The lower usage experienced across our Natural Gas Distribution and Indiana Electric service territories was partially driven by a warmer than normal winter, which accounted for approximately 1 cent of negative earnings variance versus normal. Overall, we were very pleased with the performance of our utilities.



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Turning to slide 18, we discuss our continued discipline in O&M management. Last year our company made great strides through our diligence and keen focus on O&M management by achieving approximately \$100 million of annualized year-over-year O&M savings through merger and other cost efficiencies. Further building on the momentum from 2019, early last month CenterPoint announced that we are targeting approximately \$40 million in incremental O&M savings for 2020 relative to full-year 2019 levels. We expect to achieve approximately half of the targeted incremental 2020 O&M savings from support level functions. We will continue to look for systematic opportunities to align work activities and organizational approaches in support of our utility-focused strategy. This comprehensive approach to O&M management will continue to support EPS growth and maintaining investment-grade credit metrics.

On slide 19, as John previously detailed, the equity issuances announced today demonstrate CenterPoint's commitment to a strong balance sheet and further strengthening of our investment-grade credit metrics and overall credit profile. Our rigorous capital allocation process and on-going disciplined O&M management further support this commitment. These equity issuances eliminate the anticipated equity needs through 2022 and we will target 14 to 14.5% FFO to debt over the long-term planning period.

Turning to slide 20, we are reiterating our 2020 Utility Guidance Basis EPS range of \$1.10 - \$1.20 and 5-7% 5-year EPS growth CAGR. The 2020 guidance range takes into consideration earnings dilution as a result of a higher share count from the announced equity transaction and the potential range of earnings impact of 5 to 8 cents per diluted share associated with the



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COVID-19 pandemic that John previously discussed. These items are expected to be offset by strong first quarter results, the benefit received from previously announced targeted O&M reductions as well as tax benefits from the CARES Act. To the extent actual recovery deviates from these COVID-19 scenario assumptions, our projected full-year guidance range may change.

In closing, the first quarter presented new challenges for not only our business, but the entire industry and global market. Our company was proactive in tackling the challenges presented by COVID-19. Leadership remains focused on our core value of the safety of our employees and the communities we serve delivering reliable and affordable energy. CenterPoint Energy is poised to deliver 5-7% utility EPS growth through execution of our utility strategy and disciplined O&M management while remaining firmly committed to our solid investment grade credit quality.

I'll now turn it back to David.

David Mordy – Director of Investor Relations

Thank you, Kristie. We will now open the call to questions. In the interest of time, I will ask you to limit yourself to one question and a follow up. Joelle....

Operator:

Our first question is from Shar Pourrezza of Guggenheim Partners.

Shar Pourreza:

Hey, guys. So just two questions here, first, starting, sort of, with that strategic level, you have, obviously review processes in place now, so should we think about the range of outcomes that you are foreseeing with this? Could we get a little bit of a sense of core versus non-core, stronger jurisdictions versus maybe those that require a bit more work from your perspective and sort of with an analyst based set, does this sort of imply that an outright sale of the company is not part of this kind of internal review process? And I have a follow-up.

John Somerhalder:

Yeah, I'll start with the last question. Yes, that's correct. This is a – we have strong support for the business and the model we have now. And so what we're going to do is review those businesses to see where we can optimize those and clearly our focus is on – our utility businesses and we feel like – all of our utility businesses have good regulatory compacts and we will always continue to look at how we improve those moving forward and the mechanisms for recovery. But this will be – you know a comprehensive view of all of our businesses, so that we can optimize those as a – as a company moving forward.

Shar Pourreza:

Got it. And then – just lastly – you know you reiterated the utility guidance for 2020 in the 5% to 7% growth which is, you know, very constructive. Can we get maybe a little bit more specific around the moving pieces maintaining these figures? There's a lot of moving pieces i.e. you called out COVID headwinds - is that entirely kind of offset by corporate costs? What's implied with future cost cuts of the parent? What mitigates the dilution in the near-term? So I'm just trying to get a bit of a sense on how all the drivers kind of net out even as we think about beyond 2020? Thank you.

John Somerhalder:

Okay. I'll start out with 2020 and then Kristie can add to it and talk a little bit about moving forward. I mean we took several steps, that we announced back at the beginning of April. Some of them were more driven by credit to make sure we have very solid credit metrics as we move through this year.

And so reducing capital by a \$300 million helped us there, but we announced \$40 million of O&M cuts as well which we had good line of sight as Kristie said about 60% percent of that. So a combination of a good first quarter, those O&M savings, and the CARES act that has the tax



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benefit and Kristie can speak more to that, offset the impact of our expected range on COVID-19 as well as the dilution as a result of the \$1.4 million of equity issues.

So those generally – that group generally nets out for 2020 and then as we move forward we have the benefit of maintaining that \$40 million of O&M savings, as well as the fact that we had anticipated raising about this amount of equity over the next three year time period, maybe slightly more already. So that dilution from there, you know, is not as material as we move forward. And then we have the announced dividend – our dividend cut which gives us an additional retained earnings. So it's really the combination of all of those that allow us to reiterate 2020 guidance and also reiterate rate based growth and EPS growth of 5% to 7%. Kristie, would you like to add anything to that?

