Q1 2017 Earnings Call

Company Participants

- David Mordy, Director-Investor Relations
- Scott M. Prochazka, President, Chief Executive Officer & Director
- William D. Rogers, Chief Financial Officer & Executive Vice President

Other Participants

- Ali Agha, Analyst, SunTrust Robinson Humphrey, Inc.
- Greg Gordon, Analyst, Evercore ISI
- John Edwards, Analyst, Credit Suisse Securities (USA) LLC (Broker)
- Lasan Johong, Founder and CEO, Auvila Research Consulting
- Michael Lapides, Analyst, Goldman Sachs & Co.
- Steve Fleishman, Analyst, Wolfe Research LLC

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to CenterPoint Energy's First Quarter 2017 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.

I will now turn the call over to David Mordy, Director of Investor Relations. Mr. Mordy?

David Mordy {BIO 20391499 <GO>}

Thank you, Thea. Good morning, everyone. Welcome to our first quarter 2017 earnings conference call. Scott Prochazka, President and CEO; and Bill Rogers, Executive Vice President and CFO, will discuss our first quarter 2017 results and provide highlights on other key areas.

Along 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 Vortherms, 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 the 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 value of the Zero-Premium Exchangeable Subordinated Notes, or ZEN securities, and the related stocks, or the timing effects of mark-to-market accounting in the company's Energy Services business.

The company does not include other potential impacts such as changes in accounting standards or Enable Midstream's unusual items. 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.

And, now, I would like to turn the call over to Scott.

Scott M. 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. I will begin on slide 4. This morning, we reported first quarter 2017 net income of $192 million or $0.44 per diluted share, compared with net income of $154 million, or $0.36 per diluted share in the same quarter of last year.

On a guidance basis, first quarter 2017 adjusted earnings were $160 million, or $0.37 per diluted share compared with adjusted earnings of $138 million or $0.32 per diluted share in the same quarter of last year.

Increases resulted from rate relief, customer growth, Midstream Investments contribution, lower interest expense, and a full quarter benefit from our investment in Enable preferred units. These benefits were partially offset by reductions in usage, primarily due to milder weather, higher depreciation, and lower equity return.

Utility Operations and Midstream Investments both performed well this quarter. The key takeaways from our first quarter results are clear. We exceeded our 2016 earnings performance this quarter, despite a very mild winter in our Southern service territories, and we remain on track to meet our earnings guidance of $1.25 to $1.33 for the full year. Our various business segments continue to implement their strategies, which are focused on safely addressing the growing needs of our customers, while enhancing financial performance.

Next, I will cover business highlights starting with Houston Electric on slide 5. Despite experiencing the warmest winter on record, Electric Transmission & Distribution core operating income in the first quarter of 2017 was $58 million, compared to $59 million in the same quarter last year. We continue to see strong growth in our electric service territory. We added more than 49,000 metered customers since the first quarter of 2016, representing 2% customer growth.

We continue to forecast 2% growth for all of 2017, which equates to approximately $25 million to $30 million in incremental base revenue. In February, we received approval for our Transmission Cost of Service, or TCOS filing, which provides a $7.8 million annual increase in revenue. Additionally, in April, Houston Electric made a Distribution Cost Recovery Factor, or DCRF filing, with the Public Utility Commission of Texas, which proposes a $44.6 million annual increase in revenue. New rates are expected to go into effect in September.

For a complete overview of Houston Electric's year-to-date regulatory developments, please see slide 17. Also in April, we submitted a proposal to the Electric Reliability Council of Texas, also known as ERCOT, requesting its endorsement of a transmission project to support continued load growth for the petrochemical industry in the Freeport, Texas area. The proposed project includes capital expenditures of approximately $250 million, which would be incremental to the five-year capital plan that we provided on our earnings call this past February. We anticipate a decision from ERCOT later this year. If approved, we will then make the necessary filings to seek approval from the PUCT. We anticipate the majority of capital expenditures will occur in 2019, 2020, and 2021.

