4th Quarter and Full Year 2012 Earnings Conference Call
February 27, 2013

Carla Kneipp – Vice President of Investor Relations

Thank you very much, Sara.

Good morning, everyone. This is Carla Kneipp, vice president of Investor Relations. Welcome to our fourth quarter and full year 2012 earnings conference call. Thank you for joining us today.

David McClanahan, president and CEO, Scott Prochazka, executive vice president and chief operating officer and, Gary Whitlock, executive vice president and CFO, will discuss our fourth quarter and full year 2012 results and provide highlights on other key activities. We also have other members of management who may assist in answering questions following the prepared remarks.

Our earnings press release, Form 10-K, and supplemental materials are posted on our Web site, CenterPointEnergy.com, under the Investors' section. The supplemental materials are for informational purposes, and we will not be referring to them during prepared remarks.

I remind you that any projections or forward-looking statements made during this call are subject to the cautionary statements on forward-looking information in the company's filings with the SEC.

Before David begins, I would like to mention that a replay of this call will be available through Wednesday, March 6th. To access the replay, please call 855-859-2056, or 404-537-

3406, and enter the conference ID number 71670373. You can also listen to an online replay on our Web site and we will archive the call for at least one year.

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

David McClanahan – President and CEO

Thank you, Carla and good morning ladies and gentlemen. Thank you for joining us today, and thank you for your interest in CenterPoint Energy.

This morning we reported full year earnings of 417 million dollars, or 97 cents per diluted share as compared to 1.36 billion dollars, or $3.17 per diluted share in 2011. I'd like to remind you of the unusual items that occurred during each year. In the third quarter of 2012, we recorded a noncash, goodwill impairment charge as well as a noncash, pre-tax gain from an acquisition; in 2011 we recorded the results of the final resolution of our true up appeal. Excluding the effects of these unusual items, net income for 2012 would have been 581 million dollars, or $1.35 per diluted share compared to 546 million dollars, or $1.27 per diluted share in 2011.

Using the same basis that we use when providing guidance, full year adjusted earnings would have been $1.25 per diluted share in 2012 compared to $1.20 for 2011.

Our regulated electric and gas utilities benefitted from strong service territories, timely rate recovery mechanisms and effective expense management. Our midstream and energy services businesses performed well given the current market environment of low natural gas prices and minimal geographic price differentials. Our financial results once again highlight the strength of our balanced energy delivery portfolio.

We are looking forward to another good year in 2013. We are stronger financially than we have ever been and have good investment opportunities across all of our businesses.

Last year we celebrated our 10th anniversary as a stand-alone, independent public company. When we first became CenterPoint Energy, we indicated we would focus on domestic energy delivery with a balanced portfolio of electric and natural gas businesses. Further, we committed to building a company that provides a competitive dividend with growth. Ten years later, we are proud of our accomplishments and remain committed to these objectives.

I would like to take this opportunity to thank the employees who have made the past ten years a success. I am very proud that our employees stayed focused on and believed in the vision, values and strategy that have come to define us. Without their hard work and dedication, we would not be where we are today.

Now I'll ask Scott Prochazka, our Chief Operating Officer, to update you on our business unit performance and our expectations for 2013.

Scott Prochazka – Executive Vice President and COO

Thank you, David, and good morning to everyone.

I will start with our largest business, Houston Electric, which had a good year. Core operating income was 492 million dollars compared to 496 million dollars in 2011. The modest decline was due to more normal weather when compared to the extreme heat we experienced in the prior year as well as the adverse effects from new rates implemented in September of 2011. These impacts were almost entirely offset by a number of positive factors, including a continued strong Houston economy marked by the addition of more than 44,000 new metered customers, ongoing recognition of deferred equity returns associated with the company's true-up proceeds, and decreased labor and benefits costs. Right-of-way revenues approached 27 million dollars which is substantially above historical levels of 2 to 3 million dollars per year. The increased interest in our right-of-way easements is another sign of the strong economic activity in Houston.

Our gas LDC's also had a good year. Operating income in 2012 was equal to that of 2011 at 226 million dollars, despite record mild temperatures in the first quarter of 2012. Over the year, weather negatively impacted this unit by about 47 million dollars compared to the prior year. We were able to mitigate approximately 26 million dollars of the weather impact through our use of a financial hedge and weather normalization rate adjustments. We were able to offset the remaining weather effect through reduced operations and maintenance expenses, lower bad debt expense, the addition of more than 22,000 customers and the effects of other rate adjustments.

Now let me turn to our midstream businesses.

Our interstate pipelines achieved operating results, including equity income from SESH, of 233 million dollars last year, down from 269 million dollars the previous year. The decline was due to a backhaul contract that expired during 2011, as well as the associated reduction in compressor efficiency on our Carthage to Perryville pipeline. Other factors included low commodity prices and significantly compressed basis which contributed to lower off-system transportation revenues, lower seasonal and market-sensitive transportation contracts and reduced ancillary services.

Equity income from SESH was 26 million dollars for 2012 compared to 21 million dollars the previous year. This increase reflects the full year benefit of a restructured, long term agreement with an existing anchor shipper.

Our field services unit had a strong year. Full year operating income was 214 million dollars compared to 189 million dollars the previous year. This improvement was driven by increased margins from gathering projects, guaranteed returns and throughput commitments in our contracts, and acquisitions made in 2012. Our total gathering throughput increased approximately 9 percent compared to the previous year. These benefits were partially offset by the lower contribution of sales from retained gas as a result of lower commodity prices.

