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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission file number 1-31447

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### CenterPoint Energy, Inc.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-0694415

(I.R.S. Employer Identification No.)

1111 Louisiana

Houston, Texas 77002

(Address and zip code of principal executive offices)

(713) 207-1111

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 18, 2013, CenterPoint Energy, Inc. had 428,640,167 shares of common stock outstanding, excluding 166 shares held as treasury stock.

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CENTERPOINT ENERGY, INC.  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words.

We have based our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- state and federal legislative and regulatory actions or developments affecting various aspects of our businesses (including the businesses of Enable Midstream Partners, LP (Enable), our midstream partnership with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight)), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation and actions regarding the rates charged by our regulated businesses;
- state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change;
- timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment;
- the timing and outcome of any audits, disputes and other proceedings related to taxes;
- problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates;
- industrial, commercial and residential growth in our service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns;
- the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids (NGLs), and the effects of geographic and seasonal commodity price differentials;
- weather variations and other natural phenomena, including the impact of severe weather events on operations and capital;
- any direct or indirect effects on our facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events;
- the impact of unplanned facility outages;
- timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters;
- changes in interest rates or rates of inflation;
- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by credit rating agencies;
- effectiveness of our risk management activities;
- inability of various counterparties to meet their obligations to us;
- non-payment for our services due to financial distress of our customers;
- the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy, Inc. and Reliant Resources, Inc.), a wholly owned subsidiary of NRG Energy, Inc. (NRG), and its subsidiaries to satisfy their obligations to us, including indemnity obligations, or obligations in connection with the contractual arrangements pursuant to which we are their guarantor;

- the ability of retail electric providers (REPs), including REP affiliates of NRG and Energy Future Holdings Corp., which are CenterPoint Energy Houston Electric, LLC's two largest customers, to satisfy their obligations to us and our subsidiaries;
- the outcome of litigation brought by or against us;
- our ability to control costs;
- the investment performance of our pension and postretirement benefit plans;
- our potential business strategies, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which we cannot assure you will be completed or will have the anticipated benefits to us;
- acquisition and merger activities involving us or our competitors;
- future economic conditions in regional and national markets and their effect on sales, prices and costs;
- the performance of Enable, the amount of cash distributions we receive from Enable, and the value of our interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and:
  - the integration of the operations of the businesses we contributed to Enable with those contributed by OGE and ArcLight;
  - the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of its business plan;
  - competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable;
  - the timing and extent of changes in commodity prices, particularly natural gas and 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;
  - the demand for natural gas, NGLs and transportation and storage services;
  - changes in tax status;
  - access to growth capital;
  - the availability and prices of raw materials for current and future construction projects;
  - the timing and terms of Enable's planned initial public offering, the actual consummation of which is subject to market conditions, regulatory requirements and other factors; and
- other factors we discuss in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated herein by reference, in Item 1A of Part II of our Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2013, which are incorporated herein by reference, in Item 1A of Part II of this Quarterly Report on Form 10-Q and other reports we file from time to time with the Securities and Exchange Commission.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED INCOME**  
(In Millions, Except Per Share Amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2013	2012	2013
<b>Revenues</b>	\$ 1,705	\$ 1,640	\$ 5,314	\$ 5,922
<b>Expenses:</b>				
Natural gas	520	595	1,898	2,671
Natural gas - affiliates	—	42	—	70
Operation and maintenance	458	422	1,364	1,352
Depreciation and amortization	301	248	800	741
Taxes other than income taxes	86	89	272	289
Goodwill impairment	252	—	252	—
Total	1,617	1,396	4,586	5,123
<b>Operating Income</b>	88	244	728	799
<b>Other Income (Expense):</b>				
Gain on marketable securities	77	54	136	158
Loss on indexed debt securities	(52)	(42)	(76)	(120)
Interest and other finance charges	(104)	(86)	(318)	(269)
Interest on transition and system restoration bonds	(37)	(32)	(112)	(101)
Equity in earnings of unconsolidated affiliates, net	8	80	25	122
Step acquisition gain	136	—	136	—
Other, net	12	11	28	17
Total	40	(15)	(181)	(193)
<b>Income Before Income Taxes</b>	128	229	547	606
Income tax expense	118	78	264	408
<b>Net Income</b>	\$ 10	\$ 151	\$ 283	\$ 198
<b>Basic Earnings Per Share</b>	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46
<b>Diluted Earnings Per Share</b>	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46
<b>Dividends Declared Per Share</b>	\$ 0.2025	\$ 0.2075	\$ 0.6075	\$ 0.6225
<b>Weighted Average Shares Outstanding, Basic</b>	427	429	427	428
<b>Weighted Average Shares Outstanding, Diluted</b>	430	431	430	431

See Notes to Interim Condensed Consolidated Financial Statements

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**  
**(In Millions)**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2012	2013	2012	2013
Net income	\$ 10	\$ 151	\$ 283	\$ 198
Other comprehensive income:				
Adjustment related to pension and other postretirement plans (net of tax of \$2, \$2, \$6 and \$5)	3	3	8	8
Total	3	3	8	8
Comprehensive income	<u>\$ 13</u>	<u>\$ 154</u>	<u>\$ 291</u>	<u>\$ 206</u>

See Notes to Interim Condensed Consolidated Financial Statements

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In Millions)

(Unaudited)

**ASSETS**

	December 31, 2012	September 30, 2013
<b>Current Assets:</b>		
Cash and cash equivalents (\$266 and \$154 related to VIEs at December 31, 2012 and September 30, 2013, respectively)	\$ 646	\$ 219
Investment in marketable securities	540	689
Accounts receivable, net (\$68 and \$77 related to VIEs at December 31, 2012 and September 30, 2013, respectively)	768	617
Accrued unbilled revenues	339	170
Accounts receivable - affiliated companies	—	23
Natural gas inventory	145	237
Materials and supplies	177	137
Non-trading derivative assets	36	26
Taxes receivable	7	89
Prepaid expenses and other current assets (\$54 and \$44 related to VIEs at December 31, 2012 and September 30, 2013, respectively)	216	112
Total current assets	2,874	2,319
<b>Property, Plant and Equipment:</b>		
Property, plant and equipment	18,377	13,909
Less accumulated depreciation and amortization	4,780	4,523
Property, plant and equipment, net	13,597	9,386
<b>Other Assets:</b>		
Goodwill	1,468	840
Regulatory assets (\$3,545 and \$3,253 related to VIEs at December 31, 2012 and September 30, 2013, respectively)	4,324	3,992
Notes receivable - affiliated companies	—	363
Non-trading derivative assets	6	10
Investment in unconsolidated affiliates	405	4,525
Other	197	140
Total other assets	6,400	9,870
<b>Total Assets</b>	<b>\$ 22,871</b>	<b>\$ 21,575</b>

See Notes to Interim Condensed Consolidated Financial Statements

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS – (continued)**  
(In Millions, except share amounts)  
(Unaudited)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	December 31, 2012	September 30, 2013
<b>Current Liabilities:</b>		
Short-term borrowings	\$ 38	\$ 70
Current portion of VIE transition and system restoration bonds long-term debt	447	353
Current portion of indexed debt	138	141
Current portion of other long-term debt	815	59
Indexed debt securities derivative	268	382
Accounts payable	561	364
Accounts payable - affiliated companies	—	22
Taxes accrued	160	130
Interest accrued	150	100
Non-trading derivative liabilities	14	6
Accumulated deferred income taxes, net	604	625
Other	380	343
Total current liabilities	3,575	2,595
<b>Other Liabilities:</b>		
Accumulated deferred income taxes, net	4,153	4,504
Non-trading derivative liabilities	2	1
Benefit obligations	1,143	1,052
Regulatory liabilities	1,093	1,153
Other	247	251
Total other liabilities	6,638	6,961
<b>Long-term Debt:</b>		
VIE transition and system restoration bonds	3,400	3,106
Other	4,957	4,652
Total long-term debt	8,357	7,758
<b>Commitments and Contingencies (Note 12)</b>		
<b>Shareholders' Equity:</b>		
Common stock (427,599,564 shares and 428,640,167 shares outstanding at December 31, 2012 and September 30, 2013, respectively)	4	4
Additional paid-in capital	4,130	4,151
Retained earnings	302	233
Accumulated other comprehensive loss	(135)	(127)
Total shareholders' equity	4,301	4,261
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 22,871</b>	<b>\$ 21,575</b>

See Notes to Interim Condensed Consolidated Financial Statements



**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS**  
(In Millions)  
(Unaudited)

	<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2013</u>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 283	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	800	741
Amortization of deferred financing costs	23	23
Deferred income taxes	237	356
Goodwill impairment	252	—
Step acquisition gain	(136)	—
Unrealized gain on marketable securities	(136)	(158)
Unrealized loss on indexed debt securities	76	120
Write-down of natural gas inventory	4	4
Equity in earnings of unconsolidated affiliates, net of distributions	(6)	(65)
Pension contributions	(80)	(89)
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues, net	260	173
Inventory	(3)	(111)
Taxes receivable	(5)	(53)
Accounts payable	(186)	(151)
Fuel cost recovery	(72)	105
Non-trading derivatives, net	16	(6)
Margin deposits, net	49	5
Interest and taxes accrued	(71)	(66)
Net regulatory assets and liabilities	71	78
Other current assets	(12)	21
Other current liabilities	(23)	(40)
Other assets	(4)	(2)
Other liabilities	32	36
Other, net	10	13
Net cash provided by operating activities	<u>1,379</u>	<u>1,132</u>
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(818)	(912)
Acquisitions, net of cash acquired	(360)	—
Decrease (increase) in restricted cash of transition and system restoration bond companies	(12)	13
Distributions from unconsolidated affiliates	6	—
Cash contribution to Enable	—	(38)
Proceeds from sale of marketable securities	—	9
Other, net	(25)	2
Net cash used in investing activities	<u>(1,209)</u>	<u>(926)</u>
<b>Cash Flows from Financing Activities:</b>		
Increase (decrease) in short-term borrowings, net	(9)	32
Payments of commercial paper, net	(285)	—
Proceeds from long-term debt	2,495	1,050
Payments of long-term debt	(1,528)	(1,455)
Cash paid for debt exchange and debt retirement	(69)	—
Debt issuance costs	(16)	(4)
Redemption of indexed debt securities	—	(8)
Payment of common stock dividends	(259)	(267)
Proceeds from issuance of common stock, net	3	2
Other, net	—	17
Net cash provided by (used in) financing activities	<u>332</u>	<u>(633)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>502</b>	<b>(427)</b>

Cash and Cash Equivalents at Beginning of Period	220	646
Cash and Cash Equivalents at End of Period	<u>\$ 722</u>	<u>\$ 219</u>

See Notes to Interim Condensed Consolidated Financial Statements

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS, cont.**  
**(In Millions)**  
**(Unaudited)**

	<u>Nine Months Ended September 30,</u>	
	<u>2012</u>	<u>2013</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Payments:		
Interest, net of capitalized interest	\$ 446	\$ 394
Income taxes, net	46	77
Non-cash transactions:		
Accounts payable related to capital expenditures	100	83

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(1) Background and Basis of Presentation**

*General.* Included in this Quarterly Report on Form 10-Q (Form 10-Q) of CenterPoint Energy, Inc. are the condensed consolidated interim financial statements and notes (Interim Condensed Financial Statements) of CenterPoint Energy, Inc. and its subsidiaries (collectively, CenterPoint Energy). The Interim Condensed Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CenterPoint Energy for the year ended December 31, 2012 (CenterPoint Energy Form 10-K).

*Background.* CenterPoint Energy, Inc. is a public utility holding company. CenterPoint Energy's operating subsidiaries own and operate electric transmission and distribution facilities and natural gas distribution facilities and own an interest in Enable Midstream Partners, LP (Enable) as described below. As of September 30, 2013, CenterPoint Energy's indirect wholly owned subsidiaries included:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in the Texas Gulf Coast area that includes the city of Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems (Gas Operations). A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities. CERC Corp. also owns approximately 58.3% of the limited partner interests in Enable, which owns and operates interstate pipelines and natural gas gathering, processing and treating facilities.

On March 14, 2013, CenterPoint Energy entered into a Master Formation Agreement (MFA) with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to which CenterPoint Energy, OGE and ArcLight agreed to form Enable as a private limited partnership. On May 1, 2013, the parties closed on the formation of Enable. In connection with the closing (i) CERC Corp. converted its direct wholly owned subsidiary, CenterPoint Energy Field Services, LLC, a Delaware limited liability company (CEFS), into a Delaware limited partnership that became Enable, (ii) CERC Corp. contributed to Enable its equity interests in each of CenterPoint Energy Gas Transmission Company, LLC, which has been subsequently renamed Enable Gas Transmission, LLC (EGT), CenterPoint Energy - Mississippi River Transmission, LLC, which has been subsequently renamed Enable Mississippi River Transmission, LLC (MRT), certain of its other midstream subsidiaries (Other CNP Midstream Subsidiaries), and a 24.95% interest in Southeast Supply Header, LLC (SESH and, collectively with CEFS, EGT, MRT and Other CNP Midstream Subsidiaries, CenterPoint Midstream), and (iii) OGE and ArcLight indirectly contributed 100% of the equity interests in Enogex LLC, which has been subsequently renamed Enable Oklahoma Intrastate Transmission, LLC (Enogex), to Enable.

CERC Corp., OGE and ArcLight hold approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in Enable. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE will also own a 40% and 60% interest, respectively, in any incentive distribution rights to be held by the general partner of Enable following an initial public offering. The general partner of Enable is governed by a board of directors made up of an equal number of representatives designated by each of CERC Corp. and OGE. See Note 7 for further discussion on the formation of Enable. The investment in Enable is accounted for utilizing the equity method of accounting. See Notes 7 and 14 below.

As of September 30, 2013, CenterPoint Energy had four variable interest entities (VIEs) consisting of transition and system restoration bond companies which it consolidates. The consolidated VIEs are wholly owned bankruptcy remote special purpose entities that were formed specifically for the purpose of securitizing transition and system restoration property. Creditors of CenterPoint Energy have no recourse to any assets or revenues of the transition and system restoration bond companies. The bonds issued by these VIEs are payable only from and secured by transition and system restoration property and the bondholders have no recourse to the general credit of CenterPoint Energy.

Additionally, as of September 30, 2013, CenterPoint Energy determined that Enable was a VIE; however, CenterPoint Energy is not the primary beneficiary and as such, this entity is not consolidated. See Note 7 for further discussion.

*Basis of Presentation.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets

and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CenterPoint Energy’s Interim Condensed Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the respective periods. Amounts reported in CenterPoint Energy’s Condensed Statements of Consolidated Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests.

For a description of CenterPoint Energy’s reportable business segments, see Note 14.

**(2) New Accounting Pronouncements**

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” (ASU 2013-02). The objective of ASU 2013-02 is to improve the transparency of changes in other comprehensive income and items reclassified out of Accumulated Other Comprehensive Income in financial statements. This new guidance is effective for a reporting entity’s first reporting period beginning after December 15, 2012 and should be applied prospectively. CenterPoint Energy’s adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

In December 2011 and January 2013, the FASB issued Accounting Standards Update No. 2011-11, “Disclosures About Offsetting Assets and Liabilities” (ASU 2011-11) and No. 2013-01, “Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities” (ASU 2013-01), respectively. The objective of ASU 2011-11 is to enhance disclosures about the nature of an entity’s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective of ASU 2013-01 is to clarify which instruments and transactions are subject to ASU 2011-11. Both ASU 2011-11 and ASU 2013-01 are effective for a reporting entity’s first reporting period beginning on or after January 1, 2013 and should be applied retrospectively. CenterPoint Energy’s adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

Management believes that other recently issued standards, which are not yet effective, will not have a material impact on CenterPoint Energy’s consolidated financial position, results of operations or cash flows upon adoption.

**(3) Employee Benefit Plans**

CenterPoint Energy’s net periodic cost includes the following components relating to pension and postretirement benefits:

	Three Months Ended September 30,			
	2012		2013	
	Pension Benefits (1)	Postretirement Benefits	Pension Benefits (1)	Postretirement Benefits
	(in millions)			
Service cost	\$ 9	\$ —	\$ 11	\$ —
Interest cost	25	6	22	5
Expected return on plan assets	(30)	(1)	(33)	(1)
Amortization of prior service credit	2	—	3	1
Amortization of net loss	15	1	15	2
Amortization of transition obligation	—	2	—	1
Net periodic cost	<u>\$ 21</u>	<u>\$ 8</u>	<u>\$ 18</u>	<u>\$ 8</u>

	Nine Months Ended September 30,			
	2012		2013	
	Pension Benefits (1)	Postretirement Benefits	Pension Benefits (1)	Postretirement Benefits
	(in millions)			
Service cost	\$ 27	\$ 1	\$ 33	\$ 1
Interest cost	74	18	68	15
Expected return on plan assets	(90)	(5)	(101)	(5)
Amortization of prior service credit	6	2	7	1
Amortization of net loss	45	3	47	5
Amortization of transition obligation	—	5	—	5
Net periodic cost	\$ 62	\$ 24	\$ 54	\$ 22

(1) Net periodic cost in these tables is before considering amounts subject to overhead allocations for capital expenditure projects or for amounts subject to deferral for regulatory purposes.

CenterPoint Energy's changes in accumulated comprehensive loss related to defined benefit and postretirement plans are as follows:

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
	Pension and Postretirement Plans	
	(in millions)	
Beginning Balance	\$ (127)	\$ (132)
Amounts reclassified from accumulated other comprehensive income:		
Prior service cost (1)	1	2
Actuarial gains (1)	4	11
Total reclassifications from accumulated other comprehensive income	5	13
Tax expense	(2)	(5)
Net current period other comprehensive income	3	8
Ending Balance	\$ (124)	\$ (124)

(1) These accumulated other comprehensive components are included in the computation of net periodic cost.

CenterPoint Energy expects to contribute a total of approximately \$92 million to its pension plans in 2013, of which approximately \$52 million and \$89 million, respectively, was contributed during the three and nine months ended September 30, 2013.

CenterPoint Energy expects to contribute a total of approximately \$17 million to its postretirement benefits plan in 2013, of which approximately \$4 million and \$12 million, respectively, was contributed during the three and nine months ended September 30, 2013.

#### (4) Regulatory Accounting

As of September 30, 2013, CenterPoint Energy has not recognized an allowed equity return of \$518 million because such return will be recognized as it is recovered in rates. During the three months ended September 30, 2012 and 2013, CenterPoint Houston recognized approximately \$16 million and \$15 million, respectively, of the allowed equity return not previously recognized. During the nine months ended September 30, 2012 and 2013, CenterPoint Houston recognized approximately \$37 million and \$35 million, respectively, of the allowed equity return not previously recognized.

#### (5) Derivative Instruments

CenterPoint Energy is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. CenterPoint Energy utilizes derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on its operating results and cash flows. Such derivatives are recognized

in CenterPoint Energy's Condensed Consolidated Balance Sheets at their fair value unless CenterPoint Energy elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business.

CenterPoint Energy has a Risk Oversight Committee composed of corporate and business segment officers that oversees all commodity price, weather and credit risk activities, including CenterPoint Energy's marketing, risk management services and hedging activities. The committee's duties are to establish CenterPoint Energy's commodity risk policies, allocate board-approved commercial risk limits, approve the use of new products and commodities, monitor positions and ensure compliance with CenterPoint Energy's risk management policies and procedures and limits established by CenterPoint Energy's board of directors.

CenterPoint Energy's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

**(a) Non-Trading Activities**

*Derivative Instruments.* CenterPoint Energy enters into certain derivative instruments to manage physical commodity price risks and does not engage in proprietary or speculative commodity trading. These financial instruments do not qualify or are not designated as cash flow or fair value hedges.

*Weather Hedges.* CenterPoint Energy has weather normalization or other rate mechanisms that mitigate the impact of weather on its gas operations in Arkansas, Louisiana, Mississippi and Oklahoma. Gas operations in Texas and Minnesota and electric operations in Texas do not have such mechanisms. As a result, fluctuations from normal weather may have a significant positive or negative effect on Gas Operations' results in these jurisdictions and on CenterPoint Houston's results in its service territory.

In 2012 and 2013, CenterPoint Energy entered into heating-degree day swaps for certain Gas Operations jurisdictions to mitigate the effect of fluctuations from normal weather on its results of operations and cash flows for the winter heating season. In 2013, CenterPoint Energy also entered into a similar winter weather hedge for the CenterPoint Houston service territory. The swaps are based on ten-year normal weather. During both the three months ended September 30, 2012 and 2013, CenterPoint Energy recognized gains of \$-0- related to these swaps. During the nine months ended September 30, 2012 and 2013, CenterPoint Energy recognized gains of \$6 million and losses of \$6 million, respectively, related to these swaps. Weather hedge gains and losses are included in revenues in the Condensed Statements of Consolidated Income.

**(b) Derivative Fair Values and Income Statement Impacts**

The following tables present information about CenterPoint Energy's derivative instruments and hedging activities. The first four tables provide a balance sheet overview of CenterPoint Energy's Derivative Assets and Liabilities as of December 31, 2012 and September 30, 2013, while the last two tables provide a breakdown of the related income statement impacts for the three and nine months ended September 30, 2012 and 2013.

**Fair Value of Derivative Instruments**

Total derivatives not designated as hedging instruments	Balance Sheet Location	December 31, 2012	
		Derivative Assets Fair Value	Derivative Liabilities Fair Value
(in millions)			
Natural gas derivatives (1) (2)	Current Assets: Non-trading derivative assets	\$ 37	\$ 1
Natural gas derivatives (1) (2)	Other Assets: Non-trading derivative assets	6	—
Natural gas derivatives (1) (2)	Current Liabilities: Non-trading derivative liabilities	5	27
Natural gas derivatives (1) (2)	Other Liabilities: Non-trading derivative liabilities	1	4
Indexed debt securities derivative	Current Liabilities	—	268
Total		\$ 49	\$ 300

(1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 489 billion cubic feet (Bcf) or a net 101 Bcf long position. Of the net long position, basis swaps constitute 73 Bcf.

(2) Natural gas contracts are presented on a net basis in the Condensed Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes

derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Condensed Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$26 million asset as shown on CenterPoint Energy's Condensed Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above offset by collateral netting of \$9 million:

**Offsetting of Natural Gas Derivative Assets and Liabilities**

	December 31, 2012		
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)
	(in millions)		
Current Assets: Non-trading derivative assets	\$ 42	\$ (6)	\$ 36
Other Assets: Non-trading derivative assets	7	(1)	6
Current Liabilities: Non-trading derivative liabilities	(28)	14	(14)
Other Liabilities: Non-trading derivative liabilities	(4)	2	(2)
Total	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 26</u>

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

**Fair Value of Derivative Instruments**

Total derivatives not designated as hedging instruments	Balance Sheet Location	September 30, 2013	
		Derivative Assets Fair Value	Derivative Liabilities Fair Value
		(in millions)	
Natural gas derivatives (1) (3)	Current Assets: Non-trading derivative assets	\$ 26	\$ —
Natural gas derivatives (1) (3)	Other Assets: Non-trading derivative assets	10	—
Natural gas derivatives (1) (2) (3)	Current Liabilities: Non-trading derivative liabilities	8	17
Natural gas derivatives (1) (3)	Other Liabilities: Non-trading derivative liabilities	—	4
Indexed debt securities derivative	Current Liabilities	—	382
Total		<u>\$ 44</u>	<u>\$ 403</u>

- (1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 607 Bcf or a net 24 Bcf long position. Of the net long position, basis swaps constitute 89 Bcf.
- (2) The \$17 million Derivative Current Liability includes \$2 million related to physical forwards purchased from Enable.
- (3) Natural gas contracts are presented on a net basis in the Condensed Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Condensed Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$29 million asset as shown on CenterPoint Energy's Condensed Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above offset by collateral netting of \$6 million:



**Offsetting of Natural Gas Derivative Assets and Liabilities**

	September 30, 2013		
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)
	(in millions)		
Current Assets: Non-trading derivative assets	\$ 34	\$ (8)	\$ 26
Other Assets: Non-trading derivative assets	10	—	10
Current Liabilities: Non-trading derivative liabilities	(17)	11	(6)
Other Liabilities: Non-trading derivative liabilities	(4)	3	(1)
<b>Total</b>	<b>\$ 23</b>	<b>\$ 6</b>	<b>\$ 29</b>

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

For CenterPoint Energy's price stabilization activities of the Natural Gas Distribution business segment, the settled costs of derivatives are ultimately recovered through purchased gas adjustments. Accordingly, the net unrealized gains and losses associated with these contracts are recorded as net regulatory assets. Realized and unrealized gains and losses on other derivatives are recognized in the Condensed Statements of Consolidated Income as revenue for physical natural gas sales derivative contracts and as natural gas expense for financial natural gas derivatives and other physical natural gas derivatives. Unrealized gains and losses on indexed debt securities are recorded as Other Income (Expense) in the Condensed Statements of Consolidated Income.

**Income Statement Impact of Derivative Activity**

Total derivatives not designated as hedging instruments	Income Statement Location	Three Months Ended September 30,	
		2012	2013
		(in millions)	
Natural gas derivatives	Gains (Losses) in Revenue	\$ (21)	\$ 11
Natural gas derivatives (1)	Gains (Losses) in Expense: Natural Gas	24	(2)
Indexed debt securities derivative	Gains (Losses) in Other Income (Expense)	(52)	(42)
<b>Total</b>		<b>\$ (49)</b>	<b>\$ (33)</b>

**Income Statement Impact of Derivative Activity**

Total derivatives not designated as hedging instruments	Income Statement Location	Nine Months Ended September 30,	
		2012	2013
		(in millions)	
Natural gas derivatives	Gains (Losses) in Revenue	\$ 22	\$ 24
Natural gas derivatives (1) (2)	Gains (Losses) in Expense: Natural Gas	(44)	(3)
Indexed debt securities derivative	Gains (Losses) in Other Income (Expense)	(76)	(120)
<b>Total</b>		<b>\$ (98)</b>	<b>\$ (99)</b>

- (1) The Gains (Losses) in Expense: Natural Gas includes \$-0- during the three months ended September 30, 2013 and \$(3) million during the nine months ended September 30, 2013 related to physical forwards purchased from Enable.
- (2) The Gains (Losses) in Expense: Natural Gas includes \$(38) million and \$-0- of costs during the nine months ended September 30, 2012 and 2013, respectively, associated with price stabilization activities of the Natural Gas Distribution business segment that will be ultimately recovered through purchased gas adjustments.

**(c) Credit Risk Contingent Features**

CenterPoint Energy enters into financial derivative contracts containing material adverse change provisions. These provisions could require CenterPoint Energy to post additional collateral if the Standard & Poor's Ratings Services or Moody's Investors Service, Inc. credit ratings of CenterPoint Energy, Inc. or its subsidiaries are downgraded. The total fair value of the derivative instruments that contain credit risk contingent features that are in a net liability position at December 31, 2012 and September 30, 2013 was \$5 million and \$3 million, respectively. The aggregate fair value of assets that were posted as collateral was less than \$1 million at both December 31, 2012 and September 30, 2013. If all derivative contracts (in a net liability position) containing credit risk contingent features were triggered at December 31, 2012 and September 30, 2013, \$5 million and \$3 million, respectively, of additional assets would be required to be posted as collateral.

