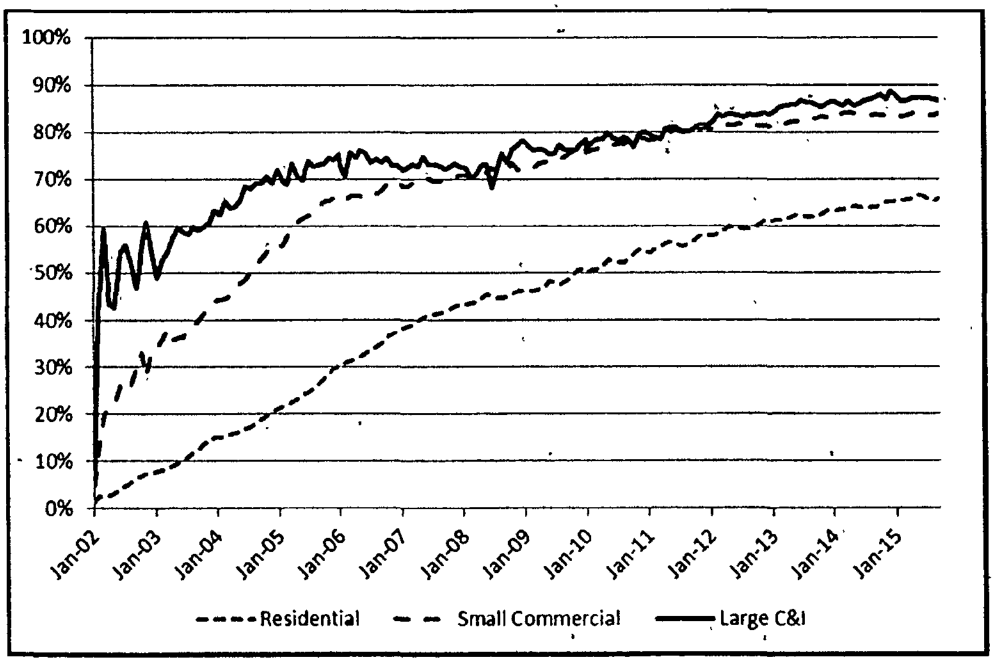
residential market, taking eight years to reach the 50% mark and presently approaching the 70% mark.

Figure 15
Shares of Sales by Non-Affiliates in Competitive Retail Areas[65]



In short, within ERCOT, Texas has largely unbundled electricity supply services from electricity delivery services, there is substantial competition in electricity supply services, and electricity delivery services continue to be regulated in a traditional manner.

Senate Bill 7, the law that introduced retail competition to the Texas market in 1999, granted the PUCT authority to delay retail competition in areas wherein deregulation in accordance with Chapter 39 of Texas Public Utility Regulatory Act (PURA) would not result in fair competition and reliable service. Senate Bill 7 included provisions recognizing the difficulty of implementing retail competition in areas outside of ERCOT because of concentrated generation ownership and the lack of an independent system operator outside of ERCOT. Consequently, the PUCT has not certified that any area in the state outside of ERCOT has met the competitive criteria under PURA.[66] Ultimate sales to end-use retail customers outside of ERCOT are still limited to electric utilities legally certified to provide electric service within each utility service

[65] https://www.puc.texas.gov/industry/electric/reports/RptCard/Default.aspx, Market Share Data.xls. The information in the figure does not include Sharyland, which is relatively small and has only recently opened its service territory to competition.

[66] http://www.puc.texas.gov/industry/electric/Reports/scope/2015/2015scope_elec.pdf.

territory.[67] Retail rates outside of ERCOT are subject to traditional ratemaking and regulatory processes under the jurisdiction of the PUCT.

- **Present Regulated Electricity Ratemaking Methods in Texas**

Electricity ratemaking in Texas is governed by PURA, as amended. PURA Section 36.051 gives each utility "a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of the utility's reasonable and necessary operating expenses."

The ERCOT investor-owned TDUs have very similar tariffs for delivery of electricity to retail consumers. For residential and small non-residential customers, cost recovery is through fixed monthly charges and energy charges.[68] Excluding riders, energy charges constitute roughly 80% of both residential and small commercial bills.[69] The riders increase these percentages. For larger non-residential customers, cost recovery is through fixed monthly charges and demand charges, with demand charges accounting for most cost recovery. Because T&D costs are largely fixed, energy usage changes result in revenue changes that are larger than the associated cost changes. The energy usage-related variability in cost recovery is more significant for the smaller customer classes than for the larger customer classes because energy consumption tends to be more variable than peak loads.

Texas' Cost Trackers

To help assure timely cost recovery, the Texas legislature and the PUCT have authorized several cost trackers. The tariffs of ERCOT's TDUs have trackers for the following cost categories:

- *Advanced metering system cost riders* recover advanced metering deployment costs from customers.
- *Energy efficiency cost riders* recover the costs of energy efficiency programs not already included in base distribution service rates. These riders allow annual adjustments for each utility's forecasted efficiency program costs, any incentives earned for the prior year, any adjustment for past over- or under-recovery of energy efficiency revenues, and certain other energy efficiency program costs.
- *Transmission cost recovery factors (TCRFs)* allow investor-owned distribution service providers to recover changes in wholesale transmission charges under tariffs approved

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[67] http://www.puc.texas.gov/industry/electric/reports/scope/1999/1999scope_elec.pdf.

[68] For Texas-New Mexico Power Company, small commercial customers are those with peak loads up to 5 kW. For the other four utilities, small commercial customers are those with peak loads up to 10 kW.

[69] The percentage figures assume that an average residential customer consumes 1,000 kWh per month and that an average small commercial customer consumes 1,440 kWh per month (i.e., 4 kW at a 50% load factor).

by the PUCT to the extent that the costs vary from those used to set base rates. TCRFs must be updated twice per year.[70]

- *Interim transmission cost of service adjustments* offer a streamlined mechanism that allows electric transmission service providers to update their wholesale transmission rates up to twice per year to allow for recovery of the costs of new transmission investments. The recovery includes updates to returns, depreciation, and taxes, though not for changes any other categories of expense.

- *Distribution cost recovery factors* (DCRFs) allow utilities to adjust non-fuel rates to reflect changes in certain distribution investment costs, including changes to returns, depreciation, and taxes.[71] The PUCT-authorized formula provides an expedited ratemaking process for a utility to request approval for an adjustment to incorporate changes in the utility's distribution invested capital since its most recent base rate case. Utilities are allowed to use this mechanism once per year; though among ERCOT TDUs, only CenterPoint Energy has an approved DCRF mechanism in place.[72]

Three of the six ERCOT investor-owned TDUs (AEP Texas Central, AEP Texas North, and Oncor) have cost trackers for rate case expenses, and one (CenterPoint Energy) has a tracker for system restoration costs following a major weather-related event or natural disaster.[73,74]

Of the foregoing trackers, those related to T&D investments are most valuable to the utilities because of the magnitude of these costs. Timely recovery of distribution investment is particularly important because it constitutes roughly two-thirds of TDUs' rate bases.

The Texas legislature and the PUCT have also authorized cost trackers that apply to specific vertically integrated investor-owned utilities operating outside of ERCOT, where the Commission has delayed retail competition. For non-ERCOT utilities, the TCRF mechanism combines the TRCF and interim transmission cost of service adjustments applicable to ERCOT utilities. That is, the non-ERCOT TCRF recovers both changes in FERC-approved wholesale transmission charges *and* incremental transmission investment costs. For non-ERCOT utilities, there is also a DCRF that is the same as that applicable to ERCOT utilities.

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[70] TAC Section 25.193.

[71] PURA Section 36.210.

[72] In April 2016, AEP Texas Central and AEP Texas North filed their initial DCRF applications, and CenterPoint Energy filed its second DCRF application.

[73] TAC Section 25.245.

[74] The TDU tariffs also include a variety of riders that address a variety of side issues. These riders pertain to Accumulated Deferred Federal Income Tax Credits, Competitive Metering Credits, Municipal Account Franchise Credits, Nuclear Decommissioning Charges, State College & Universities Discounts, and competition transition charges. For residential and small commercial customers, these riders recover costs by means of volumetric rates even though most of the costs recovered by these riders are fixed in nature.

Other Characteristics of Texas Regulation

Non-ERCOT utilities may also take advantage of a new provision of PURA that permits them to file rate cases using estimated data that is updated with actual data 45 days after filing.[75] The final rates for such utilities are effective on the 155th day after the filing of a rate case.[76]

The commission is presently working to adopt rules implementing these provisions, with the intentions of reducing regulatory lag and allowing non-ERCOT utilities to begin to recover investment costs closer to the time investments are placed in service.

Another new provision of PURA requires non-ERCOT utilities to file rate cases within four years of the final order in their last rate cases or after two years of the utility's actual earned rate of return materially exceeding its authorized rate of return on investment, on a weather-normalized basis.[77]

- **Ratemaking Reform Goals and the Alternative Ratemaking Mechanisms**

In seeking this study of alternative ratemaking mechanisms, Texas is investigating effective and efficient means of implementing a broad philosophy that the regulated rates of monopoly utilities should, to the extent feasible, replicate competitive market outcomes. Through a wholesale spot market and retail choice, Texas has implemented competition for generation services. Unfortunately, however, while it is possible to create or replicate competition for generation services that have significant short-run marginal costs, it is difficult to do so for monopoly T&D services for which the overwhelming majority of costs are fixed.

Texas is exploring modified regulatory approaches that create processes for adjusting T&D revenue requirements and rates that are less administratively burdensome and more regular and predictable than the present ratemaking process. Traditional cost-of-service ratemaking is time-consuming in part because it is subject to infrequent rate cases initiated by the utility whenever it perceives a significant difference between its allowed revenue requirement and its actual or future revenue requirement. This quite often means that revised rates may be based upon outdated data, that rates can fail to reflect current market conditions, that customers are subject to rate shock, and that the ratemaking process is costly and highly contested for many involved stakeholders.

Ideally, a modified ratemaking approach would provide timely and automatic adjustments to revenue requirements that would reduce utilities' uncertainty about cost recovery, improve incentives for utilities' investments in prudent T&D infrastructure, reduce the conflicts associated with rate changes, and obviate the need to conduct expensive rate cases for matters that are small or non-contentious. Such an approach should not sacrifice the necessary critical oversight from the PUCT and interveners to ensure that utilities incur prudent costs and earn reasonable returns while fulfilling particular public policy goals. Furthermore, the adoption of

[75] PURA Section 36.112.

[76] PURA Section 36.211.

[77] PURA Section 36.212.

alternative ratemaking mechanisms should retain or improve the cohesion of utilities' rates, allowing the PUCT to consider the entirety of each utility's rates.

Consistent with these needs, most of the alternative ratemaking mechanisms discussed in this report have the merits of regularizing certain dimensions of the process: adjustments to the revenue requirement are made on a predefined schedule to coincide as closely as possible with changes in costs, investment, and sales. Under these alternatives, changes to revenue requirements and rates would better reflect – and more quickly reflect – changing business and economic conditions.

It is apparent that no single alternative ratemaking mechanism has all of the desirable characteristics or is capable of satisfying all policy goals. However, each of the alternative rate mechanisms has some of the desirable characteristics and capabilities, particularly when coupled with certain other mechanisms. Consequently, to meet Texas' needs, the alternative ratemaking mechanisms need to be combined into a coherent composite package. Indeed, nearly all states (including Texas) have ratemaking approaches that embrace components of several of the mechanisms discussed in this report.

o Recommendations for Alternative Ratemaking Mechanisms

The choice among the alternative ratemaking mechanisms and the designs of those mechanisms depend upon Texas' policy priorities. A mechanism that meets one policy goal will fail to address other policy goals, and may even conflict with other policy goals.

This section presents our recommendations by policy goal, identifying the alternatives that we believe best meet those goals, with the understanding that different Texas stakeholders will have differing policy priorities. Without implying our own priorities, we begin with goals related to procedure, continue with goals related to cost recovery, and conclude with goals related to other aspects of electricity service. **We understand that many elements of these recommendations are already in place in Texas; so our implicit recommendations about such elements are that they continue in some form.**

- *Reducing Procedural Costs*

Procedural costs can be reduced to the extent that rates update automatically, with minimal need for review by the PUCT and intervenors, or to the extent that ratemaking mechanisms do not inherently require rate updates. Nonetheless, nearly all of the alternative ratemaking mechanisms require at least periodic review of revenue requirements and the prudency of costs; and some, like price cap plans, require significant data that are not otherwise needed for reviewing the reasonableness of costs and rates.

In the recommendations that follow, note will be made of means by which the burdens associated with rate updates may be mitigated or, in a few cases, avoided.

- *Establishing Reasonable Procedural Timetables*

There should be a regular timeframe for adjusting rates and reconciling them with utility costs. For example, major rate cases could be scheduled every three to five years, except under extraordinary circumstances; and automatic rate adjustments could occur annually, or perhaps semi-annually. The automatic rate adjustments would serve the purpose of keeping rates aligned with costs and thus avoiding rate shock from accumulation of differences between rates and costs over time. The automatic rate adjustments would be accompanied by utility reports that would assure transparency, allow the PUCT and intervenors to review rate changes, and permit settlement negotiations if necessary.

The automatic rate adjustments would apply to all applicable rate mechanisms, including performance incentives and cost trackers. With regard to the latter, a shortcoming of the current interim transmission cost of service adjustment mechanism is that rate adjustments occur only when transmission providers make investments, which causes rates and costs to diverge when transmission providers do not make investments for a period of time. Requiring automatic rate adjustments at regular intervals would avoid this problem.

To inform the PUCT and intervenors about utilities' plans and expectations about the future, utilities would be required to make annual filings that describe their intentions for major infrastructure investments for (perhaps) the next five years.

The PUCT would be responsible for rendering decisions on rate adjustments within timeframes suitable to each ratemaking mechanism, with acceptance being the default in the absence of PUCT action under specified circumstances.

- *Decoupling Cost Recovery from Load Variations*

SFV rates, revenue decoupling, and LRAMs all stabilize utility recovery of fixed costs when loads significantly change. Not incidentally, they also all help reduce the importance of load forecasts in rate cases and help mitigate utility disincentives for energy conservation. For Texas' TDUs, these needs for stability and mitigating disincentives are an issue only for residential and small non-residential customers, for whom between 76% and 89% of the fixed costs of the six major ERCOT-based distribution utilities are recovered through energy-based (per kWh) rates. These needs are not an issue for large non-residential customers who, aside from the Energy Efficiency Cost Recovery Rider, have no energy charges in their retail T&D base rates.

SFV rates have the relative merits of: a) providing a close match between retail price components and the ways (i.e., fixed or variable) that costs are incurred, so that changes in sales lead to roughly equal changes in revenues and costs; b) providing rates that do not need to change with load changes; and c) imposing low administrative burdens on regulators and intervenors. The relative shortcoming of SFV rates is they require significant revisions to present rates, with adverse impacts on low-volume customers who are generally perceived to be low-income customers. To address this shortcoming, SFV rate reform needs to be introduced gradually, preferably with a "sliding scale" mechanism that assigns lower fixed charges to customers who place relatively low demands on T&D systems.

Revenue decoupling rates' relative merits lie primarily in their promotion of energy conservation, not in their stabilization of fixed cost recovery, though they do not require any initial revisions to existing rates. They have the relative shortcomings of: a) requiring energy rates that change with load changes; b) discouraging beneficial electricity sales; and c) shifting some risks (like weather, in the absence of a weather-normalization process) from the utilities to customers.

LRAMs' relative merits, like those of revenue decoupling, lie primarily in their promotion of energy conservation, not in their stabilization of fixed cost recovery, though they do not require any initial revisions to existing rates. LRAMs have the relative shortcomings of: a) requiring controversial estimates of sales lost due to conservation; b) risking over-compensating utilities; and c) imposing high administrative burdens on utilities, regulators, and intervenors.

Only a few states have adopted SFV rates, while over a dozen presently have electric revenue decoupling rates and about twenty states have LRAMs. The key issue that makes SFV less attractive to regulators is its necessity to significantly revise present rates, which adversely affects low-volume customers.

Ironically, a competitive market would tend toward SFV rate structures, not revenue decoupling or LRAM rates. Competitive markets have many examples of pricing structures in which customers pay a fixed fee that covers the provider's fixed costs and a variable fee that covers the provider's variable costs. Revenue decoupling and LRAMs, by contrast, are artifacts of regulation: In what competitive market will somebody raise the price you pay because I decided to consume less? Firms who try that trick in a competitive market do not remain in business long.

To decouple cost recovery from load variations, Texas' basic choice is between a ratemaking alternative (SFV) that mimics competition but requires a significant revision of present rates, and ratemaking alternatives (revenue decoupling and LRAMs) that begin with existing rates but are artifacts of regulation that are relatively burdensome to maintain. Our preference is to gradually move rates from their uneconomic initial levels toward those implied by SFV, not merely based on the theory that SFV is the only one of the three alternatives that mimics competition but also based on the fact that competition is coming – and is indeed already here – in the form of distributed generation. The cross-subsidies that are implicit in present uneconomic rates will be unsustainable in the face of this competition. The key "virtue" of revenue decoupling and LRAMs, indeed the "virtue" that has induced many states to adopt these alternative ratemaking mechanisms, is that they allow continuation of the present cross-subsidies. The extent to which the day of reckoning can be postponed for revenue decoupling and LRAMs depends upon the extent to which competition from distributed generation can be held at bay.