Our final segment is our competitive gas sales and services business. Setting aside the goodwill impairment charge in the third quarter, this business performed better in 2012 as compared to the prior year. In 2012, we continued to adapt this business to new market realities by focusing on retail, commercial and industrial customers. This business is benefitting from the strategic reduction of uneconomic fixed cost transportation and storage agreements, as well as a 14 percent increase in our customer base.

Now, I would like to discuss 2013 and give you some insight into each business unit's prospects.

Houston Electric is fortunate to have a robust and growing service territory. We estimate that annual customer growth will continue at around 2 percent. This level of growth should add approximately 25 million dollars in base revenues. We expect 2013 revenue from right-of-way to remain above historical levels. You may recall that we recognize all revenue from these leases in the year each agreement is signed. Future right-of-way revenues will depend on subsequent economic activity in our service territory, particularly around the Houston Ship Channel.

This year, we expect our capital investment in this business will exceed 700 million dollars. Future capital expenditures are expected to range between 500 and 700 million dollars annually and produce annual average rate base growth of approximately 5 percent. This capital will be used to help improve service reliability and system resiliency, upgrade our systems to enhance customer service, and support normal load growth and system maintenance.

Our vibrant service territory and rate recovery mechanisms should allow us to earn our authorized rate of return the next several years.

Turning now to our Gas Operations group, we expect 2013 to be another good year. We will continue to execute our strategy of improving operational efficiency as well as implementing new and innovative rate mechanisms. A number of our jurisdictions now have annual mechanisms which provide more timely recovery of capital investment or adjust for deviations from normal weather or both. In addition, some jurisdictions have adopted rate designs that decouple the recovery of our revenue requirements from the volumes of gas sales. These mechanisms are a more efficient form of regulation that emphasizes audit based procedures and requires less expensive and time consuming litigation. In 2012, revenue increased approximately 37 million dollars as a result of the successful implementation of this rate strategy.

In this business we anticipate investing on average 400 million dollars of capital per year over the next five years, much of which we expect to recover through annual mechanisms. Capital investment will be primarily for growth, system modernization, and safety related infrastructure which results in an annual average rate base growth of approximately 7 percent.

Switching to interstate pipelines, low natural gas prices and compressed basis differentials are expected to continue to impact this business. We anticipate the third and fourth quarter 2012 results to represent a more normalized performance level in this environment. Our pipelines' capital budget for 2013 is approximately 200 million dollars and will be used primarily for pipeline maintenance, line replacements and pipeline safety and integrity projects.

Our pipelines remain highly subscribed at around 95 percent. Nearly 40 percent of our contracted demand is to serve the LDC and industrial load near our pipelines. As we have indicated in the past, we are seeking rate adjustments for our MRT and CEGT pipelines and are continuing customer settlement discussions.

From a market perspective, while the construction of a large expansion in our footprint is less likely given current market conditions, we do see interest in expanding services to our producer customers in the form of supply laterals. And of course, we continue to pursue market opportunities on or near our pipelines with particular focus on power generation load.

Moving to our Field Services business, in 2013 we expect to see continued opportunities to expand our geographic footprint and service offerings. On February 19th, we announced a binding Open Season to develop and operate a crude oil gathering system in North Dakota's liquid rich Bakken shale. The open season will remain active through March 29th and our expectation is that we will have signed an agreement with a major producer by that time.

Our field services capital budget for 2013 is approximately 270 million dollars with more than three quarters allocated to growth projects. We will continue to look for other growth opportunities both in and outside of our current footprint.

Natural gas gathering volumes averaged about 2.5 billion cubic feet per day in 2012. While we have seen some recent announcements of increased rig counts in dry gas areas, we expect our volumes to remain at these levels in 2013. Given lower commodity prices, we continue to see the benefit of our contracting strategy of throughput commitments and guaranteed rates of return.

Although we increased our processing activity through acquisitions, today it represents less than 15 percent of our overall margin contribution within field services. Further, 50 to 60 percent of that processing capability is volumetric fee based and not subject to commodity risk. As a rule of thumb, we estimate that our sensitivity to changes in the price of natural gas liquids is approximately 3 million dollars in revenue for every 10 cent change in natural gas liquids pricing.

Finally, our competitive gas sales and services business will continue to focus on expanding its customer base, reducing fixed costs, and growing product and service offerings. We expect the 2013 performance to be an improvement over 2012.

Reflecting on our 2012 performance, I am pleased with the results we achieved. I am optimistic about our prospects for 2013 and we will work diligently to ensure our businesses perform as expected. Further, we will continue to look for opportunities to invest where we believe we can create value for our shareholders. I will now turn the call over to Gary.

Gary Whitlock – Executive Vice President and CFO

Thank you, Scott, and good morning to everyone. As David mentioned in his remarks, we are very pleased to have celebrated our ten year anniversary as CenterPoint Energy. As you all know, at the formation of our company in October of 2002, we were very highly leveraged with limited financial flexibility. However, since that time we have worked diligently to recapitalize our company and today we have a strong balance sheet and solid investment grade credit ratings.

The 2013 capital plan that Scott discussed totals approximately 1.7 billion dollars. Our cash on hand, internally generated cash and other liquidity sources will fund this capital plan. In addition, to ensure we align the Houston Electric capital structure to the capital structure approved in its last rate proceeding, our 2013 financing plan will include the repayment of 450 million dollars of maturing debt at Houston Electric in March of this year.

