2020 Investor Day
December 7, 2020

Monica Karuturi – SVP & General Counsel

Thank you for joining our virtual investor day. I'm Monica Karuturi, General Counsel for CenterPoint Energy.We couldn’t be more excited to share our vision and strategy with you today. Before we get started, a few quick preliminary matters.

Today management will be focused on our future.
As such, other than references to historical facts, all of the information we are sharing today is forward-looking and contains projections.

Our remarks today are based on management's beliefs, expectations, assumptions and information currently available and the
forward-looking statements are subject to risks and uncertainties.

Actual results could differ materially based upon various factors, including the economy, weather, regulatory actions, significant corporate events, commodity prices and other risk factors noted in our SEC filings.

We undertake no obligation to revise or update publicly any forward-looking statement, except as required by law.

We will spend a good deal of time discussing our rate base growth expectations of 10%. This target growth rate refers to the compound annual growth rate target from 2020 to 2025.

We will also be covering our guidance basis utility eps target growth range. All references to utility earnings growth will be referring to this guidance basis range.

As a reminder, our forward-looking guidance basis growth target is based on the non-GAAP measure of adjusted diluted earnings per share that we also use in providing annual earnings guidance.

The guidance basis utility eps includes net income from our utility segments, after tax Corporate and other operating income and an allocation of corporate overhead, based upon its relative earnings contribution.

It also considers certain significant variables that may impact earnings.

Guidance basis utility eps excludes the Midstream Investments EPS range which, beginning in 2021, will include all income from the Enable preferred units and a corresponding amount of debt, in addition to earnings associated with Midstream Investments and an allocation of corporate overhead based upon its relative earnings contribution.

We also exclude certain expenses associated with merger integration; earnings or losses from the change in value of ZENS and related securities; changes in accounting standards and other unusual or one-time items.

Our non-GAAP guidance measure could be materially different from GAAP reported results for the applicable guidance period.

For further information on our guidance methodology, non-GAAP measures and forward looking statements, please refer to our slides, which can be found under the Investors' section on our website.

With that, let's get to the main event. Our CEO, Dave Lesar will kick us off.

We'll start with approximately 90 minutes of management presentations, followed by 60 minutes for Q&A. Thank you.

Dave Lesar – President & CEO

Good morning.
It's great to be here today for our first, and hopefully, last virtual investor day.

I say that because I wish you were here in person to sense and feel the energy in this group of executives.

I couldn't be more excited about taking the wraps off our new strategy and introduce our team to you today.

I'm sure you, our investors are excited to join us for the great journey ahead.

2020 Investor Day
December 7, 2020

The core comment investors have directed at me since I started at CNP, is very simple.

CenterPoint has these fantastic utility assets, especially in Texas.
But it has not been such a fantastic investment over the last two years.

Now I can repeat what some of you think:

That we have not taken full advantage of our organic growth opportunities… especially for Houston Electric

We have not always allocated capital wisely

We focused too many resources on our non-utility businesses

We overpaid for Vectren, negatively impacting our balance sheet

We did not seize upon prior opportunities with respect to our Enable investment

Now, I'm not going to argue or debate those views. It is what it is.

Today it's my job to address your concerns and focus CNP on the future.

Now that you have seen what we have accomplished over the last 5 months, I hope you are starting to understand that I share, not only your enthusiasm, but also your impatience to unleash this great company's potential.

We have a new…far reaching…and sustainable strategy.
And now it's time for us to execute on it.

To level set the discussion and to provide continuity for those who may have missed our last earnings call let's recap what we said there:

We said we have plans that would:

Grow utility earnings at the high end of our 5-7% target and

Increase our capital spend by $3 billion on top of our already planned $13 billion

With that level of investment, we would grow our rate base by a 10% Compound Annual Growth Rate, putting us in the top tier among utilities

We have also identified an additional $1 billion of supplementary spend on top of that

Invest in renewables

Sell 1-2 of our gas LDC's

Reduce O&M expenses by 1-2% per year

Generate better balance sheet optionality

And evaluate our Enable investment

Now the way to start down this path was by:

Putting the right management team in place

Empowering our greatest assets, our people, so they can deliver these results

And you should have no doubt that our organization is fully behind our new direction and you will hear that loud and clear from our other speakers

Keeping our focus on what really matters…our core regulated utilities

Taking advantage of our unique organic growth opportunities

And ultimately instituting the strategy used by best in class utilities and then executing on that strategy

So, starting today our management team will move from developing our new strategy to executing it.

I have a very long track record of execution as a CEO and I'm not about to mess that up now.

Now industry leading execution does not happen without a world class management team. I believe I have built that team.

Let me introduce them, starting with the presenters here today.

Jason Wells – Chief Financial Officer.
Jason is well known to investors having navigated Pacific Gas and Electric through difficult times. Jason brings a new energy to CenterPoint. Jason's leadership in supporting California's transition to a cleaner energy economy will be extraordinarily valuable as we increase the amount of wind and solar we generate and transport. Jason also has a strong commitment to efficient financing and maintaining a strong balance sheet.

Kenny Mercado – Senior Vice President, Electric Utilities
Kenny has over 35 years of utility experience at CenterPoint. Kenny has been incessant in his requests to me to increase capital spending at Houston Electric ever since the day I arrived. And Kenny you won that fight.
He is highly engaged, in preparing us to increase our capital spend in our electric businesses and implementing a continuous improvement mindset.
He has worked closely with Tom Webb and has already been in communication to learn from peers at other utilities that have successfully embraced continuous improvement. Kenny has also built very strong relationships with regulators in both Texas and Indiana.

Scott Doyle – Executive Vice President, Natural Gas
Scott has over 25 years of utility experience with CenterPoint having held numerous leadership roles in both Gas and Electric Operations… across our entire footprint. Scott has probably moved the most amongst our leadership team having held executive roles in operations and business leadership in Texas, Louisiana, Mississippi and Indiana. He is a proven leader and understands the vital role natural gas plays in the states we serve. He is also committed to the efficient spend of our increased capital and implementing continuous improvement throughout our Natural Gas Distribution utilities.

2020 Investor Day
December 7, 2020

Tom Webb – Senior Advisor
Tom needs no introduction to investors, but I will do it anyway. You might say Tom has blackbelt level business skills in improving utilities, implementing continuous improvement and helping to keep the focus on executing a proven winning strategy. He has already provided invaluable guidance to the executives and the board at CenterPoint.

Gregg Knight – Executive Vice President Customer Transformation and Business Services
Gregg oversees our vital Customer Service Operations, Information Technology, Marketing, Procurement and Logistics areas. Today Gregg will help investors understand how customer demands are shaping where we will be making our capital investments.

Monica Karuturi – Senior Vice President and General Counsel
You heard from Monica today. She oversees our legal, compliance, environmental and sustainability and risk management functions. Monica's team led the great work that you saw with our corporate responsibility report, which we released this quarter.

Not speaking but an integral part of what we do every day are:

Jason Ryan – Senior Vice President Regulatory Services and Government Affairs
Jason has designed many of the rate mechanisms CenterPoint uses today.
Jason also served, and I love this title, as an Information Dominance Warfare officer in the United States Navy.

Lynne Harkel-Rumford Vice President and Chief Human Resources Officer
Lynne oversees several corporate functions. She has responsibility for our diversity and inclusion efforts as well as talent management, both of which are personally very important to me. She is also firmly committed to helping me better align management compensation plans with shareholder interests.

Kristie Colvin – Senior Vice President and Chief Accounting Officer
Kristie has deep knowledge on CenterPoint's financial history derived from roles within our strategic planning, regulatory and accounting groups and truly stepped up earlier this year serving as CenterPoint's interim CFO.

As you can imagine the core of what we are going to lay out for you today is all about getting back to basics,

2020 Investor Day
December 7, 2020

Investing in our regulated utilities,

Satisfying our customers,

Bolstering our balance sheet,

Delivering cleaner energy and

Taking advantage of the unrivaled organic growth in Texas

Let’s start with the organic growth story.

In 1960, Houston Lighting and Power was an under-appreciated small utility that had 475,000 customers and Houston was the nation’s 16th largest city.

After 6 decades of explosive growth we have nearly 2.6 million customers in the nation’s 4th largest city and the only one of the top 4 that is growing today.
We don’t see that growth stopping.

Organic growth is truly a luxury few other utilities have.

If anything, faster growth in Texas and the state’s continued business friendly environment could even accelerate Houston’s growth rate.

Looking back over the past couple of decades, CenterPoint has managed to keep up with investment in this growth.

That continues, but as you will hear today, we now need to also increase investment in replacement, reliability and adding new technologies.

In Indiana, we’re making a dramatic shift away from our focus on coal, to natural gas, wind and solar energy.

Fuel and O&M costs should drop, and we plan to deliver renewable energy for the next generation.

Throughout our gas utilities, we're upgrading pipelines in order to enhance safety and reliability and decrease methane emissions.

We serve the heartland of America where natural gas is truly appreciated as a cleaner, more affordable fuel with the added flexibility to balance out renewable resources.

Throughout my career and especially since I joined CenterPoint, I've been committed to paying attention to investors and showing them a path to achieving stakeholder value, we intend to do that today.

A lot of good change is occurring at CenterPoint.

Today I specifically want to show you how all that change ties together.

And from where I stand, I believe it ties together very nicely.

Before we get into the agenda, I want to directly address opportunities around Enable.

First, we recognize how important it is to all of us to minimize our midstream exposure.

However, what we do around Enable will be done using a disciplined financial approach. We will not be rushed just to get something done.

While we are not in a position to cover specifics today, we have made good progress on Enable and will today share what we can today.

So, what are you going to hear today?

First, Jason will describe: Our New Model, Our New Plan

How our planned $16B in capital spend and 10% compound annual rate base growth leads to the high end of our previously shared 5 - 7% utility earnings growth target. Even as we deal with the temporary headwinds we currently have on our business,

How we will overcome those headwinds

How better discipline around O&M will accelerate our path to operational excellence and therefore enhancing safety and reliability

How we also can take advantage of our combined organic growth and O&M savings to fund a large portion of our capital spend while at the same time providing headroom for both customer rates and earnings. This is a true differentiator for us and a luxury few utilities have

How our states provide regulatory structures that allow us to earn at or near our allowable returns

And how all of this makes for an enduring, sustainable plan

Second, Kenny and Scott will provide an overview of our Core Utility Platforms and provide:

More details on our customer driven requirements for increased capital spend and details on that spend by category and geography.
Allowing us to take advantage of existing AND organic growth opportunities

The commitment of their organizations to continuous improvement and some examples of where they see opportunities

Their confidence in how we will get the increased capital spend into rate base in an efficient and timely manner. And how
over 75% of our spend will be added thru recovery riders rather than rate cases.

The strength of our regulatory relationships and why we feel so confident we will get approval for investment plans in Indiana which will require rate case approval

Our commitment to environmental sustainability and reducing carbon emissions, as well as our exciting opportunities to build on our sustainability efforts by participating in the growth of renewable energy in Indiana, Minnesota and especially now in Texas

And finally they will highlight the long investment runway we have …. well beyond our current 2021 – 2025 window as we take further full advantage not only of our organic growth opportunities, but the need to invest in the reliability, resiliency and smart grid needs of our existing infrastructure for decades to come …. all to better serve our customers and take advantage of the energy transformation happening in world.

Third, Gregg Knight will discuss our continued move to a Customer Centric Mindset …covering:

Our current, and not well recognized by investors, industry leading customer service performance

How our customers unique needs are driving our future capital investments

The efficient and innovative solutions we're putting in place to meet those customers' needs

Our commitment to continued excellent customer service levels,

Fourth, you heard a voice from the past on the earnings call and today you will get to see a face from the past.

Tom Webb will discuss the Winning Recipe for delivering Consistent, Premier Performance led initially by top tier performance in operational excellence.

He will highlight:
A proven winning formula of continuous improvement led by our plans to reduce O&M 1 – 2% per year, providing benefits for our customers in terms of safety, cost and reliability

And then … based on his prior successful track record he will help investors understand that as we execute this strategy, he believes that becoming a ... Consistent, Premier …Top Performing utility is not only achievable... but is inevitable for CenterPoint

Fifth, Jason will be then back in front of you to discuss in more detail how we believe our new Financial Plan will play out

How we will sequence our capital spend to improve service,

meet regulatory filing schedules,

deliver industry leading rate base growth

and allow us to achieve our 6 – 8% utility earnings growth target

How the sequencing of this spend should enhance your confidence in our ability to execute the plan, recover the investment and help replace the earnings lost from the sale of the two gas LDC's How we expect to finance this extraordinary growth with only modest equity and … certainly no block equity issuance

Describing the timing of the LDC sales process and how it will support new …efficient capital allocation with no impact to our EPS growth rate

How we plan to reduce parent company leverage with little or no cost, by replacing parent debt with subsidiary debt

How the 10% rate base growth allows us to overcome the near term headwinds we face and still allows us to increase our utility earnings growth range to 6 – 8%

With respect to Enable, we are making good progress, have hired a financial advisor to support our evaluation, and we anticipate providing an update in the next 60 days.

And the bottom line is we plan to minimize our midstream exposure to our EPS while preserving our utility earning growth.