Any transition to SFV should consider the potential for rate shock and customer confusion due to the transition to a new rate structure, as patterns of intra-class cost recovery may cause lower-usage customers within a class to see relative bill increases while higher-usage customers see relative bill decreases. Such cost shifts may be mitigated by a "sliding scale" mechanism that assigns lower fixed charges to historically low-volume customers than to historically highvolume customers. It may also be advisable for a transition to SFV to occur gradually over a period of perhaps five years.

- *Assuring Cost Recovery*

A limited set of cost trackers is warranted as a means of assuring recovery of costs that are substantial, unpredictable, volatile, recurring, or beyond utility control. Such cost trackers can help hold down procedural costs, update rates to reflect new market conditions, and facilitate more gradual rate changes over time. By providing timely recovery of significant costs, with appropriate safeguards for confirming the prudency of those costs, cost trackers can reduce utilities' financial risk without compromising their performance.

In principle, Texas' present cost trackers – for advanced metering systems, energy efficiency programs, transmission cost passthroughs, and T&D investment costs – appear to be reasonable and worthy of continuation in some form. As previously mentioned, the desirability of timely updates suggests that there may be annual updates to all cost trackers.

Alternatively, Texas could use multi-year rate plans to change rates to reflect cost changes as measured by external factors beyond the utility's control, like fuel prices. Such plans offer the benefits of giving the utility temporary incentives to cut costs and improve performance, of providing more predictable utility revenues and customer rates, and of spreading investment-induced rate increases over relatively long periods. On the other hand, such plans can also be data-intensive and relatively burdensome to develop. Given the fact that Texas already has a basically satisfactory set of cost trackers, we do not recommend shifting to multi-year rate plans.

- *Assuring Prudency of Costs*

Costs should be recovered only to the extent that they are prudent. As with traditional ratemaking, any streamlined ratemaking process should retain the ability of the PUCT and intervenors to review rate changes. To reduce potential conflicts during reviews, the cost basis data requirements, and methods for automatic rate adjustments need to be carefully defined at the outset of the design of the automatic adjustment programs. If there are to be any true-ups for differences between forecast costs and actual costs or between actual revenues and actual costs, the data requirements, methods, and any applicable carrying charges for the true-ups also need to be defined in advance.

- *Assuring Reasonable ROEs*

Because automatic rate change mechanisms can result in actual ROEs that differ significantly from authorized ROEs, earnings sharing mechanisms are desirable as a means of maintaining ROEs within bands considered to be consistent with market-based returns. Authorized ROEs are set through the regulatory process at levels consistent with prevailing TDU ROEs, with financial market data, and with the risk profile of the particular utility to which the ROE would apply. Authorized ROEs may also depend upon the utility's achievement of certain operating performance metrics, as described below. Authorized ROEs may be updated annually.

At the inception of a TDU's automated rate change mechanisms, bands around the authorized ROE are defined within which no change would be made to the actual ROE. Similar to the FRPs of utilities in Alabama and Mississippi, the actual ROE could be ratcheted up or down if it falls outside of the bands. The adjustment of any actual ROE falling outside the band could be limited to a pre-specified number of basis points in order to limit the volatility of rates over the plan period. The treatment of adjustments could be symmetric (the same when actual ROEs are too high as when they are too low) or asymmetric. Adjustments to the authorized ROE would entail sharing between customers and shareholders the difference between the actual ROE and the relevant band, which would be accomplished by reducing customers' rates when the actual ROE is too high and increasing rates when the actual ROE is too low.

- *Assuring Service Quality*

To assure that the operation of automatic rate adjustment mechanisms does not induce cost-cutting that compromises service quality, it may be wise to develop performance incentives to accompany such mechanisms. Texas may consider following the examples of Alabama, Mississippi and Louisiana in adjusting authorized ROEs in accordance with utilities' achievement of certain operating performance metrics.

- *Promoting Energy Conservation*

SFV rates, revenue decoupling, and LRAMs can be used to remove a key disincentive to utility promotion of energy efficiency. Revenue decoupling, cost trackers, and performance incentives can be used to encourage energy conservation by consumers. The extent to which these ratemaking alternatives should be used for these purposes depends upon state policy.

- *Assuring Rate Stability*

To avoid or mitigate rate shock due to the inauguration of a new alternative ratemaking mechanism, such mechanisms could be phased in over a period of three to five years.

To avoid or mitigate rate shock due to automatic rate adjustments, Texas could place caps on the sizes of such adjustments, particularly rate increases. Rate adjustments that exceed the caps could be deferred for future recovery or refund.

APPENDIX.
ABBREVIATIONS

APCO	Alabama Power Company
APSC	Alabama Public Service Commission
ARP	Alternative Rate Plan
CAGR	compound annual growth rate
CL&P	Connecticut Light & Power
CPUC	California Public Utilities Commission
ERCOT	Electric Reliability Council of Texas
FERC	Federal Energy Regulatory Commission
FRP	formula rate plan
GDP	gross domestic product
kW	kilowatt
kWh	kilowatt-hour
LRAM	lost revenue adjustment mechanism
NYSEG	New York State Electric & Gas Company
PSCo	Public Service Company of Colorado
PUCT	Public Utility Commission of Texas
PURA	Texas' Public Utility Regulatory Act
ROE	rate of return on equity
SFV	straight-fixed variable
TAC	Texas Administrative Code
TCRF	transmission cost recovery factor
T&D	transmission and distribution

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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 1-3187

CenterPoint Energy Houston Electric, LLC

(Exact name of registrant as specified in its charter)

Texas	**22-3865106**
(State or other jurisdiction of incorporation or organization)	*(I R S Employer Identification No)*
1111 Louisiana **Houston, Texas 77002**	**(713) 207-1111**
(Address and zip code of principal executive offices)	*(Registrant's telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
9.15% First Mortgage Bonds due 2021	New York Stock Exchange
6 95% General Mortgage Bonds due 2033	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

CenterPoint Energy Houston Electric, LLC meets the conditions set forth in general instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes ☐ No ☑

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 Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files) Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☑

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☑ (Do not check if a smaller reporting company)	Smaller reporting company ☐	Emerging growth company ☐

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) Yes ☐ No ☑

The aggregate market value of the common equity held by non-affiliates as of June 30, 2017 None

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GLOSSARY

ADFIT	Accumulated deferred federal income taxes
ADMS	Advanced Distribution Management System
AFUDC	Allowance for funds used during construction
AMS	Advanced Metering System
ARO	Asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
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
Bond Company III	CenterPoint Energy Transition Bond Company III, LLC
Bond Company IV	CenterPoint Energy Transition Bond Company IV, LLC
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
CenterPoint Energy	CenterPoint Energy, Inc , and its subsidiaries
CERC Corp.	CenterPoint Energy Resources Corp.
CERC	CERC Corp , together with its subsidiaries
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
CES	CenterPoint Energy Services, Inc.
COLI	Corporate-owned life insurance
DCRF	Distribution Cost Recovery Factor
DOE	U S Department of Energy
EDIT	Excess deferred income taxes
EECR	Energy Efficiency Cost Recovery
EECRF	Energy Efficiency Cost Recovery Factor
EPA	Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
ERCOT ISO	ERCOT Independent System Operator
ERO	Electric Reliability Organization
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch, Inc
GenOn	GenOn Energy, Inc.
GHG	Greenhouse gases
GWh	Gigawatt-hours
Houston Electric	CenterPoint Energy Houston Electric, LLC and its subsidiaries
IBEW	International Brotherhood of Electrical Workers
IG	Intelligent Grid
IRS	Internal Revenue Service
kV	Kilovolt
LIBOR	London Interbank Offered Rate
Moody's	Moody's Investors Service, Inc.
NAV	Net asset value
NECA	National Electrical Contractors Association
NERC	North American Electric Reliability Corporation

GLOSSARY (cont.)

NRG	NRG Energy, Inc.
PRPs	Potentially responsible parties
PUCT	Public Utility Commission of Texas
RCRA	Resource Conservation and Recovery Act of 1976
Reliant Energy	Reliant Energy, Incorporated
REP	Retail electric provider
Restoration Bond Company	CenterPoint Energy Restoration Bond Company, LLC
RICE MACT	Reciprocating Internal Combustion Engines Maximum Achievable Control Technology
RRI	Reliant Resources, Inc.
SEC	Securities and Exchange Commission
Securitization Bonds	Transition and system restoration bonds
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
Texas RE	Texas Reliability Entity
VIE	Variable interest entity
Vistra Energy Corp.	Texas-based energy company focused on the competitive energy and power generation markets

We meet the conditions specified in General Instruction I (1)(a) and (b) of Form 10-K and are thereby permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies specified therein Accordingly, we have omitted from this report the information called for by Item 10 (Directors, Executive Officers and Corporate Governance), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters) and Item 13 (Certain Relationships and Related Transactions, and Director Independence) of Form 10-K In lieu of the information called for by Item 6 (Selected Financial Data) and Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of Form 10-K, we have included, under Item 7, Management's Narrative Analysis of Results of Operations to explain the reasons for material changes in the amount of revenue and expense items between 2017, 2016 and 2015

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our 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 our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "target," "will" or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information reasonably available to our management at the time the statements are made We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements are described under "Risk Factors" in Item 1A and "Management's Narrative Analysis of Results of Operations — Certain Factors Affecting Future Earnings" in Item 7 of this report, which discussions are incorporated herein by reference.

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 we undertake no obligation to update or revise any forward-looking statements

PART I

Item 1. ***Business***

OUR BUSINESS

Overview

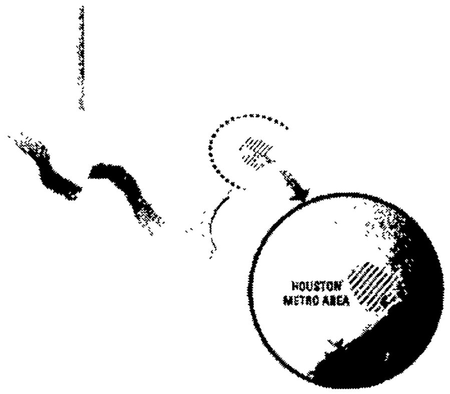
We are an indirect, wholly-owned subsidiary of CenterPoint Energy, a public utility holding company We provide electric transmission and distribution services to REPs serving more than 2.4 million metered customers in the Texas Gulf Coast area that includes the city of Houston We consist of a single reportable business segment: Electric Transmission & Distribution

Our principal executive offices are located at 1111 Louisiana, Houston, Texas 77002 (telephone number: 713-207-1111).

We make available free of charge on our parent company's Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the SEC Our parent company's website address is www.centerpointenergy.com. Investors should also note that we announce material financial information in SEC filings, press releases and public conference calls Based on guidance from the SEC, we may use the investor relations section of our parent's website to communicate with our investors It is possible that the financial and other information posted there could be deemed material information Except to the extent explicitly stated herein, documents and information on our parent company's website are not incorporated by reference herein

Electric Transmission & Distribution

We are a transmission and distribution electric utility that operates wholly within the state of Texas and is a member of ERCOT ERCOT serves as the independent system operator and regional reliability coordinator for member electric power systems in most of Texas. The ERCOT market represents approximately 90% of the demand for power in Texas and is one of the nation's largest power markets. The ERCOT market operates under the reliability standards developed by the NERC, approved by the FERC and monitored and enforced by the Texas RE. The PUCT has primary jurisdiction over the ERCOT market to ensure the adequacy and reliability of electricity supply across the state's main interconnected power transmission grid. Neither we nor any other subsidiary of CenterPoint Energy makes direct retail or wholesale sales of electric energy or owns or operates any electric generating facilities. Our service territory is depicted below



Electric Transmission

On behalf of REPs, we deliver electricity from power plants to substations, from one substation to another and to retail electric customers taking power at or above 69 kV in locations throughout our certificated service territory. We construct and maintain transmission facilities and provide transmission services under tariffs approved by the PUCT.

The ERCOT ISO is responsible for operating the bulk electric power supply system in the ERCOT market Our transmission business, along with those of other owners of transmission facilities in Texas, supports the operation of the ERCOT ISO We participate with the ERCOT ISO and other ERCOT utilities to plan, design, obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing constraints on the ERCOT transmission grid.

Electric Distribution

In ERCOT, end users purchase their electricity directly from certificated REPs We deliver electricity for REPs in our certificated service area by carrying lower-voltage power from the substation to the retail electric customer Our distribution network receives electricity from the transmission grid through power distribution substations and delivers electricity to end users through distribution feeders Our operations include construction and maintenance of distribution facilities, metering services, outage response services and call center operations. We provide distribution services under tariffs approved by the PUCT. PUCT rules and market protocols govern the commercial operations of distribution companies and other market participants Rates for these existing services are established pursuant to rate proceedings conducted before municipalities that have original jurisdiction and the PUCT.

Bond Companies

We have special purpose subsidiaries consisting of the Bond Companies, which we consolidate in our consolidated financial statements The consolidated special purpose subsidiaries are wholly-owned, bankruptcy remote entities that were formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of Securitization Bonds, and conducting activities incidental thereto. The Securitization Bonds are repaid through charges imposed on customers in our service territory. For further discussion of the Securitization Bonds and the outstanding balances as of December 31, 2017 and 2016, see Note 8 to our consolidated financial statements.

Customers

We serve nearly all of the Houston/Galveston metropolitan area At December 31, 2017, our customers consisted of approximately 68 REPs, which sell electricity to more than 2.4 million metered customers in our certificated service area, and municipalities, electric cooperatives and other distribution companies located outside our certificated service area Each REP is licensed by, and must meet minimum creditworthiness criteria established by, the PUCT We do not have long-term contracts with any of our customers We operate using a continuous billing cycle, with meter readings being conducted and invoices being distributed to REPs each business day. For information regarding our major customers, see Note 7 to our consolidated financial statements

Utility Technology

Our Smart Grid is comprised of the AMS, IG, ADMS and private telecommunications network Since 2009, we have deployed fully operational advanced meters to virtually all of our 2 4 million metered customers, automated 31 substations, installed 872 IG Switching Devices on more than 200 circuits, built a wireless radio frequency mesh telecommunications network across our 5,000-square mile footprint, and enabled real-time grid monitoring and control, which leverages information from smart meters and field sensors to manage system events through the ADMS We believe that the Smart Grid is already improving electric distribution service reliability and restoration, enhancing the consumer experience, supporting the growth of renewable energy and helping the environment by reducing carbon emissions.

Competition

There are no other electric transmission and distribution utilities in our service area For another provider of transmission and distribution services to provide such services in our territory, it would be required to obtain a certificate of convenience and necessity from the PUCT and, depending on the location of the facilities, may also be required to obtain franchises from one or more municipalities We know of no other party intending to enter this business in our service area at this time Distributed generation (i e , power generation located at or near the point of consumption) could result in a reduction of demand for our distribution services but has not been a significant factor to date

Seasonality

A significant portion of our revenues is derived from rates that we collect from each REP based on the amount of electricity we deliver on behalf of that REP Thus, our revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months

Properties

All of our properties are located in Texas Our properties consist primarily of high-voltage electric transmission lines and poles, distribution lines, substations, service centers, service wires, telecommunications network and meters Most of our transmission and distribution lines have been constructed over lands of others pursuant to easements or along public highways and streets under franchise agreements and as permitted by law

All of our real and tangible properties, subject to certain exclusions, are currently subject to

- the lien of a Mortgage and Deed of Trust (the Mortgage) dated November 1, 1944, as supplemented, and
- the lien of a General Mortgage (the General Mortgage) dated October 10, 2002, as supplemented, which is junior to the lien of the Mortgage

For information related to debt outstanding under the Mortgage and General Mortgage, see Note 8 to our consolidated financial statements.

Electric Lines - Transmission As of December 31, 2017, we owned and operated the following electric transmission lines:

	Circuit Miles	
Operating Voltage	**Overhead Lines**	**Underground Lines**
69 kV	271	2
138 kV	2,198	24
345 kV	1,219	—
	3,688	26

Electric Lines - Distribution. As of December 31, 2017, we owned 28,883 pole miles of overhead distribution lines and 24,662 circuit miles of underground distribution lines.

Substations As of December 31, 2017, we owned 235 major substation sites having a total installed rated transformer capacity of 64,924 megavolt amperes.

Service Centers As of December 31, 2017, we operated 14 regional service centers located on a total of 292 acres of land. These service centers consist of office buildings, warehouses and repair facilities that are used in the business of transmitting and distributing electricity

Franchises

We hold non-exclusive franchises from certain incorporated municipalities in our service territory. In exchange for the payment of fees, these franchises give us the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain our transmission and distribution system and to use that system to conduct our electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 20 to 40 years

REGULATION

We are subject to regulation by various federal, state and local governmental agencies, including the regulations described below.

Federal Energy Regulatory Commission

We are not a "public utility" under the Federal Power Act and, therefore, are not generally regulated by the FERC, although certain of our transactions are subject to limited FERC jurisdiction. The FERC has certain responsibilities with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by us and other utilities within ERCOT The FERC has designated the NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system (Electric Entities). The ERO and the FERC have authority to (a) impose fines and other sanctions on Electric Entities that fail to comply with approved standards and (b) audit compliance with approved standards The FERC has approved the delegation by the NERC of authority for reliability in ERCOT to the Texas RE. We do not anticipate that the reliability standards proposed by the NERC and approved by the FERC will have a material adverse impact on our operations To the extent that we are required to make additional expenditures to comply with these standards, it is anticipated that we will seek to recover those costs through the transmission charges that are imposed on all distribution service providers within ERCOT for electric transmission provided

As a public utility holding company, under the Public Utility Holding Company Act of 2005, CenterPoint Energy is subject to reporting and accounting requirements and is required to maintain certain books and records and make them available for review by the FERC and state regulatory authorities in certain circumstances

State and Local Regulation

We conduct our operations pursuant to a certificate of convenience and necessity issued by the PUCT that covers our present service area and facilities The PUCT and certain municipalities have the authority to set the rates and terms of service provided by us under cost-of-service rate regulation. We hold non-exclusive franchises from certain incorporated municipalities in our service territory In exchange for payment of fees, these franchises give us the right to use the streets and public rights-of-way of these municipalities to construct, operate and maintain our transmission and distribution system and to use that system to conduct our electric delivery business and for other purposes that the franchises permit. The terms of the franchises, with various expiration dates, typically range from 20 to 40 years.