Kristie Colvin:

I think you covered it well.

Shar Pourreza:

Terrific. Thanks guys so much. Congrats on moving forward. And congrats on the deal with Jeff and team, congrats.

Operator:

Our next question comes from Insoo Kim with Goldman Sachs.

Insoo Kim:

Thank you. My first question is regarding just financing with the \$1.4 billion rate that you guys did. How do you think about the buffer that you have or maybe the potential leverage that you could pull in the hypothetical scenario that Enable needs to cut its distribution again?

John Somerhalder:

Yeah. I'll start out first on Enable, and that is you know for the reasons I talked about and when I went through my presentation. We look at a number of scenarios and there were downside scenarios, lower oil prices for longer. And when we made the decision to cut distribution by 50% we felt very good that that was the right level. And even though we have seen, because of physical constraints, some shut-ins, we've seen some positives too. So we still -- we still remain confident in and Enable's ability to maintain that 50% distribution and pull their own levers related to O&M and capital. So that's the -- that's the starting point. But I'll let



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speak to the – to the other part of our strengthening of our balance sheet and how we look at that.

Kristie Colvin:

Yeah. I mean this transaction has strengthened our FFO to debt and as John mentioned we are not currently anticipating a cut in the distribution from Enable.

Insoo Kim:

And just in that scenario that maybe you know something like that does happen in a very worst case scenario, are your conversations with Moody's - do you have a little bit more room on the FFO to debt side too to absorb some of that additional impact?

John Somerhalder:

Yeah. I think we would have conversations about the increased level of regulated percentage in our earnings and our business with the rating agencies at that point.

Insoo Kim:

Understood. And just one quick follow up on the strategic review from a stand-alone CenterPoint standpoint, is the strategy also you can still to try to trend towards that 90% utility earnings by 2024?

John Somerhalder:

Well that's the foundation we start on and that's what we have seen really aligns with what we believe are our shareholders' interests. So that's the starting point, but we will comprehensively with that business review committee evaluate -- evaluate the best options to further maximize shareholder value. So yes, that's the starting point.

Insoo Kim:

Got it. Thank you and stay safe everyone.

Operator:

Our next question is from Michael Weinstein of Credit Suisse.



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Michael Weinstein:

I just want to make it clear. You guys are in that FFO target range for 2020, starting off in that range as you go forward?

Kristie Colvin:

With the equity issuance we are a little higher. We're expecting to be a little higher than that in 2020 and then our long-term range is 14% to 14.5%.

Michael Weinstein:

Got it, and in terms of the COVID-19 sensitivities – you had a – it starts off with a pretty bad April, were you expecting to get better over the summer? And then beyond that do you have – do you have any kind of a ballpark estimate of how much worse the \$0.05 to \$0.08 could get, let's say for instance, the April downturn of 15% to 20% that you saw in the commercial and 10% to 15% industrial reductions, if that continues at that level – for the rest of the year, for instance – how much worse would it get?

John Somerhalder:

Yeah, I think to give you some general, general ballpark but again – our experience because of – even though we had reduced industrial, we're not very sensitive because of the way the rates are designed on industrial, we're not very sensitive there and the commercial downturn was in line with what we had expected. And we saw positive on the residential side both in Houston and in Indiana so – our expect – what we saw in April was very much in line with what we had estimated. And then if you extrapolate that out for the conditions we talked about through August, you know it was also in that \$0.05 to \$0.08. But you know clearly, you can extrapolate that out. We don't anticipate that it will impact us through the full year, but you can extrapolate out that \$0.01 to \$0.02 impact, you know, four more months and that – that's would be in line with what would happen should that scenario occur. Kristie do you want to add

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Michael Weinstein:

\$0.01 to \$0.02 per additional month? Is that how you're looking at it?

John Somerhalder:

Yeah, Kristie you see it differently than that?

Kristie Colvin:

No.

Michael Weinstein:

Okay. And maybe just one last question, if you could just maybe comment on the status of the oil and gas industry in your service territory and what's going on there and what your assumptions are for oil and gas refining and drilling – for your customer base?

John Somerhalder:

Yeah, I mean clearly, clearly Houston's economy is tied to the oil and gas business. The good news is less tied to that business over time. And we've seen Houston do very well through downturns in the past. I mean with robust growth of 2%-plus, our customer count in good times and what we've seen it still stay positive even through downturn.

So we still expect a very good market area there, but yeah we will monitor – we will monitor, it's too early to tell now, but we'll monitor what impact oil and gas downturn may have on our growth rate you know moving into – moving into next year and you know update you as we see more. At this point – as we said today, we saw still good growth right up through the end of March on customer accounts. We still see, you know, that we're connecting new developments in new areas. So, at this point we haven't seen that, but we will monitor it closely.

Michael Weinstein:

Okay. All right. Thank you very much. A lot of hard work being done. Thank you very much.

Operator:

Our next question comes from Steve Fleishman with Wolfe Research LLC.



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Steve Fleishman:

So just, I'm curious if you had conversations on this already with the rating agencies and did you get any sense that it would be possible that they might remove the negative outlook? Any color there would be helpful.