Turning to slide 6, Natural Gas Distribution operating income in the first quarter of 2017 was $164 million compared to $160 million in the same quarter last year. Natural Gas Distribution's performance was strong despite an extremely warm winter, similar to that experienced by Houston Electric. The decoupling pilot in Minnesota and the weather normalization adjustments in every other state except for Texas helped offset some of the reduced usage caused by the milder winter.

We continue to see solid customer growth of approximately 1% with more than 28,000 customers added since the first quarter of 2016. On the regulatory front, we reached a settlement in April for our Texas Gulf Rate Case. The settlement includes an annual increase of $16.5 million and a 9.6% return on equity on a 55.15% equity capital structure. We expect the judge's proposed decision on the settlement shortly and a final order from the Railroad Commission later in the month.

We made our first Arkansas Formula Rate Plan, or FRP filing, in April, requesting a $9.3 million annual increase. New rates from the FRP filing are expected to go into effect in October. Additionally, we submitted the GRIP filings in our South Texas and Beaumont/East Texas jurisdictions in March for a total annual increase of $7.6 million. New rates from these GRIP filings are expected to go into effect in July. For a complete overview of Natural Gas Distribution's year-to-date regulatory developments, please see slides 18 and 19.

Turning now to slide 7. Energy Services operating income was $20 million in the first quarter of 2017 compared to $15 million in the same quarter of last year excluding a mark-to-market gain of $15 million and a loss of $9 million, respectively. We benefited from increased customer count and throughput, primarily related to the acquisitions of Atmos Energy Marketing, or AEM, and the energy services business of Continuum. We continue to anticipate solid performance from Energy Services in 2017 with projected operating income of $45 million to $55 million. The AEM acquisition is expected to be modestly accretive this year even after accounting for integration expenses.

Slide 8 shows some of the highlights from Enable's first quarter earnings call on May 3. Midstream Investments contributed $0.10 per diluted share in the first quarter of 2017 compared to $0.09 per diluted share in the same period last year.

Enable performed well operationally this quarter. Daily volumes of gas gathered, processed, and transported were all higher than the same quarter last year. Additionally, Enable recently announced two new projects, Project Wildcat, which will provide premium market outlets for growing production out of the SCOOP and STACK plays in the Anadarko Basin and add 400 million cubic feet per day of processing capacity as well as a 10-year, 205 million cubic feet per day firm natural gas transportation agreement with Newfield Exploration Company to transport Newfield's production out of the Anadarko Basin. We continue to believe Enable is well positioned for success in their industry.

Turning to slide 9. Given our strong start to the year and expected growth in both Utility Operations and Midstream Investments, we are reaffirming our 2017 earnings guidance range of $1.25 to $1.33 per share. Finally, as we previously disclosed, we expect to update you on the review of our Midstream Investment ownership alternatives on or before our second quarter 2017 earnings call.

I'd now like to turn the call over to Bill.

William D. Rogers {BIO 15746544 <GO>}

Thank you, Scott. I will provide a quarter-to-quarter operating income walk for our Electric T&D and Natural Gas Distribution segments followed by EPS drivers for Utility Operations and our consolidated business on a guidance basis.

Beginning on slide 11, Houston Electric performed well during the first quarter. Rate relief translated into $14 million of favorable variance and a 2% customer growth provided $8 million of positive variance. Usage accounted for $4 million in unfavorable variance. This is primarily a result of milder weather.

Depreciation and other taxes accounted for an unfavorable variance of $9 million, but our Electric T&D segment was disciplined on O&M expenses this quarter and remains focused on limiting O&M growth in the future. As we have previously disclosed, we expect equity return to be lower in 2017, relative to 2016. The decline this quarter relative to first quarter of 2016, was $6 million.