Our distribution rates charged to REPs for residential customers are primarily based on amounts of energy delivered, whereas distribution rates for a majority of commercial and industrial customers are primarily based on peak demand All REPs in our service area pay the same rates and other charges for transmission and distribution services. This regulated delivery charge includes the transmission and distribution rate (which includes municipal franchise fees), a distribution recovery mechanism for recovery of incremental distribution-invested capital above that which is already reflected in the base distribution rate, a nuclear decommissioning charge associated with decommissioning the South Texas nuclear generating facility, an EECR charge, and charges associated with securitization of regulatory assets, stranded costs and restoration costs relating to Hurricane Ike Transmission rates charged to distribution companies are based on amounts of energy transmitted under "postage stamp" rates that do not vary with the distance the energy is being transmitted All distribution companies in ERCOT pay us the same rates and other charges for transmission services.

For a discussion of certain of our ongoing regulatory proceedings, see "Management's Narrative Analysis of Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of this report, which discussion is incorporated herein by reference

ENVIRONMENTAL MATTERS

Our operations are subject to stringent and complex laws and regulations pertaining to the environment As an owner or operator of electric transmission and distribution systems, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, including, but not limited to

- restricting the way we can handle or dispose of wastes,
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions or areas inhabited by endangered species,
- requiring remedial action to mitigate environmental conditions caused by our operations or attributable to former operations, and
- enjoining the operations of facilities with permits issued pursuant to such environmental laws and regulations

To comply with these requirements, we may need to spend substantial amounts and devote other resources from time to time to, among other activities:

- construct or acquire new facilities and equipment;
- acquire permits for facility operations,

- modify, upgrade or replace existing and proposed equipment, and
- clean or decommission waste management areas, fuel storage facilities and other locations

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions and the issuance of orders enjoining future operations Certain environmental statutes impose strict, joint and several liability for costs required to assess, clean up and restore sites where hazardous substances have been stored, disposed or released Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and/or property damage allegedly caused by the release of hazardous substances or other waste products into the environment

The recent trend in environmental regulation has been to place more restrictions and limitations on activities that may impact the environment There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. We try to anticipate future regulatory requirements that might be imposed and plan accordingly to maintain compliance with changing environmental laws and regulations and to ensure the costs of such compliance are reasonable

Based on current regulatory requirements and interpretations, we do not believe that compliance with federal, state or local environmental laws and regulations will have a material adverse effect on our business, financial position, results of operations or cash flows. In addition, we believe that our current environmental remediation activities will not materially interrupt or diminish our operational ability We cannot assure you that future events, such as changes in existing laws, the promulgation of new laws, or the development or discovery of new facts or conditions will not cause us to incur significant costs The following is a discussion of material current environmental and safety issues, laws and regulations that relate to our operations We believe that we are in substantial compliance with these environmental laws and regulations

Global Climate Change

There is increasing attention being paid in the United States and worldwide to the issue of climate change As a result, from time to time, regulatory agencies have considered the modification of existing laws or regulations or the adoption of new laws or regulations addressing the emissions of GHG on the state, federal, or international level. Some of the proposals would require industrial sources to meet stringent new standards that would require substantial reductions in GHG emissions We, in contrast to some electric utilities, do not generate electricity and thus are not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity Nevertheless, our revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within our service territory. Likewise, incentives to conserve energy or to use other energy sources could result in a decrease in demand for our services. At this point in time, however, it would be speculative to try to quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on our business.

To the extent climate changes may occur, financial results from our business could be impacted Warmer temperatures in our service territory may increase our revenues from transmission and distribution through increased demand for electricity for cooling Another possible result of climate change is more frequent and more severe weather events, such as hurricanes or tornadoes. Since many of our facilities are located along or near the Gulf Coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers. When we cannot deliver electricity to customers, or our customers cannot receive our services, our financial results can be impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs, or if higher rates resulting from our recovery of such costs result in reduced demand for our services, our future financial results may be adversely impacted

Air Emissions

Our operations are subject to the federal Clean Air Act and comparable state laws and regulations These laws and regulations regulate emissions of air pollutants from various industrial sources and also impose various monitoring and reporting requirements. Such laws and regulations may require pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions We may be required to obtain and strictly comply with air permits containing various emissions and operational limitations, or utilize specific emission control technologies to limit emissions. Failure to comply with these requirements could result in monetary penalties, injunctions, conditions or restrictions on operations, and potentially criminal enforcement actions. We may be required to incur certain capital expenditures in the future for air pollution control equipment in connection with obtaining and maintaining operating permits and approvals for air emissions Under the National

Emission Standards for Hazardous Air Pollutants, the EPA established the RICE MACT rule. Back up electrical generators we use are substantially compliant with these laws and regulations.

Water Discharges

Our operations are subject to the Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous state laws and regulations. These laws and regulations impose detailed requirements and strict controls regarding the discharge of pollutants into waters of the United States The unpermitted discharge of pollutants, including discharges resulting from a spill or leak incident, is prohibited The Clean Water Act and regulations implemented thereunder also prohibit discharges of dredged and fill material into wetlands and other waters of the United States unless authorized by an appropriately issued permit Any unpermitted release of petroleum or other pollutants from our facilities could result in fines or penalties as well as significant remedial obligations.

Under the Obama administration, the EPA promulgated a set of rules that included a comprehensive regulatory overhaul of defining "waters of the United States" for the purposes of determining federal jurisdiction These regulations have the potential to affect many aspects of our water-related regulatory compliance obligations. However, the new rules were challenged in court, and the U.S Supreme Court has recently held that any challenge to the rules must be brought in the U.S. district courts rather than directly before the U.S. courts of appeals. As a result, the new definition of the "waters of the United States" is likely to be disputed in litigation for years to come Additionally, the Trump administration has signaled its intent to repeal and replace the Obama-era rules Thus, the fate and content of the new regulations is currently uncertain, and it is not clear when, and even if, they will be enacted. The potential impact of any new "waters of the United States" regulations on our business, liabilities, compliance obligations or profits and revenues is uncertain at this time.

Hazardous Waste

Our operations generate wastes, including some hazardous wastes, that are subject to the federal RCRA, and comparable state laws, which impose detailed requirements for the handling, storage, treatment, transport and disposal of hazardous and solid waste Ordinary industrial wastes such as paint wastes, waste solvents and laboratory wastes may be regulated as hazardous waste

Liability for Remediation

CERCLA, also known as "Superfund," and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of "hazardous substances" into the environment. Classes of PRPs include the current and past owners or operators of sites where a hazardous substance was released and companies that disposed or arranged for the disposal of hazardous substances at offsite locations such as landfills. In the course of our ordinary operations we do, from time to time, generate wastes that may fall within the definition of a "hazardous substance." CERCLA authorizes the EPA and, in some cases, third parties to take action in response to threats to the public health or the environment and to recover the costs they incur from the responsible classes of persons Under CERCLA, we could potentially be subject to joint and several liability for the costs of cleaning up and restoring sites where hazardous substances have been released, for damages to natural resources, and for associated response and assessment costs, including for the costs of certain health studies

Liability for Preexisting Conditions

For information about preexisting environmental matters, please see Note 10(b) to our consolidated financial statements

EMPLOYEES

As of December 31, 2017, we had 2,816 full-time employees, of which approximately 52% were subject to a collective bargaining agreement The collective bargaining agreement with the IBEW Local 66 will expire in May of 2020 This agreement was last negotiated in 2016.

Item 1A. ***Risk Factors***

The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this report, summarizes the principal risk factors associated with our business However, additional risks and uncertainties either not presently known or not currently believed by management to be material may also adversely affect our business.

Risk Factors Associated with Our Consolidated Financial Condition

We are an indirect, wholly-owned subsidiary of CenterPoint Energy. CenterPoint Energy can exercise substantial control over our dividend policy and business and operations and could do so in a manner that is adverse to our interests.

We are managed by officers and employees of CenterPoint Energy. Our management will make determinations with respect to the following.

- our payment of dividends,
- our financings and our capital raising activities;
- mergers or other business combinations, and
- our acquisition or disposition of assets

Other than the financial covenant contained in our credit facility (described under "Management's Narrative Analysis of Results of Operations—Liquidity and Capital Resources" in Item 7 of Part II of this report), which could have the practical effect of limiting the payment of dividends under certain circumstances, there are no contractual restrictions on our ability to pay dividends to CenterPoint Energy Our management could decide to increase our dividends to CenterPoint Energy to support its cash needs. This could adversely affect our liquidity However, under our credit facility, our ability to pay dividends is restricted by a covenant that debt, excluding Securitization Bonds, as a percentage of total capitalization may not exceed 65%

If we are unable to arrange future financings on acceptable terms, our ability to refinance existing indebtedness could be limited.

As of December 31, 2017, we had $4.8 billion of outstanding indebtedness on a consolidated basis, which includes $1.9 billion of non-recourse Securitization Bonds. As of December 31, 2017, principal repayments through 2020 are limited to scheduled principal repayments of approximately $1 1 billion on Securitization Bonds, for which dedicated revenue streams exist Our future financing activities may be significantly affected by, among other things.

- general economic and capital market conditions,
- credit availability from financial institutions and other lenders,
- investor confidence in us and CenterPoint Energy and the markets in which we operate,
- maintenance of acceptable credit ratings by us and CenterPoint Energy,
- market expectations regarding our and CenterPoint Energy's future earnings and cash flows,
- our and CenterPoint Energy's ability to access capital markets on reasonable terms;
- our exposure to GenOn (formerly known as RRI Energy, Inc , Reliant Energy and RRI), a wholly-owned subsidiary of NRG and currently the subject of bankruptcy proceedings, in connection with certain indemnification obligations; and
- provisions of relevant tax and securities laws.

As of December 31, 2017, we had approximately $2 9 billion aggregate principal amount of general mortgage bonds outstanding under the General Mortgage, including approximately $118 million held in trust to secure pollution control bonds for which CenterPoint Energy is obligated Additionally, as of December 31, 2017, we had approximately $102 million aggregate principal amount of first mortgage bonds outstanding under the Mortgage. We may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee Approximately $4 2 billion of additional first mortgage bonds and general mortgage bonds in the aggregate could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2017 We have contractually agreed that we will not issue additional first mortgage bonds, subject to certain exceptions

Our current credit ratings are discussed in "Management's Narrative Analysis of Results of Operations — Liquidity and Capital Resources — Impact on Liquidity of a Downgrade in Credit Ratings" in Item 7 of Part II of this report These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be lowered or withdrawn entirely by a rating agency We note that these credit ratings are not recommendations to buy, sell or hold our securities. Each rating should be evaluated independently of any other rating Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to access capital on acceptable terms

The creditworthiness and liquidity of our parent company and our affiliates could affect our creditworthiness and liquidity.

Our credit ratings and liquidity may be impacted by the creditworthiness and liquidity of our parent company and our affiliates. As of December 31, 2017, CenterPoint Energy and its subsidiaries other than us have approximately $50 million principal amount of debt required to be paid through 2020 If CenterPoint Energy were to experience a deterioration in its creditworthiness or liquidity, our creditworthiness and liquidity could be adversely affected In addition, CenterPoint Energy or its other subsidiaries or affiliates may from time to time acquire or dispose of assets or businesses or enter into joint ventures or other transactions that could adversely impact the credit capacity, credit ratings or liquidity of CenterPoint Energy or its other subsidiaries or affiliates, which, as a result, could adversely impact our credit ratings and liquidity. Also, from time to time we and other affiliates invest in or borrow funds from the money pool maintained by CenterPoint Energy If CenterPoint Energy or the affiliates that borrow our invested funds were to experience a deterioration in their creditworthiness or liquidity, our creditworthiness, liquidity and the repayment of notes receivable from CenterPoint Energy and our affiliates under the money pool could be adversely impacted

Risk Factors Affecting Our Business

Rate regulation of our business may delay or deny our ability to earn an expected return and fully recover our costs.

Our rates are regulated by certain municipalities and the PUCT based on an analysis of our invested capital, our expenses and other factors in a test year in comprehensive base rate proceedings (i.e., general rate cases) subject to periodic review and adjustment. Each of these rate proceedings is subject to third-party intervention and appeal, and the timing of a general base rate proceeding may be out of our control. The rates that we are allowed to charge may not match our costs at any given time, which is referred to as "regulatory lag."

Though several interim rate adjustment mechanisms have been implemented to reduce the effects of regulatory lag, these adjustment mechanisms are subject to the applicable regulatory body's approval and are subject to limitations that may reduce our ability to adjust rates. For example, the DCRF mechanism adjusts an electric utility's rates for increases in net distribution-invested capital (e.g., distribution plant and intangible plant and communication equipment) since its last comprehensive base rate proceeding, but we may only make a DCRF filing once per calendar year. The TCOS mechanism allows a transmission service provider to update its wholesale transmission rates to reflect changes in transmission-related invested capital, but is only available twice per calendar year.

We can make no assurance that filings for such mechanisms will result in favorable adjustments to rates Notwithstanding the application of the rate mechanisms discussed above, the regulatory process by which rates are determined is subject to change as a result of the legislative process or rulemaking, as the case may be, and may not always be available or result in rates that will produce recovery of our costs or enable us to earn an expected return. In addition, changes to the interim adjustment mechanisms could result in an increase in regulatory lag or otherwise impact our ability to recover our costs in a timely manner To the extent the regulatory process does not allow us to make a full and timely recovery of appropriate costs, our results of operations, financial condition and cash flows could be adversely affected

Disruptions at power generation facilities owned by third parties could interrupt our sales of transmission and distribution services.

We transmit and distribute to customers of REPs electric power that the REPs obtain from power generation facilities owned by third parties. We do not own or operate any power generation facilities If power generation is disrupted or if power generation capacity is inadequate, our sales of transmission and distribution services may be diminished or interrupted, and our results of operations, financial condition and cash flows could be adversely affected.

Our revenues and results of operations are seasonal.

A significant portion of our revenues is derived from rates that we collect from each REP based on the amount of electricity we deliver on behalf of such REP. Thus, our revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months Unusually mild weather in the warmer months could diminish our results of operations and harm our financial condition. Conversely, extreme warm weather conditions could increase our results of operations in a manner that would not likely be annually recurring

We could be subject to higher costs and fines or other sanctions as a result of mandatory reliability standards.

The FERC has jurisdiction with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by us and other utilities within ERCOT. The FERC has designated the NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system The FERC has approved the delegation by the NERC of authority for reliability in ERCOT to the Texas RE, a Texas non-profit corporation Compliance with the mandatory reliability standards may subject us to higher operating costs and may result in increased capital expenditures. In addition, if we were to be found to be in noncompliance with applicable mandatory reliability standards, we could be subject to sanctions, including substantial monetary penalties.

A substantial portion of our receivables is concentrated in a small number of REPs and any delay or default in such payments could adversely affect our cash flows, financial condition and results of operations.

Our receivables from the distribution of electricity are collected from REPs that supply the electricity we distribute to their customers As of December 31, 2017, we did business with approximately 68 REPs. Adverse economic conditions, structural problems in the market served by ERCOT or financial difficulties of one or more REPs could impair the ability of these REPs to pay for our services or could cause them to delay such payments We depend on these REPs to remit payments on a timely basis Applicable regulatory provisions require that customers be shifted to another REP or a provider of last resort if a REP cannot make timely payments Applicable PUCT regulations significantly limit the extent to which we can apply normal commercial terms or otherwise seek credit protection from firms desiring to provide retail electric service in our service territory, and we thus remain at risk for payments related to services provided prior to the shift to another REP or the provider of last resort A significant portion of our billed receivables from REPs are from affiliates of NRG and Vistra Energy Corp., formerly known as TCEH Corp Our aggregate billed receivables balance from REPs as of December 31, 2017 was $215 million. Approximately 34% and 12% of this amount was owed by affiliates of NRG and Vistra Energy Corp , respectively Any delay or default in payment by REPs could adversely affect our cash flows, financial condition and results of operations. If an REP were unable to meet its obligations, it could consider, among various options, restructuring under the bankruptcy laws, in which event such REP might seek to avoid honoring its obligations, and claims might be made by creditors involving payments we had received from such REP.

The AMS deployed throughout our service territory may experience unexpected problems with respect to the timely receipt of accurate metering data.

We have deployed an AMS throughout our service territory, which integrates equipment and computer software from various vendors to eliminate the need for physical meter readings to be taken at consumers' premises, such as monthly readings for billing purposes and special readings associated with a customer's change in REPs or the connection or disconnection of electric service. Unanticipated difficulties could be encountered during the operation of the AMS, including failures or inadequacy of equipment or software, difficulties in integrating the various components of the AMS, changes in technology, cyber-security issues and factors outside our control, which could result in delayed or inaccurate metering data that might lead to delays or inaccuracies in the calculation and imposition of delivery or other charges, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Other Risk Factors Affecting Our Business

We are subject to operational and financial risks and liabilities arising from environmental laws and regulations.

