



**Second Quarter 2020 Earnings Conference Call
August 6, 2020**

Dave Mordy – Director of Investor Relations

Thank you and good morning, everyone. Welcome to our second quarter 2020 earnings conference call. Dave Lesar, CEO, and Kristie Colvin, interim CFO and CAO, will discuss our second quarter 2020 results and provide highlights on other key areas.

Today, management will discuss certain topics that will contain projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon various factors, including weather, regulatory actions, the economy and unemployment, commodity prices, the impact of the COVID-19 pandemic and other risk factors noted in our SEC filings. We undertake no obligation to revise or update publicly any forward-looking statement for any reason.

We will also discuss guidance for 2020 in two components.

In summary, the utility EPS guidance range includes net income from our utility segments, as well as after tax operating income from the Corporate and Other segment. This guidance range considers operations performance to date and assumptions for certain significant variables that may impact earnings, as noted in our earnings release. The guidance range also reflects dilution and earnings as if the Series C preferred stock were issued as common stock and incorporates our COVID-19 scenario ranges, which Kristie will discuss further in her remarks. The utility EPS guidance range also assumes an allocation of corporate overhead based upon its relative earnings contribution.



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Utility EPS guidance excludes Midstream Investments EPS range, results related to our recent divestitures, and costs and impairment resulting from the sale of these businesses, certain expenses associated with merger integration and Business Review and Evaluation Committee activities, severance costs, earnings or losses from the change in value of ZENS and related securities and changes in accounting standards.

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

We also provide guidance for Midstream Investments, which takes into account, among other things, the outlook provided by Enable on their earnings call.

For further information on our guidance methodology and a reconciliation of the non-GAAP measures used in providing earnings guidance during today's call, please refer to our earnings news release and our slides, which can be found under the Investors' section on our website.

As a reminder, we may use our website to announce material information.

I'd like to call your attention to our upcoming Corporate Responsibility Report, which we anticipate publishing later this year. In addition to carbon reduction efforts, the report will highlight employee and supplier diversity and inclusion, COVID-19 risk management, governance, safety and more.

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



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Finally, I will note that in contrast with previous conference calls, slides should be considered supplemental materials and are not paced with upcoming remarks. I will now turn the call over to Dave.

Dave Lesar – President & CEO

Thank you, Dave, and good morning ladies and gentlemen. First, I'd like to say how excited I am to be leading CenterPoint Energy and am honored by the trust the Board has placed in me. Additionally, I'd like to thank all our operations personnel for their unwavering commitment and tireless efforts delivering on CenterPoint's brand promise of being 'Always There' for our customers during these unique and challenging times presented by COVID-19. In my first 30 days, I have tried to hit the ground running and can tell you that I am greatly energized about the future of this company. Before I provide my remarks, I'm going to pass it off to Kristie to cover a brief business and financial overview of our second quarter results. Kristie?

Kristie Colvin, Interim CFO

Thank you, Dave, and good morning everyone. I'd like to start by highlighting the strong second quarter results from our utility operations. As you saw from our news release earlier today, we reported earnings of 11 cents per diluted share on a GAAP basis for the second quarter. On a guidance basis, our utilities delivered 18 cents per diluted share for the second quarter, which includes 6 cents of negative impacts associated with COVID-19. The COVID-19 impact was driven primarily by lower natural gas and electric usage and miscellaneous revenues. In spite of that, our utilities continued to deliver outstanding results and we are reiterating our 2020 Guidance Basis Utility EPS range of \$1.10 - \$1.20 and an expected 5-7% 5-year guidance basis



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Utility EPS CAGR even with the negative impact of our COVID-19 scenario range. I will provide a more detailed review of the quarterly performance drivers and COVID-19 impacts later in the call.

Underpinning our utilities' strong performance this quarter was robust customer growth, disciplined O&M management and execution of our regulatory strategy. We also deployed over \$600 million of utility capital investment during the quarter to support system safety and integrity, as well as modernization and load growth. On the regulatory front, we received approval for over \$40 million of increased incremental annual revenue, largely as a result of our capital recovery mechanisms within the Houston Electric and Texas Gas jurisdictions. In addition, we now have the ability to recover certain incremental expenses associated with COVID-19, including bad debt, across all jurisdictions.

Also during the quarter, we completed the sales of Energy Services and Infrastructure Services. Proceeds from these sales, along with our May equity issuance, were used to primarily pay down parent level debt. Additionally, CERC received a ratings upgrade at Moody's as a result of the improved business risk profile, positioning CERC as a pure play regulated natural gas LDC. These transactions highlight our successful execution of a utility-focused strategy designed to improve CenterPoint Energy's business risk profile and strengthen the balance sheet, providing a firm platform to capture our robust utility capital investment opportunity across diversified jurisdictions with favorable regulatory constructs.

I would now like to review the quarter-over-quarter Utility Operations guidance basis EPS drivers. On a guidance basis, Utility Operations delivered 18 cents per diluted share, which

includes 6 cents of negative impacts from the COVID-19 pandemic, compared to 23 cents per diluted share in the second quarter of 2019. This quarter benefited from rate relief, largely as a result of capital recovery mechanisms in our Indiana, Ohio and Texas Gas jurisdictions, along with the implementation of interim rates in Minnesota. Lower O&M expenses, continued strong organic customer growth, primarily in Houston and along the Texas coast, as well as net interest expense savings, primarily driven by paying down parent level-debt, were also beneficial to the quarter. Offsetting these positive variances were lower usage and miscellaneous revenues, as a result of COVID-19, along with higher income tax expense, depreciation and amortization and other tax expense and lower equity return, primarily due to the annual true-up of transition charges.

Now, let me provide a little color on the COVID-19 impacts experienced during the quarter. Because of COVID-19, we saw declines in demand from commercial businesses, like bars, restaurants and other retail, as well as some of our small industrial customers. On the flip side, residential usage was up because people are staying home. We experienced declines in other revenues and associated fees across the Indiana Electric and natural gas jurisdictions. Though bad debt exposure has increased, we don't believe it has had a significant impact on liquidity and we anticipate our exposure will be mitigated by regulatory recovery. In aggregate, we estimate that COVID-19 impacts reduced guidance basis Utility EPS by 6 cents for the quarter. Let me highlight what has changed from our original COVID-19 assumptions laid out on the first quarter earnings call. We originally assumed these lower levels of demand would gradually decrease after April and would return to normal levels by September. As we now know, the



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state of Texas is currently experiencing a spike in cases after reopening, so the lower level of demand continued through the second quarter. For purposes of our full-year 2020 guidance, we have adjusted our COVID-19 assumptions to account for the reduced demand experienced in Q2 as the peak, with an anticipated prolonged period of lower demand and reduced miscellaneous revenues, and based on what we are seeing right now, we anticipate another 4 to 9 cents of negative impacts to guidance basis Utility EPS for the remainder of the year.

