# Q3 2017 Earnings Call

## Company Participants

- David Mordy, Director, Investor Relations
- Scott Prochazka, President and Chief Executive Officer
- Unidentified Participant
- William Rogers, Executive Vice President and Chief Financial Officer

## Other Participants

- Abe Azar, Analyst, Deutsche Bank
- Ali Agha, SunTrust, Analyst
- Charles Fishman, Analyst, Morningstar
- Greg Gordon, Analyst, Evercore ISI
- Michael Lapides, Analyst, Goldman Sachs
- Neel Mitra, Analyst, Tudor, Pickering, Holt & Co
- Shahriar Pourreza, Analyst, Guggenheim Partners
- Steve Fleishman, Analyst, Wolfe Research

## Presentation

### Operator

Good morning and welcome to CenterPoint Energy's Third Quarter 2017 Earnings Conference Call with senior management. During the company's prepared remarks, all participants will be on a listen-only mode. There will be a question-and-answer session after management's remarks. (Operator Instructions)

I will now turn the call over to David Mordy, Director of Investor Relations. Mr. Mordy, you may begin sir.

### David Mordy {BIO 20391499 <GO>}

Thank you, Thea. And good morning, everyone. Welcome to our third quarter 2017 earnings conference call. Scott Prochazka, President and CEO; and Bill Rogers, Executive Vice President and CFO; will discuss our third quarter 2017 results and provide highlights on other key areas. Also with us this morning, are Tracy Bridge, Executive Vice President and President of our Electric Division; Scott Doyle, Senior Vice President of Natural Gas Distribution; and Joe McGoldrick, Senior Vice President of Energy Services. Tracy, Scott and Joe will be available during the Q&A portion of our call.

In conjunction with our call, we will be using slides, which can be found under the Investors section on our website, centerpointenergy.com. For a reconciliation of non-GAAP measures used in providing earnings guidance in today's call, please refer to our earnings news release and our slides. They have been posted on our website, as has our Form 10-Q. Please note that we may announce material information using SEC filings, news releases, public conference calls, webcasts and posts to the Investors section of our website. In the future, we will continue to use these channels to communicate important information and encourage you to review the information on our website.

Today, management will discuss certain topics containing projections and forward-looking information that are based on management's beliefs, assumptions and information currently available to management. These forward-looking statements are subject to risks or uncertainties. Actual results could differ materially based upon factors, including weather variations, regulatory actions, economic conditions and growth, commodity prices, changes in our service territories and other risk factors noted in our SEC filings.

We will also discuss our guidance for 2017. The guidance range considers Utility Operations performance to-date and certain significant variables that may impact earnings, such as weather, regulatory and judicial proceedings, throughput, commodity prices, effective tax rate and financing activities.

In providing this guidance, the company uses a non-GAAP measure of adjusted diluted earnings per share, that does not include other potential impacts, such as changes in accounting standards or unusual items, earnings or losses from the change in the value of the Zero-Premium Exchangeable Subordinated Notes or ZENS securities and the related stocks, or the timing effects of mark-to-market accounting in the company's Energy Services business. The guidance range also considers such factors as Enable's most recent public forecast and effective tax rates. Before Scott begins, I would like to mention that this call is being recorded. Information on how to access the replay can be found on our website.

I'd now like to turn this call over to Scott.

## Scott Prochazka {BIO 17360314 <GO>}

Thank you, David. And good morning, ladies and gentlemen. Thank you for joining us today. And thank you for your interest in CenterPoint Energy. We mentioned earlier in the year we were thrilled to be hosting the Super Bowl in Houston this year and Minneapolis next year. A little bit we know the Astros would chime in with the World Series win between the two. We are proud of the team and the City and proud to serve Houston.

I will begin on slide four. This morning, we reported third quarter 2017 net income of $169 million, or $0.39 per diluted share compared net income of $179 million, or $0.41 per diluted share in the same quarter of last year. On a guidance basis, third quarter 2017 adjusted earnings were $167 million or $0.38 per diluted share, compared with adjusted earnings of $177 million or $0.41 per diluted share in the same quarter of last year.