Our operations are subject to stringent and complex laws and regulations pertaining to the environment As an owner or operator of electric transmission and distribution systems, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, such as

- restricting the way we can handle or dispose of wastes,

- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions, or areas inhabited by endangered species,
- requiring remedial action to mitigate environmental conditions caused by our operations, or attributable to former operations; and
- enjoining the operations of facilities with permits issued pursuant to such environmental laws and regulations

To comply with these requirements, we may need to spend substantial amounts and devote other resources from time to time to

- construct or acquire new facilities and equipment;
- acquire permits for facility operations,
- modify or replace existing and proposed equipment; and
- clean or decommission waste management areas, fuel storage facilities and other locations.

Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial actions, and the issuance of orders enjoining future operations Certain environmental statutes impose strict joint and several liability for costs required to clean and restore sites where hazardous substances have been stored, disposed or released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment

The recent trend in environmental regulation has been to place more restrictions and limitations on activities that may impact the environment, and thus there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be greater than the amounts we currently anticipate

Our insurance coverage may not be sufficient. Insufficient insurance coverage and increased insurance costs could adversely impact our results of operations, financial condition and cash flows.

We currently have general liability and property insurance in place to cover certain of our facilities in amounts that we consider appropriate Such policies are subject to certain limits and deductibles and do not include business interruption coverage Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of our facilities may not be sufficient to restore the loss or damage without negative impact on our results of operations, financial condition and cash flows

In common with other companies in our line of business that serve coastal regions, we do not have insurance covering our transmission and distribution system, other than substations, because we believe it to be cost prohibitive and believe insurance capacity to be limited In the future, we may not be able to recover the costs incurred in restoring our transmission and distribution properties following hurricanes or other disasters through issuance of storm restoration bonds or a change in our regulated rates or otherwise, or any such recovery may not be timely granted. Therefore, we may not be able to restore any loss of, or damage to, any of our transmission and distribution properties without negative impact on our results of operations, financial condition and cash flows.

We and CenterPoint Energy could incur liabilities associated with businesses and assets that we have transferred to others.

Under some circumstances, we and CenterPoint Energy could incur liabilities associated with assets and businesses we, CenterPoint Energy and CERC no longer own These assets and businesses were previously owned by Reliant Energy, our predecessor, directly or through subsidiaries and include.

- merchant energy, energy trading and REP businesses transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001 and now owned by affiliates of NRG, and

- Texas electric generating facilities transferred to a subsidiary of Texas Genco in 2002, later sold to a third party and now owned by an affiliate of NRG

In connection with the organization and capitalization of RRI (now GenOn) and Texas Genco (now an affiliate of NRG), those companies and/or their subsidiaries assumed liabilities associated with various assets and businesses transferred to them and agreed to certain indemnity agreements of CenterPoint Energy entities. Such indemnities have applied in cases such as the litigation arising out of sales of natural gas in California and other markets (the last remaining case involving CenterPoint Energy is now on appeal, following the district court's summary judgment in favor of CES, a subsidiary of CERC Corp) and various asbestos and other environmental matters that arise from time to time In June 2017, GenOn and various affiliates filed for protection under Chapter 11 of the U S Bankruptcy Code In December 2017, GenOn received court approval of a restructuring plan and is expected to emerge from Chapter 11 in mid-2018. CenterPoint Energy, CERC and CES submitted proofs of claim in the bankruptcy proceedings to protect CenterPoint Energy's indemnity rights If any of the indemnifying entities were unable to meet their indemnity obligations or satisfy a liability that has been assumed in the gas market manipulation litigation, we, CenterPoint Energy or CERC could incur liability and be responsible for satisfying the liability.

In connection with our sale of Texas Genco, the separation agreement was amended to provide that Texas Genco would no longer be liable for, and we would assume and agree to indemnify Texas Genco against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies held by us, and in certain of the asbestos lawsuits we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by an NRG affiliate

Cyber-attacks, physical security breaches, acts of terrorism or other disruptions could adversely impact our reputation, results of operations, financial condition and/or cash flows.

We are subject to cyber and physical security risks related to adversaries attacking information technology systems, network infrastructure, technology and facilities used to conduct almost all of our business, which includes (i) managing operations and other business processes and (ii) protecting sensitive information maintained in the normal course of business For example, the operation of our electric transmission and distribution system is dependent on not only physical interconnection of our facilities but also on communications among the various components of our system This reliance on information and communication between and among those components has increased since deployment of smart meters and the intelligent grid. Disruption of those communications, whether caused by physical disruption such as storms or other natural disasters, by failure of equipment or technology or by manmade events, such as cyber-attacks or acts of terrorism, may disrupt our ability to conduct operations and control assets

Cyber-attacks and unauthorized access could also result in the loss, or unauthorized use, of confidential, proprietary or critical infrastructure data or security breaches of other information technology systems that could disrupt operations and critical business functions, adversely affect reputation, increase costs and subject us to possible legal claims and liability Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber-attacks and unauthorized access We are not fully insured against all cyber-security risks, any of which could adversely affect our reputation and could have a material adverse effect on our results of operations, financial condition and cash flows

In addition, distribution and transmission facilities may be targets of terrorist activities that could disrupt our ability to conduct our business. In January 2017, the DOE's Quadrennial Energy Review reported that cyber threats to the electricity system are increasing in sophistication, magnitude and frequency Any such disruptions could result in significant costs to repair damaged facilities and implement increased security measures, which could have a material adverse effect on our results of operations, financial condition and/or cash flows

Failure to maintain the security of personally identifiable information could adversely affect us.

In connection with our business we collect and retain personally identifiable information (e g , information of our customers, suppliers and employees), and there is an expectation that we will adequately protect that information The U.S. regulatory environment surrounding information security and privacy is increasingly demanding A significant theft, loss or fraudulent use of the personally identifiable information we maintain, or of our data, by cyber-crime or otherwise could adversely impact our reputation and could result in significant costs, fines and litigation.

Our results of operations, financial condition and cash flows may be adversely affected if we are unable to successfully operate our facilities or perform certain corporate functions.

Our performance depends on the successful operation of our facilities. Operating these facilities involves many risks, including

- operator error or failure of equipment or processes, including failure to follow appropriate safety protocols,
- the handling of hazardous equipment or materials that could result in serious personal injury, loss of life and environmental and property damage,
- operating limitations that may be imposed by environmental or other regulatory requirements,
- labor disputes;
- information technology or financial system failures. including those due to the implementation and integration of new technology, that impair our information technology infrastructure, reporting systems or disrupt normal business operations,
- information technology failure that affects our ability to access customer information or causes us to lose confidential or proprietary data that materially and adversely affects our reputation or exposes us to legal claims, and
- catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts. hurricanes, terrorism, pandemic health events or other similar occurrences, which may require participation in mutual assistance efforts by us or other utilities to assist in power restoration efforts

Such events may result in a decrease or elimination of revenue from our facilities, an increase in the cost of operating our facilities or delays in cash collections, any of which could have a material adverse effect on our results of operations, financial condition and/or cash flows

Our success depends upon our ability to attract, effectively transition, motivate and retain key employees and identify and develop talent to succeed senior management.

We depend on our senior executive officers and other key personnel. Our success depends on our ability to attract, effectively transition and retain key personnel. The inability to recruit and retain or effectively transition key personnel or the unexpected loss of key personnel may adversely affect our operations. In addition, because of the reliance on our management team, our future success depends in part on our ability to identify and develop talent to succeed senior management The retention of key personnel and appropriate senior management succession planning will continue to be critically important to the successful implementation of our strategies.

Failure to attract and retain an appropriately qualified workforce could adversely impact our results of operations.

Our business is dependent on our ability to recruit, retain, and motivate employees Certain circumstances, such as an aging workforce without appropriate replacements, a mismatch of existing skillsets to future needs, or the unavailability of contract resources may lead to operating challenges such as a lack of resources, loss of knowledge or a lengthy time period associated with skill development Our costs. including costs to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate our business. If we are unable to successfully attract and retain an appropriately qualified workforce, our results of operations could be negatively affected

Climate change legislation and regulatory initiatives could result in increased operating costs and reduced demand for our services.

Regulatory agencies have from time to time considered adopting legislation, including modification of existing laws and regulations, to reduce GHGs, and there continues to be a wide-ranging policy and regulatory debate, both nationally and internationally, regarding the potential impact of GHGs and possible means for their regulation. Efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues

Following a finding by the EPA that certain GHGs represent an endangerment to human health, the EPA adopted two sets of rules regulating GHG emissions under the Clean Air Act, one that requires a reduction in emissions of GHGs from motor vehicles and another that regulates emissions of GHGs from certain large stationary sources. The EPA has also expanded its existing GHG emissions reporting requirements These permitting and reporting requirements could lead to further regulation of GHGs by the EPA Our electric transmission and distribution business, in contrast to some electric utilities, does not generate electricity and thus is not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity Nevertheless, our revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within our service territory Likewise, incentives to conserve energy or use other energy sources could result in a decrease in demand for our services.

Climate changes could result in more frequent and more severe weather events which could adversely affect the results of operations of our business.

If climate changes occur, financial results from our business could be impacted Another possible result of climate change is more frequent and more severe weather events, such as hurricanes or tornadoes Since our facilities are located along or near the Gulf Coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers When we cannot deliver electricity to customers or our customers cannot receive our services, our financial results can be impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs, or if higher rates resulting from our recovery of such costs result in reduced demand for our services, our future financial results may be adversely impacted

We are uncertain how the PUCT and local municipalities may require us to respond to the effects of the recent comprehensive tax reform legislation, and these regulatory requirements may adversely affect our results of operations, financial condition and cash flows.

On December 22, 2017, President Trump signed into law comprehensive tax reform legislation informally called the Tax Cuts and Jobs Act, or TCJA, which resulted in significant changes to federal tax laws effective January 1, 2018, including, but not limited to, a reduction in the corporate income tax rate.

Our federal income tax expense is included in the rates approved by the PUCT and local municipalities and charged to consumers When we have general rate cases and other periodic rate adjustments, we expect the lower corporate tax expense resulting from the TCJA (which includes determining the treatment of EDIT), along with other increases and decreases in our revenue requirements, to be incorporated into our future rates. Nevertheless, regulators may require us to respond to the TCJA in other ways, including through faster recoveries of reductions in federal income tax expense, accounting orders to reflect a liability to return to customers in future rate proceedings, accelerated returns to consumers of previously collected deferred federal income taxes, increased funding of infrastructure upgrades, or offsets of future rate increases. The effect on us of any potential return of tax savings resulting from the TCJA to consumers may differ depending on how each regulatory body requires us to return such savings

On January 25, 2018, the PUCT issued an accounting order in Project No 47945 directing electric utilities, including us, to record as a regulatory liability (1) the difference between revenues collected under existing rates and revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates and (2) the balance of EDIT that now exists because of the reduction in federal income tax rates. On February 13, 2018, we and other likely parties to a future rate case announced a settlement that requires us to make (i) a TCOS filing by February 20, 2018 to reflect the change in the federal income tax rate for our transmission rate base through July 31, 2017 and account for certain EDIT (and such filing was timely submitted), (ii) a DCRF filing in April 2018 to reflect the change in the federal income tax rate for our distribution rate base through December 31, 2017 and (iii) a full rate case filing by April 30, 2019 The settlement was presented to the PUCT during its open meeting on February 15, 2018 In response to the settlement, the PUCT did not proceed with a prior proposal to require us to file a rate case in the summer of 2018. The PUCT also amended its prior accounting order to remove the requirement that utilities include carrying costs in the new regulatory liability

We can provide no assurances on how any regulatory body will ultimately require us to act As such, we are currently unable to determine the impact of these potential regulatory actions in response to the enactment of the TCJA, which may adversely affect our results of operations, financial condition and cash flows.

In addition, the TCJA also includes a variety of other changes, such as a limitation on the tax deductibility of interest expense and acceleration of business asset expensing, among others Several provisions of the TCJA are not generally applicable to the public utility industry, including the limitation on the tax deductibility of interest expense and the acceleration of business asset expensing

We continue to assess the impact that the TCJA may have on our future results of operations, financial condition and cash flows, which impact may adversely affect our future results of operations, financial condition and cash flows.

Aging infrastructure may lead to increased costs and disruptions in operations that could negatively impact our financial results.

We have risks associated with aging infrastructure assets The age of certain of our assets may result in a need for replacement, or higher level of maintenance costs as a result of our risk based federal and state compliant integrity management programs. Failure to achieve timely recovery of these expenses could adversely impact revenues and could result in increased capital expenditures or expenses

The operation of our facilities depends on good labor relations with our employees.

We have entered into and have in place a collective bargaining agreement with a labor union In 2016, we entered into a renegotiated collective bargaining agreement with the IBEW Local 66, which is scheduled to expire in 2020 Any failure to reach an agreement on a new labor contract or to negotiate this labor contract might result in strikes, boycotts or other labor disruptions These potential labor disruptions could have a material adverse effect on our business, results of operations and/or cash flows Labor disruptions, strikes or significant negotiated wage and benefit increases, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, results of operations and/or cash flows.

Our business will continue to have to adapt to technological change and may not be successful or may have to incur significant expenditures to adapt to technological change.

We operate a business that requires sophisticated data collection, processing systems, software and other technology Some of the technologies supporting the industries we serve are changing rapidly and increasing in complexity New technologies will emerge or grow that may be superior to, or may not be compatible with, some of our existing technologies, and may require us to make significant expenditures so that we can continue to provide cost-effective and reliable methods of energy delivery Among such technological advances are distributed generation resources (e g., private solar), energy storage devices and more energy-efficient buildings and products designed to reduce consumption As these technologies become a more cost-competitive option over time, whether through cost effectiveness or government incentives and subsidies, certain customers may choose to meet their own energy needs and subsequently decrease usage of our systems and services.

Our future success will depend, in part, on our ability to anticipate and adapt to these technological changes in a cost-effective manner and to offer, on a timely basis, reliable services that meet customer demands and evolving industry standards. If we fail to adapt successfully to any technological change or obsolescence, fail to obtain access to important technologies or incur significant expenditures in adapting to technological change, or if implemented technology does not operate as anticipated, our business, operating results, financial condition and cash flows could be materially and adversely affected

Our potential business strategies, including, merger and acquisition activities, may not be completed or perform as expected.

From time to time, we have made and may continue to make acquisitions of businesses and assets, including the formation of joint ventures. However, suitable acquisition candidates may not continue to be available on terms and conditions we find acceptable, or the expected benefits of completed acquisitions may not be realized fully or at all, or may not be realized in the anticipated timeframe

Any completed or future acquisitions involve substantial risks, including the following

- acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels,
- acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate,
- we may assume liabilities that were not disclosed to us, that exceed our estimates, or for which our rights to indemnification from the seller are limited,
- we may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems; and

- acquisitions, or the pursuit of acquisitions, could disrupt ongoing businesses, distract management, divert resources and make it difficult to maintain current business standards, controls and procedures

We are involved in numerous legal proceedings, the outcome of which are uncertain, and resolutions adverse to us could negatively affect our financial results.

We are subject to numerous legal proceedings, the most significant of which are summarized in Note 10 of our consolidated financial statements Litigation is subject to many uncertainties, and we cannot predict the outcome of all matters with assurance. Final resolution of these matters may require additional expenditures over an extended period of time that may be in excess of established insurance or reserves and may have a material adverse effect on our financial results.

We are exposed to risks related to reduction in energy consumption due to factors including unfavorable economic conditions in our service territory, energy efficiency initiatives and use of alternative technologies.

Our business is affected by reduction in energy consumption due to factors including economic climate in our service territory, energy efficiency initiatives and use of alternative technologies, which could impact our ability to grow our customer base and our rate of growth Declines in demand for electricity as a result of economic downturns in our regulated electric service territory will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity. Although we are subject to regulated allowable rates of return and recovery of certain costs under periodic adjustment clauses, overall declines in electricity sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. Additionally, prolonged economic downturns that negatively impact our results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets, including goodwill, to their respective fair values.

For example, our electric business is largely concentrated in Houston, Texas, where a higher percentage of employment is tied to the energy sector relative to other regions of the country During 2015 and 2016, the rate of growth in employment in Houston declined in connection with the significant decline in energy and commodity prices over that period. Relatively low commodity prices compared to pre-2015 levels continued in 2017, and we expect such relatively low prices to continue or slightly improve in 2018. In the event economic conditions further decline, the rate of growth in Houston may also deteriorate. Increases in customer defaults or delays in payment due to liquidity constraints could negatively impact our cash flows and financial condition

Growth in customer accounts and growth of customer usage each directly influence demand for electricity and the need for additional delivery facilities. Customer growth and customer usage are affected by a number of factors outside our control, such as mandated energy efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity

Certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Additionally, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

Some or all of these factors, could result in a lack of growth or decline in customer demand for electricity or number of customers, and may result in our failure to fully realize anticipated benefits from significant capital investments and expenditures which could have a material adverse effect on their financial position, results of operations and cash flows

Furthermore, we currently have energy efficiency riders in place to recover the cost of energy efficiency programs Should we be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact

If we fail to maintain an effective system of internal controls, our ability to accurately report our financial condition, results of operations or cash flows or prevent fraud may be adversely affected. As a result, investors could lose confidence in our financial reporting, which could impact our business and the trading price of CenterPoint Energy's securities.

