

CENTERPOINT ENERGY INC
 Form 10-Q
 August 03, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number	Registrant, State or Other Jurisdiction of Incorporation or Organization Address of Principal Executive Offices, Zip Code and Telephone Number	I.R.S. Employer Identification No.
1-31447	CenterPoint Energy, Inc. (a Texas corporation) 1111 Louisiana Houston, Texas 77002 (713-207-1111)	74-0694415
1-3187	CenterPoint Energy Houston Electric, LLC (a Texas limited liability company) 1111 Louisiana Houston, Texas 77002 (713-207-1111)	22-3865106
1-13265	CenterPoint Energy Resources Corp. (a Delaware corporation) 1111 Louisiana Houston, Texas 77002 (713-207-1111)	76-0511406

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CenterPoint Energy, Inc. Yes No
 CenterPoint Energy Houston Electric, LLC Yes No
 CenterPoint Energy Resources Corp. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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CenterPoint Energy, Inc. Yes No

CenterPoint Energy Houston Electric, LLC Yes No

CenterPoint Energy Resources Corp. Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act. (Check one):

CenterPoint Energy, Inc.	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
CenterPoint Energy Houston Electric, LLC	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
CenterPoint Energy Resources Corp.	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

CenterPoint Energy, Inc.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
CenterPoint Energy Houston Electric, LLC	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
CenterPoint Energy Resources Corp.	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Indicate the number of shares outstanding of each of the issuers’ classes of common stock as of July 23, 2018:

CenterPoint Energy, Inc.	431,553,691 shares of common stock outstanding, excluding 166 shares held as treasury stock
CenterPoint Energy Houston Electric, LLC	1,000 common shares outstanding, all held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy, Inc.
CenterPoint Energy Resources Corp.	1,000 shares of common stock outstanding, all held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy, Inc.

This combined Form 10-Q is filed separately by three registrants: CenterPoint Energy, Inc., CenterPoint Energy Houston Electric, LLC and CenterPoint Energy Resources Corp. Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Except as discussed in the last paragraph in Note 12 to the Registrants’ Condensed Consolidated Financial Statements, no registrant has an obligation in respect of any other Registrant’s debt securities, and holders of such debt securities should not consider the financial resources or results of operations of any Registrant other than the obligor in making a decision with respect to such securities.

CenterPoint Energy Houston Electric, LLC and CenterPoint Energy Resources Corp. meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instruction H(2) of Form 10-Q.

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GLOSSARY

AEM	Atmos Energy Marketing, LLC, previously a wholly-owned subsidiary of Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos Energy Corporation
AMA	Asset Management Agreement
AMS	Advanced Metering System
APSC	Arkansas Public Service Commission
ARAM	Average rate assumption method
ARP	Alternative revenue program
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AT&T	AT&T Inc.
AT&T Common	AT&T common stock
Bcf	Billion cubic feet
Bond Companies	Bond Company II, Bond Company III, Bond Company IV and Restoration Bond Company, each a wholly-owned, bankruptcy remote entity formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of Securitization Bonds
Bond Company II	CenterPoint Energy Transition Bond Company II, LLC, a wholly-owned subsidiary of Houston Electric
Bond Company III	CenterPoint Energy Transition Bond Company III, LLC, a wholly-owned subsidiary of Houston Electric
Bond Company IV	CenterPoint Energy Transition Bond Company IV, LLC, a wholly-owned subsidiary of Houston Electric
Brazos Valley Connection	A portion of the Houston region transmission project between Houston Electric's Zenith substation and the Gibbons Creek substation owned by the Texas Municipal Power Agency
Bridge Facility	A \$5 billion 364-day senior unsecured bridge term loan facility
CenterPoint Energy	CenterPoint Energy, Inc., and its subsidiaries
CERC Corp.	CenterPoint Energy Resources Corp.
CERC	CERC Corp., together with its subsidiaries
CES	CenterPoint Energy Services, Inc., a wholly-owned subsidiary of CERC Corp.
Charter Common	Charter Communications, Inc. common stock
CIP	Conservation Improvement Program
COLI	Corporate-owned life insurance
Continuum	The retail energy services business of Continuum Retail Energy Services, LLC, including its wholly-owned subsidiary Lakeshore Energy Services, LLC and the natural gas wholesale assets of Continuum Energy Services, LLC
DCRF	Distribution Cost Recovery Factor
EDIT	Excess deferred income taxes
EECR	Energy Efficiency Cost Recovery
EECRF	Energy Efficiency Cost Recovery Factor
Enable	Enable Midstream Partners, LP
EPA	Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FCC	Federal Communications Commission
FERC	Federal Energy Regulatory Commission
Fitch	Fitch, Inc.
Form 10-Q	Quarterly Report on Form 10-Q
FRP	Formula Rate Plan