Increases resulted from rate relief and customer growth. These benefits were more than offset by a return to more normal weather, lower equity return, higher depreciation and amortization expense and lower right of way revenue. While these offset translated into lower third quarter earnings versus 2016, they are in line with our plan and we are on track to achieve at or near the high end of our guidance range for 2017. Our businesses have performed well so far this year and we anticipate a strong finish in the fourth quarter.

Turning to slide five, as you all know, on Friday August 25, Hurricane Harvey made landfall in Texas. In the Houston region, Harvey brought nearly a year's worth of rainfall over a four day period, over 50 inches of rain in some areas. I would like to thank our employees, many of whom experienced flooding in their home and/or lost vehicles to high water but remained focused on the needs of our customers in the days and weeks that followed. Their preparation and dedication were crucial to our ability to respond so quickly to our impacted natural gas and electric customers. CenterPoint natural gas technicians from Arkansas, Louisiana, Oklahoma and adjacent Texas offices assisted their fellow colleagues along the Texas coast.

I would like to thank more than 1,500 electric contractors and mutual assistance crews from seven states who helped in our electric recovery efforts. We are also proud to offer assistance. After restoring power here, some of our CenterPoint electric crews travelled to Florida and for nearly two weeks assisted two utilities in their recovery efforts following hurricane Irma. Grid investments made over the last decade produced significant benefits during and after the storm.

Distribution automation including devices such as intelligent grids which has allowed us to quickly isolate problems enabling faster restoration. Small meters efficiently executed remote orders as well as provided outage information to keep customers informed with specific relevant information. Drones helped us access damage, efficiently direct crews to accessible work locations and accelerate restoration. These benefits were realized through years of planning, designing, implementing and ultimately utilizing these grid modernization investments. I would also like to thank the first responders, the cities we serve, community partners and the thousands of volunteers, who continue to support the affected communities.

Next, I will cover business highlights, starting with Houston Electric on slide six. Electric transmission and distribution core operating income in the third quarter of 2017 was $229 million compared to $234 million in the same quarter last year. We are down slightly due in large part to weather and reduced equity return in this quarter compared to third quarter of last year. We continue to see strong growth in our electric service territory. We added more than 46,000 metered customers since the third quarter of 2016, reflecting 2% customer growth. We believe this level of growth will continue throughout this year and our five year period.

I am also pleased to announce that we are ahead of schedule on the construction of the Brazos Valley Connection project, which includes a 60 mile transmission line. We expect to complete and energize the project in the first quarter of 2018. Rate relief reflecting $42 million of annual increase from the distribution cost recovery factor or DCRF settlement for investments made during 2016 went into effect in September.

Additionally, we recently filed for $39 million in transmission cost of service or TCOS rate recovery. We anticipate Houston Electric will make another DCRF filing reflecting 2017 investments in April of next year, as well as an additional TCOS filing after the completion of the

Brazos Valley Connection project. For a complete overview of Houston Electric's year-to-date regulatory developments, please see slide 22.

Turning now to slide seven, we continue to believe capital requirements to support this business will remain robust. Capital needs for growth, reliability and hardening investment are likely to create an upward shift to our current five year capital plan. Earlier this year, we proposed a free port Texas transmission project totaling $250 million in capital. This project is incremental to our current plant capital expenditures. It is also indicative of continued growth occurring throughout the industrial sector.

The Greater Houston partnership is forecasting that Houston's gross metro product will outpace the national GDP over the next 20 years by 4 percentage point. In addition to industrial growth, residential customer growth is expected to continue at 2%. We are in the process of refining our capital requirements and will provide an updated capital plan in our 2017 Form 10-K.

Turning to slide eight, natural gas distribution reported operating income of $19 million compared to $22 million in the same quarter last year. The slight decline was primarily due to timing associated with rate stabilization. We experienced solid customer growth of approximately 1% in this business with the addition of nearly 38,000 customers since the third quarter of 2016.

