Q1 2023 Earnings Call

Company Participants

- David J. Lesar, President & Chief Executive Officer
- Jackie Richert, Vice President, Investor Relations and Treasurer
- Jason P. Wells, Executive Vice President & Chief Financial Officer
- Unidentified Speaker

Other Participants

- James Thalacker, BMO
- Jeremy Tonet, JPMorgan
- Julien Dumoulin-Smith, Bank of America
- Shahriar Pourreza, Guggenheim Partners

Presentation

Operator

Good morning and welcome to the CenterPoint Energy's First Quarter 2023 Earnings Conference Call with Senior Management. During the Company's prepared remarks, all participants will be in a listen only mode. There will be a question-and-answer session after management's remarks. (Operator Instructions)

I will now turn the conference over to Jackie Richert, Vice President of Investor Relations and Treasurer. Ms.Richert?

Jackie Richert {BIO 22513026 <GO>}

Good morning, everyone. Welcome to CenterPoint's earnings conference call. Dave Lesar, our CEO and Jason Wells, our President and COO will discuss the Company's first quarter 2023 results.

Management will discuss certain topics that will contain projections and other forward looking information and statements that are based on management's beliefs, assumptions, and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon various factors as noted in our Form 10-Q, other SEC filings, and our earnings materials. We undertake no obligation to revise or update publicly any forward-looking statements.

We will be discussing certain non-GAAP measures on today's call. When providing guidance, we use the non-GAAP EPS measure of adjusted diluted earnings per share on a consolidated basis, referred to as non-GAAP EPS. For information on our guidance methodology and reconciliation of the non-GAAP measures used in providing guidance, please refer to our earnings news release and presentation, both of which can be found on the Investor Section on our website.

As a reminder, we'll use our website to announce material information. This call is being recorded. Information on how to access the replay can be found on our website.

Now, I'd like to turn the discussion over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Good morning, and thank you to everyone joining us for our first quarter 2023 earnings call. Although it's been only a few short months since our last call, we continue to see exciting developments here at CenterPoint.

First and foremost, the first quarter of 2023 represents yet another quarter of execution, now our 12th consecutive quarter of meeting or exceeding expectations. This morning, we announced first quarter non-GAAP EPS of $0.50 per share. In addition, we are also reaffirming our 2023 non-GAAP EPS guidance target of $1.48 to $1.50 per share, which represents an 8% growth over last year's actual non-GAAP EPS. As a reminder, we grew non-GAAP EPS 9% in both 2021 and 2022. Additionally, we aim to grow at 8% in 2024 and at the mid to high-end of 6% to 8% annually thereafter through 2030. Additionally, we continue to execute on our long-term capital plan for the benefit of both customers and investors.

During the quarter, we deployed approximately $1 billion of the $3.6 billion capital we have planned for this year. A great way to start the year. Jason will say more on this a bit later. As we continue on our path of executing for the benefit of both customers and investors, I want to highlight that we are now in the third year of consistently delivering under this management team. This has resulted in increasing investments to further the safety, reliability, and resiliency of our systems to benefit our customers. It's also provided consistent execution and growth for our investors. We are proud of this effort and look to extending this performance well into the future.

Along with another quarter of execution, we announced a new CFO a few weeks ago. A little over two years ago, I had the pleasure of announcing Jason Wells as CenterPoint's CFO. Since that time, Jason has not only been a key contributor in developing what we believe is one of the industry's best growth plans, but he's also been a driving force behind its execution. Now as Jason continues his management progression in his role as President, I'm excited to introduce Chris Foster as CenterPoint's next Chief Financial Officer. Chris of course is well known to most of you. And while we had many quality candidates, we undoubtedly believe we found the right person for this important job. Throughout the search process, Chris continued to impress us with his strong reputation with investors, deep industry knowledge, and his passion for delivering for customers.

In fact, my discussions with Chris reminded me of the ones I had with Jason during our interview process a couple of years ago. Chris will shortly join the leadership team to help continue the execution of our premium growth plan for years to come. He will also adapt to an already very strong management team. Chris is with us here today and sitting in on this call. So, while we can't yet give him a speaking role, he is clearly getting ready to hit the ground running. And I hope you will all join me in welcoming Chris to CenterPoint.

