



3rd Quarter 2012 Earnings Conference Call November 7, 2012

Carla Kneipp – Vice President of Investor Relations

Thank you very much, Sara.

Good morning, everyone. This is Carla Kneipp, vice president of Investor Relations for CenterPoint Energy. I'd like to welcome you to our third quarter 2012 earnings conference call. Thank you for joining us today.

David McClanahan, president and CEO, Gary Whitlock, executive vice president and CFO, Scott Prochazka, executive vice president and chief operating officer, and Greg Harper, senior vice president and group president of Pipelines and Field Services, will discuss our third quarter 2012 results. We also have other members of management with us who may assist in answering questions following the prepared remarks.

Our earnings press release and Form 10-Q filed earlier today are posted on our Web site, CenterPointEnergy.com, under the Investors section.

I remind you that any projections or forward-looking statements made during this call are subject to the cautionary statements on forward-looking information in the company's filings with the SEC.

Before David begins, I would like to mention that a replay of this call will be available through Thursday, November fourteenth, six pm Central Time. To access the replay, please call 855-859-2056, or 404-537-3406, and enter the conference ID number 30496727. You can also listen to an online replay on our Web site. We will archive the call for at least one year.

And with that, I will now turn the call over to David.



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David McClanahan – President and CEO

Thank you, Carla. Good morning ladies and gentlemen. Thank you for joining us today, and thank you for your interest in CenterPoint Energy.

This morning, I will discuss our consolidated results for the third quarter of 2012. Gary will discuss two unusual, non-cash items recorded this quarter, as well as some recent financing activities. Scott will comment on the performance of each business unit. And finally, Greg will discuss certain aspects of our Field Services business.

This morning we reported net income of 10 million dollars, or 2 cents per diluted share. The results for the third quarter of 2012 include two unusual items: first, a 252 million dollar non-cash, goodwill impairment charge associated with our competitive energy services business and second, a 136 million dollar non-cash, pre-tax gain associated with our purchase of the remaining 50 percent interest in the Waskom gathering and processing joint venture. Excluding these unusual items, net income for the third quarter of 2012 would have been 174 million dollars or 40 cents per diluted share.

Net income for the third quarter 2011 was 973 million dollars, or 2 dollars and 27 cents per diluted share. As you may recall, last year we also recorded an unusual item: net income of 811 million dollars associated with the final resolution of the true up appeal. Excluding this unusual item, net income would have been 162 million dollars, or 38 cents per diluted share.

Operating income for the third quarter was 88 million dollars. Excluding unusual items, operating income for the third quarter would have been 340 million dollars compared to 357 million dollars for the same period last year.

As you will hear in a few minutes from Scott, our businesses delivered solid performances this quarter, in line with our expectations. Our regulated electric and gas



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distribution utilities produced strong results and despite the low natural gas prices and the lack of basis differentials, our midstream and competitive energy services businesses performed well.

I will now turn the call over to Gary.

Gary Whitlock – Executive Vice President and CFO

Thank you, David, and good morning to everyone.

Today, I would first like to discuss the two unusual items that are included in our results for the third quarter. Then, I will review our debt refinancing, earnings guidance and dividend declaration.

The two hundred and fifty two million dollar, non-cash impairment charge relates to the goodwill resulting from the 1997 merger between Houston Industries and NorAm Energy. Three hundred and thirty five million dollars of that goodwill was associated with our competitive energy services business.

In the third quarter of each year, we perform a goodwill impairment test. The adverse wholesale market conditions facing our energy services business, specifically the prospects for continued low geographic and seasonal price differentials, led to a reduction in our estimate of the fair value of goodwill associated with this business. No other business unit required a goodwill impairment charge.

We also recorded a one hundred and thirty six million dollar non-cash gain as a result of our acquisition of the remaining fifty percent interest in the Waskom joint venture. This acquisition is classified as a business combination, achieved in stages, requiring a write up of our original fifty percent interest to fair value.

Turning to our financing activities during the quarter, we took advantage of very low interest rates and refinanced some of our debt. Specifically, Houston Electric issued eight



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hundred million dollars of general mortgage bonds at attractive rates and redeemed eight hundred million dollars of Houston Electric general mortgage bonds, scheduled to mature in 2014.

The redemption premium on the two series was approximately sixty nine million dollars and this refinancing will reduce our annual interest payments by approximately twenty eight million dollars.