**(6) Fair Value Measurements**

Assets and liabilities that are recorded at fair value in the Condensed Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined below and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are exchange-traded derivatives and equity securities.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets. A market approach is utilized to value CenterPoint Energy's Level 2 assets or liabilities.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Unobservable inputs reflect CenterPoint Energy's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. CenterPoint Energy develops these inputs based on the best information available, including CenterPoint Energy's own data. A market approach is utilized to value CenterPoint Energy's Level 3 assets or liabilities. Currently, CenterPoint Energy's Level 3 assets and liabilities are comprised of physical forward contracts and options. Level 3 physical forward contracts are valued using a discounted cash flow model which includes illiquid forward price curve locations (ranging from \$2.85 to \$4.48 per one million British thermal units) as an unobservable input. Level 3 options are valued through Black-Scholes (including forward start) option models which include option volatilities (ranging from 0 to 52%) as an unobservable input. CenterPoint Energy's Level 3 derivative assets and liabilities consist of both long and short positions (forwards and options) and their fair value is sensitive to forward prices and volatilities. If forward prices decrease, CenterPoint Energy's long forwards lose value whereas its short forwards gain in value. If volatility decreases, CenterPoint Energy's long options lose value whereas its short options gain in value.

CenterPoint Energy determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes transfers between levels at the end of the reporting period. For the nine months ended September 30, 2013, there were no transfers between Level 1 and 2 with regard to Natural Gas derivatives. CenterPoint Energy also recognizes purchases of Level 3 financial assets and liabilities at their fair market value at the end of the reporting period.

The following tables present information about CenterPoint Energy's assets and liabilities (including derivatives that are presented net) measured at fair value on a recurring basis as of December 31, 2012 and September 30, 2013, and indicate the fair value hierarchy of the valuation techniques utilized by CenterPoint Energy to determine such fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments (1)	Balance as of December 31, 2012
	(in millions)				
<b>Assets</b>					
Corporate equities	\$ 542	\$ —	\$ —	\$ —	\$ 542
Investments, including money market funds	76	—	—	—	76
Natural gas derivatives	1	40	7	(6)	42
Total assets	\$ 619	\$ 40	\$ 7	\$ (6)	\$ 660
<b>Liabilities</b>					
Indexed debt securities derivative	\$ —	\$ 268	\$ —	\$ —	\$ 268
Natural gas derivatives	5	21	5	(15)	16
Total liabilities	\$ 5	\$ 289	\$ 5	\$ (15)	\$ 284

(1) Amounts represent the impact of legally enforceable master netting arrangements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of \$9 million posted with the same counterparties.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments (1)	Balance as of September 30, 2013
	(in millions)				
<b>Assets</b>					
Corporate equities	\$ 691	\$ —	\$ —	\$ —	\$ 691
Investments, including money market funds	65	—	—	—	65
Natural gas derivatives	4	33	7	(8)	36
Total assets	\$ 760	\$ 33	\$ 7	\$ (8)	\$ 792
<b>Liabilities</b>					
Indexed debt securities derivative	\$ —	\$ 382	\$ —	\$ —	\$ 382
Natural gas derivatives (2)	4	15	2	(14)	7
Total liabilities	\$ 4	\$ 397	\$ 2	\$ (14)	\$ 389

(1) Amounts represent the impact of legally enforceable master netting arrangements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of \$6 million posted with the same counterparties.

(2) The (Level 2) Natural gas derivative liability of \$15 million includes \$2 million related to physical forwards purchased from Enable.

The following table presents additional information about assets or liabilities, including derivatives that are measured at fair value on a recurring basis for which CenterPoint Energy has utilized Level 3 inputs to determine fair value:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Derivative assets and liabilities, net			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
	(in millions)			
Beginning balance	\$ 3	\$ 4	\$ 6	\$ 2
Total gains (1)	—	2	4	5
Total settlements (1)	(2)	(1)	(8)	(2)
Transfers out of Level 3	—	—	(1)	—
Ending balance (2)	\$ 1	\$ 5	\$ 1	\$ 5
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ (1)	\$ 2	\$ —	\$ 4

(1) CenterPoint Energy did not have Level 3 unrealized gains (losses) or settlements related to price stabilization activities of the Natural Gas Distribution business segment during either the three or nine months ended September 30, 2012 or 2013.

(2) CenterPoint Energy did not have significant Level 3 purchases, sales or transfers into Level 3 during either the three or nine months ended September 30, 2012 or 2013.

### Estimated Fair Value of Financial Instruments

The fair values of cash and cash equivalents, investments in debt and equity securities classified as “trading” and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below. The fair values of non-trading derivative assets and liabilities and CenterPoint Energy’s 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) indexed debt securities derivative are stated at fair value and are excluded from the table below. The fair value of each debt instrument is determined by multiplying the principal amount of each debt instrument by the market price. These assets and liabilities, which are not measured at fair value in the Condensed Consolidated Balance Sheets but for which the fair value is disclosed, would be classified as Level 1 in the fair value hierarchy.

	December 31, 2012		September 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial assets:				
Notes receivable - affiliated companies	\$ —	\$ —	\$ 363	\$ 362
Financial liabilities:				
Long-term debt	\$ 9,619	\$ 10,807	\$ 8,170	\$ 8,807

### (7) Unconsolidated Affiliates

As discussed in Note 1, on May 1, 2013 (the Closing Date) CERC Corp., OGE and ArcLight closed on the formation of Enable. Enable owns CenterPoint Midstream, which consists of substantially all of CERC Corp.’s former Interstate Pipelines and Field Services business segments. As a result, CenterPoint Energy no longer has Interstate Pipelines or Field Services business segments. Equity earnings associated with CenterPoint Energy’s interest in Enable and equity earnings associated with its retained 25.05% interest in SESH are now reported under the Midstream Investments segment. For a further description of CenterPoint Energy’s reportable business segments, see Note 14.

The formation of Enable by CenterPoint Energy has been considered a contribution of in-substance real estate to a limited partnership as the businesses are composed of, and reliant upon, substantial real estate assets and integral equipment. Real estate assets and integral equipment primarily includes gas transmission pipelines, compressor station equipment, rights of way, storage and processing assets, and long-term customer contracts. Accordingly, CenterPoint Energy did not recognize a gain or loss upon

contribution and recorded its investment in Enable using the equity method of accounting based on the historical cost of the contributed assets and liabilities as of the Closing Date. Approximately \$5.8 billion of assets and \$1.5 billion of liabilities (which includes the Term Loan and the indebtedness owed to CERC, both discussed below, of \$1.05 billion and \$363 million, respectively) were contributed by CERC Corp. CenterPoint Energy has the ability to significantly influence the operating and financial policies of Enable and, accordingly, recorded an equity method investment of \$4.3 billion in Enable on the Closing Date. Pursuant to the MFA, CenterPoint Energy retained certain assets and liabilities historically held by CenterPoint Midstream such as balances relating to federal income taxes and benefit plan obligations.

CenterPoint Energy's investment in Enable is considered to be a VIE because the power to direct the activities that most significantly impact Enable's economic performance does not reside with the holders of equity investment at risk. However, CenterPoint Energy is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable. As discussed above, CenterPoint Energy accounts for its investment in Enable using the equity method of accounting. Under the equity method, the investment will be adjusted each period for contributions made, distributions received and CenterPoint Energy's share of Enable's comprehensive income. CenterPoint Energy's maximum exposure to loss related to Enable is limited to its equity investment as presented in the Condensed Consolidated Balance Sheet at September 30, 2013 and its guarantee of Enable's \$1.05 billion Term Loan and certain other guarantees as discussed in Note 12. CenterPoint Energy evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline. See Note 1 for further discussion on Enable's ownership structure.

Effective on the Closing Date, CenterPoint Energy and Enable entered into a Services Agreement, Employee Transition Agreement, Transitional Services Agreement and other agreements (collectively, Transition Agreements) whereby CenterPoint Energy agreed to provide certain support services to Enable such as accounting, legal, risk management and treasury functions. Additionally, CenterPoint Energy provides seconded employees to Enable to support its operations. CenterPoint Energy does not anticipate extending the services provided to Enable, including providing seconded employees, beyond December 31, 2014. CenterPoint Energy did not transfer any employees to Enable at formation of the partnership or at any time during the nine months ended September 30, 2013. CenterPoint Energy billed Enable for reimbursement of transitional services, including the costs of seconded employees, of \$42 million and \$70 million during the three and five months ended September 30, 2013, respectively, under the Transition Agreements. Actual transitional services costs are recorded net of reimbursements received from Enable.

Enable, at its discretion, has the right to select and offer employment to seconded employees from CenterPoint Energy. As of September 30, 2013, CenterPoint Energy determined it cannot reasonably estimate the impact of the costs associated with the termination of employees related to the formation of Enable or transfer of employees from CenterPoint Energy to Enable, including the impact of the changes to the actuarial determination of employee benefit plan obligations. Pursuant to the Transition Agreements, Enable has agreed to reimburse CenterPoint Energy for severance and termination costs related to the termination of CenterPoint Energy's seconded employees, including any potential benefit-related costs, regardless of whether such seconded employees are offered employment by Enable.

On the Closing Date, Enable entered into a \$1.05 billion three-year senior unsecured term loan facility (the Term Loan) with third parties and repaid \$1.05 billion of affiliated notes payable (Affiliated Notes Payable) owed to CERC. CERC provided a guarantee of Enable's obligations under the Term Loan. The guarantee is subordinated to all senior debt of CERC. Certain of the entities contributed to Enable by CERC are obligated on approximately \$363 million of indebtedness owed to CERC bearing interest at an annual rate of 2.10% to 2.45% and scheduled to mature in 2017.

CERC has certain put rights, and Enable has certain call rights, exercisable with respect to the 25.05% interest in SESH retained by CERC, under which CERC would contribute its retained interest in SESH, in exchange for a specified number of limited partnership units in Enable and a cash payment, payable either from CERC to Enable or from Enable to CERC, for changes in the value of SESH.

As of September 30, 2013, CenterPoint Energy held an approximate 58.3% interest in Enable and a 25.05% interest in SESH.

**Investment in Unconsolidated Affiliates:**

	December 31, 2012	September 30, 2013
	(in millions)	
Enable	\$ —	\$ 4,326
SESH	404	199
Other	1	—
Total	<u>\$ 405</u>	<u>\$ 4,525</u>

**Equity in Earnings of Unconsolidated Affiliates, net:**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
	(in millions)			
Enable	\$ —	\$ 77	\$ —	\$ 110
SESH	8	3	20	12
Other	—	—	5	—
	<u>\$ 8</u>	<u>\$ 80</u>	<u>\$ 25</u>	<u>\$ 122</u>

Summarized income information for Enable from formation on May 1, 2013 through September 30, 2013, based on the Enogex assets recorded at estimated fair value on the Closing Date, is as follows (in millions):

Operating Revenues	\$ 1,298
Gross Margin	545
Operating Income	207
Net Income from Controlling Interest	188
CenterPoint Energy's 58.3% interest	\$ 110

Summarized balance sheet information for Enable as of September 30, 2013 is as follows (in millions):

Current assets	\$ 428
Non-current assets	10,537
Current liabilities	622
Non-current liabilities	2,140

Enable concluded that the formation of Enable is considered a business combination, and CenterPoint Midstream is the acquirer for accounting purposes. Under this method, the fair value of the consideration paid by CenterPoint Midstream for Enogex is allocated to the assets acquired and liabilities assumed on the Closing Date based on their fair value. Enogex's assets, liabilities and equity were accordingly adjusted to estimated fair value as of May 1, 2013. Determining the fair value of assets and liabilities is judgmental in nature and often involves the use of significant estimates and assumptions. Enable used appraisers to assist in the determination of the estimated fair value of certain assets and liabilities contributed by Enogex.

CenterPoint Energy recorded its 58.3% interest in Enable's net income for the period May 1, 2013 through September 30, 2013 of \$110 million, which includes the depreciation and amortization of the step-up in fair value of Enogex assets at Enable.

As of September 30, 2013, CenterPoint Energy's investment in Enable, recorded at the historical cost of the contributed CenterPoint Midstream assets and liabilities, was \$439 million less than CenterPoint Energy's proportionate share of Enable's limited partners' capital. This difference in CenterPoint Energy's investment basis included \$229 million related to CenterPoint Energy's proportionate share of Enable's goodwill arising from its acquisition of Enogex, and therefore will not be recognized by CenterPoint Energy. CenterPoint Energy will accrete the remaining \$210 million basis difference over 30 years.

Distributions received from Enable were approximately \$36 million during the three and five months ended September 30, 2013.

## (8) Goodwill

Goodwill by reportable business segment as of December 31, 2012 and changes in the carrying amount of goodwill as of September 30, 2013 are as follows (in millions):

	December 31, 2012	Contributed to Enable	September 30, 2013
Natural Gas Distribution	\$ 746	\$ —	\$ 746
Interstate Pipelines	579	579	—
Competitive Natural Gas Sales and Services	83	—	83
Field Services	49	49	—
Other Operations	11	—	11
Total	<u>\$ 1,468</u>	<u>\$ 628</u>	<u>\$ 840</u>

CenterPoint Energy performs its goodwill impairment tests at least annually and evaluates goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. The impairment evaluation for goodwill is performed by using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of the reporting unit is generally determined on the basis of discounted cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference.

CenterPoint Energy performed its annual impairment test in the third quarter of 2013 and determined, based on the results of the first step, that no impairment charge was required for any reportable segment.

## (9) Capital Stock

CenterPoint Energy, Inc. has 1,020,000,000 authorized shares of capital stock, comprised of 1,000,000,000 shares of \$0.01 par value common stock and 20,000,000 shares of \$0.01 par value preferred stock. At December 31, 2012, 427,599,730 shares of CenterPoint Energy, Inc. common stock were issued and 427,599,564 shares were outstanding. At September 30, 2013, 428,640,333 shares of CenterPoint Energy, Inc. common stock were issued and 428,640,167 shares were outstanding. Outstanding common shares exclude 166 treasury shares at both December 31, 2012 and September 30, 2013.

## (10) Short-term Borrowings and Long-term Debt

### (a) Short-term Borrowings

*Inventory Financing.* Gas Operations has asset management agreements associated with its utility distribution service in Arkansas, north Louisiana and Oklahoma that extend through 2015. Pursuant to the provisions of the agreements, Gas Operations sells natural gas and agrees to repurchase an equivalent amount of natural gas during the winter heating seasons at the same cost, plus a financing charge. These transactions are accounted for as a financing and had an associated principal obligation of \$38 million and \$70 million as of December 31, 2012 and September 30, 2013, respectively.

### (b) Long-term Debt

*Debt Repayments.* In April 2013, CERC Corp. retired approximately \$365 million aggregate principal amount of its 7.875% senior notes at their maturity. The retirement of senior notes was financed by CERC Corp. with the issuance of commercial paper. In May 2013, CERC Corp. applied proceeds from Enable's May 1, 2013 debt repayment of \$1.05 billion to the repayment of \$357 million aggregate principal amount of its commercial paper and to the May 31, 2013 redemption of \$160 million aggregate principal amount of its 5.95% senior notes due January 15, 2014 at 103.419% of their aggregate principal amount. On August 1, 2013, approximately \$92 million aggregate principal amount of pollution control bonds issued on CenterPoint Energy's behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of August 1, 2015

and were collateralized by first mortgage bonds of CenterPoint Houston. On October 15, 2013, approximately \$59 million aggregate principal amount of pollution control bonds issued on CenterPoint Energy's behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of October 15, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

*Credit Facilities.* As of December 31, 2012 and September 30, 2013, CenterPoint Energy, CenterPoint Houston and CERC Corp. had the following revolving credit facilities and utilization of such facilities (in millions):

	December 31, 2012				September 30, 2013			
	Size of Facility	Loans	Letters of Credit	Commercial Paper	Size of Facility	Loans	Letters of Credit	Commercial Paper
CenterPoint Energy	\$ 1,200	\$ —	\$ 7	\$ —	\$ 1,200	\$ —	\$ 6	\$ —
CenterPoint Houston	300	—	4	—	300	—	4	—
CERC Corp.	950	—	—	—	600	—	—	—
Total	\$ 2,450	\$ —	\$ 11	\$ —	\$ 2,100	\$ —	\$ 10	\$ —

CenterPoint Energy's \$1.2 billion revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at the London Interbank Offered Rate (LIBOR) plus 150 basis points based on CenterPoint Energy's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Energy's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Energy's consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and CenterPoint Energy certifies to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve-month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date CenterPoint Energy delivers its certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of CenterPoint Energy's certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 125 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

## (11) Income Taxes

The effective tax rate for the three and nine months ended September 30, 2013 was 34% and 67%, respectively, compared to 92% and 48%, respectively, for the same periods in 2012. The lower effective tax rate for the three months ended September 30, 2013 was primarily due to the tax effects associated with the goodwill impairment for the same period in 2012. In addition, CenterPoint Energy recognized a tax benefit of \$8 million based on the settlement of outstanding tax claims for the 2002 and 2003 audit cycles in 2013. The higher effective tax rate for the nine month period ended September 30, 2013 compared to the same period in 2012 is primarily due to additional tax expense of \$225 million recorded for the book to tax basis difference arising from the formation of Enable. In addition, CenterPoint Energy recognized a tax benefit of \$29 million associated with the remeasurement of state deferred taxes related to the formation of Enable.

The following table summarizes CenterPoint Energy's unrecognized tax benefits (expenses) at December 31, 2012 and September 30, 2013:

	December 31, 2012	September 30, 2013
	(in millions)	
Unrecognized tax expenses	\$ (23)	\$ —
Portion of unrecognized tax expenses that, if recognized, would increase the effective income tax rate	(3)	—
Interest accrued on unrecognized tax expenses	(8)	—



CenterPoint Energy does not expect the change to the amount of unrecognized tax expenses over the twelve months ending September 30, 2014 to materially impact the financial position of CenterPoint Energy.

CenterPoint Energy's consolidated federal income tax returns have been audited by the Internal Revenue Service (IRS) and settled through the 2009 tax year. On July 9, 2013, CenterPoint Energy received notification that the Joint Committee of Taxation had approved its outstanding tax claims related to the 2002 and 2003 audit cycles. As a result, CenterPoint Energy recorded the settlement of all unrecognized tax expenses during the three month period ended September 30, 2013. CenterPoint Energy is currently under examination by the IRS for tax years 2010 and 2011. CenterPoint Energy has considered the effects of these examinations in its accrual for settled issues and liability for uncertain income tax positions as of September 30, 2013.

## **(12) Commitments and Contingencies**

### **(a) Natural Gas Supply Commitments**

Natural gas supply commitments include natural gas contracts related to CenterPoint Energy's Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments, which have various quantity requirements and durations, that are not classified as non-trading derivative assets and liabilities in CenterPoint Energy's Condensed Consolidated Balance Sheets as of December 31, 2012 and September 30, 2013 as these contracts meet the exception to be classified as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas supply commitments also include natural gas transportation contracts that do not meet the definition of a derivative. As of September 30, 2013, minimum payment obligations for natural gas supply commitments are approximately \$143 million for the remaining three months in 2013, \$449 million in 2014, \$382 million in 2015, \$309 million in 2016, \$250 million in 2017 and \$366 million after 2017.

### **(b) Legal, Environmental and Other Regulatory Matters**

#### **Legal Matters**

*Gas Market Manipulation Cases.* CenterPoint Energy, CenterPoint Houston or their predecessor, Reliant Energy, Incorporated (Reliant Energy), and certain of their former subsidiaries have been named as defendants in certain lawsuits described below. Under a master separation agreement between CenterPoint Energy and a former subsidiary, Reliant Resources, Inc. (RRI), CenterPoint Energy and its subsidiaries are entitled to be indemnified by RRI and its successors for any losses, including certain attorneys' fees and other costs, arising out of these lawsuits. In May 2009, RRI sold its Texas retail business to a subsidiary of NRG Energy, Inc. (NRG) and RRI changed its name to RRI Energy, Inc. In December 2010, Mirant Corporation merged with and became a wholly owned subsidiary of RRI, and RRI changed its name to GenOn Energy, Inc. (GenOn). In December 2012, NRG acquired GenOn through a merger in which GenOn became a wholly owned subsidiary of NRG. None of the sale of the retail business, the merger with Mirant Corporation, or the acquisition of GenOn by NRG alters RRI's (now GenOn's) contractual obligations to indemnify CenterPoint Energy and its subsidiaries, including CenterPoint Houston, for certain liabilities, including their indemnification obligations regarding the gas market manipulation litigation, nor does it affect the terms of existing guarantee arrangements for certain GenOn gas transportation contracts discussed below.

A large number of lawsuits were filed against numerous gas market participants in a number of federal and western state courts in connection with the operation of the natural gas markets in 2000-2002. CenterPoint Energy's former affiliate, RRI, was a participant in gas trading in the California and Western markets. These lawsuits, many of which were filed as class actions, allege violations of state and federal antitrust laws. Plaintiffs in these lawsuits are seeking a variety of forms of relief, including, among others, recovery of compensatory damages (in some cases in excess of \$1 billion), a trebling of compensatory damages, full consideration damages and attorneys' fees. CenterPoint Energy and/or Reliant Energy were named in approximately 30 of these lawsuits, which were instituted between 2003 and 2009. CenterPoint Energy and its affiliates have since been released or dismissed from all but one such case. CenterPoint Energy Services, Inc. (CES), a subsidiary of CERC Corp., is a defendant in a case now pending in federal court in Nevada alleging a conspiracy to inflate Wisconsin natural gas prices in 2000-2002. In July 2011, the court issued an order dismissing the plaintiffs' claims against other defendants in the case, each of whom had demonstrated FERC jurisdictional sales for resale during the relevant period, based on federal preemption. The plaintiffs appealed this ruling to the United States Court of Appeals for the Ninth Circuit, which reversed the trial court's dismissal of the plaintiffs' claims. In August 2013, the other defendants filed a petition for review with the U.S. Supreme Court. CenterPoint Energy believes that CES is not a proper defendant in this case and will continue to pursue a dismissal. CenterPoint Energy does not expect the ultimate outcome of this matter to have a material impact on its financial condition, results of operations or cash flows.

## **Environmental Matters**

*Manufactured Gas Plant Sites.* CERC and its predecessors operated manufactured gas plants (MGPs) in the past. In Minnesota, CERC has completed remediation on two sites, other than ongoing monitoring and water treatment. There are five remaining sites in CERC's Minnesota service territory. CERC believes that it has no liability with respect to two of these sites.

At September 30, 2013, CERC had recorded a liability of \$13 million for remediation of these Minnesota sites. The estimated range of possible remediation costs for the sites for which CERC believes it may have responsibility was \$6 million to \$41 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRPs), if any, and the remediation methods used. The Minnesota Public Utilities Commission includes approximately \$285,000 annually in rates to fund normal ongoing remediation costs. As of September 30, 2013, CERC had collected \$6.1 million from insurance companies to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC and CenterPoint Energy do not expect the ultimate outcome of these investigations will have a material adverse impact on the financial condition, results of operations or cash flows of either CenterPoint Energy or CERC.

*Asbestos.* Some facilities owned by CenterPoint Energy contain or have contained asbestos insulation and other asbestos-containing materials. CenterPoint Energy or its subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by subsidiaries of CenterPoint Energy, but most existing claims relate to facilities previously owned by CenterPoint Energy's subsidiaries. CenterPoint Energy anticipates that additional claims like those received may be asserted in the future. In 2004 and early 2005, CenterPoint Energy sold its generating business, to which most of these claims relate, to a company which is now an affiliate of NRG. Under the terms of the arrangements regarding separation of the generating business from CenterPoint Energy and its sale of that business, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but CenterPoint Energy has agreed to continue to defend such claims to the extent they are covered by insurance maintained by CenterPoint Energy, subject to reimbursement of the costs of such defense by the NRG affiliate. Although their ultimate outcome cannot be predicted at this time, CenterPoint Energy intends to continue vigorously contesting claims that it does not consider to have merit and, based on its experience to date, does not expect these matters, either individually or in the aggregate, to have a material adverse effect on CenterPoint Energy's financial condition, results of operations or cash flows.

*Other Environmental.* From time to time CenterPoint Energy identifies the presence of environmental contaminants on property where its subsidiaries conduct or have conducted operations. Other such sites involving contaminants may be identified in the future. CenterPoint Energy has and expects to continue to remediate identified sites consistent with its legal obligations. From time to time CenterPoint Energy has received notices from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, CenterPoint Energy has been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, CenterPoint Energy does not expect, based on its experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on CenterPoint Energy's financial condition, results of operations or cash flows.

## **Other Proceedings**

CenterPoint Energy is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. From time to time, CenterPoint Energy is also a defendant in legal proceedings with respect to claims brought by various plaintiffs against broad groups of participants in the energy industry. Some of these proceedings involve substantial amounts. CenterPoint Energy regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. CenterPoint Energy does not expect the disposition of these matters to have a material adverse effect on CenterPoint Energy's financial condition, results of operations or cash flows.

### **(c) Guarantees**

Prior to the distribution of CenterPoint Energy's ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as

amended in December 2007, RRI (now GenOn) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$62 million as of September 30, 2013. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral then provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy, Inc. has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of September 30, 2013, CenterPoint Energy, Inc. had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. CERC Corp. has provided guarantees (CERC Midstream Guarantees) with respect to the performance of certain obligations of EGT under certain contractual arrangements with third parties, which guarantees are scheduled to expire in June 2015 and December 2018. The maximum aggregate amount payable by CERC Corp. under these guarantees is \$53.2 million. The aggregate dollar amount of the obligations covered by the CERC Midstream Guarantees varies over time. The obligations supported by the CERC Midstream Guarantees for the months of September and October 2013 totaled less than \$1 million. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy, Inc. have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees and the CERC Midstream Guarantees, and to release CenterPoint Energy, Inc. or CERC Corp. from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees or CERC Midstream Guarantees, as applicable. CERC Corp. has also provided a guarantee of collection of Enable's obligations under its \$1.05 billion three-year unsecured term loan facility, which guarantee is subordinated to all senior debt of CERC Corp.

### (13) Earnings Per Share

The following table reconciles numerators and denominators of CenterPoint Energy's basic and diluted earnings per share calculations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
	(in millions, except share and per share amounts)			
Net income	\$ 10	\$ 151	\$ 283	\$ 198
<b>Basic weighted average shares outstanding</b>	427,406,000	428,628,000	427,086,000	428,389,000
Plus: Incremental shares from assumed conversions:				
Stock options	230,000	97,000	222,000	93,000
Restricted stock	2,347,000	2,142,000	2,347,000	2,142,000
<b>Diluted weighted average shares</b>	429,983,000	430,867,000	429,655,000	430,624,000
<b>Basic earnings per share:</b>				
Net income	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46
<b>Diluted earnings per share:</b>				
Net income	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46

### (14) Reportable Business Segments

CenterPoint Energy's determination of reportable business segments considers the strategic operating units under which CenterPoint Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. CenterPoint Energy uses operating income as the measure of profit or loss for its business segments.