Excluding the decrease in equity income, the Electric segments' operating income increased from $46 million to $51 million on a quarter-to-quarter basis. Overall, Houston Electric is on track, with our expectations.

Turning to slide 12; the Natural Gas Distribution segment also performed well for the quarter. The business benefited primarily from rate relief, providing a positive $13 million variance, customer growth of 1%, provided $2 million in positive variance.

The business had $15 million of lower usage, primarily due to milder weather, after adjusting for decoupling and weather normalization adjustments. We would expect to recover some additional amounts later in the year, through our normalization mechanisms.

The largest share of the weather impact was in Texas. This is a result of the warmest winter on record, and that Texas is the only state, where we operate without a decoupling or a weather adjustment mechanism. Our Gas Distribution segment also remained disciplined on O&M, which was nearly flat for the quarter, excluding certain expenses that have revenue offsets.

The segment did benefit from a one-time property tax refund at Minnesota, as included in the taxes other than income taxes line item on the income statement.

In summary, the Gas Distribution segment's operating income increased from $160 million to $164 million on a quarter-to-quarter basis, despite a very mild winter in our Southern service territories, we are on track with our expectations.

Energy Services' first quarter operating income was $20 million, excluding mark-to-market adjustments. This represents a $5 million improvement over the first quarter of 2016. This segment's recent acquisitions are contributing to operating income as expected. As we've previously disclosed, we expect Energy Services to deliver $45 million to $55 million in operating income in 2017.

Our quarter-to-quarter earnings per share walk on a guidance basis begins on page 13. We start with a $0.23 in Utility Operations EPS, a $0.02 of improvement from core operating income, excluding equity return. Next, we had $0.03 of improvement from lower interest expense, and our full-quarter of distribution from the Enable preferred investment.

The decline in equity return in the Electric segment resulted in a $0.01 loss per share on a quarter-to-quarter basis. In summary, Utility Operations had an approximately 17% improvement on a quarter-to-quarter basis, with the guidance EPS increasing from $0.23 to $0.27 per share.

Our consolidated guidance earnings per share comparison is on page 14. With the Utility Operations increase of $0.04, and the Midstream increase of $0.01, we had approximately 16% quarter-to-quarter improvement on a guidance basis, or $0.37 per share in this quarter versus the $0.32 per share in the first quarter of 2016. With this $0.05 improvement for the first quarter, and a number of positive factors expected to continue including rate relief, interest expense savings, and the improved Midstream environment, we have strong momentum for the remainder of 2017.

I will end my prepared remarks on slide 15. As we have previously disclosed, we expect to invest $7 billion on behalf of our customers over the next five years. Actual investment will be guided by customer and load growth. Our recent proposal to ERCOT for approximately $250 million of additional transmission investment to support industrial customer (16:14) near Freeport, Texas is an example of this growth.

As disclosed in earlier calls, our anticipated net incremental borrowing needs in 2017 of between $200 million and $500 million, inclusive of the funding of our purchase of AEM earlier this year. And we are not forecasting a need for equity in neither 2017 or 2018.

I will close by reminding you of the $0.2675 per share quarterly dividend declared by our board of directors on April 27, which represents a 4% increase over last year's dividend.

Scott M. Prochazka {BIO 17360314 <GO>}

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

Q&A

Operator

At this time, we will begin taking questions. Thank you. The first question will come from Greg Gordon with Evercore ISI. Please go ahead.

Q - Greg Gordon {BIO 1506687 <GO>}

Thanks. Two questions. So, assuming the anticipated decision from ERCOT later in 2017 on the $250 million project, what's the time horizon for actually executing on that capital investment, and when would you think that that transmission line would be in operation? And then, I have a follow-up.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Greg, good morning. This is Scott. The process we would have to step through, and we are stepping through is having ERCOT review our proposal. And assuming that they're supportive of this, the next step would be to file with the commission. Given all those steps and the timing for each of those steps, we would anticipate that the construction period would be between 2019 and 2021.