Now let me discuss our 2012 earnings guidance. This morning in our press release, we reaffirmed our second quarter estimate for annual earnings in the range of one dollar and thirteen cents to one dollar and twenty three cents per diluted share. Our guidance excludes the effects of the goodwill impairment charge and the Waskom acquisition gain.

As a reminder, our earnings guidance range is based on our performance to date and includes a number of variables such as commodity prices, volume throughput, weather, regulatory proceedings, and our effective tax rate.

I'd also like to remind you of the twenty and a quarter cent per share regular dividend declared by our Board of Directors on October 24th. We believe our dividend actions continue to demonstrate a strong commitment to our shareholders and the confidence the Board of Directors has in our ability to deliver sustainable earnings and cash flow.

Now let me turn the call over to Scott who will discuss the quarterly results of our businesses in more detail.



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Scott Prochazka – Executive Vice President and COO

Thank you, Gary, and good morning to everyone.

I'll begin with Houston Electric which reported operating income of 205 million dollars this quarter, or 8 million dollars less than the third quarter of 2011 which included the benefits of extremely hot and dry summer weather. This year's operating income benefited from the growth of more than 40 thousand customers since the 3rd quarter of last year. This represents a growth rate of 2 percent, which we believe should continue for the remainder of the year. We also benefited from higher transmission-related revenue, the ongoing recognition of deferred equity returns associated with the company's true-up proceeds and an increase in miscellaneous revenues. More than offsetting these benefits, however, were a 38 million dollar impact from the return to more normal weather and a 9 million dollar impact from the rate changes implemented in September of 2011. Overall, Houston Electric had a strong quarter and is expected to have another good year.

To address the growing infrastructure needs of the Houston service territory, we expect to invest capital in excess of 500 million dollars per year for the next several years resulting in rate base growth of approximately 4 percent per year. Given our transmission and distribution capital recovery mechanisms, we don't anticipate the need for a major Houston Electric rate case in the near term.

Our natural gas distribution business reported 5 million dollars of operating income in the 3rd quarter of 2012, which was 7 million dollars more than last year. This quarter benefited from the growth of more than 31 thousand customers since the 3rd quarter of last year. Additionally, we have been focused on productivity gains and operating efficiencies to offset the impact of an extremely mild winter. We have seen the benefit of these efforts and expect to see similar benefits for the remainder of the year. Annual rate adjustment mechanisms in a number of our jurisdictions continue to help us recover new investments, as well as to offset reductions



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in usage, without the need for expensive and time consuming rate proceedings. We are also benefiting from increased customer charges in our Texas jurisdictions.

We continue to focus on system reliability by replacing older infrastructure, and on upgrading our systems to enhance customer service. These investments, together with normal load growth and system maintenance, are expected to require capital expenditures of 350 to 400 million dollars annually and produce rate base growth of approximately 6 percent per year.

Now let me turn to our midstream businesses.

Our interstate pipelines unit recorded operating income of 48 million dollars compared to 60 million dollars for the same quarter of 2011. The decline was primarily the result of reductions in seasonal and market sensitive transportation and ancillary services and a reduction in compressor efficiency on our Carthage-to-Perryville pipeline due to lower volumes. Low natural gas prices and significantly compressed basis continue to adversely impact this business.

Equity income from SESH, our joint venture with Spectra, was 8 million dollars compared to 6 million dollars in the same quarter of 2011, reflecting the benefit of a new contract with an anchor shipper that started in January of this year.

From a commercial perspective, we continue to pursue opportunities to serve customers on or near our pipelines with particular focus on power generation and natural gas producers. In addition, we continue to evaluate the current rates and rate structures for our 2 interstate pipelines.

In August, Mississippi River Transmission filed its first rate case since 2001 and requested a 47 million dollar rate increase. Our filing is based on an updated cost of service, including new depreciation rates, a capital structure composed of 61 percent equity and a 13.6 percent return on equity. We also sought a regulatory compliance cost surcharge to recover future security, safety and environmental costs associated with mandated requirements. In



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September, the FERC issued an order accepting MRT's filing, suspending the filed tariff rates until March 2013 and limiting the scope of the surcharge to the recovery of security costs. MRT has asked for a rehearing on the surcharge issues. Unless we reach a settlement on the rate case, we expect a 3rd quarter 2013 hearing.

In October, we also initiated discussions with customers for a new tariff structure on our CEGT pipeline. These discussions center around an updated cost of service and a mechanism for recovering increased costs associated with security, safety and environmental activities similar to the mechanism we requested in our MRT rate filing.