GLOSSARY

FTC	Federal Trade Commission
Gas Daily	Platts gas daily indices
GenOn	GenOn Energy, Inc.
GRIP	Gas Reliability Infrastructure Program
GWh	Gigawatt-hours
Houston Electric	CenterPoint Energy Houston Electric, LLC and its subsidiaries
HSR	Hart-Scott-Rodino
Interim Condensed Financial Statements	Unaudited condensed consolidated interim financial statements and combined notes
IRS	Internal Revenue Service
kV	Kilovolt
LIBOR	London Interbank Offered Rate
Meredith	Meredith Corporation
Merger	The merger of Merger Sub with and into Vectren on the terms and subject to the conditions set forth in the Merger Agreement, with Vectren continuing as the surviving corporation and as a wholly-owned subsidiary of CenterPoint Energy, Inc.
Merger Agreement	Agreement and Plan of Merger, dated as of April 21, 2018, among CenterPoint Energy, Vectren and Merger Sub
Merger Sub	Pacer Merger Sub, Inc., an Indiana corporation and wholly-owned subsidiary of CenterPoint Energy
MGP	Manufactured gas plant
MLP	Master Limited Partnership
MMBtu	One million British thermal units
Moody's	Moody's Investors Service, Inc.
MPSC	Mississippi Public Service Commission
MPUC	Minnesota Public Utilities Commission
NGD	Natural gas distribution business
NGLs	Natural gas liquids
NOPR	Notice of Proposed Rulemaking
NRG	NRG Energy, Inc.
NYMEX	New York Mercantile Exchange
NYSE	New York Stock Exchange
OCC	Oklahoma Corporation Commission
OGE	OGE Energy Corp.
PBRC	Performance Based Rate Change
PRPs	Potentially responsible parties
PUCT	Public Utility Commission of Texas
Railroad Commission	Railroad Commission of Texas
Registrants	CenterPoint Energy, Houston Electric and CERC, collectively
Reliant Energy	Reliant Energy, Incorporated
REP	Retail electric provider
Restoration Bond Company	CenterPoint Energy Restoration Bond Company, LLC, a wholly-owned subsidiary of Houston Electric
Revised Policy Statement	Revised Policy Statement on Treatment of Income Taxes
ROE	Return on equity
RRA	Rate Regulation Adjustment
RRI	Reliant Resources, Inc.
RSP	Rate Stabilization Plan

SEC

Securities and Exchange Commission

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GLOSSARY

Securitization Bonds	Transition and system restoration bonds
Series A Preferred Units	Enable's 10% Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred Units, representing limited partner interests in Enable
S&P	Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies
TBD	To be determined
TCEH Corp.	Formerly Texas Competitive Electric Holdings Company LLC, predecessor to Vistra Energy Corp. whose major subsidiaries include Luminant and TXU Energy
TCJA	Tax reform legislation informally called the Tax Cuts and Jobs Act of 2017
TCOS	Transmission Cost of Service
TDU	Transmission and distribution utility
Time	Time Inc.
Time Common	Time common stock
Transition Agreements	Services Agreement, Employee Transition Agreement, Transitional Seconding Agreement and other agreements entered into in connection with the formation of Enable
TW	Time Warner Inc.
TW Common	TW common stock
Vectren	Vectren Corporation, an Indiana corporation
VIE	Variable interest entity
Vistra Energy Corp.	Texas-based energy company focused on the competitive energy and power generation markets
ZENS	2.0% Zero-Premium Exchangeable Subordinated Notes due 2029
ZENS-Related Securities	As of June 30, 2018, consisted of AT&T Common and Charter Common and as of December 31, 2017, consisted of Charter Common, Time Common and TW Common
2017 Form 10-K	Annual Report on Form 10-K for the fiscal year ended December 31, 2017

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time the Registrants make statements concerning their expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “target,” “will” or other similar words.