CenterPoint Energy's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Competitive Natural Gas Sales and Services, Midstream Investments and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural

Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers. Competitive Natural Gas Sales and Services represents CenterPoint Energy's non-rate regulated gas sales and services operations. Midstream Investments consists primarily of CenterPoint Energy's investment in Enable and its retained interest in SESH. Other Operations consists primarily of other corporate operations which support all of CenterPoint Energy's business operations.

Prior to May 1, 2013, CenterPoint Energy also reported an Interstate Pipelines business segment, which included CenterPoint Energy's interstate natural gas pipeline operations, and a Field Services business segment, which included CenterPoint Energy's non-rate regulated natural gas gathering, processing and treating operations. As previously disclosed, the formation of Enable closed on May 1, 2013. Enable now owns substantially all of CenterPoint Energy's former Interstate Pipelines and Field Services business segments, except for the retained interest in SESH. As a result, effective May 1, 2013, CenterPoint Energy reports equity earnings associated with its interest in Enable and equity earnings associated with its retained interest in SESH under a new Midstream Investments segment, and no longer has Interstate Pipelines and Field Services reporting segments prospectively.

Financial data for business segments is as follows (in millions):

	For the Three Months Ended September 30, 2012		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
Electric Transmission & Distribution	\$ 748 <sup>(1)</sup>	\$ —	\$ 242
Natural Gas Distribution	351	4	5
Competitive Natural Gas Sales and Services	382	7	(259)
Interstate Pipelines	92	30	48
Field Services	129	12	55
Other Operations	3	—	(3)
Eliminations	—	(53)	—
Consolidated	<u>\$ 1,705</u>	<u>\$ —</u>	<u>\$ 88</u>

	For the Three Months Ended September 30, 2013		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
Electric Transmission & Distribution	\$ 745 <sup>(1)</sup>	\$ —	\$ 239
Natural Gas Distribution	375	6	5
Competitive Natural Gas Sales and Services	516	4	2
Midstream Investments	—	—	— <sup>(3)</sup>
Other Operations	4	—	(2)
Eliminations	—	(10)	—
Consolidated	<u>\$ 1,640</u>	<u>\$ —</u>	<u>\$ 244</u>

	For the Nine Months Ended September 30, 2012			Total Assets as of December 31, 2012
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	
Electric Transmission & Distribution	\$ 1,955 <sup>(1)</sup>	\$ —	\$ 540	\$ 11,174
Natural Gas Distribution	1,560	15	135	4,775
Competitive Natural Gas Sales and Services	1,204	18	(262)	839
Interstate Pipelines	262	112	160	4,004
Field Services	324	26	153	2,453
Other Operations	9	—	2	2,600 <sup>(4)</sup>
Eliminations	—	(171)	—	(2,974)
Consolidated	<u>\$ 5,314</u>	<u>\$ —</u>	<u>\$ 728</u>	<u>\$ 22,871</u>

For the Nine Months Ended September 30, 2013

	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	Total Assets as of September 30, 2013
Electric Transmission & Distribution	\$ 1,933 <sup>(1)</sup>	\$ —	\$ 488	\$ 10,364
Natural Gas Distribution	1,942	19	169	4,776
Competitive Natural Gas Sales and Services	1,726	19	12	806
Interstate Pipelines	133 <sup>(2)</sup>	53 <sup>(2)</sup>	72 <sup>(2)</sup>	—
Field Services	178 <sup>(2)</sup>	18 <sup>(2)</sup>	73 <sup>(2)</sup>	—
Midstream Investments	—	—	—	4,525 <sup>(3)</sup>
Other Operations	10	—	(15)	2,780 <sup>(4)</sup>
Eliminations	—	(109)	—	(1,676)
Consolidated	<u>\$ 5,922</u>	<u>\$ —</u>	<u>\$ 799</u>	<u>\$ 21,575</u>

(1) Sales to affiliates of NRG in the three months ended September 30, 2012 and 2013 represented approximately \$196 million and \$202 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the three months ended September 30, 2012 and 2013 represented approximately \$49 million and \$52 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of NRG in the nine months ended September 30, 2012 and 2013 represented approximately \$488 million and \$494 million, respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the nine months ended September 30, 2012 and 2013 represented approximately \$123 million and \$125 million, respectively, of CenterPoint Houston's transmission and distribution revenues.

(2) Results reflected in the nine months ended September 30, 2013 represent only January 2013 through April 2013.

(3) Midstream Investments reported equity earnings of \$77 million from Enable and \$3 million of equity earnings from CenterPoint Energy's retained interest in SESH for the three months ended September 30, 2013. Midstream Investments reported equity earnings of \$110 million from Enable and \$5 million of equity earnings from CenterPoint Energy's retained interest in SESH for the five months ended September 30, 2013. Included in total assets of Midstream Investments as of September 30, 2013 is \$4,326 million related to CenterPoint Energy's investment in Enable and \$199 million related to CenterPoint Energy's retained interest in SESH.

(4) Included in total assets of Other Operations as of December 31, 2012 and September 30, 2013 are pension and other postemployment related regulatory assets of \$832 million and \$787 million, respectively.

**(15) Subsequent Events**

On October 23, 2013, CenterPoint Energy's board of directors declared a regular quarterly cash dividend of \$0.2075 per share of common stock payable on December 10, 2013, to shareholders of record as of the close of business on November 15, 2013.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

The following discussion and analysis should be read in combination with our Interim Condensed Financial Statements contained in this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Form 10-K).

### EXECUTIVE SUMMARY

#### Recent Events

**Enable Midstream Partners.** As previously disclosed, on March 14, 2013, we entered into a Master Formation Agreement (MFA) with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to which we, OGE and ArcLight agreed to form Enable Midstream Partners, LP (Enable) as a private limited partnership. On May 1, 2013, the parties closed on the formation of Enable pursuant to the terms of the MFA. In connection with the closing (i) CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC) converted its direct wholly owned subsidiary, CenterPoint Energy Field Services, LLC, a Delaware limited liability company (CEFS), into a Delaware limited partnership that became Enable, (ii) CERC Corp. contributed to Enable its equity interests in each of CenterPoint Energy Gas Transmission Company, LLC, which has been subsequently renamed Enable Gas Transmission, LLC (EGT), CenterPoint Energy - Mississippi River Transmission, LLC, which has been subsequently renamed Enable Mississippi River Transmission, LLC (MRT), certain of its other midstream subsidiaries, and a 24.95% interest in Southeast Supply Header, LLC (SESH), and (iii) OGE and ArcLight indirectly contributed 100% of the equity interests in Enogex LLC, which has been subsequently renamed Enable Oklahoma Intrastate Transmission, LLC, to Enable. Enable owns substantially all of our former Interstate Pipelines and Field Services business segments, except for our retained 25.05% interest in SESH.

CERC Corp., OGE and ArcLight hold approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in Enable. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE will also own a 40% and 60% interest, respectively, in any incentive distribution rights to be held by the general partner of Enable following an initial public offering. The general partner of Enable is governed by a board made up of an equal number of representatives designated by each of CERC Corp. and OGE.

In connection with the closing, Enable (i) entered into a \$1.05 billion three-year senior unsecured term loan facility, (ii) repaid \$1.05 billion of indebtedness owed to CERC, and (iii) entered into a \$1.4 billion senior unsecured revolving credit facility.

As a result of the formation of Enable, we no longer have Interstate Pipelines or Field Services business segments. Equity earnings associated with our interest in Enable and our retained 25.05% interest in SESH are reported under our Midstream Investments segment. For a further description of our reportable business segments, see Note 14 to our Interim Condensed Consolidated Financial Statements.

**Debt Matters.** On August 1, 2013, approximately \$92 million aggregate principal amount of pollution control bonds issued on our behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of August 1, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

On September 9, 2013, our revolving credit facility and the revolving credit facilities of CenterPoint Houston and CERC Corp. were amended to, among other things, (i) reduce the size of the CERC Corp. facility from \$950 million to \$600 million, (ii) extend the scheduled termination dates of the three facilities from September 9, 2016 to September 9, 2018, and (iii) change the financial covenant in our facility to a covenant that limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization (subject to a temporary increase to 70% of our consolidated capitalization under certain circumstances described therein).

On October 15, 2013, approximately \$59 million aggregate principal amount of pollution control bonds issued on our behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of October 15, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

**CONSOLIDATED RESULTS OF OPERATIONS**

All dollar amounts in the tables that follow are in millions, except for per share amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues	\$ 1,705	\$ 1,640	\$ 5,314	\$ 5,922
Expenses	1,617	1,396	4,586	5,123
Operating Income	88	244	728	799
Interest and Other Finance Charges	(104)	(86)	(318)	(269)
Interest on Transition and System Restoration Bonds	(37)	(32)	(112)	(101)
Equity in Earnings of Unconsolidated Affiliates	8	80	25	122
Step acquisition gain	136	—	136	—
Other Income, net	37	23	88	55
Income Before Income Taxes	128	229	547	606
Income Tax Expense	118	78	264	408
Net Income	\$ 10	\$ 151	\$ 283	\$ 198
Basic Earnings Per Share	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46
Diluted Earnings Per Share	\$ 0.02	\$ 0.35	\$ 0.66	\$ 0.46

**Three months ended September 30, 2013 compared to three months ended September 30, 2012**

We reported consolidated net income of \$151 million (\$0.35 per diluted share) for the three months ended September 30, 2013 compared to net income of \$10 million (\$0.02 per diluted share) for the same period in 2012. The increase in net income of \$141 million was primarily due to a \$156 million increase in operating income (discussed below by segment), a \$72 million increase in equity earnings of unconsolidated affiliates, a \$40 million decrease in income tax expense, a \$23 million decrease in interest expense and a \$10 million decrease in the loss on our indexed debt securities, which were partially offset by a \$136 million step acquisition gain related to the acquisition of an additional 50% interest in Waskom Gas Processing Company (Waskom) in 2012 and a \$23 million decrease in the gain on our marketable securities.

**Nine months ended September 30, 2013 compared to nine months ended September 30, 2012**

We reported consolidated net income of \$198 million (\$0.46 per diluted share) for the nine months ended September 30, 2013 compared to \$283 million (\$0.66 per diluted share) for the same period in 2012. The decrease in net income of \$85 million was primarily due to a \$144 million increase in income tax expense discussed below, a \$136 million step acquisition gain related to the acquisition of an additional 50% interest in Waskom in 2012 and a \$44 million increase in the loss on our indexed debt securities, which were partially offset by a \$97 million increase in equity earnings of unconsolidated affiliates, a \$71 million increase in operating income (discussed below by segment), a \$60 million decrease in interest expense and a \$22 million increase in the gain on our marketable securities.

**Income Tax Expense**

Our effective tax rate for the three and nine months ended September 30, 2013 was 34% and 67%, respectively, compared to 92% and 48%, respectively, for the same periods in 2012. The lower effective tax rate for the three months ended September 30, 2013 was primarily due to the tax effects associated with the goodwill impairment for the same period in 2012. In addition, we recognized a tax benefit of \$8 million based on the settlement of outstanding tax claims for the 2002 and 2003 audit cycles in 2013. The higher effective tax rate for the nine month period ending September 30, 2013 compared to the same period in 2012 is primarily due to additional tax expense of \$225 million recorded for the book to tax basis difference arising from the formation of Enable. In addition, we recognized a tax benefit of \$29 million associated with the remeasurement of state deferred taxes related to the formation of Enable.

**RESULTS OF OPERATIONS BY BUSINESS SEGMENT**

The following table presents operating income (loss) (in millions) for each of our business segments for the three and nine months ended September 30, 2012 and 2013. Included in revenues are intersegment sales. We account for intersegment sales as if the sales were to third parties, that is, at current market prices.

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>
Electric Transmission & Distribution	\$ 242	\$ 239	\$ 540	\$ 488
Natural Gas Distribution	5	5	135	169
Competitive Natural Gas Sales and Services	(259)	2	(262)	12
Interstate Pipelines	48	—	160	72 <sup>(1)</sup>
Field Services	55	—	153	73 <sup>(1)</sup>
Other Operations	(3)	(2)	2	(15)
<b>Total Consolidated Operating Income</b>	<b>\$ 88</b>	<b>\$ 244</b>	<b>\$ 728</b>	<b>\$ 799</b>

(1) Represents January 2013 through April 2013 results only.



## Electric Transmission & Distribution

For information regarding factors that may affect the future results of operations of our Electric Transmission & Distribution business segment, please read “Risk Factors — Risk Factors Affecting Our Electric Transmission & Distribution Business,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2013 (First and Second Quarter Forms 10-Q, respectively) and Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Electric Transmission & Distribution business segment for the three and nine months ended September 30, 2012 and 2013 (in millions, except throughput and customer data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
<b>Revenues:</b>				
Electric transmission and distribution utility	\$ 563	\$ 600	\$ 1,492	\$ 1,534
Transition and system restoration bond companies	185	145	463	399
<b>Total revenues</b>	<b>748</b>	<b>745</b>	<b>1,955</b>	<b>1,933</b>
<b>Expenses:</b>				
Operation and maintenance, excluding transition and system restoration bond companies	228	256	680	740
Depreciation and amortization, excluding transition and system restoration bond companies	76	80	224	238
Taxes other than income taxes	54	57	160	169
Transition and system restoration bond companies	148	113	351	298
<b>Total expenses</b>	<b>506</b>	<b>506</b>	<b>1,415</b>	<b>1,445</b>
<b>Operating Income</b>	<b>\$ 242</b>	<b>\$ 239</b>	<b>\$ 540</b>	<b>\$ 488</b>
<b>Operating Income:</b>				
Electric transmission and distribution utility	\$ 205	\$ 207	\$ 428	\$ 387
Transition and system restoration bond companies (1)	37	32	112	101
<b>Total segment operating income</b>	<b>\$ 242</b>	<b>\$ 239</b>	<b>\$ 540</b>	<b>\$ 488</b>
<b>Throughput (in gigawatt-hours (GWh)):</b>				
Residential	9,524	9,945	21,967	21,736
<b>Total</b>	<b>23,753</b>	<b>24,410</b>	<b>61,284</b>	<b>61,544</b>
<b>Number of metered customers at end of period:</b>				
Residential	1,934,078	1,973,270	1,934,078	1,973,270
<b>Total</b>	<b>2,189,796</b>	<b>2,234,041</b>	<b>2,189,796</b>	<b>2,234,041</b>

(1) Represents the amount necessary to pay interest on the transition and system restoration bonds.

### Three months ended September 30, 2013 compared to three months ended September 30, 2012

Our Electric Transmission & Distribution business segment reported operating income of \$239 million for the three months ended September 30, 2013, consisting of \$207 million from the regulated electric transmission and distribution utility (TDU) and \$32 million related to transition and system restoration bond companies (Bond Companies). For the three months ended September 30, 2012, operating income totaled \$242 million, consisting of \$205 million from the TDU and \$37 million related to Bond Companies. TDU operating income increased \$2 million due to customer growth (\$8 million) from the addition of over 44,000 new customers and increased usage (\$6 million), primarily due to favorable weather, partially offset by increased operating and maintenance expenses (\$9 million, excluding \$19 million of higher transmission costs largely offset by increased transmission revenue), increased taxes other than income taxes (\$3 million) and increased depreciation expense (\$2 million, excluding \$2 million from increased investment in an advanced metering system (AMS) offset by the related revenues).

**Nine months ended September 30, 2013 compared to nine months ended September 30, 2012**

Our Electric Transmission & Distribution business segment reported operating income of \$488 million for the nine months ended September 30, 2013, consisting of \$387 million from the TDU and \$101 million related to Bond Companies. For the nine months ended September 30, 2012, operating income totaled \$540 million, consisting of \$428 million from the TDU and \$112 million related to Bond Companies. TDU operating income decreased \$41 million due to decreased usage (\$20 million), primarily due to milder weather, increased operating and maintenance expenses (\$17 million, excluding \$43 million of higher transmission costs largely offset by increased transmission revenue), decreased right-of-way revenues (\$14 million), increased taxes other than income taxes (\$9 million) and increased depreciation (\$7 million, excluding \$7 million from increased investment in AMS offset by the related revenues), partially offset by customer growth (\$19 million) from the addition of over 44,000 new customers.

**Natural Gas Distribution**

For information regarding factors that may affect the future results of operations of our Natural Gas Distribution business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our First and Second Quarter Forms 10-Q and Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Natural Gas Distribution business segment for the three and nine months ended September 30, 2012 and 2013 (in millions, except throughput and customer data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues	\$ 355	\$ 381	\$ 1,575	\$ 1,961
Expenses:				
Natural gas	134	142	763	1,066
Operation and maintenance	151	158	470	488
Depreciation and amortization	43	47	129	138
Taxes other than income taxes	22	29	78	100
Total expenses	350	376	1,440	1,792
Operating Income	\$ 5	\$ 5	\$ 135	\$ 169
Throughput (in billion cubic feet (Bcf)):				
Residential	12	12	90	117
Commercial and industrial	49	49	175	191
Total Throughput	61	61	265	308
Number of customers at end of period:				
Residential	3,022,320	3,045,701	3,022,320	3,045,701
Commercial and industrial	242,001	242,587	242,001	242,587
Total	3,264,321	3,288,288	3,264,321	3,288,288

**Three months ended September 30, 2013 compared to three months ended September 30, 2012**

Our Natural Gas Distribution business segment reported operating income of \$5 million for both the three months ended September 30, 2013 and 2012. Rate increases primarily from annual rate adjustments (\$8 million) and increased economic activity across our footprint, including the addition of approximately 24,000 customers (\$4 million) were offset by higher operation and maintenance expenses (\$6 million), higher depreciation and amortization (\$4 million) and an increase in property taxes (\$2 million). Expenses related to energy efficiency programs, which were offset by related revenues, increased (\$1 million). Increased expenses related to higher gross receipt taxes (\$5 million) were also offset by the related revenues.

### Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Our Natural Gas Distribution business segment reported operating income of \$169 million for the nine months ended September 30, 2013 compared to \$135 million for the nine months ended September 30, 2012. Operating income increased \$34 million due to increased usage primarily due to colder weather as compared to prior year, partially mitigated by weather hedges and weather normalization adjustments (\$28 million), rate increases (\$13 million), and increased economic activity across our footprint including the addition of approximately 24,000 customers (\$9 million). These increases were partially offset by an increase in labor and benefits (\$4 million), higher depreciation (\$9 million) and an increase in property taxes (\$4 million). Expenses related to energy efficiency programs, which were offset by related revenues, increased (\$12 million). Increased expenses related to higher gross receipt taxes (\$19 million) were also offset by the related revenues.

### Competitive Natural Gas Sales and Services

For information regarding factors that may affect the future results of operations of our Competitive Natural Gas Sales and Services business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our First and Second Quarter Forms 10-Q and Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Competitive Natural Gas Sales and Services business segment for the three and nine months ended September 30, 2012 and 2013 (in millions, except throughput and customer data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues	\$ 389	\$ 520	\$ 1,222	\$ 1,745
Expenses:				
Natural gas	382	503	1,193	1,693
Operation and maintenance	12	13	34	35
Depreciation and amortization	2	2	4	4
Taxes other than income taxes	—	—	1	1
Goodwill impairment	252	—	252	—
Total expenses	648	518	1,484	1,733
Operating Income (Loss)	\$ (259)	\$ 2	\$ (262)	\$ 12
Throughput (in Bcf)	129	134	417	433
Number of customers at end of period	14,816	17,537	14,816	17,537

### Three months ended September 30, 2013 compared to three months ended September 30, 2012

Our Competitive Natural Gas Sales and Services business segment reported operating income of \$2 million for the three months ended September 30, 2013 compared to an operating loss of \$7 million for the three months ended September 30, 2012, excluding the \$252 million goodwill impairment charge. The increase in operating income of \$9 million is primarily due to a \$15 million improvement from mark-to-market accounting offset by a \$1 million inventory write down to the lower of cost or market. Specifically, the mark-to-market accounting impact for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins was a positive \$6 million for the third quarter of 2013 compared to a \$9 million charge for the same period of 2012. The three months ended September 30, 2013 also did not include \$5 million of operating income associated with a commercial book of business sold during the third quarter of 2012.

### Nine months ended September 30, 2013 compared to nine months ended September 30, 2012

Our Competitive Natural Gas Sales and Services business segment reported operating income of \$12 million for the nine months ended September 30, 2013 compared to an operating loss of \$10 million for the nine months ended September 30, 2012, excluding the \$252 million goodwill impairment charge. The increase in operating income of \$22 million is primarily due to a \$21 million improvement from mark-to-market accounting. The first nine months of 2013 included a \$7 million benefit resulting from mark-to-market accounting for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins compared to charges of \$14 million for the same period of 2012. Write-downs of natural gas inventory to the lower of cost or market were \$4 million for both the first nine months of 2013 and 2012. This segment’s commercial business

continues to grow both volume and the number of customers in the first three quarters of 2013 compared to the first three quarters of 2012.

### Interstate Pipelines

For information regarding factors that may affect the Interstate Pipelines business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our First and Second Quarter Forms 10-Q and Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Interstate Pipelines business segment for the three and nine months ended September 30, 2012 and 2013 (in millions, except throughput data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013 (1)
Revenues	\$ 122	\$ —	\$ 374	\$ 186
Expenses:				
Natural gas	15	—	36	35
Operation and maintenance	37	—	111	51
Depreciation and amortization	15	—	43	20
Taxes other than income taxes	7	—	24	8
Total expenses	74	—	214	114
Operating Income	\$ 48	\$ —	\$ 160	\$ 72
Equity in earnings of unconsolidated affiliates	\$ 8	\$ —	\$ 20	\$ 7
Transportation throughput (in Bcf)	306	—	1,030	482

(1) Represents January 2013 through April 2013 results only.

#### *Three months ended September 30, 2013 compared to three months ended September 30, 2012*

Our Interstate Pipeline business segment reported operating income of \$0- for the three months ended September 30, 2013 compared to \$48 million for the three months ended September 30, 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the three months ended September 30, 2013 are not comparable to the same period in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

*Equity Earnings.* In addition, this business segment recorded equity income from its ownership in SESH, a jointly owned pipeline, of \$8 million for the three months ended September 30, 2012. Beginning May 1, 2013, equity earnings related to the interest in SESH contributed to Enable as well as our remaining 25.05% interest in SESH are reported as components of equity income in our Midstream Investments segment.

#### *Nine months ended September 30, 2013 compared to nine months ended September 30, 2012*

Our Interstate Pipeline business segment reported operating income of \$72 million for the nine months ended September 30, 2013 compared to \$160 million for the nine months ended September 30, 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the nine months ended September 30, 2013 are not comparable to the same period in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

*Equity Earnings.* In addition, this business segment recorded equity income from its ownership in SESH of \$20 million and \$7 million for the nine months ended September 30, 2012 and 2013, respectively. The decrease was primarily due to the contribution of a 24.95% interest in SESH to Enable on May 1, 2013 as discussed above.

## Field Services

For information regarding factors that may affect the Field Services business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our First and Second Quarter Forms 10-Q and Item 1A of Part II of this Quarterly Report on Form 10-Q.

The following table provides summary data of our Field Services business segment for the three and nine months ended September 30, 2012 and 2013 (in millions, except throughput data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013 (1)
Revenues	\$ 141	\$ —	\$ 350	\$ 196
Expenses:				
Natural gas	42	—	75	54
Operation and maintenance	29	—	82	45
Depreciation and amortization	13	—	35	20
Taxes other than income taxes	2	—	5	4
Total expenses	86	—	197	123
Operating Income	\$ 55	\$ —	\$ 153	\$ 73
Equity in earnings of unconsolidated affiliates	\$ —	\$ —	\$ 5	\$ —
Gathering throughput (in Bcf)	221	—	691	252

(1) Represents January 2013 through April 2013 results only.

### **Three months ended September 30, 2013 compared to three months ended September 30, 2012**

Our Field Services business segment reported operating income of \$-0- for the three months ended September 30, 2013 compared to \$55 million for the three months ended September 30, 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the three months ended September 30, 2013 are not comparable to the same period in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

### **Nine months ended September 30, 2013 compared to nine months ended September 30, 2012**

Our Field Services business segment reported operating income of \$73 million for the nine months ended September 30, 2013 compared to \$153 million for the nine months ended September 30, 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the nine months ended September 30, 2013 are not comparable to the same period in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

**Equity Earnings.** In addition, this business segment recorded equity income of \$5 million for the nine months ended September 30, 2012 from its 50% general partnership interest in Waskom, which is included in Equity in Earnings of Unconsolidated Affiliates under the Other Income (Expense) caption. From August 1, 2012 through April 30, 2013, financial results for Waskom are included in operating income. On May 1, 2013, our 100% investment in Waskom was contributed to Enable.

**Midstream Investments**

For information regarding factors that may affect the future results of operations of our Midstream Investments business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution, Competitive Natural Gas Sales and Services, Interstate Pipelines and Field Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Risks Common to Our Businesses and Other Risks” in Item 1A of Part I of our 2012 Form 10-K, Item 1A of Part II of our First and Second Quarter Forms 10-Q and Item 1A of Part II of this Quarterly Report on Form 10-Q.

During the three months ended September 30, 2013, we reported pre-tax equity income of \$77 million from our 58.3% limited partner interest in Enable and \$3 million of pre-tax equity income from our 25.05% interest in SESH. During the five months ended September 30, 2013, we reported pre-tax equity income of \$110 million from our interest in Enable and \$5 million of pre-tax equity income from our interest in SESH. During the three and five months ended September 30, 2013, Enable’s gathering and processing operations continued to perform well while the interstate pipelines faced low seasonal and geographic price differentials, reduced demand for ancillary services and challenging market conditions.

**Enable Operating Data during the three and five months ended September 30, 2013**

	Three Months Ended September 30, 2013	Five Months Ended September 30, 2013
Natural gas gathered volumes - Trillion British Thermal Units per day (TBtu/d)	3.52	3.54
Natural gas transportation volumes - TBtu/d	5.13	5.16
Natural gas processed volumes - TBtu/d	1.51	1.48

**Other Operations**

The following table shows the operating income (loss) of our Other Operations business segment for the three and nine months ended September 30, 2012 and 2013 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues	\$ 3	\$ 4	\$ 9	\$ 10
Expenses	6	6	7	25
Operating Income (Loss)	\$ (3)	\$ (2)	\$ 2	\$ (15)

**Three months ended September 30, 2013 compared to three months ended September 30, 2012**

Our Other Operations business segment reported an operating loss of \$2 million for the three months ended September 30, 2013 compared to an operating loss of \$3 million for the same period of 2012. The decrease in operating loss is primarily due to increased rental revenues.

**Nine months ended September 30, 2013 compared to nine months ended September 30, 2012**

Our Other Operations business segment reported an operating loss of \$15 million for the nine months ended September 30, 2013 compared to operating income of \$2 million for the same period of 2012. The decrease in operating income of \$17 million is primarily related to the costs associated with the formation of Enable (\$12 million), higher depreciation expense (\$3 million) and higher property taxes (\$2 million).