Lastly, I want to touch on a couple of constructive regulatory outcomes we had in our Texas Gas and electric jurisdictions. Starting with Texas Gas. During the quarter, we received approximately $1.1 billion of securitization proceeds related to the extraordinary gas costs incurred in Texas during Winter Storm Uri in 2021.

As a reminder, these bonds are issued by the State of Texas and are not on our balance sheet. Although the receipt of these proceeds was delayed longer than we had initially anticipated, we are grateful for the diligent work and careful consideration by all stakeholders to reach this constructive resolution for the benefit of both Texas Gas customers and Texas LDC operators.

With relation to our Houston Electric business, the PUCT approved our first application for the recovery of the costs incurred in 2021 on our leased emergency temporary mobile generation units during its open meeting on March 9. The PUCT's approval of the use of these units is a great result for our Houston area customers, as it highlights the commission's awareness of the important role this critical tool can play to help mitigate the number and duration of customer outages during extreme weather events.

We at CenterPoint also understand the need for a resilient grid as we hear from stakeholders throughout our Houston Electric Service territory about the continued importance of reliable energy, and for very good reason. As economic data from 2022 continues to come in, one thing is clear, Houston's economic engine continues to run at a blistering pace.

After recovering from the economic impact of COVID, the greater Houston area GDP in 2022 was approximately $482 billion, or over $1.3 billion per day, up nearly 4% from 2021. The greater Houston area was also the second fastest growing metropolitan area in the U.S. last year. While many may think that Houston's economic growth is primarily driven by the 24 Fortune 500 companies headquartered here, Houston's small business community is also a significant contributor to its nation's leading growth rate.

Last month marked the fifth consecutive quarter that Houston topped the paycheck small business employment watch index. This consistent job creation and wage growth continues to attract new talent from all over the United States. This only further fuels the strong organic growth in our Houston Electric Service Territory.

According to U-Haul relocation data, unsurprisingly, last year Texas was the number one destination for people moving residences and has been for five out of the last seven years. Outside of Texas, cities in our Indiana service territory continue to thrive as well.

Lafayette, Indiana, which is in our North Indiana gas service territory, topped last year's Wall Street Journal's Emerging Housing Market Index, which identifies top metro areas for home buyers seeking and appreciating housing market, a strong local economy, and appealing lifestyle amenities. The Lafayette area is a manufacturing hub and home to Purdue University.

Our portfolio of premium jurisdictions and strong organic growth, O&M discipline, and securitization charges rolling off of our Houston Electric customers' bills enables us to invest in industry-leading growth for the benefit of our customers while keeping charges at or below the historic level of inflation of 2%. In fact, over the last 10 years, Houston Electric customer charges have increased less than 1% a year on average, well below the rate of inflation during the same period. And although there may be certain periods when the increase in charges outpaces that historical level, we believe our charges will continue to stay in-line or below inflation over the long term.

Although we feel confident in our plan we've outlined through 2030, we certainly recognize and are dealing with the headwinds our industry has faced over the past several quarters. These include higher interest rates, inflation, and specific to this quarter, milder winter weather. However, we believe we have the right team in place to successfully manage through these headwinds that we are currently facing today.

In closing, the first quarter of 2023 was a great start to the year, as the non-GAAP EPS of $0.50 that we announced this morning, represents over a third of our full-year 2023 earnings guidance at the midpoint. We believe this sets us up for a great year as we reaffirm our 2023 non-GAAP EPS guidance range of $1.48 to $1.50.

With that being said, we remain committed to focusing on execution for 2023 and beyond for the benefit of both our customers and our investors.

With that, I'm going to turn the call over to Jason, who for the last time has to wear his CFO hat.