However, if the pandemic gets worse or if Texas or our other jurisdictions shut down again, that range could be higher. There are a few key factors that are expected to mitigate our current updated forecast of full-year COVID-19 impacts such as:

continued robust, organic growth in Texas,
more favorable than modeled impacts from rate cases,
disciplined O&M management, and
interest savings.

Additionally, our guidance assumptions continue to reflect the anticipated deferral and recovery of incremental COVID-19 expenses, including bad debt. To the extent actual results deviate from these COVID-19 scenario assumptions or the mitigating factors don't offset the anticipated impacts, our projected full-year guidance range may change.

And now I'd like to turn the call back over to Dave.

David Lesar – President & CEO

Thank you, Kristie. If you look at CenterPoint Energy objectively, you see a company that is reaffirming its annual guidance basis Utility EPS and 5-year CAGR despite the impact of our



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COVID-19 scenario range. You also see a company with a great regulated asset base and with attractive opportunities to invest more capital across its premier jurisdictions. This is especially true for our larger service areas in Texas, Indiana and Minnesota. For example, Texas continues to experience top tier organic customer growth and is a place we expect robust future capital investment opportunities. Given our footprint, the opportunity for continued investment and inherent organic growth, and comparing us to where our peers trade, I believe our share price is too low and trades at an unreasonable discount. After speaking with many of you in the short time I have been here, I believe I have a better understanding for the reasons why this discount exists. You believe we have let you down, and it is certainly my job to address those issues that concern you as we move forward.

I can tell you, we take very seriously our commitment to be good stewards of your investment and realize our obligation to maximize shareholder value. There are many ways to achieve this objective and we are committed to a thorough review. Before I discuss my approach, I too want to confirm a few things.

First, I also want to reiterate our 2020 Guidance Basis Utility EPS range of \$1.10 - \$1.20 and an expected 5-7% 5-year guidance basis Utility EPS CAGR, both despite the impact of our COVID-19 scenario range.

Next, we will continue to review regulated capital investment opportunities with an eye towards improving and optimizing our capital allocation process as we move forward with our \$13 billion five-year capital investment plan. This will include the exciting opportunity to potentially own a larger share of the proposed renewables resources in our new integrated



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resource plan investment in Indiana. Confidence in our growth projections are supported by the fact we have assets and regulated utilities in business-friendly states, with organic growth opportunities, and therefore significant opportunities to grow in the future by investing additional capital. For example, one of our premier utilities, Houston Electric has been consistently adding customers for, not years, but decades. It has a three-decade long annualized residential customer growth rate of 2%, including in the most recent quarter during the pandemic, where amazingly, we saw 2.6% year-over-year residential customer growth even with the impacts of COVID-19. Organic growth is anticipated to continue to drive the need for further prudent capital investments. In addition, our natural gas distribution businesses continued to experience year-over-year customer growth, primarily in our Texas and Minnesota jurisdictions. The growth in the natural gas business is anticipated to require investments in our utility businesses at current or even greater levels for at least the next decade. In Indiana, we see potential to invest capital and simultaneously upgrade our generation to continue to meaningfully reduce our environmental impact. We are eager to find opportunities to build renewables ourselves and will be examining tax and other financial and operational considerations as we make the determination on who builds that generation. Overall, we have a tremendous level of regulatory investment runway ahead of us. In addition, we will continue to review every dollar of our spending and drive to earn at or near our allowed ROEs across all of our jurisdictions.

I am getting a lot of questions from shareholders on our Business Review and Evaluation Committee, so let's talk about that next. Three months ago, we formed the Business Review



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and Evaluation Committee, called the BREC, with the mandate of assisting the full Board in evaluating and optimizing CenterPoint Energy's various businesses, assets and ownership interests all centralized around unlocking and creating value. In addition to being the CEO, I am also pleased to chair this committee. The BREC has met four times since formation, and we will meet again next week. I am driving a process in the BREC dedicated to thoroughly assessing opportunities we have to maximize value for all of our stakeholders. I can clearly tell you that nothing is off the table in the BREC review process. But in the meantime, we believe it is prudent to take advantage of any opportunity we determine might help us become more efficient or enhance stakeholder value while the BREC completes its work. I will mention a couple of those areas in a few minutes.

Let me highlight a few of the BREC's areas of focus to date:

FIRST - Efficient cost control – The company is making great strides in this area and will continue to be steadfast on O&M focus to support long-term EPS growth and capital investment. But, like any company, this is an area where we can incrementally improve our efficiency and I believe that disciplined cost management is something we need to continue to keep top of mind in all that we do.

SECOND - Rebuilding regulatory relationships – In my first 30 days as CEO, I have met with the chairman of the Texas Railroad Commission, which regulates the Texas natural gas business, all members of the Texas' public utility commission, which regulates our Texas electric business, 4 out of the 5 public utility commissioners in Indiana, which cover both the electric and natural gas businesses, as well as the governor of Indiana. And, I currently have plans to visit the

leaders of the commissions in the other states in the next two weeks. Building new relationships and helping regulators and officials understand the vital role we play and the investments necessary to better serve our customers will be a priority of mine, not just something we focus on when a rate case is near. So, I believe we are off to a good start in this area in building our relationships.

THIRD - Proper business alignment – We are looking at the business configuration across all of CenterPoint Energy’s businesses to identify opportunities for additional efficiencies. A direct result of this was the decision to combine the two electric businesses into one business unit, which was announced in a press release earlier this week. We expect the combination of these two complementary businesses will better align our resources and further support our efforts to streamline operations, leverage O&M efficiencies and maximize the skillset of our human capital, all of which we believe will ultimately drive value for our stakeholders. This is an example of my previous comment, demonstrating that we are not waiting to take action until the BREC completes its work if we see an opportunity to currently make our operations more efficient.

FOURTH - Evaluate Enable options – Traditionally, our representatives on the Enable board have been the CenterPoint CEO and CFO. I really did not think maintaining that status quo was the right approach. This is why we made the appointment of Al Walker and Bob Gwin as our representatives to the Enable Board of Directors, which was announced earlier this week. Both former Anadarko Petroleum senior executives, Al and Bob are highly accomplished and qualified leaders, who bring extensive energy industry experience, financial acumen,



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transaction experience, deep knowledge about MLPs and a long history of value creation.