John Somerhalder:

Yeah. I'd comment first, clearly this is positive. But yeah, Kristie can tell you about the actual conversations and where those could move.

Kristie Colvin:

Yeah. I mean we have had conversations with the rating agencies, this should be considered positive. We have to get past the CES sale before I think we would see any change from the agencies.

Steve Fleishman:

Okay. And when are you expecting that to close?

Kristie Colvin:

Second quarter.

Steve Fleishman:

And all is good on that?

Kristie Colvin:

Yes.

John Somerhalder:

I mean, we're still working very closely with the buyer on transition, you know, putting the organization in place, what services we'll provide, employee issues. And as we talked about before, you know, the agreements that work very well and gives both parties certainty about being able to close, so right now we feel very good about it.



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Steve Fleishman:

Okay. And then I have one other follow question - just that in this business evaluation review, obviously the one non-utility business left is Enable, and that Enable was reviewed by the company several years ago and in the end nothing really happened. Is it – is there any reason to think that there might be more options or new options this time than three or four years ago?

John Somerhalder:

Steve, I don't know at this point, you know, but clearly, we have reviewed it in great detail, looked at various options and concluded the path forward that we took back then made the most sense. But the Business Review Committee will review options related to this - so way too early to speculate though, on whether other options could be identified or not.

Steve Fleishman:

Okay. Thank you.

Operator:

Our next question comes from Aga Zmigrodzka with UBS.

Aga Zmigrodzka:

Good morning. So you talked a lot about the cost savings of \$40 million - as you continue to review what do you think could be the potential upside to this number across your footprint?

Kristie Colvin:

We're targeting \$40 million of savings.

John Somerhalder:

And we're -- we feel very good about that number, because as Kristie mentioned, we have line of sight directly, things we'd already worked on earlier this year related to our corporate structure and support services and some IT/IS type costs that had been identified.

Longer term, it really is a matter of looking at all types of things, from how we use contractors and the – our contractors are very important to us, but you know what's the right approach there. Supply chain savings, use of technologies, other technologies, work management systems. So we'll be digging into those issues in detail now that we've – made the decisions and



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positioned the company now with flexibility – on a strong balance sheet moving forward. So it's too early to say what the potential is. Right now, we're trying to ensure that we have certainty around \$40 million.

Aga Zmigrodzka:

And you talked about the moving parts in 2020 utility EPS guidance - could you maybe provide a little more detail on that per share impact from the tax benefits from CARES Act?

Kristie Colvin:

Yes. In the first quarter we had a \$19 million tax benefit from the CARE Act. We also expect to have a future quarter benefit in around a \$10 million range to earnings, also with favorable cash flows.

Aga Zmigrodzka:

Perfect. Thank you and stay safe.

Operator:

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

Julien Dumoulin-Smith:

Hey, good morning to you and congratulations on all the progress here.

John Somerhalder:

Thanks, Julien.

Julien Dumoulin-Smith:

Absolutely. It's a pleasure. I wanted a follow-up on the outlook through 2024 here. Can you comment specifically about expectations for earning or confirming your optimized returns I know that – obviously there is some gyration in the current year related to COVID-19, but as you see achieving the 5% - 7%, and just specifically within that – kind of going back to the where – the first questioner started, what are your embedded earned returns and how do you think about equity in that plan after 2022 through 2024? And then maybe implicit within this, just to make sure I'm squaring this away appropriately, given that you have this equity issuance



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in the first couple of years, is the plan back half-weighted, just to kind of think about the equity being on the for the plan period.

John Somerhalder:

Yeah, actually – I'll start out with the equity piece, and then comment on the returns and some of those issues. But you know actually because of the dividend reduction down to – we're targeting 50% to 55% on a regulated earnings. We have more retained earnings in those out years. So we issue an amount of equity in the – through 2022 is in the range of \$1.4 billion – which is pretty much in the range we had before, maybe slightly, slightly lower. But because of the retained earnings in the back side, the old forecast of \$300 million to \$500 million per year in that time period, actually there's lower pressure on that now. We believe it will be less in the out years, and we'll get the benefit of the things we've talked about, the O&M savings and the dividend cut.

So not back-end loaded at all, in fact more modest needs in the back end of the plan, which really helps with the 5% to 7% growth when we're issuing less equity out in those time periods and have the \$40 million of O&M savings. And what we're targeting is very much in line with our allowed returns. If we look at Houston Electric, we target very close to the 9.4% return on equity with that cap structure. And pretty similar in the other jurisdictions. Kristie, add to that, if I have anything – that I missed on that?

Kristie Colvin:

I think you covered it well.

Julien Dumoulin-Smith:

Okay. And then turning to the strategic side of things, just real quickly, perhaps clarifying your prior comments here. What is on the table with respect to the strategic review, just to ask it more explicitly and bluntly if I may – you know, you commented on Enable here – just want to perhaps make sure we're fully encompassing and understanding what is contemplated and how do you think about this again -- against the backdrop of having had these review processes in the past?