The Registrants have based their forward-looking statements on management’s beliefs and assumptions based on information reasonably available to management at the time the statements are made. The Registrants caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, the Registrants cannot assure you that actual results will not differ materially from those expressed or implied by the Registrants’ forward-looking statements. In this Form 10-Q, unless context requires otherwise, the terms “our,” “we” and “us” are used as abbreviated references to CenterPoint Energy, Inc. together with its consolidated subsidiaries.

The following are some of the factors that could cause actual results to differ from those expressed or implied by the Registrants’ forward-looking statements and apply to all Registrants unless otherwise indicated:

the performance of Enable, the amount of cash distributions CenterPoint Energy and CERC receive from Enable, Enable’s ability to redeem the Series A Preferred Units in certain circumstances and the value of CenterPoint Energy’s and CERC’s interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including factors such as:

competitive conditions in the midstream industry, and actions taken by Enable’s customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable;

the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable’s interstate pipelines;

the demand for crude oil, natural gas, NGLs and transportation and storage services;

environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing;

recording of non-cash goodwill, long-lived asset or other than temporary impairment charges by or related to Enable;

changes in tax status;

access to debt and equity capital; and

the availability and prices of raw materials and services for current and future construction projects;

industrial, commercial and residential growth in our service territories and changes in market demand, including the demand for our non-rate regulated products and services and effects of energy efficiency measures and demographic patterns;

• timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment;

• future economic conditions in regional and national markets and their effect on sales, prices and costs;

• weather variations and other natural phenomena, including the impact of severe weather events on operations and capital;

• state and federal legislative and regulatory actions or developments affecting various aspects of our businesses (including the businesses of Enable), including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses;

CenterPoint Energy's expected timing, likelihood and benefits of completion of the Merger, including the timing, receipt and terms and conditions of any required approvals by Vectren's shareholders and governmental and regulatory agencies or the outcome of shareholder litigation filed against Vectren that could reduce anticipated benefits or cause the parties to delay or abandon the Merger, as well as the ability to successfully integrate the businesses and realize anticipated benefits, the possibility that long-term financing for the Merger may not be put in place before the closing of the Merger or that financing terms may not be as expected and the risk that the credit ratings of the combined company or its subsidiaries may be different from what CenterPoint Energy expects;

tax legislation, including the effects of the TCJA (which includes any potential changes to interest deductibility) and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of EDIT and our rates;

CenterPoint Energy's and CERC's ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms;

the timing and extent of changes in commodity prices, particularly natural gas, and the effects of geographic and seasonal commodity price differentials on CERC and Enable;

actions by credit rating agencies, including any potential downgrades to credit ratings;

changes in interest rates and their impact on costs of borrowing and the valuation of CenterPoint Energy's pension benefit obligation;

problems with regulatory approval, 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;

local, state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change;

the impact of unplanned facility outages;

any direct or indirect effects on our or Enable's facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts, hurricanes, pandemic health events or other occurrences;

our ability to invest planned capital and the timely recovery of our investment in capital;

our ability to control operation and maintenance costs;

the sufficiency of our insurance coverage, including availability, cost, coverage and terms and ability to recover claims;

the investment performance of CenterPoint Energy's pension and postretirement benefit plans;

commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;

changes in rates of inflation;

inability of various counterparties to meet their obligations to us;

non-payment for our services due to financial distress of our customers;

the extent and effectiveness of our and Enable's risk management and hedging activities, including, but not limited to financial and weather hedges and commodity risk management activities;

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timely and appropriate regulatory actions, which include actions allowing securitization, for any future hurricanes or natural disasters or other recovery of costs, including costs associated with Hurricane Harvey;

CenterPoint Energy, CERC or Enable's potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses (including a reduction of CenterPoint Energy's and CERC's interests in Enable, if any, whether through their decision to sell all or a portion of the Enable common units they own in the public equity markets or otherwise, subject to certain limitations), which CenterPoint Energy, CERC and Enable cannot assure you will be completed or will have the anticipated benefits to us or Enable;

acquisition and merger activities involving us or our competitors, including the ability to successfully complete merger, acquisition and divestiture plans;

our or Enable's ability to recruit, effectively transition and retain management and key employees and maintain good labor relations;

the outcome of litigation;

the ability of REPs, including REP affiliates of NRG and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and Houston Electric;

the ability of GenOn (formerly known as RRI Energy, Inc., Reliant Energy and RRI), a wholly-owned subsidiary of NRG, and its subsidiaries, currently the subject of bankruptcy proceedings, to satisfy their obligations to us, including indemnity obligations;