Consistent with our goal to take actions that we believe will strengthen CenterPoint Energy's long-term performance, these appointments allow our CenterPoint Energy management team to focus on driving regulated utility value, with Al and Bob focused on driving value from our Enable investment. This is another example of seizing an opportunity in front of us while the BREC completes its work. While I know there is great interest in Enable, I do not intend to discuss CenterPoint Energy's stake in Enable any further on this call.

FIFTH - Operations and financial peer group performance review – The BREC has also taken a deep dive, across all business units, reviewing key operational and financial metrics in comparison to our peers. I can say that we are in pretty good shape, running an efficient business that is near or in the top quartile in operational performance, with outstanding comparative scores and customer satisfaction rates versus our peers. But I also believe this is an area where we can always get better. For example, if we are top quartile, then why can't we strive to be top decile? Now unfortunately, the financial comparisons are not as good. As you all know, when looking at our financial metrics versus peers, we clearly lag the group. That's a fact. That's why we're so focused on trying to understand all of the factors that go into our equity discount and working to address them head on.

SIXTH - Assessment of non-regulated businesses – Because we are rapidly moving the company to a pure-play regulated utility, we currently are assessing the remaining non-regulated businesses.

SEVENTH – The role of renewables in our portfolio – This is another area we are giving a lot of attention. The recently filed Integrated Resource Plan, or IRP, in Indiana is focused heavy on renewables and would significantly transform our generation mix in a short period of time, providing an avenue to potentially capitalize on the favorable tax treatment around renewables. We are also really excited about a pilot program starting next year in Minnesota, which is expected to convert renewable energy to hydrogen that will then be blended with our natural gas supply.

And finally, the BREC is focusing on optimizing our financial flexibility by assessing the makeup of our balance sheet, borrowing capacity and overall capital structure. Unlike many utilities, CenterPoint Energy has numerous incremental, prudent capital investment opportunities, and we are working hard on our ability to efficiently raise capital. We believe the optimal outcome is a long-term capital structure that allows us to grow the business beyond our forecasted long-term earnings growth rate. We have engaged a financial advisor to help us with this important effort.

Now as a reminder, the formal timeline is for the BREC to provide recommendations to the Board in October, and we will then hold an Analyst Day by the end of the first quarter of 2021. I can tell you I am really eager to host our Analyst Day, and I will continue to keep investors up to speed at the appropriate time on progress we make between now and then. Because the work of the BREC is a business-sensitive and on-going process, and there are so many moving parts to the effort, this is all I'm going to say today about BREC activities. Because of this, as I am sure you can all understand, I cannot take any questions on the BREC activities in today's call.



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I have also spent time evaluating employee strengths and have already made various leadership and organizational changes in the past month. The next big step in solidifying the executive team by hiring a permanent CFO. Building a high performing team with the right skillset will position us to build on our strong regulated utility assets and help us execute our strategy. Having once been a CFO, I know how important it is to have a CFO with a complementary skillset to the CEO and the rest of the management team. I used my first few weeks to determine the desired CFO skillset I am looking for and the external search process has now started.

I've also received direct and frank investor feedback regarding your view on the misalignment around our compensation program and shareholder interests. I strongly believe good governance and proper alignment of management compensation in tandem with shareholder interests is critical. I discussed your feedback at our recent Board meeting and am committed to reviewing our program with your feedback in mind. We look forward to continued engagement with our investors on this important topic.

So, as you can see, we have a lot going on. I believe many good things are happening in our company. And I can tell you we start from a really great place. We have a large regulated asset base across diversified, growing premium jurisdictions all with plenty of room to invest and increase our rate base. But the bottom line is I'm disappointed at our current equity discount. Our task is really simple – we need to run this company efficiently, fix what isn't working and get more out of our existing assets, people and jurisdictions. We must consistently live up to



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our commitments and continue to get your feedback. And finally, we have to simplify the CenterPoint Energy story.

Now I've hit on a lot today, so before we go to questions let me summarize what I hope you take away from this call today:

First I am really excited to be here, and our management team is energized about our direction and the path forward. We are addressing our challenges head on.

Next we are reiterating 2020 Guidance Basis Utility EPS even burdened with the 10 to 15 cents per diluted share of full year anticipated impacts of our COVID-19 scenario range.

We are reiterating our targeted 5-7% 5-year guidance basis Utility EPS CAGR.

Unlike many of our peers, CenterPoint Energy has regulated businesses in large markets with organic growth opportunities and lots of potential to invest capital. Given that, I believe we will continue to weather the COVID-19 storm as well as anyone.

As CEO of CenterPoint Energy and chairman of the BREC, I take our obligation to maximize value for all of our stakeholders very seriously. Our utility-focused strategy is clear, and we remain focused on getting the most out of our regulated assets, as efficiently as possible, and we will continue to assess all of our options.

In my view, the CEO owns the shareholder relationship and I will work hard to restore shareholder confidence. Once we regain your confidence and you see that we are not only making the hard near-term decisions to enhance stakeholder value, at the same time we are taking nothing off the table in the BREC review, I believe that confidence will be reflected in our share price.



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Thank you and I will now turn the call back to Dave Mordy.

David Mordy – Director of Investor Relations

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

Operator:

Our first question is from Shar Pourreza of Guggenheim Partners.

Shar Pourreza:

So, congrats on the quarter. I mean, obviously, you pushed the COVID assumptions out to year-end and still reiterated the 2020 guidance, your 5% to 7% trajectory. So, you have an Indiana IRP proposal which looks to generate a meaningful increase versus the prior iteration. Can we talk about sort of the CapEx updates and mainly focusing on the moving pieces for 2021 to 2024 and it's a solid plan? So what could provide upside to this as we think about further capital growth opportunities that could maybe be accretive to your 5% to 7%? And then, I have a follow-up on strategy.

Dave Lesar:

Sure. Well, I'm – thanks for the compliment. I appreciate it. I want to congratulate our team for the quarter. They did a great job. You know, as I said, in my prepared remarks, we have lots of upside beyond that capital plan that we have out there right now. If you look at the organic growth in Texas, you look at opportunities we have in Minnesota, you look at the IRP plant in Indiana, that, to me, is why making sure that we're doing proper capital allocation is so important, because we have the luxury of having more opportunities in front of us than at this point, we can fund. And therefore, we have to figure out a way to efficiently fund them and be able to drive continued growth. And at some point in time, obviously, as we said in the call would like to up our growth projections going forward and that's where we would anticipate to do.



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Shar Pourreza:

Great. That's great. That sort of does touch on how the fundamentals remain really strong. And just sort of two small part strategic question here if I may. Dave, in your prepared remarks you mentioned "nothing is off the table", which is a bit of a widening of the language from prior management's comments. So are you saying that BREC could also be looking at corporate M&A opportunities versus a stand-alone initiative? And then I just have a quick follow-up to that.