Turning now to our field services unit, we reported operating income of 55 million dollars compared to 61 million dollars for the same quarter of 2011. Operating income benefitted by 7 million dollars from the Amoruso and Prism acquisitions.

These benefits were offset by lower revenues from sales of retained natural gas due to lower prices, reduced throughput from our traditional basins and the timing of revenue recognition related to throughput commitments. These throughput commitments are an important feature of our contracts and Greg will discuss them in greater detail later in the call.

With respect to our gathering volumes, throughput increased approximately 7 percent compared to the 3rd quarter of last year. We expect our overall system throughput to average around 2.4 billion cubic feet per day through year end, including approximately 200 million cubic feet per day from our recent acquisitions.

Our competitive energy services business reported an operating loss of 7 million dollars, excluding the goodwill impairment charge discussed by Gary, as compared to an operating loss of 10 million dollars in the same quarter of last year. After adjusting for mark-to-market accounting and gas inventory write downs, results for the 3rd quarter of 2012 increased 11 million dollars compared to the 3rd quarter of 2011. This business is benefitting from the elimination of uneconomic fixed cost transportation and storage agreements, and the growth in



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both retail customers and sales volumes. Our focus continues to be on expanding our customer base, rationalizing our fixed costs, and growing our product and service offerings.

In summary, our business units delivered solid operating and financial results and the benefits of our balanced electric and gas portfolio were again evident this quarter.

I will now turn the call over to Greg.

Greg Harper – Sr. VP and Group President, Pipelines and Field Services

Thank you, Scott. I want to take this opportunity to provide some additional information about our Field Services business. Specifically, we continue to get questions on our throughput commitments and recent acquisitions.

Field Services provides gathering, treating, processing and other related services to producers in and around the traditional natural gas production basins of Arkoma, Anadarko and ArkLaTex as well as in the unconventional shale plays of Fayetteville, Haynesville and Woodford. We operate 4,000 miles of gathering pipelines, processing plants with a capacity of 625 million cubic feet per day and treating plants with a capacity of approximately 9,000 gallons per minute. Today, about 40 percent of our volumes come from traditional gathering basins while 60 percent are from the shale plays. These percentages are inclusive of the recent acquisitions which we consider in the traditional category.

Our commercial and operating initiatives evolve with market dynamics and customer requests. We strive to provide best-in-market services especially when it comes to being on time and on budget. Our track record, combined with our focus on building strong relationships, serves us well as projects emerge. Generally, our Field Services business seeks unlevered, after-tax returns on investments in the low to mid-teens. While other gatherers may seek higher returns, our contracting strategies mitigate project risk with longer terms of 10 to 15 years, and throughput commitments or guaranteed returns - especially on large capital projects. Of course,



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without these mitigants, we would require higher returns. However, we find that our customers value price assurance and market access certainty provided by our contracting strategies. In turn, we benefit from more stable revenues and cash flows. Without this throughput commitment strategy, we would be recognizing less revenue this year.

Now let me discuss how throughput commitments can affect the timing of revenue recognition. Throughout the year, producer production reports and actual volumes are closely monitored to ensure that revenue is recognized in accordance with contract terms and throughput commitments. First, contract years are usually not the same as calendar years. Second, we recognize revenue based on both actual and projected flows. If a producer report indicates that production will not meet the throughput commitment in a particular contract year, we calculate the amount of revenue associated with the actual production and the amount of payables under the throughput commitment for the applicable calendar quarter. Shortfall throughput volumes and retained gas are not included in the throughput data, which we provide as part of our supplemental financial materials. As a rule-of-thumb, we have previously stated a good rule-of-thumb is that retained gas is equal to about one and a half percent of throughput. However, we have and can realize levels at or above two percent based on concerted optimization efforts.

Following our recent acquisition, we now own 100 percent of the Waskom gas processing plant in east Texas. This facility is capable of processing approximately 320 million cubic feet per day of natural gas. It also includes a 14,500 barrel per day fractionation plant and an ethane line which directly serves a major market. Waskom provides several take-away options for natural gas including our CEGT pipeline and our Carthage-to-Perryville pipeline. Furthermore, the rail loading facility that was completed in late 2011 provides customers optionality and increased access to premium natural gas liquids markets. We are two months into our integration of all the Prism assets and are beginning to implement changes to optimize certain operations at these facilities.