And finally, he will initiate 2021 and future utility EPS growth guidance

As many of you know, I like to communicate key points by headlines...

So let's jump to the headlines you should take away from today's meeting.

That way, you can listen closely to the presentations while at the same time knowing what the outcome will look like for CNP shareholders.

So, today's headlines are:
-We are increasing our annual utility earnings growth target to 6 – 8%...

- Our common stock Dividends should grow in-line with those earnings

- Our planned 5-year $16 billion capital plan will fuel an industry leading 10% compound annual rate base growth … not including the $1 billion in supplementary capital we could spend when we choose.

- So you don't think the increased capital spend ends there, we also have current visibility to significant projected capital spending in the 2026 – 2030 horizon that is greater than what we plan to spend in the next five years, which will allow us to continue that accelerated rate base growth and gives us further confidence around the sustainability of the 6-8% utility earnings growth target

- We will be bringing renewable energy solutions to our customers

- We will put our Arkansas and our Oklahoma gas LDCs up for sale and will sequence the sales in such a way to eliminate the impact of their lost earnings on our new 6-8% utility earnings growth guidance

- We will have additional balance sheet optionality

- We are making good progress on resolving Enable and hope to have something more for you in the next 60 days.

Finally, after the presentations I'll be back to wrap things up with a few closing comments and our commitment to you to make this strategy …. real and sustainable.

This is really going to be a fun journey… I ask you to take it with us.

So, with that let me turn it over to Jason…

Jason Wells – Chief Financial Officer

Thank you, Dave.

And thank you to all of you who have joined us today.

I am…we all are…
excited to share our strategy focused on improving our service…growing our regulated utility businesses and minimizing our exposure to midstream in a sustainable way.

The cornerstone of our new plan is prioritizing investment in our regulated utility businesses to improve the service, resiliency, and safety of our systems all while supporting a transition to a cleaner energy future.

That capital investment plan is $16 billion over the next five years, which is $3 billion more than our previous 5 year plan.

This doesn't even include the $1 billion in additional opportunities we have identified to ensure we hit this target and for flexibility to fold into the plan as we execute.

Importantly, this level of capital investment would allow us to grow rate base at a 10% compounded annual growth rate for the next 5 years…at a rate faster than our peers… and serves as the foundation for our increased target range of long-term, utility earnings per share growth of 6 to 8% annually.

I will cover our guidance in more detail in a bit, but first I want to share our sustainable model for driving growth and managing our rates for the benefits of our customers, and you, our shareholders.

We understand how important the cost of our service is to the communities we have the privilege to serve, and we are committed to managing rate growth responsibly through the combination of cost discipline and the good fortune of serving growing economies.

You are going to hear more about this from Kenny, Scott, Gregg and Tom, but our entire team is absolutely committed to driving responsible year over year decreases in O&M of 1 to 2% while prioritizing safety.

We have a strong track record of cost discipline having eliminated post-merger redundancies and using automation to improve field and customer operations.

However, we know there is more to do, and you will hear about our focus to more thoroughly embed the principles of continuous improvement and a lean mindset throughout our business.

Our O&M discipline is not the only influence that helps create headroom for our capital investment. Strong customer growth also spreads costs across an even larger base helping keep rate increases manageable for our customers.

You'll hear Kenny and Scott talk a great deal about customer growth, which is especially strong for both the residential and industrial segments for both businesses.

Finally, about 6% of Houston Electric rates are connected with Transition and Storm Restoration Bonds, which will create headroom as those bonds mature in 2022 and 2024.

Our O&M discipline and customer growth is not only good for our customers, but it is good for our shareholders.

By delivering returns on equity at or near our allowed returns,
we have access to very constructive regulatory mechanisms that allow us to recover and earn on this incremental capital investment in between rate case cycles.

In fact, we expect over 75% of our planned capital investment will be eligible to be put into rates through various capital recovery mechanisms.

This focus on deploying capital to improve the service, resiliency and safety of our systems…while applying O&M discipline… benefiting from serving growing economies… and having constructive regulation will allow us to deliver on this plan sustainably for our customers and, you, our shareholders.

Kicking off the amount of change we're now seeing at CenterPoint is both exciting and infectious.

I'll be back in a bit to share more detail on the financial plan, but for now, let me turn things over to Kenny for a deep dive on Electric.

Kenny Mercado – SVP Electric Utility

Thank you Dave and Jason for your introduction and good morning to you all.

I am excited to be here today to provide you with an update of our strategic business plans for the electric utility business.

This is a wonderful time to be a part of our electric utility.

We recently combined the management of Houston Electric with Indiana Electric and merged our workforces into one operation.

We have nearly 2,500 employees working hard every day to safely serve our 2.7 million metered customers in premium jurisdictions in Texas and Indiana.

As Dave mentioned earlier, I have pushed hard for incremental capital investments and the company has delivered. Our updated 5-year budget is set at $9B and it brings important T&D investments with Houston Electric and critical renewable energy investments with Indiana Electric.

As highlighted by Dave, the reason I pushed so hard is because we absolutely need additional capital to not only serve our growth but to proactively address the aging infrastructure across the system.

We are here today to discuss our four key strategic business objectives which include:

1) Robust capital investments to meet our customer growth and updated and resiliency needs,

2) Acceleration of our renewable energy developments,

3) Constructive regulatory relationship and timely recovery mechanisms, and

4) Sustainable O&M discipline.

1) Let's begin by talking about the first strategic business objective which includes two main themes of our capital expansion plans.

The first theme shown on the slide illustrates the drivers of customer growth.

For more than a decade, the greater Houston region has benefited from remarkably consistent 2% customer growth.

Supporting this level of growth requires many smaller projects in distribution, substation and transmission infrastructure.

These projects total about $ 3.0 B dollars across our service area and must be planned, engineered and constructed to deliver safe, reliable electric service in a timely manner to meet our expanding customer needs.

The opportunities prove that the Houston region is one of the very best economic engines for growth in the country and exist across the service area.

Take a drive down to the Texas Medical Center, the 8th largest business district in the United States, where they continue breaking ground on new hospital facilities and the TMC3, a new research facility planning over 23,000 permanent research jobs,....

or visit the southern and eastern region's industrial corridor where demand for electricity is growing in parallel with the demand for chemical processing facilities, new LNG facilities, natural gas products, expansions at the Houston Port and supporting industrial businesses.

This area has experienced growth in throughput from industrial customers by approximately 4,500 GWhs or nearly 8 % between 2016 and 2019.

In response, by December of 2021 we will complete, a $ 483 million,
55 mile 345 KV transmission project approved by the Board of ERCOT.

And finally, take a drive around the outskirts of our southwest, west, and northwest regions, and you will see open fields converted to master planned residential and commercial new customer accounts.

As a result of this accumulated load growth, we have major plans to construct 29 new and upgraded substations by the end of 2025.

This is a remarkable growth story and I am proud of our business.

And customer growth is just the beginning of our story. The second theme, which is about $ 1.4 B dollars of our overall capital investment, is to continue to modernize our infrastructure to better serve the expanding customer expectations by improving the reliability, safety and resiliency of the grid.

Our assets, which in some cases are 40 plus years in service, must be evaluated and proactively replaced before their end of life.

We must also continue to consider wind and flood resilient solutions and faster outage response times.

As you may know, the center of our greater Houston service area is only about 50 miles from the Gulf of Mexico.

And, 2020 has not been kind for hurricanes:
30 named storms is an all-time record, including 8 major hurricanes that hit our Gulf Coast and we sent large mutual assistance crews to support our neighboring utilities when requested.

We will continue to work hard to make capital and technology investments with storm recovery in mind so we can safely and efficiently respond to weather events.

And proactively replacing aged infrastructure is a big part of what we are going to do.

We have very important plans to evaluate, extend the life and optimally replace 10,500 miles of aging underground cable,
1.1 million wood poles,
4,400 substation breakers and transformers,

and major equipment serving large commercial and industrial customers.

As an example, the substation transformers scheduled for replacement over the next two years range in age of service from 47 to 65 years.

These plans are a foundational element of our strategy to operate a safe, more reliable and climate resilient grid.

As the proactive plans mature and are combined with the integration of more intelligent outage management technology, we will have self-healing and automated capabilities in field operations to enhance our response from weather events and improve our reliability and customer satisfaction.

The beauty of this advanced technology was on full display during Hurricane Harvey (in 2017) as we were able to automatically restore power to 140,000 customers and avoid 41 million outage minutes without the use of our field resources.

Today, we are only about 15 % complete with our advanced outage system capabilities.

Another important tenant of our plan is to replace our aging, and less efficient 69kV transmission system and upgrade it to a more modern 138kV system over the next five to ten years.

Finally, we are committed to continued investment in more hardened and more flood resistant designs as we replace aging distribution, substation and transmission assets to protect our system from storm related damages and support the deeper expectations of our customers.

2) The second strategic business objective, as illustrated on the map in this slide, begins in open fields across the southern portion of our greater Houston service area where we are seeing a surge of growth in utility scale solar projects.

Over the next two years, we will integrate one large battery project and 11 customer owned utility solar projects with over 3,500 MWs of generation as shown.

In addition, the pictures on the slide illustrate the first ever completed large solar project within the Houston service area.

CenterPoint Energy typically builds a 138kV switchyard and up to one mile of a transmission line to extend to each of the solar farm sites.

Further, there is a steady pipeline of new projects being studied and we anticipate similar demand for integrating renewable generation into our system in 2023-2025.

To optimize the delivery of this green energy and to be a leader to our Houston customers, our transmission system requires significant expansion plans to enable reliable delivery of these locally installed clean resources, and our aging infrastructure replaced in a structured and coordinated manner creating important and prudent opportunity for over $500 million dollars in capital investments for just integrating solar generation.

Being an accelerator of the clean power transition in Houston is only the beginning of our green investment thesis.

Our leadership team in Evansville, Indiana has been working very hard to prepare and achieve regulatory approval for a critical generation transition into renewable energy.

We have significant plans to spend $ 1.3 B dollars by 2025 and are excited about the opportunity to be a leader in Indiana and reduce the carbon emissions from our coal plants by 80 % across our Electric footprint. Our plan starts by retiring over 730 MWs of coal generation by October 2023 and replace it with approximately 350 MWs of CNP owned solar generation by end of 2023 and 300 MWs CNP owned wind generation by the end of 2024.

Plus, we will contract for 350 MWs of PPA third party solar projects.

We will also support this new supply of renewable power with 460 MWs of peaking combustion cycle gas generating plants in 2024.

As illustrated on the slide, our Indiana transition from 81 % coal-based generation to 54 % renewable generation will occur within the next 5 years.

And, a significant milestone will occur in early 2021, when we energize our first 50 MW Troy Solar Project.

The State of Indiana's 21st Century Energy Policy Development Task Force recently completed its work and issued a final report which aligns with our plans – in particular, with the Task Force's pillars of reliability, resiliency, stability, affordability, and environmental sustainability.

We are confident that we will get the Indiana Commission's support for our balanced, all-of-the-above strategy as it is responsive to the feedback we received from the Indiana Commission in our previous IRP to ensure resource diversity and flexibility.

We have been in regular communication, most recently met with Commissioners and Staff just two weeks ago, and with the Commission, Staff, and Legislative Leaders over the last two years to participate in forming the State's Strategy and ensure our plans are aligned with their results.

In early 2021, we expect to make our second CNP owned solar project filing with the Indiana Commission followed later in the year with subsequent filings for the gas CT project and additional renewable generation as those plans are finalized.

We also have a solid plan in place to ensure we have adequate capacity to manage the transitional years in 2023 and 2024 and we will continue to reliably serve our customers while working closely with the IURC and MISO.

This renewable transition plan is an outstanding outcome for customers in the State of Indiana.

I am confident that we will get our plans approved by the Indiana Commission and meet the needs of the State.

3) As we turn to the next slide,
I want to talk about our third strategic business objective which is constructive regulatory relations and timely recovery mechanism for our capital investments.

As you review the slide, it represents our strategic capital investment plans and we will continue to utilize our tariff-based annual and semi-annual trackers to timely recover 76 % of our capital investments.

The remaining 24 % of the investment primarily comes from our plans to build out the renewable and gas CT energy systems mainly in 2023 – 2024 shown in the green and orange areas of the bar graph and general plant from Houston Electric in the golden area.

These investments will be recovered in a rate case filed at the end of 2023, using a forward test year for Indiana and put into base rates by beginning of 2025.

A critical dimension of our electric utility success is our knowledgeable, hard-working and determined employees working on continuing to foster constructive relationships with our Public Utility Commissions in Texas and Indiana.

While we have received our share of criticism in Texas recently, we have taken proactive steps in 2020 to strengthen these important relationships.

I am proud of our employees in Austin, Texas and Indianapolis, Indiana as they are working hard to strengthen our credibility, educate and promote awareness of our investments and listen and respond to our state's most critical needs.

As an early indication of our success this year in Texas, we have achieved two highly successful transmission cost of service filings and one highly successful energy efficiency cost recovery filing approved with win-win outcomes for the company, our customers and the State.

And in Indiana, we have had two successful T&D filings, one environmental cost adjustment filing, one clean energy cost adjustment filing and the complete recovery of the ash pond remediation costs.