Dave Lesar:

Shar, just as a reminder, we're going to not hit any BREC questions today just since we have that ongoing, and we'll certainly update folks when we have updates on that.

Shar Pourreza:

Got it. Got it. And then the only other thing also, Dave, you talked a little bit about simplifying the story that you have there with CenterPoint. And there is, obviously, Indiana and Texas you highlighted it's core to the company and you do sort of have some smaller jurisdictions potentially not adjacent jurisdictions. It's about 23% of your rate base is in other states with LDCs, is that potentially also an opportunity? Do you consider potentially monetizing LDCs, capturing pretty healthy multiples as a potential avenue to streamline or simplify your story, recycle capital, and maybe strengthen your balance sheet even further outside of your core Indiana and Texas?

Dave Lesar:

Yeah. I mean let me just comment in this way. I mean I've covered a lot of territory in my first 30 days, but I haven't covered all the ground we have in the organization. So you let me defer off probably the next quarter call to address some of those related topics. When we say simplify the story, I sort of look back at how we've communicated with shareholders over the past several years. We really have not had a consistent message. We've had a relatively complicated story. We've had a lot of M&A. We've had regulated versus non-regulated. We've had the MLP to deal with. And so, I do believe that a simple message to shareholders consistently executed quarter after quarter, will, I think, help regain the confidence the shareholders have in us as a management team and our ability to not only maintain but grow our future revenue and return stream. And so, I guess at the end of the day, give me some time. 30 days is not enough time to give you a complete answer. But we're definitely headed in that direction.

Operator:

Your next question will come from the line of Steve Fleishman with Wolfe Research.

Steve Fleishman:

Hey. Good morning, Dave. That was a hell of a lot you've done in 30 days. So, appreciate that. So, two questions. First, on your Point 8, the optimized financials, you went through that pretty quickly, and I think that's a pretty important point. So, could you just maybe repeat or maybe give a little more color on your thoughts on that aspect of what you're looking at?

Dave Lesar:

Yeah. I mean, what I said is basically – what you want to always do as a company is make sure you optimize your financial flexibility as an organization. COVID is a perfect example of why you can't predict the future. So, if you can't predict the future, you need to be as financially flexible as you possibly can. And so, focusing on our financial flexibility and then, of course, in our case, that means looking at our balance sheet, looking at our borrowing capacity, and then looking at our overall capital structure, you know, where do you lodge your debt for instance, do you put it at the parent, do you put it at the individual subsidiaries?

The ultimate goal, as I said, is to basically have a long-term capital structure that allows us to grow the business beyond the 5% to 7% that we have out there. And that's an integral part of what we're studying right now. And as, you know, it's a process we're in the middle of and I don't want to sort of presuppose any outcome, which is really why we don't really want to talk about any more of the inner workings of the BREC at this point in time. Give it a chance to work, I think the BREC is working really, really well. But we're really only at half time, if you will, in terms of what we're doing and what we're looking at. And just let me leave it at that.

Steve Fleishman:

Got it. So, okay, it sounds like the growth opportunities are there. You just need to figure out how to fund them efficiently.

Dave Lesar:

They are out there. Absolutely there. Every time, I seek Kenny Mercado, for instance, who runs our electric business, he has a sheet of paper he brings with him with all the extra areas that we could invest just in Houston Electric or Indiana.



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Steve Fleishman:

Got it. And then, just one other question. This is maybe just a silly logistical question. But with the two people that you named to the Enable board - like how do they communicate back to CenterPoint what's going on with the Enable and could you just maybe give a little more color on just the information flow and the like there?

Dave Lesar:

Sure are. They are our representatives. They are not independent directors on Enable board. They represent our interests in Enable. And just like when Kristie was on the board, she would talk to me about what was happening in Enable. They will be in constant communication with us as to their views of that organization.

Operator:

Your next question comes from the line of Insoo Kim with Goldman Sachs.

Insoo Kim:

Thank you. Good morning and congratulations, Dave. My first question is on the cost structure. Obviously, that's part of the plan that you guys are assessing on the overall strategy. But just in your first 30 days, as you look at the cost structure of CenterPoint and its different parts and if you've had a chance to compare those data versus peers on the utility side on different metrics, how does it compare? And does that give you confidence that there is a lot of low-hanging fruit or runway of cost opportunity there?

Dave Lesar:

Well, I mean I think there's a number of ways for a company to get more efficient. One is just sort of, be draconian and institute cost controls and cost management down. I think that if you look at our operating metrics, as I indicated on the call, our O&M per customer or our O&M per this metric or that metric, our reliability standards are very, very good.

So I think you come away saying operationally our folks run a pretty efficient business. But the reality is that any business can become more efficient. And one of the things I have done, as I mentioned in the call, not only have we trimmed back some of the more senior management in the organization, I have restructured where report – where functions report within the organization to put them more adjacent to places they naturally should fit. So, customer service, for instance, which is a very technology-driven part of our business, I have put adjacent to the IT department for now, because I can – I believe we can share some of the cost, we can share some infrastructure, we can share some management across that. So, I think one is just looking at the business differently, two is using technology a little bit more efficiently to help us continue to look at reducing our costs, and then the third is, as I mentioned, just structurally looking at things like putting the electric businesses together under one management team and trying to harvest the sort of efficiencies you get there.

So, again, I don't – I'm not here to say I have all the answers. 30 days has come and gone very quickly. I'm still learning a lot about how we fit together and are stitched together as an organization. But I've been in business a long time, and I recognize that any company, no matter where they are in our life cycle, can always be more efficient. And I just need to make sure that we're making prudent decisions around making us more efficient. And that's what we're doing.

Insoo Kim:

Yes. Definitely appreciate that. And sorry for asking all these questions given it's only been 30 days. On the [indiscernible] growth opportunity on the regulated side, when you look at the electric businesses together in the gas side of things, it's – and the potential upside they have – that each of those businesses have, what – do you see more upside to either of the businesses or are there just a lot in both?



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Dave Lesar:

No. I mean, I think that, you know, it's really – let's not get totally focused on electric. Yes, we have tons of upside in electric. We can take on more of the ownership on the renewable side in the IRP in Indiana. Renewables is a space that we need to learn to play in. You know, not only does it bring some tax advantages, but it really is the wave of the future and so it's something that we need to learn how to do because we really haven't tippy-toed into that area in the past.

As I've said in my remarks, you know, that, you know, Houston Electric is a crowned jewel utility. I mean, it's in a market that has grown consistently for decades. As I said earlier, the guy who runs our Houston Electric business carries around a list in his pocket of things he would like to invest in incremental to our \$13 billion we have. But also, our gas business is good.