**CERTAIN FACTORS AFFECTING FUTURE EARNINGS**

For information on other developments, factors and trends that may have an impact on our future earnings, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings” in Item 7 of Part II of our 2012 Form 10-K, “Risk Factors” in Item 1A of Part I of our 2012 Form 10-K and “Risk Factors” in Item 1A of Part II in our First and Second Quarter Forms 10-Q, in Item 1A of Part II of this Quarterly Report on Form 10-Q and “Cautionary Statement Regarding Forward-Looking Information” in this Form 10-Q.

**LIQUIDITY AND CAPITAL RESOURCES****Historical Cash Flows**

The following table summarizes the net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2012 and 2013:

	Nine Months Ended September 30,	
	2012	2013
	(in millions)	
Cash provided by (used in):		
Operating activities	\$ 1,379	\$ 1,132
Investing activities	(1,209)	(926)
Financing activities	332	(633)

**Cash Provided by Operating Activities**

Net cash provided by operating activities in the first nine months of 2013 decreased \$247 million compared to the same period in 2012 due primarily to decreased operating income, excluding the non-cash goodwill impairment charge of \$252 million (\$181 million), decreased cash related to gas storage (\$110 million), decreased cash provided by net accounts receivable/payable (\$52 million), decreased net margin deposits (\$44 million) and increased tax payments (\$31 million), which were partially offset by increased cash provided by fuel cost recovery (\$177 million) and decreased cash paid for interest (\$52 million).

**Cash Used in Investing Activities**

Net cash used in investing activities in the first nine months of 2013 decreased \$283 million compared to the same period in 2012 due primarily to decreased acquisition activity (\$360 million), decreased restricted cash (\$25 million) and increased proceeds from sale of marketable securities (\$9 million), which were partially offset by increased capital expenditures (\$94 million) and cash contributed to Enable (\$38 million).

**Cash Provided by (Used in) Financing Activities**

Net cash used in financing activities in the first nine months of 2013 increased \$965 million compared to the same period in 2012 primarily due to decreased proceeds from long-term debt (\$1,445 million), which was partially offset by decreased net payments of commercial paper (\$285 million), decreased payments of long-term debt (\$73 million), decreased cash paid for debt exchange and debt retirement (\$69 million), increased short-term borrowings (\$41 million) and decreased debt issuance costs (\$12 million).

**Future Sources and Uses of Cash**

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments and working capital needs. Substantially all of our capital expenditures are expected to be used for investment in infrastructure for our electric transmission and distribution operations, and our natural gas transmission and distribution operations. These capital expenditures relate to reliability, safety and system expansions. Our principal cash requirements for the remaining three months of 2013 include the following:

- capital expenditures of approximately \$345 million;
- the redemption, on October 15, 2013, of approximately \$59 million of pollution control bonds issued on our behalf at 101% of their aggregate principal amount;
- scheduled principal payments on transition and system restoration bonds of \$59 million; and
- dividend payments on CenterPoint Energy common stock and interest payments on debt.

We expect that invested cash, borrowings under our credit facilities, proceeds from commercial paper, anticipated cash flows from operations, and distributions from Enable will be sufficient to meet our anticipated cash needs for the remaining three months of 2013. Discretionary financing or refinancing may result in the issuance of equity or debt securities in the capital markets or the

arrangement of additional credit facilities. Issuances of equity or debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

*Off-Balance Sheet Arrangements.* Other than the guarantees described below and operating leases, we have no off-balance sheet arrangements.

Prior to the distribution of our ownership in Reliant Resources, Inc. (RRI) to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn Energy, Inc. (GenOn)) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$62 million as of September 30, 2013. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy, Inc. has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of September 30, 2013, CenterPoint Energy, Inc. had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. CERC Corp. has provided guarantees (CERC Midstream Guarantees) with respect to the performance of certain obligations of EGT under certain contractual arrangements with third parties, which guarantees are scheduled to expire in June 2015 and December 2018. The maximum aggregate amount payable by CERC Corp. under these guarantees is \$53.2 million. The aggregate dollar amount of the obligations covered by the CERC Midstream Guarantees varies over time. The obligations supported by the CERC Midstream Guarantees for the months of September and October 2013 totaled less than \$1 million. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy, Inc. have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees and the CERC Midstream Guarantees, and to release CenterPoint Energy, Inc. or CERC Corp. from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees or CERC Midstream Guarantees, as applicable. CERC Corp. has also provided a guarantee of collection of Enable's obligations under its \$1.05 billion three-year unsecured term loan facility, which guarantee is subordinated to all senior debt of CERC Corp.

*Regulatory Matters.* Significant regulatory developments that have occurred since our Second Quarter Form 10-Q was filed with the Securities and Exchange Commission (SEC) are discussed below.

#### **CenterPoint Houston**

In October 2009, the Public Utility Commission of Texas (Texas Utility Commission) issued an order disallowing recovery of a performance bonus of \$2 million on approximately \$10 million in 2008 energy efficiency costs expended pursuant to the terms of a settlement agreement in a prior rate case. CenterPoint Houston appealed the denial of the full 2008 performance bonus to the 98th district court in Travis County, Texas. In October 2010, the district court upheld the Texas Utility Commission's decision. In February 2011, CenterPoint Houston appealed the district court's judgment to the Texas Third Court of Appeals at Austin, Texas. In August 2013, the court of appeals reversed the Texas Utility Commission's decision and the Texas Utility Commission appealed that decision to the Texas Supreme Court in October 2013. Similar orders by the Texas Utility Commission providing for the partial disallowance of performance bonuses totaling approximately \$5.5 million relating to CenterPoint Houston's 2009, 2010 and 2011 (only through August 2011) energy efficiency programs were also appealed. These subsequent cases have been abated pending the final outcome of the 2008 bonus appeal. Starting September 2011, CenterPoint Houston's energy efficiency programs have no longer been funded pursuant to the terms of the prior settlement, and no further performance bonus disallowances are expected.

#### **Gas Operations**

Cost of Service Adjustment (COSA) Rate Adjustments. In March 2008, Gas Operations filed a request to change its rates with the Railroad Commission of Texas (Railroad Commission) and the 47 cities in its Texas Coast service territory, including a request for an annual cost of service adjustment mechanism, or COSA, that adjusts rates annually for changes in invested capital



as well as certain operating expenses. In 2008, the Railroad Commission approved the implementation of rates increasing annual revenues from the Texas Coast service territory by approximately \$3.5 million. The approved rates were contested by a coalition of nine cities in an appeal to the 353rd district court in Travis County, Texas. In January 2010, that court reversed the Railroad Commission's order in part and remanded the matter to the Railroad Commission. In its final judgment, the court ruled that the Railroad Commission lacked authority to impose the approved COSA mechanism both in those nine cities and in those areas in which the Railroad Commission has original jurisdiction. The Railroad Commission and Gas Operations appealed the court's ruling on the COSA mechanism to the Texas Third Court of Appeals in Austin, Texas. In October 2011, the Texas Third Court of Appeals reversed the district court's ruling. In December 2011, the Texas Third Court of Appeals denied a motion for rehearing. In February 2012, parties opposed to the Third Court's decision appealed to the Texas Supreme Court. In February 2013, the Texas Supreme Court granted the petitions for review. Oral arguments were held in September 2013. The issues on appeal are limited to the validity of the COSA rate adjustments made for the 2008 to 2010 calendar years. If the Texas Supreme Court were to determine that the Railroad Commission lacked authority to approve these rate adjustments, Gas Operations could have a potential refund liability of revenues collected during the applicable periods plus interest. As of September 30, 2013, Gas Operations had billed approximately \$16 million under the COSA mechanisms that are the subject of the appeal.

**Minneapolis Franchise.** Gas Operations currently provides natural gas distribution services to approximately 124,000 customers in Minneapolis, Minnesota under a franchise that is due to expire at the end of 2014. In June 2013, the Minneapolis City Council (City Council) voted to hold public hearings on August 1, 2013 to consider (i) authorizing the establishment of a municipal electric utility and authorizing the city to own, operate, construct and extend electric facilities and acquire the property of any existing electric public utility operating within Minneapolis, and (ii) authorizing the establishment of a municipal gas utility and authorizing the city to own, operate, construct and extend gas and similar facilities and acquire the property of any existing gas public utility operating within Minneapolis. On August 16, 2013, the City Council voted not to conduct a special election on the question of whether the city should be authorized to establish a municipal utility. Additionally, the City Council directed city staff to begin negotiations with Gas Operations on a franchise renewal and to work to complete the franchise agreement by June 2014.

**Minnesota Rate Proceeding.** On August 2, 2013, Gas Operations filed a general rate case in Minnesota to increase overall revenue \$44.3 million annually, based on rate base of \$700 million and return on equity (ROE) of 10.3%. In compliance with state law, Gas Operations implemented interim rates reflecting \$42.9 million dollars of the requested increase for gas used on and after October 1, 2013. Gas Operations expects a final decision in its rate proceeding in mid-June of 2014. This rate filing is intended to recover significant capital expenditures Gas Operations is making in Minnesota, includes moving \$15.0 million of energy efficiency expenditures into base rates, and includes a proposal for a full decoupling mechanism.

#### Enable Midstream Partners

In August 2012, MRT, a subsidiary of Enable and an interstate pipeline that provides natural gas transportation, natural gas storage and pipeline services to customers principally in Arkansas, Illinois and Missouri, made a rate filing with the Federal Energy Regulatory Commission (FERC) pursuant to Section 4 of the Natural Gas Act. In its filing, MRT requested an annual cost of service of \$103.8 million (an increase of approximately \$47.3 million above the annual cost of service underlying the current FERC approved maximum rates for MRT's pipeline), new depreciation rates, an overall rate of return of 10.813% (based on a ROE of 13.62%), a regulatory compliance cost (RCC) surcharge with a true-up mechanism to recover safety, environmental, and security costs associated with mandated requirements and billing determinants reflecting no adjustments for MRT's conversion of a portion of EGT's firm capacity to a lease. On July 30, 2013, MRT filed with the FERC an uncontested Stipulation and Agreement and Offer of Settlement, resolving all issues in the rate case. In particular, MRT withdrew its proposed RCC surcharge. The settlement specifies few particulars, other than setting an annual overall cost-of-service for MRT of \$84.0 million and increasing the depreciation rates for certain asset classes. In September 2013, the FERC approved the settlement. Although the settlement became effective November 1, 2013, the settlement rates are effective as of March 1, 2013. As a result, MRT will be making refunds to certain of its customers for amounts collected between the requested \$103.8 million cost of service and the \$84.0 million settlement cost of service, which amounts had already been reserved by Enable.

*Credit Facilities.* As of October 18, 2013, we had the following revolving credit facilities (in millions):

Date Executed	Company	Size of Facility	Amount Utilized at October 18, 2013 (1)	Termination Date
September 9, 2011	CenterPoint Energy	\$ 1,200	\$ 6 (2)	September 9, 2018
September 9, 2011	CenterPoint Houston	300	4 (2)	September 9, 2018
September 9, 2011	CERC Corp.	600	—	September 9, 2018

- (1) Based on the consolidated debt to capitalization covenant in our revolving credit facility and the revolving credit facility of each of CenterPoint Houston and CERC Corp., we would have been permitted to utilize the full capacity of such revolving credit facilities, which aggregated \$2.1 billion at September 30, 2013.
- (2) Represents outstanding letters of credit.

Our \$1.2 billion revolving credit facility can be drawn at the London Interbank Offered Rate (LIBOR) plus 150 basis points based on our current credit ratings. The revolving credit facility contains a financial covenant which limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and we certify to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve-month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date we deliver our certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of our certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility can be drawn at LIBOR plus 125 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

Borrowings under each of the three revolving credit facilities are subject to customary terms and conditions. However, there is no requirement that the borrower make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under each of the revolving credit facilities are subject to acceleration upon the occurrence of events of default that we consider customary. The revolving credit facilities also provide for customary fees, including commitment fees, administrative agent fees, fees in respect of letters of credit and other fees. In each of the three revolving credit facilities, the spread to LIBOR and the commitment fees fluctuate based on the borrower's credit rating. The borrowers are currently in compliance with the various business and financial covenants in the three revolving credit facilities.

On April 11, 2013, we amended our revolving credit facility and CERC Corp. amended its revolving credit facility to add exceptions to each borrower's covenants which restrict (i) the consolidation, merger or disposal of assets and (ii) the sale of stock in certain significant subsidiaries, in each case to permit the transactions contemplated in the formation of Enable.

On September 9, 2013, our revolving credit facility and the revolving credit facilities of CenterPoint Houston and CERC Corp. were amended to, among other things, (i) reduce the size of the CERC Corp. facility from \$950 million to \$600 million, (ii) extend the scheduled termination dates of the three facilities from September 9, 2016 to September 9, 2018, and (iii) change the financial covenant in our facility to a covenant that limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization (subject to a temporary increase to 70% of our consolidated capitalization under certain circumstances described therein).

Our \$1.2 billion revolving credit facility backstops our \$1.0 billion commercial paper program. CERC Corp.'s \$600 million revolving credit facility backstops its \$600 million commercial paper program. As of September 30, 2013, there was no commercial paper outstanding under either program.

*Securities Registered with the SEC.* CenterPoint Energy, CenterPoint Houston and CERC Corp. have filed a joint shelf registration statement with the SEC registering indeterminate principal amounts of CenterPoint Houston's general mortgage bonds, CERC Corp.'s senior debt securities and CenterPoint Energy's senior debt securities and junior subordinated debt securities and an indeterminate number of CenterPoint Energy's shares of common stock, shares of preferred stock, as well as stock purchase contracts and equity units.

*Temporary Investments.* As of October 18, 2013, we had temporary investments in money market funds of \$78 million.

*Money Pool.* We have a money pool through which the holding company and participating subsidiaries can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under our revolving credit facility or the sale of our commercial paper.

*Impact on Liquidity of a Downgrade in Credit Ratings.* The interest on borrowings under our credit facilities is based on our credit rating. As of October 18, 2013, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, and Fitch, Inc. (Fitch) had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

Company/Instrument	Moody's		S&P		Fitch	
	Rating	Outlook (1)	Rating	Outlook (2)	Rating	Outlook (3)
CenterPoint Energy Senior Unsecured Debt	Baa2	Stable	BBB+	Stable	BBB	Stable
CenterPoint Houston Senior Secured Debt	A2	Stable	A	Stable	A	Stable
CERC Corp. Senior Unsecured Debt	Baa2	Stable	A-	Stable	BBB	Stable

(1) A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term.

(2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.

(3) A Fitch rating outlook encompasses a one- to two-year horizon as to the likely ratings direction.

We cannot assure you that the ratings set forth above will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency. We note that these credit ratings are included for informational purposes and are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings and the execution of our commercial strategies.

A decline in credit ratings could increase borrowing costs under our \$1.2 billion revolving credit facility, CenterPoint Houston's \$300 million revolving credit facility and CERC Corp.'s \$600 million revolving credit facility. If our credit ratings or those of CenterPoint Houston or CERC Corp. had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed at September 30, 2013, the impact on the borrowing costs under the three revolving credit facilities would have been immaterial. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact our ability to complete capital market transactions and to access the commercial paper market.

CERC Corp. and its subsidiaries purchase natural gas from one of their suppliers under supply agreements that contain an aggregate credit threshold of \$140 million based on CERC Corp.'s S&P senior unsecured long-term debt rating of A-. Under these agreements, CERC may need to provide collateral if the aggregate threshold is exceeded or if the S&P senior unsecured long-term debt rating is downgraded below BBB+.

CenterPoint Energy Services, Inc. (CES), a wholly owned subsidiary of CERC Corp. operating in our Competitive Natural Gas Sales and Services business segment, provides comprehensive natural gas sales and services primarily to commercial and industrial customers and electric and gas utilities throughout the central and eastern United States. In order to economically hedge its exposure to natural gas prices, CES uses derivatives with provisions standard for the industry, including those pertaining to credit thresholds. Typically, the credit threshold negotiated with each counterparty defines the amount of unsecured credit that such counterparty will extend to CES. To the extent that the credit exposure that a counterparty has to CES at a particular time does not exceed that credit threshold, CES is not obligated to provide collateral. Mark-to-market exposure in excess of the credit threshold is routinely collateralized by CES. As of September 30, 2013, the amount posted as collateral aggregated approximately \$16 million. Should the credit ratings of CERC Corp. (as the credit support provider for CES) fall below certain levels, CES would be required to provide additional collateral up to the amount of its previously unsecured credit limit. We estimate that as of September 30, 2013, unsecured credit limits extended to CES by counterparties aggregate \$308 million and \$2 million of such amount was utilized.

Pipeline tariffs and contracts typically provide that if the credit ratings of a shipper or the shipper's guarantor drop below a threshold level, which is generally investment grade ratings from both Moody's and S&P, cash or other collateral may be demanded from the shipper in an amount equal to the sum of three months' charges for pipeline services plus the unrecouped cost of any lateral built for such shipper. If the credit ratings of CERC Corp. decline below the applicable threshold levels, CERC Corp. might need to provide cash or other collateral of as much as \$180 million as of September 30, 2013. The amount of collateral will depend on seasonal variations in transportation levels.

In September 1999, we issued Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of \$1.0 billion of which \$828 million remains outstanding at September 30, 2013. Each ZENS note was originally exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. common stock (TW Common) attributable to such note. The number and identity of the reference shares attributable to each ZENS note are adjusted for certain corporate events. As of September 30, 2013, the reference shares for each ZENS note consisted of 0.5 share of TW Common, 0.125505 share of Time Warner Cable Inc. common stock (TWC Common) and 0.045455 share of AOL Inc. common stock (AOL Common). If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS note holders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common, TWC Common and AOL Common that we own or from other sources. We own shares of TW Common, TWC Common and AOL Common equal to approximately 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because tax deferrals related to the ZENS notes and TW Common, TWC Common and AOL Common shares would typically cease when ZENS notes are exchanged or otherwise retired and TW Common, TWC Common and AOL Common shares are sold. The ultimate tax liability related to the ZENS notes continues to increase by the amount of the tax benefit realized each year, and there could be a significant cash outflow when the taxes are paid as a result of the retirement of the ZENS notes. If all ZENS notes had been exchanged for cash on September 30, 2013, deferred taxes of approximately \$378 million would have been payable in 2013.

*Cross Defaults.* Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$75 million by us or any of our significant subsidiaries will cause a default. In addition, three outstanding series of our senior notes, aggregating \$750 million in principal amount as of September 30, 2013, provide that a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of \$50 million, will cause a default. A default by CenterPoint Energy would not trigger a default under our subsidiaries' debt instruments or revolving credit facilities.

*Possible Acquisitions, Divestitures and Joint Ventures.* From time to time, we consider the acquisition or the disposition of assets or businesses or possible joint ventures or other joint ownership arrangements with respect to assets or businesses. Any determination to take action in this regard will be based on market conditions and opportunities existing at the time, and accordingly, the timing, size or success of any efforts and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of events, including, among others, maintenance of our credit ratings, industry conditions, general economic conditions, market conditions and market perceptions.

*Enable Midstream Partners.* In connection with its formation on May 1, 2013, Enable (i) entered into a \$1.05 billion 3-year senior unsecured term loan facility, (ii) repaid \$1.05 billion of indebtedness owed to CERC Corp., and (iii) entered into a \$1.4 billion senior unsecured revolving credit facility.

The sponsors of Enable, including us, may from time to time provide funds to Enable through loans and/or capital contributions in addition to funds that Enable may obtain from time to time under its revolving credit facility or from other sources, which loans or capital contributions could be substantial.

Certain of the entities contributed to Enable by CERC Corp. are obligated on approximately \$363 million of indebtedness owed to a wholly owned subsidiary of CERC Corp. that is scheduled to mature in 2017.

Prior to an initial public offering of Enable, Enable is obligated to distribute 100% of its distributable cash (as such term is defined in its partnership agreement) to its limited partners each fiscal quarter within 45 days following the end of the applicable quarter. In July 2013, CERC Corp. received a cash distribution of approximately \$36 million from Enable made with respect to CERC Corp.'s limited partner interest in Enable for the months of May and June 2013 (the two months in the second quarter following the formation of Enable on May 1, 2013). CERC Corp. expects to receive a cash distribution of approximately \$70 million from Enable in November 2013 to be made with respect to CERC Corp.'s limited partner interest in Enable for the third quarter of 2013.

*Dodd-Frank Swaps Regulation.* We use derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on our operating results and cash flows. Following enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) in July 2010, the Commodity Futures Trading Commission (CFTC) has promulgated regulations to implement Dodd-Frank's changes to the Commodity Exchange Act, including the definition of commodity-based swaps subject to those regulations. The CFTC regulations are intended to implement new reporting and record keeping requirements related to their swap transactions and a mandatory clearing and exchange-execution regime for various types, categories or classes of swaps, subject to certain exemptions, including the trade-option and end-user exemptions. Although we anticipate that most, if not all, of our swap transactions should qualify for an exemption to the clearing and exchange-execution requirements, we will still be subject to record keeping and reporting requirements. Other changes to the Commodity Exchange Act made as a result of Dodd-Frank and the CFTC's implementing regulations could significantly increase the cost of entering into new swaps.

*Other Factors that Could Affect Cash Requirements.* In addition to the above factors, our liquidity and capital resources could be affected by:

- cash collateral requirements that could exist in connection with certain contracts, including our weather hedging arrangements, and gas purchases, gas price and gas storage activities of our Natural Gas Distribution and Competitive Natural Gas Sales and Services business segments;
- acceleration of payment dates on certain gas supply contracts, under certain circumstances, as a result of increased gas prices and concentration of natural gas suppliers;
- increased costs related to the acquisition of natural gas;
- increases in interest expense in connection with debt refinancings and borrowings under credit facilities;
- various legislative or regulatory actions;
- incremental collateral, if any, that may be required due to regulation of derivatives;
- the ability of GenOn and its subsidiaries to satisfy their obligations in respect of GenOn's indemnity obligations to us and our subsidiaries;
- the ability of retail electric providers (REPs), including REP affiliates of NRG Energy, Inc. and Energy Future Holdings Corp., which are CenterPoint Houston's two largest customers, to satisfy their obligations to us and our subsidiaries;
- slower customer payments and increased write-offs of receivables due to higher gas prices or changing economic conditions;
- the outcome of litigation brought by and against us;
- contributions to pension and postretirement benefit plans;
- restoration costs and revenue losses resulting from future natural disasters such as hurricanes and the timing of recovery of such restoration costs; and
- various other risks identified in "Risk Factors" in Item 1A of Part I of our 2012 Form 10-K, in Item 1A of Part II of our First and Second Quarter Forms 10-Q and in Item 1A of Part II of this Quarterly Report on Form 10-Q.

*Certain Contractual Limits on Our Ability to Issue Securities and Borrow Money.* CenterPoint Houston's revolving credit facility limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of its consolidated capitalization. CERC Corp.'s revolving credit facility limits CERC's consolidated debt to an amount not to exceed 65% of its consolidated capitalization. Our revolving credit facility limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit in our revolving credit facility will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory that meets certain criteria. Additionally, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

## NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to our Interim Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements that affect us.

### Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Commodity Price Risk From Non-Trading Activities

We use derivative instruments as economic hedges to offset the commodity price exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to hedge, is described below. We measure the commodity risk of our non-trading energy derivatives using a sensitivity analysis. The sensitivity analysis performed on our non-trading energy derivatives measures the potential loss in fair value based on a hypothetical 10% movement in energy prices. At September 30, 2013, the recorded fair value of our non-trading energy derivatives was a net asset of \$23 million (before collateral), all of which is related to our Competitive Natural Gas Sales and Services business segment. An increase of 10% in the market prices of energy commodities from their September 30, 2013 levels would have decreased the fair value of our non-trading energy derivatives net asset by \$6 million.

The above analysis of the non-trading energy derivatives utilized for commodity price risk management purposes does not include the favorable impact that the same hypothetical price movement would have on our non-derivative physical purchases and sales of natural gas to which the hedges relate. Furthermore, the non-trading energy derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of non-trading energy derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above is expected to be substantially offset by a favorable impact on the underlying hedged physical transactions.

#### Interest Rate Risk

As of September 30, 2013, we had outstanding long-term debt, bank loans, lease obligations and obligations under our ZENS (indexed debt securities) that subject us to the risk of loss associated with movements in market interest rates.

We have no material floating-rate obligations.

At December 31, 2012 and September 30, 2013, we had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$9.7 billion and \$8.2 billion, respectively, in carrying amount and having a fair value of \$10.9 billion and \$8.8 billion, respectively. Because these instruments are fixed-rate, they do not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$222 million if interest rates were to decline by 10% from their levels at September 30, 2013. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

The ZENS obligation is bifurcated into a debt component and a derivative component. The debt component of \$141 million at September 30, 2013 was a fixed-rate obligation and, therefore, did not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of the debt component would increase by approximately \$24 million if interest rates were to decline by 10% from levels at September 30, 2013. Changes in the fair value of the derivative component, a \$382 million recorded liability at September 30, 2013, are recorded in our Condensed Statements of Consolidated Income and, therefore, we are exposed to changes in the fair value of the derivative component as a result of changes in the underlying risk-free interest rate. If the risk-free interest rate were to increase by 10% from September 30, 2013 levels, the fair value of the derivative component liability would increase by approximately \$10 million, which would be recorded as an unrealized loss in our Condensed Statements of Consolidated Income.

#### Equity Market Value Risk

We are exposed to equity market value risk through our ownership of 7.1 million shares of TW Common, 1.8 million shares of TWC Common and 0.7 million shares of AOL Common, which we hold to facilitate our ability to meet our obligations under the ZENS. A decrease of 10% from the September 30, 2013 aggregate market value of these shares would result in a net loss of approximately \$13 million, which would be recorded as an unrealized loss in our Condensed Statements of Consolidated Income.

#### **Item 4. CONTROLS AND PROCEDURES**

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2013 to provide assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure. We have investments in certain unconsolidated affiliates. As we do not control these affiliates, our disclosure controls and procedures with respect to such affiliates are substantially more limited than those we maintain with respect to our consolidated subsidiaries.

There has been no change in our internal controls over financial reporting that occurred during the three months ended September 30, 2013 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### **PART II. OTHER INFORMATION**

#### **Item 1. LEGAL PROCEEDINGS**

For a description of certain legal and regulatory proceedings affecting CenterPoint Energy, please read Note 12(b) to our Interim Condensed Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Future Sources and Uses of Cash — Regulatory Matters," each of which is incorporated herein by reference. See also "Business — Regulation" and "— Environmental Matters" in Item 1 and "Legal Proceedings" in Item 3 of our 2012 Form 10-K.

#### **Item 1A. RISK FACTORS**

Other than with respect to the updated risk factor set forth below, there have been no material changes from the risk factors disclosed in our 2012 Form 10-K, First Quarter Form 10-Q and Second Quarter Form 10-Q.