changes in technology, particularly with respect to efficient battery storage or the emergence or growth of new, developing or alternative sources of generation;

the timing and outcome of any audits, disputes and other proceedings related to taxes;

the effective tax rates;

the effect of changes in and application of accounting standards and pronouncements; and

other factors discussed in “Risk Factors” in Item 1A of Part I of each of the Registrants’ 2017 Form 10-K and in Item 1A of Part II of CenterPoint Energy’s First Quarter 2018 Form 10-Q, which are incorporated herein by reference, and other reports the Registrants file from time to time with the SEC.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and the Registrants undertake no obligation to update or revise any forward-looking statements. Investors should note that the Registrants announce material financial information in SEC filings, press releases and public conference calls. Based on guidance from the SEC, the Registrants may use the Investors section of CenterPoint Energy’s website (www.centerpointenergy.com) to communicate with investors about the Registrants. It is possible that the financial and other information posted there could be deemed to be material information. The information on CenterPoint Energy’s website is not part of this combined Form 10-Q.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
 CONDENSED STATEMENTS OF CONSOLIDATED INCOME
 (In Millions, Except Per Share Amounts)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,	2017	June 30,	2017
	2018		2018	
Revenues:				
Utility revenues	\$1,341	\$1,222	\$3,235	\$2,768
Non-utility revenues	845	921	2,106	2,110
Total	2,186	2,143	5,341	4,878
Expenses:				
Utility natural gas	188	150	825	600
Non-utility natural gas	790	882	2,063	2,011
Operation and maintenance	578	518	1,147	1,061
Depreciation and amortization	342	254	656	480
Taxes other than income taxes	101	99	212	195
Total	1,999	1,903	4,903	4,347
Operating Income	187	240	438	531
Other Income (Expense):				
Gain on marketable securities	22	23	23	67
Loss on indexed debt securities	(254)	(13)	(272)	(23)
Interest and other finance charges	(91)	(77)	(169)	(155)
Interest on Securitization Bonds	(14)	(20)	(30)	(40)
Equity in earnings of unconsolidated affiliate, net	58	59	127	131
Other, net	4	(1)	7	(1)
Total	(275)	(29)	(314)	(21)
Income (Loss) Before Income Taxes	(88)	211	124	510
Income tax expense (benefit)	(13)	76	34	183
Net Income (Loss)	\$(75)	\$135	\$90	\$327
Basic Earnings (Loss) Per Share	\$(0.17)	\$0.31	\$0.21	\$0.76
Diluted Earnings (Loss) Per Share	\$(0.17)	\$0.31	\$0.21	\$0.75
Dividends Declared Per Share	\$0.2775	\$0.2675	\$0.2775	\$0.5350
Weighted Average Shares Outstanding, Basic	432	431	431	431

Weighted Average Shares Outstanding, Diluted 432 434 434 434

See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
 CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
 (In Millions)
 (Unaudited)

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	2017	2018	2017	2018
Net income (loss)	\$(75)	\$135	\$90	\$327
Other comprehensive income:				
Adjustment to pension and other postretirement plans (net of tax of \$-0-, \$1, \$1 and \$2)	2	1	3	2
Net deferred gain (loss) from cash flow hedges (net of tax of \$-0-, \$-0-, \$1 and \$-0-)	(1)	—	3	(1)
Total	1	1	6	1
Comprehensive income (loss)	\$(74)	\$136	\$96	\$328

See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED BALANCE SHEETS

(In Millions)

(Unaudited)

ASSETS

	June 30, 2018	December 31, 2017
Current Assets:		
Cash and cash equivalents (\$253 and \$230 related to VIEs, respectively)	\$ 328	\$ 260
Investment in marketable securities	584	960
Accounts receivable (\$112 and \$73 related to VIEs, respectively), less bad debt reserve of \$21 and \$19, respectively	958	1,000
Accrued unbilled revenues	207	427
Natural gas inventory	152	222
Materials and supplies	192	175
Non-trading derivative assets	74	110
Taxes receivable	39	—
Prepaid expenses and other current assets (\$37 and \$35 related to VIEs, respectively)	167	241
Total current assets	2,701	3,395
Property, Plant and Equipment:		
Property, plant and equipment	19,585	19,031
Less: accumulated depreciation and amortization	6,188	5,974
Property, plant and equipment, net	13,397	13,057
Other Assets:		
Goodwill	867	867
Regulatory assets (\$1,293 and \$1,590 related to VIEs, respectively)	2,067	2,347
Non-trading derivative assets	46	44
Investment in unconsolidated affiliate	2,451	2,472
Preferred units – unconsolidated affiliate	363	363
Other	216	191
Total other assets	6,010	6,284
Total Assets	\$22,108	\$ 22,736