Standing here today, I feel absolutely confident in our superb relations with our Commissioners and Staff in both States and we will work even harder to make them better.

4) Finally, to be a differentiating leader in the utility space, as you heard from Dave and Jason, our fourth strategic business objective is to consistently manage our expenses with sustainable discipline within our leadership, our employees, our processes and our technology.

The next slide illustrates our plan to strengthen this discipline and achieve 1 – 2 % annual reductions in expenses over the next five years.

I bet that you all on this call did not know that Houston Electric has achieved first quartile in O&M cost per customer in almost every year since 2013 versus our utility peers.

In fact, our total budget expenses in 2021 will be less than actuals in 2015.

And, Indiana electric has held its annual expenses flat for 10 years and next year's plan will be less than actuals in 2012.

I hope you agree with me that these are positive indicators that our team is doing some things right.

And, we have no desire to stop here!

We are now utilizing "Lean" management principles inherited from our legacy Vectren operations to constructively improve our operational practices and deepen our cost reduction commitment.

Our near-term focus is to find enterprise-based process improvements in vegetation management,
outage response,
major underground and substation routine maintenance.

Of course, while focused on these O&M efforts, we will continue to invest, where necessary, to deliver electricity safely and reliably.

To elaborate on one example, CenterPoint Energy is taking vegetation management to the next level.

Historically, utilities have used generic time-based trimming cycles to prioritize vegetation management activities and only reduce cost by reducing miles trimmed.

The slide illustrates a new solution that uses artificial intelligence to review satellite imagery, outage information and a variety of other internal and external data to optimize vegetation management cost investments.

The system can be used to validate accurate cycle trimming needs and identify circuit sections that require more frequent trimming.

The expected benefit in 2021 is a 10 percent or $ 3.5 million dollar cost reduction in expenses using the same level of miles trimmed.

We also think through the lean continuous improvement exercise these savings can grow another 5 to 10 % in future years.

I am confident that our “Lean” management principles along with our consistent discipline in overall expense management and increased capital investment plans will help us reduce our expenses 1 – 2 % per year and improve our reliability and customer satisfaction metrics.

Now, I’d like to spend a couple of minutes on the second half of this decade, 2026 to 2030.

I become even more enthusiastic about our electric utility business serving Houston and Evansville.

Our strategic capital budget serving our customer growth, renewable developments and grid resiliency will be even larger than the first half of the decade and more important to the success of our local economies.

Our capital investments to serve the long-term growth of our customer needs will continue to be a priority and we will continue to expand our distribution and transmission infrastructure across the service areas and through interconnections across more tie lines within ERCOT.

A key investment opportunity that will help differentiate our electric business is building out the modern distribution and transmission system that addresses the advancing sophisticated demands / requests of our customers.

We will have a complex electrical system that requires dedicated and highly trained engineers and operators to plan and manage its unique challenges.

As I look deeper into future needs, we should expect to experience a stronger demand for the integration of utility scale wind and solar renewable systems combined with cost effective large battery storage systems.

These big scale integration projects will create larger expansions of our 138 and 345 kV transmission systems.

In addition, our grid will be utilized to integrate significant increases in advanced technologies in distributed generation and battery resources, energy efficiency resources and other "smart city" type technology solutions.

When you couple all of this with the anticipated rising demand for electrification of vehicles, the future of the grid becomes a very critical link to the economic future of our cities and communities.

With the grid playing this vital role as a central platform and provider of an essential service, it will be imperative for CenterPoint Energy to continue making important and larger reliability and resiliency investments.

Our 1.1 million aging poles, 55,000 miles of overhead conductor and 10,500 miles of underground cable are continuously exposed to hot summer temperatures, salt, lightning, flash floods and heavy winds.

As a result, this constant environmental exposure means we will have to prioritize our modern engineering design standards and focus on timely completing infrastructure upgrades.

This creates a robust pipeline of foundational infrastructure investments that will continue to grow as we build out the grid to serve the advanced demands of our customers.

In addition, over the next fifteen to twenty years, we will upgrade our 1850 distribution circuits to efficiently operate in real-time and be automated with self-healing, and real-time monitoring capabilities as I discussed earlier.

Using the grid technology available today, we will strengthen our leadership in the industry by providing premium utility customer service and support the integration of large amounts of distributed energy resources.

And to be clear, these investments are not options, they are demands from the advanced needs of all our customers.

The advances in the electric grid combined with our advances in the gas grid is the platform where modern companies can plug-in and actively and productively participate in the Texas competitive market and our Indiana regulated market.

Our gas and electric grid combined bring a unique transportation system that is going to continue to be efficient, reliable and sustainable.

This is the right time to be a part of the electric and gas utility business.

Let me close by stating the obvious, the capital investment opportunities in 2026 – 2030 will be even greater than our next 5 years.

In summary, I hope you can feel my excitement, my enthusiasm, and my passion for the future of our electric utility business serving our customers in the greater Houston and Evansville areas.

I will pass the mic back to Scott Doyle to provide you with a deeper view of our gas business.

Scott Doyle – EVP Natural Gas Distribution

Thank you, Kenny.

This is an important day in our Company's history, as we continue to provide greater clarity to our growth and modernization story that fuels our future.

I am thrilled to be a part of this newly energized team. I plan to spend the next few minutes describing the investment and growth opportunities in our premium gas utility, which will continue to be one of the largest gas utilities in terms of customer count and THE largest in terms of miles of main, even after the sale of Arkansas and Oklahoma.
This business is a modern, growing utility, serving over 4.6 million customers.

Our business includes operations in high growth markets.

For many years, our natural gas utility business has been a leader in safe practices and system modernization efforts in the eight states we serve.

We led the replacement of cast iron in our industry, having completed those efforts in the Houston market in the early 90s.

We expanded that program to our remaining jurisdictions and will complete all cast iron replacements in the acquired areas of Indiana and Ohio in 2024.

But that's not the end of our modernization story as we continue and launch investments in bare steel and vintage plastic replacement programs across our service territory.

We are a growing utility, with over 52,000 net customer additions in 2019 and a forecast to add well over 46,000 customers in 2020.

In our service territories, customers are choosing natural gas.

Customer additions are well above the industry norm in high growth areas such as Houston, the Austin/San Antonio corridor, Minneapolis, suburban Indianapolis… all markets that we serve.

These service territories also benefit from a mid-continent presence, with highly constructive regulatory jurisdictions, diversified economies, and supportive natural gas environments, that are dependent on the customer value that natural gas provides for heating homes or running businesses.

In fact, some of our states have passed legislation in support of natural gas, removing the ability of cities to ban its use for customer homes and buildings, and we expect a number of others to consider legislation in 2021.

We are an efficient utility, with a track record of operating expense growth that is well below inflation across the past decade, but we have opportunities for improvement, that will benefit our customers and help fund our capital growth.

Our platform for investment can be summed up in one statement: "we are growing a safe and modern utility".
Each of those words, safe, growing and modern will drive our investment thesis as we complete a $200 million, decade long, urban transmission line replacement in Minnesota, replacing 20 and 24-inch diameter pipe with modern, cathodically protected steel.

Increasing our capital spend in 2021 will bring assurance to our commitment to complete bare steel and cast iron replacements in Indiana and Ohio by 2024.

A commitment we inherited when we purchased the Vectren assets in 2019.

Looking at all of our states, we have well defined integrity management plans that drive the replacement of pipeline infrastructure over the coming decades.

These plans include a multi decade, $3 billion dollar investment in the replacement of nearly 6,000 miles of distribution main that we have categorized as Tier 1 investment priority which not only includes cast iron, but bare steel and some of our vintage plastic.

But that's not all. Our Tier 2 priorities represent an additional
$6 billion dollars of investment opportunities and extends to other types of steel and plastic pipes adding up to nearly 14,000 additional miles of distribution main.

We also have approximately 500 miles of transmission pipe representing
$1.5 to 2 billion dollars of investment that will be required due to the new PHMSA Transmission and Gathering Lines rule.

Piping modernization will continue at CenterPoint, but we are well on our way and utilizing data analytics tools to prioritize our replacements.

Another exciting opportunity that fits in the safety and modernization categories is the conversion of our customer meter infrastructure to a platform that allows for automatic and remote shut off capability under certain conditions.

Our customers have enjoyed the benefits of our remote reading capabilities for many years.

But we believe that these new features should also further enhance the safety of the delivery of our product and mitigate potentially unsafe conditions.

We will be one of the first utilities actively deploying this automatic remote shut off technology with certain customers and look forward to the customer service benefits it will provide.

As a gas utility, we fully recognize and appreciate the forces at work that are pulling us toward an energy transformation.

Past energy energy transformations have taken decades and sometimes longer.

We believe our country has been on an energy transformation since its birth, driven by innovation and free market economics.

Natural gas has served a critical role in reducing this country's electric generation emissions over the past few decades.

In addition, natural gas as an energy source for end use customers holds an undisputed efficiency and cost advantage over other forms of delivered energy.

In a city like Minneapolis, when it was minus 30 degrees in February 2019, the demand for natural gas by our customers was so high, we delivered an amount of energy that the current electric system is unable to provide.

We believe the transition will be decades in the making.

In the interim, replacing our piping infrastructure with more modern materials will help reduce emissions from our system,
but as the first utility to also target customer emissions reductions,
we will continue to work to find other solutions.

Just this past month, the Minnesota commission approved our feed in tariff that supports the connection of renewable natural gas supplies into our distribution systems.

We have multiple producers interested in finding a market for their RNG supply, in the state of Minnesota.

With this new tariff, we can actively build infrastructure to connect the supply.

The beauty of this outcome is that it was broadly supported by a diverse set of constituents, all interested in finding creative solutions.

In addition, we have already started investing in a Hydrogen production unit at one of our facilities in Minneapolis that will take renewable electricity and create hydrogen gas for injection into our system.

We have begun the engineering and site planning work and expect to have the unit operational by mid-year 2021.

This will serve as demonstration project and proof of concept as we consider expanding the potential for production of hydrogen or connecting other sources of hydrogen to our systems.

We have a lot to learn here, but we are not waiting for the all of answers to get started.

We are proud to serve the Minnesota market as we believe it has the potential to truly find practical solutions to the energy transformation that will serve as a model for the rest of our industry.

Turning to our capital plan, it starts with the investment of 1.4 billion dollars in 2021, primarily targeted at supporting our replacement programs in each of our jurisdictions.

2020 Investor Day
December 7, 2020

Adding capital investment is within our control and not dependent on pre-approvals from a regulatory commission.

In fact, with the exception of providing schedules for system replacement activities in a few of our jurisdictions, we are not required to seek pre-approval of capital spending, giving us maximum flexibility in scaling our replacement efforts when necessary to address growth, risk or projects driven by state and local governments.

The $7 billion dollar five year plan for natural gas is an over $1 billion dollar increase from our prior plan.

We are increasing our capital in all jurisdictions from what was previously planned.

The piping modernization efforts I described earlier will be accelerated over the next five years to the benefit of our customers and communities.

This will be a large effort for us, but we’ve already begun scaling up our engineering and construction efforts.

We will also invest in clean energy such as hydrogen production and meter infrastructure enhancements I will describe later as we support our customer’s needs.

One of the great stories of the natural gas industry over the past two decades is the cooperation and support of many state commissions which recognized the need to modernize the natural gas delivery infrastructure in our country.

I believe our state jurisdictions are some of the most progressive and forward thinking when it comes to supporting this activity through creative approaches to cost recovery.

I had the privilege of advocating for this first-hand over the last decade in prior regulatory roles as we worked collectively with regulators,
state legislators, the industry and consumer groups to tailor regulatory mechanisms that reduced lag and supported aging pipeline replacements.

In our case, well over 70% of our capital spend is recovered through an annual or semi-annual mechanism while the balance is supported through a forward-looking test year with interim rates.

This is a success story, not only for our company, but our communities and customers as we continue to work to improve the safety and reliability of our systems.

Modernization of our recovery mechanisms will continue as we evolve them in each of our states.

Each year, we actively engage regulators to seek opportunities to enhance recovery mechanisms.

Which leads back to the constructive nature of our regulatory jurisdictions.

2020 is a year like none other, for our company and our communities.

But through it all, our state commissions worked tirelessly with us to provide support to our customers through disconnect moratoriums during the early stages of the pandemic.

Additionally, they quickly passed orders that provided support to us in the form of bad debt expense relief.

This type of support is necessary as we purchase over 400 billion cubic feet per year of natural gas for our customers and the bills from our suppliers are due each month.

Our commissions have given us the support to keep the gas flowing and our customer's needs met.

From a revenue perspective, we were able to settle two rate cases in Minnesota and Texas that increased rates $42.5 million dollars.

In other jurisdictions, we processed our annual rate recovery mechanisms, with some increasing and some decreasing, and netted a $25 million dollar increase, all during the pandemic.

Several other recovery mechanisms are in the early stages of review along with a rate case we recently filed in Indiana.

Again, our commissions are to be commended, along with our own regulatory staff, for their ability to keep the wheels turning during very challenging times.