John Somerhalder:

Yeah. I mean in the past you know a lot of the processes that went on were effective and they were more led by the management team. What we have now is a group, including two new directors, two existing directors or three if you count me. But the five of us will be looking at this. So it will be at board level with that new set of the experiences involved and at board level



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and it will be comprehensive. We'll look -- we'll look at our businesses in total, to make sure that we move forward in the most optimized way. So it's similar in some ways, but you know it has the changes I just talked about. So we're very -- we're very encouraged by that. We think it's the right time to further optimize our business.

Julien Dumoulin-Smith:

Got it. Are we supposed to - just in terms of the plan, just to clarify this - should we expect management updates and appointments prior to the conclusion of the process?

John Somerhalder:

The plan right now is clearly the committee I think, will function under its charter through October and so normal-time that we may -- we'll talk about that would be in an investor day early in 2021 - that would be the base plan. But obviously if there's something that should be communicated before that we would do that. But the normal schedule is what I first laid out.

Julien Dumoulin-Smith:

Right. So no updates with management in the interim either?

John Somerhalder:

Well, you know, should anything occur that we need to update you all on and make public we would do that. But the base plan is to take that amount of time and then be prepared to announce changes and direction certainly at the conclusion of that process. But should anything happen that changes that we would obviously make public as appropriate.

Julien Dumoulin-Smith:

Got it. Excellent. Thank you all very much. Best of luck. Talk to you soon.

Operator:

Our next question comes from Anthony Crowdell with Mizuho.

Anthony Crowdell:

Good morning. Hopefully one question and one follow-up. I think a little off of Julien's question more on the CEO search. Any update on the CEO search on timing of when we may find out when the board selects someone?



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John Somerhalder:

Yeah. I mean the very good news is that the committee has been working for a time – well, pretty much since we stood that committee up, and they've been very, very rigorous around that. We have a search firm in place, they've identified a large number of candidates, they've conducted interviews with a number of candidates. And so, you know, we're now more on the backside of that search process. But, you know, until the absolute right person is picked and we can make sure, you know, what the timing is on, you know, a transition period, you know, it's not done till it's done but I feel good that a lot of good work has been done, and we're on the back side of getting that taken care of.

Anthony Crowdell:

Great. And then lastly just more fine tuning, the \$40 million of additional O&M cuts the company has identified in 2020 - and I think you've answered this, maybe I missed it. Are they more at the parent company or are they more at the operating utility company?

John Somerhalder:

I'll start out – but – yeah – you know, more than half of it that's been identified is more at the company level, more support services and some of those things as we look at you know the new mix and more utility focus, some of those just fit with how we looked at the support services moving forward. But there will be some – some that each of our business units will develop as well. So there will be some, but a good percentage of them are at the corporate level. Kristie, could you add to that point please?

Kristie Colvin:

No, I think that's right. It will be across the board, but again over half we've identified are support level activities.

Anthony Crowdell:

Great thanks for taking my questions and stay healthy.

Operator:

Our next question comes from Paul Patterson with Glennrock Associates.

Paul Patterson:

So I just wanted to sort of follow up on the business review process. I mean last time on the fourth quarter it sounded like you guys weren't really looking at necessarily that wider range of potential business combinations or what have you. With the new investors with this – this investment what have you, should we think that perhaps the business review is now perhaps about a wider range of potential options that almost anything could be on the table to enhance shareholder value?

John Somerhalder:

Well, the way I look at it is, the business review committee will really look at the business plans across all of our businesses and think through everything from appropriate regulatory strategies and think through best ways to optimize and how businesses fit together. So I mean that's something, you know, you do on a normal basis anyway. So it brings a fresh set of eyes with good experience with our new director involved, to the process, so you know I think it's in line with what a company normally would do, but with really good expertise with the opportunities we have now to really take a fresh look at it. So it is different. It's a very powerful process I think we can follow and that they'll make recommendations to the board for the board to act on in the time period we talked about. So we think it's a good thing to do moving forward.

Paul Patterson:

Sure. But I guess what I'm sort of wondering is, you know, if there was the potential for a sale of the company, what have you -- is there is that off the table, I guess is what I'm saying? I mean in other words would you guys be willing to look at anything that depending obviously what it is and obviously what the standalone plan is and what your outlook is - should we think of it as pretty much anything is on the table potentially as long as you guys see it as shareholder value or are there certain things that you feel, hey that just isn't in our game plan, so to speak?

John Somerhalder:

The starting point is truly looking at how our businesses are operating, how they function optimizing those, making the right businesses decisions in total around the base of this great set of utility assets. So that's the starting point. That's the focus. Every company has got to consider the other options that you've talked about. That's not where we're starting with this committee, this committee was designed to review the go forward plan as a great set of utility assets and how to optimize those and configure those correctly moving forward.



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Paul Patterson:

Okay, great. And then just finally on Indiana Electric, the write down, was that goodwill, it wasn't completely clear when you said the fair value, has that got anything to do with fair value accounting with respect to the rate base or anything, or is that – is that sort of a – could you just elaborate a little bit further on what the impact is actually at the utility in terms of, if there is one, in terms of either equity or what have you at the utility level in terms of regulatory rate making, and what have you.