See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS – (continued)
(In Millions, except share amounts)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30, 2018	December 31, 2017
Current Liabilities:		
Short-term borrowings	\$—	\$ 39
Current portion of VIE Securitization Bonds long-term debt	446	434
Indexed debt, net	26	122
Current portion of other long-term debt	50	50
Indexed debt securities derivative	641	668
Accounts payable	706	963
Taxes accrued	103	181
Interest accrued	118	104
Dividends accrued	—	120
Non-trading derivative liabilities	26	20
Due to ZENS note holders	382	—
Other	344	368
Total current liabilities	2,842	3,069
Other Liabilities:		
Deferred income taxes, net	3,168	3,174
Non-trading derivative liabilities	12	4
Benefit obligations	723	785
Regulatory liabilities	2,521	2,464
Other	412	357
Total other liabilities	6,836	6,784
Long-term Debt:		
VIE Securitization Bonds, net	1,193	1,434
Other long-term debt, net	6,567	6,761
Total long-term debt, net	7,760	8,195
Commitments and Contingencies (Note 14)		
Shareholders' Equity:		
Cumulative preferred stock, \$0.01 par value, 20,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value, 1,000,000,000 shares authorized, 431,547,782 shares and 431,044,845 shares outstanding, respectively	4	4
Additional paid-in capital	4,215	4,209
Retained earnings	513	543
Accumulated other comprehensive loss	(62) (68
Total shareholders' equity	4,670	4,688

Total Liabilities and Shareholders' Equity	\$22,108	\$ 22,736
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See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
 CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
 (In Millions)
 (Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net income	\$90	\$327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	656	480
Amortization of deferred financing costs	18	12
Deferred income taxes	(12)	95
Unrealized gain on marketable securities	(23)	(67)
Loss on indexed debt securities	272	23
Write-down of natural gas inventory	1	—
Equity in earnings of unconsolidated affiliate, net of distributions	(9)	(131)
Pension contributions	(64)	(18)
Changes in other assets and liabilities, excluding acquisitions:		
Accounts receivable and unbilled revenues, net	232	234
Inventory	52	(20)
Taxes receivable	(39)	30
Accounts payable	(246)	(158)
Fuel cost recovery	69	(12)
Non-trading derivatives, net	64	(49)
Margin deposits, net	(9)	(43)
Interest and taxes accrued	(64)	(17)
Net regulatory assets and liabilities	57	(34)
Other current assets	(4)	10
Other current liabilities	(13)	(29)
Other assets	(3)	(1)
Other liabilities	60	27
Other, net	8	18
Net cash provided by operating activities	1,093	677
Cash Flows from Investing Activities:		
Capital expenditures	(697)	(649)
Acquisitions, net of cash acquired	—	(132)
Distributions from unconsolidated affiliate in excess of cumulative earnings	30	149
Proceeds from sale of marketable securities	398	—
Other, net	2	(8)
Net cash used in investing activities	(267)	(640)
Cash Flows from Financing Activities:		
Decrease in short-term borrowings, net	(39)	(11)
Proceeds from (payments of) commercial paper, net	(1,188)	284
Proceeds from long-term debt, net	997	298
Payments of long-term debt	(230)	(469)
Debt issuance costs	(35)	(6)
Payment of dividends on common stock	(240)	(230)

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Distribution to ZENS note holders	(16)	—
Other, net	(5)	(4)
Net cash used in financing activities	(756)	(138)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	70	(101)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	296	381
Cash, Cash Equivalents and Restricted Cash at End of Period	\$366	\$280

See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED STATEMENTS OF CONSOLIDATED INCOME

(Millions of Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	\$854	\$752	\$1,609	\$1,390
Expenses:				
Operation and maintenance	351	343	693	684
Depreciation and amortization	262	180	495	332
Taxes other than income taxes	60	58	121	118
Total	673	581	1,309	1,134
Operating Income	181	171	300	256
Other Income (Expense):				
Interest and other finance charges	(36)	(32)	(69)	(65)
Interest on Securitization Bonds	(14)	(20)	(30)	(40)
Other, net	(3)	(2)	(6)	(6)
Total	(53)	(54)	(105)	(111)
Income Before Income Taxes	128	117	195	145
Income tax expense	27	42	42	52
Net Income	\$101	\$75	\$153	\$93