Jason P. Wells {BIO 19168211 <GO>}

Thank you, Dave. And thank you to all of you for joining us this morning for our first quarter call. Before I get into our financial results for the quarter, for the final time wearing what Dave refers to as my CFO hat. I want to join him in welcoming Chris Foster as he assumes his new role. As I'm sure many of you know, I've known Chris for a number of years, and I have no doubt that he will be an excellent addition to an already strong management team here at CenterPoint. I look forward to his official start date and partnering with Chris to continue to execute on what we believe is one of the most tangible, long-term growth plans in the industry.

Now turning to the first quarter financial results shown on Slide 5. On a GAAP EPS basis, we reported $0.49 for the first quarter of 2023. Our non-GAAP EPS excludes small trailing earnings impacts of previous divestitures. On a non-GAAP basis, we reported $0.50 for the first quarter of 2023 compared to $0.47 in the first quarter of 2022.

As Dave mentioned, this accounts for over a third of our full year guidance at the midpoint. Growth and rate recovery contributed $0.09, largely driven by our electric distribution capital tracker, filed last year the DCRF mechanism, and our electric transmission tracker, the TCOS mechanism at Houston Electric.

In addition, we continue to see strong organic growth in the Houston area continuing the long-term trend we've observed over the last three decades of 2% average annual growth.

Additionally, O&M was $0.02 favorable when compared to the first quarter in 2022, as we continue to find ways to operate more efficiently to meet our goal of reducing O&M 1% to 2% per year on average while remaining focused on meeting our customers' needs.

Lastly, other items such as miscellaneous revenue from non-regulated businesses, tax benefits, and other items were another $0.02 favorable when comparing the first quarter of 2023 and the first quarter of 2022. These favorable drivers were partially offset by a $0.06 increase in interest expense due to rising interest rates and higher average floating rate debt balances.

However, as I will discuss in a minute, we've reduced our floating rate debt exposure considerably since the end of 2022. In addition, as it has been a common trend for our industry during the quarter, weather and usage was $0.04 unfavorable when compared to the same quarter of 2022, driven by a colder first quarter in 2022 as compared to the more milder winter weather in 2023, primarily in our Texas Gas, Houston Electric, and Indiana Electric service territories.

Looking at heating degree days during the quarter, there were approximately 350 fewer heating degree days below normal in our Texas Gas and Houston Electric service territories, and approximately 550 fewer heating degree days below normal in our Indiana Electric Service territory when compared to the first quarter of 2022. Fortunately in our other jurisdictions, they are either fully decoupled or have a comparable weather normalization mechanism that helps mitigate the impact of the milder weather.

As Dave mentioned, we are reaffirming our full-year 2023 guidance range of $1.48 to $1.50 of non-GAP EPS, which reflects 8% growth over full-year 2022 non-GAP EPS of $1.38 when using the midpoint. This of course, comes on the heels of two straight years of 9% growth.

Beyond 2023, we continue to expect to grow non-GAP EPS 8% in 2024 and target the mid to high-end of 6% to 8% annually thereafter through 2030. Our focus continues to be delivering strong industry-leading growth each and every year.

Turning to capital investments on Slide 6. To the benefit of our customers during this quarter, we invested $1 billion across our various service territories. This represents over a quarter of our 2023 annual target of $3.6 billion. We continue to make progress towards our long-term goal of investing $43 billion of capital through 2030 to provide safe, reliable, and resilient energy to all customers throughout our service territories.

We have previously mentioned that we plan to formally incorporate up to $3 billion of additional identified capital opportunities when we believe we can operationally execute it, efficiently finance it, and efficiently recover it. The decision as to when to deploy this capital is still in front of us, and we will include it when we feel it's right. As we've said before, this management team will not commit to something unless we believe we can deliver.

Moving to a broader regulatory update on Slide 7. Since the start of the year, we've had a number of regulatory filings, primarily in our Texas Gas and Houston Electric jurisdictions. Starting with Texas Gas, we filed our annual GRIP, in which we requested an increased revenue requirement of $60 million. This filing seeks to recover on the capital investments we made in

2022, which were primarily related to system safety and support our ever-growing service territories in and around Houston. It is anticipated that customer rates will be updated to reflect this investment sometime in June.