Effective internal controls are necessary for us to provide reliable financial reports, effectively prevent fraud and operate successfully as a public company If our efforts to maintain an effective system of internal controls are not successful, we are unable to maintain adequate controls over our financial reporting and processes in the future or we are unable to comply with our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, our operating results could be harmed or we may fail to meet our reporting obligations Ineffective internal controls also could cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of CenterPoint Energy's securities.

Our business may be adversely affected by the intentional misconduct of our employees.

We are committed to living our core values of safety, integrity, accountability, initiative and respect and complying with all applicable laws and regulations Despite that commitment and our efforts to prevent misconduct, it is possible for employees to engage in intentional misconduct, fail to uphold our core values, and violate laws and regulations for individual gain through contract or procurement fraud, misappropriation, bribery or corruption, fraudulent related-party transactions and serious breaches of CenterPoint Energy's Ethics and Compliance Code and Standards of Conduct/Business Ethics policy, among other policies If such intentional misconduct by employees should occur, it could result in substantial liability, higher costs, increased regulatory scrutiny and negative public perceptions, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Item 1B. *Unresolved Staff Comments*

None

Item 2. *Properties*

Character of Ownership

We lease or own our principal properties in fee Most of our electric lines are located, pursuant to easements and other rights, on public roads or on land owned by others For information regarding our properties, please read "Business — Our Business — Electric Transmission & Distribution — Properties" in Item 1 of this report, which information is incorporated herein by reference

Item 3. *Legal Proceedings*

For a discussion of material legal and regulatory proceedings affecting us, please read "Business — Regulation" and "Business — Environmental Matters" in Item 1 of this report, "Management's Narrative Analysis of Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of this report and Note 10(b) to our consolidated financial statements, which information is incorporated herein by reference

Item 4. *Mine Safety Disclosures*

Not applicable

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

All of our 1,000 outstanding common shares are held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy.

We paid dividends of $180 million, $135 million and $252 million on our common shares to Utility Holding, LLC in 2017, 2016 and 2015, respectively.

Our revolving credit facility contains a financial covenant which limits our consolidated debt (excluding Securitization Bonds) to an amount not to exceed 65% of our consolidated capitalization. This covenant could restrict our ability to distribute dividends.

Item 6. *Selected Financial Data*

The information called for by Item 6 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries)

Item 7. ***Management's Narrative Analysis of Results of Operations***

The following narrative analysis should be read in combination with our consolidated financial statements and notes contained in Item 8 of this report

OVERVIEW

We are an indirect, wholly-owned subsidiary of CenterPoint Energy, a public utility holding company We provide electric transmission and distribution services to REPs serving more than 2.4 million metered customers in the Texas Gulf Coast area that includes the city of Houston

In this section, we discuss our results on a consolidated basis We also discuss our liquidity, capital resources and critical accounting policies The results of our business operations are significantly impacted by weather, customer growth, economic conditions, cost management, rate proceedings before regulatory agencies and other actions of the various regulatory agencies to whose jurisdiction we are subject. Our electric transmission and distribution services are subject to rate regulation and impacts of generation-related stranded costs and other true-up balances recoverable by the regulated electric utility. For further information about our electric transmission and distribution services, see "Business — Our Business — Electric Transmission & Distribution" in Item 1 of Part I of this report

EXECUTIVE SUMMARY

Factors Influencing Our Business and Industry Trends

We expect our business to continue to be affected by the key factors and trends discussed below Our expectations are based on assumptions made by us and information currently available to us. To the extent our underlying assumptions about, or interpretations of, available information prove to be incorrect, our actual results may vary materially from our expected results

We are an electric transmission and distribution company The majority of our revenues are generated from the transmission and delivery of electricity We do not own or operate electric generating facilities or make retail sales to end-use electric customers To assess our financial performance, our management primarily monitors our operating income and cash flows. Within these broader financial measures, we monitor margins, operation and maintenance expense, interest expense, capital spending and working capital requirements In addition to these financial measures, we also monitor a number of variables that management considers important to the operation of our business, including the number of customers, throughput, use per customer, and heating and cooling degree days. We also monitor system reliability, safety factors and customer satisfaction to gauge our performance

To the extent adverse economic conditions affect our suppliers and customers, our business results may suffer. For example, our electric business is largely concentrated in Houston, Texas, where a higher percentage of employment is tied to the energy sector relative to other regions of the country. Although Houston, Texas has a diverse economy, employment in the energy industry remains important. During 2015 and 2016, the rate of growth in employment in Houston declined in connection with the significant decline in energy and commodity prices over that period. Relatively low commodity prices compared to pre-2015 levels continued in 2017, and we expect such relatively low prices to continue or slightly improve in 2018.

Also, adverse economic conditions, coupled with concerns for protecting the environment and increased availability of alternate energy sources, may cause consumers to use less energy or avoid expansions of their facilities, resulting in less demand for our services To the extent population growth is affected by lower energy prices and there is financial pressure on some of our customers who operate within the energy industry, there may be an impact on the growth rate of our customer base and overall demand Due to a slowdown in multi-family residential construction, meter growth in 2017 has declined We saw year-over-year residential meter growth decline from 2.3% in 2016 to 1 6% in 2017 As the recent stability in the energy sector gains momentum in 2018, we anticipate this growth will continue at roughly 2%, in line with long-term trends

Performance of our business is significantly influenced by the number of customers and energy usage per customer Weather conditions can have a significant impact on energy usage, and we compare our results on a weather-adjusted basis. Overall, in 2017 the Houston area experienced a number of record-breaking high and low temperatures, primarily in January-April and in October-November, resulting in a year that was warmer by a tenth of a degree than the previous warmest year, 2012. In terms of heating degree days, Texas recorded its warmest year since 1970 In 2017, our service area experienced above normal warmth with record rainfall during Hurricane Harvey In 2016, our service area experienced above normal warmth with episodes of flooding. In 2015, our service area experienced some of the mildest temperatures on record during November and December. Long-term national trends indicate customers have reduced their energy consumption, which could adversely affect our results However, due to more affordable energy prices and continued economic improvement in the area we serve, the trend toward lower usage has slowed.

In our service area, we have benefited from growth in the number of customers, which could mitigate the effects of reduced consumption We anticipate that this trend will continue as the region's economy continues to grow The profitability of our business is influenced significantly by the regulatory treatment we receive from the PUCT and local regulators who set our electric distribution rates.

The nature of our business requires significant amounts of capital investment, and we rely on internally generated cash, borrowings under our credit facility and issuances of debt in the capital markets to satisfy these capital needs We strive to maintain investment grade ratings for our securities to access the capital markets on terms we consider reasonable A reduction in our ratings generally would increase our borrowing costs for new issuances of debt, as well as borrowing costs under our existing revolving credit facility Disruptions in the financial markets can also affect the availability of new capital on terms we consider attractive. In those circumstances, companies like us may not be able to obtain certain types of external financing or may be required to accept terms less favorable than they would otherwise accept. For that reason, we seek to maintain adequate liquidity for our business through the existing credit facility and prudent refinancing of existing debt

Consistent with regulatory treatment, we defer the amount of pension expense that differs from the level of pension expense included in our base rates.

Significant Events

Tax Reform. On December 22, 2017, President Trump signed into law comprehensive tax reform legislation informally called The Tax Cuts and Jobs Acts, or TCJA, which resulted in significant changes to federal tax laws effective January 1, 2018 For the impacts of the tax reform legislation, see Note 9 to our consolidated financial statements

Hurricane Harvey. Our electric delivery system suffered damage as a result of Hurricane Harvey, which struck the Texas coast on Friday, August 25, 2017. For further information regarding the impact of Hurricane Harvey, see Note 4 to our consolidated financial statements.

Brazos Valley Connection Project. We began construction on the Brazos Valley Connection in February 2017. For further details, see "—Liquidity and Capital Resources —Regulatory Matters —Brazos Valley Connection Project" below

Bailey-Jones Creek Project. In April 2017, we submitted a proposal to ERCOT for an approximately $250 million transmission project in the greater Freeport, Texas area For further details, see "—Liquidity and Capital Resources —Regulatory Matters—Bailey-Jones Creek Project" below.

Regulatory Proceedings. For details related to our pending and completed regulatory proceedings during 2017, see "—Liquidity and Capital Resources —Regulatory Matters" below.

Debt Transactions. In 2017, we issued $300 million aggregate principal amount of general mortgage bonds For further information about our 2017 debt transactions, see Note 8 to our consolidated financial statements

Credit Facility. In June 2017, we entered into an amendment to our revolving credit facility to extend the termination date and terminate the swingline loan subfacility For further information about our 2017 credit facility amendment, see Note 8 to our consolidated financial statements

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

Our past earnings and results of operations are not necessarily indicative of our future earnings and results of operations The magnitude of our future earnings and results of our operations will depend on or be affected by numerous factors including

- industrial, commercial and residential growth in our service territory and changes in market demand, including the 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 business, including, among others, energy deregulation or re-regulation, changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates we charge,
- tax reform and legislation, including the effects of the TCJA and uncertainties involving the PUCT's and local municipalities' regulatory requirements and determinations regarding the treatment of EDIT and our rates,
- 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 facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt our business 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,
- actions by credit rating agencies,
- the sufficiency of our insurance coverage, including availability, cost, coverage and terms;
- the investment performance of CenterPoint Energy, Inc.'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 interest rates and their impact on our costs of borrowing,
- 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,
- timely and appropriate regulatory actions allowing securitization for any future hurricanes or natural disasters or other recovery of costs, including costs associated with Hurricane Harvey,
- our potential business strategies and strategic initiatives, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which we cannot assure you will be completed or will have the anticipated benefits to us;
- acquisition and merger activities involving us or our competitors,
- our ability to recruit, effectively transition and retain management and key employees and maintain good labor relations,
- 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,
- 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 us and our subsidiaries,
- 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 effect of changes in and application of accounting standards and pronouncements, and
- other factors we discuss under "Risk Factors" in Item 1A of this report and in other reports we file from time to time with the SEC.

CONSOLIDATED RESULTS OF OPERATIONS

Our results of operations are affected by seasonal fluctuations in the demand for electricity. Our results of operations are also affected by, among other things, the actions of various governmental authorities having jurisdiction over rates we charge, debt service costs, income tax expense, our ability to collect receivables from REPs and our ability to recover our regulatory assets.

The following table sets forth selected financial data for the years ended December 31, 2017, 2016 and 2015, followed by a discussion of our consolidated results of operations based on operating income. We have provided a reconciliation of consolidated operating income to net income below.

	Year Ended December 31,		
	2017	2016	2015
	(in millions, except throughput and customer data)		
Revenues:			
TDU	$ 2,589	$ 2,506	$ 2,365
Bond Companies	409	553	481
Total Revenues	2,998	3,059	2,846
Expenses			
Operation and maintenance, excluding Bond Companies	1,423	1,355	1,300
Depreciation and amortization, excluding Bond Companies	395	384	340
Taxes other than income taxes	235	231	222
Bond Companies	334	462	376
Total Expenses	2,387	2,432	2,238
Operating Income	611	627	608
Interest and other finance charges	(128)	(126)	(118)
Interest on Securitization Bonds	(77)	(91)	(105)
Other income, net	18	15	21
Income Before Income Taxes	424	425	406
Income Tax Expense (Benefit)	(9)	149	145
Net Income	$ 433	$ 276	$ 261
Throughput (in GWh)			
Residential	29,703	29,586	28,995
Total	88,636	86,829	84,191
Number of metered customers at end of period			
Residential	2,164,073	2,129,773	2,079,899
Total	2,444,299	2,403,340	2,348,517

2017 Compared to 2016. We reported operating income of $611 million for 2017, consisting of $536 million from the TDU and $75 million related to the Bond Companies For 2016, operating income totaled $627 million, consisting of $536 million from the TDU and $91 million related to the Bond Companies

TDU operating income remained flat, primarily due to the following key factors.

- lower equity return of $22 million, primarily related to the annual true-up of transition charges correcting for over-collections that occurred during the preceding 12 months,
- higher depreciation, primarily because of ongoing additions to plant in service, and other taxes of $20 million,
- higher operation and maintenance expenses of $19 million, primarily due to higher labor and benefits costs of $10 million and corporate support services expenses of $8 million,
- lower usage of $12 million, and
- lower miscellaneous revenues, including right-of-way, of $10 million.

These decreases to operating income were partially offset by the following·

- rate increases of $47 million related to distribution capital investments.
- customer growth of $32 million from the addition of almost 41,000 customers, and
- higher transmission-related revenues of $61 million, partially offset by transmission costs billed by transmission providers of $56 million.

Income Tax Expense. We reported an effective tax rate of (2%) and 35% for the years ended December 31, 2017 and 2016, respectively The effective tax rate of (2%) is primarily due to the remeasurement of our ADFIT liability as a result of the enactment of the TCJA on December 22, 2017, which reduced the U S. corporate income tax rate from 35% to 21%. See Note 9 to our consolidated financial statements for a more in-depth discussion of the 2017 impacts of the TCJA

2016 Compared to 2015 We reported operating income of $627 million for 2016, consisting of $536 million from the TDU and $91 million related to the Bond Companies. For 2015, operating income totaled $608 million, consisting of $503 million from the TDU and $105 million related to the Bond Companies

TDU operating income increased $33 million due to the following key factors.

- customer growth of $31 million from the addition of over 54,000 customers,
- higher transmission-related revenues of $82 million, partially offset by transmission costs billed by transmission providers of $55 million,
- higher equity return of $17 million, primarily due to the annual true-up of transition charges correcting for under-collections that occurred during the preceding 12 months, and
- rate increases of $13 million related to distribution capital investments

These increases to operating income were partially offset by the following

- higher depreciation, primarily because of ongoing additions to plant in service, and other taxes of $45 million;
- lower usage of $4 million, primarily due to milder weather,
- higher operation and maintenance expenses of $3 million; and
- lower right-of-way revenues of $3 million

Income Tax Expense We reported an effective tax rate of 35% and 36% for the years ended December 31, 2016 and 2015, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments, working capital needs, dividends to parent and various regulatory actions. Our principal anticipated cash requirements for 2018 include capital expenditures of approximately $949 million and scheduled principal payments on Securitization Bonds of $434 million

We expect that anticipated 2018 cash needs will be met with borrowings under our credit facility, proceeds from the issuance of general mortgage bonds, anticipated cash flows from operations and intercompany borrowings Cash needs or discretionary financing or refinancing may result in the issuance of debt securities in the capital markets or the arrangement of additional credit facilities. Issuances of debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms

The following table sets forth our actual capital expenditures for 2017 and estimates of our capital expenditures for currently planned projects for 2018 through 2022.

		(in millions)
2017	$	924
2018		949
2019		958
2020		1,004
2021		959
2022		900

Our capital expenditures are expected to be used for investment in infrastructure for our electric transmission and distribution operations These capital expenditures are anticipated to maintain reliability and safety and increase resiliency

The following table sets forth estimates of our contractual obligations, including payments due by period

Contractual Obligations	Total	2018	2019-2020	2021-2022	2023 and thereafter
			(in millions)		
Securitization Bond debt (1)	$ 1,868	$ 434	$ 689	$ 430	$ 315
Other long-term debt	2,885	—	—	702	2,183
Interest payments - Securitization Bond debt (1) (2)	191	65	76	38	12
Interest payments - other long-term debt (2)	1,799	115	231	209	1,244
Operating leases (3)	1	—	—	1	—
Benefit obligations (4)	—	—	—	—	—
Total contractual cash obligations (5)	$ 6,744	$ 614	$ 996	$ 1,380	$ 3,754

(1) Transition and system restoration charges are adjusted at least annually to cover debt service on the Securitization Bonds

(2) We calculated estimated interest payments for long-term fixed-rate debt and term debt based on the applicable rates and payment dates We typically expect to settle such interest payments with cash flows from operations and short-term borrowings.

(3) For a discussion of operating leases, please read Note 10(a) to our consolidated financial statements

(4) We expect to contribute approximately $10 million to our postretirement benefits plan in 2018 to fund a portion of our obligations in accordance with rate orders or to fund pay-as-you-go costs associated with the plan.

(5) This table does not include estimated future payments for expected future AROs These payments are primarily estimated to be incurred after 2022 We record a separate liability for the fair value of AROs which totaled $35 million as of December 31, 2017. See Note 3(c) to our consolidated financial statements

Off-Balance Sheet Arrangements

Other than first mortgage bonds and general mortgage bonds issued as collateral for tax-exempt long-term debt of CenterPoint Energy as discussed below and operating leases, we have no off-balance sheet arrangements

Regulatory Matters

Brazos Valley Connection Project

Construction began on the Brazos Valley Connection in February 2017, and we expect to complete construction in the first quarter of 2018 and energize the Brazos Valley Connection in the early second quarter of 2018, ahead of the original June 1, 2018 energization date We anticipate that the final capital costs of the project will be approximately $285 million, which is within the estimated range of approximately $270-$310 million in the PUCT's original order.

Bailey-Jones Creek Project

In April 2017, we submitted a proposal to ERCOT requesting its endorsement of our approximately $250 million transmission project in the greater Freeport, Texas area, which includes enhancements to two existing substations and the construction of a new 345 kV double-circuit transmission line. On December 12, 2017, we received approval from ERCOT, and anticipate that the PUCT will provide a decision in 2019 regarding the design and route of the project.