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

(Millions of Dollars)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$ 101	\$ 75	\$ 153	\$ 93
Other comprehensive income:				
Net deferred gain (loss) from cash flow hedges (net of tax of \$-0-, \$-0-, \$1 and \$-0-)	—	—	4	(1)
Total	—	—	4	(1)
Comprehensive income	\$ 101	\$ 75	\$ 157	\$ 92

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Millions of Dollars)
 (Unaudited)

ASSETS

	June 30, 2018	December 31, 2017
Current Assets:		
Cash and cash equivalents (\$253 and \$230 related to VIEs, respectively)	\$253	\$ 238
Accounts and notes receivable (\$112 and \$73 related to VIEs, respectively), less bad debt reserve of \$1 and \$1, respectively	389	284
Accounts and notes receivable—affiliated companies	32	7
Accrued unbilled revenues	122	120
Materials and supplies	125	119
Taxes receivable	23	—
Prepaid expenses and other current assets (\$37 and \$35 related to VIEs, respectively)	59	62
Total current assets	1,003	830
Property, Plant and Equipment:		
Property, plant and equipment	11,812	11,496
Less: accumulated depreciation and amortization	3,741	3,633
Property, plant and equipment, net	8,071	7,863
Other Assets:		
Regulatory assets (\$1,293 and \$1,590 related to VIEs, respectively)	1,321	1,570
Other	35	29
Total other assets	1,356	1,599
Total Assets	\$10,430	\$ 10,292

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED CONSOLIDATED BALANCE SHEETS
(Millions of Dollars)
(Unaudited)

LIABILITIES AND MEMBER'S EQUITY

	June 30, 2018	December 31, 2017
Current Liabilities:		
Current portion of VIE Securitization Bonds long-term debt	\$446	\$ 434
Accounts payable	208	243
Accounts and notes payable—affiliated companies	121	104
Taxes accrued	61	116
Interest accrued	75	65
Other	93	120
Total current liabilities	1,004	1,082
Other Liabilities:		
Deferred income taxes, net	1,025	1,059
Benefit obligations	143	146
Regulatory liabilities	1,265	1,263
Other	56	54
Total other liabilities	2,489	2,522
Long-term Debt:		
VIE Securitization Bonds, net	1,193	1,434
Other, net	3,280	2,885
Total long-term debt, net	4,473	4,319
Commitments and Contingencies (Note 14)		
Member's Equity:		
Common stock	—	—
Paid-in capital	1,697	1,696
Retained earnings	763	673
Accumulated other comprehensive income	4	—
Total member's equity	2,464	2,369
Total Liabilities and Member's Equity	\$10,430	\$ 10,292

See Combined Notes to Unaudited Condensed Consolidated Financial Statements

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Millions of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net income	\$153	\$93
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	495	332
Amortization of deferred financing costs	6	6
Deferred income taxes	(38)	23
Changes in other assets and liabilities:		
Accounts and notes receivable, net	(107)	(63)
Accounts receivable/payable—affiliated companies	78	(35)
Inventory	(6)	(1)
Accounts payable	(6)	57
Taxes receivable	(23)	(38)
Interest and taxes accrued	(45)	(41)
Net regulatory assets and liabilities	(59)	(59)
Other current assets	4	2
Other current liabilities	(11)	(7)
Other assets	2	4
Other liabilities	2	1
Other, net	(2)	5
Net cash provided by operating activities	443	279
Cash Flows from Investing Activities:		
Capital expenditures	(441)	(414)
Decrease (increase) in notes receivable—affiliated companies	(26)	5
Other, net	(1)	(9)
Net cash used in investing activities	(468)	(418)
Cash Flows from Financing Activities:		
Proceeds from long-term debt, net	398	298
Payments of long-term debt	(230)	(219)
Decrease in notes payable—affiliated companies	(60)	—
Dividend to parent	(63)	(42)
Debt issuance costs	(4)	(3)
Other, net	1	1
Net cash provided by financing activities	42	35
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	17	(104)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	274	381
Cash, Cash Equivalents and Restricted Cash at End of Period	\$291	\$277