Now, I would like to discuss our earnings guidance for 2013. This morning in our earnings release, we announced guidance in the range of one dollar and 22 cents to one dollar and 30 cents per diluted share.

This guidance range takes into consideration a number of economic and operational variables that may impact our actual 2013 earnings performance. The most significant variables we consider for our annual guidance are commodity prices, volume throughput, weather, regulatory proceedings and our effective tax rate and we have developed our guidance range by using a combination of these variables.

We have assumed natural gas pricing in 2013 of approximately 3 dollars and 50 cents per MM Btu and 95 cents per gallon for our mix of natural gas liquids. In addition, we have assumed a return to a more normal effective tax rate of approximately 37 percent, an average share count of approximately 430 million as well as lower interest expense.

As the year progresses, we will keep you updated on our earnings expectations.

Finally, I would like to remind you of the 20 and three quarter cent per share quarterly dividend declared by our Board of Directors on January 25th. This marks the eighth consecutive year that we have increased our dividend. We believe our dividend actions continue to demonstrate a strong commitment to our shareholders and the confidence of management and the Board of Directors in our ability to deliver sustainable earnings and cash flow.

Now, let me thank you for your continued interest in CenterPoint Energy and I will turn the call back over to Carla.

Carla Kneipp – Vice President of Investor Relations

Carla Kneipp: Thank you Gary. We will now open the call to questions. And in the interest of time, I would ask you to please limit yourself to one question with a follow up. Sara, would you please give the instructions?

Operator: At this time, we will begin taking questions. If you would like to ask a question, please press star one on your touchtone keypad. To withdraw your question, please press the pound key. The company requests that when asking a question, the callers pick up their hand set before asking their question. Thank you.

Our first question is from Carl Kirst with BMO Capital.

Carl Kirst: Hey, thanks. Good morning, everybody. The first question, and don't want to read too much into this, but just noticed that in the guidance for 2013 you guys are putting out an 8 cent spread versus, I think what we started with this time last year, with maybe a wider 12 cents spread.

And again, I hesitate to read into that, but I didn't know, you know if there was any implication of either more certitude or less vulnerability around your planning process. I didn't know if there was any color on that.

David McClanahan: You know Carl, I wouldn't read much into that. As you might recall last year, when we started the year, we had a much wider, we had a natural gas price that was much more in flux. We were assuming something in our plan a little less than $4.00 and it was $2.50 at the time we had our call.

So I think that's part of it, but generally I wouldn't read much at all into that, the tighter spread.

Carl Kirst: Okay, I appreciate that, and just a second question here and it really speaks to the gas utility with the earnings power. I think, historically, we had been thinking of, you know, the normalized earnings power of the gas utility in the, you know, maybe 200 to 220 million range. And so here you guys had a, you know, really nice year considering that there was $25 million of still weather impact.

And so I guess the question is, do you think the, the great expense management that you had for this year is, is that sustainable, meaning that have we in effect lifted the new normal earnings power for this segment up in the 250 million range?

David McClanahan: Carl, first I think we have lifted it some. I think you're right but I'm going to ask Scott to address the O&M side of this.

Scott Prochazka: Yes. I think, you know, some of the O&M is sustainable. I wouldn't say all of it. Knowing that we started the year in such a hole with the weather, we looked at where we could defer some of the O&M and so some of that will move out and into the future. But you know there are some improvements that we made that would be sustainable.

The other point I would probably add here is, you know, we did pretty well on our bad debt expense. And as gas prices grow, even if we stay at a fairly, you know, competitive or aggressive low rate in terms of our write-offs as gas prices increase, which you know we have in our forecast going forward, that number will naturally increase. So there will be, you know, some debt relation in terms of having more bad debt expense on a go-forward basis.

Carl Kirst: Understood. No, I appreciate the color. Oh, and sorry, one clarification, is the, the CapEx that you mentioned for field services, does that include the Bakken project?

David McClanahan: It does.

Carl Kirst: Okay, great. Thank you.

Operator: Your next question comes from the line of Charles Fishman with Morningstar.

Charles Fishman: I was wondering if you could explain to me the mechanics of the weather hedge on the natural gas, and I guess specifically, is that something that you eventually have to share with customers, that $8 million benefit in 2012.

David McClanahan: Scott, do you want to take that?

Scott Prochazka: Yeah. So, the mechanics of this are, we calculate the – or determine, you know, what we believe the value of heating degree days are, and we can hedge against those with a third-party such that if we, if it goes one way there is a payment to the party and if it goes the other way, then the party pays us. So, it's kind of a swap structure, but it's geared around calculation of normal weather and a determination of what the value of each heating degree day is within the regions which we carry these in. And as far as, you know, whether this ends up getting shared…we hold these hedges at corporate. And we do this really to target kind of stabilizing the earnings. So, some years it's up, some years it's down, but it's geared around stabilizing the earnings in that unit.

Charles Fishman: Okay. Thank you.

Operator: Your next question comes from the line of Ali Agha from SunTrust.

Ali Agha: Thank you. Good morning.

David M. McClanahan: Good morning.

Ali Agha: Hey David or Gary, you know, for those of us who have been keeping track of the, you know, the excess cash balance and you guys have been keeping us up to date on that as well, as I recall, you indicated at the end of the last quarter, that excess cash balance was 600 million. Can you update us on what that number is as of the end of the year and also where we stand in terms of deploying that to new projects?