***A substantial portion of CenterPoint Houston's receivables is concentrated in a small number of retail electric providers (REPs), and any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations.***

CenterPoint Houston's receivables from the distribution of electricity are collected from REPs that supply the electricity CenterPoint Houston distributes to their customers. As of September 30, 2013, CenterPoint Houston did business with 74 REPs. Adverse economic conditions, structural problems in the market served by the Electric Reliability Council of Texas or financial difficulties of one or more REPs could impair the ability of these REPs to pay for CenterPoint Houston's services or could cause them to delay such payments. CenterPoint Houston depends on these REPs to remit payments on a timely basis. Applicable regulatory provisions require that customers be shifted to a provider of last resort if a REP cannot make timely payments. Applicable Public Utility Commission of Texas (Texas Utility Commission) regulations significantly limit the extent to which CenterPoint Houston can apply normal commercial terms or otherwise seek credit protection from firms desiring to provide retail electric service in its service territory, and CenterPoint Houston thus remains at risk for payments not made prior to the shift to the provider of last resort or another REP. The Texas Utility Commission revised its regulations in 2009 to (i) increase the financial qualifications required of REPs that began selling power after January 1, 2009, and (ii) authorize utilities to defer bad debts resulting from defaults by REPs for recovery in a future rate case. A significant portion of CenterPoint Houston's billed receivables from REPs are from affiliates of NRG Energy, Inc. (NRG) and affiliates of Energy Future Holdings Corp. (Energy Future Holdings). CenterPoint Houston's aggregate billed receivables balance from REPs as of September 30, 2013 was \$229 million. Approximately 41% and 7% of this amount was owed by affiliates of NRG and Energy Future Holdings, respectively. In the fourth quarter of 2013, Energy Future Holdings publicly disclosed that it had engaged in discussions with certain of its creditors with respect to the capital structure of Energy Future Holdings and its affiliates, including the possibility of a restructuring transaction in bankruptcy. The disclosures do not make clear whether those discussions included or addressed the capital structure of affiliates of Energy Future Holdings that are REPs. Any delay or default in payment by REPs could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations. If a REP were unable to meet its obligations, it could consider, among various options,

restructuring under the bankruptcy laws, in which event such REP might seek to avoid honoring its obligations, and claims might be made by creditors involving payments CenterPoint Houston had received from such REP.

**Item 5. OTHER INFORMATION**

*Ratio of Earnings to Fixed Charges.* The ratio of earnings to fixed charges for the nine months ended September 30, 2012 and 2013 was 2.21 and 2.39, respectively. We do not believe that the ratios for these nine-month periods are necessarily indicative of the ratios for the twelve-month periods due to the seasonal nature of our business. The ratios were calculated pursuant to applicable rules of the Securities and Exchange Commission.

**Item 6. EXHIBITS**

The following exhibits are filed herewith:

Exhibits not incorporated by reference to a prior filing are designated by a cross (+); all exhibits not so designated are incorporated by reference to a prior filing as indicated.

Agreements included as exhibits are included only to provide information to investors regarding their terms. Agreements listed below may contain representations, warranties and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and no such agreement should be relied upon as constituting or providing any factual disclosures about CenterPoint Energy, Inc., any other persons, any state of affairs or other matters.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has not filed as exhibits to this Form 10-Q certain long-term debt instruments, including indentures, under which the total amount of securities authorized does not exceed 10% of the total assets of CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

<b>Exhibit Number</b>	<b>Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
3.1	Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 8-K dated July 24, 2008	1-31447	3.2
3.2	Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2010	1-31447	3(b)
3.3	Statement of Resolutions Deleting Shares Designated Series A Preferred Stock of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2011	1-31447	3(c)
4.1	Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
4.2	\$1,200,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.1
4.3	\$300,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.2
4.4	\$950,000,000 Credit Agreement, dated as of September 9, 2011, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.3
4.5	First Amendment to Credit Agreement, dated as of April 11, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.1
4.6	First Amendment to Credit Agreement, dated as of April 11, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.2
4.7	Second Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.1
4.8	First Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.2
4.9	Second Amendment to Credit Agreement, dated as of September 9, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.3



<b>Exhibit Number</b>	<b>Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
+10.1	First Amendment to the First Amended and Restated Agreement of Limited Partnership of CenterPoint Energy Field Services LP (CEFS) dated as of July 30, 2013			
+10.2	Second Amended and Restated Limited Liability Company Agreement of Enable GP, LLC dated as of July 30, 2013			
+12	Computation of Ratios of Earnings to Fixed Charges			
+31.1	Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	Section 1350 Certification of David M. McClanahan			
+32.2	Section 1350 Certification of Gary L. Whitlock			
+101.INS	XBRL Instance Document			
+101.SCH	XBRL Taxonomy Extension Schema Document			
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			



**Index to Exhibits**

The following exhibits are filed herewith:

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Agreements included as exhibits are included only to provide information to investors regarding their terms. Agreements listed below may contain representations, warranties and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and no such agreement should be relied upon as constituting or providing any factual disclosures about CenterPoint Energy, Inc., any other persons, any state of affairs or other matters.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has not filed as exhibits to this Form 10-Q certain long-term debt instruments, including indentures, under which the total amount of securities authorized does not exceed 10% of the total assets of CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

<b>Exhibit Number</b>	<b>Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
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4.3	\$300,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.2
4.4	\$950,000,000 Credit Agreement, dated as of September 9, 2011, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.3
4.5	First Amendment to Credit Agreement, dated as of April 11, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.1
4.6	First Amendment to Credit Agreement, dated as of April 11, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.2
4.7	Second Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.1
4.8	First Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.2
4.9	Second Amendment to Credit Agreement, dated as of September 9, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.3
+10.1	First Amendment to the First Amended and Restated Agreement of Limited Partnership of CenterPoint Energy Field Services LP (CEFS) dated as of July 30, 2013			
+10.2	Second Amended and Restated Limited Liability Company Agreement of Enable GP, LLC dated as of July 30, 2013			

<b>Exhibit Number</b>	<b>Description</b>	<b>Report or Registration Statement</b>	<b>SEC File or Registration Number</b>	<b>Exhibit Reference</b>
+12	Computation of Ratios of Earnings to Fixed Charges			
+31.1	Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	Section 1350 Certification of David M. McClanahan			
+32.2	Section 1350 Certification of Gary L. Whitlock			
+101.INS	XBRL Instance Document			
+101.SCH	XBRL Taxonomy Extension Schema Document			
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

**FIRST AMENDMENT TO THE  
FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP  
OF  
CENTERPOINT ENERGY FIELD SERVICES LP  
(a Delaware Limited Partnership)**

THIS FIRST AMENDMENT TO THE FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF CENTERPOINT ENERGY FIELD SERVICES LP (this “Amendment”) is made and entered into as of July 30, 2013, by Enable GP, LLC, its general partner (the “GP”).

W I T N E S S E T H:

WHEREAS, CenterPoint Energy Field Services LP, a Delaware limited partnership (the “Partnership”), has been formed pursuant to that certain Certificate of Limited Partnership, filed with the Secretary of State of the State of Delaware on May 1, 2013, and that certain First Amended and Restated Agreement of Limited Partnership, dated as of May 1, 2013 (the “Agreement”); and

WHEREAS, Section 13.1 of the Agreement provides that the GP may amend any provision of the Agreement to reflect a change in the name of the Partnership and other similar matters; and

WHEREAS, the GP desires to amend the Agreement to reflect a change in the name of the Company and the name of the GP;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements set forth herein and in the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the GP agrees as follows:

1. The Agreement is hereby amended to replace each occurrence of “CenterPoint Energy Field Services LP” with “Enable Midstream Partners, LP.”
2. The Agreement is hereby amended to replace each occurrence of “CNP OGE GP LLC” with “Enable GP, LLC.”
3. All other terms and conditions of the Agreement remain unchanged and in full force and effect.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the undersigned has duly executed this Amendment as of the date first above written.

ENABLE GP, LLC

By: /s/ M. Sean Blakley

Name: M. Sean Blakley

Title: Acting Chief Accounting Officer

**SECOND AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**ENABLE GP, LLC**

**A Delaware Limited Liability Company**

**Dated as of**

**July 30, 2013**

THE HOLDERS OF THE MEMBERSHIP INTERESTS REPRESENTED BY THIS AGREEMENT ACKNOWLEDGE FOR THE BENEFIT OF ENABLE GP, LLC THAT THE MEMBERSHIP INTERESTS MAY NOT BE SOLD, OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IF SUCH TRANSFER WOULD (A) VIOLATE THE THEN APPLICABLE FEDERAL OR STATE SECURITIES LAWS OR RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER GOVERNMENTAL AUTHORITY WITH JURISDICTION OVER SUCH TRANSFER, (B) TERMINATE THE EXISTENCE OR QUALIFICATION OF ENABLE GP, LLC UNDER THE LAWS OF THE STATE OF DELAWARE, (C) CAUSE ENABLE GP, LLC TO BE TREATED AS AN ASSOCIATION TAXABLE AS A CORPORATION OR OTHERWISE TO BE TAXED AS AN ENTITY FOR FEDERAL INCOME TAX PURPOSES (TO THE EXTENT NOT ALREADY SO TREATED OR TAXED) OR (D) VIOLATE THE OTHER RESTRICTIONS ON TRANSFER SET FORTH HEREIN.

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**SECOND AMENDED AND RESTATED  
LIMITED LIABILITY COMPANY AGREEMENT**

**OF**

**ENABLE GP, LLC**

A Delaware Limited Liability Company

This **SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT** (this "Agreement") of Enable GP, LLC (the "Company"), dated as of July 30, 2013, is adopted, executed and agreed to, for good and valuable consideration, by CenterPoint Energy Resources Corp., a Delaware corporation ("CERC"), and OGE Enogex Holdings LLC, a Delaware limited liability company ("OGEH"). CERC and OGEH are hereinafter collectively referred to as the "Parties" and each individually as a "Party."

**RECITALS**

WHEREAS, the name of the Company is "Enable GP, LLC";

WHEREAS, the Company was originally formed as a Delaware limited liability company by the filing of a Certificate of Formation (as it may be amended or restated from time to time, the "Certificate of Formation"), dated as of April 30, 2013, with the Secretary of State of the State of Delaware pursuant to the Delaware Act;

WHEREAS, on April 30, 2013, CERC entered into the Limited Liability Company Agreement of the Company;

WHEREAS, on May 1, 2013, the Parties entered into the Amended and Restated Limited Liability Company Agreement of the Company (the "Prior Agreement");

WHEREAS, the Parties desire to amend and restate the Prior Agreement in its entirety as set forth herein solely to reflect a change in the name of the Company and the Partnership (as defined below);

NOW, THEREFORE, in consideration of the covenants, conditions and agreements contained herein, the Parties agree as follows:

**ARTICLE I.  
DEFINITIONS**

Section 1.01 *Definitions.*

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Sections referred to below:

“Adjusted Capital Account Deficit” means, with respect to any Economic Member, the deficit balance, if any, in such Economic Member’s Capital Account as of the end of the relevant fiscal year, after giving effect to the following adjustments:

(a) Credit to such Capital Account any amounts which such Economic Member is obligated to restore pursuant to any provision of this Agreement or pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) Debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning given such term in the introductory paragraph, as the same may be amended from time to time.

“Allocation Year” means (a) the Company’s taxable year for U.S. federal income tax purposes, or (b) any portion of the period described in clause (a) for which the Company is required to allocate Profits, Losses, and other items of Company income, gain, loss or deduction for U.S. federal income tax purposes.

“Alternate Director” has the meaning given such term in Section 9.02(b)(i)(B).

“Annual Budget” means a budget covering the operations of the Partnership Group for a calendar year, setting forth reasonable line item detail regarding anticipated expenditures, including: (a) estimated operating expenditures; (b) estimated capital expenditures; (c) proposed financing plans for such expenditures; and (d) such other items as the Board may deem appropriate.

“ArcLight” means Enogex Holdings LLC, a Delaware limited liability company.

“Audit Committee” has the meaning given such term in Section 9.09(d)(i).

“Audit Committee Independent Director” has the meaning given such term in Section 9.09(d)(i).

“Available Cash” means, with respect to any Quarter ending prior to a Dissolution Event,

(a) the sum of all cash and cash equivalents of the Company on hand on the date of the determination of Available Cash for such Quarter, *less*

(b) the amount of any cash reserves that are established by the Board to (i) provide for the proper conduct of the business of the Company (including reserves for future capital expenditures and for anticipated future credit needs of the Company) subsequent to such Quarter and (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation to which the Company is a party or by which it is bound or its assets are subject; *provided, however*, that disbursements made by the Company or cash reserves established, increased or reduced after the end of such Quarter, but on or before the date of determination of Available Cash with respect to such Quarter, shall be deemed to have been made, established, increased or reduced, for purposes of determining Available Cash, within such Quarter if the Board so determines.

Notwithstanding the foregoing, “Available Cash” with respect to the Quarter in which a Dissolution Event occurs and any subsequent Quarter shall equal zero.

“Board” means the board of directors of the Company.

“Bronco Entities” means, collectively, Bronco Midstream Holdings, LLC, a Delaware limited liability company, and Bronco Midstream Holdings II, LLC, a Delaware limited liability company.

“Business Day” means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of New York shall not be regarded as a Business Day.

“Capital Account” shall mean the capital account determined and maintained for each Economic Member in accordance with Sections 7.05, 8.02 and 8.03.

“Capital Contribution” means any cash, cash equivalents or the net fair market value of contributed property that an Economic Member contributes to the Company or that is contributed or deemed contributed to the Company on behalf of an Economic Member.

“CERC” has the meaning given such term in the introductory paragraph.

“CERC Alternate Director” has the meaning given such term in Section 9.02(b)(i)(A).

“CERC Representative” has the meaning given such term in Section 9.02(b)(i)(A).

“Certificate of Formation” has the meaning given such term in the Recitals.

“Certified Public Accountants” means an independent public accounting firm registered with the Public Company Accounting Oversight Board selected from time to time by the Board.

“Change in Control” of any Person means (a) a person or group (as such terms are used in Section 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of all of the then outstanding Voting Securities of such Person, except in a merger or consolidation that would not constitute a Change in Control under clause (b) below, or (b) the Person consolidates or merges with another Person, other than any such consolidation or merger where (i) the outstanding Voting Securities of the subject Person are changed into or exchanged for Voting Securities of the surviving Person or its parent and (ii) the holders of the Voting Securities of the subject Person immediately prior to such transaction own, directly or indirectly, not less than a majority of the outstanding Voting Securities of the surviving Person or its parent immediately after such transaction in substantially the same proportions as their ownership of outstanding Voting Securities in the subject Person immediately prior to such consolidation or merger.

“Closing Date” means the date on which the transactions contemplated by the Master Formation Agreement are consummated.

“CNP” means CenterPoint Energy, Inc., a Texas corporation.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commission” means the Securities and Exchange Commission.

“Common Units” has the meaning given such term in the Partnership Agreement.

“Company” has the meaning given such term in the introductory paragraph.

“Company Minimum Gain” means the amount of “partnership minimum gain” determined in accordance with the principles of Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

“Conflicts Committee” has the meaning given such term in Section 9.09(d)(ii).

“Conflicts Committee Independent Director” means a Director who meets the standards set forth in the definition of “Conflicts Committee” in the Partnership Agreement.

“Control Period” has the meaning given such term in Section 4.01(b).

“Deadlock” has the meaning given such term in Section 9.04(c).

“Deadlock Notice” has the meaning given such term in Section 9.04(c).

“Delaware Act” means the Delaware Limited Liability Company Act, 6 Del C. Section 18-101, et seq., as amended, supplemented or restated from time to time, and any successor to such statute.

“Depreciation” means, for each Allocation Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Allocation Year, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Allocation Year, Depreciation shall be

an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Allocation Year bears to such beginning adjusted tax basis; *provided, however*, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such Allocation Year is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Board.

“Director” or “Directors” has the meaning given such term in Section 9.02(a)(i).

“Dispute Response” has the meaning given such term in Section 9.04(c).

“Dissolution Event” means an event of dissolution of the Company pursuant to Section 16.01.

“Economic Member” has the meaning given such term in Section 3.01(a).

“Economic Units” has the meaning given such term in Section 3.01(a).

“Encumbers,” “Encumbering” or “Encumbrances” means pledges, restrictions on transfer, proxies and voting or other agreements, liens, claims, charges, mortgages, security interests or other legal or equitable encumbrances, limitations or restrictions of any nature whatsoever.

“Equity Interests” means all shares, participations, capital stock, partnership or limited liability company interests, units, participations or similar equity interests issued by any Person, however designated.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“GAAP” means United States generally accepted accounting principles, as amended from time to time.

“Gross Asset Value” means, with respect to any asset, the asset’s adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by an Economic Member to the Company shall be the gross fair market value of the asset, as determined by the contributing Economic Member and the Board, in a manner that is consistent with Section 7701(g) of the Code;

(b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Board, in a manner that is consistent with Section 7701(g) of the Code, as of the following times: (i) the acquisition of additional Economic Units by any new or existing Economic Member in exchange for more than a de minimis Capital Contribution or for the provision of services; (ii) the distribution by the Company to an Economic Member of more than a de minimis amount of property other than money as consideration for Economic Units; and (iii) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)

(g); *provided, however*, that adjustments pursuant to clauses (i) and (ii) above shall be made only if the Board reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Economic Members in the Company;

(c) The Gross Asset Value of any Company asset distributed to any Economic Member shall be the gross fair market value (taking Section 7701(g) of the Code into account) of such asset on the date of distribution; and

(d) The Gross Asset Values of any Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Section 734(b) of the Code or Section 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and the definition of Capital Account hereof; *provided, however*, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (d) to the extent the Board determines that an adjustment pursuant to the foregoing subparagraph (b) of this definition is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to the foregoing subparagraphs (a), (b) or (d), such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

“Group Member” means a member of the Partnership Group.

“Group Member Agreement” means the partnership agreement of any Group Member, other than the Partnership, that is a limited or general partnership, the limited liability company agreement of any Group Member that is a limited liability company, the certificate of incorporation and bylaws or similar organizational documents of any Group Member that is a corporation, the joint venture agreement or similar governing document of any Group Member that is a joint venture and the governing or organizational or similar documents of any other Group Member that is a Person other than a limited or general partnership, limited liability company, corporation or joint venture, as such may be amended, supplemented or restated from time to time.

“Indebtedness” means, with respect to any Person, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other debt securities or warrants or other rights to acquire any debt securities of such Person, (c) all capitalized lease or leveraged lease obligations of such Person or obligations of such Person to pay the deferred and unpaid purchase price of property and equipment or (d) all “keep well” and other obligations or undertakings of such Person to maintain or cause to be maintained the financial position or covenants of others or to purchase the obligations or property of others.

“Indemnatee” means (a) any Member, (b) any Person who is or was a director, officer, fiduciary, trustee, manager or managing member of the Company, any Group Member or a Member, (c) any Person who is or was serving at the request of a Member as a director, officer,



fiduciary, trustee, manager or managing member of another Person owing a fiduciary duty to the Company or any Group Member; *provided* that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services, (d) any Person who controls a Member and (e) any Person the Board designates as an “Indemnitee” for purposes of this Agreement.

“Independent Director” means a natural person who meets the independence, qualification and experience requirements of the New York Stock Exchange or any other national securities exchange selected for the listing of the limited partner or other Equity Interests of the Partnership and the independence, qualification and experience requirements of Section 10A(m)(3) of the Exchange Act (or any successor law), the rules and regulations of the SEC and any other applicable law.

“Initial Budget” has the meaning given such term in Section 11.01.

“Initial Public Offering” means the first firm commitment underwritten, public offering of Common Units pursuant to a registration statement that is filed and declared effective under the Securities Act, with gross proceeds of at least \$150 million.

“IPO Date” means the date on which an Initial Public Offering is consummated.

“Interim Chairman” has the meaning given such term in Section 9.02(a)(iv).

“Liquidator” has the meaning given such term in Section 16.02.

“Majority Interest” means greater than 50% of the outstanding Management Units.

“Management Member” has the meaning given such term in Section 3.01(a).

“Management Units” has the meaning given such term in Section 3.01(a).

“Master Formation Agreement” means that certain Master Formation Agreement dated as of March 14, 2013 among CNP, OGE and the Bronco Entities, and to which the Company and the Partnership are bound, as it may be further amended, supplemented or restated from time to time.

“Material Contract” shall mean (a) transportation agreements and storage agreements involving payments to or from any Group Member of at least \$20,000,000 per year; (b) gathering agreements, processing agreements and natural gas purchase agreements involving net payments (i.e., after taking into account directly associated cost of goods or directly associated revenues from the sale of goods) to or from any Group Member of at least \$20,000,000 per year; (c) construction and other services agreements in each case involving payments to or from any Group Member in excess of \$20,000,000 per year; (d) contracts, loan agreements, letters of credit, repurchase agreements, mortgages, security agreements, guarantees, pledge agreements, trust indentures, promissory notes, lines of credit and similar documents in each case relating to the borrowing of money or for lines of credit, in any case for amounts in excess of \$20,000,000 (other than contracts solely between or among the Group Members and interest rate swap agreements); (e) swap, derivative, hedging, futures or other similar agreements or contracts that

result in an aggregate exposure to any Group Member in excess of \$20,000,000; (f) real property leases calling for payments by any of the Group Members of amounts greater than \$20,000,000 per year (other than rights-of-way and leases solely between or among the Group Members); (g) partnership or joint venture agreements (which do not include joint tariff or joint operating agreements); (h) contracts limiting the ability of any of the Group Members to compete in any line of business or with any Person or in any geographic area; (i) contracts relating to any outstanding commitment for capital expenditures in excess of \$50,000,000; (j) contracts with any labor union or organization; (k) contracts not entered into in the ordinary course of the business of the Partnership Group other than those that are not material to the business of the Partnership Group; and (l) contracts that prohibit any Group Member from making cash distributions in respect of its equity interests, other than restrictions in the governing documents of such entity.

“Member” means any Person executing this Agreement as of the Closing Date as a member of the Company or hereafter admitted to the Company as a member as provided in this Agreement, but such term does not include any Person who has ceased to be a member of the Company. A Member may be an Economic Member, a Management Member or both an Economic Member and a Management Member.

“Member Nonrecourse Debt” has the meaning of “partner nonrecourse debt” set forth in Treasury Regulation Section 1.704-2(b)(4).

“Member Nonrecourse Debt Minimum Gain” has the meaning of “partner nonrecourse debt minimum gain” set forth in Treasury Regulation Section 1.704-2(i)(2).

“Member Nonrecourse Deductions” means any and all items of loss, deduction or expenditure (including any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(i), are attributable to a Member Nonrecourse Debt.

“Member’s Owners” has the meaning given such term in Section 3.06(b)(v).

“Membership Interest” means the ownership interest of a Member in the Company, which may be evidenced by an Economic Unit, Management Unit or other Equity Interest or a combination thereof or interest therein, and includes any and all benefits to which such Member is entitled as provided in this Agreement, together with all obligations of such Member to comply with the terms and provisions of this Agreement.

“Nonrecourse Deductions” means any and all items of loss, deduction or expenditure (including any expenditure described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

“Nonrecourse Liability” has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

“OGE” means OGE Energy Corp., an Oklahoma corporation.

“OGEH” has the meaning given such term in the introductory paragraph.

“OGEH Alternate Director” has the meaning given such term in Section 9.02(b)(i)(B).

“OGEH Representative” has the meaning given such term in Section 9.02(b)(i)(B).

“Omnibus Agreement” means that certain Omnibus Agreement dated the date hereof among CNP, OGE, ArcLight and the Partnership, as it may be amended, supplemented or restated from time to time.

“Opinion of Counsel” means a written opinion of counsel (who may be regular counsel to, or the General Counsel or other inside counsel of, the Company or any of its Affiliates) acceptable to the Board.

“Ownership Percentage” shall mean, with respect to an Economic Member, the percentage obtained by dividing (a) the number of Economic Units owned by such Economic Member by (b) the total number of outstanding Economic Units owned by all Economic Members and, with respect to a Management Member, the percentage obtained by dividing (x) the number of Management Units owned by such Management Member by (y) the total number of outstanding Management Units owned by all Management Members.

“Partnership” means Enable Midstream Partners, LP, a Delaware limited partnership.

“Partnership Agreement” means that certain First Amended and Restated Agreement of Limited Partnership of Enable Midstream Partners, LP dated as of May 1, 2013 among Enable GP, LLC, CERC, OGEH and ArcLight as it may be further amended, supplemented or restated from time to time.

“Partnership Group” means, collectively, the Partnership and its Subsidiaries.

“Permitted Encumbrances” means (a) Encumbrances for taxes not yet delinquent or being contested in good faith by appropriate proceedings, (b) statutory Encumbrances (including materialmen’s, warehousemen’s, mechanic’s, repairmen’s, landlord’s, and other similar liens) arising in the ordinary course of business and securing payments not yet delinquent or being contested in good faith by appropriate proceedings, (c) Encumbrances of public record (other than for indebtedness for borrowed money), (d) the rights of lessors and lessees under leases, and the rights of third parties under any agreement, executed in the ordinary course of business, (e) the rights of licensors and licensees under licenses executed in the ordinary course of business, (f) purchase money Encumbrances and Encumbrances securing rental payments under capital lease arrangements, and (g) any Encumbrances created pursuant to construction, operating, maintenance or similar agreements.

“Permitted Transfer” means:

(a) with respect to CERC, a Transfer by such Member of a Membership Interest to a wholly owned Subsidiary of CNP;  
and

(b) with respect to OGEH, a Transfer by such Member of a Membership Interest to a wholly owned Subsidiary of OGE;

*provided* that (i) with respect to Permitted Transfers by CERC, the Subsidiary Transferee remains a wholly owned Subsidiary of CNP (or any successor Person), at all times following such Transfer and (ii) with respect to Permitted Transfers by OGEH, the Subsidiary Transferee remains a wholly owned Subsidiary of OGE (or any successor Person), at all times following such Transfer, it being acknowledged that any Transfer resulting in the Subsidiary Transferee no longer being wholly owned shall be deemed a Transfer that is subject to the restrictions set forth in Article IV and Article V.

“Person” means an individual or a corporation, firm, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

“Prior Agreement” has the meaning given and term in the Recitals.

“Profits” and “Losses” means, for each fiscal year or other period, an amount equal to the Company’s taxable income or loss for such year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be added to such taxable income or loss;

(b) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code, and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be subtracted from such taxable income or loss;

(c) In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (b) or (d) of the definition of Gross Asset Value hereof, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses;

(d) Gain or loss resulting from any disposition of property (other than money) with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period, computed in accordance with the definition of Depreciation hereof; and

(f) Notwithstanding any other provision of this definition of “Profits” and “Losses,” any items which are specially allocated pursuant to Section 8.03 shall not be taken into account in computing Profits or Losses.

“Proposed Transferee” has the meaning given such term in Section 5.02(d).

“Quarter” means, unless the context requires otherwise, a fiscal quarter of the Company, or, with respect to the first fiscal quarter of the Company after the Closing Date, the portion of such fiscal quarter commencing after the Closing Date.

“Registration Rights Agreement” means that certain Registration Rights Agreement dated as of May 1, 2013 among CERC, OGEH, ArcLight and the Partnership, as it may be further amended, supplemented or restated from time to time.

“Representative” has the meaning given such term in Section 9.02(b).