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From a risk standpoint, we mitigate commodity exposure through our contracting methods. On the liquids side, our commodity sensitive contracts account for about 35 percent of all our processing revenue. However, we have the option to change the majority of these contracts to fixed fee structures if we so choose.

Finally, we are pursuing a number of potential Field Services projects in the Bakken, Mississippi Lime, Tuscaloosa Marine and other plays in or near our footprint. Clearly, we would like to be in a position to discuss these more completely, however we are still in the discussion, evaluation and/or negotiation phase and are not able to give more details at this time. We can say that the Bakken survey and right-of-way assessments have been completed and we are finalizing our estimates of capital requirements for this project.

Now I'll turn the call back over to David.

David McClanahan – President and CEO

Thank you, Greg.

Last month we celebrated our 10th anniversary as a stand-alone, independent public company. I would like to take this opportunity to thank our employees who have been so instrumental in the success of our Company- I couldn't be more proud of them.

Our balanced portfolio of electric and natural gas businesses has served us well and we expect that to continue. Our business performance and execution have allowed us to grow significantly and have put us in a strong position as we pursue attractive opportunities. I feel better today about the position of CenterPoint Energy than at any time during our ten year history.

Once again, I would like to thank you for your interest in CenterPoint Energy. We will now open the call for questions.



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Operator: At this time we will begin taking questions. If you wish to ask a question, please press star one on your touchtone keypad. To withdraw your question, press the pound key. The company requests that when asking a question, callers pick up their telephone handsets. Thank you. Our first question is from Ali Agha with SunTrust Robinson.

Ali Agha: Gary, could you update us in terms of what you would define as your excess cash position at this point?

Gary Whitlock: Yeah, we're between five and six, between 5 and 600 million dollars.

Ali Agha: Five and 600, and when you look at the deployment of that cash and I know the Bakken project has been one of the front burner ones. From a timing perspective, is it or should we expect that we could see some returns on any of that investment in 2013? Or is it more likely 2014 and beyond when we, the earliest when we would see returns?

David McClanahan: Ali, let me, let me take that question. As you know last call, I indicated that I thought we would deploy all of this cash by the end of next year. So we're going to deploy it either in our core businesses and we have plenty of, of organic growth in, in especially our utilities, and some in our other businesses as well. But, but we also are attempting and working hard to try to invest in some new opportunities outside our core businesses.

I think there's a chance some of that could, could be reflected in late 2013 but most likely it's, it's a 2014 kind of operating income impact.



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Ali Agha: Okay. And David, one other thing, if I look at your field services business, just looking at the existing portfolio, and not factoring in any new projects or investment, this current portfolio, what kind of annual growth rate can this support?

David McClanahan: You know it, it really depends on natural gas prices as, as gas prices increase, I think we're gonna see more growth prospects. We, we serve traditional basins, basins as well as some dry gas basins. At this low gas price, we're not seeing a lot of well activity. Probably well activity this year is about half or maybe even a little less than half of what we saw last year. But we also know there is a heck of a lot of gas in these basins and it'll ultimately be produced.

So as gas prices move up, I think we're going to see activity which is going to drive just gathering volumes and expansions of these, of these systems. But just not just as importantly, but there is another aspect and that's our retained gas piece. As Greg said, you know, we retain about 1-1/2 percent and 2 percent if we can really optimize compression. That provides upside as natural gas prices rise as well.

And so I think we'll see it in, on the, on the natural gas sales to retain gas as well as just throughput in our system. That's going to be a little further down the road because we know that gas prices aren't expected at least in our forecasts to, to jump above 4.00 dollars for, for a year or two.

Ali Agha: And last question Gary, just to clarify the effective tax rate, if you take out all of the non-recurring stuff, what was that for the quarter and what are you budgeting for the year?

Gary Whitlock: Okay yeah, if you exclude the unusual items for the third quarter, our effective tax rate for the third quarter would've been about 24 percent. That compares, Ali, to a run rate of 37 percent our effective tax rate. We did, in the third



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quarter, benefit from approximately 17 million dollars of favorable IRS settlement. But for the fourth quarter and on, think about 37 percent.

Ali Agha: Thank you.

Operator: Your next question comes from the line of Carl Kirst with BMO Capital Markets.

Carl Kirst: Hey everybody. Greg, just a couple of quick questions, you know, and understanding there's only limited you can, you can say about the Bakken, we're narrowing the cost, previously I think you sort of ring fenced it in sort of the 100 to 200 million range with larger long term aspirations. Are we still in the same zip code? I mean is the, is the general scope of the project essentially still the same?