On the regulatory front, we continue to benefit from annual recovery mechanisms across most of our service territories. In Minnesota, interim rates went into effect on October 1, following a rate filing made in that jurisdiction in August. In Arkansas, our first formula rate plan or FRP filing was approved and new rates went into effect there on October 2. For a complete listing of regulatory filings in our gas distribution business, please see slides 23 and 24. Similar to our electric business, we anticipate an upward shift in capital investment for gas distribution for our upcoming five year plan. These investments will help keep pace with industry norms and regulatory requirements. Safety and system integrity will continue to drive capital spending. Similar to our electric business an updated gas distribution five year capital plan will be provided in our 2017 Form-10K.

Turning to slide nine, energy services operating income was $5 million in the third quarter of 2017 compared to $7 million in the same quarter of last year excluding a mark-to-market gain of $2 million and a loss of $2 million respectively. Operating income for the quarter included $2 million of expenses related to the acquisition and integration of Atmos Energy Marketing or AEM. As anticipated, the AEM acquisition has been modestly accretive year-to-date and we see volume growth opportunities in this segment.

Turning to Midstream investments, Enable performed well this quarter. Slide 10 shows some of the highlights from their third quarter earnings call on November 1. Midstream investments contributed $0.10 per diluted share in the third quarter of 2017 compared to $0.10 per diluted share in the same period last year. The third quarter marked the partnership's highest quarter for natural gas gathered volume. Crude oil gathered volumes and interest rate transportation average deliveries. Enable continues to see a strong level of activity on their system with 40 rigs drilling wells dedicated to their gathering and processing systems. We continue to believe Enable is well positioned for success.

Turning to slide 11, given our performance to date and our views for the balance of the year, we anticipate achieving at or near the high end of our guidance range for 2017. We also continue to expect year-over-year earnings growth for 2018 to be at the upper end of our 4% to 6% range. The status of our midstream investment ownership review is covered on slide 12. We are in late-stage discussions regarding our interest in Enable. We will not comment on the status of those activities nor can we represent that we will reach an agreement. Should our discussions not come to fruition, then we will look for opportunities to constructively sell units in the public market as conditions allow. Proceeds from unit sales will serve as a source of capital for our growing core energy delivery business.

Let me conclude by reiterating that we remain focussed on meeting the energy delivery needs of our growing customer base through prudent investment and timely recovery. We are performing well year-to-date and expect a strong finish to the year.

I will now turn the call over to Bill.

## William Rogers {BIO 15746544 <GO>}

Thank you, Scott. I will start with a review of the financial impact of Hurricane Harvey on slide 14. As noted, Harvey was a balance sheet of that, not an income statement event for our company. Our current estimate is that the restoration effort for Houston Electric will cost between $110 million and $120 million. We expect a third of that amount will likely be covered through claims or under our property insurance programs. Remaining cost will be recovered either through capital mechanisms or through regulatory assets and our next general rate case proceedings. We are estimating we will have $25 million to $30 million of restoration costs for gas distribution. We anticipate that the majority of those costs will be recovered by claims under our property insurance programs.

Next, I will provide a quarter-to-quarter operating income work for our Electric T&D and natural gas distribution segments, followed by EPS drivers for Utility Operations and then our consolidated business on a guidance basis. I will begin with Houston Electric on slide 15. Rate relief and continued 2% customer growth translated into a $12 million and $9 million favourable variance respectively for the quarter. This revenue growth was more than offset by return to more normal weather, lower equity return and lower right of way revenue. Usage declined on a quarter-to-quarter basis resulting in a $12 million negative variance.

Equity return was lower by 9 million and miscellaneous revenue, primarily right of way was lower by $7 million. Core operating income is shown on the chart to provide a better view of the growth excluding the change in equity return. On that basis, Houston Electric's core operating income increased from $212 million to $216 million, a $4 million improvement on a period-to-period basis despite reductions due to weather.

Turning to slide 16, natural gas distribution operating income for the third quarter was $19 million compared to $22 million for the same period last year. The business benefited from $5 million of rate relief and $2 million from customer growth. Usage was down $4 million due primarily to the timing of revenue recognition associated with the use of decoupling normalization adjustments. The net increase in revenues and gas distribution were more than offset by $6 million increases in depreciation, amortization and other taxes.