Rate Change Applications

We are routinely involved in rate change applications before the PUCT. Those applications include general rate cases, where the entire cost of service of the utility is assessed and reset In addition, we are periodically involved in proceedings to adjust our capital tracking mechanisms (TCOS and DCRF) and annually file to adjust our EECRF. The table below reflects significant applications pending or completed during 2017 and to date in 2018

Mechanism	Annual Increase (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
					Houston Electric (PUCT)
AMS	N/A	June 2017	September 2017	December 2017	Final reconciliation of AMS surcharge for a $29.2 million refund of AMS revenue in excess of expenses, for which a reserve has been recorded Refunds began in September 2017 and will continue through August 2018
EECRF (2)	$11 0	June 2017	March 2018	November 2017	Annual reconciliation filing for program year 2016 and includes performance bonus of $11 million
DCRF	41.8	April 2017	September 2017	July 2017	Based on an increase in eligible distribution-invested capital for 2016 of $479 million Unanimous Stipulation and Settlement Agreement was filed in June 2017 for $86 8 million (a $41 8 million annual increase). The settlement agreement also included the AMS refund referenced above
TCOS	7 8	December 2016	February 2017	February 2017	Based on an incremental increase in total rate base of $109 6 million
TCOS	39.3	September 2017	November 2017	November 2017	Based on an incremental increase in total rate base of $263.4 million
TCOS	N/A	February 2018	TBD	TBD	Revise TCOS application approved in November 2017 by a reduction of $41 6 million to recognize change in tax rates, amortize certain EDIT balances and adjust rate base by EDIT attributable to new plant since the last rate case, all of which are related to the TCJA

(1) Represents proposed increases when effective date and/or approval date is not yet determined Approved rates could differ materially from proposed rates

(2) Amounts are recorded when approved

Tax Reform

Our federal income tax expense is included in the rates approved by the PUCT and local municipalities and charged to consumers When we have general rate cases and other periodic rate adjustments, we expect the lower corporate tax expense resulting from the TCJA (which includes determining the treatment of EDIT), along with other increases and decreases in our revenue requirements, to be incorporated into our future rates Nevertheless, regulators may require us to respond to the TCJA in other ways, including through faster recoveries of reductions in federal income tax expense, accounting orders to reflect a liability to return to customers in future rate proceedings, accelerated returns to consumers of previously collected deferred federal income taxes, increased funding of infrastructure upgrades, or offsets of future rate increases The effect on us of any potential return of tax savings resulting from the TCJA to consumers may differ depending on how each regulatory body requires us to return such savings.

On January 25, 2018, the PUCT issued an accounting order in Project No. 47945 directing electric utilities, including us, to record as a regulatory liability (1) the difference between revenues collected under existing rates and revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates and (2) the balance of EDIT that now exists because of the reduction in federal income tax rates. On February 13, 2018, we and other likely parties to a future rate case announced a settlement that requires us to make (i) a TCOS filing by February 20, 2018 to reflect the change in the federal income tax rate for our transmission rate base through July 31, 2017 and account for certain EDIT (and such filing was timely submitted), (ii) a DCRF filing in April 2018 to reflect the change in the federal income tax rate for our distribution rate base through December 31, 2017 and (iii) a full rate case filing by April 30, 2019 The settlement was presented to the PUCT during its open meeting on February 15, 2018. In response to the settlement, the PUCT did not proceed with a prior proposal to require us to file a rate case in the summer of 2018 The PUCT also amended its prior accounting order to remove the requirement that utilities include carrying costs in the new regulatory liability.

Other Matters

Credit Facility

Our revolving credit facility may be drawn on from time to time to provide funds used for general limited liability company purposes and may also be utilized to obtain letters of credit. For further details related to our revolving credit facility and the 2017 amendment, please see Note 8 to our consolidated financial statements

As of February 9, 2018, we had the following revolving credit facility and utilization of such facility (in millions):

Execution Date	Size of Facility	Amount Utilized as of February 9, 2018 (1)	Termination Date
March 3, 2016	$ 300	$ 4	March 3, 2022

(1) Represents outstanding letters of credit

For further details related to our revolving credit facility, please see Note 8 to our consolidated financial statements

Borrowings under our revolving credit facility are subject to customary terms and conditions However, there is no requirement that we make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under our revolving credit facility are subject to acceleration upon the occurrence of events of default that we consider customary. The revolving credit facility also provides for customary fees, including commitment fees, administrative agent fees, fees in respect of letters of credit and other fees. In our revolving credit facility, the spread to LIBOR and the commitment fees fluctuate based on our credit rating We are currently in compliance with the various business and financial covenants in our revolving credit facility.

Long-term Debt

Our long-term debt consists of our obligations and the obligations of our subsidiaries including Securitization Bonds issued by wholly-owned subsidiaries.

In January 2017, we issued $300 million aggregate principal amount of general mortgage bonds For further information about our 2017 debt transactions, see Note 8 to our consolidated financial statements

As of December 31, 2017, our outstanding first mortgage bonds and general mortgage bonds aggregated approximately $3 billion, of which $118 million is not reflected in our consolidated financial statements because of the contingent nature of the obligation

The lien of the general mortgage indenture is junior to that of the mortgage pursuant to which the first mortgage bonds are issued We may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $4 2 billion of additional first mortgage bonds and general mortgage bonds could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2017. We have contractually agreed that we will not issue additional first mortgage bonds, subject to certain exceptions

At December 31, 2017, our subsidiaries had the following aggregate principal amount of Securitization Bonds outstanding.

Company	Aggregate Principal Amount Outstanding
	(in millions)
Bond Company II	$ 402
Bond Company III	138
Bond Company IV	1,020
Restoration Bond Company	311
Total	$ 1,871

The Securitization Bonds are paid through the imposition of "transition" or "system restoration" charges, as defined in the Texas Public Utility Regulatory Act, which are irrevocable, non-bypassable charges to provide recovery of authorized qualified costs The Securitization Bonds are reported as our long-term debt, although the holders of these bonds have no recourse to any of our assets or revenues, and our creditors have no recourse to any assets or revenues (including, without limitation, the transition or system restoration charges) of the Bond Companies We have no payment obligations with respect to the Securitization Bonds except to remit collections of transition and system restoration charges as set forth in servicing agreements between us and the Bond Companies and in an intercreditor agreement among us, the Bond Companies and other parties

Securities Registered with the SEC

On January 31, 2017, we filed a shelf registration statement with the SEC registering an indeterminate principal amount of our general mortgage bonds. The shelf registration statement will expire on January 31, 2020

Temporary Investments

As of February 9, 2018, we had no external temporary investments.

Money Pool

We participate in a money pool through which we and certain of our affiliates can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper As of February 9, 2018, we had borrowings of $200 million from the money pool. The money pool may not provide sufficient funds to meet our cash needs

Impact on Liquidity of a Downgrade in Credit Ratings

The interest on borrowings under our credit facility is based on our credit rating On December 4, 2017, S&P revised its rating outlook on our senior secured debt to stable from positive and affirmed its rating. On September 24, 2017, Fitch upgraded our senior secured debt rating to A+ and maintained its rating outlook of stable.

As of February 9, 2018, Moody's, S&P and Fitch had assigned the following credit ratings to our senior debt

	Moody's		S&P		Fitch	
Instrument	Rating	Outlook (1)	Rating	Outlook (2)	Rating	Outlook (3)
Senior Secured Debt	A1	Stable	A	Stable	A+	Stable

(1) A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term

(2) An S&P rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.

(3) A Fitch rating outlook indicates the direction a rating is likely to move over a one- to two-year period

We cannot assure that the ratings set forth above will remain in effect for any given period of time or that one or more of these ratings will not be lowered or withdrawn entirely by a rating agency We note that these credit ratings are included for informational purposes and are not recommendations to buy, sell or hold our securities and may be revised or withdrawn at any time by the rating agency Each rating should be evaluated independently of any other rating Any future reduction or withdrawal of one or more of our credit ratings could have a material adverse impact on our ability to obtain short- and long-term financing, the cost of such financings and the execution of our commercial strategies

A decline in credit ratings could increase borrowing costs under our revolving credit facility. If our credit ratings had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed as of December 31, 2017, the impact on the borrowing costs under our credit facility would have been immaterial A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact our ability to complete capital market transactions

Cross Defaults

Under CenterPoint Energy's revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness of borrowed money and certain other specified types of obligations (including guarantees) exceeding $125 million by us will cause a default A default by CenterPoint Energy would not trigger a default under our debt instruments or revolving credit facility

Possible Acquisitions, Joint Ventures or Dispositions

From time to time, we consider the acquisition or the disposition of assets or businesses or possible joint ventures, strategic initiatives or other joint ownership arrangements with respect to assets or businesses Any determination to take action in this regard will be based on market conditions and opportunities existing at the time, and accordingly, the timing, size or success of any efforts and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances Debt or equity financing may not, however, be available to us at that time due to a variety of events, including, among others, maintenance of our credit ratings, industry conditions, general economic conditions, market conditions and market perceptions

Hedging of Interest Expense for Future Debt Issuances

During 2017 and 2018, we entered into forward interest rate agreements to hedge, in part, volatility in the U S. treasury rates by reducing variability in cash flows related to interest payments For further information, see Note 8 to our consolidated financial statements

Collection of Receivables from REPs

Our receivables from the distribution of electricity are collected from REPs that supply the electricity we distribute to their customers. Adverse economic conditions, structural problems in the market served by ERCOT or financial difficulties of one or more REPs could impair the ability of these REPs to pay for our services or could cause them to delay such payments. We depend on these REPs to remit payments on a timely basis, and any delay or default in payment by REPs could adversely affect our cash flows. In the event of a REP's default, our tariff provides a number of remedies, including our option to request that the PUCT suspend or revoke the certification of the REP. Applicable regulatory provisions require that customers be shifted to another REP or a provider of last resort if a REP cannot make timely payments However, we remain at risk for payments related to services provided prior to the shift to the replacement REP or the provider of last resort If a REP were unable to meet its obligations, it could consider, among various options, restructuring under the bankruptcy laws, in which event such REP might seek to avoid honoring its obligations, and claims might be made against us involving payments we had received from such REP If a REP were to file for bankruptcy, we may not be successful in recovering accrued receivables owed by such REP that are unpaid as of the date the REP filed for bankruptcy. However, PUCT regulations authorize utilities, such as us, to defer bad debts resulting from defaults by REPs for recovery in future rate cases, subject to a review of reasonableness and necessity.

Other Factors that Could Affect Cash Requirements

In addition to the above factors, our liquidity and capital resources could be affected by

- increases in interest expense in connection with debt refinancings and borrowings under our credit facility,
- various legislative or regulatory actions,
- the ability of GenOn and its subsidiaries, currently the subject of bankruptcy proceedings, to satisfy their obligations in respect of GenOn's indemnity obligations to us,
- the ability of REPs, including REP affiliates of NRG and Vistra Energy Corp , formerly known as TCEH Corp , to satisfy their obligations to us,
- the outcome of litigation brought by or against us,
- restoration costs and revenue losses resulting from future natural disasters such as hurricanes and the timing of recovery of such restoration costs; and
- various other risks identified in "Risk Factors" in Item 1A of Part I of this report

Certain Contractual Limits on Our Ability to Issue Securities and Borrow Money

We have contractually agreed that we will not issue additional first mortgage bonds, subject to certain exceptions For information about the total debt to capitalization financial covenants in our revolving credit facility, see Note 8 to our consolidated financial statements.

Relationship with CenterPoint Energy

We are an indirect, wholly-owned subsidiary of CenterPoint Energy. As a result of this relationship, the financial condition and liquidity of our parent company could affect our access to capital, our credit standing and our financial condition

CRITICAL ACCOUNTING POLICIES

A critical accounting policy is one that is both important to the presentation of our financial condition and results of operations and requires management to make difficult, subjective or complex accounting estimates An accounting estimate is an approximation made by management of a financial statement element, item or account in the financial statements. Accounting estimates in our historical consolidated financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. The accounting estimates described below require us to make assumptions about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that we could have used or changes in an accounting estimate that are reasonably likely to occur could have a material impact on the presentation of our financial condition, results of operations or cash flows. The circumstances that make these judgments difficult, subjective and/or complex have to do with the need to make estimates about the effect of matters that are inherently uncertain. Estimates and assumptions about future events and their effects cannot be predicted with certainty We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes Our significant accounting policies are discussed in Note 2 to our consolidated financial statements We believe the following accounting policies involve the application of critical accounting estimates. Accordingly, these accounting estimates have been reviewed and discussed with the Audit Committee of the Board of Directors of CenterPoint Energy.

Accounting for Rate Regulation

Accounting guidance for regulated operations provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected We apply this accounting guidance Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet as regulatory assets or liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers Regulatory assets and liabilities are recorded when it is probable that these items will be recovered or reflected in future rates. Determining probability requires significant judgment on the part of management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders and the strength or status of applications for rehearing or state court appeals If events were to occur that would make the recovery of these assets and liabilities no longer probable, we would be required to write off or write down these regulatory assets and liabilities For further detail on our regulatory assets and liabilities, see Note 4 to our consolidated financial statements

Impairment of Long-Lived Assets and Intangibles

We review the carrying value of our long-lived assets, including identifiable intangibles, whenever events or changes in circumstances indicate that such carrying values may not be recoverable Unforeseen events and changes in circumstances and market conditions and material differences in the value of long-lived assets and intangibles due to changes in estimates of future cash flows, interest rates, regulatory matters and operating costs could negatively affect the fair value of our assets and result in an impairment charge

Fair value is the amount at which the asset could be bought or sold in a current transaction between willing parties and may be estimated using a number of techniques, including quoted market prices or valuations by third parties, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures. The fair value of the asset could be different using different estimates and assumptions in these valuation techniques

Unbilled Energy Revenues

Revenues related to electricity delivery are generally recognized upon delivery to customers However, the determination of deliveries to individual customers is based on the reading of their meters, which is performed on a systematic basis throughout the month either electronically through AMS meter communications or manual readings. At the end of each month, deliveries to non-AMS customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. Information regarding deliveries to AMS customers after the last billing is obtained from actual AMS meter usage data Unbilled electricity delivery revenue is estimated each month based on actual AMS meter data, daily supply volumes and applicable rates. As additional information becomes available, or actual amounts are determinable, the recorded estimates are revised. Consequently, operating results can be affected by revisions to prior accounting estimates

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2(m) to our consolidated financial statements, incorporated herein by reference, for a discussion of new accounting pronouncements that affect us

OTHER SIGNIFICANT MATTERS

Pension Plans As discussed in Note 5(a) to our consolidated financial statements, we participate in CenterPoint Energy's qualified and non-qualified pension plans covering substantially all employees We recorded pension cost of $42 million, $45 million and $36 million for the years ended December 31, 2017, 2016 and 2015, respectively, of which $23 million, $20 million and $16 million impacted pre-tax earnings Our actuarially determined pension and other postemployment expense for 2017 and 2016 that is greater or less than the amounts being recovered through rates is deferred as a regulatory asset or liability, respectively Pension cost for 2018 is expected to be $25 million, of which we expect approximately $21 million to impact pre-tax earnings after effecting such deferrals and capitalization, based on an expected return on plan assets of 6.00% and a discount rate of 3 65% as of December 31, 2017. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact our future pension expense and liabilities. We cannot predict with certainty what these factors will be in the future

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

As of December 31, 2017, we had outstanding long-term debt and lease obligations that subject us to the risk of loss associated with movements in market interest rates

As of December 31, 2017 and 2016, we had outstanding fixed-rate debt aggregating $4.8 billion and $4.9 billion, respectively, in principal amount and having a fair value of approximately $5 1 billion and $5 1 billion, respectively. Because these instruments are fixed-rate, they do not expose us to the risk of loss in earnings due to changes in market interest rates (see Note 8 to our consolidated financial statements) However, the fair value of these instruments would increase by approximately $133 million if interest rates were to decline by 10% from their levels as of December 31, 2017. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
CenterPoint Energy Houston Electric, LLC
Houston, Texas

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CenterPoint Energy Houston Electric, LLC and subsidiaries (the "Company", an indirect wholly owned subsidiary of CenterPoint Energy, Inc) as of December 31, 2017 and 2016, the related statements of consolidated income, comprehensive income, member's equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements") In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U S federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 22, 2018

We have served as the Company's auditor since 1932.