Greg Harper: That's correct Carl. I'd, I'd say it's still in that 100, 200 million dollar range. Our producer, customer, you know is also still confirming what their production profiles look like and, and as they get more optimistic about it, obviously the capital beyond the higher end but you know, but if it stays where it is right now it'd be on the lower 100, 150 million end but they hit things as they would like to see beyond an up brand.

Carl Kirst: Okay, no, fair, fair enough. And then if I could just ask you to, you know, and appreciate you've got the organic projects, you know, Bakken, Mississippi Lime, et cetera... What about from a, from an M and A standpoint? Have you seen any change in producer sentiment over the last three months, you know, say for instance, from the three months prior as far as their willingness to divest given the choppiness of commodity prices or is it just pretty much just kind of the same as it's been through the year?

Greg Harper: No, I would say that, it's a good question because, you know, I think the producer activity is, is still there. I think some of the things that are on the



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market with particular producers that are putting them on the market aren't necessarily in what we would consider areas that we would want to pursue or on a contracting strategy that we would want to pursue where they would be willing to commit to. You know the Encana opportunity and Amoruso was a really nice opportunity because they were willing to commit to a volume commitment.

Some of the things we're seeing on the market today, the shipper / producer is not necessarily willing to do that.

Carl Kirst: Okay. And then, maybe just sort of a last question, this is maybe you know more for, for clarification and you know, throw it open to David, Scott, or Gary but, but as, as we look at the, the non-cash goodwill impairment charge to the, to the marketing, was that all due to one transaction? I'm just, I can't recall when that type of dollars were deployed in the commercial services. And so, so I just didn't know what that stemmed back to.

Gary Whitlock: Well that goes back as I mentioned in my prepared remarks, Carl, to the acquisitions that Reliant had of NorAm Energy back in 1997.

Carl Kirst: Right. (Laughing)

Gary Whitlock: And the goodwill associated with that acquisition, a portion of it was allocated to our CES business, our commercial energy, better, the energy services business. And based on the day's economics, we have to look at, of course, each year, the potential of an impairment and that's what really I described.

As we looked at that which is on an income basis, we looked at the projected cash flows of that business based on the dynamics of the marketplace, discount those back, and effectively found that this goodwill that was 335 million dollars was impaired. We valued it now at 83 in the 252 million dollars is the write off of that. So it's non-cash, and as I mentioned no other



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business was impacted. That was just around CES and it's all the things you know about and others really driven by the market dynamics and the ...

Carl Kirst: Sure, no I appreciate that. I had missed the first five minutes so all you had to was say NorAm. So I appreciate the color. Thanks.

Gary Whitlock: I wasn't here then either.

Operator: Once again ladies and gentlemen, if you would like to ask a question, press star one. Thank you for your cooperation. Your next question comes from Faisal Khan with Citi Group.

Faisal Khan: Yes, a couple, just a couple of small questions. You mentioned the better results in gas distribution from non-anew rates but also customer, customer growth. Can you elaborate a little bit more on where that, where that customer growth is coming from?

Greg Harper: Yeah, we've, we've seen customer growth I think in the order of about 1 percent kind of on a year-over-year in the, the split in customers is probably very heavily Texas with a little bit in Minnesota. It's probably the mix, but it's the 31,000 that we've seen, addition that's driving that, that 1 percent increase.

Faisal Khan: Okay, got you. And then on the, the increase in customers at the, the competitive natural gas business up 17 percent over the last year, what, what's driving that?

Greg Harper: Yeah, so the drivers behind that is a transaction purchase we had made of a book of customers that was a key part of it as well as just the ongoing organic efforts of, of the team to add customers where we currently serve.

Faisal Khan: Okay, and that, that book of customers you bought, is that, would you say that that is, that those, that that book has been incrementally more profitable to the



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business and so it's offsetting kind of the underlying, underlying assets? Or is it kind of similar margins to the business you had before?

Greg Harper: I'd say it's similar margins to the business that we've had before. So it was a good, you know it was a good addition in terms of extending the quality of the, of the retail business but it was very, it's very similar to what we currently have in place.

Faisel Khan: Okay and then on the, on the midstream, midstream business, can you give us a little bit more of a breakdown on the volumes in terms of the legacy volume declines versus the new volumes you, you've hooked up to the, to the business? And where we are, the underlying declines in the legacy volumes?