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CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED STATEMENTS OF CONSOLIDATED INCOME
 (Millions of Dollars)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues:				
Utility revenues	\$487	\$470	\$1,630	\$1,377
Non-utility revenues	841	917	2,098	2,103
Total	1,328	1,387	3,728	3,480
Expenses:				
Utility natural gas	188	150	825	600
Non-utility natural gas	790	882	2,063	2,011
Operation and maintenance	217	190	455	405
Depreciation and amortization	72	68	145	134
Taxes other than income taxes	39	38	87	72
Total	1,306	1,328	3,575	3,222
Operating Income	22	59	153	258
Other Income (Expense):				
Interest and other finance charges	(33)	(31)	(62)	(60)
Equity in earnings of unconsolidated affiliate, net	58	59	127	131
Other, net	(1)	(4)	(5)	(9)
Total	24	24	60	62
Income Before Income Taxes	46	83	213	320
Income tax expense	10	29	47	119
Net Income	\$36	\$54	\$166	\$201

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CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(Millions of Dollars)
(Unaudited)

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Net income	\$36	\$54	\$166	\$201
Comprehensive income	\$36	\$54	\$166	\$201

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CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Millions of Dollars)
 (Unaudited)

ASSETS

	June 30, 2018	December 31, 2017
Current Assets:		
Cash and cash equivalents	\$ 1	\$ 12
Accounts receivable, less bad debt reserve of \$20 and \$18, respectively	566	713
Accrued unbilled revenues	85	307
Accounts and notes receivable—affiliated companies	15	6
Materials and supplies	67	56
Natural gas inventory	152	222
Non-trading derivative assets	74	110
Prepaid expenses and other current assets	80	166
Total current assets	1,040	1,592
Property, Plant and Equipment:		
Property, plant and equipment	7,104	6,888
Less: accumulated depreciation and amortization	2,136	2,036
Property, plant and equipment, net	4,968	4,852
Other Assets:		
Goodwill	867	867
Regulatory assets	173	181
Non-trading derivative assets	46	44
Investment in unconsolidated affiliate	2,451	2,472
Other	97	104
Total other assets	3,634	3,668
Total Assets	\$ 9,642	\$ 10,112

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CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
 (AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Millions of Dollars)
 (Unaudited)

LIABILITIES AND STOCKHOLDER'S EQUITY

	June 30, 2018	December 31, 2017
Current Liabilities:		
Short-term borrowings	\$ —	\$ 39
Accounts payable	434	669
Accounts and notes payable—affiliated companies	36	611
Taxes accrued	48	75
Interest accrued	38	32
Customer deposits	75	76
Non-trading derivative liabilities	26	20
Other	152	137
Total current liabilities	809	1,659
Other Liabilities:		
Deferred income taxes, net	1,330	1,289
Non-trading derivative liabilities	12	4
Benefit obligations	98	97
Regulatory liabilities	1,256	1,201
Other	352	297
Total other liabilities	3,048	2,888
Long-Term Debt	2,722	2,457
Commitments and Contingencies (Note 14)		
Stockholder's Equity:		
Common stock	—	—
Paid-in capital	2,528	2,528
Retained earnings	529	574
Accumulated other comprehensive income	6	6
Total stockholder's equity	3,063	3,108
Total Liabilities and Stockholder's Equity	\$ 9,642	\$ 10,112

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CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(Millions of Dollars)
(Unaudited)

	Six Months Ended June 30,	
	2018	2017
Cash Flows from Operating Activities:		
Net income	\$166	\$201
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	145	134
Amortization of deferred financing costs	4	4
Deferred income taxes	41	115
Write-down of natural gas inventory	1	—
Equity in earnings of unconsolidated affiliate, net of distributions	(9)	(131)
Changes in other assets and liabilities, excluding acquisitions:		
Accounts receivable and unbilled revenues, net	339	295
Accounts receivable/payable—affiliated companies	(14)	(1)
Inventory	58	(18)
Accounts payable	(248)	(203)
Fuel cost recovery	69	(12)
Interest and taxes accrued	(21)	(27)
Non-trading derivatives, net	61	(49)
Margin deposits, net	(9)	(43)
Net regulatory assets and liabilities	92	(1)
Other current assets	7	12
Other current liabilities	8	(14)
Other assets	4	5
Other liabilities	52	10
Other, net	—	1
Net cash provided by operating activities	746	278
Cash Flows from Investing Activities:		
Capital expenditures	(230)	(223)
Distributions from unconsolidated affiliate in excess of cumulative earnings	30	149