Kristie Colvin:

Yes. That was goodwill. And it should not impact the regulated utility.

Paul Patterson:

Okay. Awesome. Thanks so much.

Operator:

Our next question comes from Jeremy Tonet with JPMorgan.

Jeremy Tonet:

Good morning. Just wanted to kind of build on some of the points that you touched on here. With regards to the FFO to debt trajectory, just wanted to see if something by chance moves against you here like the Enable dividend cut or something like that, just want to see what levers you have left to pull at this point, could that include kind of like more CapEx deferrals or just any thoughts you have there would be helpful.

John Somerhalder:

Yeah. I'll start out. I mean one of the things we would do, especially with the strength of our balance sheet now heading into that - a couple of things we would do is work – continue to work with the rating agencies and talk through the fact that our regulated versus unregulated mix would be enhanced if it – should that occur. Again, we feel good about Enable's distributions, but that would be where we'd start. But clearly we've taken some very positive steps, we believe already, but clearly under those circumstances we would look at other alternatives and the type that you mentioned would be things that would be evaluated whether that's, you know, a little less capital or continuing to see if we can optimize O&M, we



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would look at those as other possible ways to make sure we kept the best balance sheet moving forward. Kristie add to that, please?

Kristie Colvin:

I think that covered it pretty well.

Jeremy Tonet:

Got it. Thanks for that. And just a follow up question with regard to COVID-19 here, just when do you expect to have clarity on COVID deferrals for the remainder of your jurisdiction?

John Somerhalder:

Kristie – I mean my understanding is we have a large number that we have good line of sight on – and are already taken care of. My understanding is most of our jurisdictions look to be addressing those issues in the near future. Does someone have a better time estimate on that?

Kristie Colvin:

Yeah, I was going to let Jason cover that.

Jason Ryan:

This is Jason Ryan, good morning. So the Oklahoma Commission voted to approve an accounting order earlier this morning. The Minnesota Commission is discussing that topic, I believe as we sit here right now. So I don't have an update on where they're headed, but they are looking at that. And we've been working with our industry colleagues and regulators in Indiana on this topic and expect to file an application seeking an accounting order either late this week or early next. So that would take care of all of our jurisdictions, given that most of them have already acted.

Jeremy Tonet:

Got it, that's helpful. That's it for me. Thanks.

Operator:

Our next question comes from Charles Fishman with Morningstar.



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Charles Fishman:

Good morning. In the current guidance, 2020 guidance, utility contribution 88%, midstream 12% – John in the April 1, news release, you anticipated utility earnings contribution increasing to nearly 100% over the next few years. That would imply to me that – your preference and would realize you got this, the review board now - but your preference at that time was to probably either divest completely or partially Enable. Am I reading more into that quote than I should or is there something else going on that I don't understand?

John Somerhalder:

Yeah. I mean effectively what happened is, when we looked at the Enable distribution cut of 50%, it was based on the fact that we expected very little drilling activity to occur this year and heading into next year in this lower for a longer period we're in. And so the results are – we took that proactive step on distribution cuts to really protect the liquidity of an Enable as they head into lower earnings – into next year and even moving a little further than that, so just naturally, as those earnings go to where we expect them to this – no significant drilling in some of those basins for the time period I talked about, that takes the earnings contribution from midstream down just naturally there. And then on top of that, we'll continue to invest heavily in our regulated business so you have the positive of the regulated coming up and then just that normal trajectory that we anticipated when we cut distributions to 50% that will result in 95 plus percent I think regulated earnings mix.

Now Kristie, there may be a little bit more on that related to the impairment and how that that impacts that, is that correct?

Kristie Colvin:

I mean there will be basis accretion as a result of these impairments, but we do still expect that the utility will grow to the 95% of the contribution.

Charles Fishman:

Okay. That's helpful. Thank you. That's all I had. Stay safe guys.

Operator:

Our next question comes from Ashar Khan with Verition.



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Ashar Khan:

Hi. Good morning and congratulations. I think – so the board did a terrific job and congratulations. I wanted to mention a little bit but it would really help because you know the last thing left in this whole picture is the new CEO. Can you be a little bit more – what timeframe, of course, quicker the better, but do you have any specific date by which we can hear that announcement?

John Somerhalder:

No. I think we feel positive about the fact the process has moved to this point. We have very good identified candidates but you know, as you know, until you -- until you finalize something and when you're looking for someone that's got a really strong track record on utility operations, these type businesses, understands that business, focus on a strong balance sheet. You know we want to make sure we take the time to absolutely get the right person, but I feel very good about individuals that are being talked to now. And so I think it can happen in a reasonably short time period, but until all those issues are worked out, sorry, I can't more specifically commit to an exact time. But like I said, I feel good about that we've made really good progress to this point and that it can happen in a reasonably short time period moving forward.

Ashar Khan:

Okay. Thank you. And if I may just ask you one question on the accounting side, the tax benefits that you mentioned, are they only for this year? I guess you mentioned \$19 million another \$10 million, do they go away or do they carry on into next year?

Kristie Colvin:

Yes, they go away.

Ashar Khan:

They go away. And then you also mentioned that we get some amortization benefit. How much is that, and does that keep on going?