David M. McClanahan: Ali, it's about 500 million give or take. That varies depending on when we pay our gas bills, but it's about 500 million. As Gary said, we have a billion seven CapEx in front of us. It's a large capital program, cutting across all our businesses. And we're going to be using this money to fund those projects as well as any new growth projects that have not been identified, but that we're pursuing. So I would say that by the end of this year we're going to come close to spending most of that cash, if not all of it.

Ali Agha: Okay. And then secondly, in terms of spending the cash, you know clearly the focus has historically been on the field services area and the Bakken project seems to be going forward. At the same time, you've also been pretty clear and open about your interest in Oncor, and so I wanted to just understand where the focus remains in terms of at least opportunities right now and whether the, you know, the financial issues going on with Energy Futures holdings does that cause the Oncor monetization to become more front burner or are you seeing any activity on that front?

David McClanahan: First, you know, we're still interested in growing field services. It’s a big focus of ours but it’s not at the, it’s not exclusively field services. We are very interested in growing our regulated businesses. And so we’ve said in the past, you know, Oncor would come on the market, it would be an area of, a unit that we would absolutely look at. But it’s not stopping us from doing what we would normally do anyway. So yes, we're interested but we're pursuing a number of different options and it’s just not Oncor.

Ali Agha: Well one last question, Gary just to clarify the ’13 guidance. You know at the EPS level, it’s pretty relatively flat with 12 and when you were going through the segment discussions looked like you were net-net higher. So is it all the higher tax rate that’s causing flat EPS or can you just give us a little more color on why flat versus the ‘12 actual?

Gary Whitlock: Yes. I’ll take a shot at that first and certainly Scott can add to it but let's talk about the tax rate. I think that is an important thing to focus on. You know the ongoing tax rate will be 37 percent. If you recall last year we ended with a 45 percent tax rate but that had that nontax deductible goodwill impairment.

So if you take that out, we ended with a tax rate of approximately 33 percent and that was really due to a lot of hard work over the last number of years to resolve issues with IRS, mainly legacy issues. So we did have a benefit in tax. In fact, some of it actually was reported in other income. So, you know, we had a benefit of approximately 9 cents all in, if you will.

So that's going to come back. So we effectively have a higher tax rate this year, so the guidance reflects our expectations of the higher tax rate this year. Now, in addition to that though, we do expect lower interest expense because as you know we have been recapitalizing the company in the sense of some refunding but primarily some restructuring of debt so you continue lower interest expense. This year it was lower by about 34 million dollars. Next year I think maybe an equivalent number, maybe a little more than that. So that's favorable to us. So that's some offset.

And then the business, you heard Scott describe the businesses. Some, you know, over the long term, they will grow. He described those as sort of net neutral to up a bit I think when you put it all together. So again, we still have a range because we still have some variables and as you know our objective is always, a, to keep you informed but we, our goal is to work as hard as we can to exceed the midpoint of that range and to continue to grow our company this year.

Ali Agha: Thank you.

Operator: Your next question comes from the line of John Edwards with Credit Suisse.

John Edwards: Yeah. Good morning everybody.

David McClanahan: Good morning.

Scott Prochazka: Good morning.

John Edwards: Just a real quick question. Going forward, you know, given how the competitive natural gas sales and services, you know, came in, you know, pretty significant increase, what's a reasonable run rate to think about for that segment going forward?

David McClanahan: Good question, John. I, you know, we used to say we thought the pure retail side of this was in the 30 million dollar range. I think long term it is, probably in the near term, it's more in the 20 million dollar range. So we're working hard to improve the profitability there. We've gotten rid of a lot of the uneconomic contracts which helps a lot, but the key is to grow the business and improve margins and that's what we're attempting to do.

John Edwards: Okay, great. Thanks, that's helpful. And then just real quick on your natural gas distribution, just, it obviously was a real good quarter and the, you know, the margin per customer was up, you know, quite a bit versus what we were thinking. Just maybe you could give a little more granularity on that. I mean, you've already talked about some things, cost savings and, you know, rates and so on, if there is any other things in that regard.

David McClanahan: Scott, do you have anything to add there? You know, bad debt expense has been something that we've been working on for several years. As Scott said, that may tick up, but the new policies and procedures around credit and collections are not going to change, so I think we've got a good handle on that. We're running a pretty tight ship now. It's taken us three or four years to completely, kind of revamp, kind of the way we run that business. And I think it's showing in, through the reduced O&M. But we do have a lot of new rate mechanisms that's gone in over the last three or four years that provide for annual or automatic adjustment. So we don't have to go in and seek rate increases. And I think those are, those are important and they're starting to have a very positive effect on this business.

John Edwards: Great.

John Edwards: Go ahead.

Scott Prochazka: I'm sorry. I'll just add to that as well. The couple of other things that, one of the bigger items that was, if you're just looking at the quarter against prior quarter, it was around weather and usage. Between the two of those, they were up 6 to 8 million dollars over the prior quarter. So that was a good part of delta.

John Edwards: Okay, great. Thanks very much. That's all I had.

David McClanahan: Thanks.

Operator: Your next question comes from the line of Faisel Khan with Citi.

Faisel Khan: Hi, good afternoon.

David McClanahan: Hello.

Faisel Khan: Hi. I was wondering if you could give us a little bit more detail on the Bakken project. I see the open season, you know, I guess it's for both gathering and pipeline take-away capacity for, I guess, crude oil, liquids and natural gas. But if you could go into a little bit more granularity in terms of what, what the open season encompasses, that would be great.

David McClanahan: Yes. Let me ask Greg Harper to address that.

Greg Harper: Hey, Faisel, how you doing?

Faisel Khan: Good. How are you doing?