Excluding mark-to-market adjustments, operating income for our energy services business declined from $7 million in the third quarter of 2016 to $5 million for the third quarter of 2017. Higher operating costs were primarily the result of $2 million of expenses related to the acquisition and integration of Atmos Energy Marketing.

Our quarter-to-quarter utility operations guidance basis EPS walk begins on slide 17. The decline in EPS and utility operations from $0.31 in 2016 to $0.28 in 2017 is a result of previously discussed lower operating income, a decrease in equity return and a collection of other items which include income taxes and other income.

Our consolidated guidance EPS comparison is on slide 18. Earnings decline from $0.41 in third quarter 2016 to $0.38 in third quarter 2017 as a result of the decrease in EPS contributions from utility operations. We anticipate strong performance for the remainder of 2017 with customer growth, rate relief, energy services and our midstream segment, all contributing to year-on-year growth.

Turning to slide 19, we continue to expect 1.5 billion in capital investment in 2017. Our financial strength is evidenced by recent positive rating agency actions. In September, Fitch upgraded CEHE senior secured notes to a rating of A plus, in addition both Fitch and Standard & Poor's revise her outlook to positive for CNP and CERC. We value a strong balance sheet and we're pleased to see the upgrade. As previously discussed, we are not forecasting a need for equity in either 2017 or 2018. With respect to our effective income tax rate although the third quarter increase to 37% we continue to anticipate a full year 2017 tax rate of 36%.

On slide 20, we summarize year-to-date performance. In short, we have $0.07 of improvement from utility operations and $0.07 of improvement from midstream investments versus this time last year. This strong year to-date performance sets us up well to achieve our full year 2017 financial objectives. As Scott commented earlier, we anticipate we will be at or near the high-end of our $1.25 to a $1.33 guidance range for 2017.

Finally, we recognize that our federal legislators are hard at work at tax reform and yesterday provided the reconciliation bill under the tax cuts and jobs act. Although it's premature to take a view on eventual tax reform if at all we have provided a review of CenterPoint's tax position in the appendix materials in the investor slides that accompany this call.

I will now turn the call back over to David.

## David Mordy {BIO 20391499 <GO>}

Thank you, Bill. We will now open the call to questions. In the interest of time, I will ask you limit yourself to one question then a follow-up. Thea?

# Questions And Answers

## Operator

At this time, we will begin taking questions. (Operator Instructions) The first question will come from Julien Dumoulin-Smith with Bank of America. Please go ahead..

## A - Unidentified Participant

Hi. This is Josephine taking the question today. taking the question today. I was wondering if -- I know that you guys are a cash tax payer, if you could maybe talk a little bit about how you're thinking about absorbing some of the tax appetite. Are there any strategies that you guys are considering?

## A - Scott Prochazka {BIO 17360314 <GO>}

Bill, you want to take this?

## A - William Rogers {BIO 15746544 <GO>}

Certainly, you are correct. And that we are a cash tax payer at CenterPoint. And like other companies we do look for opportunities to accelerate deductions and differ revenue recognition.

## A - Unidentified Participant

Are there any strategies that you thought about like beyond, of course, the tax reform maybe like looking at tax equity?

## A - William Rogers {BIO 15746544 <GO>}

I don't think we would comment on this time with respect to strategies that we have and was certainly continue to take a look at proposals at the tax reform in Congress.

## A - Unidentified Participant

Okay. Of course -- thank you, guys.

## Operator

The next question will come from Greg Gordon with Evercore ISI. Please go ahead.

## Q - Greg Gordon {BIO 1506687 <GO>}

Thanks. Good morning, guys.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Greg.

## Q - Greg Gordon {BIO 1506687 <GO>}

So just a follow-up on that question and then I've got one follow-up. I understand you have a negative basis on Enable such that if you were to sell it you'd have a large tax hit to manage. But from an ongoing basis my understanding is. And please correct me if I'm wrong that your actual effective cash tax right now on an ongoing basis quite low, is it around 5%. And if so, how do you see that trending through the rest of the decade?