And as I mentioned in the call, you know, we can invest at or greater into that business for the next decade. And so, you know, that to me is why it comes back to making sure we have an efficient capital structure that allows us to take on those opportunities, grow the business beyond the 5% to 7%, and do it in a way that doesn't dilute down our shareholders any more than you normally would have to, to grow the business.

Operator:

Your next question comes from the line of Julien Dumoulin-Smith with Bank of America.

Julien Dumoulin-Smith:

Hey. Good morning and congratulations. If I can follow back up just to clarify a little bit more on the financial outlook and aspirations. Just to clarify. Again, I hope I'm not intruding too much into the ground rules here, but with respect to your answer to Steve, how are you thinking about the needs for capital raising, specifically equity over the forecast period as it stands today and has that changed at all? Just want to make sure we're crystal clear about that.

And then separately, what is the ultimate aspiration of this effort, is it to become a fully regulated entity of some sort or is it to refine and improve upon the EPS growth target? I feel, at least, the perception is that perhaps you said both things through the course of this call, so I just to make sure we're clear on that as well if I can.



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Dave Lesar:

Yeah. I, you know, number one, we're reaffirming the 5% to 7% growth rate that we have out there. That is built around a \$13 billion capital spend base. So, use that as the baseline, if you will. My effort and my goal and, again, I don't have all the answers after 30 days. But if you look at, you know, developing the balance sheet flexibility, you look at the efficient capital allocation process, you look at the opportunities we have in front of us, I believe that when we get through this process that we could look at increasing our growth rate.

I'm not saying we're going to do it yet, I'm not declaring that today. What I'm saying is that's aspirational for us at this point in time. And we have the biggest building block available to us to be able to do that, which is the capital opportunity that exists in our Texas businesses, our gas businesses, our Indiana businesses. So, you know, unlike a lot of utilities that maybe have the capital available but not the opportunities, we have the opportunities available which many don't, which is a really great place to start. And so, that that's what I'm trying to convey, is our excitement around the opportunities. It's my job and the job of the management team now, to figure out how do we get the balance sheet flexibility to take advantage of those opportunities.

Julien Dumoulin-Smith:

Thanks. If I could follow up exactly along that line of thinking, if you will. What is reflected in your outlook today with respect to Indiana and the IRP and your confidence of being able to self-build any opportunities that come out of that process specifically and, obviously, this is with the proposal now becoming a little bit clearer?

And then related or tied back to what you just said a second ago. Isn't it typically bill headroom that's sort of the limiting factor? And how are you thinking about the O&M that is necessary to create the additional headroom to invest?

Dave Lesar:

Yeah. Let me have Kristie to answer the front part of that and I'll try to come in and bat clean up a little bit.

Kristie Colvin:

Yeah. Well, we had our best guess of what our capital would be in the capital plan that we had for Indiana. I think over the first years the total capital plan for Indiana was in the \$300 million range, going into \$400 million. And like Dave said, we hope to be able to do more than what is in that plan.

Dave Lesar:

Yeah. I think, Julien, the way the way I think about it is that if you look at sort of our initial view, we had an allocated amount of that \$13 billion in capital to the plant in Indiana. As I look at the renewable opportunity with respect to that, our initial view was is that we would not take on much of that. I really want to revisit that because I think - for two reasons. One, I think we need to be in the renewables space. We need to learn how to operate in that space. And because of the - basically the tax advantages of it, we ought to be in that space. And therefore, we're really right in the middle of us reassessing what part of that plant and how much do we want to own and how we might find and seek partners for the rest of it.

Julien Dumoulin-Smith:

It is not or is in the plan, or what - sorry, just to make sure I heard that right.

Dave Lesar:

So, what was in the 13 - I'm looking at Kristie now. What was in the \$13 billion plan was about \$300 million to \$400 million for the IRP.

Operator:

Your next question comes from the line of Stephen Byrd with Morgan Stanley.

Stephen Byrd:

I wanted to just first talk about your dialogue with the rating agencies and thinking about your credit statistics and the linkage to Enable cash flows and whether there's a possibility that over time your credit sets really can be dependent on your core utility businesses rather than sort of have a dependency or linkage to Enable from a credit perspective, which might just give me a general sense of where we are now and sort of what your objectives are there.

Dave Lesar:

You actually just made my pitch in terms of what we want to do. Yes, we are engaged with the credit rating agencies. I've had a lot of experience with them over the years. I understand it's a matter of laying out a process and a path forward. I agree with you that in terms of the credit metrics that we're held against today or potentially we'll be held against in the future, that's a dialogue we have to have with them. I think we have to demonstrate a path to growth which I think we're – as we talk today, we're going to be able to do. Reaffirm where our current commitments are which we are doing today.

But then have a dialogue with them that doesn't, in effect, penalize us for the cash flow that we get off of Enable. And that's an ongoing dialogue and, you know, I hate to keep coming back to it. But give me more than 30 days to sort of get those conversations behind us. But they're top of mind at this point in time for sure.

Stephen Byrd:

Yes. I respect that. And then, just wanted to go back to one of your – the elements of the prepared response in terms of the benchmarking work that you had done. And I think you had mentioned, you know, briefly that, you know, operationally, very solid metrics, but you had mentioned the financial metrics versus peers were less solid. I wonder if you could just talk a bit more about what financial metrics you focused on in that benchmarking work?

Dave Lesar:

I mean, you know, basically, if you can name it, we took a look at it. I mean, clearly, you know, you look at PE, you look at discount to where we ought to be trading, you know, with the assets we have, with the growth potential we have, with our affirmation of our earnings per share, and the, you know, the 5% to 7% CAGR that we put out there.

But I think, you know, instead of all relative, you know, market valuation metrics, you know, we lag behind. And I think I understand why now and a lot of it has to do with what I said in my remarks in that, if you look at sort of the last year of history at CenterPoint, we've let our shareholders down and, you know, I – it's my intent and my focus to turn that around. Again, I understand it isn't instantaneous. It's really a matter of engaging with our shareholders, listening to our shareholders, understanding what the individual shareholder may view as a shortcoming in the organization. But as I said, as I've talked to people, I'm a very high-touch individual as a CEO. I like engaging with shareholders. I like debating with shareholders. And so, again, just give me a chance to get out there and give you an opportunity to know me better. And I think that we'll rebuild that confidence.

Stephen Byrd:

That's really helpful. If I could just – one last question. Just on renewables, it's obviously an exciting area of growth. I know it's early days, but just as you look at CenterPoint's capability with respect to renewables and the capabilities needed versus peers versus more established players in clean energy, how do you, sort of, scope out the capabilities you have, additional capabilities you might want, or do you feel like you do have sort of what you need to be able to pursue renewables in a cost-effective way?