Additionally, Houston Electric filed capital trackers for both its investments and transmission and distribution made in 2022. The transmission filing often referred to as TCOS was filed in early March and requested a revenue requirement of approximately $40 million. If approved, it is anticipated this filing will be incorporated into our customer rates in May.

With respect to our distribution filing, we filed our annual capital tracker known as DCRF in the first week of April, requesting a revenue requirement increase of approximately $85 million. And in addition to the DCRF and TCOS, we filed for the remaining recovery of our leased temporary mobile generation units under a temporary emergency electric energy facilities mechanism referred to as TEEEF with a revenue requirement of $188 million.

As a reminder, the DCRF and TEEEF are filings that represent nearly $1.4 billion of capital deployed in 2022 in our Houston Electric Service Territory. They will not go into rates until September 1, which skews incremental earnings towards the latter part of the year. We continue to invest for the benefit of our customers while remaining cognizant of bill impacts. We've been able to invest over the last 10 years while keeping customer charge increases below the average rate of inflation during that time.

In fact, since 2014, Houston Electric charges have increased less than 1% annually on average, and we anticipate being able to execute our long-term capital plan with customer charges increasing at or below the historic level of inflation. Again, we'll be able to achieve this through leveraging the continued organic growth of Houston, O&M discipline, and securitization charges rolling off our customers' bills.

During the quarter, the PUCT approved our first application for recovery related to our temporary emergency mobile generation units, as Dave mentioned earlier. I want to echo his sentiment regarding what we think is an overwhelmingly positive outcome for our customers. Using the last couple years as an example, the Houston area is subject to extreme weather events that can adversely impact service to our customers.

The Commissioner's decision not only reflects their deep understanding of the need for increased power resiliency during these extreme weather events, but also their pragmatic approach to allowing utilities to use available tools designed to help mitigate its impacts on energy service for those living in the Houston area.

Lastly, I'd like to cover some credit-related topics. As of the end of the first quarter, aligning with Moody's methodology, our FFO to debt as reported was over 14%. We continue to trend well in this area and fully expect to be in our annual target range of 14% to 15% throughout 2023. We ended the first quarter at 16% floating rate debt outstanding down $1.9 billion from the end of 2022. A few actions have led to this significant reduction.

First, as Dave mentioned, during the quarter, we received securitization proceeds related to Winter Storm Uri, which we used to pay down some of the floating rate notes. We have now collected approximately 90% of the $2.1 billion of extraordinary gas costs incurred during Winter Storm Uri, with approximately $230 million left to be collected in our Minnesota gas business.

Second, we issued nearly $2.3 billion of fixed rate debt at our operating company level in the first quarter, including our first ever green bond issuance at Houston Electric. Some of these issuances were used to refinance a certain amount of outstanding floating rate debt from year end that was undertaken for incremental investments that were made in the fourth quarter of 2022. We were able to successfully issue this debt despite the disruption in the banking sector. We believe this reflects our investors' confidence in the strength of our balance sheet, long-term growth, and this management team's ability to execute.

As I touched on last quarter, we exited 2022 with an elevated amount of floating rate debt, some of which was driven by the cold December weather, during which we purchased more gas at higher prices than we had forecasted.

With that being said, this balance has been reduced as we collect from customers, albeit somewhat slower due to the milder winter. We anticipate collecting the majority of these gas costs by the end of the second quarter, and we will continue to pay down floating rate debt as we recover these costs. These are my updates for the quarter. As we continue to express, we take our commitment to be good stewards of your investment very seriously and realize our obligation to optimize stakeholder value.

I will now turn the call back over to Dave.

David J. Lesar {BIO 1519300 <GO>}

Thank you, Jason. As you have heard from us today, we now have 12 straight quarters of meeting or exceeding expectations. We are a pure play, regulated, premium utility, and on a course to continue to deliver on incremental long-term growth opportunities to support our customers.

Questions And Answers

Operator

(Question And Answer)

At this time, we will begin taking questions. (Operator Instructions) Thank you. Please stand by while we compile the Q&A roster. The first question comes from Shahriar Pourreza with Guggenheim. Your line is now open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Great. Hey, good morning, guys. Can you hear me?