As we look forward and evolve, our ability to consider new forms of gas supply, creative approaches to customer choice, and continued system modernization will be based on constructive relationships and active dialog with our regulators.

Let's now turn our attention to operational efficiency.

2020 Investor Day
December 7, 2020

Our gas utilities have long been recognized as cost efficiency leaders having been in the top quartile of O&M per customer for AGA benchmarking for many years.

Through 2019, our legacy gas utilities have reduced O&M spending to the same level as 2014, with continued improvements in 2020.

Adopting a lean approach to process improvement and operational efficiencies is a strategy we are well positioned to deploy.

When we acquired the Vectren assets in 2019, one of the many attributes Kenny and I admired was their adoption and use of continuous improvement principles.

Over the past year, we brought this approach into the gas business and used it as a deep integration activity, focused on leveraging the best of both companies.

After 50 continuous improvement events in the gas business over the past 18 months, we are ready to scale this activity across the enterprise.

From a gas utility perspective, we have a great platform in place to further standardize our activities.

We operate as "one company". Although we may be a collection of several legacy gas utilities, we made a decision to organize and operate as one gas utility many years ago.

That model served us well during the integration of Vectren as we centralized all of our support leadership including engineering, regulatory, and call centers.

Some of our early successes include common telephony platforms for call handling, a single bill printing operation for all customer bills, outsourcing warehousing and logistics for the full gas utility, driving better standardization and cost efficiencies.

Looking forward, our O&M opportunities will be driven by integrating the Vectren assets into our enterprise technology platforms in 2021.

We will have a common system that will drive further standardization and efficiencies.
And there are always processes to improve or enhance as technology deployments are fully realized.

One example of process improvement in our gas utility includes the use of Picarro, an advanced leak survey tool.

This very modern approach to leak survey is 1,000 times more sensitive than traditional methods.

This mobile surveyor samples the air from a device on top of the vehicle and processes the data in real time through proprietary algorithms to help identify the leak location and area for investigation.

When we began using this technology several years ago, we used it to simply find more leaks.

Over time, we worked with the vendor to further refine the leak search area which has helped us be more efficient in finding hazardous leaks.

This led to a pilot in Texas with the advanced leak survey technology that also gathers emissions data on our system.

That's a first for our industry that helps us identify more critical leaks.

We can then incorporate this additional data into our planning models to further prioritize replacement activities based upon risk, efficiency and emissions.

Initial results from the pilot show that we are able to eliminate one and a half times more leaks during pipe replacement activities with this additional information resulting in a more efficient way of maintaining our system.

These are truly more modern and efficient tools that enhance the delivery of our service.

Looking ahead, beyond the first five years of our plan, I am excited about the opportunities in front of us.

It all starts where we began, building our infrastructure to serve a safe, reliable, modern and growing utility.

Our system, even after the sale of Arkansas and Oklahoma, will continue to be the number one gas utility in terms of miles of main, providing plenty of opportunities for investment.

Although we are able to accelerate some of our infrastructure projects to include them in this five year plan, we are simply cutting a few years off of multi decade replacement plans.

We have additional investments planned in the coming decades.

In particular, we still have replacement programs that extend well into the 2030s and 2040s for legacy steel and vintage plastic assets.

As we increase our investment, we still have plenty to do and have the ability to move projects forward.

As an example, in 2020, we will have replaced approximately 600 miles of distribution mains on our system as part of our modernization efforts.

While that sounds impressive, it represents less than 1 percent of our total system.

This is in addition to the nearly 800 miles of distribution main we installed to extend to new customers.

All of this adds up to a significant platform for investment and modernization that extends well into the future.

Investing in the expansion of our metering infrastructure will include a full ecosystem of communications devices that provide operational data I only dreamed about when I first began as an engineer over twenty five years ago.

Something as simple as a daily reading at a device that we used to only read monthly can now be used to enhance the safety and efficiency of our operations.

This will drive better, more efficient investments.

Furthermore, our investments in the clean energy transformation will help support the transition by further reducing emissions for our customers.

Kenny and I are honored to lead this transition into the future.

Now, I would like to turn it over to Gregg Knight, our EVP for Customer Transformation and Business Services, Gregg:

Gregory Knight – EVP Customer Transformation and Business Services

Thanks, Scott.

By now, you've seen our exciting strategic focus around financial excellence, continuous improvement, renewables and growth in our core businesses.

2020 Investor Day
December 7, 2020

CenterPoint Energy has a strong legacy of doing really great things, for and with our customers and our results show it.

In fact, we're recognized as an industry leader nationally in both our Gas and Electric utilities in the areas of customer satisfaction, brand trust, outage restoration and helping customers save energy.

These results have been achieved through a range of investments we've made in our technology, employees, and our communities.

I'm excited to be here today to share how we plan to leverage and build upon our prior successes.

Looking ahead, these new investments will help us to address an expanded range of customer driven needs.

We are committed to building upon the transformative work we've already begun by reducing customer friction and effort while also delivering safe, reliable and sustainable energy.

We are confident in our ability to further leverage our award winning and artificial intelligence enabled customer interaction platform.

This platform has enabled much of our current success and opened the door to an amazing number of customer engagement enhancements.

This innovation has been pivotal, improving customer experiences and reducing operating expenses across our service organization.

We've developed self-service processes for bill payment, account setup, and proactive outage notification, which has enabled over 74% of customer transactions to be resolved through our digital channels.

This innovation allows us to leverage our employee resources more efficiently while also providing a high level of convenience to our customers.

We look forward to enabling additional capabilities with this technology as we deploy these assets to our Indiana and Ohio territories.

Our entire customer engagement philosophy is based on being easy to do business with by reducing customer effort when interacting with CenterPoint.

We reinforce the importance of customer satisfaction by incorporating customer satisfaction targets into our incentive compensation system for all employees.

Our information technology investments and improvements have also been driven by customer demands to operate more efficiently and effectively.

Our leading edge digital platforms are enabling us to find new, non-traditional ways to work without sacrificing quality while maintaining our commitment to deliver to our customers.

I’m also excited to share that our SAP ERP platform currently deployed across the CenterPoint enterprise gas and electric 6 state territory is scheduled to go live in Ohio and Indiana in mid-2021.

Our common platform strategy from Texas to Indiana will expand capabilities to drive workforce automation, process efficiency and also improve our overall technology spend, all of which is in-line with our O&M reduction strategy.

A strong foundation of innovation is fostered throughout our entire ecosystem of customer touchpoints – whether that’s in our call centers or in the field.

As a result, we are confident in our ability to deliver a 1% - 2% year-over-year O&M reduction.

Our procurement, purchasing and supply chain processes are being streamlined and enhanced to enable additional growth while negotiating better returns on our dollar to support the efficient execution of our capital plans.

The ways we’ve organized our functions and teams has enhanced both our ways of working and our ability to identify opportunities for further process enhancements and continuous improvements.

We have a newly optimized operating model focused around our business services framework to drive greater efficiencies across key business areas.

2020 Investor Day
December 7, 2020

Customer expectations continue to be a driver where we will invest in the future. Today's expectations are being driven by a residential adoption of connected devices, advanced commercial manufacturing, storm resiliency and carbon reduction aspirations.

Our response is robust and designed to meet these needs over the next several years.

Demand for reliable and resilient service is higher than ever.
We will meet those demands.

Families everywhere have become much more reliant upon uninterrupted power as they work and learn from home.

Home offices have become many customers' only offices.

Even an infrequent and momentary electric interruption can cause the loss of critical connectivity, disrupting important communications, business, and learning.

We've also known that the stewardship of the environment is important to all our stakeholder groups and it's important to us too.

Customers desire unparalleled choices in the type of energy they consume.

This enables our customers in our Houston market to have greater options to choose from in terms of renewable power.

The adoption of electric vehicles continues to rise as new, more cost-effective cars and trucks enter the market. We will support customers' choice to drive green by working to put the infrastructure in place to deliver the energy to power customers' commutes and enable our vibrant and growing communities we serve.

Through our efforts to curb greenhouse gas emissions through our advanced Gas Conservation Improvement Programs and renewable natural gas, among others, we are moving steadily towards our carbon emission reduction targets.

Additionally, the transition of our generation portfolio to include more renewable sources in Indiana, will help us remain in an attainment status, leading to additional economic development and growth opportunities for the Evansville economy, the third largest in the state of Indiana.

Whether it is repairing our infrastructure, keeping the gas flowing, and keeping customers safe in our hurricane prone Gulf-states-territory, or deploying our expert mutual assistance crews to help peer utilities restore power for their customers,.... our teams embodied the upmost spirit of service and represented us well this year.

Fortunately our customers in the Houston area were largely spared.

Through further investments and improvements in our self-healing smart grid, asset hardening and enhanced customer notification capabilities,...
we are able to reduce the anxiety and duration of outages when they occur by better assessing conditions in previously inaccessible areas, and share timely, localized updates with affected customers.

We're on the leading edge of outage mitigation and management.

With continued focus and investments in our infrastructure, our customers will be able to rest assured that we'll be there to keep the lights on when they're needed.

So, with that, I'd like to end my time today by reinforcing our commitments to lead in delivering energy, service and value to our customers.

And now I'd like to hand over to Tom Webb.

Tom Webb – Senior Advisor

Thank you Kenny, Scott, Gregg, Jason, and Dave……and friends, thank YOU for joining us at CenterPoint today.

There is a lot of seasoned talent on this stage. I'm humbled to be with them.

You know me…'seasoned' is probably a generous description.

2020 Investor Day
December 7, 2020

After two decades at Ford, three years at Kellogg, and almost two decades at CMS Energy….
'old dog' might be a better description.

I've seen a lot of plans, and a lot of execution - good and bad.

This team, this Plan, and execution-to-date are impressive.
You, however, will be the judge.

This management team is committed to take actions to offset problems, whenever they occur.

I'm confident in this team's ability 'to sweat the details, so you don't have to'.

Here's how I read the Plan -
$16 billion of capital investment opportunities over the next five years – it's needed, it's tangible, and it's real.
And, if the team does it more efficiently, for lower cost, there is ample, new, fill-in capital investment.

Is it affordable?
It strengthens the balance sheet with the planned sale of two excellent gas LDCs, responsible Operating Company debt, and modest, routine equity issue.

But, Is it affordable for customers?
It assumes annual customer growth of about 2% and cost reductions of 1% to 2%. This provides substantial customer rate headroom…..
And that makes the Plan sustainable - enduring.

6% to 8% Utility Earnings Growth Target -
I read the midpoint .... 7%.

CenterPoint Energy

2020 Investor Day
December 7, 2020

Management is committed to predictable, strong, and consistent EPS growth delivered every year.

No earnings CAGR here.

Will there be bumps in the road - headwinds and tailwinds as Dave articulates it? Yes.
No one can predict accurately the weather, storms, viruses, politics, taxes, or even duties on imported wine!

I can attest to all of that.
However, a well-designed plan includes flexibility.
A strong management team has the capability to manage through good and bad news.

This team is committed to their 6% to 8% utility earnings growth target - addressing shortcomings and re-investing surpluses on behalf of its customers. This team believes in a no excuses commitment to deliver for its Customers AND its Investors. Premier companies in our sector do this every year. So will CenterPoint.

You'll have a lot of questions. You should. One question I hear about any utility that says it will reduce cost is…how?

CenterPoint has a good plan. Let me describe it in two tranches -

First, GOOD BUSINESS DECISIONS.
These are well underway – a sampling of them include better system-integration across businesses, broader scale procurement practices, and intelligent carbon reduction.

For example, in Indiana, our coal plants will be replaced with gas peakers and renewables - substantially reducing emissions and our carbon footprint.

It takes a couple hundred people at a coal plant….. many just to receive, manage, and pulverize the fuel.

At a gas peaker, it only takes one employee to turn the valve…..eek.

And for wind or solar fuel…. a thank you should do.

With just this good business decision, we expect to save about $25 million of O&M - that's nearly 2% of our total CenterPoint O&M.

Second, CONTINUOUS IMPROVEMENT.

2020 Investor Day
December 7, 2020

By now, most familiar with the 'Lean' approach, would agree that, it works.

It's all about -
- quality - doing work right the first time,

- delivery - doing work on time,

- cost - seeing, and eliminating waste, and

- morale - being proud to serve.

Where the work is actually done - operators see this as 'reducing human struggle'…not just cutting cost.

That's the point…empowerment to improve processes makes it possible to improve quality and delivery - the costs fall out!

Those that are good at it, like my old company, have proven the ability to reduce cost at 2% a year!

So can CenterPoint.
I was delighted to find real experts at CenterPoint, experts that have done this in smaller business units.

With this talent in place, the skills are being spread across the entire company.

Kenny, Scott, and Gregg are believers and doers.

So, do I believe CenterPoint can smartly reduce O&M costs 1% to 2% every year. Yes.

With that, thank YOU AGAIN for your interest in CenterPoint Energy. This is an extraordinary management team, with a 'back to basics' Plan that provides great promise for our Customers and for you, our investors.

I continue to be thrilled that Jason joined CenterPoint.

He brings deep financial and rich utility experience….. with a steady hand.

It's a pleasure to turn the presentation back over to him. Jason….

2020 Investor Day
December 7, 2020

Jason Wells – Chief Financial Officer

Thank you, Tom.