“Required Allocations” has the meaning given such term in Section 8.03(i).

“Restricted Period” means the period from the Closing Date until the IPO Date.

“ROFO Acceptance Notice” has the meaning given such term in Section 5.01(b).

“ROFO Accepting Members” has the meaning given such term in Section 5.01(b).

“ROFO Non-Selling Member” has the meaning given such term in Section 5.01(a).

“ROFO Notice” has the meaning given such term in Section 5.01(a).

“ROFO Offer Notice” has the meaning given such term in Section 5.01(b).

“ROFO Price” has the meaning given such term in Section 5.01(a).

“ROFO Seller” has the meaning given such term in Section 5.01(a).

“ROFO Units” has the meaning given such term in Section 5.01(a).

“ROFR Acceptance Notice” has the meaning given such term in Section 5.02(b).

“ROFR Non-Transferring Members” has the meaning given such term in Section 5.02(a).

“ROFR Offer” has the meaning given such term in Section 5.02(a).

“ROFR Period” has the meaning given such term in Section 5.02(a).

“ROFR Sale Price” has the meaning given such term in Section 5.02(a).

“ROFR Seller” has the meaning given such term in Section 5.02(a).

“ROFR Seller Notice” has the meaning given such term in Section 5.02(a).

“ROFR Units” has the meaning given such term in Section 5.02(a).

“Securities Act” means the Securities Act of 1933, as amended.

“Subsidiary” means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

“Tax Matters Member” has the meaning given such term in Section 14.03(a).

“Transfer” means, with respect to any Membership Interest, any direct or indirect transfer, sale, assignment, gift, Encumbrance, hypothecation, exchange or any other disposition by law or otherwise; *provided, however*, that any Transfer of all or substantially all the assets, or a Change in Control, of CNP or OGE shall not be a Transfer of Membership Interests. Without limiting the generality of the foregoing, any distribution, transfer, assignment or other disposition of any Membership Interest, whether voluntary, involuntary or pursuant to any dissolution, liquidation or termination of such Person, to such Person’s members, shareholders, partners or other interestholders shall constitute a “Transfer.” For the avoidance of doubt, any transfer, sale, assignment, gift, Encumbrance, hypothecation, exchange or other disposition of any interest in such Member, by such Member or any interestholder of such Member, shall be deemed to be an indirect Transfer of Membership Interests hereunder.

“Transferee” means a Person who has received Units by means of a Transfer.

“Treasury Regulations” means the regulations (including temporary regulations) promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Treasury Regulations shall include any corresponding provision or provisions of succeeding, similar or substitute, temporary or final Treasury Regulations.

“Units” has the meaning set forth in Section 3.01(a).

“Voting Securities” of a Person shall mean securities of any class of such Person entitling the holders thereof to vote in the election of, or to appoint, members of the board of directors or other similar governing body of the Person; provided, that if such Person is a limited partnership, Voting Securities of such Person shall be the general partner interest in such Person.

Section 1.02 *Construction.*

(a) Unless the context requires otherwise: (i) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (ii) references to Articles and Sections refer to Articles and Sections of this Agreement; (iii) the terms “include,” “includes,” “including” or words of like import shall be deemed to be followed by the words “without limitation”; and (iv) the terms “hereof,” “herein” or “hereunder” refer to this Agreement as a whole and not to any particular provision of this Agreement. The table of contents and headings contained in this Agreement are for reference purposes only, and shall not affect in any way the meaning or interpretation of this Agreement. The Board has the power to construe and interpret this Agreement and to act upon any such construction or interpretation. Any construction or interpretation of this Agreement by the Board and any action taken pursuant thereto and any determination made by the Board in good faith shall, in each case, be conclusive and binding on all Parties and all other Persons for all purposes.

(b) The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. No provision of this Agreement will be interpreted in favor of, or against, any of the Parties to this Agreement by reason of the extent to which any such Party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft of this Agreement, and no rule of strict construction will be applied against any Party hereto. This Agreement will not be interpreted or construed to require any Person to take any action, or fail to take any action, if to do so would violate any applicable law.

**ARTICLE II.**  
**ORGANIZATION**

Section 2.01 *Formation.*

CERC previously formed the Company as a limited liability company pursuant to the provisions of the Delaware Act, and the Members hereby amend and restate the Prior Agreement in its entirety. This amendment and restatement shall become effective on the date hereof. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities and obligations of the Members and the administration, dissolution and termination of the Company shall be governed by the Delaware Act. All Membership Interests shall constitute personal property of the owner thereof for all purposes.

Section 2.02 *Name.*

The name of the Company shall be “Enable GP, LLC.” The Company’s business may be conducted under any other name or names as determined by the Board. The words “limited liability company,” “LLC,” “L.L.C.” or similar words or letters shall be included in the Company’s name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The Board may change the name of the Company at any time and from time to time.



Section 2.03 *Registered Office; Registered Agent; Principal Office; Other Offices.*

Unless and until changed by the Board, the registered office of the Company in the State of Delaware shall be located at 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, and the registered agent for service of process on the Company in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Company shall be located at such place as the Board may from time to time designate by notice to the Members. The Company may maintain offices at such other place or places within or outside the State of Delaware as the Board determines to be necessary or appropriate.

Section 2.04 *Purposes.*

The purposes of the Company are (a) to act as the general partner of the Partnership (and acquire, hold and dispose of partnership interests and related rights in the Partnership) and only undertake activities that are ancillary or related thereto, (b) to act as a managing member or general partner of any Subsidiary of the Partnership that is a limited liability company or partnership and (c) in connection with acting in such capacities, to carry on any lawful business or activity.

Section 2.05 *Powers.*

The Company shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.04 and for the protection and benefit of the Company or the Partnership Group.

Section 2.06 *Term.*

The term of the Company commenced upon the filing of the Certificate of Formation in accordance with the Delaware Act and shall continue in existence until the dissolution of the Company in accordance with the provisions of Article XVI. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation as provided in the Delaware Act.

Section 2.07 *Title to Company Assets.*

Title to the Company's assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Company as an entity and/or the Partnership Group, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof.

**ARTICLE III.  
MEMBERSHIP INTERESTS; UNITS**

Section 3.01 *Membership Interests; Additional Members.*

(a) The Members own Membership Interests in the Company that shall be represented by Economic Units ("Economic Units") and Management Units ("Management Units"). Economic Units and Management Units are sometimes referred to collectively herein as "Units."

Holders of Economic Units and Management Units shall be referred to as “Economic Members” and “Management Members,” respectively. The Units shall be uncertificated, unless the Board determines to have the Company issue certificates for the Units. In exchange for each Economic Member’s Capital Contribution to the Company referred to in Section 7.01, the Company shall issue to each Economic Member the number of Economic Units set forth opposite such Economic Member’s name on Exhibit A. In addition, the Company shall issue to each Management Member the number of Management Units set forth opposite such Member’s name on Exhibit B.

(b) Economic Units shall represent an Economic Member’s interest in items of income, gain, loss and deduction of the Company and a right to receive distributions of the Company’s assets in accordance with the provisions of this Agreement. Economic Members shall have no voting or designation rights with respect to their Economic Units.

(c) Management Units shall represent a Management Member’s right to vote on Company matters in accordance with the provisions of the Agreement and, subject to Section 4.01(d) and 9.02, designate Representatives. Management Members shall have no interest in items of income, gain, loss or deduction of the Company or any right to receive distributions of the Company’s assets in accordance with the provisions of this Agreement with respect to their Management Units.

(d) For the avoidance of doubt, the undersigned intend for the holders of Management Units to be considered managers and not members or partners for federal income tax purposes with respect to such Management Units. Therefore, if one hundred percent (100%) of the Economic Units are held by one tax owner, the Company will be treated, as of such time, as a disregarded entity for federal income tax purposes pursuant to Treasury Regulation Section 301.7701-3.

(e) The Company may issue additional Membership Interests and options, rights, warrants and appreciation rights relating to the Membership Interests for any Company purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as the Board shall determine in accordance with Section 9.04.

(f) Each additional Membership Interest authorized to be issued by the Company pursuant to Section 3.01(d) may be issued in one or more classes, or one or more series of any such classes, with such designations, preferences, rights, powers and duties (which may be senior to existing classes and series of Membership Interests), as shall be fixed by the Board in accordance with Section 9.04, including (i) the right to share in Company profits and losses or items thereof; (ii) the right to share in Company distributions; (iii) the rights upon dissolution and liquidation of the Company; (iv) whether, and the terms and conditions upon which, the Company may, or shall be required to, redeem the Membership Interest (including sinking fund provisions); (v) whether such Membership Interest is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vi) the terms and conditions upon which each Membership Interest will be issued, evidenced by certificates and assigned or transferred; and (vii) the right, if any, of each such Membership Interest to vote on Company matters, including matters relating to the relative rights, preferences and privileges of such Membership Interest.

(g) The Board shall take all actions that it determines to be necessary or appropriate in connection with (i) each issuance of Membership Interests and options, rights, warrants and appreciation rights relating to Membership Interests pursuant to this Section 3.01, (ii) reflecting the admission of such additional Members in the books and records of the Company as the record holder of such Membership Interest and (iii) all additional issuances of Membership Interests, in each case including amending this Agreement and Exhibit A and Exhibit B hereof as necessary to reflect any such issuance. The Board, acting pursuant to Section 9.04, shall determine the relative rights, powers and duties of the holders of the Units or other Membership Interests being so issued. The Board shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things that it determines to be necessary or appropriate in connection with any future issuance of Membership Interests pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any governmental agency.

Section 3.02 *No Liability of Members.*

The Members shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

Section 3.03 *Withdrawal of Members.*

No Member shall have any right to withdraw from the Company; *provided, however*, that when a Transferee becomes registered on the books and records of the Company as the Member with respect to the Membership Interest so transferred, the transferring Member shall cease to be a Member with respect to the Membership Interest so Transferred.

Section 3.04 *Record Holders.*

The Company shall be entitled to recognize the Person in whose name any Membership Interest is registered on the books and records of the Company as the Member with respect to any Membership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to, or interest in, such Membership Interest on the part of any other Person, regardless of whether the Company shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation or guideline of any governmental agency.

Section 3.05 *No Appraisal Rights.*

No Member shall be entitled to any valuation, appraisal or similar rights with respect to such Member's Units, whether individually or as part of any class or group of Members, in the event of a merger, consolidation, sale of the Company or other transaction involving the Company or its securities unless such rights are expressly provided by the agreement of merger, agreement of consolidation or other document effectuating such transaction.

Section 3.06 *Representations and Warranties.*

Each Member hereby represents and warrants to the Company and each other Member that:

(a) Power and Authority. Such Member has all requisite power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution, delivery and performance by such Member of this Agreement have been duly authorized by all requisite action on the part of such Member, and no other action or proceeding on the part of such Member or any Affiliate thereof is necessary to consummate the transactions contemplated by this Agreement.

(b) No Conflicts. Neither the execution and delivery by such Member of this Agreement, nor the performance by such Member under this Agreement will (i) violate, conflict with or result in a breach of any provision of the governing documents of such Member; (ii) require any consent or approval of any counterparty to, or violate or result in any breach of or constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or give to others any right of termination, cancellation, amendment or acceleration of any obligation or the loss of any benefit under, any material agreement or arrangement to which it is a party or by which it is, or its assets are, bound; (iii) result in the creation of an Encumbrance upon or require the sale or give any Person the right to acquire any of the assets of such Member; or (iv) violate or conflict with any law applicable to such Member.

(c) Contributed Property. All property, assets or interests contributed to the Company by such Member, and any property thereafter to be contributed to the Company by such Member, has been or will be duly and lawfully acquired.

(d) Investment Intent. Such Member is acquiring the Membership Interests for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Such Member (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Membership Interests and is capable of bearing the economic risks of such investment. Such Member is aware that the Membership Interests have not been registered, and will not be registered, under the Securities Act or under any state or foreign securities laws.

(e) No Registration Rights. Such Member is aware that only the Company can take action to register Units in the Company under the Securities Act, and that the Company is under no such obligation and does not propose or intend to attempt to do so.

(f) Transfer Restrictions. Such Member is aware that this Agreement provides restrictions on the ability of a Member to Transfer Units, and such Member will not seek to effect any Transfer other than in accordance with such restrictions.

(g) Accredited Investor. Such Member and each member, shareholder or other equity holder of such Member (collectively, "Member's Owners"), is, and at such time that it makes any additional Capital Contributions to the Company will be, an "accredited investor" (as such term is used in Rule 501 under the Securities Act), is able to bear the economic risk of its

investment in the Membership Interests and has sufficient net worth to sustain a loss of its entire investment in the Company without economic hardship if such loss should occur.

(h) Access to Information. Such Member and, if applicable, each of such Member's Owners has had an opportunity to ask questions and discuss the Company's business, management and financial affairs with the Company, and such questions were answered to its satisfaction. Such Member and, if applicable, each of such Member's Owners acknowledges that it is familiar with all aspects of the Company's business.

## **ARTICLE IV. TRANSFERS OF UNITS**

### Section 4.01 *Transfers Generally.*

(a) No Membership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV and Article V. No Transfer of any Membership Interests shall be made if such Transfer would (i) violate the then-applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such Transfer, (ii) terminate the existence or qualification of the Company under the laws of the jurisdiction of its formation, (iii) cause the Company to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed) or (iv) constitute a breach or violation of, or a change of control or event of default under, any credit agreement, loan agreement, indenture, mortgage, deed of trust or other similar instrument or document governing Indebtedness of the Company or any Group Member. Any Transfer or purported Transfer of a Membership Interest not made in accordance with this Article IV and Article V shall be, to the fullest extent permitted by law, null and void, and the Company shall have no obligation to recognize any such Transfer or purported Transfer.

(b) From the execution hereof until the date that is the third anniversary of the Closing Date (the "Control Period"), no Membership Interest shall be Transferred, in whole or in part, except for a Permitted Transfer in accordance with the applicable provisions of this Article IV.

(c) Following the Control Period, no Membership Interest shall be Transferred, in whole or in part, except for (i) a Permitted Transfer in accordance with the applicable provisions of this Article IV or (ii) subject to Section 3.4(c) of the Partnership Agreement, Transfers in accordance with the applicable provisions of Article V and this Article IV.

(d) Notwithstanding any other provision of this Agreement, during and following the Restricted Period, no Member may Transfer less than all of the Membership Interests held by such Member. A Management Member's right to designate Representatives, as provided in Section 9.02(b), shall not be assigned or Transferred (including in a Permitted Transfer) except as part of a Transfer permitted under the terms of this Agreement to one Transferee of all of the Member's Units with respect to which such Management Member expressly elects in writing delivered to the Company prior to such Transfer that such Management Member will transfer such right to designate Representatives to such Transferee in connection with such Transfer.

(e) No Transfer (including a Permitted Transfer) may be undertaken unless and until the following have occurred: (i) the proposed Transferee shall have agreed in writing to be bound by the terms of this Agreement and provided to the Board its name, address, taxpayer identification number and any other information reasonably necessary to permit the Company to file all required federal and state tax returns or reasonably requested by the Board and (ii) the Member proposing to make such Transfer shall have delivered to the Company an Opinion of Counsel (reasonably acceptable as to form, substance and identity of counsel to the Company) that no registration under the Securities Act is required in connection with such Transfer (unless the requirement of an opinion is waived by the Board).

(f) By acceptance of the Transfer of any Membership Interest in accordance with this Article IV and Article V, the Transferee of a Membership Interest shall be admitted as a Member with respect to the Membership Interests so Transferred to such Transferee when any such Transfer or admission is reflected in the books and records of the Company.

(g) Each Member making a Transfer shall be obligated to pay his or its own expenses incurred in connection with such Transfer, and the Company shall not have any obligation with respect thereto. Each Member making a Transfer shall pay, or reimburse the Company for, all reasonable costs and expenses incurred by the Company in connection with such Transfer and the admission of the Transferee as a Member, including the legal fees incurred in connection with the legal opinions referred to in Section 4.01(e).

#### Section 4.02 *Specific Performance.*

The Members acknowledge and agree that an award of money damages would be inadequate for any breach of the provisions of this Article IV and Article V and any such breach would cause the non-breaching parties irreparable harm. Accordingly, the Members agree that, in the event of any breach or threatened breach of this Article IV and Article V by a Member, the Members, to the fullest extent permitted by law, will also be entitled, without the requirement of posting a bond or other security, to equitable relief, including injunctive relief and specific performance; *provided* such Member is not in material default hereunder. Such remedies will not be the exclusive remedies for any breach of this Article IV and Article V but will be in addition to all other remedies available at law or equity to each of the Members.

### **ARTICLE V. RIGHTS UPON A PROPOSED TRANSFER**

#### Section 5.01 *Right of First Offer.*

(a) Following the Control Period, except for a Permitted Transfer, no Membership Interest shall be Transferred unless the provisions of this Section 5.01 or Section 5.02 are first complied with. If a Member (the "ROFO Seller") wishes to solicit proposals from third parties to acquire all, but not less than all, of the ROFO Seller's Units, the ROFO Seller shall first provide a notice (the "ROFO Notice") to the other Member, with a copy to the Company, containing: (i) the number and class of Units proposed to be transferred (the "ROFO Units") and (ii) a request for the other Member (the "ROFO Non-Selling Member") to specify the purchase price (the "ROFO Price") and other terms and conditions on which the ROFO Non-Selling Member is willing to purchase the ROFO Units.

(b) Within 30 days after receiving the ROFO Notice, the ROFO Non-Selling Member (the “ROFO Accepting Member”) may elect (the “ROFO Offer Notice”) to purchase all, but not less than all, of the ROFO Units. The ROFO Offer Notice shall specify the ROFO Price and other terms and conditions on which the ROFO Accepting Member is willing to purchase the ROFO Units. If the ROFO Accepting Member submits a ROFO Offer Notice within the time period specified herein, the ROFO Seller shall have 30 days from the date it received the ROFO Offer Notice to elect (the “ROFO Acceptance Notice”) to accept the ROFO Accepting Member’s offer to purchase the ROFO Units.

(c) If the ROFO Seller accepts the ROFO Accepting Member’s offer, the ROFO Accepting Member must purchase the ROFO Units in the manner, and subject to the terms and conditions, described in Section 5.01(d). If the ROFO Seller does not accept the offer from the ROFO Accepting Member or fails to make such election within 30 days after receiving the ROFO Offer Notice, the ROFO Seller may, during the next 120 days, Transfer the ROFO Units to a third party Transferee (i) at a purchase price not less than 105% of the ROFO Price and upon terms no more favorable to the proposed transferee than those specified in the ROFO Notice and (ii) subject to the applicable terms and restrictions of this Agreement, including Article IV.

(d) Sales of the ROFO Units to the ROFO Accepting Member pursuant to this Section 5.01 shall be made at the offices of the Company within 60 days of the delivery of ROFO Acceptance Notice, or on such other date as the parties may agree. Such sales shall be effected by the ROFO Seller’s delivery of the ROFO Units, free and clear of all Encumbrances (other than restrictions imposed by the governing documents of the Company and securities laws), to the ROFO Accepting Member, against payment to the ROFO Seller of the ROFO Price by the ROFO Accepting Member and on the terms and conditions specified in the applicable ROFO Offer Notice.

#### Section 5.02 *Right of First Refusal.*

(a) Following the Control Period, except for a Permitted Transfer, no Membership Interest shall be Transferred unless the provisions of this Section 5.02 or Section 5.01 are first complied with. A Member (a “ROFR Seller”) who receives an unsolicited *bona fide* offer from a third party for a Transfer of all, but not less than all, of the ROFR Seller’s Units, and the ROFR Seller wishes to accept such offer, the ROFR Seller shall first provide a notice (the “ROFR Seller’s Notice”) to the other Member (with a copy to the Company) containing: (i) the number of Units proposed to be Transferred (the “ROFR Units”) and the per Unit purchase price offered therefor, which may only be in cash (the “ROFR Sale Price”), and (ii) the material terms and conditions of such proposed Transfer. Delivery of the ROFR Seller’s Notice to the other Member (the “ROFR Non-Transferring Member”) shall constitute an offer (a “ROFR Offer”) by the ROFR Seller to sell the ROFR Units at the ROFR Sale Price to the ROFR Non-Transferring Member, which shall remain outstanding for a period of thirty (30) days after the delivery of the ROFR Seller’s Notice (subject to extension as provided below, the “ROFR Period”).

(b) During the ROFR Period, the ROFR Non-Transferring Member shall have the right to accept the ROFR Offer by delivering a notice to the ROFR Seller (a “ROFR Acceptance Notice”), with a copy to the Company, of its acceptance of the ROFR Offer at the ROFR Sale Price and on the same terms specified in the ROFR Seller’s Notice.

(c) A failure by the ROFR Non-Transferring Member to validly deliver a ROFR Acceptance Notice during the ROFR Period shall be deemed a rejection of the ROFR Offer and a waiver of the ROFR Non-Transferring Member's right to purchase any portion of the ROFR Units.

(d) If the ROFR Non-Transferring Member does not elect to purchase all of the ROFR Units pursuant to this Section 5.02, then the ROFR Seller shall be free, for a period of sixty (60) days from the date of the expiration of the ROFR Period, to sell such ROFR Units to a third party (the "Proposed Transferee") (x) at a price per Unit equal to or greater than the ROFR Price and upon terms no more favorable to the Proposed Transferee than those specified in the ROFR Seller's Notice and (y) subject to the applicable terms and restrictions of this Agreement, including Article IV.

(e) Sales of the ROFR Units to be sold to the ROFR Non-Transferring Member pursuant to this Section 5.02 shall be made at the offices of the Company within sixty (60) days of the delivery of the final ROFR Acceptance Notice (or amended ROFR Acceptance Notice) for such sale, or on such other date as the parties may agree. Such sales shall be effected by the ROFR Seller's delivery of the ROFR Units, free and clear of all Encumbrances (other than restrictions imposed by the governing documents of the Company and securities laws), to the ROFR Non-Transferring Member, against payment to the ROFR Seller of the purchase consideration therefor by the ROFR Non-Transferring Member and on the terms and conditions specified in the ROFR Seller's Notice.

## **ARTICLE VI. INITIAL PUBLIC OFFERING**

### Section 6.01 *Initial Public Offering.*

(a) It is hereby acknowledged and agreed that it is the express intent of the Company and the Members to effect an Initial Public Offering as soon as reasonably practicable following the Closing Date, and each of the Members and the Company shall use commercially reasonable efforts to consummate an Initial Public Offering as soon as reasonably practicable following the Closing Date.

(b) Subject to compliance with the Partnership's obligations under the Registration Rights Agreement, the Board will determine all matters related to the Initial Public Offering and the related registration process.



**ARTICLE VII.**  
**CAPITAL CONTRIBUTIONS**

Section 7.01 *Initial Capital Contributions.*

Prior to the date hereof, capital contributions totaling \$1,000 were made to the Company and 1,000 Economic Units were issued in consideration therefor as set forth in Exhibit A. As of the date hereof, the Economic Members agree that the respective Capital Contributions of the Economic Members and Economic Units of the Economic Members are as set forth on Exhibit A.

Section 7.02 *Additional Contributions.*

No Member shall be obligated to make any additional Capital Contributions to the Company apart from those Capital Contributions specified in Section 7.01.

Section 7.03 *Loans.*

(a) The Company or any of its Affiliates may, but shall be under no obligation to, lend to any Group Member, and any Group Member may borrow from the Company or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the Board may determine; *provided, however*, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's length basis, all as determined by the Board. The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.03(a) and Section 7.03(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member.

(b) No Group Member may lend funds to the Company or any of its Affiliates (other than another Group Member).

(c) Any Member may, subject to Section 9.04, loan funds to the Company. Loans by a Member to the Company will not be treated as Capital Contributions but will be treated as debt obligations having such terms as are approved in accordance with Section 9.04.

Section 7.04 *Return of Contributions.*

Except as expressly provided herein, no Economic Member is entitled to the return of any part of its Capital Contributions or to be paid interest in respect of either its Capital Account or its Capital Contributions. An unrepaid Capital Contribution is not a liability of the Company or of any Economic Member. An Economic Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any Economic Member's Capital Contributions.

Section 7.05 *Capital Accounts.*

A separate capital account (“Capital Account”) shall be established, determined and maintained for each Economic Member in accordance with the substantial economic effect test set forth in Treasury Regulation § 1.704-1(b)(2), which provides, in part, that a Capital Account shall be:

(a) increased by (i) the amount of money contributed by the Economic Member to the Company; (ii) the fair market value of any property contributed by the Economic Member to the Company (net of liabilities secured by such contributed property); and (iii) allocations to the Economic Member of the Company income and gain (or items thereof), including income and gain exempt from tax; and

(b) decreased by (i) the amount of money distributed to the Economic Member by the Company; (ii) the fair market value of any property distributed to the Economic Member by the Company (net of liabilities secured by such distributed property); (iii) allocations to the Economic Member of expenditures of the Company not deductible in computing its taxable income and not properly capitalized for federal income tax purposes; and (iv) allocations to the Economic Member of Company loss and deduction (or items thereof).

In the case of a termination of a an Economic Unit or an additional Capital Contribution by an existing or newly admitted Economic Member, the Capital Accounts of the Economic Members shall be adjusted as of the date of such termination or the date of the Capital Contribution, as the case may be.

**ARTICLE VIII.  
DISTRIBUTIONS AND ALLOCATIONS**

Section 8.01 *Distributions.*

(a) Except as otherwise provided in Section 16.03, within fifty (50) days following the end of each Quarter commencing with the Quarter ending on June 30, 2013, an amount equal to 100% of Available Cash with respect to such Quarter shall be distributed in accordance with this Article VIII to all Economic Members simultaneously pro rata in accordance with each Economic Member’s Ownership Percentage (at the time the amounts of such distributions are determined).

(b) Each distribution in respect of an Economic Unit shall be paid by the Company only to the holder of record of such Economic Unit as of the record date set for such distribution. Such payment shall constitute full payment and satisfaction of the Company’s liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

Section 8.02 *Allocations.*

After giving effect to the allocations set forth in Section 8.03, the Company shall allocate Profits and Losses for any Allocation Year among the Economic Members in accordance with the Economic Members’ Ownership Percentages.

Section 8.03 *Special Allocations.*

(a) If there is a net decrease in Company Minimum Gain during any Allocation Year, each Economic Member shall be allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. This Section 8.03(a) is intended to comply with the Company Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) Except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Member Nonrecourse Debt Minimum Gain during any Allocation Year, any Economic Member with a share of Member Nonrecourse Debt Minimum Gain at the beginning of such Allocation Year shall be allocated items of Company income and gain for such Allocation Year (and, if necessary, subsequent Allocation Years) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. This Section 8.03(b) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) In the event any Economic Member has a deficit balance in its Capital Account at the end of any Allocation Year in excess of the sum of (A) the amount such Economic Member is required to restore pursuant to the provisions of this Agreement and (B) the amount such Economic Member is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Economic Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible; *provided*, that an allocation pursuant to this Section 8.03(c) shall be made only if and to the extent that such Economic Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article VIII have been tentatively made as if this Section 8.03(c) were not in this Agreement.