## A - Scott Prochazka {BIO 17360314 <GO>}

I will ask Bill to take this as well.

## A - William Rogers {BIO 15746544 <GO>}

Greg, you're correct. And that last year's 2016, our cash tax was mid-single digits or 5%. This year its approaching closer to 20%.

## Q - Greg Gordon {BIO 1506687 <GO>}

Got you. And can you give us any sense of whether you'll be willing to forecast, what would that look like prospectively or no?

## A - William Rogers {BIO 15746544 <GO>}

I think over the longer course of time it will approach our accrual rate which today is 36%.

## Q - Greg Gordon {BIO 1506687 <GO>}

Great. Thanks. Follow-up question, when it comes to the earnings growth target that you lay out the guidance range, what is the convention you use for the underlying assumption with regard to Enable contribution. Are you still assuming that our purposes of articulating that range that enables of a flat contributor perspectively?

## A - William Rogers {BIO 15746544 <GO>}

Greg, if you're asking about 2017, the answer to that is yes. We just take their contributions or their projections and roll that into our numbers.

## Q - Greg Gordon {BIO 1506687 <GO>}

Right, but when you give out (inaudible) your longer-term earnings guidance aspiration.

## A - William Rogers {BIO 15746544 <GO>}

Well the -- so what we've done is we've given a view as to what we believe 2018 would look like. And we incorporate what Enable has articulated in terms of their views of '18 relative to '17, which they provided a couple days ago.

## Q - Greg Gordon {BIO 1506687 <GO>}

Okay. So they're public pronouncements.

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah. They've given some indication of income before net income range for 2018.

## Q - Greg Gordon {BIO 1506687 <GO>}

Okay. Now, I just want to be clear that it wasn't that internal forecast, that was the public forecast?

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah. We use their forecast for '18.

## Q - Greg Gordon {BIO 1506687 <GO>}

Thank you very much. Have a great day.

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah.

## Operator

The next question will come from Neel Mitra with Tudor, Pickering.

## Q - Neel Mitra {BIO 16431920 <GO>}

Hi. Good morning.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Neil.

## Q - Neel Mitra {BIO 16431920 <GO>}

First question was in regards to what you project your earned ROE and -- at Houston Electric is going to be this year? Just with the moving parts, with maybe moving some of the O&M to regulatory asset given Hurricane Harvey and whether you'd be eligible to file for the DCRF this year?

## A - Scott Prochazka {BIO 17360314 <GO>}

Neel, we anticipate since, as Bill indicated, the financial effects of the storm are primarily balance sheet driven. We anticipate that we will be able to file a DCRF or set another way that our year end return will be below our allowed return of 10 [ph] .

## Q - Neel Mitra {BIO 16431920 <GO>}

Okay, great. And then second question. Now that you have Atmos and you have a lot more throughput through the competitive businesses. How do you see that kind of going forward relative to the qualitative commentary that you've given around your growth rate going forward?

## A - Scott Prochazka {BIO 17360314 <GO>}

So, we see this as a great complement to our utility business. So, we see this business growing as our core business -- our other core businesses are growing. Today it's kind of mid-single digits in terms of percent earnings contribution to our overall mix. We see that staying in about the same place. In other words we see this business growing as our utilities are growing.

## Q - Neel Mitra {BIO 16431920 <GO>}

Okay. And how do you view incremental acquisitions going forward? Is it a business that you want to have as a higher portion of your overall mix or is it a business you just want to grow organically at this point with the segments that you've acquired or have under your hood?

## A - Scott Prochazka {BIO 17360314 <GO>}

We're very pleased with the additions that we've made. It certainly created for some nice critical mass for this business. So we've got some work to do to fully absorb and integrate this. But, we don't comment on M&A, but we look for opportunities that are value creating to grow each of our businesses.