I've truly enjoyed partnering with you and have valued your insight on our plans and how to improve our business.

You've heard from our team on what's driving our investments and you understand our commitment to continuing to build a culture of continuous improvement.

Now, let's pull it all together so that you have the full picture of how we will consistently target the midpoint of our increased long-term, utility earnings growth range of 6 to 8%.

I'll start with the view of consolidated capital spend of $16 billion from 2021 through 2025, starting with $3.4 billion in 2021.

As you have heard, the plan is more heavily weighted towards electric on the front end as we upgrade generation in Indiana with Natural Gas Distribution investments fully ramped up in the later years of the plan.

What is also important about this profile is increasing capex by $900 million more in 2021 as compared to 2020 is that it helps us to overcome the loss in earnings from the sale of the Gas LDCs in Arkansas and Oklahoma without any impact to our utility earnings growth target.

I will also point out this plan does not include the $1 billion of incremental capital Dave discussed earlier.

This pipeline of incremental capital will help ensure we deliver on our $16 billion capital investment plan as we will be in a position to execute on these projects should any of our planned work experience delays.

And, we will opportunistically look to add incremental capital when we can execute it efficiently, which is likely towards the latter years of this five year plan.

In short, this sequencing of our annual capital investment plan takes into consideration our system needs and regulatory calendars to optimize our service for customers and minimize regulatory recovery lag for our shareholders.

And, it is this level of capital expenditures will drive our industry leading rate base growth of 10%.

On this next slide you can see our projected rate base continually growing as the total rate base moves from nearly $16 billion in 2020 to $25 billion in 2025.

This growth occurs despite the fact that Arkansas and Oklahoma are included in the 2021 rate base, but not included in the rate base amounts from 2022 onward.

Strong rate base growth underpins our earnings growth and supports all of our other goals.

This includes improving our system reliability and resiliency… meeting our carbon reduction targets… and enhancing safety across our systems.

We're proud to be advancing the interests of our customers while simultaneously rewarding our shareholders.

Now let me cut the capital a couple of different ways for you.

As you can see on the left-hand side of the slide, we are planning on investing just over half of the capital in our electric business and nearly 90% will go to fund energy delivery in our pipes and wire portions of our business.

What I think is most important is over 75% of our investment is covered by capital recovery mechanisms that allow us to fold investments into rates as long as we are earning at or near our allowed return on equity and deploying capital prudently for our customers.

So, how do we fund all of this growth?

As you can see, we have four primary sources of funding.

First, in line with our authorized capital structures, we plan to fund about half of this investment with debt at the operating company level.

Second, we anticipate retaining significant and increasing earnings throughout the plan that would generate substantial cash to fund the growth.

Third, we plan on issuing a modest amount of non-block equity to maintain a strong balance sheet.

And, consistent with what we communicated on the third quarter earnings call, we plan to turn on the Dividend Reinvestment Plan in 2021 and add a very modest at the market program in 2022 growing into a combined estimated annual equity issuance of $75 million from 2022 onward in a very efficient way. This totals to just over $300 million for the 5-year plan.

Finally, the sale of our Arkansas and Oklahoma gas LDCs would fund the balance of the growth.

This was obviously a tough decision to sell Arkansas and Oklahoma. But it was the right decision from a capital allocation standpoint.

We have the opportunity to sell these businesses at a multiple of book value while recycling that capital to invest in this unprecedented organic growth at book value.

And we are doing so without resetting the earnings power of our utility segment.

This is all a very efficient strategy for funding our industry leading growth plan while continuing to strengthen our balance sheet.

In fact, this focus on continuing to strengthen our balance sheet was recently recognized by Moody's when they removed the company from negative watch.

We appreciate the recognition of the progress and know there is more to do.

Now I know everyone is eager for details on our upcoming Gas LDC sales so let me provide a quick update on the process.

Arkansas and Oklahoma are quality jurisdictions, together serving over half a million customers with approximately 17,000 miles of main…
and in areas of our country that recognize natural gas is a cleaner and more affordable energy source for customers.

We believe there will be strong demand for these businesses and the process to sell them is underway.

We had received reverse inquiries during the business review process and continue to receive interest today.

JP Morgan and RBC have been engaged to advise on the transactions, and in light of this strong interest, we expect to be in a position to announce a sale during the second quarter of 2021.

Given all of the work to date, we feel confident in our ability deliver on this portfolio repositioning in a way that more efficiently funds our growth and avoids the alternative of issuing dilutive block equity.

Executing on the sale of these Gas LDCs also dovetails with another goal of mine which is reducing the percent of parent company debt to total debt outstanding.

Let me start by saying our parent company debt is substantively lower than what you see at first glance.

More specifically, parent debt at nearly 37% of consolidated debt shown on the left includes debt issued and loaned on an inter-company basis to fund operating company debt needs.

However, this approach isn't efficient for customers or shareholders, and we are focused on simplifying our financing strategy going forward.

Instead, we plan to reissue this debt at the operating company level and, in conjunction with our planned Gas LDC sales, we anticipate bringing parent debt closer to 20% of total company debt and more in line with our peers.

What I want to make clear is this is not about increasing leverage at the operating companies.

This is about raising the debt at that operating company level to replace the debt that already exists through
inter-company loans so we can reduce our overall borrowing costs for customers and better position the company from a perceived leverage standpoint relative to our peers.

As you know, we have a broad goal of minimizing our exposure to midstream.

We understand this is important to you. It is very important to us and one of our core areas of focus.

However, it would be imprudent to rush a resolution. We continue to work with our partners toward a constructive outcome and are not in a position to share the specifics today.

However, as Dave mentioned, we have engaged a financial advisor are in the process of evaluating our potential options.

We anticipate we will be in a position to provide a more thorough update within 60 days.

However, the bottom line is we plan to minimize our exposure to midstream without sacrificing our targeted 6 to 8% utility earnings growth.

As I said, this is a core area of focus for us, and as soon as we have something specific to announce, we will do so.

Now let's focus on the strong, long-term earnings growth from our premium utilities.

As I have mentioned, the 10% compounded annual rate base growth provides a solid foundation to our increased utility earnings growth of 6 to 8%.
The level of rate base growth allows us to address structural headwinds such as modest regulatory lag and parent company interest expense ….and when taking into consideration tailwinds like customer growth and O&M discipline…allows us to manage individual headwinds such as the dilution from a full year of additional shares from the equity issued earlier this year… and the loss of the equity return on the securitization bonds at Houston electric over this five year plan.

Additionally, we anticipate this delta would allow the utilities to absorb higher levels of parent company interest expense and other costs as we continue to minimize our exposure to midstream.

Our shift to achieving our new utility earnings growth target of 6 to 8% starts now.

As I mentioned on the third quarter earnings call, I wouldn't be surprised if we delivered at the midpoint of the $1.12 to $1.20 utility EPS range for this year.

The guidance we are initiating for 2021 assumes this result and targets utility earnings growth at 6 to 8% from there. As a result, we are initiating 2021 utility earnings of $1.23 to $1.25 per share.

While much of our presentation has focused on the next 5 years, we heard from Kenny and Scott that the deep capital investment opportunities extend well beyond this 5 year horizon, and as a result, we are committed to growing utility earnings at this 6 to 8% beyond the five years we presented today.

As I mentioned in the beginning, stepping on the investment accelerator makes all of our headwinds far more manageable.

Increasing our 2021 to 2025 capital investment plan to $16 billion drives our industry leading rate base growth of 10%.

That rate base growth is the solid foundation for our increased utility earnings growth target of 6 to 8%.

Our planned Gas LDC sales allow us to efficiently fund a portion of this growth and to continue to strengthen our balance sheet.

Our stronger culture of continuous improvement will drive down O&M and is a win for both our customers and our investors.

And our commitment to minimizing exposure to midstream and the combination of all of these options positions us to be a nearly fully regulated utility.

I could not be more excited that I have joined this team and we're eager to accomplish everything in the plan we've put forward.

I'm looking forward to connecting with many of you virtually in the near future and I'm definitely looking forward to connecting with you all in person as soon as we're able.

With that, let me turn things back over to Dave.

Dave Lesar – President & CEO

My closing remarks will be brief.

More than anyone, I recognize we have to earn your confidence by executing on this strategy… quarter after quarter.

I hope we convinced you today… that not only do we have a path... but we are on the path to becoming a premium valued utility.

We know it's not going to happen overnight but as we execute portions of this plan, I hope we can quickly gain your confidence in it.

I believe we have all the baseline ingredients to become a premium utility

- The right management team,

- Utility EPS annual growth rate of 6%-8%, year after year

- Organic growth opportunities that few utilities have

- Industry leading % rate base growth opportunities

- Significant additional investment opportunities beyond the current 5 year planning window

- A clear path to top tier operational excellence

- Fantastic emerging renewable opportunities in our service areas

- A path to restore balance sheet optionality

- Determining the best path to resolve Enable

- and a commitment from all of us to execute this plan

I am convinced we are going to complete this journey to success… I hope you do too.

Thank you for your, time, attention and interest in the NEW CenterPoint

Let’s take a short break and come back for question time.

<u>Q & A</u>

Operator:

Our first question is from Insoo Kim of Goldman Sachs.

Insoo Kim:

Thank you and thank you for the all detail on the slide deck, definitely appreciate it. First question is on O&M and definitely appreciate the achievement that you've highlighted on both the Electric and Gas side, and those utilities being in the first quartile with that in mind and appreciating some color you already provided, could you give us a little bit more detail or examples on the various items on both sides, that could help you achieved that goal and whether we should see that 1% to 2% at both Electric and Gas segments in an annual basis.

Dave Lesar:

Yeah let me sort of act as emcee on the questions and then I'll dish them off as they come in. Yeah what we have – we're respecting social distancing here today. So Jason and I are the only two on the stage. We have an empty chair over here to pull people in, so I think with respect to that I'll have Scott Doyle come up and handle O&M related questions and Jason maybe you want to make a comment or two to open.

Jason Wells:

Sure thanks, Dave thanks Insoo, for the question, great to connect with you here today. You know I will tell you in a couple of months that I've been here at CenterPoint, I've been very impressed with the level of financial stewardship throughout the company. That being said, I do think we all see an opportunity to really use data to continue to drive efficiency throughout our operations and you know one of the things – that's a theme you're going to hear from Scott but you know one of the areas that really stood out to me when I joined the company is we actually had a presentation by a group of high potential leaders who were looking at our service connection process and really recognized the fact that about 40% of the time we were rolling trucks on a multiple time basis to complete the job and as we really unpack that I think there was more to be done in terms of changing our process, improving our communication with customers to really drive that first time quality, so this theme around using data to drive the reduction in multiple truck rolls is something I think you're going to hear a lot from us but let me have Scott expand on that.

Scott Doyle:

Thanks Jason and good morning Insoo, thank you for your question. Just a couple of quick examples maybe that might be helpful to you specifically - next year we're going to complete the deployment of our enterprise ERP system which will have us on a common platform for IT, across the full enterprise both electric and gas and that drives a lot of system process improvement across the entire organization. A couple of you know more granular examples relate to – in our gas business as we prepare to deploy the advanced metering infrastructure that we've talked about that's a – that gives us the benefit as we get scale of reducing truck rolls, sending employees out to disconnect meters for non-pay or for safety related incidents by being able to quickly disconnect those meters in an automated fashion once we have scale has an O&M benefit with it. And then finally in Kenny's organization, they've experienced significant improvements in their outage management restoration activities, they saw it in hurricane Harvey, they saw some of the benefits and some of the areas where they've deployed the automated grid technology that exists on their system but as they expand that investment they expect to see significant gains and improvement of outage restoration times which reduces the number of trucks that are having to roll out and go to the site and being able to send the right kind of crew to the to the outage incident.

Dave Lesar:

Do you have a follow-up, Insoo?

Insoo Kim:

Yes, thank you for that, the follow-up is – question is on the capital side. And you definitely pointed out a lot of items on both sides of what you'll expect to spend to make up the $60 billion but on either side over the next five years, what are some items that are not currently in the base plan that has perhaps some line of sight that you think could be added as we go through this five year plan?

Dave Lesar:

Yeah, sure. Good question. Good follow-up question. In fact, I'll leave this opportunity to ask Scott to leave the stage and have Kenny come up on the stage now and maybe add a little bit to that. But I think as you heard in the presentation, we've got plenty of opportunity to spend capital in this company not only for the next five years but decades beyond that. And Kenny as I said earlier was a guy that from my first day here on the job was incessant in his demands for more capital for Houston Electric. So, let's get Kenny up here and let him elaborate a little bit more.