Greg Harper: Good, good. Thank you. Yes, the open season is primarily for a crude gathering system -

Faisel Khan: Okay.

Greg Harper: And would have a little tank storage potential as well. It does not contemplate take-away pipelines from those gathering termination points that we would be putting into rail or other pipelines is the contemplation at this time. So this is strictly a gathering system. So taking crude oil from wellhead to central control points and then on to tankage.

Faisel Khan: Okay and if our numbers are right there is about, I think, about 75 percent of the crude oil in the Bakken is gathered by truck right now. Is that, is that a fair estimate? Is that the business you're going after?

Greg Harper: Exactly. You nailed it right on the head, Faisel. This is a great opportunity to number one, help the state get those trucks off the road, and we think it's a competitive opportunity and alternative right now for the producers in this area.

Faisel Khan: How…

David McClanahan: Faisel, I think you'll also see this type of crude gathering system being employed in other areas around the country because of the amount of trucks necessary to move this, there is a lots of wanting to get an alternative to trucking, and this is the best alternative, obviously.

Greg Harper: Yes. Definitely there has been a paradigm shift with the number of trucks Dave mentioned is a, kind of, result of the prolific nature of the crude level coming on from the drilling and the fracking.

Faisel Khan: Okay and would, I take it also that in a gathering system you would tie in the associated gas production that's being flared into this system too. Is that right?

Greg Harper: You know, that's not contemplated in this particular offering. It would be something that we would be prepared to do, obviously having a footprint in that area if we get the appropriate nominations.

Faisel Khan: And how do you guys compete versus everybody else? Like what's the, what's the competitive landscape like for, you know, in the Bakken? I would assume it's pretty, you know, it's pretty competitive, you know, I don't know how you guys go about, you know, getting the business versus somebody else.

Greg Harper: You know, I mentioned before, Faisel, as we step out of our footprint, that a key strategy for us was to do it with maybe a major producer friend or company. And that's what we've been trying to do, both here in the Bakken, as we look at Mississippi Lime, as we look at Tuscaloosa Marine, as we look at even Marsellus. We, you know, we're not the type of company that's going to go out and do something speculative. We're going to do something that is kind of in concert with a big producer customer. And have the similar type contracting we've had in the past in our new gathering footprint.

Faisel Khan: Okay and what ever happened with the Mississippi Lime open season that was like, in the first quarter of last year?

Greg Harper: Good question. You know, what we found in the Mississippi Lime, where we were looking at, is there is a lot of high nitrogen issues. And we're just not seeing enough gas to gather to offset that issue for what it takes to treat it. Now, another major producer that had an RFP out has withdrawn that. And that major producer has moved to a different area in Mississippi Lime and is expected to issue an RFP, and we will be participating in that.

So, ongoing negotiations with smaller customers, but again right now the aggregation level that we're seeing doesn't contemplate a project at this point in time. But we stay in constant communication with these customers.

Faisel Khan: Okay got it. And on the results of field services, you know, throughput got knocked down from 237 to 205 (bcf), but you know, operating income up year-over-year, can you just walk us through the math on how that happened? I suspect it's, you know, from your newer, your newer gathering contracts that are in place, but give us an idea of what, of what is declining in the background as we see, you know, these volumes come off from a current levels.

Greg Harper: I'll give you a high level, I won't give you exact numbers because I don't want to get into our producers calling volumes, but I would say that the difference, obviously going from 237 to 205, is a decline just across the board on our footprint. But the makeup, obviously the increase in margin on the top line, I think, goes from 91 million to 109 million. That growth is driven by our contracts, the guaranteed return contract, and primarily the buying commitment contracts.

Faisel Khan: Okay. So assuming that volumes, well what, let me ask you this. Do you expect volumes to continue to decline for the rest of this year?

Greg Harper: We expect volumes to be at the same level as last year. You know, I don't think David or Scott mentioned on the call, but I think they have some producers moving in to our area and back into the Haynesville area, Encana announced that on their earnings call, with an increase of five rigs by year-end.

Faisel Khan: Okay.

Greg Harper: We don't have anything, we don't have it in our plan, in Gary's projections right now, that would, you know, increase volume flow. We see that as protecting and preserving current levels. If we get upside that's going to be great.

Faisel Khan: Okay.

David McClanahan: You know, Faisel, I might also add, I think in '12 we lost something like 28 million dollars due to lower commodity prices, primarily natural gas. So we've got some upside if natural gas prices firm up. And they're probably going to - our projection is they'll be higher in '13 than they were in '12. So, even if you get the same volumes, there could be some potential of increased profitability there.

Faisel Khan: Okay, got it. And then just on the pipelines, you guys mentioned you were 90 percent subscribed on the pipelines. Are there any contracts that are up for renewal in the next 24 months that, you know, we ought to be concerned about?

Greg Harper: Well I don't want you to be concerned about anything, Faisel. It's our job to go get those renewed, but you know we're, I think our

LaClede agreement is in evergreen, the next, within the next 24 months.

Faisel Khan: Okay.

Greg Harper: So that's, again, we serve LaClede via MRT, that is the asset that we are currently in the middle of a rate case at FERC on, and we've had a settlement conference on that. So we see that, that is obviously a very large contract on MRT and we will work to extend that and you know negotiate and extend.

On CEGT, there is a mishmash of contracts that can come up and roll off, but I think the largest contracts on CEGT would be like Line CP in 2017 or so.