## Q - Neel Mitra {BIO 16431920 <GO>}

Great. Then if I could ask just one last quick question. Would it fair to say that you don't comment on Enable process unless there is something definitive going forward or is there going to be another kind of deadline or milestone we should look for to get up a progress report?

## A - William Rogers {BIO 15746544 <GO>}

Yeah, Neel. This is been admittedly a long process, soso we think as we come to the end of this we will communicate the outcome irrespective of what it is.

## Q - Neel Mitra {BIO 16431920 <GO>}

Okay, great. Thank you.

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah.

## Operator

The next question will come from Abe Azar with Deutsche Bank.

## Q - Abe Azar {BIO 18846367 <GO>}

Thank you. Good morning.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Abe.

## Q - Abe Azar {BIO 18846367 <GO>}

If you do reach a transaction on Enable, you continue to believe it will be for another stock that you'll sell over time and not cash?

## A - Scott Prochazka {BIO 17360314 <GO>}

Well, I think the best way answer that is for a cash transaction to work it would have to be a price that would allow us to accomplish all of our objectives. So, I think we said on earlier calls the most likely outcome would be something that is not a cash transaction, a cash sale transaction.

## Q - Abe Azar {BIO 18846367 <GO>}

Okay. So no change to that.

## A - Scott Prochazka {BIO 17360314 <GO>}

No.

## Q - Abe Azar {BIO 18846367 <GO>}

And then, if you did not reach a transaction, we notice that slight change in your languate on the slide. You're going to pursue opportunities to sell Enable in the public markets on the Q2 slides and now a little bit more, I think, which evaluate the sell of units. Is there anything to read into that or is that just some --

## A - Scott Prochazka {BIO 17360314 <GO>}

No. There's nothing to read into that. We're trying to communicate the same message as we did last quarter.

## Q - Abe Azar {BIO 18846367 <GO>}

Got it. And then, for the Minnesota rate case, do you book revenues as you receive them for the interim rate increase or is there a reserve against that?

## A - Scott Prochazka {BIO 17360314 <GO>}

We do book revenues as we receive them, starting when the interim rates went into effect on October 1.

## Q - Abe Azar {BIO 18846367 <GO>}

Thank you.

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah.

## Operator

The next question is from Ali Agha with SunTrust.

## Q - Ali Agha {BIO 1509168 <GO>}

Thank you. Good morning.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Ali.

## Q - Ali Agha {BIO 1509168 <GO>}

Good morning. Scott or Bill, I wanted to just be clear. The 2018 sort of indicative range the high end of the four to six. Does that assume that Enable stays assets like no transaction just looking at the business as is right now?

## A - Scott Prochazka {BIO 17360314 <GO>}

Yes. That is correct.

## Operator

Okay. Just to be clear on that. Just to -- because about a few weeks ago you guys had put some slides out that have basically indicated that based on known and measurable (inaudible) already out there. Utility earnings would be up by $0.10 year-over-year. So mathematically that would imply that you would likely could exceed the 4% to 6%. If that still the case assuming that there is no change to Enable?

## A - William Rogers {BIO 15746544 <GO>}

Ali, good morning, it's Bill. I think you're referring to some slides that we put out in September at an investor conference whereas you put it, we had some known and measurable events which included growth in our electric business, rate relief in our electric business has approved and has filed flat for the gas business and then increases in energy services as well as equity return. Then I think you're right to say that that did not include any additional rate relief nor did it incorporate the earnings forecast that Enable's put out the Wednesday of this week. All of which to say is, those of the items that give us comfort to saying we will be at the higher end of that 4% to 6% guidance.

## Q - Ali Agha {BIO 1509168 <GO>}

Okay. And also just to clarify. So if there is a transaction for Enable either sale for stock or you start to sell down the units on your own. In the very sort of near term as that happens, how should we think about the earnings impact from that because the earnings would go away from Enable, but the proceeds coming in would take a while to be reinvested? So, from a timing perspective at least should we assume that if there is a transaction there is some at least short term downward impact to the earnings power?