(d) In the event any Economic Member has a deficit balance in its Capital Account at the end of any Allocation Year in excess of the sum of (A) the amount such Economic Member is required to restore pursuant to the provisions of this Agreement and (B) the amount such Economic Member is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Economic Member shall be specially allocated items of Company gross income and gain in the amount of such excess as quickly as possible; *provided*, that an allocation pursuant to this Section 8.03(d) shall be made only if and to the extent that such Economic Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article VIII have been tentatively made as if Section 8.03(c) and this Section 8.03(d) were not in this Agreement.

(e) Nonrecourse Deductions for any Allocation Year shall be allocated to the Economic Members pro rata in accordance with each Economic Member's Ownership Percentage.

(f) Member Nonrecourse Deductions for any Allocation Year shall be allocated 100% to the Economic Member that bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Economic Member bears the economic risk of loss with respect to a Member Nonrecourse Debt, such Economic Member Nonrecourse Deductions attributable thereto shall be allocated between or among such Economic Members in accordance with the ratios in which they share such economic risk of loss.

(g) For purposes of Treasury Regulation Section 1.752-3(a)(3), the Economic Members agree that Nonrecourse Liabilities of the Company shall be allocated to the Economic Members pro rata in accordance with each Economic Member's Ownership Percentage.

(h) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Economic Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(i) Notwithstanding any other provision of this Section 8.03, the allocations set forth in Sections 8.03(a), (b), (c), (d), (e), (f) and (h) (the "Required Allocations") shall be taken into account so that, to the extent possible, the net amount of items of gross income, gain, loss and deduction allocated to each Economic Member pursuant to Sections 8.02 and 8.03, together, shall be equal to the net amount of such items that would have been allocated to each such Economic Member under Section 8.02 and Section 8.03 had the Required Allocations and this Section 8.03(i) not otherwise been provided in this Agreement. The Company may take into account future Required Allocations that, although not yet made, are likely to offset other Required Allocations previously made.

(j) Items of income, gain, loss and deduction realized in any taxable year that includes a Dissolution Event shall be allocated in a manner that will cause, to the extent possible, the ratio of each Economic Member's Capital Account to the sum of all Economic Members' Capital Accounts to be equal to such Economic Member's Ownership Percentage. Upon a Dissolution Event, if any property is distributed in kind, any unrealized income, gain, loss, and deduction inherent in property that has not been reflected in the Capital Accounts previously shall be allocated among the Economic Members as if there were a taxable disposition of that property for the fair market value of that property on the date of distribution.

(k) The allocations in Section 8.02, this Section 8.03 and Section 8.05, and the provisions of this Agreement relating to the maintenance of Capital Accounts, are included to ensure compliance with requirements of the federal income tax law (and any applicable state income tax laws). Such provisions are intended to comply with Treasury Regulations Sections 1.704-1 and 1.704-2 and shall be interpreted and applied in a manner consistent with such Treasury Regulations and any amendment or successor provision thereto. The Management Members shall cause appropriate modifications to be made if unanticipated events might otherwise cause

this Agreement not to comply with such Treasury Regulations, so long as such modifications do not cause a material change in the relative economic benefit of the Economic Members under this Agreement.

#### Section 8.04 *Section 704(c).*

In accordance with Section 704(c) of the Code and the Treasury Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Economic Members to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with the definition of same under this Agreement). In the event the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (b) of the definition of Gross Asset Value hereof, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Section 704(c) of the Code and the Treasury Regulations thereunder. Any elections or other decisions relating to such allocations shall be made by the Board in any manner that reasonably reflects the purpose and intention of this Agreement; *provided* that the Company shall use the traditional method without curatives set forth in Treasury Regulation Section 1.704-3(b). Allocations pursuant to this Section 8.04 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Economic Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

#### Section 8.05 *Varying Interests.*

All items of income, gain, loss, deduction or credit shall be allocated, and all distributions shall be made, to the Persons shown on the records of the Company to have been Economic Members as of the last calendar day of the period for which the allocation or distribution is to be made. Notwithstanding the foregoing, if during any taxable year there is a change in any Economic Member's Ownership Percentage, the Economic Members agree that their allocable shares of such items for the taxable year shall be determined on any method determined by the Board to be permissible under Code Section 706 and the related Treasury Regulations to take account of the Economic Members' varying Ownership Percentages.

#### Section 8.06 *Withheld Taxes.*

All amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any payment, distribution or allocation to the Company or the Economic Members shall be treated as amounts distributed to the Economic Members pursuant to this Article VIII for all purposes of this Agreement. The Company is authorized to withhold from distributions, or with respect to allocations, to the Economic Members and to pay over to any federal, state or local government any amounts required to be so withheld pursuant to the Code or any provision of any other federal, state or local law and shall allocate such amounts to those Economic Members with respect to which such amounts were withheld.

Section 8.07 *Limitations on Distributions.*

Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Delaware Act or other applicable law. All distributions required to be made under this Agreement shall be made subject to Sections 18-607 and 18-804 of the Delaware Act.

**ARTICLE IX.  
BOARD OF DIRECTORS**

Section 9.01 *Management by Board of Directors.*

(a) The Board shall conduct, direct and manage all activities of the Company. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Company shall be exclusively vested in the Board, and no Member shall have any management power over the business and affairs of the Company.

(b) No Member, in its capacity as such, shall participate in the operation, management or control of the Company's business, transact any business in the Company's name or have the power to sign documents for or otherwise bind the Company.

Section 9.02 *Board Composition.*

(a) General.

(i) The Board shall be composed of four (4) "Directors" (or such other number of directors as permitted in accordance with Section 9.02(d)) who shall be natural persons (together with each Alternate Director that acts as a Director from time to time as set forth in this Section 9.02, the "Directors" and each such person a "Director"). The Directors shall constitute "managers" of the Company within the meaning of the Delaware Act. A Director need not be a resident of the State of Delaware, a Member or an officer of the Company.

(ii) Notwithstanding the foregoing, no Director in his or her individual capacity shall have the authority to manage the Company or approve matters relating to, or otherwise to bind the Company, such powers being reserved to a Director acting through the Board, and to such other committees of the Board, and officers and agents of the Company, as designated by the Board.

(iii) The Chairman of the Board shall be a Director and shall set the agenda for and preside at all meetings of the Board. The Parties will mutually agree on the initial Chairman of the Board. The Party whose Representative was not the initial Chairman will appoint the successor to the initial Chairman of the Board, subject to the other Party's approval, which approval shall not be unreasonably withheld, conditioned or delayed. The rights to appoint the Chairman and approve such appointment as described above shall rotate between CERC and OGEH (or any other party to whom any such Management Member Transfers its rights to designate Representatives). The term of the initial

Chairman of the Board shall end on the second anniversary of the Closing Date. Each successor Chairman of the Board shall serve for a two-year term.

(iv) Prior to the designation of the initial Chairman of the Board, CERC shall be entitled to designate a natural person to serve as interim Chairman of the Board (the "Interim Chairman"). The Interim Chairman shall have power and authority, among other things, to execute, for and on behalf of the Company and the Partnership Group, the Transaction Documents (as such term is defined in the Master Formation Agreement) and such other documents necessary or appropriate in connection therewith.

(b) Designation of Directors; Alternate Directors.

(i) Representatives. Subject to Section 9.02(b)(i)(C), each Management Member shall be permitted to designate Directors, including Alternate Directors (each person so designated, a "Representative" and, collectively, the "Representatives"), as follows:

(A) CERC shall be entitled to designate two (2) natural persons to serve on the Board (any such Director designated by CERC, a "CERC Representative") and two (2) natural persons to serve as Alternate Directors (any such person designated by CERC, a "CERC Alternate Director"). The initial CERC Representatives as of the Closing Date are set forth on Exhibit C.

(B) OGEH shall be entitled to designate two (2) natural person to serve on the Board (any such Director designated by OGEH, an "OGEH Representative") and two (2) natural persons to serve as Alternate Directors (any such person designated by OGEH, an "OGEH Alternate Director," and together with the CERC Alternate Directors, the "Alternate Directors"). The initial OGEH Representatives as of the Closing Date are set forth on Exhibit C.

(C) If any Management Member elects to Transfer its right to designate its Representatives in accordance with the terms of this Agreement (including the requirements set forth in Section 4.01(d), then (1) each Representative designated by such Management Member shall be automatically removed from all positions such individual holds with the Company without any further action as of the close of business on the date of such Transfer, (2) each vacancy in the Board shall be filled by the Transferee of such Transfer, (3) such Management Member shall no longer be permitted to designate Representatives pursuant to this Agreement and (4) the Transferee of such Transfer shall become entitled to designate Representatives under this Agreement as of the close of business on the date of Transfer.

(ii) Other Directors. Each Independent Director and each Conflicts Committee Independent Director shall be designated by unanimous vote of the Management Members. For the avoidance of doubt, assuming they meet the requisite standards, Independent Directors can also serve as Conflicts Committee Independent Directors.

(iii) Alternate Directors. Alternate Directors shall be entitled to receive notice of and attend meetings of the Board; *provided* that such attendance shall be only in an observer capacity unless a particular Alternate Director is serving in place of a Management Member's designated Director. An Alternate Director may, without prior notice to the Company or any other Member, in the sole discretion of the Management Member that designated such Alternate Director, serve in place of any Management Member's designated Director at any meeting of the Board or in connection with any action or approval of the Board, and the presence of such Alternate Director shall be the equivalent of the presence of a designated Director for all purposes under this Agreement. When serving in such capacity as a Director, each Alternate Director shall be entitled to all of the rights and obligations of a Director as set forth in this Agreement.

(c) Removal; Resignation; Vacancies.

(i) Each Representative may be removed and replaced, with or without cause, at any time by the Management Member that designated him or her, in such Management Member's sole discretion, but may not be removed or replaced by any other means, except as set forth in Section 9.02(b)(i)(C). A Management Member who removes its Representative shall promptly notify the other Management Members of the removal and the name of its replacement Representative. Each Independent Director may be removed and replaced, with or without cause, at any time by unanimous vote of the Management Members.

(ii) A Director may resign at any time, such resignation to be made in writing and to take effect immediately or on such later date as may be specified therein.

(iii) If any Representative designated by a Management Member shall cease to serve as a Director for any reason, the vacancy resulting thereby shall be filled by another individual to be designated by that Management Member; *provided* that such Management Member would, at such time, otherwise be permitted to designate a Representative pursuant to Section 9.02(b). If any other Director shall cease to serve as a Director for any reason, the vacancy resulting thereby will be filled by another Director designated in accordance with Section 9.02(b)(ii).

(d) Changes in Size. The number of Directors constituting the full Board may be increased or decreased from time to time by unanimous vote of the Management Members; *provided, however*, that, for so long as two Management Members are permitted to designate Representatives in accordance with Section 9.02(b), the Management Members shall have an equal number of Representatives. In connection with the Initial Public Offering, the Management Members shall increase the number of Directors constituting the full Board and take all actions necessary to designate and maintain (i) the Independent Directors required by the listing standards of the New York Stock Exchange or any national securities exchange selected for the listing of the limited partner interests or other Equity Interests of the Partnership and (ii) the Conflicts Committee Independent Directors required under the Partnership Agreement; *provided, however*, that if at any time the Board does not include the requisite number of Independent Directors and/or Conflicts Committee Independent Directors, the Board shall still have all powers and authority granted to it hereunder, but the Management Members shall endeavor to appoint one or more



additional Independent Directors and/or Conflicts Committee Independent Directors pursuant to Section 9.02(b)(ii) as necessary to come into compliance with this Section 9.02(d).

#### Section 9.03 *Board Meetings; Quorum.*

(a) The Board shall meet at least quarterly at the offices of the Company (or such other place as determined by the Board), with the participation of such officers of the Company as such Representative may request. Special meetings of the Board, to be held at the offices of the Company (or such other place as shall be determined by the Board), shall be called at the direction of any one Director. Attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business on the ground that such meeting is not properly called or convened. The reasonable costs and expenses incurred by the Directors and Alternate Directors in connection with any meeting of the Board shall be borne and paid by the Company (and any Director and Alternate Director may obtain reimbursement from the Company for any such reasonably documented costs and expenses).

(b) During the Restricted Period, the presence of all Directors, present in person or participating in accordance with Section 9.07, shall be necessary to constitute a quorum for the transaction of business at any meeting of the Board. After the Restricted Period, as long as one CERC Representative and one OGEH Representative are present, the presence of a majority of all the Directors, whether in person or participating in accordance with Section 9.07, shall be necessary and sufficient to constitute a quorum.

#### Section 9.04 *Board Voting.*

(a) General; Majority Voting. Each Director shall be entitled to one vote. On all matters requiring the vote or action of the Board, any action undertaken by the Board must be authorized by the affirmative vote of at least a majority of Directors. For the avoidance of doubt, Alternate Directors that are present at a meeting of the Board solely in an observer capacity shall not be entitled to vote.

(b) Actions Requiring Approval of the Board. In addition to such other matters as the Board may from time to time by resolution in accordance with Section 9.04(a) determine, and except for such actions as the Board may from time to time in accordance with Section 9.04(a) delegate to the officers of the Company that may be taken without approval of the Board, the Company shall not, and shall cause the Group Members not to, and shall not authorize or permit any officer or agent of the Company on behalf of the Company or of any Group Member to, effect any non-ministerial action, including the following actions:

- (i) approve the Annual Budget;
- (ii) incur capital expenditures in excess of the amounts contemplated by the Annual Budget;
- (iii) enter into, modify or terminate a Material Contract;

(iv) prior to the IPO Date, approve any transaction between any Group Member, on the one hand, and the Company or any Member or any of its Affiliates (other than any member of the Partnership Group) or any officer, director or employee of any Member or any of its Affiliates (other than any Group Member), on the other hand (each, a “Related Party Transaction”);

(v) transfer an asset (other than working capital) to a Person other than a Group Member outside the ordinary course of business;

(vi) merge, consolidate or convert with or into any other Person (other than a wholly owned Subsidiary of the Partnership into another wholly owned Subsidiary of the Partnership), or engage in any recapitalization, restructuring or reorganization, or enter into a letter of intent or agreement in principle with respect thereto;

(vii) alter, repeal, amend or adopt any provision of its certificate of limited partnership, certificate of formation or certificate of incorporation or any agreement of limited partnership, limited liability company agreement or bylaws or any similar organizational or governing document or change the form of organization of any Group Member; or

(viii) engage, participate or invest, directly or indirectly, in any new line of business.

(c) Board Deadlock.

(i) In the event that the Board is unable to obtain the requisite vote under Section 9.04(a) for the approval of any matter (such event, a “Deadlock”), either Management Member may give the other Management Member notice (a “Deadlock Notice”) of such matter that has not been approved. Within five days after receipt of the Deadlock Notice, the receiving Management Member shall submit to the other Management Member a written response (a “Dispute Response”). The Dispute Notice and the Dispute Response shall each include (A) a statement setting forth the position of the Management Member giving the notice and a summary of arguments supporting such position and (B) the name and title of a senior representative of such Management Member who has authority to settle the Deadlock. Within five days of the delivery of the Dispute Response, the senior representatives of both Management Members shall meet or communicate by telephone at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, and shall negotiate in good faith to resolve the Deadlock.

(ii) If such Deadlock has not been resolved within 30 days following delivery of the Dispute Response, then each Management Member agrees to have its Chief Executive Officer meet or communicate by telephone with the Chief Executive Officer of the other Management Member at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, and shall negotiate in good faith to resolve the Deadlock.

(iii) If such Deadlock is not resolved within 60 days of delivery of the Deadlock Response, (A) prior to the IPO Date, either Management Member may require such Deadlock to be submitted to nonbinding mediation in Houston, Texas, before an impartial mediator acceptable to both Management Members and with senior representatives of both Members who have authority to settle the Deadlock in attendance, or (B) on or after the IPO Date, such Deadlock shall be resolved by the affirmative vote of a majority of the Independent Directors on the Board.

(iv) Notwithstanding anything herein to the contrary, until a Deadlock is resolved, each Management Member agrees to continue to perform its obligations under this Agreement and to cause its Representatives to continue to perform their obligations under this Agreement. In the event a Deadlock exists with respect to any Annual Budget, then, until such time as such Deadlock is resolved, the Annual Budget for such calendar year shall be based on the corresponding portions of the Annual Budget for the preceding calendar year (excluding any unusual or extraordinary revenues, expenses or capital expenditures that occurred during such prior calendar year), together with any additional amounts to the extent necessary, when combined with amounts authorized to be spent in such last Annual Budget, to meet the Partnership's existing commitments and obligations and to conduct and maintain the Partnership's operations and properties in the ordinary course of business. With respect to non-recurring amounts and capital expenditures, if any, for which there is no corresponding portion of the Annual Budget for the preceding calendar year, only budgeted amounts directed or approved by the Board of Directors on a case by case basis shall be utilized.

(d) Related Party Transactions. After the IPO Date, any Related Party Transactions shall be approved in accordance with the applicable provisions of the Partnership Agreement.

#### Section 9.05 *Notice*.

Written notice of all regular meetings of the Board shall be given to all Directors and Alternate Directors at least 10 days prior to the regular meeting of the Board and one Business Day prior to any special meeting of the Board. All notices and other communications to be given to Directors and Alternate Directors shall be sufficiently given for all purposes hereunder if in writing and delivered by hand, courier or overnight delivery service or three days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, delivered by electronic mail or when received in the form of a facsimile, and shall be directed to the address or facsimile number as such Director and Alternate Director shall designate by notice to the Company. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice of such meeting. A meeting may be held at any time without notice if all the Directors are present or if those not present waive notice of the meeting either before or after such meeting. Notwithstanding anything in the foregoing to the contrary, the failure to give notice or documents or other information to an Alternate Director that is acting solely in an observer capacity shall not affect the validity of any action taken by the Board.

#### Section 9.06 *Action by Written Consent of Board*.

To the extent permitted by applicable law, the Board may act without a meeting, without notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by all Directors (which, for the avoidance of doubt, need not include the consent of any Alternate Directors unless a particular Alternate Director is serving in place of a Management Member's designated Director). All actions taken by the Board in the form of a written consent shall be distributed to each Director and Alternate Director promptly upon the taking of such action.

Section 9.07 *Conference Telephone Meetings.*

Directors and Alternate Directors may participate in a meeting of the Board or any committee thereof by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 9.08 *Minutes.*

All decisions and resolutions of the Board shall be reported in the minutes of its meetings, which shall state the date, time and place of the meeting (or the date of the written consent in lieu of a meeting), the persons present at the meeting, the resolutions put to a vote (or the subject of a written consent) and the results of such voting (or written consent). The minutes of all meetings of the Board shall be kept at the principal office of the Company.

Section 9.09 *Committees.*

(a) The Board may establish committees of the Board and may delegate any of its responsibilities to such committees, except as prohibited by applicable law. CERC and OGEH shall appoint an equal number of Directors to any such committee (except for the Audit Committee and the Conflicts Committee).

(b) A majority of the members of any committee, present in person or participating in accordance with Section 9.07, shall constitute a quorum for the transaction of business of such committee. Except as otherwise required by law or the Partnership Agreement, all decisions of a committee shall require the affirmative vote of at least a majority of the committee members at any meeting at which a quorum is present.

(c) A majority of the members of any committee may determine its action and fix the time and place of its meetings unless the Board shall otherwise provide. Notice of such meetings shall be given to each member of the committee in the manner provided for in Section 9.05. Subject to Section 9.09(a), the Board shall have power at any time to fill vacancies in, to change the membership of, or to dissolve any such committee.

(d) After the IPO Date:

(i) The Board shall have an audit committee (the "Audit Committee") made up of Directors who meet the independence standards required of directors who serve on an audit committee of a board of directors established by the Exchange Act and the rules and regulations of the Commission thereunder and by the New York Stock Exchange or

any national securities exchange on which the limited partner interests or other Equity Interest are listed (each, an “Audit Committee Independent Director”). The Audit Committee shall establish a written audit committee charter in accordance with the rules and regulations of the Commission and the New York Stock Exchange or any national securities exchange on which the Common Units are listed from time to time, in each case as amended from time to time. Each member of the Audit Committee shall satisfy the rules and regulations of the Commission and the New York Stock Exchange or any national securities exchange on which the Common Units are listed from time to time, in each case as amended from time to time, pertaining to qualification for service on an audit committee.

(ii) The Board shall have a conflicts committee (the “Conflicts Committee”) made up of at least two Conflicts Committee Independent Directors. The Conflicts Committee shall function in the manner described in the Partnership Agreement. Notwithstanding any duty otherwise existing at law or in equity, any matter approved by the Conflicts Committee in accordance with the provisions, and subject to the limitations, of the Partnership Agreement, shall not be deemed to be a breach of any duties owed by the Board or any Director to the Company or the Members.

## **ARTICLE X. OFFICERS**

### *Section 10.01 Elected Officers.*

The executive officers of the Company shall serve at the pleasure of the Board. Such officers shall have the authority and duties delegated to each of them, respectively, by the Board from time to time. The elected officers of the Company shall be such officers (including, without limitation, a Chief Executive Officer, a Secretary, a Treasurer, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents), as the Board from time to time may deem proper. All officers elected by the Board shall each have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this Article X. Such officers and agents shall have such duties and shall hold their offices for such terms as shall be provided in this Agreement or as may be prescribed by the Board or such committee, as the case may be.

### *Section 10.02 Term of Office.*

Each officer shall hold office until such person’s successor shall have been duly elected and shall have qualified or until such person’s death or until he shall resign or be removed pursuant to Section 10.07.

### *Section 10.03 Chief Executive Officer.*

The Chief Executive Officer shall be responsible for the general management of the affairs of the Company and shall perform all duties incidental to such person’s office which may be required by law and all such other duties as are properly required of him by the Board. He shall make reports to the Board and the Management Members and shall see that all orders and resolutions of the Board and of any committee thereof are carried into effect.

Section 10.04 *Vice Presidents.*

Each Executive Vice President and Senior Vice President and any Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board.

Section 10.05 *Treasurer.*

(a) The Treasurer shall exercise general supervision over the receipt, custody and disbursement of corporate funds. The Treasurer shall cause the funds of the Company to be deposited in such banks as may be authorized by the Board, or in such banks as may be designated as depositories in the manner provided by resolution of the Board. The Treasurer shall, in general, perform all duties incident to the office of the Treasurer and shall have such further powers and duties and shall be subject to such directions as may be granted or imposed from time to time by the Board.

(b) Assistant Treasurers shall have such of the authority and perform such of the duties of the Treasurer as may be provided in this Agreement or assigned to them by the Board or the Treasurer. Assistant Treasurers shall assist the Treasurer in the performance of the duties assigned to the Treasurer, and in assisting the Treasurer, each Assistant Treasurer shall for such purpose have the powers of the Treasurer. During the Treasurer's absence or inability, the Treasurer's authority and duties shall be possessed by such Assistant Treasurer or Assistant Treasurers as the Board may designate.

Section 10.06 *Secretary.*

(a) The Secretary shall keep or cause to be kept, in one or more books provided for that purpose, the minutes of all meetings of the Board, the committees of the Board and the Management Members. The Secretary shall see that all notices are duly given in accordance with the provisions of this Agreement and as required by applicable law; shall be custodian of the records and the seal of the Company and affix and attest the seal to all documents to be executed on behalf of the Company under its seal; and shall see that the books, reports, statements, certificates and other documents and records required by law to be kept and filed are properly kept and filed; and in general, shall perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Board.

(b) Assistant Secretaries shall have such of the authority and perform such of the duties of the Secretary as may be provided in this Agreement or assigned to them by the Board or the Secretary. Assistant Secretaries shall assist the Secretary in the performance of the duties assigned to the Secretary, and in assisting the Secretary, each Assistant Secretary shall for such purpose have the powers of the Secretary. During the Secretary's absence or inability, the Secretary's authority and duties shall be possessed by such Assistant Secretary or Assistant Secretaries as the Board may designate.

Section 10.07 *Removal.*

Any officer elected, or agent appointed, by the Board may be removed, with or without cause, by the Board whenever, in its judgment, the best interests of the Company would be served thereby. No elected officer shall have any contractual rights against the Company for

compensation by virtue of such election beyond the date of the election of such person's successor, such person's death, such person's resignation or such person's removal, whichever event shall first occur, except as otherwise provided in an employment contract or under an employee deferred compensation plan.

Section 10.08 *Vacancies.*

A newly created elected office and a vacancy in any elected office because of death, resignation or removal may be filled by the Board for the unexpired portion of the term at any meeting of the Board.

**ARTICLE XI.  
BUDGET**

Section 11.01 *Budget.*

The initial budget (the "Initial Budget") for the Partnership and its Subsidiaries was previously agreed pursuant to that certain Letter Agreement regarding Initial Budget, dated as of March 14, 2013, and covers the period from January 1, 2013 through December 31, 2013 and sets forth reasonable line item detail regarding anticipated expenditures, including: (i) estimated operating expenditures; (ii) estimated capital expenditures; (iii) the proposed financing plans for such expenditures; and (iv) such other items as are set forth therein, and such Initial Budget is deemed to be constructively attached to this Agreement and incorporated herein by reference. At such reasonable time prior to the expiration of the Initial Budget, and each year thereafter, the Board shall cause to be prepared the Annual Budget, which Annual Budget will be presented to the Board for approval in accordance with Section 9.04(b)(i). The Board of Directors shall cause the Annual Budget to be prepared and approved for distribution to the Management Members by October 31<sup>st</sup>, and finally approved by November 30<sup>th</sup>, for each calendar year during the term of this Agreement. If the Budget is not approved by the Board of Directors prior to the date when such Budget is to become effective, a Deadlock subject to the procedures set forth in Section 9.04(c) will be deemed to exist.

**ARTICLE XII.  
MANAGEMENT MEMBER MEETINGS**

Section 12.01 *Meetings.*

Subject to the provisions of this Agreement, including Section 9.01, any actions of the Management Members required to be taken hereunder shall be taken in the manner provided in this Article XII. Meetings of Management Members shall be called by the Board. The Board may designate any place as the place of meeting for any meeting of the Management Members.

Section 12.02 *Notice of a Meeting.*

Written notice of meetings of the Management Members shall be given to all Management Members at least ten (10) days prior to the meeting. All notices and other communications to be given to Management Members shall be sufficiently given for all purposes hereunder if in writing and delivered by hand, courier or overnight delivery service or three days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid,

delivered by electronic mail or when received in the form of a facsimile, and shall be directed to the address or facsimile number as such Management Member shall designate by notice to the Company. Neither the business to be transacted at, nor the purpose of, any meeting of the Management Members need be specified in the notice of such meeting. A meeting may be held at any time without notice if all the Management Members are present or if those not present waive notice of the meeting either before or after such meeting. Attendance of a Management Member at a meeting shall constitute a waiver of notice of such meeting, except where a Management Member attends the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 12.03 *Quorum; Voting Requirement.*

(a) The presence, in person or by proxy or participating in accordance with Section 12.05, of a Majority Interest shall constitute a quorum for the transaction of business by the Management Members. Unless otherwise provided by the Delaware Act, the affirmative vote of a Majority Interest present at a meeting at which a quorum is present shall constitute a valid decision of the Management Members.