Kristie Colvin:

Amortization, referring to the basis accretion or...



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Ashar Khan:

Yes. Correct.

Kristie Colvin:

Yes. That would keep on going.

Ashar Khan:

That would keep – and how much is that in itself...

Kristie Colvin:

It's estimated to bring the \$47 million a year up to a \$100 million, annually.

Ashar Khan:

A \$100 million. And starting this year?

Kristie Colvinn:

I think this year because it's starting in – not in the beginning of the year, it would be about \$85 million in total. Our year is usually \$47 million.

Ashar Khan:

So previously you had thought of \$47 million when you give the initial guidance and now it is \$87 million.

Kristie Colvin:

\$85 million, yes.

Ashar Khan:

\$85 million. So that is an increase of that, and that is going to be around \$100 million. And how long is that going to last?

Kristie Colvin:

It's almost 28 or so years.



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Ashar Khan:

Okay. 28 – meaning?

John Somerhalder:

And that primarily impacts the midstream, our unregulated earnings.

Ashar Khan:

I understand. I understand, but I just wanted to – I just wanted to make sure I have that accounting right. Thank you. Thank you so much.

Operator:

Our next question comes from James Thalacker with BMO Capital Markets.

James Thalacker:

I apologize – if I missed it somewhere in the 8-K, but I was just wondering, if you've disclosed what the terms of the convertibles were and just trying to understand. Are you – in your presentation for 2020, in the 5% to 7% growth rate are you assuming sort of – as issued – in the share count?

John Somerhalder:

Yeah, I think – yes – between the 8-K and what we posted on our website, I think those terms and conditions are - have been disclosed and now have been filed. So I think that's in there, but Kristie would you take the other part of that question?

Kristie Colvin:

Yes. As to the calculation of guidance, we will treat the preferred, as if it was common – in the dilution calculation.

James Thalacker:

Okay. And so the 5% to 7% then would reflect that dilution through the forecast period?

Kristie Colvin:

Yes.



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John Somerhalder:

That's correct. And they do – you know, there is a mandatory convert on those for 12 months out.

Kristie Colvin:

Right.

James Thalacker:

Okay, great. Thank you very, very much.

Operator:

Our last question is from Antoine Aurimond with Bank of America.

Antoine Aurimond:

Hey, good morning, thank you so much for taking my question.

John Somerhalder:

Hey, Antoine.

Antoine Aurimond:

I just wanted to be – hey, how are you? I just wanted to be clear on equity needs. So total equity needs through 2022 are not necessarily different from what you had previously and you had that \$300 million to \$500 million in both 2021 and 2022, as you had mentioned. Is the idea that the bulk of that will now be met with new hold-co debt issuance or more of a timing shift or is it the O&M savings and dividend cut that essentially take care of that?

John Somerhalder:

Yeah, is the question, in 2023 and 2024 we still we'll have some equity needs but I would – based upon – what we're looking at now and the anticipated plan. We've estimated it to be lower than the \$300 million to \$500 million range we estimated before, and Kristie, can you give more information on that?



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Kristie Colvin:

That's correct, as you said, with the dividend cuts we did, it is lower than anticipated in those years.

Antoine Aurimond:

And to be – since today's announcements take care of equity need through 2022 - the 2021 and 2022 that you were going to issue, is that going to be met with new hold-co debt issuance?

Kristie Colvin:

Well we issued \$1.4 billion today and our plan was to issue \$800 million in 2020 and between \$300 million and \$500 million in 2021 and 2022, so at the midpoint of 2021 and 2022 that would have been \$1.6 billion versus the \$1.4 billion we're doing, so we satisfied our needs upfront for these three years.

Antoine Aurimond:

Got it. And to be – lastly to be abundantly clear, have you vetted today's plan with the rating agencies?

Kristie Colvin:

Yes. We have been in contact with the rating agencies with regards to this plan, and we expect you know, them to consider it favorable.

Antoine Aurimond:

Okay, perfect. Thank you so much.

David Mordy:

I do not believe we have any more questions. Thank you everyone, for your interest in CenterPoint Energy. We will now conclude our first quarter 2020 earnings call. Have a great day.



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Headquartered in Houston, Texas, CenterPoint Energy, Inc. is an energy delivery company with regulated utility businesses in eight states and a competitive energy businesses footprint in more than 30 states. Through its electric transmission & distribution, power generation and natural gas distribution businesses, the company serves more than 7 million metered customers in Arkansas, Indiana, Louisiana, Minnesota, Mississippi, Ohio, Oklahoma and Texas. CenterPoint Energy's competitive energy businesses include natural gas marketing and energy-related services, energy efficiency and sustainability solutions, and owning and operating intrastate natural gas pipeline systems that help fund utility operations. As of March 31, 2020, the company owned approximately \$33 billion in assets and also owned 53.7 percent of the common units representing limited partner interests in Enable Midstream Partners, LP, a publicly traded master limited partnership that owns, operates and develops strategically located natural gas and crude oil infrastructure assets. With approximately 9,900 employees, CenterPoint Energy and its predecessor companies have been in business for more than 150 years. For more information, visit CenterPointEnergy.com.