Dave Lesar:

No. I mean, I think – I know we can find the resource to pursue renewables in a cost-effective way. The question is going to be, how much of that do you bring in-house and build that capability, and how much do you hire as consultants, or do you seek partners on it? And I think we're early in that process. We've made the conclusion we need to be bigger in renewables. We have the perfect opportunity in front of us with the IRP plant in Indiana. We know that in that plant, we can get both into solar and to wind. And it really now is a matter of doing the calculation that optimizes what we want our participation to be there. But it is fair to say we do not have much of that capability in-house at this point in time, but it is not such a scarce resource in the world that we can't go out and find it. And as I said, the decision for us is going to be, how much do we bring in-house and institutionalize because we're going to be in this

area for a long time, and how much do you use the best assets and people in the industry to jumpstart you in this area? And we're still going through that assessment, but, you know, I'm confident we'll hit the right balance.

Operator:

Your next question comes from the line of Jeremy Tonet with JPMorgan.

Jeremy Tonet:

Hi. Good morning. Maybe start off with Indiana here. Just wondering if you could share any early feedback you perceived on the IRP. Just want to get a feeling for how that's progressing.

Dave Lesar:

Yeah. I think, you know, we've been through sort of a process of exposing it to the market and that the response was very, very positive. You know, clearly, there are the regulatory hoops that we have to jump through and frankly, I don't have enough knowledge about how we would do that. We've got our head of regulatory affairs here, if you want to do a little bit deeper dive in terms of it.

But I think it's got a lot of momentum behind it. I think the political process in Indiana, you know the political environment is positive. I think, the reality is that, you don't think of Indiana as a place that's got a lot of wind and a lot of solar opportunities, but it really does. And it's really wind in the north along the Great Lakes area and lots of sun and ability to build solar in the southern part.

So, I think the state is behind it because it sees an opportunity not only to develop the generation capability from renewables, but to do it actually in Indiana, which brings with it then the construction jobs, the O&M jobs, and those kinds of things. So I haven't really encountered any major opposition to it at this point in time. But it's still a bit early days. But we're optimistic at this point.

Jeremy Tonet:

Got it. That's very helpful. Thanks. And then maybe turning over to COVID. Just wanted to dig in a little bit more there and the assumptions in the back half of the year and just kind of how you see – how long the depressed demand would kind of continue? And do you see it spilling into 2021 or just – if you could give us a little bit more feeling for how you see that unfolding in your neck of the woods.



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Dave Lesar:

Yeah. I mean I'll let Kristie give you a little more granularity and then I'll sort of, again, come in and bat clean up on the back end of the question.

Kristie Colvin:

So in our COVID-19 range, the new range, we have assumed that in the recovery would go out through the end of the year. And gradually improve from the second quarter as what the peak would be.

Dave Lesar:

Yeah. I mean I would just say this is more anecdotally since I've moved back to Houston now. You see traffic starting to pick up a little bit. If your data points are how you're living your life every day. I'm seeing more traffic on the roads. But I'm sitting here in downtown Houston right now and it's still a ghost town. And restaurants aren't open. The bars aren't open. And those are consumers of our products. And so, as Kristie said, if you look at where we've had demand destruction, if you will, it's in sort of a light commercial, light industrial part of the business. So, I think that if we could – if anybody could predict sort of where COVID is going to go, they could make a lot of money betting in the stock market - that's not me. As I said earlier, we just have to make sure we have a company that's structured to be flexible enough to handle anything that is thrown at us. And what we gave you is sort of our best guess of the impact in the markets that we're in. And if you think back, our big markets are Minnesota, Indiana, Texas, a little bit of Ohio and Arkansas and Louisiana and Mississippi. And each of those states is sort of approaching the reopening in a bit of a different way. So, we're giving you our best shot at it right now. Things might get better quicker or we might get shut down. And we'll update you if we sort of vary off of the scenario that we laid out.

Operator:

Your next question will come from the line of Aga Zmigrodzka with UBS.

Aga Zmigrodzka:

Good morning. I think you met with commissioners from different jurisdictions. And in Q&A, you mentioned the potential for higher CapEx across electric and gas utilities. What is the potential for adding new or expanding regulatory mechanisms to accelerate recovery of CapEx to reduce the regulatory lag? Is that something that we should expect?



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Dave Lesar:

Let me have Kristie answer that one. She's our resident expert on regulatory lag and basically getting our capital investment into our rate base as fast as we can.

Kristie Colvin:

Yeah. I mean, as you know, at Houston Electric, we do have capital recovery mechanisms for both transmission and distribution capital. In the Texas gas jurisdictions, we have capital recovery mechanisms as well. Our other jurisdictions, besides Minnesota, pretty much have, well, I would say, Arkansas, Mississippi, Oklahoma, Louisiana, all have cost of service 59:30. So again, fairly quickly, the capital is in the rates.

In Indiana and Ohio, we also have capital recovery mechanisms. So it's really Minnesota. And in Minnesota, we have interim rates and a rate case pretty much every couple years to help reduce that regulatory lag. We actually think we're in good shape. And as we increase this capital, you know, we have the mechanisms.

Aga Zmigrodzka:

I have one follow-up question. Kristie, you mentioned lower interest expenses are helping offset higher COVID impact. Do you expect that trend to continue? If yes, could you quantify how much interest expense are going to be down in 2020 versus 2019? Is that tracking better than you previously expected?

Kristie Colvin:

Yeah. The interest is better than we pre – we had in our models for our plan. And, let's see, in the quarter, interest was favorable of \$0.03 to last year.

Aga Zmigrodzka:

And do you expect that to continue or...

Kristie Colvin:

Yeah. I mean, we do expect to see favorable interest going forward.

Operator:

Our final question will come from the line of Michael Weinstein with Credit Suisse.



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Michael Weinstein:

Hey. Good morning. David, congratulations. Some investors have noted, you know, you're coming into the job after a long and distinguished career at Halliburton and, yeah, you're 67 years old. I'm just wondering what your – how long do you plan on staying at CenterPoint, where do you see your career at this point as you take on this role?

Dave Lesar:

Yeah. It's a good question. You know I guess I see myself as 67 going on 50. The reason I left Halliburton because Halliburton has a mandatory retirement age or, frankly, I would still be there. I've got a lot of energy. I like being a CEO. I like being a leader. And to me this was a perfect opportunity because of the great assets, the great jurisdictions, the great people that are here. So I have not set a timeline on my tenure here. I'll know it and the board will know it when the time is right to move on. But I think for right now I am totally committed. And as I said earlier I've just moved back to Houston last weekend and I am raring to go. And as far as I'm concerned, the sky's the limit at this point in my career.