Kenny Mercado:

Thank you. Thank you Dave and I appreciate the question because this is critical to our success in the future. I'll give you a few examples on the electric side. Let me begin…as you heard Scott Doyle talk earlier, the intelligent grid, the smarter grid of the future, that's about a 20-year plan to go out and retrofit all of our circuits across our entire footprint. We would encourage it to have a more accelerated plan to do that quicker. The main reason is we're going to get benefits to our customers by having shorter outage times. We're going to get benefits in terms of efficiencies for our company and our shareholders and we're going to get reliability improvement. So this is a really important component of our CapEx plan. And again, it's over about a 20-year timeframe so we can accelerate some of that investment. Secondly, you heard earlier about reliability and resiliency. The reliability place is very important to us. We have underground residential cable. We have a substation breakers and transformers. We have a 69kV grid. All of those assets have opportunities for accelerating the replacement programs. And again, if we do that in a more standard fashion under a faster pace, it makes a big improvement in the reliability of our grid, that makes a big improvement in our customer satisfaction, makes a big improvement in the efficiency of operations. So those are two really important examples on the electric utility side in Houston. But if you go deep, bigger into Evansville, what we can do in addition again is continuing to implement more renewable solar projects, more renewable battery paired with solar projects. We go down into the distribution area and we can start doing more investments with distributed energy resources, batteries on the distribution grid, demand response technology and a distribution grid, all of these make an impact to our ability to really hit that needle and exceed our customer and our state's expectations on us.

And then lastly on the gas side, we have a lot of opportunities to expand our capital. Number one, we have the advanced metering programs that are already targeted in certain areas. We can expand that to other jurisdictions, because it is going to work and it's going to provide an important benefit to our customers. Number two, we have – what you heard Scott talk about earlier around the renewable, the additional renewable natural gas and hydrogen programs that are working right now in a pilot program. We would love to expand that in Minneapolis in other jurisdictions, because it's really going to provide a cleaner solution and a cleaner benefit to our customers And then lastly, we have some opportunities in Indiana and Ohio just to modernize all of our gas facilities, all of our gas storage facilities. We think there's some great opportunities there.

Dave Lesar:

Thanks. Thank you, Kenny. And I made a comment in my first earnings call about Kenny walking around with a piece of paper in his pocket. I wasn't kidding. And I think you get a sense of the enthusiasm he has and I can tell you he still has that piece of paper in his pocket. It just gets bigger and bigger. So let's go to the next question.

Operator:

Our next question comes from the line of Steve Fleishman with Wolfe Research. Your line is now open.

Steve Fleishman:

Good morning. Thanks for the presentations today. Just could you maybe give a rough idea on the mix of the company between electric and gas after Enable is maybe gone and after the LDCs are done – rough mix of the company?

Dave Lesar:

Sure. This is something Jason has been living with every day. So let me kick the question over to him

Jason Wells:

Hey, thanks, Dave, and good morning, Steve. You know after taking into consideration the planned gas LDC sales and our investment profile I think at the end of this five years we will likely be roughly 60% electric, 40% gas in terms of sort of rate-based earnings power of the company. From a consolidated earnings standpoint, given the level of capital investment in our Utility businesses even if we already do nothing with Enable, Enable would represent less than 10% of the company's earnings going forward. That being said, as you know we are absolutely committed to minimizing our exposure to midstream. And while we're not necessarily in a position to announce the specifics today, we really are becoming largely a regulated utility that has a slight bias from our earnings power standpoint to electric.

Steve Fleishman:

Great. And then I guess just Dave question on just on the Enable comment, on we'll get an update in 60 days just, if you know, what I guess what's the chance that the update is we'll hear more in another 60 days or do you just feel like there's enough visibility that it should be more meaningful than that.

Dave Lesar:

Yeah. I think the chances that you'll get an update are 100%. If you're getting an update that's going to satisfy 100% of our shareholders, let's just wait and see.

Steve Fleishman:

Great. Okay. I'll let others ask. Thanks.

Operator:

Our next question comes from the line of Shar Pourreza with Guggenheim Partners. Your line is now open.

Shar Pourreza:

So a couple questions here, two different topics. First, on just the Oklahoma and Arkansas LDC sales. I mean obviously the sector has seen some depressed public marks. How long have the BREC and the board review been focused on these LDCs and sort of what gives you confidence that the sale process gives you enough equity value to sort of support that financial plan. And what related – would sort of jolt the decision for Oklahoma and Arkansas versus the other LDCs I mean you do have other good ones. And should we read anything to the fact that your other Enable partner happens to be located in the states that you're looking to sell. So is any read through there going to follow?

Dave Lesar:

No. Absolutely no read through on why we chose Oklahoma. Again, I'll let Jason go into the details here in a second. We're confident that we're going to get these businesses out in the market and sold. There's a lot of interest in them. Now that it's out as to which LDCs they are, I suspect we'll get more input today on that but again this is something Jason is living every day. So let me let him take it from here.

Jason Wells:

Thanks, Dave. You know we wouldn't have announced this, if we didn't have this level of confidence in being able to close these transactions. You know the BREC as that process was stood up this summer, received a lot of inbound interest. That inbound interest has continued since we reported out the results of the BREC on the third quarter earnings call. And given that level of interest that we've received, we feel absolutely confident we'll be able to close these transactions. I know you referenced, Shar, the fact that the gas LDCs have traded off, but as you know, when you look at sort of the average multiple of rate base for the pure play gas LDCs, they're trading at about 1.6 times rate base. And so you know, at the heart of this, this is really an incredibly efficient way to fund our unprecedented level of growth. We are going to be selling these businesses at a multiple of rate base and investing those proceeds at one time rate base. It's going to be accretive. The plan is not that sensitive to the absolute sales price. But you know, stepping back, as I said, it's just an incredibly efficient way to fund this industry leading growth.

Shar Pourreza:

Got it.

Dave Lesar:

... yeah, let me just add a couple more things, I think that you know one, this was a tough decision. This is a good set of assets. And I believe that there's going to be tremendous amount of demand for them in the marketplace. One thing I learned a long time ago in business, you never put a business up for sale that you're not very confident you're going to move. And we're very confident that there's going to be value there for these businesses.

Shar Pourreza:

Got it.

Jason Wells:

You asked, Shar, a bit about the context for this decision. Let me just kind of share some thoughts around that. You know this is really largely driven by the decision to invest in a regulated utility business to improve our service for customers, to accelerate the growth of our regulated utilities. And as we announced on the third quarter earnings call, we increased our five-year capital investment plan by about $3 billion. And when you think about it – about half of that will be funded on a ordinary course basis with operating company debt. We announced some modest non-block equity of just over $300 million as you can imagine. We've got the increasing level of cash flows. And so there was really a financial need of a little less than a $1 billion. And so starting from that standpoint first this was how do we efficiently fund that equity need in that ballpark. We looked at the size of these businesses and then stepping back we looked at where did we have sort of operational synergies. And you know there's a strong history here with Arkansas and Oklahoma being part of the ARKLA legacy assets. Today we actually run these two jurisdictions under a common leadership team. And so there's common principles around integrity management. And so there's a lot of synergy with respect to the ongoing operations. And then finally we think these are incredibly constructive jurisdictions. This is an area where the state, the regulators see gas is an important part of energy supply. So we think those factors are really going to be of interest from prospective buyers. And it was all of sort of those factors that that led us to the decision, as difficult as it is, to sell both Arkansas and Oklahoma.

Shar Pourreza:

Got it, got it. And then just thank you for that, Jason. And then just – just one last one more specifically on Enable and Dave we appreciate that we'll get closure in 60 days. And it seems like there is you know very little probability that we won't get some sort of announcement in 60 days. Related to tax efficient swap like a like-kind exchange, is there sort of any option that you see that or at least off the table? And then just remind us if there's any opportunities in some of your due diligence work to potentially swap Enable with a C Corp with similar assets versus with another MLP and still make it sort of tax efficient and I'll jump back in the queue. Thank you.

Dave Lesar:

Yeah. I mean I think give us the chance to get through the 60 days, I'm not going to speculate on everything we're looking at as we said we've hired a financial advisor. We're looking at our options right now. I think it'd be premature to lay out for you what the range of options are. So trust us, give us the 60 days. I think if we've proven anything so far in our joint tenure between Jason and I is we've got this thing moving in the right direction and we're going to keep it moving in the right direction.

Operator:

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

Julien Dumoulin-Smith:

Congrats for getting this all done. So if I can start with where you've all just left out on Enable. Can you elaborate a little bit more on how you're thinking about the – the accretion impact, you talked about minimizing your ownership stake. Can you talk about your commitment from an earnings impact, right? So to the extent to which you reduce down that segment you've got allocated SG&A, just when you think about resolving Enable, what can you say today based on what you know in the process about the criteria and the impact to your 6% to 8% EPS growth trajectory from any resolution here?

Dave Lesar:

Yeah. Listen Jason has lived with this problem since day one So I am going to throw it over to him.

Jason Wells:

Yeah. Thanks, Julien, for the question. You know there's a number of variables that we're looking at here. You know we've talked about in the past the negative tax basis and Enable. One of the themes that you heard me commit to and some of the prepared remarks is the fact that we're not going to sacrifice the 6% to 8% utilities growth, you know as we look at the range of options, we see a path to minimizing our exposure to midstream, while protecting that 6% to 8% growth in utility earnings. And I think, as you get deeper in the slide deck that we shared, you can see sort of two factors, first in the walk between the rate base growth of 10% and the earnings growth of 6% to 8%. You can see there's a factor in there that includes absorbing a higher level of corporate allocations and interest expense. And in addition, we've also taken a step as we've initiated 2021 earnings guidance for the Utility segment to continue to clean up the association with Enable. We actually removed the – about $0.02 that was the net amount associated with the preferred securities in Enable. We will consolidate that with the Midstream. So that going forward, the Utility segment is clean. Given the level of rate base growth that we have and given the range of options we're considering, we have confidence that we'll be able to absorb higher levels of allocation, while achieving the goal of minimizing our exposure to Midstream.

Julien Dumoulin-Smith:

Got it. So maybe said differently - that's contemplated in that half a percent delta that you just described. And if I can just leverage that same line here to ask a subsequent question. Obviously, there's a half a percent a regulatory lag there as well. Are you earning your ROEs currently or is it just the scale the level of investment driving some greater expectations for relative lag or is that kind of a proxy for some kind of authorized rate compression. Just curious how you characterize that because certainly there's an element of upside if you don't suffer incremental regulatory lag or do find perhaps EPS-neutral ways to address Enable here?

Jason Wells:

Sure. Sure. We are earning at or near our allowed returns for each of our utility businesses. It's an important part of managing each of these businesses. As I've said in the prepared remarks when we earn at or near the allowed return, we have access to very constructive regulatory mechanisms. These mechanisms allow us to fold in incremental capital into rates automatically but there is some small lag that occurs, maybe a classic example that I'll use is at Houston Electric twice a year we have the opportunity to fold in incremental capital on the transmission side of the business. That's very helpful. But at the same time that gives us about six months where we may be incurring some depreciation without necessarily that recovery in rates. And so when you look at that sort of rate base walk slide the 10% to the 6.8%, I'd look at that 50 basis point acknowledgement of regulatory lag. It’s something that is short of structural in nature and will be ongoing. I think the areas that we have the most opportunity to close that gap are really getting past the first full year of dilution from the $1.4 billion of equity that we issued earlier this year. So as we roll past 2021, we get a full year’s worth of those shares that will help. I think we've also signaled that that rate base walk allows us to overcome the loss of the equity return in the latter years of our plan related to the Houston Electric securitization bonds. And when you couple those two drivers, you really see sort of a compression of that delta by about 125 to 150 basis points allowing us on the back end of this plan and going forward to really grow rate base at an amount less than 10% and still achieve our 6% to 8% annual earnings growth.

Julien Dumoulin-Smith:

Thanks. A quick clarification, what's the net income today of those two businesses that you're selling? If you can clarify that?

Jason Wells:

The rate base amount of those two businesses is kind of roughly on an adjusted basis for excess differed taxes roughly about $700 million. And so you can think of that as sort of roughly a 50% capital structure with 10% return on equity.

Julien Dumoulin-Smith:

Got it. That's a 2020 rate base.

Jason Wells:

That's right.

Dave Lesar:

Yeah. Maybe before we go to the next question I want to do it or make an editorial comment. And I hope you're getting a sense of what a great addition Jason has been to our team. I know a lot of you know him but you can see how quickly he's gotten up to speed just in the few months that he's been with us. And I would be remiss if I didn't mention today it's Jason's birthday. So as his birthday present, I'm kicking him a lot of the questions to answer today. So happy birthday, Jason.

Jason Wells:

So much for that being a secret.

Julien Dumoulin-Smith:

Happy birthday.

Operator:

Our next question comes from the line of Jeremy Tonet with JP Morgan. Your line is now open.

Jeremy Tonet:

Good morning, and happy birthday Jason.

Maybe coming at the Enable question slightly differently this time, just kind of curious CenterPoint went through the whole exercise of a strategic review historically and that didn't amount to anything at that point. What do you see that's different this time around that makes you feel confident that you could – that you'd be able to achieve what you want to achieve here and just curious how much credit quality considerations feed into your decision process?

Dave Lesar:

Yeah. Let me answer that with a couple of points and then maybe Jason can elaborate. One is it's a different management team looking at it today and we're committed to do what's best for our shareholders. And I think we're taking a clean sheet approach as to what we're looking at. I think also it's important to understand we're aligned with our partner around the resolution of Enable. It's just as important to OG&E is to us to get a resolution here. So you guys can come at this 500 different ways today as I've said earlier, give us the 60 days, we're making progress, we have a financial adviser and just watch the space and it'll happen.