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used in this news release, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "target," "will" or other similar words are intended to identify forward-looking statements. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Any statements in this news release regarding capital investments, future earnings, and future financial performance and results of operations, including, but not limited to earnings guidance, impact of COVID-19, including with respect to regulatory actions, and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained in this news release speaks only as of the date of this release.

Risks Related to CenterPoint Energy

Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the performance of Enable Midstream Partners, LP (Enable), the amount of cash distributions CenterPoint Energy receives from Enable, Enable's ability to redeem the Enable Series A Preferred Units in certain circumstances and the value of CenterPoint Energy's interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including factors such as: (A) competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including drilling, production and capital spending decisions of third parties and the extent and timing of the entry of additional competition in the markets served by Enable; (B) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and natural gas liquids (NGLs), the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines; (C) economic effects of the recent actions of Saudi Arabia, Russia and other oil-producing countries, which have resulted in a substantial decrease in oil and natural gas prices and the combined impact of these events and COVID-19 on commodity prices; (D) the demand for crude oil, natural gas, NGLs and transportation and storage services; (E) environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing; (F) recording of goodwill, long-lived asset or other than temporary impairment charges by or related to Enable; (G) the timing of payments from Enable's customers under existing contracts, including minimum volume commitment payments; (H) changes in tax status; and (I) access to debt and equity capital; (2) the COVID-19 pandemic and its effect on CenterPoint Energy's and Enable's operations, business and financial condition, the industries and communities they serve, U.S. and world financial markets and supply chains, potential regulatory actions and changes in customer and stakeholder behaviors relating thereto; (3) volatility and a substantial recent decline in the markets for oil and natural gas as a result of the actions of crude-oil exporting nations and the Organization of Petroleum Exporting Countries and reduced worldwide consumption due to the COVID-19 pandemic; (4) CenterPoint Energy's expected benefits of the merger with Vectren Corporation (Vectren) and integration, including the outcome of shareholder litigation filed against Vectren that could reduce anticipated benefits of the merger, as well as the ability to successfully integrate



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the Vectren businesses and to realize anticipated benefits and commercial opportunities; (5) the recording of impairment charges, including any impairment or loss associated with the sale of Infrastructure Services and Energy Services; (6) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the demand for CenterPoint Energy's non-utility products and services and effects of energy efficiency measures and demographic patterns; (7) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (8) future economic conditions in regional and national markets and their effect on sales, prices and costs; (9) weather variations and other natural phenomena, including the impact of severe weather events on operations and capital; (10) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's and Enable's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses; (11) tax legislation, including the effects of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the comprehensive tax reform legislation informally referred to as the Tax Cuts and Jobs Act (which includes any potential changes to interest deductibility) and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of excess deferred income taxes and CenterPoint Energy's rates; (12) CenterPoint Energy's ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms; (13) the timing and extent of changes in commodity prices, particularly natural gas and coal, and the effects of geographic and seasonal commodity price differentials; (14) the ability of CenterPoint Energy's and CERC's non-utility business (Energy Services) to effectively optimize opportunities related to natural gas price volatility and storage activities, including weather-related impacts; (15) actions by credit rating agencies, including any potential downgrades to credit ratings; (16) changes in interest rates and their impact on CenterPoint Energy's costs of borrowing and the valuation of its pension benefit obligation; (17) problems with regulatory approval, legislative actions, construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or cancellation or in cost overruns that cannot be recouped in rates; (18) the availability and prices of raw materials and services and changes in labor for current and future construction projects; (19) local, state and federal legislative and regulatory actions or developments relating to the environment, including, among others, those related to global climate change, air emissions, carbon, waste water discharges and the handling and disposal of coal combustion residuals (CCR) that could impact the continued operation, and/or cost recovery of generation plant costs and related assets; (20) the impact of unplanned facility outages or other closures; (21) any direct or indirect effects on CenterPoint Energy's or Enable's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt CenterPoint Energy's businesses or the businesses of third parties, or other catastrophic events such as fires, ice, earthquakes, explosions, leaks, floods, droughts, hurricanes, tornadoes, pandemic health events or other occurrences; (22) CenterPoint Energy's ability to invest planned capital and the timely recovery of CenterPoint Energy's existing and future investments, including those related to Indiana Electric's anticipated Integrated Resource Plan; (23) CenterPoint Energy's ability to successfully construct and operate electric generating facilities, including complying with applicable environmental standards and the implementation of a well-balanced energy and resource mix, as appropriate; (24) CenterPoint Energy's ability to control operation and maintenance costs; (25) the sufficiency of CenterPoint Energy's insurance coverage, including availability, cost, coverage and terms and ability to recover claims; (26) the investment performance of CenterPoint Energy's pension and postretirement benefit plans; (27) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of CenterPoint Energy's financing and refinancing efforts, including availability of funds in the debt capital markets; (28) changes in rates of inflation; (29) inability of various counterparties to meet their obligations to CenterPoint Energy; (30) non-payment for CenterPoint Energy's services due to financial distress of its customers; (31) the extent and effectiveness of CenterPoint Energy's and Enable's risk management and hedging activities, including but not limited to, financial and weather hedges and commodity risk management activities; (32) timely and appropriate regulatory actions, which include actions allowing securitization, for any future hurricanes or natural disasters or other recovery of costs; (33) CenterPoint Energy's or Enable's potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, including the proposed sale of Energy Services, which CenterPoint Energy and Enable cannot assure will be completed or will have the anticipated benefits to CenterPoint Energy or Enable; (34) the development of new opportunities and the performance of projects undertaken by ESG, including, among other