Q - Greg Gordon {BIO 1506687 <GO>}

Would you earn AFUDC on that during construction?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yes, we would.

Q - Greg Gordon {BIO 1506687 <GO>}

And then, forgive me, if I was distracted earlier and missed it, but can you give us an update at all on the process of the strategic review on Enable?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah. My comments earlier was that that we are continuing that. We had mentioned that on our first quarter call, we anticipate providing an update on our – well I said, I'm sorry, on our fourth quarter call that we anticipate providing an update on our second quarter call. So, we're still on track to do that, and we are still in discussions with other parties and evaluating alternatives. So, sit tight, we'll provide an update on or before our second quarter call.

Q - Greg Gordon {BIO 1506687 <GO>}

Is it fair to assume that the decision process is banded around some sort of tax-efficient like kind exchange versus a spin through a C Corp?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah. Well, it's certainly, one of the options, but it's not the only one that's being considered.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay. Thanks, guys.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah. Thanks, Greg.

Operator

The next question will come from John Edwards with Credit Suisse. Please go ahead.

Q - John Edwards {BIO 5223230 <GO>}

Thanks for taking my question. You just answered my question. I was going to ask also about what's the plan for Enable? And it sounds like, it's still being considered. I guess, the only thing I would add to that question would be, is one of the options just keeping it?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yes, John. One of the options is to keep it there. We've talked about the list of options being a sale, a spin or keep. And even under the keep situation, we continue to work on things that would reduce the variability associated with our ownership of Enable, and a lot of that activity is happening at the Enable level with the nature of the contracts and the deals are putting together.

Q - John Edwards {BIO 5223230 <GO>}

Okay. And then just on the guidance. You indicated you expect to be at the high-end of the 4% to 6% earnings growth range for 2018. And then, also as far as the ranges for this year, what are some of the things you're looking at that would put you at the high-end versus the low-end? If you could just maybe provide a little color.

And if you already commented on it, I apologies, I had to jump on late.

A - William D. Rogers {BIO 15746544 <GO>}

John, good morning this is Bill. With respect to 2017, that we are still in the first quarter. First quarter, we've done well. First quarter and third quarter are a big quarters of the year and weather influences both of those. But we are confident that we are on track, certainly, within the EPS guidance for the 2017 year.

Many of the factors that we've discussed in our prepared remarks for 2017 both apply to 2018 as well, including the momentum that we have in the Midstream segment.

Q - John Edwards {BIO 5223230 <GO>}

Okay. So it sounds – are you leaning towards the high-end for 2017 as well at this point.

A - William D. Rogers {BIO 15746544 <GO>}

Given that it's just the first quarter, we are not in a position to guide either or within the range of the 2017 EPS guidance.

Q - John Edwards {BIO 5223230 <GO>}

Okay. Thank you. That's it for me.

Operator

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

Q - Michael Lapides {BIO 6317499 <GO>}

Hey, guys. Just curious, and thank you for taking my questions. In your 2017 guidance, what do you assume for your earned returns on rate base, both on the gas side and the electric side?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Michael, good morning, this is Scott. We have historically performed in the range between 9.5% and 10% for our utilities and our expectations are that that will continue this year as well.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it. And is that what's baked into your multi-year guidance, your growth rate guidance?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yes, it is.

Q - Michael Lapides {BIO 6317499 <GO>}

Okay. And then, one or two housekeeping items. Bill, just curious the property tax refund, so people should back that out of next year, I assume, and that shows up in taxes other than income taxes.

A - William D. Rogers {BIO 15746544 <GO>}

Yes.

Q - Michael Lapides {BIO 6317499 <GO>}

Okay. And then in the quarter, depreciation – and it didn't look like – and this is not a huge thing, but depreciation was a tailwind, but it doesn't look like it happened at the utility, at CE or at the gas utility. Is there something at the parent that drove that or something along the amortization that drove that change year-over-year?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Michael, that's related to two things allocation of depreciation expense and AMR in transition bonds.