Operator

Our first question comes from Shahriar Pourreza with Guggenheim. Your line is now open.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Hey, good morning, guys. Can you hear me?

A - Jason P. Wells {BIO 19168211 <GO>}

Hi. Good morning, Shahriar. Can you hear us?

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Yes. Perfect. It was a bit of a dead spot there. Just a quick question on Texas, the Texas legislature. There's obviously been several regulatory update bills making traction at the legislature, I mean, including, some of it around employee costs, approval of CPCN, storm cost, interim recovery mechanisms. I guess, how do we think about some of these, Jason and Dave, in the context of your longer-term plan, your 6% to 8%, what should we really be focused on? And could any of could any of these sort of unlock some of that $3 billion of incremental capital opportunity that's been out there? Thanks.

A - David J. Lesar {BIO 1519300 <GO>}

Yes. Let me take the first shot of that, and then Jason can come in as he likes. First of all, I don't want to front run anything that might come through the legislative process. There's still about a month to go, and a lot can happen. But saying that, we're really appreciative of the support we're getting in the legislative process in this section to really benefit all Texans and certainly the customers of CenterPoint.

So, there are some bills out there that I think would benefit customers. I think it's important to keep in mind though that the 6% to 8% growth we have out there really is predicated on the status quo. So, I think as any of these things work their way through, it certainly will benefit customers primarily, but also CenterPoint.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it.

A - Jason P. Wells {BIO 19168211 <GO>}

Shahriar, I would just add to your comment about the ability to unlock the $3 billion of incremental capital. A handful of these bills are credit accretive to our current plan. More timely recovery of some of our critical infrastructure related investments would allow us to continue to accelerate or fold in some of that $3 billion that we've identified, but not incorporated in the plan. So, some of these bills not only give us the opportunity to recover that capital more timely, but to enhance our capital spend for the benefit of our customers.

So, as Dave said, we are following the legislative process. We're appreciative that the legislature is taking up these critical issues for all utility stakeholders, but we're not going to provide any specific update until the legislature is over and the governors have time to evaluate any bills that are passed.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Perfect. And then lastly, I mean, obviously, it was a clean quarter and seems like you guys are offsetting some of the pressures like weather and interest rates, despite some reliance on floating rate debt, which obviously in your prepared remarks has been stepping down. I guess, how do we think about sort of the rest of the year, especially some of the near-term headwinds don't ease? How much of that sort of contingency have you used up like O&M, especially in light of the inflationary pressures out there? Thanks.

A - David J. Lesar {BIO 1519300 <GO>}

Thanks, Shar. I'll continue to think we have more tailwinds than we do have headwinds. Obviously, interest on a Q-over-Q basis stood out, but as I mentioned on the fourth quarter earnings call, we made a conservative assumption around interest expense in the 2023 plan, and current interest rates are at or below the interest assumptions we have in our plan. So, I don't see interest as significant headwind to '23, even though it'll be a year-over-year variance. We continue to feel confident in the continued growth. We're seeing a steady trend of continued 2% customer growth here in the Houston area. We still have significant opportunities with respect to O&M. And as I mentioned in my prepared remarks, we have a number of capital trackers pending in front of many of our jurisdictions that will provide enhanced earnings power for the company in the latter half of the year. So, we continue to feel, as I said, more tailwinds than headwinds. And that's why we're reaffirming our guidance on today's call.

Q - Shahriar Pourreza {BIO 15145095 <GO>}

Perfect. And then, Jason, congrats to you and Chris on Phase 2. It's a big win for CenterPoint. Thanks, guys.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks, Shahr.

A - Unidentified Speaker

Chris is smiling, by the way.

Operator

Please stand by for our next question. Our next question comes from James Thalacker with BMO. Your line is now open.

Q - James Thalacker {BIO 1794957 <GO>}

Good morning, and thank you for taking my question. Can you guys hear me?

A - David J. Lesar {BIO 1519300 <GO>}

Yes. Good morning, James.