Greg Harper: Sure. I think what Scott had mentioned, you know we're at 60 percent on the shale volumes and about 40 percent on the transitional basin volumes on, on those billable or throughput reported numbers in the call. I think, our, we have definitely seen a continued uptick in our year-over-year volumes and definitely the Haynesville / North Louisiana volumes. While they're not as great as we had anticipated, they are still growing. And the traditional basins excluding our recent acquisition, I would say, would be down slightly.

Faisel Khan: When you say down slightly, does that you know are we seeing 5 percent declines, 2 percent declines, 10 percent declines?

Greg Harper: Yeah, I'd say it's been averaging and fluctuating right in between 5 to 10 percent.

Faisel Khan: Okay, perfect. Thanks for the time. Appreciate it.

Operator: Once again ladies and gentlemen if you would like to ask a question, please press star then the number one.



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Carla Kneipp: Sara, as we did not have any other questions, we will close the call for today. Thank you everyone very much for participating. We appreciate your support. Goodbye.

Operator: This concludes CenterPoint Energy's third quarter 2012 earnings conference call. Thank you for your participation.



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Cautionary Statement

This information includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual events and results may differ materially from those expressed or implied by these forward-looking statements. Statements regarding the earnings outlook for 2012, future financial performance and results of operations, expected customer growth rates, anticipated capital expenditures, anticipated growth in rate base, the expected need and timing for future rate cases, expected throughput volumes, future growth opportunities, the benefits expected to be derived from the contract terms of CenterPoint Energy's midstream businesses, estimated future levels of retained gas, and any other statements that are not historical facts are forward-looking statements. Each forward-looking statement contained herein speaks only as of November 7, 2012, and we undertake no obligation to publicly update or revise any forward-looking statements except as required by law. Factors that could affect actual results include (1) state and federal legislative and regulatory actions or developments affecting various aspects of CenterPoint Energy's businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform and tax legislation, and actions regarding the rates charged by CenterPoint Energy's regulated businesses; (2) state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change; (3) timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment; (4) the timing and outcome of any audits, disputes or other proceedings related to taxes; (5) problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates; (6) industrial, commercial and residential growth in CenterPoint Energy's service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns; (7) the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids, the competitive effects of excess pipeline capacity in the regions we serve, and the effects of geographic and seasonal commodity price



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differentials, including the effects of these circumstances on re-contracting available capacity on CenterPoint Energy's interstate pipelines; (8) the timing and extent of changes in the supply of natural gas, particularly supplies available for gathering by CenterPoint Energy's field services business and transporting by its interstate pipelines, including the impact of natural gas and natural gas liquids prices on the level of drilling and production activities in the regions served by CenterPoint Energy; (9) competition in CenterPoint Energy's mid-continent region footprint for access to natural gas supplies and markets; (10) weather variations and other natural phenomena; (11) any direct or indirect effects on CenterPoint Energy's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt its businesses or the businesses of third parties, or other catastrophic events; (12) the impact of unplanned facility outages; (13) timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters; (14) changes in interest rates or rates of inflation; (15) commercial bank and financial market conditions, CenterPoint Energy's access to capital, the cost of such capital, and the results of its financing and refinancing efforts, including availability of funds in the debt capital markets; (16) actions by credit rating agencies; (17) effectiveness of CenterPoint Energy's risk management activities; (18) inability of various counterparties to meet their obligations; (19) non-payment for services due to financial distress of CenterPoint Energy's customers; (20) the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc.) and its subsidiaries to satisfy their obligations to CenterPoint Energy and its subsidiaries; (21) the ability of retail electric providers, and particularly the two largest customers of the TDU, to satisfy their obligations to CenterPoint Energy and its subsidiaries; (22) the outcome of litigation brought by or against CenterPoint Energy or its subsidiaries; (23) CenterPoint Energy's ability to control costs; (24) the investment performance of pension and postretirement benefit plans; (25) potential business strategies, including restructurings, acquisitions or dispositions of assets or businesses; (26) acquisition and merger activities involving CenterPoint Energy or its competitors; and (27) other factors discussed under "Risk Factors" in CenterPoint Energy's



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Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as well as in CenterPoint Energy's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012, and September 30, 2012 and other reports CenterPoint Energy or its subsidiaries may file from time to time with the Securities and Exchange Commission.