Q - Michael Lapides {BIO 6317499 <GO>}

Got it, okay. I can follow-up offline. Thanks, guys. Much appreciated.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Thanks, Michael.

Operator

The next question will come from Ali Agha with SunTrust. Please go ahead.

Q - Ali Agha {BIO 1509168 <GO>}

Thank you, good morning.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Good morning, Ali.

Q - Ali Agha {BIO 1509168 <GO>}

Good morning. Scott, I wanted to get an update what's your current thoughts on utility consolidation? And to the extent there are opportunities there, is CenterPoint poised to be a player, or are you completely focused on the internal five year growth?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Well, I think my thoughts are perhaps as similar to others based on observation. It appears that Utility M&A has slowed a little bit. It could be for a number of factors. But our interest in M&A is the same as it's always been and that is that we really focus our energy around investment in our utilities. We look at the opportunity to invest up to and perhaps in excess of $7 billion in our utilities over the next five years knowing the timeliness and the returns we can get based on investment in our jurisdictions and we have to compare that to the quality of investment through M&A and our emphasis remains on organic investment.

Q - Ali Agha {BIO 1509168 <GO>}

Yeah. But to the extent opportunities come up, fair to say that you still would be looking more contiguous or close to your service territories no interest in going afar from your current portfolio?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah, I think that's a fair characterization. Look, we are fundamentally a utility company, we believe we run utilities well and if we found an opportunity that made sense to get it – make our utilities larger in a way that created value for our customers, we would certainly consider it.

Q - Ali Agha {BIO 1509168 <GO>}

Fair. And then, Bill, you mentioned no plans to issue equity 2017 and 2018, does that imply – would 2019 be the earliest year you think that equity could potentially come into the equation given that $7 billion plus CapEx plan or what is it, could it be even further afield than that?

A - William D. Rogers {BIO 15746544 <GO>}

Ali, I think it's pretty immature for us to comment on 2019 and beyond with respect to equity plans. It is certainly our intent to manage our level of investment, our dividends, and our financing in order to maintain our existing credit quality and credit ratings, provide the right investment on behalf of our customers in our growing service territories, and not to dilute our shareholders.

Q - Ali Agha {BIO 1509168 <GO>}

Okay. But you're not saying – just want to be clear, you're not saying that the entire $7 billion can be funded without equity or can you say that?

A - Scott M. Prochazka {BIO 17360314 <GO>}

We have not made any comment on that.

Q - Ali Agha {BIO 1509168 <GO>}

Okay. Thank you.

Operator

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

Q - Steve Fleishman {BIO 1512318 <GO>}

Hey, good morning.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Good morning, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Hi, Scott. So just to go back to the last quarter you mentioned that you were thinking on the 2018 to be at the high-end of your 4% to 6%, is that still good?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah. That's still correct, Steve.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And harking back to the days with Gary, I'll have to ask this question of now that Oncor potentially is back on the block, is that something – and they seem to want a Texas-based owner. Is that something that could become more viable or interesting to you again?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Steve, I think, it's not our real practice to comment on specific opportunities. But it is interesting watching this proceeding unfold. It's my understanding it's not yet closed. So, like you all, we're just watching this thing unfold and seeing what we can glean from the outcomes.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. And then just lastly on the new transmission project opportunities, is this – I mean, there just seems to be a new industrial facility of some sort or energy facility kind of getting announced in your region pretty much every month or so. So, I'm just curious kind of are there more of these kind of incremental behind it that could pop up?

A - Scott M. Prochazka {BIO 17360314 <GO>}

I think it's possible. I mean, there have been several announcements made and many of these announcements, it's still not clear yet on the siding. So, as they get firmed up on siding, it may create more opportunity. But the project that we had submitted to ERCOT was based on committed projects by the customers. So it's possible that others could step in and propose and ultimately get approval and pursue. And to the extent that were to happen that may well represent additional investment opportunity for us.