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Revenues	$ 2,998	$ 3,059	$ 2,846
Expenses:			
Operation and maintenance	1,428	1,363	1,311
Depreciation and amortization	724	838	705
Taxes other than income taxes	235	231	222
Total	2,387	2,432	2,238
Operating Income	611	627	608
Other Income (Expense):			
Interest and other finance charges	(128)	(126)	(118)
Interest on Securitization Bonds	(77)	(91)	(105)
Other, net	18	15	21
Total	(187)	(202)	(202)
Income Before Income Taxes	424	425	406
Income tax expense (benefit)	(9)	149	145
Net Income	$ 433	$ 276	$ 261

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2017	2016	2015
		(in millions)	
Net income	$ 433	$ 276	$ 261
Other comprehensive income			
Net deferred gain (loss) from cash flow hedges (net of tax of $-0-, $-0-, and $-0-)	(1)	1	—
Total	(1)	1	—
Comprehensive income	$ 432	$ 277	$ 261

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents ($230 and $340 related to VIEs, respectively)	$ 238	$ 341
Accounts and notes receivable, net ($73 and $52 related to VIEs, respectively), less bad debt reserve of $1 and $1, respectively	284	225
Accounts and notes receivable—affiliated companies	7	101
Accrued unbilled revenues	120	106
Inventory	119	134
Taxes receivable	—	6
Other ($35 and $40 related to VIEs, respectively)	62	66
Total current assets	830	979
Property, Plant and Equipment, net	7,863	7,397
Other Assets:		
Regulatory assets ($1,590 and $1,919 related to VIEs, respectively)	1,570	1,793
Other	29	42
Total other assets	1,599	1,835
Total Assets	$ 10,292	$ 10,211
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of VIE Securitization Bonds long-term debt	$ 434	$ 411
Accounts payable	243	145
Accounts and notes payable—affiliated companies	104	88
Taxes accrued	116	106
Interest accrued	65	68
Other	120	90
Total current liabilities	1,082	908
Other Liabilities:		
Deferred income taxes, net	1,059	2,003
Benefit obligations	146	148
Regulatory liabilities	1,263	530
Other	54	51
Total other liabilities	2,522	2,732
Long-Term Debt, net:		
VIE Securitization Bonds, net	1,434	1,867
Other long-term debt, net	2,885	2,587
Total long-term debt, net	4,319	4,454
Commitments and Contingencies (Note 10)		
Member's Equity:		
Common stock	—	—
Paid-in capital	1,696	1,696
Retained earnings	673	420
Accumulated other comprehensive income	—	1
Total member's equity	2,369	2,117
Total Liabilities and Member's Equity	$ 10,292	$ 10,211

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Cash Flows from Operating Activities:			
Net income	$ 433	$ 276	$ 261
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	724	838	705
Amortization of deferred financing costs	13	14	15
Deferred income taxes	(98)	(34)	18
Changes in other assets and liabilities			
Accounts and notes receivable, net	(73)	(1)	3
Accounts receivable/payable–affiliated companies	(46)	63	(89)
Inventory	15	(1)	(7)
Accounts payable	59	(4)	—
Taxes receivable	6	53	44
Interest and taxes accrued	7	4	(9)
Net regulatory assets and liabilities	(148)	(110)	3
Other current assets	(2)	2	(1)
Other current liabilities	16	21	(40)
Other assets	13	(8)	(7)
Other liabilities	(4)	(4)	(1)
Other, net	(6)	1	—
Net cash provided by operating activities	909	1,110	895
Cash Flows from Investing Activities:			
Capital expenditures	(875)	(862)	(929)
Decrease (increase) in notes receivable–affiliated companies	96	(96)	107
Decrease (increase) in restricted cash of Bond Companies	5	(5)	12
Other, net	(2)	(1)	1
Net cash used in investing activities	(776)	(964)	(809)
Cash Flows from Financing Activities:			
Proceeds from long-term debt, net	298	600	200
Payments of long-term debt	(411)	(590)	(372)
Dividend to parent	(180)	(135)	(252)
Increase (decrease) in notes payable–affiliated companies	60	(312)	312
Debt issuance costs	(3)	(6)	—
Contribution from parent	—	374	—
Net cash used in financing activities	(236)	(69)	(112)
Net Increase (Decrease) in Cash and Cash Equivalents	(103)	77	(26)
Cash and Cash Equivalents at Beginning of the Year	341	264	290
Cash and Cash Equivalents at End of the Year	$ 238	$ 341	$ 264
Supplemental Disclosure of Cash Flow Information:			
Cash Payments			
Interest, net of capitalized interest	$ 205	$ 209	$ 213
Income taxes	76	128	81
Non-cash transactions			
Accounts payable related to capital expenditures	$ 104	$ 65	$ 69

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED MEMBER'S EQUITY

	2017		2016		2015	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions, except share amounts)					
Common Stock						
Balance, beginning of year	1,000	—	1,000	—	1,000	—
Balance, end of year	1,000	—	1,000	—	1,000	—
Additional Paid-in-Capital						
Balance, beginning of year		1,696		1,322		1,322
Contribution from parent		—		374		—
Balance, end of year		1,696		1,696		1,322
Retained Earnings						
Balance, beginning of year		420		279		270
Net income		433		276		261
Dividend to parent		(180)		(135)		(252)
Balance, end of year		673		420		279
Accumulated Other Comprehensive Loss						
Balance, end of year						
Net deferred gain from cash flow hedges		—		1		—
Total accumulated other comprehensive income, end of year		—		1		—
Total Member's Equity		$ 2,369		$ 2,117		$ 1,601

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Background

Houston Electric is an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc , a public utility holding company. Houston Electric provides electric transmission and distribution services to REPs serving over 2.4 million metered customers in the Texas Gulf Coast area that includes the city of Houston As of December 31, 2017, Houston Electric had the following subsidiaries: Bond Company II, Bond Company III, Restoration Bond Company and Bond Company IV. Houston Electric consists of a single reportable business segment: Electric Transmission & Distribution.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates

(b) Principles of Consolidation

The accounts of Houston Electric and its wholly-owned subsidiaries are included in Houston Electric's consolidated financial statements All intercompany transactions and balances are eliminated in consolidation As of December 31, 2017, Houston Electric had VIEs consisting of the Bond Companies, which it consolidates The consolidated VIEs are wholly-owned, bankruptcy remote special purpose entities that were formed solely for the purpose of securitizing transition and system restoration related property Creditors of Houston Electric have no recourse to any assets or revenues of the Bond Companies. The bonds issued by these VIEs are payable only from and secured by transition and system restoration property and the bondholders have no recourse to the general credit of Houston Electric

(c) Revenues

Houston Electric records revenue for electricity delivery under the accrual method and these revenues are recognized upon delivery to customers Electricity deliveries not billed by month-end are accrued based on actual AMS data, daily supply volumes and applicable rates.

(d) Long-lived Assets and Intangibles

Houston Electric records property, plant and equipment at historical cost Houston Electric expenses repair and maintenance costs as incurred

Houston Electric periodically evaluates long-lived assets, including property, plant and equipment, and specifically identifiable intangibles, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable The determination of whether an impairment has occurred is based on an estimate of undiscounted cash flows attributable to the assets compared to the carrying value of the assets

(e) Regulatory Assets and Liabilities

Houston Electric applies the guidance for accounting for regulated operations Houston Electric's rate-regulated subsidiaries may collect revenues subject to refund pending final determination in rate proceedings In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings.

Houston Electric recognizes removal costs as a component of depreciation expense in accordance with regulatory treatment In addition, a portion of the amount of removal costs that relate to AROs has been reclassified from a regulatory liability to an asset retirement liability in accordance with accounting guidance for AROs

For further detail on Houston Electric's regulatory assets and liabilities, please see Note 4.

(f) Depreciation and Amortization Expense

Depreciation is computed using the straight-line method based on economic lives or regulatory-mandated recovery period Transition and system restoration property is being amortized over the expected life of the Securitization Bonds (12 to 14 years), based on estimated revenue from transition or system restoration charges, interest accruals and other expenses. Other amortization expense includes amortization of certain regulatory assets and other intangibles

(g) Capitalization of Interest and AFUDC

Interest and AFUDC are capitalized as a component of projects under construction and are amortized over the assets' estimated useful lives once the assets are placed in service AFUDC represents the composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction Although AFUDC increases both utility plant and earnings, it is realized in cash when the assets are included in rates Houston Electric recorded the following.

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Capitalized interest and AFUDC included in Interest and other finance charges	$ 6	$ 6	$ 8
AFUDC equity included in Other Income	10	6	12

(h) Income Taxes

Houston Electric is a member of the U.S federal consolidated income tax return of CenterPoint Energy Houston Electric reports its income tax provision on a separate entity basis pursuant to a tax sharing agreement with CenterPoint Energy. Houston Electric uses the asset and liability method of accounting for deferred income taxes Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established against deferred tax assets for which management believes realization is not considered to be more likely than not Houston Electric recognizes interest and penalties as a component of income tax expense (benefit) in its Statements of Consolidated Income Current federal and certain state income taxes are payable to or receivable from CenterPoint Energy

To the extent certain EDIT of Houston Electric may be recoverable or payable through future rates, regulatory assets and liabilities have been recorded, respectively.

On December 22, 2017, President Trump signed into law comprehensive tax reform legislation informally called the Tax Cuts and Jobs Acts, or TCJA, which resulted in significant changes to federal tax laws effective January 1, 2018 See Note 9 for further discussion of the impacts of tax reform implementation.

(i) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest It is the policy of management to review the outstanding accounts receivable monthly, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. The provision for doubtful accounts in Houston Electric's Statements of Consolidated Income for 2017, 2016 and 2015 was less than $1 million for each year

(j) Inventory

Inventory consists principally of materials and supplies and is valued at the lower of average cost or market Materials and supplies are recorded to inventory when purchased and subsequently charged to expense or capitalized to plant when installed

(k) Environmental Costs

Houston Electric expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. Houston Electric expenses amounts that relate to an existing condition caused by past operations that do not have future economic benefit Houston Electric records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated.

(l) Cash and Cash Equivalents and Restricted Cash

For purposes of reporting cash flows, Houston Electric considers cash equivalents to be short-term, highly-liquid investments with maturities of three months or less from the date of purchase. Cash and cash equivalents held by the Bond Companies (VIEs) solely to support servicing the Securitization Bonds as of December 31, 2017 and 2016 are reflected on the Consolidated Balance Sheets.

In connection with the issuance of Securitization Bonds, Houston Electric was required to establish restricted cash accounts to collateralize the bonds that were issued in these financing transactions. These restricted cash accounts are not available for withdrawal until the maturity of the bonds and are not included in cash and cash equivalents. Restricted cash accounts as of December 31, 2017 and 2016 are reported below

	December 31,	
	2017	2016
	(in millions)	
Restricted cash included in Other current assets	$ 35	$ 40
Restricted cash included in Other assets	1	—
Total restricted cash	$ 36	$ 40

(m) New Accounting Pronouncements

Issued, Not Yet Effective

In January 2016, the FASB issued ASU No 2016-01, *Financial Instruments-Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01) ASU 2016-01 requires equity investments that do not result in consolidation and are not accounted for under the equity method to be measured at fair value and to recognize any changes in fair value in net income unless the investments qualify for the new practicability exception It does not change the guidance for classifying and measuring investments in debt securities and loans ASU 2016-01 also changes certain disclosure requirements and other aspects related to recognition and measurement of financial assets and financial liabilities. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. As of the first reporting period in which the guidance is adopted, a cumulative-effect adjustment to beginning retained earnings will be made, with two features that will be adopted prospectively. This standard will not have a material impact on Houston Electric's financial position, results of operations, cash flows and disclosures upon adoption on January 1, 2018

In 2016, the FASB issued ASU No 2016-02, *Leases (Topic 842)* (ASU 2016-02) and related amendments ASU 2016-02 provides a comprehensive new lease model that requires lessees to recognize assets and liabilities for most leases and would change certain aspects of lessor accounting ASU 2016-02 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted Houston Electric expects to adopt this standard on January 1, 2019 and is evaluating available transitional practical expedients A modified retrospective adoption approach is required. Houston Electric is in the process of reviewing contracts to identify leases as defined in ASU 2016-02 and expects to recognize on the statements of financial position right-of-use assets and lease liabilities for the majority of its leases that are currently classified as operating leases Houston Electric is continuing to assess the impact that this standard will have on its financial position, results of operations, cash flows and disclosures

In 2016 and 2017, the FASB issued ASUs which amended ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ASU 2014-09, as amended, provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner that depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services Early adoption is permitted, and entities have the option of using either a full retrospective or a modified retrospective adoption approach While these ASUs will expand disclosures, Houston Electric has not identified any significant changes as the result of these new standards A substantial amount of Houston Electric's revenues are tariff based, which will not be significantly impacted by these ASUs Houston Electric adopted these ASUs on January 1, 2018 using the modified retrospective adoption approach

In August 2016, the FASB issued ASU No 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15) ASU 2016-15 provides clarifying guidance on the classification of certain cash receipts and payments in the statement of cash flows and eliminates the variation in practice related to such classifications. ASU 2016-15 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted Houston Electric adopted this standard on January 1, 2018 A retrospective adoption approach is required Houston Electric does not believe this standard will have a material impact on its financial position, results of operations, and disclosures Due to the requirement that cash proceeds from COLI policies be classified as cash inflows from investing activity, there will be an increase in investing activity and a corresponding decrease in operating activity on the statement of cash flows when COLI proceeds are received

In November 2016, the FASB issued ASU No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash* (ASU 2016-18) ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents As a result, the statement of cash flows will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet ASU 2016-18 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted A retrospective adoption approach is required This standard will not have an impact on Houston Electric's financial position, results of operations, and disclosures, but it will have an impact on the presentation of the statement of cash flows upon adoption on January 1, 2018

In January 2017, the FASB issued ASU No 2017-01, *Business Combinations (Topic 805) Clarifying the Definition of a Business* (ASU 2017-01) ASU 2017-01 revises the definition of a business If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then under ASU 2017-01, the asset or group of assets is not a business. The guidance also requires a business to include at least one substantive process and narrows the definition of outputs to be more closely aligned with how outputs are described in ASC 606 ASU 2017-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted in certain circumstances. A prospective adoption approach is required ASU 2017-01 could have a potential impact on Houston Electric's accounting for future acquisitions upon adoption on January 1, 2018.

In February 2017, the FASB issued ASU No. 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20) Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* (ASU 2017-05) ASU 2017-05 clarifies when and how to apply ASC 610-20 *Gains and Losses from the Derecognition of Nonfinancial Assets*, which was issued as part of ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* ASU 2017-05 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted Companies can elect a retrospective or modified retrospective approach to adoption This standard will not have a material impact on Houston Electric's financial position, results of operations, cash flows and disclosures upon adoption on January 1, 2018

In March 2017, the FASB issued ASU No 2017-07, *Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07) ASU 2017-07 requires an employer to report the service cost component of the net periodic pension cost and postretirement benefit cost in the same line item(s) as other employee compensation costs arising from services rendered during the period: all other components will be presented separately from the line item(s) that includes the service cost and outside of any subtotal of operating income In addition, only the service cost component will be eligible for capitalization in assets ASU 2017-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted ASU 2017-07 should be applied retrospectively for the presentation of the service cost component and the other components and prospectively for the capitalization of the service cost component. The adoption of this guidance is expected to result in an increase to operating income and a decrease to other income Prospectively, other components previously capitalized in assets will be recorded as regulatory assets This standard will not have a material impact on Houston Electric's financial position, results of operations, cash flows and disclosures upon adoption on January 1, 2018.

In August 2017, the FASB issued ASU No 2017-12, *Derivatives and Hedging (Topic 815) Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12). ASU 2017-12 expands an entity's ability to hedge nonfinancial and financial risk components and reduce complexity in fair value hedges of interest rate risk. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness, eases certain documentation and assessment requirements, and updates the presentation and disclosure requirements ASU 2017-12 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted A cumulative-effect adjustment to eliminate the separate measurement of ineffectiveness upon adoption is required for existing cash flow and net investment hedges Presentation and disclosure guidance should be applied prospectively. Houston Electric is currently assessing the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

Management believes that other recently issued standards, which are not yet effective, will not have a material impact on Houston Electric's consolidated financial position, results of operations or cash flows upon adoption

(3) Property, Plant and Equipment

(a) Property, Plant and Equipment

Property, plant and equipment includes the following:

	Weighted Average Useful Lives (in years)	December 31, 2017	December 31, 2016
		(in millions)	
Transmission	45	$ 2,767	$ 2,402
Distribution	30	7,178	6,965
Other	15	1,551	1,473
Total		11,496	10,840
Accumulated depreciation		3,633	3,443
Property, plant and equipment, net		$ 7,863	$ 7,397

(b) Depreciation and Amortization

The following table presents depreciation and amortization expense for 2017, 2016 and 2015

	Year Ended December 31, 2017	2016	2015
	(in millions)		
Depreciation expense	$ 354	$ 349	$ 316
Amortization of securitized regulatory assets	329	455	365
Other amortization	41	34	24
Total depreciation and amortization	$ 724	$ 838	$ 705

(c) AROs

A reconciliation of the changes in the ARO liability is as follows:

	December 31, 2017	2016
	(in millions)	
Beginning balance	$ 33	$ 37
Accretion expense	1	1
Revisions in estimates of cash flows	1	(5)
Ending balance	$ 35	$ 33

Houston Electric recorded AROs associated with the removal of asbestos and asbestos-containing material in its buildings, including substation building structures Houston Electric also recorded AROs relating to treated wood poles for electric distribution, distribution transformers containing PCB (also known as Polychlorinated Biphenyl), and underground fuel storage tanks The estimates of future liabilities were developed using historical information, and where available, quoted prices from outside contractors.

The increase of $1 million in the ARO from the revision in estimates in 2017 is primarily attributable to an increase in disposal costs for distribution poles, transformers and underground fuel storage tanks. There were no material additions or settlements during the years ended December 31, 2017 and 2016.

(4) Regulatory Accounting

The following is a list of regulatory assets and liabilities reflected on Houston Electric's Consolidated Balance Sheets as of December 31, 2017 and 2016

	December 31,			
	2017		2016	
	(in millions)			
Securitized regulatory assets	$	1,590	$	1,919
Unrecognized equity return (1)		(287)		(329)
Unamortized loss on reacquired debt		75		84
Pension and postretirement-related regulatory asset		31		34
Hurricane Harvey restoration costs (2)		58		—
Excess deferred income taxes (3)		33		—
Other long-term regulatory assets (4)		70		85
Total regulatory assets		1,570		1,793
Current regulatory liabilities (5)		22		7
Non-current regulatory liabilities:				
Excess deferred income taxes (3)		862		—
Estimated removal costs		285		345
Other long-term regulatory liabilities		116		185
Total non-current regulatory liabilities		1,263		530
Total regulatory liabilities		1,285		537
Total regulatory assets and liabilities, net	$	285	$	1,256

(1) The unrecognized allowed equity return will be recognized as it is recovered in rates through 2024 During the years ended December 31, 2017, 2016 and 2015, Houston Electric recognized approximately $42 million, $64 million and $49 million, respectively, of the allowed equity return The timing of Houston Electric's recognition of the allowed equity return will vary each period based on amounts actually collected during the period The actual amounts recognized are adjusted at least annually to correct any over-collections or under-collections during the preceding 12 months.