## A - Scott Prochazka {BIO 17360314 <GO>}

Ali, I'll start with this. Bill may want to add little color to it. I think the way I would think about this is -- our objective as we said early on was to -- if we did anything it would be in the context of keeping our investors whole or achieving our financial objectives. So, our objective would be through whatever we do we would still continue to target our growth objectives as we laid them out for you.

## A - William Rogers {BIO 15746544 <GO>}

And also the dividend as well.

## A - Scott Prochazka {BIO 17360314 <GO>}

That is the target. Yes.

## Q - Ali Agha {BIO 1509168 <GO>}

Okay. Thank you.

## A - Scott Prochazka {BIO 17360314 <GO>}

Yeah.

## Operator

The next question will come from Shahriar Pourreza with Guggenheim Partners.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

Good morning, guys.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Shahriar.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

So most of my questions were answered at this point, but just on the capital program that you discussed today. And appreciate we have to wait for the K to come out in order to get it. But on the electric side the higher CapEx potential. Is that predominately the Freeport project or do you envision sort of the reliability and resiliency you start discussed this morning to be incremental to that?

## A - William Rogers {BIO 15746544 <GO>}

So Freeport is clearly a large component of that. We hope to get support from ERCOT by the end of the year and assuming that happens and we'll enter the process with the PUC early next year. But in addition to that we are thinking about other opportunities associated with growth. Growth needs in the area and reliability and hardening investments as well the area.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. And then just obviously you don't have -- you guy have never had trouble growing, right. So when you sort of think about the higher capital program on the gas electric side, do you envision sort of maintaining that top end of that 4% to 6% beyond 2018 with what you know now?

## A - Scott Prochazka {BIO 17360314 <GO>}

We haven't given any indications beyond 2018 at this point. But we are preparing to share more of our views in the outer years at our year end call. So we're developing that thinking. Certainly the need for capital spending help support a good growth rate, but we'll be better prepared to communicate what we think that looks like out end in the future at our year end call.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

Got it. And then just lastly on Enable, obviously OGE still has their proposal out there. They responded on, I think in August 14. So whatever outcome in this process just remind us the offer that you accept has to exceed what OGE is sort of out there with? And then, what's the deadline for you to respond?

## A - William Rogers {BIO 15746544 <GO>}

Right. Shahriar, its Bill. You're right. So OGE has a right of first to offer opportunity and may exercise that right in August as you said. We need to -- if we accept another offer that has to be completed within 180 days and that offer does have to be higher by 105% are greater than OG&E's offer.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay. Got it. So that 180 days put you somewhere around January 11th?

## A - William Rogers {BIO 15746544 <GO>}

I think that's fair.

## Q - Shahriar Pourreza {BIO 15145095 <GO>}

Okay, great. Good morning, guys. Thanks again.

## A - William Rogers {BIO 15746544 <GO>}

Thank you.

## A - Scott Prochazka {BIO 17360314 <GO>}

Thank you.

## Operator

(Operator Instructions) The next question will come from Charles Fishman with Morningstar.

## Q - Charles Fishman {BIO 4772353 <GO>}

Good morning. Just two quick ones. In addition to the CapEx you'll provide your projection of rate base for Electric T&D as well as natural gas on that fourth quarter call?

## A - Scott Prochazka {BIO 17360314 <GO>}

Charles, we've done some of that in the past. We haven't put together our projections yet, but we will contemplate providing disclosure on that, as well as the what we think our capital spending is.

## Q - Charles Fishman {BIO 4772353 <GO>}

Okay. And then, second real quick question. You had 7 million less right away revenue. Bill, did you have a year-to-date total on that, what we're down to, is that project -- as that goes lower?

## A - William Rogers {BIO 15746544 <GO>}

I think we're looking here real quick to see if we have that number available for you.

## Q - Charles Fishman {BIO 4772353 <GO>}

If not, I'll give to the (inaudible) from you.

## A - William Rogers {BIO 15746544 <GO>}

We owe you an answer.

## Q - Charles Fishman {BIO 4772353 <GO>}

Okay. That will work. We'll see it next week.

## A - William Rogers {BIO 15746544 <GO>}

Okay.