Q - Steve Fleishman {BIO 1512318 <GO>}

Okay. Thank you.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Thanks, Steve.

Operator

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

Q - Greg Gordon {BIO 1506687 <GO>}

Hey, guys. Quick follow-up. With regard to Enable, obviously, keeping it if you don't get a reasonable offer is clearly an obvious choice, so is packaging it up and spinning it. And I know that the outlook for Enable has improved dramatically over the last year. But is that improved outlook in and of itself, even if that were to continue for some period of time, enough to increase your desire to keep it or do you still feel that there is a structural dissonance between the long-term volatility and the potential contribution for that business versus what (30:08) from the underlying utility investment that they own. Wondering if I could get your thoughts on that?

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah. So, let me just share some thoughts on that front. So, the improvement we've seen in the industry and at Enable are certainly great to see. And much of what they have been doing, the nature of their contracts have been going down the path of creating less volatility, which is one of the objectives we were seeking. So, in that regard, it is moving in the right direction. But it is still fundamentally a different industry. It's still the midstream space, whereas the rest of our investment is in utility. So, our process will continue to its natural conclusion. And then, we'll move forward from there. But I think it's fair to say as you commented that improvements in the industry and changes that are occurring at Enable are both favorable for us from an ongoing ownership perspective.

Q - Greg Gordon {BIO 1506687 <GO>}

Okay. Thanks, guys. Take care.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Yeah.

Operator

The next question will come from Lasan Johong with Auvila Research. Please go ahead.

Q - Lasan Johong {BIO 4135934 <GO>}

Thank you. Happy Cinco de Mayo. I hope you guys get some margaritas after this? So I don't want to hop on Enable too much, but Enable is a commodity-driven business, volume and price, and so by limiting the volatility, isn't a kind of countermanding the ability to sell and maybe narrowing your pool of potential buyers?

A - Scott M. Prochazka {BIO 17360314 <GO>}

No. I don't – look, this is probably a question that may make sense to ask Enable as well, but I don't see that is affecting the value of the company. The value of the company is going to be predicated on their opportunity to invest and grow in that space. And taking some of the volatility out of their financial performance, I don't see that as deterring from the value of the company.

Q - Lasan Johong {BIO 4135934 <GO>}

Great. Next question, Energy Services, if you look at the map that you guys have on the presentation, it is very impressive. But for the small matter of the Northeastern slowing the two biggest consuming areas of natural gas in this country is not covered. So, I'm wondering if there is a strategy in place to try and get a presence there or if by design CenterPoint does not want to be in those two areas?

A - William D. Rogers {BIO 15746544 <GO>}

Lasan, good morning, it's Bill.

Q - Lasan Johong {BIO 4135934 <GO>}

Good morning, Bill.

A - William D. Rogers {BIO 15746544 <GO>}

And I would say the current focus for our CES business is to integrate these recent acquisitions, increase offerings to customers and customer retention rates, and find opportunities on the supply side of that to help us with our margins. So, that would be the current focus. Should opportunities present themselves in other geographies or within existing geographies, we'll take a look at that, but that's not an active strategy at this time.

Q - Lasan Johong {BIO 4135934 <GO>}

So it's not an active strategy to stay away from those areas, it's just you have better things to do with your time and money than to chase after acquisitions before you fully integrate all the businesses.

A - Scott M. Prochazka {BIO 17360314 <GO>}

Well said.

Q - Lasan Johong {BIO 4135934 <GO>}

Thank you. Have a great day.

A - David Mordy {BIO 20391499 <GO>}

Thank you, everyone. Thank you for your interest in CenterPoint Energy. We look forward to seeing many of you at the upcoming AGA conference and we now conclude our first quarter 2017 earnings call. Have a great day.

Operator

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