Michael Weinstein:

Sounds good. Have you had a chance to meet with the regulators yet in Texas to talk about how the last rate case went and some of the criticisms that I think a lot of people had about that rate case? And also maybe even meet with the governor? I'm just wondering if that's part of the plan.



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Dave Lesar:

Yeah. Well, I think – clearly, I know the governor. I know the governor well from my days at Halliburton. So having a meeting with the governor for me would be pretty easy to get. As I indicated in my prepared remarks, I've actually met with all three of the Public Utility commissioners in Texas. I had a face-to-face sit down with the chairman of the PUC in Texas. We did have a frank discussion and dialogue around the rate case and the outcome. But I think it's really important to point one thing out in that even though there was a lot of noise around our rate case, if you look at the outcome that we got and the outcome that others have gotten since then, we were really the – maybe the first company up that was experiencing a bit of a policy change in and around the equity split and ROEs that were going to be allowed to utilities in Texas. And so, that was part of the dialogue that I've had with the commissioners. If you look at where we came out, we're pretty much in the middle of the more recent cases that have been adjudicated through the system in Texas. But that doesn't mean that we are not going to continue and I am not going to continue to have a dialogue. I mean, it's important to have relationships with your regulators every place that you operate. They are in business to protect the consumers in their particular states, and it's our job to provide reliable gas and power to those consumers. So, I don't necessarily see that it has to be an adversarial relationship. It really needs to be a partnership really pointed toward making sure that we're providing reliable power and gas to the consumers in the states where we operate.

David Mordy:

Thank you, everyone, for your interest in CenterPoint Energy. That will conclude our second quarter 2020 earnings call. Have a great day.



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As the only investor owned electric and gas utility based in Texas, CenterPoint Energy, Inc. (NYSE: CNP) is an energy delivery company with electric transmission and distribution, power generation and natural gas distribution operations that serve more than 7 million metered customers in Arkansas, Indiana, Louisiana, Minnesota, Mississippi, Ohio, Oklahoma and Texas. As of June 30, 2020, the company owned approximately \$32 billion in assets and also owned 53.7 percent of the common units representing limited partner interests in Enable Midstream Partners, LP, a publicly traded master limited partnership that owns, operates and develops strategically located natural gas and crude oil infrastructure assets. With approximately 9,600 employees, CenterPoint Energy and its predecessor companies have been in business for more than 150 years. For more information, visit CenterPointEnergy.com.

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When used herein, the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "target," "will" or other similar words are intended to identify forward-looking statements. These forward-looking statements are based upon assumptions of management which are believed to be reasonable at the time made and are subject to significant risks and uncertainties. Actual events and results may differ materially from those expressed or implied by these forward-looking statements.

Examples of forward-looking statements in this document include statements about the impacts of COVID-19 on our business (including impacts on customer demand and growth, capital expenditures and projects, bad debt expense, supply chain and expectations regarding plans to return to normal operations), our growth and guidance (including earnings and customer, utility and rate base growth (CAGR) expectations, taking into account assumptions and scenario ranges related to COVID-19), the activities of the Business Review and Evaluation Committee of the Board of Directors (including any recommendations or other outcomes or actions resulting from its review processes to optimize stakeholder value and maximize opportunities and strategic capital investments), O&M expense management initiatives and projected savings therefrom, commitment to investment-grade credit, balance sheet strengthening and other financial metrics, our regulatory filings and projections (including the recovery and/or deferral of COVID-19 expenses and the Integrated Resources Plan as proposed in Indiana, including the anticipated timeline and benefits under its preferred portfolio), our ownership interest in and the performance of Enable, including anticipated distributions received on its common units, among other statements. We have based our forward-looking statements on our management's beliefs and assumptions based on information currently available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions, and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements. Each forward-looking statement contained herein speaks only as of the date of this release.

Risks Related to CenterPoint Energy

Important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include risks and uncertainties relating to: (1) the performance of Enable Midstream Partners, LP (Enable), the amount of cash distributions CenterPoint Energy receives from Enable, Enable's ability to redeem the Enable Series A Preferred Units in certain circumstances and the value of CenterPoint Energy's interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including factors such as: (A) competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including drilling, production and capital spending decisions of third parties and the extent and timing of the entry of additional competition in the markets served by Enable; (B) the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and natural gas liquids (NGLs), the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines and its commodity risk management activities; (C)

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economic effects of the recent actions of Saudi Arabia, Russia and other oil-producing countries, which have resulted in a substantial decrease in oil and natural gas prices and the combined impact of these events and COVID-19 on commodity prices; (D) the demand for crude oil, natural gas, NGLs and transportation and storage services; (E) environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing; (F) recording of goodwill, long-lived asset or other than temporary impairment charges by or related to Enable; (G) the timing of payments from Enable's customers under existing contracts, including minimum volume commitment payments; (H) changes in tax status; and (I) access to debt and equity capital; (2) CenterPoint Energy's expected benefits of the merger with Vectren Corporation (Vectren) and integration, including the outcome of shareholder litigation filed against Vectren that could reduce anticipated benefits of the merger, as well as the ability to successfully integrate the Vectren businesses and to realize anticipated benefits and commercial opportunities; (3) the recording of impairment charges; (4) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the demand for CenterPoint Energy's non-utility products and services and effects of energy efficiency measures and demographic patterns; (5) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (6) future economic conditions in regional and national markets and their effect on sales, prices and costs; (7) weather variations and other natural phenomena, including the impact of severe weather events on operations and capital; (8) the COVID-19 pandemic and its effect on CenterPoint Energy's and Enable's operations, business and financial condition, the industries and communities they serve, U.S. and world financial markets and supply chains, potential regulatory actions and changes in customer and stakeholder behaviors relating thereto; (9) volatility and a substantial recent decline in the markets for oil and natural gas as a result of the actions of crude-oil exporting nations and the Organization of Petroleum Exporting Countries and reduced worldwide consumption due to the COVID-19 pandemic; (10) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's and Enable's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses; (11) tax legislation, including the effects of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the comprehensive tax reform legislation informally referred to as the Tax Cuts and Jobs Act (which includes but is not limited to any potential changes to tax rates, tax credits and/or interest deductibility) and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of excess deferred income taxes and CenterPoint Energy's rates; (12) CenterPoint Energy's ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms; (13) actions by credit rating agencies, including any potential downgrades to credit ratings; (14) problems with regulatory approval, legislative actions, construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or cancellation or in cost overruns that cannot be recouped in rates; (15) the availability and prices of raw materials and services and changes in labor for current and future construction projects and operations and maintenance costs, including CenterPoint Energy's ability to control such costs; (16) local, state and federal legislative and regulatory actions or developments relating to the environment, including, among others, those related to global climate change, air emissions, carbon, waste water discharges and the handling and disposal of coal combustion residuals (CCR) that could impact the continued operation, and/or cost recovery of generation plant costs and related assets; (17) the impact of unplanned facility outages or other closures; (18) any direct or indirect effects on CenterPoint Energy's or Enable's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt CenterPoint Energy's businesses or the businesses of third parties, or other catastrophic events such as fires, ice, earthquakes, explosions, leaks, floods, droughts, hurricanes, tornadoes, pandemic health events or other occurrences; (19) CenterPoint Energy's ability to invest planned capital and the timely recovery of CenterPoint Energy's investments, including those related to Indiana Electric's Integrated Resource Plan; (20) CenterPoint Energy's ability to successfully construct and operate electric generating facilities, including complying with applicable environmental standards and the implementation of a well-balanced energy and resource mix, as appropriate; (21) the sufficiency of CenterPoint Energy's insurance coverage, including availability, cost, coverage and terms and ability to recover claims; (22) the investment performance of CenterPoint Energy's pension and postretirement benefit plans; (23) changes in interest rates and their impact on CenterPoint Energy's costs of borrowing and the valuation of its pension benefit obligation; (24) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital,