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factors, the level of success in bidding contracts and cancellation and/or reductions in the scope of projects by customers, and obligations related to warranties and guarantees; (35) acquisition and merger activities involving CenterPoint Energy or its competitors, including the ability to successfully complete merger, acquisition and divestiture plans; (36) CenterPoint Energy's or Enable's ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (37) the outcome of litigation; (38) the ability of retail electric providers (REPs), including REP affiliates of NRG Energy, Inc. and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and its subsidiaries; (39) changes in technology, particularly with respect to efficient battery storage or the emergence or growth of new, developing or alternative sources of generation; (40) the impact of alternate energy sources on the demand for natural gas; (41) the timing and outcome of any audits, disputes and other proceedings related to taxes; (42) the effective tax rates; (43) the transition to a replacement for the LIBOR benchmark interest rate; (44) the effect of changes in and application of accounting standards and pronouncements; and (45) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

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

In addition to presenting its financial results in accordance with generally accepted accounting principles (GAAP), including presentation of income (loss) available to common shareholders and diluted earnings (loss) per share, CenterPoint Energy also provides guidance based on adjusted income and adjusted diluted earnings per share, which are non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's historical or future financial performance that excludes or includes amounts that are not normally excluded or included in the most directly comparable GAAP financial measure.

To provide greater transparency on utility earnings, CenterPoint Energy's 2020 guidance will be presented in two components, a guidance basis Utility EPS range and a Midstream Investments EPS expected range. The 2020 Utility EPS guidance range includes net income from Houston Electric, Indiana Electric and Natural Gas Distribution business segments, as well as after tax operating income from the Corporate and Other business segment. The 2020 Utility EPS guidance range considers operations performance to date and assumptions for certain significant variables that may impact earnings, such as customer growth (approximately 2% for electric operations and 1% for natural gas distribution) and usage including normal weather, throughput, recovery of capital invested through rate cases and other rate filings, effective tax rates, financing activities and related interest rates, regulatory and judicial proceedings, anticipated cost savings as a result of the merger and reflects dilution and earnings as if the recently issued preferred stock were issued as common stock. In addition, the 2020 Utility EPS guidance range incorporates a COVID-19 scenario range of \$0.05 - \$0.08 which assumes reduced demand levels with April as the peak and reflects anticipated deferral and recovery of incremental expenses, including bad debt. The COVID-19 scenario also assumes a gradual re-opening of the economy in CenterPoint Energy's service territories, leading to diminishing levels of demand reduction, which would continue through August. To the extent actual recovery deviates from these COVID-19 scenario assumptions, the 2020 Utility EPS guidance range may not be met and our projected full-year guidance range may change. The 2020 Utility EPS guidance range also assumes an allocation of corporate overhead based upon its relative earnings contribution. Corporate overhead consists of interest expense, preferred stock dividend requirements, income on Enable preferred units and other items directly attributable to the parent along with the associated income taxes. Utility EPS guidance excludes (a) certain integration and transaction-related fees and expenses associated with the merger, (b) severance costs, (c) Midstream Investments and associated allocation of corporate overhead, (d) results related to Infrastructure Services and Energy Services, including anticipated costs and impairment resulting from the sale of those businesses, and (e) earnings or losses from the change in value of ZENS and related securities. In providing this guidance, CenterPoint Energy uses a non-GAAP measure of adjusted diluted earnings per share that does not consider other potential impacts, such as changes in accounting standards or unusual items, which could have a material impact on GAAP reported results for the applicable guidance period. CenterPoint Energy is unable to present a quantitative reconciliation of forward looking



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adjusted diluted earnings per share because changes in the value of ZENS and related securities are not estimable as they are highly variable and difficult to predict due to various factors outside of management's control.

The 2020 Midstream Investments EPS expected range assumes a 53.7 percent limited partner ownership interest in Enable and includes the amortization of the Company's basis differential in Enable and assumes an allocation of CenterPoint Energy corporate overhead based upon Midstream Investments relative earnings contribution. The Midstream Investments EPS expected range reflects dilution and earnings as if the CenterPoint Energy recently issued preferred stock were issued as common stock. The Midstream Investments EPS expected range takes into account such factors as Enable's most recent public outlook for 2020 dated May 6, 2020, and effective tax rates. The company does not include other potential impacts such as any changes in accounting standards, impairments or Enable's unusual items.

Management evaluates the company's financial performance in part based on adjusted income and adjusted diluted earnings per share. 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 of this news release, where applicable. CenterPoint Energy's adjusted income and adjusted diluted earnings per share non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, income available to common shareholders and diluted earnings per share, which respectively are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.