Q - James Thalacker {BIO 1794957 <GO>}

Hey, good morning. Hey. I was just curious with the conclusion of the Sempra Oncor rate case, whether or not the outcome of that case had sort of maybe informed your thinking incrementally and how you might approach your upcoming general rate case later this year in the state?

A - David J. Lesar {BIO 1519300 <GO>}

Well, certainly, you take the lessons learned by watching the interaction with the PUC, watching the strategy that they use, but Oncor is Oncor and we're CenterPoint. And so, we have sort of different needs, we have different outcomes, we have sort of different experiences. So, I think, we use it as a data point, but I think, all in all, we've got a great story to put forward in front of the PUC. We're in an entirely sort of different climate than the Oncor territory is. But as I said, we'll take the lessons learned and use them, and we'll put the best foot forward to show what a great company CenterPoint is and what we've done for customers with our investments over the past few years.

A - Jason P. Wells {BIO 19168211 <GO>}

Jim, if I can add, I want to reemphasize the point that I made on the fourth quarter call. I think we're in a pretty unique position here at CenterPoint given the team's strong work around O&M discipline, such that as we look forward to filing this case later this year, we will likely file a relatively flat revenue requirement increase despite advocating for a higher cost of capital to attract the critical investment that's needed here in Texas. And so, I think we're in a pretty unique position having driven cost out of the business to be able to advocate for benefits for all stakeholders.

Q - James Thalacker {BIO 1794957 <GO>}

Great. Thanks so much, guys. I appreciate it and congratulations on the good quarter.

A - Jason P. Wells {BIO 19168211 <GO>}

Thanks, Jim.

Operator

Please stand by for our next question. The next question comes from Julien Dumoulin-Smith with Bank of America. Your line is now open.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Hey. Good morning to you all. Thank you very much. Appreciate it and congrats, Chris.

A - Unidentified Speaker

Thanks, Julien.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Absolutely. Hey, so just pivoting here. How do you think about the ability to maintain that 14% FFO debt metric beyond '23 here? Obviously, some slight tweaks in the slides here. Can you elaborate a little bit about how you're thinking about the balance sheet here today, considering kind of the status quo? Obviously, we saw some of the recent headlines around potential recycling. I'll let you elaborate, if you could. And then related perhaps, how do you think about funding that $3 billion CapEx sub-size[ph] in the timing there and considering what could be a protracted process when you kind of recycle?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes. Thanks, Julien. Appreciate the questions. There's no fundamental change in our view of the balance sheet. We've worked hard over the last several years to improve the cushion between where FFO to debt metrics actually stand and our downgrade threshold, as I've indicated on previous calls. I believe in running about 150 basis point cushion at a minimum to remove any equity overhang risks. And I think under the current plan that we are able to achieve that. We've made a lot of progress reducing parent company debt as relates to the percentage of as a total company debt. And as I mentioned in my prepared remarks, we've taken pretty substantial steps in this first quarter to reduce our variable rate exposure.

So, I continue to remain happy with sort of our trajectory. There are a handful of things that could potentially be credit accretive. We've referenced it in some of the comments around the legislative process here in Texas. We're not going to formally update anything until we see the conclusion of those efforts, but the potential of recovering capital faster is both a benefit to the company, but also our customers in terms of moderating any great impacts.

So, more to come on that front as the Texas legislature winds down. In terms of your question around some of the rumors, obviously we don't comment on market rumors. I just want to reemphasize a couple of points. Our current $43 billion CapEx plan through 2030 does not require any incremental equity. So, we don't need to sell any of our businesses. That said, we've got a great set of assets and routinely receive unsolicited interest. That's why we have continued to emphasize that we believe that the market for gas LDCs remains strong. I think this management team has demonstrated routinely that we will always look to maximize shareholder value.