Faisel Khan: Got it. And then just the last question for me, on CapEx you guys mentioned I think 1.8 billion dollars in CapEx. Did you guys give a breakdown in your prepared remarks? If you did don't worry about it, I'll go back to the transcript. But if you didn't, I'd appreciate a breakdown of the CapEx…

David M. McClanahan: You know we've got those documented in the 10-K plus if you look at the supplemental material…

Faisel Khan: Got it.

David McClanahan: It's laid out there in a fair amount of detail. So.

Faisel Khan: Okay, I'll look there.

David M. McClanahan: Probably the best way to find it.

Faisel Khan: Okay, guys. I appreciate the time.

David McClanahan: Thanks.

Operator: Your next question comes from the line of Andrew Weisel with Macquarie.

Andrew Weisel: Hi everyone, just a couple of questions on CapEx. First, at the electric utility, it looks like some pretty big declines after '13 and '14, mostly in this public and system improvements category, is a lot of that conservatism? You know it's not related to the low growth so just wondering why it drops and if there's potential upside there?

Scott Prochazka: Andrew, I'll take that. There is, as you noted, some downward movement. Perhaps there's some conservatism in there, but there's also some projects that we have early on that, that end at that point. We're putting in a backup control center, which consumes about a couple hundred million dollars-worth of investment over the near term and once that ends, that's part of the reason that it turns down.

But no, the theme of kind of maintaining the ongoing investment of in, infrastructure for hardening and system maintenance as well as load growth, that theme we've kind of carried through but we'll have to see what actually happens in terms of whether you know growth picks up or slows down or maintenance, you know, requirements change, but most of it is driven by some big projects that we have that we know we have early on.

We may, you know, you may end up having some additional bigger projects that materialize down the road that could take, that could fill that gap but, but right now this, and this larger slug is really related to a large project.

Andrew Weisel: Okay, so then when you talked about the 5 percent annual rate based growth, should that be front-end loaded, meaning fashion it in that in '13 and '14?

Scott Prochazka: Well it, it really looks at the total capital spend over the period. So if you look at, if you look at where we get to rate base-wise by the end of this period, it looks at what that rate would represent and that average growth rate from the start, starting point to the ending point. It just so happens that it's kind of front-end loaded.

Andrew Weisel: Okay, great and then on usage, I think I heard you say you're expecting 2 percent growth in customer accounts in 2013. How has usage per account been trending and what's your expectation for total weather-adjusted load growth?

Scott Prochazka: Over the, over the past, load growth we saw kind of flat to maybe slightly declining. This was looking back several years. Interestingly, this year, we have actually seen usage increase slightly. We believe it has to do, perhaps, with the economy and with the economy strengthening here in Houston, as well as the relatively low price of power. So, we have seen a little bit of a bounce in usage this year.

Going forward, we forecast usage to be about flat, but we do know that, you know, we continue to see what we think will be some ongoing headwind on the downside just from things like replacements of appliances with more efficient, you know, replacement of air conditioning units and, and lighting standards, that type of thing. But more or less, we look at it at about even to about maybe a slight decline as we look forward.

Andrew Weisel: Okay, great. That's very helpful. Then, next question, just on the field services CapEx, the, obviously the acquisition was the biggest chunk from 2012, but the other CapEx was quite a bit lower than what you'd expect. What you forecasted in the 10K a year ago, just wondering if a lot of that was stuff that had been deferred based on the acquisitions or cancelled or how to think about that going forward and, and maybe a little more color in 2013 on the Bakken spending you mentioned as a big piece of the growth and what else might be included in that?

Greg Harper: Well, I'll answer, this is Greg. I'll answer the 2012 question first. You know, the capital was lower in 2012, and that's primarily from deferrals. Most of our capital that we look to deploy is based on existing contracts. And we're obviously in communication with our producers weekly, monthly, to make sure we're deploying our capital ratably relative to their growth and where they're bringing on their production.

So basically they, some of them had a forecast early in the year on what sort of maybe fourth quarter of 2011 what they would be doing 2012, they've been modifying that during the year and so we've just pulled back the capital. However, they're committed to the, their acreage to us and/or volume commitments to those areas. So the debt will come once they start drilling. As far as 2013 that's the same thing we planned out this year. We think the Bakken is probably in there around 120 or so, 125, so the balance, the majority of the balance is still growth capital.

I think Scott mentioned 75 percent of our capital is growth. So, the remaining 50 to 60 percent of, of the balance is growth capital. And that again, is tied into what our producers are telling us right now where they think they'll be by year-end.

Andrew Weisel: Great, very helpful and then just lastly, if you could let us know how much operating income came from the acquisitions last summer and if doubling that would be a good proxy for 2013 and beyond run rate?

David McClanahan: 13 million dollars for, for 2012 came from the two acquisitions. That was, you know, we expect to do better than double that in, in 2013. They came on at different times of the year. One was, was August first and one was a little bit earlier than that, but you know our plan calls on more than doubling that-

Greg Harper: Yes, that's correct.

David McClanahan: in 2013.

Andrew Weisel: Great, thank you very much.

Operator: Your next question comes from the line of Scott Senchak with Decade Capital.

Scott Senchak: All right, thanks. It just looks like about 70 percent of your CapEx spend in '13 is going to the regulated electric and gas distribution segments. And, you know, just as I look out in your CapEx forecast in the K, it's roughly the same kind of spread. And just wondering is that kind of a change in theme going forward, or is it just where the opportunities you see right now exist?