Jeremy Tonet:

Got it. Makes sense. Thanks. And then maybe just pivoting over to batteries for a minute here and just wondering how batteries could impact the transmission system in ERCOT and do you see associated wire investment being impacted as far as how you think batteries develop here and could this impact the timing of transmission development just any thoughts on how those two interact.

Dave Lesar:

Now we still have Kenny in the chair so I'll let him answer the question. But I think the bottom line is it's positive for our wire and pole business. And Kenny will explain why, he'll explain what we're seeing in our marketplace. But there's a lot of interesting things happening there as he said in his remarks. We're really excited about the burgeoning renewable space that we're seeing inside Texas but more importantly inside our territory here in the Houston area, so Kenny why don't you elaborate on this a bit.

Kenny Mercado:

Yeah and the batteries that we're now participating in, they are transmission scale batteries and so we're still early in the – in really the opportunity this year we'll be putting in our first large scale battery that's third party owned but the benefit of that battery for us as it is integrated into our transmission system and it will require investments, important investments for us to enable the operation of its service into the transmission grid and so as we expand those opportunities and more and more developers determine that there's an economic benefit which we think there will be economic benefit then we will be the enabler of the battery technology for the marketplace to enable the marketplace to have an efficient way to bring renewable power into the operation of the system in a – you know in a in a timely manner whether it's 4:00 in the afternoon or for 4:00 in the morning so that battery provides more flexibility to enable the opportunities for the market to work. So we're actually excited about it, we see it as a good opportunity for our space and even in addition to Houston, Texas as you move over to Evansville, Indiana and you get into years 2024, 2025 and beyond our solar investments will be paired with battery investments and when the technology is economic and when the technology can be maintained and operated well we will do those pairs, we'll make that investment and make it in a very prudent way, in a very efficient way to enable the MISO markets to be more efficient in the state of Indiana to support our customers, in the state of Indiana and to support our regulators. So we think the battery becomes a really important technology solution for us in Houston and also in Evansville, Indiana.

Dave Lesar:

Yeah. And I would encourage everyone to go back and look at the slide that Kenny had in his presentation because I think a lot of people are amazed by the amount of utility scale solar going on right in our backyard here in Houston as he alluded to, a number of them have started and a whole bunch of them are around the drawing board at this point of time and all of those is going to take investment from CenterPoint to tie them into the grid. So we're really excited about the renewable opportunities that we see in and around the Texas market today.

Operator:

Our next question comes from the line of Michael Weinstein with Credit Suisse. Your line is now open.

Michael Weinstein:

Hey, Jason, you said that the utilities -- the gas utilities that are being sold benefit from kind of a common management system and I'm wondering if – does that mean that they're being sold together or to one buyer or are these two separate sales?

Jason Wells:

We're actually going to multiple or market them rather on an individual and combined basis and so we want to create the most amount of interest in both of these really high quality set of assets and so, the marketing effort really looks at both the individual jurisdictions as well as sort of the combined.

Michael Weinstein:

Right. And with $700 million of rate base, I think you said you achieved some kind of multiple out of that. There is a slide there I guess where you have a green bar I think just sort of indicates how much money you think you'll get for it.

But I'm wondering if – does that extra leverage in Arkansas affect the value of that in any kind of way?

Jason Wells:

I wouldn't look at any extra leverage in Arkansas we're essentially funding that business consistent with the authorized capital structure. And so you know I know there's been a lot of focus on this sort of multiple of rate base. I'd love to put it a little bit in context here. We're not going to exactly speculate on sort of values. The point that I wanted to raise is we've got a wonderful amount of growth here at CenterPoint. And as we looked at the most efficient way to fund it we have the opportunity to serve – to sell high quality assets at some multiple rate base at some premium and invest those proceeds at one times rate base. That relationship is accretive for our shareholders. It's a difficult decision to make from a – from the standpoint of selling these two wonderful businesses. But it is a much less dilutive option than the alternative of selling significant block equity. And so while I know there's a tremendous amount of focus on the exact multiple I think what's really important is the underlying message which is this is an incredibly efficient way to fund this growth. The plan when you look at these numbers is relatively insensitive to the final sales price. And so I think that's what I think investors need to take away from this approach not necessarily the specific multiple of rate base.

Dave Lesar:

Yeah I think one of – let me add a couple of points. I think one thing that investors need to understand is we went through the BREC process. We found this extraordinary level of opportunities to spend capital way beyond our ability to fund it. So we had to make some tough decisions in and around how we were going to fund basically and feed the beast at Houston Electric which I believe is the crown jewel of the company. We have fantastic assets throughout this organization, but the economic engine of CenterPoint Energy is Houston Electric. And it became very clear very early on that we needed to find a way to fund the growth in our electric businesses and the rest of the businesses in and around gas that Scott is managing, so tough decisions, we made them, as Jason said, this is a really efficient capital allocation process that we went through. But at the end of the day something had to give and Arkansas and Oklahoma – they're great assets, great people, great management, hate to see them go. But at the end of the day we had to make a tough decision on behalf of our shareholders.

Michael Weinstein:

All right. Hey, quick question on the regulatory aspects of all this. There's a lot of talk about efficiency and cost savings. Have regulators expressed any interest in your plans, what kind of feedback have you gotten so far? Are there any rate cases that are necessary despite the fact that 75% of the CapEx will fall under mechanisms?

Dave Lesar:

No, I mean it's really today that we're finally announcing formally what the two jurisdictions are that are going to be disposed of. But I think the important thing to understand is what we've hit on a number of times today. We have constructive regulatory relationships. I have been and I've talked to the regulators and these constituency groups. They want to just make sure that whatever we do we're taking care of their customers and their states and we have every intention of doing that.

Jason Wells:

What I think is important about this announcement of reducing O&M 1% to 2% percent is really it enables us to invest these incremental levels of capital. We won't have access to these automatic capital recovery mechanisms to the extent that we over earn. And so what we are doing is sort of managing the outcome with respect to the incremental depreciation from the additional investment sort of being offset by a reduction in O&M. And so it really by managing both that capital increase with the O&M decrease allows us to continue to access these really constructive regulatory mechanisms and allow us to fold the capital automatically into rates. with respect to sort of the upcoming rate cases, you know what I would probably point to most is in 2021, we will be filing the CPCNs for each of the elements of the generation project in Indiana. So we'll file separately for solar, separately for the wind, separately for the combustion turbine. And though the approval of the CPCN will effectively be the approval for including those investments in rate base and rates going forward, and so that will principally be the at least in the near term of the five-year portion of our plan, the most critical aspect to follow from a rate case approval standpoint.

Michael Weinstein:

Right, nothing in Texas basically, there'll be no rate case activity there?

Jason Wells:

We likely won't be filing a Houston Electric rate case until maybe the back half of 2022, sometime in 2023. And you know from a Texas gas LDC standpoint, we're really looking at probably 2023 and 2024.

Operator:

Our next question comes from the line of Durgesh Chopra with Evercore ISI. Your line is now open.

Durgesh Chopra:

Thanks, guys, and happy birthday to you. Just want to go back to the slide 41, which is the financial – sort of the rate base to earnings growth slide, Jason just a quick clarification there that 0.5% the interest expense from parent level debt, is that new debt to sort of fund CapEx of the parent or is that essentially utilities get a higher allocation of parent debt because over time or whenever sort of Enable's contribution are going to minimized, so it's really debt that are associated with midstream investments now going to utilities.

Jason Wells:

I think it's really three things that I point to, there is on the back half the plan as we fund or sort of grow the utility mix we have the capacity for a little bit more parent debt. That parent debt not – isn't necessarily funding the utility growth as I said the utility growth is largely funded through the retention of the self-generating cash flows, utility operating company debt, the modest amount of equity and the gas LDC sales but we do have some flexibility to fold in a small amount of incremental parent level debt in the back end of the plan, so that's one sort of driver. The second driver is we have included some conservative assumptions around some of the parent debt that is going to be refinanced and that is an opportunity in the plan and then third as you said there is some level of higher allocation to the utilities for the parent level that as we minimize our exposure to midstream.

Durgesh Chopra:

Okay perfect and then just real quick and sorry if I missed this but can you talk about credit metrics and as you sort of go through this plan were you targeting, targeting in terms of FFO to debt or debt to EBITDA for that matter.

Jason Wells:

Yeah increasing our balance sheet flexibility was an incredibly important part of the overall BREC process, improving the health of our balance sheet and the steps that we are taking to do that you know absent a change with Enable in terms of the current level of distributions that we receive from our midstream segment. We would be targeting sort of roughly a 15.5 or higher FFO to debt metric gives us a lot of flexibility as we think about minimizing our exposure to midstream of reducing our FFO to debt metric and still being well north of the downgrade threshold. And I think it's that additional balance sheet flexibility that we have incorporated our plan that was really recognized recently last week by Moody's as they move the company from negative outlook to stable outlook.

Durgesh Chopra:

Perfect. Thanks Jason. And if I could just speak one real quick just taxpaying status you think I believe you're paying a small amount of taxes currently and just any color on that front. Thank you.

Jason Wells:

Yeah. We are paying a small amount of cash taxes on a federal basis annually, we do though. We're excited about the opportunity with the renewable generation projects in Indiana that's going to kick off about a year's worth of investment or production tax credits that will help us start to reduce that federal cash tax bill. So we are taking actively steps to minimize those cash taxes. And I think what I would look at is that step in Indiana, it will be the first of several steps to do so.

Durgesh Chopra:

Understood. Thanks guys so much.

Operator:

Our next question comes from the line of Anthony Crowdell with Mizuho. Your line is now open.

Anthony Crowdell:

Hey, I guess, good afternoon. Jason first off happy birthday.

And most of my questions have been answered. Just a quick one I guess. It's probably more for Jason and Tom. I think both you came from single…like single state jurisdiction utilities. I'm just wondering if you view you know CenterPoint with its multi jurisdiction utilities strength. I understand as Dave just put it that Houston Electric is clearly the bellcow but just thoughts on the multi-jurisdictional utility strength on the reallocation of capital.

Jason Wells:

Yeah, absolutely. Philosophically I believe in the value of diversification and the opportunity to serve multiple states that go through different economic cycles and different areas of focus from regulatory and political standpoint. I think create a more sustainable opportunity for a set of earnings and so I actually think it's an incredible plus to operate in a multi-state multi-jurisdictional holding company.

Anthony Crowdell:

Great. Thanks for taking my question.

Operator:

Our next question comes from the line of Stephen Byrd with Morgan Stanley. Your line is now open.

Stephen Byrd:

Hey, thanks so much for taking my question and Jason, happy birthday.

I can't think of anything better than taking question from utilities analysts on your birthday. So, most of my questions have been addressed. I did just want to touch on a tax point. Just as you look at the two gas utilities, would you mind just add a high level speaking to the through the tax basis, tax implications of a sale and potentially if there are any sort of other offsets that could help shield the proceeds?

Jason Wells:

Yeah, for purposes of the plan, we assumed that we will pay full tax on the sale from a conservative standpoint. The two gas LDCs have a fairly low tax basis as you can imagine just given through the ages, some of those systems. That being said, we are working on I think some creative strategies with respect to those transactions where we can begin to minimize some of that that tax leakage on the sale of gas LDCs, we haven't assumed that in the plan but we continue to pursue that and I think have the opportunity to offset, what could amount to about potentially a third of the associated taxes and then you know equally we're looking at opportunities to continue to improve our tax position across the enterprise and as you well know Stephen, we've got some trapped higher tax basis and some of the legacy Vectren companies that we've acquired and so we are looking at opportunities to maybe unlock that that that higher tax basis to offset maybe some of the lower tax basis we have throughout the rest of the enterprise and so the plan is based on the assumption of full taxes on the gain on sale but as I said we're actively taking steps to minimize that.

Stephen Byrd:

That's really encouraging and then just a follow-up just in terms of your dialogue with the rating agencies, you know I guess we've thought a lot about in the past the linkage of your overall credit position and your credit stats with Enable would you mind just touching on sort of the latest state of your dialogue with the rating agencies, it just seems like more and more your – obviously your strategy is focused quite a bit away from that business how much of a linkage is there, is there a possibility that that could improve in the sense of kind of getting fully de-linked or just wasn't sure what the latest was there?

Jason Wells:

You know we're obviously in active dialogue with all three of the rating agencies And I think they see the steps the company's taking to improve the balance sheet health minimize the exposure to midstream and so I think a couple of things that I would point to is the fact that as I alluded to, even without doing something to Enable which we're absolutely committed to do given our growth of our utility segment it's going to represent over 90% of the company's consolidated earnings going forward. So largely a regulated utility even absent any changes with respect to Enable. I think the other thing that was important is this company earlier this year reduced the dividend so that it is really a function of the earnings and cash flows that are driven by the utility segment. So it's no longer dependent on midstream. And then as I said we have taken sort of steps as part of this plan whether it's paying down some of the parent company debt with some of the proceeds from the gas LDCs or reinstituting the DRIP and starting the at-the-market equity issuance program in 2022 to really take steps to preserve balance sheet health. And so I think you know I don't want to obviously speak for the rating agencies, but we saw with Moody's last week that they are moving us from negative to stable outlook, really demonstrates I think the improvement we have collectively taken over the course of this last year and what we plan to take going forward to put this company in a position of financial strength.