## Operator

The next question will come from Steve Fleishman with Wolfe Research.

## Q - Steve Fleishman {BIO 1512318 <GO>}

Hi. Good morning.

## A - Scott Prochazka {BIO 17360314 <GO>}

Good morning, Steve.

## Q - Steve Fleishman {BIO 1512318 <GO>}

So just on Enable. In the event -- in the scenario where you do not have a transaction for it. Is there any consideration to not kind of looking to monetize it in the market, because it -- as I'm sure you're aware, there's an overwhelming overhang on Enable stock to have that out there. So I'm just kind of curious is there still some openness to thinking about that?

## A - Scott Prochazka {BIO 17360314 <GO>}

Steve, I'll go back to what our initial objective was and that was to reduce our exposure to commodity, variability, by our investment in midstream, so we would still continue to look for opportunities to reduce our exposure in that space. That said, I mean you bring up very valid points about the market conditions and as we've said in the past as we consider the sale of units we have to be extremely mindful of what is actually going on in respect to the markets.

## Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then my other question I guess in terms of the capital plan updates that you are going to give probably next year, is there anyway that you could maybe give some sense of how much higher they might go, is this like 50% higher, is this just a little higher, any sense of scale?

## A - Scott Prochazka {BIO 17360314 <GO>}

Well we are not going to go -- it's not going to go 50% higher I can tell you that. It's not that kind of adjustment but it's also not I would say it's not insignificant. I mean, we've mentioned this because the opportunities we are looking are significant enough to disclose and mention, but we just don't have the plan yet finalized. So, I had characterized it as meaningful but not a doubling of our current capital plan.

## Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Thank you very much.

## Operator

Our final question will come from Michael Lapides with Goldman Sachs.

## Q - Michael Lapides {BIO 6317499 <GO>}

Yeah. Hey, guys. Actually couple of questions, first of all, on the capital plan following up to Steve. Do you see the change being as on a percentage basis, higher on the electric side or the gas side?

## A - Scott Prochazka {BIO 17360314 <GO>}

Michael, we are actually looking at changes to both of the businesses. So I don't know what the percentage numbers would be like, but there I would say they are meaningful for both segments.

## Q - Michael Lapides {BIO 6317499 <GO>}

And because you give out a multi-year CapEx plan, is it more ratable throughout or is it more back end loaded when you are thinking about it, meaning how to be lumpier and more in the last two years than maybe in the first couple of years?

## A - William Rogers {BIO 15746544 <GO>}

Michael, its Bill. I would say that both gas and electric are biased to go higher by a similar amount. Admittedly gas is a smaller percentage of the total capital program. The gas business or more programs as we think about pipe replacement, so that's a more levelized capital investment. The electric business and our visibility of that tends to be front end loaded and to the extent that we have large transmission projects such as Brazos Valley or Freeport have visibility into that. So we get biased on the front end of the electric business because we can see the growth in the Houston Metropolitan area.

## Q - Michael Lapides {BIO 6317499 <GO>}

And do you worry about lag, like in Houston you all have been very good about earning authorized, earning close to authorized, you've needed the DCRF but are you worried that incremental capital will and sting out of rate cases will eventually push on to returns to a level that's kind of beneath what you've been able to generate for the last couple of years there?

## A - Scott Prochazka {BIO 17360314 <GO>}

Well certainly our mechanisms help us minimize regulatory lag, but you're correct to say with higher capital on the margin that regulatory lag increases. It's not something that we worry about at this point in time; I think it's very manageable.

## Q - Michael Lapides {BIO 6317499 <GO>}

Got it, okay guys thank you very much. Much appreciated.

## A - Scott Prochazka {BIO 17360314 <GO>}

Thank you Michael.

## A - David Mordy {BIO 20391499 <GO>}

I believe Michael was the final question. So thank you everyone for your interest in CenterPoint Energy. We will now conclude our third quarter 2017 earnings call. Have a great day.

## Operator

This concludes CenterPoint Energy's third quarter 2017 earnings conference call. Thank you for your participation. You may now disconnect.