(b) Except as provided in Section 17.02, on and after the IPO Date, without first receiving the unanimous vote of the Management Members, the Company shall not, and shall cause the Group Members not to, and shall not authorize or permit any officer or agent of the Company on behalf of the Company or of any Group Member to, effect any of the following actions:

(i) alter, repeal, amend or adopt any provision of its certificate of limited partnership, certificate of formation or certificate of incorporation or any agreement of limited partnership, limited liability company agreement or bylaws or any similar organizational or governing document if any such alteration, repeal, amendment or adoption would have a material adverse effect on the rights or preferences of any Member, partner, stockholder or any other holder of Equity Interests of the Company or any of the Group Members, as applicable;

(ii) merge, consolidate or convert with or into any other Person (other than a wholly owned Subsidiary of the Partnership into another wholly owned Subsidiary of the Partnership);

(iii) sell, lease, transfer, pledge or otherwise dispose of all or substantially all of the properties and assets of the Company and the Group Members, taken as a whole, in a single transaction or a series of related transactions (other than to a wholly owned Subsidiary of the Company);

(iv) change the classification of the Company or any Group Member for United States federal income tax purposes;

(v) voluntarily liquidate, wind-up or dissolve the Company or the Partnership; or



(vi) file or consent to the filing of any bankruptcy, insolvency or reorganization petition for relief under the United States Bankruptcy Code naming the Company or any Group Member, or otherwise seek, with respect to the Company or any Group Member, relief from debts or protection from creditors generally.

Section 12.04 *Action by Consent of Members.*

Any action that may be taken at a meeting of the Management Members may be taken without a meeting if an approval in writing setting forth such action is signed by Management Members holding all of the outstanding Management Units.

Section 12.05 *Conference Telephone Meetings.*

Management Members may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

**ARTICLE XIII.  
EXCULPATION AND INDEMNIFICATION; DUTIES**

Section 13.01 *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee and acting (or refraining to act) in such capacity; *provided*, that the Indemnitee shall not be indemnified and held harmless pursuant to this Agreement if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Agreement, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was unlawful; *provided further*, no indemnification pursuant to this Section 13.01 shall be available to the Members or their Affiliates (other than a Group Member) with respect to its or their obligations incurred pursuant to the Master Formation Agreement (other than obligations incurred by such Member on behalf of the Company). Any indemnification pursuant to this Section 13.01 shall be made only out of the assets of the Company, it being agreed that the Members shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Company to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 13.01(a) in defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Company

prior to a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 13.01, the Indemnitee is not entitled to be indemnified upon receipt by the Company of any undertaking by or on behalf of the Indemnitee to repay such amount if it shall be ultimately determined that the Indemnitee is not entitled to be indemnified as authorized by this Section 13.01.

(c) The indemnification provided by this Section 13.01 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of a Majority Interest or of the Board, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee.

(d) The Company may purchase and maintain insurance, on behalf of the Company, its Affiliates, the Indemnitees and such other Persons as the Company shall determine, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Company's or any of its Affiliate's activities or such Person's activities on behalf of the Company or any of its Affiliates, regardless of whether the Company would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 13.01, the Company shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Company also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 13.01(a); and action taken or omitted by it with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Company.

(f) In no event may an Indemnitee subject the Members to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 13.01 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 13.01 are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) Any amendment, modification or repeal of this Section 13.01 or any provision hereof shall be prospective only and shall not in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Company, nor the obligations of the Company to indemnify any such Indemnitee under and in accordance with the provisions of this Section 13.01 as in effect immediately prior to such amendment, modification or repeal

with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, AND SUBJECT TO SECTION 13.01(a), THE PROVISIONS OF THE INDEMNIFICATION PROVIDED IN THIS SECTION 13.01 ARE INTENDED BY THE MEMBERS TO APPLY EVEN IF SUCH PROVISIONS HAVE THE EFFECT OF EXCULPATING THE INDEMNITEE FROM LEGAL RESPONSIBILITY FOR THE CONSEQUENCES OF SUCH PERSON'S NEGLIGENCE, FAULT OR OTHER CONDUCT.

#### Section 13.02 *Liability of Indemnitees.*

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Company, the Members or any other Persons who have acquired interests in the Membership Interests, for losses sustained or liabilities incurred as a result of any act or omission of an Indemnitee unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or engaged in fraud, willful misconduct or, in the case of a criminal matter, acted with knowledge that the Indemnitee's conduct was criminal.

(b) To the extent that, at law or in equity, an Indemnitee has duties (including fiduciary duties) and liabilities relating thereto to the Company or to the Members, the Indemnitee acting in connection with the Company's business or affairs shall not be liable to the Company or to any Member for its good faith reliance on the provisions of this Agreement, and the provisions of this Agreement, to the extent that they restrict, eliminate or otherwise modify the duties and liabilities, including fiduciary duties, of any Indemnitee otherwise existing at law or in equity, are agreed by the Members to replace such other duties and liabilities of the Indemnitee.

(c) Any amendment, modification or repeal of this Section 13.02 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnites under this Section 13.02 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

#### Section 13.03 *Other Matters Concerning the Directors*

(a) The Directors may rely upon, and shall be protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The Directors may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by the Directors, and any act taken or omitted to be taken in reliance upon the advice or opinion (including an Opinion of Counsel) of such Persons as to matters that the Directors reasonably believe to be

within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice or opinion.

#### Section 13.04 *Corporate Opportunities.*

(a) Except as otherwise provided in the Omnibus Agreement or any other agreement or contract to which the Company or any Group Member is a party, (i) each Member, Director and officer of the Company and their respective Affiliates shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by the Company or any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of the Company or any Group Member, and none of the same shall constitute a breach of this Agreement or any duty otherwise existing at law, in equity or otherwise, to the Company or any Group Member or any Member, and (ii) neither of the Company, any Member or any other Person shall have any rights by virtue of this Agreement, any Group Member Agreement, or the business relationship established hereby in any business ventures of any Member, Director or officer of the Company and their respective Affiliates.

(b) Notwithstanding anything in this Agreement to the contrary, the Members hereby agree that the doctrine of corporate opportunity shall not apply to Directors and officers of the Company.

#### Section 13.05 *Duties.*

(a) Whenever a Member makes a determination or takes or declines to take any other action, or any of its Affiliates causes it to do so, in its capacity as a Member, whether under this Agreement, any Group Member Agreement or any other agreement contemplated hereby or otherwise, then such Member or its Affiliates causing it to do so shall be entitled, to the fullest extent permitted by law, to make such determination or to take or decline to take such other action free of any duty (including any fiduciary duty) or obligation whatsoever to the Company, any Member or Director, and the Member, or such Affiliates causing it to do so, shall not, to the fullest extent permitted by law, be required to act pursuant to any other standard imposed by this Agreement, any Group Member Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation or at equity, it being the intent of all Members that such Member or any such Affiliate, in its capacity as a Member, shall have the right to make such determination solely on the basis of its own interests.

(b) Subject to, and as limited by the provisions of this Agreement, the officers of the Company, the Members and the Directors, in the performance of their duties as such, shall not, to the fullest extent permitted by the Delaware Act and other applicable law, owe any duties (including fiduciary duties) as an officer, Member or Director of the Company, notwithstanding anything to the contrary existing at law, in equity or otherwise; *provided, however*, that each officer of the Company, Member and Director shall act in accordance with the implied contractual covenant of good faith and fair dealing. In furtherance of the foregoing to the fullest extent permitted by the Delaware Act, a Representative, in performing his duties and obligations as a Director under this Agreement, shall (i) owe no fiduciary or similar duty or obligation whatsoever to the Company, any Member (other than the Management Member designating such

Representative) or the other Directors, and (ii) be entitled to act or omit to act at the direction of the Management Member that designated such Representative, considering only such factors, including the separate interests of the Management Member, as such Representative or Member chooses to consider, and any action of a Representative or failure to act, taken or omitted in good faith reliance on the foregoing provisions shall not, as between the Company and the other Members, on the one hand, and the Representative or Management Member designating such Representative, on the other hand, constitute a breach of any duty (including any fiduciary or other similar duty, to the extent such exists under the Delaware Act or any other applicable law) on the part of such Representative or Member to the Company or any other Representative or Member of the Company. Notwithstanding any duty otherwise existing at law or in equity, any matter approved by the Board in accordance with the provisions, and subject to the limitations, of the Partnership Agreement, shall not be deemed to be a breach of any duties owed by the Board or any Director to the Company or the Members.

(c) The provisions of this Agreement, to the extent that they restrict, eliminate or otherwise modify the duties (including fiduciary duties) and liabilities of an officer of the Company or a Member or Director otherwise existing at law, in equity or by operation of the preceding sentences, are agreed by the Company and the Members to replace such duties and liabilities of such officer, Member or Director. The Members (in their own names and in the name and on behalf of the Company), acknowledge, affirm and agree that (i) none of the Members would be willing to make an investment in the Company or enter into this Agreement, and no Representative would be willing to so serve on the Board, in the absence of this Section 13.05, and (ii) they have reviewed and understand the provisions of Section 18-1101(b) and (c) of the Delaware Act.

(d) Nothing in this Agreement is intended to or shall eliminate any implied contractual covenant of good faith and fair dealing, the requirement not to waste Company assets or otherwise relieve or discharge any Representative or Member from liability to the Company or the Members on account of any fraudulent or intentional misconduct of such Representative or Member.

#### **ARTICLE XIV. TAXES**

##### **Section 14.01 *Tax Returns.***

The Board shall prepare and timely file or cause to be prepared and filed (on behalf of the Company) all federal, state, local and foreign tax returns required to be filed by the Company. Each Member shall furnish to the Company all pertinent information in its possession relating to the Company's operations that is necessary to enable the Company's tax returns to be timely prepared and filed. The Company shall bear the costs of the preparation and filing of its returns.

Section 14.02 *Tax Elections.*

(a) The Company shall make the following elections on the appropriate tax returns:

(i) to adopt as the Company's taxable year the calendar year;

(ii) to adopt the accrual method of accounting;

(iii) if a distribution of the Company's property as described in Section 734 of the Code occurs or upon a transfer of an Economic Unit as described in Section 743 of the Code occurs, on request by notice from any Member, to elect, pursuant to Section 754 of the Code, to adjust the basis of the Company's properties; and

(iv) any other election the Board may deem appropriate.

(b) Neither the Company nor any Member shall make an election for the Company to be excluded from the application of the provisions of subchapter K of chapter 1 of subtitle A of the Code or any similar provisions of applicable state law and no provision of this Agreement shall be construed to sanction or approve such an election.

Section 14.03 *Tax Matters Member.*

(a) OGEH shall act as the "tax matters partner" of the Company pursuant to Section 6231(a)(7) of the Code (the "Tax Matters Member"). The Tax Matters Member shall take such action as may be necessary to cause to the extent possible each Member to become a "notice partner" within the meaning of Section 6223 of the Code. The Tax Matters Member shall inform each Member of all significant matters that may come to its attention in its capacity as Tax Matters Member by giving notice thereof on or before the 15th Business Day after becoming aware thereof and, within that time, shall forward to each Member copies of all significant written communications it may receive in that capacity.

(b) Any reasonable cost or expense incurred by the Tax Matters Member in connection with its duties, including the preparation for or pursuance of administrative or judicial proceedings, shall be paid by the Company.

(c) The Tax Matters Member shall not enter into any extension of the period of limitations for making assessments on behalf of any Member without first obtaining the consent of such Member. The Tax Matters Member shall not bind any Member to a settlement agreement without obtaining the consent of such Member. Any Member that enters into a settlement agreement with respect to any Company item (as described in Section 6231(a)(3) of the Code in respect of the term "partnership item") shall notify the other Members of such settlement agreement and its terms within ninety (90) days from the date of the settlement.

(d) No Member shall file a request pursuant to Section 6227 of the Code for an administrative adjustment of Company items for any taxable year without first notifying the other Members. If the Board consents to the requested adjustment, the Tax Matters Member shall file the request for the administrative adjustment on behalf of the Members. If such consent is not obtained within thirty (30) days from such notice, or within the period required to timely

file the request for administrative adjustment, if shorter, any Member may file a request for administrative adjustment on its own behalf. Any Member intending to file a petition under Sections 6226, 6228 or other Section of the Code with respect to any item involving the Company shall notify the other Members of such intention and the nature of the contemplated proceeding. In the case where the Tax Matters Member is intending to file such petition on behalf of the Company, such notice shall be given to each other Member ninety (90) days prior to filing and the Tax Matters Member shall obtain the consent of the other Members to the forum in which such petition will be filed prior to filing, which consent shall not be unreasonably withheld or delayed.

(e) If any Member intends to file a notice of inconsistent treatment under Section 6222(b) of the Code, such Member shall give reasonable notice under the circumstances to the other Members of such intent and the manner in which the Member's intended treatment of an item is (or may be) inconsistent with the treatment of that item by the other Members.

**ARTICLE XV.**  
**BOOKS, RECORDS, REPORTS, BANK ACCOUNTS, AND BUDGETS**

Section 15.01 *Maintenance of Books.*

(a) The Board shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and of the Management Members, appropriate registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Company.

(b) The books of account of the Company shall be (i) maintained on the basis of a fiscal year that is the calendar year, (ii) maintained on an accrual basis in accordance with GAAP, consistently applied and (iii) audited by the Certified Public Accountants at the end of each calendar year.

Section 15.02 *Reports.*

(a) As soon as practicable, but in no event later than ninety (90) days after the close of each fiscal year of the Company, the Board shall cause to be mailed or made available, by any reasonable means, to each holder of record of a Unit as of a date selected by the Board, an annual report containing financial statements of the Company for such fiscal year of the Company, presented in accordance with GAAP, including a balance sheet and statements of operations, company equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the Board.

(b) As soon as practicable, but in no event later than forty-five (45) days after the close of each Quarter except the last Quarter of each fiscal year, the Board shall cause to be mailed or made available, by any reasonable means to each holder of record of a Unit, as of a date selected by the Board, a report containing unaudited financial statements of the Company and such other information as may be required by applicable law or as the Board determines to be necessary or appropriate.

(c) With respect to each calendar year, the Board shall prepare, or cause to be prepared, and deliver, or cause to be delivered, to each Member such federal, state and local income tax returns and such other accounting, tax information and schedules (including any information necessary for unrelated business taxable income calculations by any Member) as shall be necessary for the preparation by each Member on or before July 15 following the end of each calendar year of its income tax return with respect to such year, *provided, however*, that the Board shall also cause the Company to prepare and deliver, or cause to be prepared and delivered, at any time, such other information with respect to Taxes as is reasonably requested by a Member at the cost of such Member.

Section 15.03 *Bank Accounts.*

Funds of the Company shall be deposited in such banks or other depositories as shall be designated from time to time by the Board. All withdrawals from any such depository shall be made only as authorized by the Board and shall be made only by check, wire transfer, debit memorandum or other written instruction.

**ARTICLE XVI.**  
**DISSOLUTION, WINDING-UP, TERMINATION AND CONVERSION**

Section 16.01 *Dissolution.*

The Company shall dissolve, and its affairs shall be wound up, upon:

(a) an election to dissolve the Company by (i) the unanimous consent of the Board, if on or before the IPO Date, or (ii) the affirmative vote of a Majority Interest, if after the IPO Date;

(b) the entry of a decree of judicial dissolution of the Company pursuant to the provisions of the Delaware Act; or

(c) at any time there are no Members, unless the Company is continued without dissolution in accordance with the Delaware Act.

Section 16.02 *Liquidator.*

Upon dissolution of the Company, the Board shall select one or more Persons to act as liquidator of the Company (the "Liquidator"). The Liquidator (if other than the Board) shall be entitled to receive such compensation for its services as may be approved by the Board. Except as expressly provided in this Article XVI, the Liquidator selected in the manner provided herein shall have and may exercise, without further authorization or consent of any of the Members, all of the powers conferred upon the Board under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on transferring assets set forth in Section 9.04(c)) necessary or appropriate to carry out the duties and functions of the Liquidator hereunder for and during the period of time required to complete the winding up and liquidation of the Company as provided for herein.



### Section 16.03 *Liquidation.*

The Liquidator shall proceed to dispose of the assets of the Company, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as determined by the Liquidator, subject to Section 18-804 of the Delaware Act and the following:

(a) The assets may be disposed of by public or private sale or by distribution in kind to one or more Economic Members on such terms as the Liquidator and such Economic Member or Economic Members may agree; *provided, however*, that any General Partner Interest (as defined in the Partnership Agreement) and any Management Units (as defined in the Limited Liability Company Agreement of Enogex Holdings II LLC) shall be distributed pro rata to the Management Members based on their Ownership Percentages. If any other property is distributed in kind, the Member receiving the property shall be deemed for purposes of Section 16.03(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Members. The Liquidator may defer liquidation or distribution of the Company's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Company's assets would be impractical or would cause undue loss to the Members. The Liquidator may distribute the Company's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Members.

(b) Liabilities of the Company include amounts owed to the Liquidator as compensation for serving in such capacity and amounts to Economic Members otherwise than in respect of their distribution rights under Article VIII. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Except as otherwise provided in Section 16.03(a), all property and all cash in excess of that required to discharge liabilities as provided in Section 16.03(b) shall be distributed to the Economic Members in accordance with the Economic Member's positive Capital Account balances.

### Section 16.04 *Certificate of Cancellation of Formation.*

Upon the completion of the distribution of Company cash and property as provided in Section 16.03 in connection with the liquidation of the Company, the Company shall be terminated and the Certificate of Formation and all qualifications of the Company as a foreign limited liability company in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Company shall be taken.

### Section 16.05 *Return of Contributions.*

It is expressly understood that the return of any Capital Contributions of the Economic Members shall be made solely from Company assets.

Section 16.06 *Waiver of Partition.*

To the maximum extent permitted by law, each Economic Member hereby waives any right to partition of the Company property.

Section 16.07 *Capital Account Restoration.*

No Member shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Company.

**ARTICLE XVII.  
GENERAL PROVISIONS**

Section 17.01 *Offset.*

Whenever the Company is to pay any sum to any Economic Member, including distributions pursuant to Article VIII, any amounts that Economic Member owes the Company, as determined by the Board, may be deducted from that sum before payment.

Section 17.02 *Amendment.*

(a) Except as provided in Section 17.02(b), this Agreement shall not be altered modified or changed except by an amendment approved by each Management Member.

(b) The Board may make any amendment to this Agreement and Exhibit A as necessary to reflect any issuance of additional Membership Interests or other Equity Interests, as provided in Section 3.01 or any redemption or purchase of Membership Interests or other Equity Interests.

Section 17.03 *Addresses and Notices; Written Communications.*

(a) Any notice, demand, request, report or other materials required or permitted to be given or made to a Member under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to such Member at the address set forth on Exhibit A.

(b) If a Member shall consent to receiving notices, demands, requests, reports or other materials via electronic mail, any such notice, demand, request, report or other materials shall be deemed given or made when delivered or made available via such mode of delivery. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 17.03 executed by the Company or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report.

(c) Any notice to the Company shall be deemed given if received by the Company at the principal office of the Company designated pursuant to Section 2.03. The Company may rely and shall be protected in relying on any notice or other document from a Member or other Person if believed by it to be genuine.

(d) The terms “in writing”, “written communications,” “written notice” and words of similar import shall be deemed satisfied under this Agreement by use of e-mail and other forms of electronic communication.

Section 17.04 *Further Action.*

The Parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 17.05 *Binding Effect.*

This Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 17.06 *Integration.*

Except for agreements with Affiliates of the Company, this Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

Section 17.07 *Creditors.*

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Company.

Section 17.08 *Waivers.*

No failure by any Party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

Section 17.09 *Third-Party Beneficiaries.*

Each Member agrees that any Indemnitee shall be entitled to assert rights and remedies hereunder as a third-party beneficiary hereto with respect to those provisions of this Agreement affording a right, benefit or privilege to such Indemnitee.

Section 17.10 *Counterparts.*

This Agreement may be executed in counterparts (including by facsimile or other electronic transmission), all of which together shall constitute an agreement binding on all the Parties, notwithstanding that all such Parties are not signatories to the original or the same counterpart. Each Party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 17.11 *Applicable Law, Forum, Venue, and Jurisdiction.*

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

(b) Each of the Parties:

(i) irrevocably agrees that any claims, suits, actions or proceedings (A) arising out of or relating in any way to this Agreement (including any claims, suits or actions to interpret, apply or enforce the provisions of this Agreement or the duties, obligations or liabilities among the Parties, or the rights or powers of, or restrictions on, the Parties or the Company), (B) asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee of the Company, or owed by the Company, to the Parties, (C) asserting a claim arising pursuant to any provision of the Delaware Act or (D) asserting a claim governed by the internal affairs doctrine shall be exclusively brought in the Court of Chancery of the State of Delaware, in each case regardless of whether such claims, suits, actions or proceedings sound in contract, tort, fraud or otherwise, are based on common law, statutory, equitable, legal or other grounds, or are derivative or direct claims;

(ii) irrevocably submits to the exclusive jurisdiction of the Court of Chancery of the State of Delaware in connection with any such claim, suit, action or proceeding;

(iii) agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (A) it is not personally subject to the jurisdiction of the Court of Chancery of the State of Delaware or of any other court to which proceedings in the Court of Chancery of the State of Delaware may be appealed, (B) such claim, suit, action or proceeding is brought in an inconvenient forum, or (C) the venue of such claim, suit, action or proceeding is improper;

(iv) expressly waives any requirement for the posting of a bond by a party bringing such claim, suit, action or proceeding; and

(v) consents to process being served in any such claim, suit, action or proceeding by mailing, certified mail, return receipt requested, a copy thereof to such party at the address in effect for notices hereunder, and agrees that such services shall constitute good and sufficient service of process and notice thereof; *provided*, nothing in clause (v) hereof shall affect or limit any right to serve process in any other manner permitted by law.

Section 17.12 *Invalidity of Provisions.*

If any provision or part of a provision of this Agreement is or becomes for any reason, invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions and part thereof contained herein shall not be affected thereby and this Agreement shall, to the fullest extent permitted by law, be reformed and construed as if such invalid, illegal or unenforceable provision, or part of a provision, had never been contained

herein, and such provision or part reformed so that it would be valid, legal and enforceable to the maximum extent possible.

*[Signature pages follow.]*

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first written above.

**MEMBERS:**

CENTERPOINT ENERGY RESOURCES CORP.

By: /s/ Gary L. Whitlock  
Name: Gary L. Whitlock  
Title: Executive Vice President and Chief Financial Officer

OGE ENOGEX HOLDINGS LLC

By: OGE Energy Corp., its Sole Member

By: /s/ Sean Trauschke  
Name: Sean Trauschke  
Title: Vice President and Chief Financial Officer

*[Signature Page to Second Amended and  
Restated Enable GP, LLC Agreement]*

**EXHIBIT A**

**Economic Units**

<b><u>Member</u></b>	<b><u>Capital Contribution</u></b>	<b><u>Capital Account Balance</u></b>	<b><u>Economic Units</u></b>	<b><u>Ownership Percentage</u></b>
CenterPoint Energy Resources Corp.	\$400.00	\$400.00	400	40%
OGE Enogex Holdings LLC	600.00	600.00	600	60%
<b>Total:</b>	<b>\$1,000.00</b>	<b>\$1,000.00</b>	<b>1,000</b>	<b>100.00%</b>

**Members' Address for Notice:**

CenterPoint Energy Resources Corp.:

CenterPoint Energy Resources Corp.  
1111 Louisiana Street  
Houston, TX 77002  
Attention: Chief Executive Officer  
Fax: 713.207.9680

with a copy, which shall not constitute notice, to:

Baker Botts L.L.P.  
910 Louisiana Street  
Houston, Texas 77002  
Attention: J. David Kirkland  
Gerald M. Spedale  
Fax: 713.229.1522

OGE Enogex Holdings LLC:

OGE Enogex Holdings LLC  
321 North Harvey  
P.O. Box 321  
Oklahoma City, Oklahoma 73101-0321  
Attention: Sean Trauschke  
Fax: 405.553.3760

with a copy, which shall not constitute notice, to:

Jones Day  
77 West Wacker  
Chicago, Illinois 60601-1692  
Attention: Peter D. Clarke  
Fax: 312.782.8585

*Exhibit A*

**EXHIBIT B**

**Management Units**

<b><u>Management Member</u></b>	<b><u>Management Units</u></b>	<b><u>Ownership Percentage</u></b>
CenterPoint Energy Resources Corp.	500	50%
OGE Enogex Holdings LLC	500	50%
<b>Total:</b>	<b>1,000</b>	<b>100.00%</b>

**Members' Address for Notice:**

CenterPoint Energy Resources Corp.:

CenterPoint Energy Resources Corp.  
1111 Louisiana Street  
Houston, TX 77002  
Attention: Chief Executive Officer  
Fax: 713.207.9680

with a copy, which shall not constitute notice, to:

Baker Botts L.L.P.  
910 Louisiana Street  
Houston, Texas 77002  
Attention: J. David Kirkland  
Gerald M. Spedale  
Fax: 713.229.1522

OGE Enogex Holdings LLC:

OGE Enogex Holdings LLC  
321 North Harvey  
P.O. Box 321  
Oklahoma City, Oklahoma 73101-0321  
Attention: Sean Trauschke  
Fax: 405.553.3760

with a copy, which shall not constitute notice, to:

Jones Day  
77 West Wacker  
Chicago, Illinois 60601-1692  
Attention: Peter D. Clarke  
Fax: 312.782.8585



## **EXHIBIT C**

### **Representatives**

#### **CERC:**

David McClanahan  
Gary Whitlock

#### **OGEH:**

Pete Delaney  
Sean Trauschke

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES**  
**COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES**  
(Millions of Dollars)

	Nine Months Ended September 30,	
	2012 (1)	2013 (1)
Net income	\$ 283	\$ 198
Equity in earnings of unconsolidated affiliates, net of distributions	(6)	(65)
Income taxes	264	408
Capitalized interest	(6)	(8)
	<u>535</u>	<u>533</u>
Fixed charges, as defined:		
Interest	430	370
Capitalized interest	6	8
Interest component of rentals charged to operating expense	7	5
Total fixed charges	<u>443</u>	<u>383</u>
Earnings, as defined	<u>\$ 978</u>	<u>\$ 916</u>
Ratio of earnings to fixed charges	<u>2.21</u>	<u>2.39</u>

(1) Excluded from the computation of fixed charges for the nine months ended September 30, 2012 and 2013 is interest income of \$11 million and \$6 million, respectively, which is included in income tax expense.

**CERTIFICATIONS**

I, David M. McClanahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2013

/s/ David M. McClanahan

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David M. McClanahan

President and Chief Executive Officer

**CERTIFICATIONS**

I, Gary L. Whitlock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2013

/s/ Gary L. Whitlock

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Gary L. Whitlock

Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2013 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, David M. McClanahan, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. McClanahan

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David M. McClanahan

President and Chief Executive Officer

November 6, 2013

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2013 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary L. Whitlock

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Gary L. Whitlock

Executive Vice President and Chief Financial Officer

November 6, 2013