and the results of CenterPoint Energy's financing and refinancing efforts, including availability of funds in the debt capital markets; (25) changes in rates of inflation; (26) inability of various counterparties to meet their obligations to CenterPoint Energy; (27) non-payment for CenterPoint Energy's services due to financial distress of its customers; (28) the extent and effectiveness of CenterPoint Energy's and Enable's risk management and hedging activities, including but not limited to, financial and weather hedges; (29) timely and appropriate regulatory actions, which include actions allowing securitization, for any future hurricanes or natural disasters or other recovery of costs; (30) the ability of retail electric providers (REPs), including REP affiliates of NRG Energy, Inc. and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and its subsidiaries; (31) CenterPoint Energy's or Enable's potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which CenterPoint Energy and Enable cannot assure will be completed or will have the anticipated benefits to CenterPoint Energy or Enable; (32) acquisition and merger activities involving CenterPoint Energy or its competitors, including the ability to successfully complete merger, acquisition and divestiture plans; (33) CenterPoint Energy's or Enable's ability to recruit, effectively transition and retain management and key employees and maintain good labor relations; (34) the outcome of litigation; (35) the development of new opportunities and the performance of projects undertaken by ESG, including, among other factors, the level of success in bidding contracts and cancellation and/or reductions in the scope of projects by customers, and obligations related to warranties and guarantees; (36) changes in technology, particularly with respect to efficient battery storage or the emergence or growth of new, developing or alternative sources of generation; (37) the impact of alternate energy sources on the demand for natural gas; (38) the timing and outcome of any audits, disputes and other proceedings related to taxes; (39) the effective tax rates; (40) the transition to a replacement for the LIBOR benchmark interest rate; (41) the effect of changes in and application of accounting standards and pronouncements; and (42) other factors discussed in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, CenterPoint Energy's Quarterly Report on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020 and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.

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

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

To provide greater transparency on utility earnings, CenterPoint Energy's 2020 guidance will be presented in two components, a guidance basis Utility EPS range and a Midstream Investments EPS expected range. The 2020 Utility EPS guidance range includes net income from Houston Electric, Indiana Electric and Natural Gas Distribution business segments, as well as after tax operating income from the Corporate and Other segment. The 2020 Utility EPS guidance range considers operations performance to date and assumptions for certain significant variables that may impact earnings, such as customer growth (approximately 2% for electric operations and 1% for natural gas distribution) and usage including normal weather, throughput, recovery of capital invested through rate cases and other rate filings, effective tax rates, financing activities and related interest rates, regulatory and judicial proceedings, anticipated cost savings as a result of the merger and reflects dilution and earnings as if the Series C preferred stock were issued as common stock. In addition, the 2020 Utility EPS guidance range incorporates a COVID-19 scenario range of \$0.10 - \$0.15 which assumes reduced demand levels and miscellaneous revenues with the second quarter as the peak and reflects anticipated deferral and recovery of certain incremental expenses, including bad debt. The COVID-19 scenario range also assumes a gradual re-opening of the economy in CenterPoint Energy's service territories, with anticipated reduced demand and lower miscellaneous revenues over the remainder of 2020. To the extent actual recovery deviates from these COVID-19 scenario range assumptions, the 2020 Utility EPS guidance range may not be met and our projected full-year guidance range may change. The 2020 Utility EPS guidance range also assumes an allocation of corporate overhead based upon its relative earnings contribution.



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Corporate overhead consists of interest expense, preferred stock dividend requirements, income on Enable preferred units and other items directly attributable to the parent along with the associated income taxes. Utility EPS guidance excludes (a) certain expenses associated with merger integration and Business Review and Evaluation Committee activities, (b) severance costs, (c) Midstream Investments and associated allocation of corporate overhead, (d) results related to Infrastructure Services and Energy Services, including costs and impairment resulting from the sale of those businesses, and (e) earnings or losses from the change in value of ZENS and related securities. In providing this guidance, CenterPoint Energy uses a non-GAAP measure of adjusted diluted earnings per share that does not consider other potential impacts, such as changes in accounting standards, impairments or unusual items, which could have a material impact on GAAP reported results for the applicable guidance period. CenterPoint Energy is unable to present a quantitative reconciliation of forward looking adjusted diluted earnings per share because changes in the value of ZENS and related securities are not estimable as they are highly variable and difficult to predict due to various factors outside of management's control.

The 2020 Midstream Investments EPS expected range assumes a 53.7 percent ownership of Enable's common units and includes the amortization of the Company's basis differential in Enable and assumes an allocation of CenterPoint Energy corporate overhead based upon Midstream Investments relative earnings contribution. The Midstream Investments EPS expected range reflects dilution and earnings as if the CenterPoint Energy Series C preferred stock were issued as common stock. The Midstream Investments EPS expected range takes into account such factors as Enable's most recent public outlook for 2020 dated August 5, 2020, and effective tax rates. The company does not include other potential impacts such as any changes in accounting standards, impairments or Enable's unusual items.

Management evaluates the company's financial performance in part based on adjusted income and adjusted diluted earnings per share. Management believes that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results across periods. The adjustments made in these non-GAAP financial measures exclude items that Management believes do not most accurately reflect the company's fundamental business performance. These excluded items are reflected in the reconciliation tables of CenterPoint Energy's Q2 2020 earnings news release, where applicable. CenterPoint Energy's adjusted income and adjusted diluted earnings per share non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, income available to common shareholders and diluted earnings per share, which respectively are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.