Dave Lesar:

Yeah. So let me just add. I mean I think there's a couple of points in and around Enable, because it keeps coming up. And I think one of the things that Jason has said is that what we're trying to do is reduce the financial linkage into the ongoing EPS of CenterPoint. And I think we're making clear progress in doing that. The other thing we need to do is reduce the emotional linkage that shareholders and others have between Enable in CenterPoint. So as we move forward addressing both of those I think the – as the outcome becomes more clear to people, I think you'll be happy with what you see.

Stephen Byrd:

That's really helpful. That's all I had. Thanks so much.

Operator:

Our next question comes from the line of James Thalacker with BMO Capital Markets. Your line is now open.

James Thalacker:

Jason, just one real quick point of clarification, just regarding the $1 billion of incremental capital. Just to make sure I heard it correctly, the way we should really think about this, this is really contingency capital that de-risks your ability to deploy the $16 billion through 2025, correct?

Jason Wells:

I know certainly on the front end of the plant, that's absolutely the way to think about it and then I think as we continue to execute at a higher level of CapEx, then we'll reassess the opportunity to fold this in inefficiently and what I would probably consider sort of the latter half of this five year plan.

Dave Lesar:

Let me – let me just add, you know life and business never goes as you planned. And so as Jason said we really look at it as contingence. But if we do in fact just continue to hit our mark then it would be incremental capital to that. But I think it does allow us to make sure that as we sequence it along the lines of what we showed you today that you can get confidence that we're going to add to rate base at the – at the sequencing and percentage increase that we said we would.

James Thalacker:

That makes sense. And Jason was pretty clear that you know you need a diminishing amount of capital as you get sort of over the you know the dilution hump in the first couple of years or so that makes a ton of sense. I guess the other question I just had real quickly is in the 2021 guidance that you've given for EPS. Could you talk about I guess what you've assumed in there for the parent and other drag?

Jason Wells:

Yeah, the real change that we have for the parent and other drag is about $0.02 reduction in earnings associated with the preferred security in Enable. Historically we we've reported the net earnings from that preferred security. So the earnings on a preferred security less the associated allocated debt and interest costs. We had reported essentially those $0.02 as part of utility earnings. So by initiating the guidance here in 2021 and calling this out specifically we're pulling that out of utility earnings and adding that back to midstream so that now midstream segment going forward really reflects the totality of the midstream activity and that's probably the largest change from an allocation standpoint that I would point to in terms of 2021 guidance.

James Thalacker:

And you're talking about sort of year-over-year-

Jason Wells:

That’s correct.

James Thalacker:

Okay got it, great. Thank you so much for the time.

Operator:

Our last question comes from the line of Charles Fishman with Morningstar. Your line is now open.

Charles Fishman:

Thank you. Transmission CapEx you had one slide at least for Texas that talked about the renewable projects – the solar projects driving transmission investment yet when you look at the CapEx for transmission it goes down regularly over the next five years, is that because you just don't have any of the large Bailey Jones type projects or what's going on there?

Dave Lesar:

Yeah go Kenny. Kenny go ahead.

Kenny Mercado:

We clearly have the end of the Bailey to Jones Creek Project in 2022, December 2022, very excited about the execution of that project. And we've got boots on the ground this month and we're working hard to take it to the end. But we have other projects that are in the resiliency category, and in the reliability category that are actually going to make 2022 greater than 2021 and that transmission spend there. So, I don't want you to leave today thinking that we're going to have less dollars in that space because the truth is that transmission -- replacing aging transmission in areas not like-for-like but replacing it in a more hardened and a more water resistant design is very, very important to us. We have to build the new transmission environment to withstand these large hurricane-based types of storms and so, our project investment thesis just gets bigger in 2022 versus 2021.

Now let me just add to that that there is the possibility, if you recall, we did an import project just a couple of years ago to bring more of our capacity from larger areas of the state into Houston. Houston is a big load, it's a big import load, it sucks a lot of electricity into our service area. We have the possibility of having another project the size of Brazos Valley just a couple of years ago within the radar maybe three or four years, four to five years from now. So we're planning opportunities for even having more import capacity serving the Greater Houston area in the next two, three to four years. So, we're very, very excited about the transmission opportunities that we see beyond 2021.

Charles Fishman:

And then Kenny one of your pure utilities along the Gulf, show the performance of some of these new transmission structures, it was really quite remarkable – the performance in a hurricane compared to the old structures. Is that the kind of stuff you're talking about doing too?

Kenny Mercado:

That is correct. I mean our design standard – our base design standard from the Gulf Coast into our service area, it has a 170 mile an hour design to 150 mile an hour design and on into the service area. So we design with these very, very deep bases. If you ever have time to come out see it. Our bases are you know a significantly big part of the design of the structure that you see up in the air. And the point is as you must have that system in place even in the worst case storms. It must be able to withstand the worst case storms. If you go back to Hurricane Ike just 10 years ago, we had about 120 mile an hour winds in Houston, Texas all the way through our service territory for about 12 hours. Our transmission system was pretty much intact. It withstood that level of wind and over a long period of time 10 to 12 hours it withstood those conditions and did really well. So we've tested our transmission design in the past, but we're even putting more into our design today and into the future. To your point to make sure it's very, very resilient for the future.

Charles Fishman:

Okay. Thank you. That's all I have. Very helpful.

Dave Lesar:

Well, great. Thanks, Kenny. Thanks Jason. Thanks to all of our shareholders today. We're out of time, unfortunately. This has been a really exciting day for our management team and hopefully for our shareholders. I think as I said a number of times, we've got a great management team. We've got great assets. We have organic growth. We have renewable opportunities. So we have a future in front of us unlike many other utilities that are out there today. So we're looking forward to this journey as I said earlier, please take it with us. Our Investor Relations folks will have their phones open this afternoon, if you want to have any follow up calls, I know we threw a lot of stuff at you today. The slides I think are self-explanatory. Please go back and watch the – our re-tape of it. And also just call in here this afternoon and we'll be happy to talk to you. Have a great day.

Forward-Looking Statements

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this document are forward-looking statements made in good faith by CenterPoint Energy, Inc. (“CenterPoint Energy” or the “Company”) and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements concerning CenterPoint Energy’s expectations, beliefs, plans, objectives, goals, strategies, future operations, events, financial position, earnings and guidance, growth, impact of COVID-19, costs, prospects, capital investments or performance or underlying assumptions (including future regulatory filings and recovery, liquidity, capital resources, balance sheet, cash flow, capital investments and management, financing costs and rate base or customer growth) and other statements that are not historical facts. When used in this document, 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. The absence of these words, however, does not mean that the statements are not forward-looking.

Examples of forward-looking statements in this document include statements about our growth and guidance (including dividend, earnings and customer growth, capital investment plan and opportunities, utility and rate base growth expectations, taking into account assumptions and scenarios related to COVID-19), operations and maintenance (“O&M”) expense management initiatives and projected savings therefrom (as well as O&M per customer figures), the potential sale of certain of our natural gas local distribution companies (which, among other things, would be subject to future management and board approval) and the expected resulting business mix thereafter, our regulatory filings and projections (including authorized returns), future financing activities (including equity issuances), balance sheet strengthening and target adjusted total parent debt to adjusted consolidated debt ratio, activities and transactions related to our investment in Enable Midstream Partners, LP (“Enable”) (including any financial impacts therefrom), our regulatory activities, filings and projections (including capital recovery mechanisms and the Integrated Resources Plan as proposed in Indiana, including the anticipated timeline and benefits under its preferred portfolio), our credit quality and balance sheet expectations, environmental, social and governance related matters, including our carbon emissions reduction targets and development of renewable resources, continuous improvement plans and customer service initiatives, among other 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. You should not place undue reliance on forward-looking statements. Actual events and results may and often do differ materially from those expressed or implied by these forward-looking statements.

Some of the important factors that could cause actual results to differ materially from those indicated by the provided forward-looking information include, but are not limited to, risks and uncertainties relating to: (1) the performance of Enable, the amount of cash distributions CenterPoint Energy receives from Enable, and the value of CenterPoint Energy’s interest in Enable; (2) CenterPoint Energy's expected benefits of the merger with Vectren Corporation (“Vectren”) and integration, including the ability to successfully integrate the Vectren businesses and to realize anticipated benefits and commercial opportunities; (3) financial market and general economic conditions, including access to debt and equity capital and the effect on sales, prices and costs; (4) industrial, commercial and residential growth in CenterPoint Energy’s service territories and changes in market demand; (5) actions by credit rating agencies, including any potential downgrades to credit ratings; (6) the timing and impact of future regulatory and legal proceedings; (7) legislative decisions, including tax and developments relating to the environment such as global climate change, air emissions, carbon, waste water discharges and the handling of coal combustion residuals, among others, and CenterPoint Energy’s carbon reduction targets; (8) the impact of the COVID-19 pandemic; (9) the recording of impairment charges, including any impairments related to CenterPoint Energy’s investment in Enable; (10) weather variations and CenterPoint Energy’s ability to mitigate weather impacts; (11) changes in business plans; (12) CenterPoint Energy's ability to fund and invest planned capital, including timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment;

(13) CenterPoint Energy's or Enable's potential business strategies and strategic initiatives, including the recommendations and outcomes of the Business Review and Evaluation Committee, restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which may not be completed or result in the benefits anticipated to CenterPoint Energy or Enable; (14) CenterPoint Energy's ability to execute O&M management initiatives; and (15) other factors described in CenterPoint Energy's Quarterly Report on Form 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020 and in CenterPoint Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 under "Risk Factors," "Cautionary Statements Regarding Forward-Looking Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Factors Affecting Future Earnings" in such reports and in other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission ("SEC").

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Use of Non-GAAP Financial Measures by CenterPoint Energy

In this document, CenterPoint Energy presents guidance basis Utility earnings per share ("Utility EPS") based on adjusted diluted earnings per share, which is not a generally accepted accounting principle ("GAAP") financial measure. CenterPoint Energy also refers to the non-GAAP financial measures of adjusted consolidated debt and adjusted total parent debt in this document. 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.

Utility EPS includes net income from CenterPoint Energy's Houston Electric, Indiana Electric and Natural Gas Distribution business segments, as well as after-tax Corporate and Other operating income. The Utility EPS guidance range reflects dilution and earnings as if CenterPoint Energy's Series B preferred stock converted on their mandatory conversion date. Utility EPS guidance range considers assumptions for certain significant variables that may impact earnings, such as customer growth and usage including normal weather, throughput, recovery of capital invested, effective tax rates, financing activities and related interest rates, regulatory and judicial proceedings. In addition, the Utility EPS guidance range assumes a continued re-opening of the economy in CenterPoint Energy's service territories throughout 2021. To the extent actual results deviate from these assumptions, the Utility EPS guidance range may not be met and our projected annual Utility EPS growth rate range may change. Utility EPS includes an allocation of corporate overhead based upon our Utility segments relative earnings contribution. Corporate overhead consists primarily of interest expense, preferred stock dividend requirements and other items directly attributable to the parent along with the associated income taxes, and considers certain significant variables that may impact earnings. Utility EPS excludes (a) earnings or losses from the change in value of CenterPoint Energy's 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 ("ZENS") and related securities, (b) certain expenses associated with merger integration, and (c) Midstream Investments, including associated income from the Enable preferred units and a corresponding amount of debt in addition to an associated allocation of corporate overhead based on relative earnings contribution. Utility EPS guidance also does not include 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 Utility EPS because changes in the value of ZENS and related securities, future impairments, and other unusual items are not estimable as they are highly variable and difficult to predict due to various factors outside of management's control.

A reconciliation of adjusted consolidated debt to total debt, net and a reconciliation of adjusted total parent debt to total parent debt, net is provided in the appendix of CenterPoint Energy's slide presentation used during its virtual investor day. CenterPoint Energy is unable to present a quantitative reconciliation of forward-looking adjusted consolidated debt to total debt, net or a reconciliation of adjusted total parent debt to total parent debt, net because of changes in the value of ZENS and related securities and other items are highly variable and difficult to predict due to various factors outside of management's control.

Management evaluates CenterPoint Energy's financial performance in part based on Utility EPS, adjusted consolidated debt and adjusted total parent debt. Management believes that presenting these non-GAAP financial measures enhances an investor's understanding of CenterPoint Energy's overall financial performance by providing them with an additional meaningful and relevant comparison of current and anticipated future results and leverage across periods. Management believes that each of adjusted consolidated debt and adjusted total parent debt is an important measure to monitor leverage and credit ratings and evaluate CenterPoint Energy's balance sheet. The adjustments made in these non-GAAP financial measures exclude items that management believes does not most accurately reflect CenterPoint Energy's fundamental business performance. These excluded items are reflected in the reconciliation tables, where applicable. CenterPoint Energy's Utility EPS, adjusted consolidated debt and adjusted total parent debt non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, diluted earnings per share, total debt, net and total parent debt, net, which respectively are the most directly comparable GAAP financial measures. These non-GAAP financial measures also may be different than non-GAAP financial measures used by other companies.