David McClanahan: You know this is really it's, it's much easier to see the spend in the regulated utilities than say, field services. Because we don't speculate about projects that, that we're not sure of in the 10K. But for our Houston Electric and our gas LDCs, we have plans to go in and replace pipe or improve systems or build control centers. So it's, we have a lot of clarity around regulated capital expenditures. When it gets to field services, we put in there what we know but we don't put in there what we don't know.

I've, you know, I would be very disappointed if, if we don't have some growth projects that come up in field services that, that would increase the level of expenditures in that unit.

Scott Senchak: Okay, great. And then in the past you've, you've given us some growth rates for each of the business, businesses, has that changed at all, or is that still kind of the same outlook and, can you comment on that?

David McClanahan: You know we've, we've given overall that we're, we want to be in the 4 to say 7 percent EPS growth rate. That's our, our long term and each one of our units have a little different growth around it. Houston Electric, gas LDCs, you heard Scott talk about rate based growth of 5 to 7 percent. So, they're going to provide some growth. Pipelines are the ones that probably are a little less certain, you know, that's probably flat to slightly up if we, we win some of the projects we're going after.

And field services we expect it's going to, it's going to grow. It's been our fastest growing unit the last three or four years. It's grown a little less than 20 percent a year. And as it gets bigger that, that percentage will come down, but we expect field services to continue to be our fastest growing business segment. So overall we, our goal is to achieve that 4 to 7 or 5 to 7 percent growth in earnings.

Scott Senchak: Okay, great. Thank you very much.

Operator: Your next question comes from the line of Scott Graham with Teilinger Capital.

John Kiani: Good morning, it's actually John Kiani. How are you?

David McClanahan: Morning.

John Kiani: I know you talked a little bit about this already, but can you just give a little bit more color around some of your plans to allocate capital between field services and, and the regulated use and more specifically talk a little bit about the status of, of using an MLP as a financing vehicle for some of the projects that you're currently working on, like for example, the Bakken project and within field services please?

David McClanahan: Gary, why don't you take that one?

Gary Whitlock: Okay, John maybe just start, why don't we just start with MLP? You know we, we've been consistent on this, John, as you know in our discussions. We continue to see that, you know, the formation of the MLP as an effective financing vehicle, and certainly to in terms of funding the growth for our midstream business. You know, as to the timing of that, as we reported this morning you've, we've talked about on the call, we do have a sizable CapEx program, certainly a significant amount of that visibility is in the regulated business.

And we're pleased about it but, and as you know, we've been funding all of that or funding our capital through internal sources of cash, including this year as you know, we also have another benefit of bonus depreciation which is about another 170 million dollars.

So in terms of funding, it's been internal sources, cash on hand, but as we talked about or David alluded to and Scott and certainly Greg, as we have more visibility around that midstream growth and the Bakken, I think, sets the stage for hopefully an additional growth there and beyond.

I think the MLP did a, becomes front and center as a financing vehicle, as David said. We would think by the end of this year, cash on hand plus internal sources at some point we'll need a financing need in the future and when we have visibility around that growth I think the MLP, again, is front and center. So absolutely not off the table, on the table and I think it's really related to when we have a, when we see the need for it.

John Kiani: Got it. So it sounds like I guess the good news is that the financial stability of the company, just from the perspective of excess cash on hand, and also some additional cash flow from bonus depreciation gives you a lot of flexibility, you know, at the moment to fund a CapEx both on the regulated side but also importantly on the field services side with, with that internally generated cash flow. Is that -

Gary Whitlock: You know John, you know I think that's right but I also don't want you to walk away or other investors with everything is that precise. And again, as Greg and his team worked very diligently to originate business, when we see that we have the growth there, I don't think that having cash on hand and available liquidity will hold us back from forming an MLP because it takes time to form it. Obviously we've done all the ministerial things of audits and those things so we're prepared to do an MLP, can do one.

We just want to make sure it's at the right time in the best interest of our shareholders to, to do so.

John Kiani: Got it, and then one other separate question, how should we think about the potential you know bid or strategic benefit you know hypothetically speaking from, from Oncor, as I think, you know, you all were discussing a little bit earlier when you said you would consider taking a look at it if it was for sale? Is it something that helps to balance out the non-regulated earnings from field services? How should we think about some type of a business like that for you all?

David McClanahan: Well it certainly would do that. Obviously Oncor is a sizable electric T&D business. It would add a substantial amount of regulated assets and earnings to our portfolio. And we recognize that we need to have a good regulated base as we grow our unregulated base. So it certainly fits that, it fits that, you know pistol for us. So we're going to be diligent about looking at it if it ever comes on the market. And I think it would be a nice fit but you know it's all about making sure you can buy it for a price that creates shareholder value. And that's, you know, we'll work hard at it if it ever comes on the market.

John Kiani: Okay. Thank you very much.

David McClanahan: You bet.

Operator: Your next question comes from the line Steve Marrs with Citizens Trust.

Steve Marrs: Good morning, you all. Two questions please. Number one, going back to a previous comment regarding the 75 percent of your

Bakken crude being handled by truck and you guys are probably salivating over that. Would there be any, maybe, joint venture being done with, say, railroads in the same area?

DavidMcClanahan: You know we, Steve we haven't entertained anything like that because we're really doing it at the gathering level not the long haul level. And you know, there is some other folks looking at big pipes coming out of that area to basically compete with the railroads and, but I don't think, that's not something we're interested in right now.

Greg Harper: Yeah, and I'd say, I think it was Faisel or Carl that mentioned the 75 percent, in our particular counties we're looking at its 100 percent as trucked.