And so, as it relates to your last point on the $3 billion of capital spend, I think, that really is going to come down to finding ways to efficiently fund it and recover it. We're entering a period of time with these rate cases where we will likely not have access to some of our capital trackers as we prosecute those rate cases. That's something that we're mindful of as we think about increasing our CapEx plan, but equally we want to be able to fund it efficiently for our stakeholders. And so, that could come in the form of as I said, maybe some of the credit accretive opportunities in the legislative session or potential outcomes in upcoming rate cases. So, we've got a great plan in front of us and we continue to look at ways to potentially enhance it.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Excellent. Thank you for the clarification. And then if I can quickly to follow up on the last one here? On the legislative side, can you clarify a little bit on the timeline here? I mean, obviously, you've got a little bit of time to the end this session here, but you've got certain thresholds that you've got to achieve here to move different bills et cetera at least to see them moved. Can you clarify a little bit on what we should be seeing or expecting in terms of like the (inaudible) timeline to get some progress?

A - David J. Lesar {BIO 1519300 <GO>}

I appreciate the question, Julien. I mean, I don't think there's any sort of definitive timeline. It's an important part to see kind of bills moving. Obviously, the House and Senate are doing that. There's still more than 30 days left in the session. And so, I think all eyes are just number of bills outside of those focused just on utility related issues. And we're just trying to work constructively with legislators and key stakeholders to advocate on behalf of our customers. But there's probably not any specific deadlines that I would point to at this moment.

Q - Julien Dumoulin-Smith {BIO 15955666 <GO>}

Excellent, guys. Thank you very much. I'll see you soon. Cheers.

A - David J. Lesar {BIO 1519300 <GO>}

Thanks, Julien.

Operator

Please stand by for our last question. Our last question comes from Jeremy Tonet with JPMorgan. Your line is now The line is now open.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Hi, good morning.

A - David J. Lesar {BIO 1519300 <GO>}

Morning, Jeremy.

A - Jason P. Wells {BIO 19168211 <GO>}

Good morning, Jeremy.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Just want to revisit some of the local economic trends you referenced in the script. Just wondering, how are these trends across your service story relative to growth expectations coming into the year? Any deviations from original expectations?

A - David J. Lesar {BIO 1519300 <GO>}

I think that if you look back over the, say, last 30 years, the Houston area has sort of grown consistently 2% a year. And we even saw that growth continue through COVID. So, I think right now, we're really seeing more of the status quo. This is a really happening area in terms of attracting jobs. It's got a relatively low residential housing cost. You obviously have the tax advantages you have in Texas with no state income tax. You have low energy prices. So, all of that adds up to continue I think to develop an ecosystem here in Houston that will continue to drive approximately 2% growth. And that's really what we have in our plan. So, we're not planning for any more or any less at this point.

Q - Jeremy Tonet {BIO 15946844 <GO>}

Got it. That's helpful there. Thanks. And you also mentioned continued feedback on resiliency needs. Could you speak a bit more about your thinking here, how it's evolved, if at all? Does the current capital plan fully tackle, what you'd like to prioritize on the resiliency front, or is there any potential here covered in the $3 billion incremental capital upside you'd spoken to?

A - Jason P. Wells {BIO 19168211 <GO>}

Yes. Jeremy, I appreciate the question. I think, we've ramped up capital pretty considerably. A significant portion of that incremental capital is really dedicated to enhancing reliability and resiliency, helping make the grid a little smarter a little more self-healing to improve reliability a little bit harder to withstand the impact of severe weather. I think that $3 billion is largely oriented to incremental resiliency work that we would like to fold in the plan when we can efficiently execute it and efficiently recover it and efficiently fund it. So, we'll continue to find ways to incorporate that enhanced resiliency spend over the coming years.

A - David J. Lesar {BIO 1519300 <GO>}

For those of you that are wondering, rumbling in the background is it's a terrible weather day here in Houston with lots of thunder and lightning. So, hope it's not impacting the quality of the call here.

Q - Jeremy Tonet {BIO 15946844 <GO>}

You guys coming through loud and clear. So, thank you for that.

A - David J. Lesar {BIO 1519300 <GO>}

Alright. Good.

A - Jackie Richert {BIO 22513026 <GO>}

Great. Well, operator, I think that's going to conclude our call today. I appreciate everyone that's dialed in and look forward to catching up with everyone soon. Take care.

Operator

This concludes CenterPoint Energy's first quarter earnings conference call. Thank you for your participation.