Steve Marrs: Very well. The second question please, with the earlier question regarding the CapEx on your electric operations possibly declining this year and/or next, would that, therefore, push you folks to maybe a positive cash flow over all for this year or next year?

David McClanahan: One is that capital in our electric business is going to be much higher in 2013 than it was in 2012 and it's going to stay pretty high for a number of years. I think we're projecting pretty close to 700 million this year and next year before it starts declining down to the mid 550s.

So, you know, it's going to be high. We've got a billion seven-capital program.

Steve Marrs: Yes.

David McClanahan: We can't fund that from internally generated funds. We do have cash on hand that we can utilize, but, you know, if you're in the utility business, you want to be growing rate base and you don't want to necessarily have excess cash flow for very long. It probably means you're in a pretty stagnate service territory so. You know, we expect that these capital expenditure numbers are going to remain at this level for some time. Because the service area that we're in is, I would venture to say, it's probably, if not the best, one of the best in the country.

Steve Marrs: Very well. Thank you all.

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

Ali Agha: Thanks. I just wanted to follow up on two issues. One, on the use of the excess cash - I know we've had discussions in the past and I know cash is fungible , but we've tried to look at that excess cash as perhaps adding to the overall growth profile for the company. You know, obviously been using the cash, as you mentioned you've got about 500 million left.

I just wanted to get your sense of where, what are you thinking of that cash right now in the context of that, say, that 5 to 7 , 4 to7 percent EPS growth rate? You know, does that cash, you know, put you at a 100 basis points to that? I mean, give you the higher end? How should we think of the cash as its being deployed and how does it manifest in that growth rate that you're targeting?

David McClanahan: You know, we've talked about this in the past. It certainly doesn't change the opportunities we look at. We think we have lots of opportunities, but the fact that it doesn't have a cost to it, it does add to your return in the near term. So I think there will be some upside in that because we don't have a cost associated with it but in terms of changing opportunity set, I don't think so.

Ali Agha: Okay and then second, you know, you've talked about the MLP also, you know, frequently in the past as kind of a funding vehicle, at the same time you've also acknowledged that your company is more of a conglomerate, if you will, of the regulated businesses and the unregulated piece. Have you all thought about looking at those businesses and perhaps looking at them as two separate entities and creating or unlocking shareholder value that way as opposed to just you know being driven by the funding needs?

What's your latest thinking on looking at these as two separate companies and perhaps unlocking something longer value that's being discounted right now?

David McClanahan: You know, Ali, I think that and I think that it's a good question and we clearly think about that. To some extent the MLP gets at both of those, both the funding issue and the independent valuation issue. So I think we do consider is there a way to unlock value where the sum of the parts that's being reflected in our stock price today is different.

And I think an MLP has the potential to do that for us. So yes, we're looking at that and if you're thinking about maybe we spin one off versus keep the other, we did that study a number of years ago. We didn't think we had enough scale at the time and I don't think that's really in our thinking today, but ways to unlock value are absolutely in our thinking and we'll attempt to do that.

Ali Agha: And assuming the plan works out as you're envisioning the rest of the year, should we think of this as a 2014 event?

David McClanahan: I would say we continue to look at it and I'm not sure what the timing will be and I don't think it's, I can really comment on that, but I want to tell you, you know the management team at CenterPoint is absolutely focused on trying to create shareholder value and if we think there is a way to do it, we're going to pursue it.

Ali Agha: 2013 not likely, is that fair?

Gary Whitlock: This is Gary. I don't think I would start characterizing like that. I really wouldn't. I'm not trying to be cute about it. I think 2013, could it be viable? Of course it could. But you come back to what would make it viable for us. Of course it is viable but in the sense when we see the visibility, the growth and, as we describe, we do have a lot of clarity around the CapEx plan in our regulated businesses. Greg is working diligently and they have been originating business.

So we see that there is more clarity there. I think we can execute and as I've described to you, Ali, we can execute quickly on that. So we have ministerial work done. It's a question of doing the filing. So don't try to put it in 2013 or '14. I think what we said, it's, front and center at the right time.

Ali Agha: Okay I guess I just want to just clarify, but looking at the CapEx that you've laid out for us, currently, that CapEx would not necessarily support this. You would probably need some new projects beyond that, is that fair?

David McClanahan: I think it's all, it's not, I think there is some validity in what you said, that we need to make sure we have confidence that we're going to be able to grow the business and I think we're getting more and

	more confident all the time around that. So, you know, I would say just kind of stay tuned on this one, Ali.
Ali Agha:	Got it. Thank you.
Operator:	Our last question comes from the line of Andrew Weisel with Macquarie.
Andrew Weisel:	Thanks. Just a follow up on one of the comments you just made. I just want to make sure I heard it right. You're now looking for long-term growth of 5 to 7 percent. Does that compare to 4 to 6 percent previously?
David McClanahan:	You know, internally we say 4 to 7. We did say 4 to 6. We've kind of set our goals a little bit higher here than in the past but I would say that that doesn't indicate a big change in our thinking.
Andrew Weisel:	Okay. Thank you. Maybe next time I would start the press release with something like that, because that is good news. Thanks a lot.
David McClanahan:	Okay, thank you.
Carla Kneipp:	Thank you. Since we do not have any other questions we will end the call. Thank you very much for participating today. And we appreciate your support. Have a nice day.
Operator:	This concludes today's conference call. You may now disconnect.

END

4th Quarter and Full Year 2012 Earnings Conference Call
February 27, 2013

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