(2) Houston Electric is not earning a return on its Hurricane Harvey restoration costs

(3) EDIT will be recovered or refunded to customers as required by tax and regulatory activities See Note 9 for additional information.

(4) Other long-term regulatory assets that are not earning a return were not material as of December 31, 2017 and 2016.

(5) Current regulatory liabilities are included in Other current liabilities in Houston Electric's Consolidated Balance Sheets

Hurricane Harvey. Houston Electric's electric delivery system suffered damage as a result of Hurricane Harvey, a major storm classified as a Category 4 hurricane on the Saffir-Simpson Hurricane Wind Scale, that first struck the Texas coast on Friday, August 25, 2017 and remained over the Houston area for the next several days. The unprecedented flooding from torrential amounts of rainfall accompanying the storm caused significant damage to or destruction of residences and businesses served by Houston Electric.

Houston Electric estimates that total costs to restore the electric delivery facilities damaged as a result of Hurricane Harvey will be approximately $120 million and estimates that the total restoration costs covered by insurance will be approximately $28 million. Houston Electric will defer the uninsured storm restoration costs as management believes it is probable that such costs will be recovered through traditional rate adjustment mechanisms for capital costs and through the next base rate proceeding for operation and maintenance expenses As a result, storm restoration costs did not materially affect Houston Electric's reported net income for 2017.

As of December 31, 2017, Houston Electric recorded the following

		(in millions)
Property, plant and equipment	$	42
Insurance proceeds received		(11)
Net property, plant and equipment		31
Operation and maintenance expense		75
Insurance proceeds received		(3)
Insurance receivable		(14)
Net regulatory asset	$	58

(5) Employee Benefit Plans

(a) Pension Plans

Substantially all of Houston Electric's employees participate in CenterPoint Energy's non-contributory qualified defined benefit plan Under the cash balance formula, participants accumulate a retirement benefit based upon 5% of eligible earnings and accrued interest

CenterPoint Energy's funding policy is to review amounts annually in accordance with applicable regulations in order to achieve adequate funding of projected benefit obligations Pension expense is allocated to Houston Electric based on covered employees This calculation is intended to allocate pension costs in the same manner as a separate employer plan Assets of the plan are not segregated or restricted by CenterPoint Energy's participating subsidiaries Houston Electric recognized pension expense of $41 million, $44 million and $35 million for the years ended December 31, 2017, 2016 and 2015, respectively.

In addition to the pension plan, Houston Electric participates in CenterPoint Energy's non-qualified benefit restoration plans, which allow participants to receive the benefits to which they would have been entitled under the non-contributory qualified pension plan except for federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated The expense associated with the non-qualified pension plan was $1 million for each of the years ended December 31, 2017, 2016 and 2015.

(b) Savings Plan

Houston Electric participates in CenterPoint Energy's tax-qualified employee savings plan, which includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), and an employee stock ownership plan under Section 4975(e)(7) of the Code Under the plan, participating employees may make pre-tax or Roth contributions up to 50%, and after tax contributions up to 16% of their eligible compensation, not to exceed certain federally mandated limits. Houston Electric matches 100% of the first 6% of each employee's compensation contributed The matching contributions are fully vested at all times

Prior to January 1, 2016, participating employees could elect to invest all or a portion of their contributions to the plan in CenterPoint Energy, Inc common stock, to have dividends reinvested in additional shares or to receive dividend payments in cash on any investment in CenterPoint Energy, Inc common stock, and to transfer all or part of their investment in CenterPoint Energy, Inc. common stock to other investment options offered by the plan.

Effective January 1, 2016 the savings plan was amended to limit the percentage of future contributions that could be invested in CenterPoint Energy, Inc. common stock to 25% and to prohibit transfers of account balances where the transfer would result in more than 25% of a participant's total account balance invested in CenterPoint Energy, Inc. common stock

The savings plan has significant holdings of CenterPoint Energy, Inc. common stock As of December 31, 2017, 12,806,085 shares of CenterPoint Energy, Inc. common stock were held by the savings plan, which represented approximately 16% of its investments Given the concentration of the investments in CenterPoint Energy, Inc. common stock, the savings plan and its participants have market risk related to this investment.

CenterPoint Energy allocates to Houston Electric the savings plan benefit expense related to Houston Electric's employees Savings plan benefit expense was $17 million, $15 million and $14 million for each of the years ended December 31, 2017, 2016 and 2015, respectively

(c) Postretirement Benefits

Houston Electric's employees participate in CenterPoint Energy's benefit plans which provide certain healthcare and life insurance benefits for retired employees on both a contributory and non-contributory basis Employees hired before January 1, 2018 become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans Employees hired on or after January 1, 2018 are not eligible for these benefits, except for those employees represented by IBEW. Benefit costs are accrued over the active service period of employees. Effective January 1, 2017, members of the IBEW Local Union 66 who retire on or after January 1, 2017, and their dependents, will receive any retiree medical and prescription drug benefits exclusively through the NECA/IBEW Family Medical Care Plan pursuant to the terms of the renegotiated collective bargaining agreement entered into in May 2016

Houston Electric is required to fund a portion of its obligations in accordance with rate orders The net postretirement benefit cost includes the following components

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Service cost - benefits earned during the period	$ 1	$ 1	$ 1
Interest cost on accumulated benefit obligation	9	10	13
Expected return on plan assets	(4)	(5)	(6)
Amortization of prior service credit	(6)	(4)	(2)
Amortization of loss	—	1	3
Curtailment	—	(4)	—
Net postretirement benefit cost (credit)	$ —	$ (1)	$ 9

Houston Electric used the following assumptions to determine net postretirement benefit costs.

	Year Ended December 31,		
	2017	2016	2015
Discount rate	4.15%	4.35%	3.90%
Expected return on plan assets	4.75%	5 00%	5.45%

In determining net periodic benefits cost, Houston Electric uses fair value, as of the beginning of the year, as its basis for determining expected return on plan assets

Following are reconciliations of Houston Electric's beginning and ending balances of its postretirement benefit plan's benefit obligation, plan assets and funded status for 2017 and 2016. The measurement dates for plan assets and obligations were December 31, 2017 and 2016.

	December 31,			
	2017		2016	
	(in millions)			
Change in Benefit Obligation				
Accumulated benefit obligation, beginning of year	$	217	$	283
Service cost		1		1
Interest cost		9		10
Benefits paid		(14)		(20)
Participant contributions		2		3
Medicare drug reimbursement		—		1
Plan amendment (1)		—		(65)
Actuarial loss		10		4
Accumulated benefit obligation, end of year	$	225	$	217
Change in Plan Assets				
Plan assets, beginning of year	$	88	$	110
Benefits paid		(14)		(20)
Employer contributions		10		10
Participant contributions		2		3
Actual investment return		7		5
Plan amendment (2)		—		(20)
Plan assets, end of year	$	93	$	88
Amounts Recognized in Balance Sheets				
Other liabilities-benefit obligations	$	(132)	$	(129)
Net liability, end of year	$	(132)	$	(129)
Actuarial Assumptions				
Discount rate		3.60%		4.15%
Expected long-term return on assets		4.75%		4.75%
Medical cost trend rate assumed for the next year - Pre-65		6 15%		5 75%
Medical/prescription drug cost trend rate assumed for the next year - Post-65		23.85%		10 65%
Prescription drug cost trend rate assumed for the next year - Pre-65		9 85%		10.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)		4.50%		4.50%
Year that the cost trend rates reach the ultimate trend rate - Pre-65		2026		2024
Year that the cost trend rates reach the ultimate trend rate - Post-65		2024		2024

(1) The postretirement benefits were amended during 2016 to change retiree medical coverage, effective January 1, 2017, as follows: (i) members of the IBEW Local Union 66 who retire on or after January 1, 2017, and their dependents, will receive any retiree medical and prescription drug coverage exclusively through the NECA/IBEW Family Medical Care Plan pursuant to the terms of the renegotiated collective bargaining agreement entered into in May 2016; and (ii) Medicare eligible post-65 retirees will receive coverage through a Medicare Advantage Program, an insured benefit, in lieu of the previous self-insured benefit. These changes resulted in a reduction in our postretirement plan liability of $65 million as of December 31, 2016

(2) In May 2016, Houston Electric entered into a renegotiated collective bargaining agreement with the IBEW Local Union 66 The Houston Lighting & Power Company Union Retirees' Medical and Dental Benefits Trust was amended to reflect the renegotiated collective bargaining agreement by establishing a segregated and restricted account under the trust for the retiree medical benefits of post-2016 union retirees who are now covered exclusively by the NECA/IBEW Family Medical Care Plan. $20 million was transferred to the account for post-2016 union retirees.

The discount rate assumption was determined by matching the projected cash flows of CenterPoint Energy's plans against a hypothetical yield curve of high-quality corporate bonds represented by a series of annualized individual discount rates from one-half to 99 years.

The expected rate of return assumption was developed by a weighted-average return analysis of the targeted asset allocation of CenterPoint Energy's plans and the expected real return for each asset class, based on the long-term capital market assumptions, adjusted for investment fees and diversification effects, in addition to expected inflation

For measurement purposes, medical and prescription drug costs are assumed to increase to 6 15% and 9.85%, respectively, for the pre-65 retirees, and the combined medical/prescription drug cost increase is assumed to be 23 85% for the post-65 retirees during 2018, after which these rates decrease until reaching the ultimate trend rate of 4.50% in 2026 and 2024 for the pre-65 and post-65 retirees, respectively.

Houston Electric does not have amounts recognized in accumulated other comprehensive income related to its postretirement benefit plans as of December 31, 2017 and 2016. Unrecognized costs were recorded as a regulatory asset because Houston Electric historically and currently recovers postretirement expenses in rates.

Assumed healthcare cost trend rates have a significant effect on the reported amounts for Houston Electric's postretirement benefit plans A 1% change in the assumed healthcare cost trend rate would have the following effects.

	1% Increase	1% Decrease
	(in millions)	
Effect on postretirement benefit obligation	$ 9	$ 8
Effect on total of service and interest cost	—	—

In managing the investments associated with the postretirement benefit plans, Houston Electric's objective is to preserve and enhance the value of plan assets while maintaining an acceptable level of volatility These objectives are expected to be achieved through an investment strategy that manages liquidity requirements while maintaining a long-term horizon in making investment decisions and efficient and effective management of plan assets.

As part of the investment strategy discussed above, Houston Electric has adopted and maintained the following asset allocation ranges for its postretirement benefit plans.

U.S equity	13 – 23%
International developed market equity	3 – 13%
Fixed income	69 – 79%
Cash	0 – 2%

The following tables present by level, within the fair value hierarchy, Houston Electric's postretirement plan assets at fair value as of December 31, 2017 and 2016, by asset category as follows.

	Fair Value Measurements as of December 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds (1)	$ 93	$ —	$ —	$ 93
Total	$ 93	$ —	$ —	$ 93

(1) 74% of the amount invested in mutual funds was in fixed income securities, 18% was in U.S. equities and 8% was in international equities

	Fair Value Measurements as of December 31, 2016			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds (1)	$ 88	$ —	$ —	$ 88
Total	$ 88	$ —	$ —	$ 88

(1) 73% of the amount invested in mutual funds was in fixed income securities, 19% was in U S equities and 8% was in international equities

Houston Electric expects to contribute $10 million to its postretirement benefits plan in 2018. The following benefit payments are expected to be paid by the postretirement benefit plan:

	Benefit Payments	
	(in millions)	
2018	$	11
2019		12
2020		14
2021		16
2022		17
2023-2027		85

(d) Postemployment Benefits

Houston Electric participates in CenterPoint Energy's plan which provides postemployment benefits for certain former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement (primarily health care and life insurance benefits for participants in the long-term disability plan) Houston Electric recorded postemployment expenses of less than $1 million, $3 million and credit of $1 million for the years ended December 31, 2017, 2016 and 2015, respectively Amounts relating to postemployment obligations included in Benefit Obligations in the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016 was $3 million and $6 million, respectively.

(e) Other Non-Qualified Plans

Houston Electric participates in CenterPoint Energy's deferred compensation plans that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, upon termination, retirement or death Benefit payments are made from the general assets of Houston Electric. Houston Electric recorded benefit expense relating to these plans of $1 million in each of the years ended December 31, 2017, 2016 and 2015. Amounts relating to deferred compensation plans included in Benefit Obligations in the accompanying Consolidated Balance Sheets as of December 31, 2017 and 2016 was $10 million and $11 million, respectively

(f) Other Employee Matters

As of December 31, 2017, Houston Electric had 2,816 full-time employees, of which approximately 52% were subject to a collective bargaining agreement. The collective bargaining agreement with the IBEW Local 66 expired in May 2016. Houston Electric successfully negotiated the follow-on agreement in 2016. The new collective bargaining agreement with the IBEW Local 66 expires in May 2020

(6) Fair Value Measurements

Assets and liabilities that are recorded at fair value in the Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their value Hierarchical levels, as defined below and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows

Level 1. Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date The types of assets carried at Level 1 fair value are investments listed in active markets. As of December 31, 2017 and 2016, Houston Electric held Level 1 investments of $51 million and $59 million, respectively, which were primarily investments in money market funds and are included in other current assets and other assets in the Consolidated Balance Sheets.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability Houston Electric had no Level 2 assets or liabilities as of either December 31, 2017 or 2016.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability Unobservable inputs reflect Houston Electric's judgments about the assumptions market participants would use in determining fair value Houston Electric had no Level 3 assets or liabilities as of either December 31, 2017 or 2016

Houston Electric determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes transfers between levels at the end of the reporting period For the years ended December 31, 2017 and 2016, there were no transfers between levels

Estimated Fair Value of Financial Instruments

The fair values of cash and cash equivalents and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below The fair value of each debt instrument is determined by multiplying the principal amount of each debt instrument by a combination of historical trading prices and comparable issue data These liabilities, which are not measured at fair value in the Consolidated Balance Sheets but for which the fair value is disclosed, would be classified as Level 2 in the fair value hierarchy.

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial liabilities				
Long-term debt, including current portion	$ 4,753	$ 5,034	$ 4,865	$ 5,079

(7) Related Party Transactions and Major Customers

(a) Related Party Transactions

Houston Electric participates in a money pool through which it can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper. Houston Electric had borrowings in the money pool of $60 million and investments in the money pool of $96 million as of December 31, 2017 and 2016, respectively, which are included in accounts and notes receivable-affiliated companies and accounts and notes payable-affiliated companies, respectively, in the Consolidated Balance Sheets As of December 31, 2017, Houston Electric's money pool borrowings had a weighted-average interest rate of 1 90%

For the years ended December 31, 2017, 2016 and 2015, Houston Electric had affiliate related net interest income of $2 million, interest expense of $4 million and $1 million, respectively.

CenterPoint Energy provides some corporate services to Houston Electric. The costs of services have been charged directly to Houston Electric using methods that management believes are reasonable. These methods include negotiated usage rates, dedicated asset assignment and proportionate corporate formulas based on operating expenses, assets, gross margin, employees and a composite of assets, gross margin and employees. CERC provides certain services to Houston Electric These services are billed at actual cost, either directly or as an allocation and include line locating and other miscellaneous services Additionally, Houston Electric provides a number of services to CERC. These services are billed at actual cost, either directly or as an allocation and include fleet services, shop services, geographic services, surveying and right-of-way services, radio communications, data circuit management and field operations. These charges are not necessarily indicative of what would have been incurred had Houston Electric not been an affiliate. Amounts charged to/from Houston Electric for these services were as follows and are included primarily in operation and maintenance expenses:

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Corporate service charges	$ 188	$ 179	$ 176
Charges from CERC for services provided	8	7	6
Billings to CERC for services provided	(17)	(15)	(18)

Houston Electric paid dividends of $180 million, $135 million and $252 million on its common shares to Utility Holding, LLC in 2017, 2016 and 2015, respectively. In 2016, CenterPoint Energy made an equity contribution of $374 million to Houston Electric

(b) Major Customers

Houston Electric's transmission and distribution revenues from major customers are as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Affiliates of NRG	$ 713	$ 698	$ 741
Affiliates of Vistra Energy Corp.	$ 229	$ 220	$ 220

(8) Long-term Debt

	December 31, 2017		December 31, 2016	
	Long-Term	Current (1)	Long-Term	Current (1)
	(in millions)			
Long-term debt				
First mortgage bonds 9.15% due 2021	102	—	102	—
General mortgage bonds 1.85% to 6 95% due 2021 to 2044 (2)	2,812	—	2,512	—
System restoration bonds 3.46% to 4.243% due 2018 to 2022	256	56	312	53
Transition bonds 2 161% to 5 302% due 2019 to 2024	1,181	378	1,560	358
Unamortized debt issuance costs	(22)	—	(23)	—
Unamortized discount and premium, net	(10)	—	(9)	—
Total long-term debt	$ 4,319	$ 434	$ 4,454	$ 411

(1) Includes amounts due or exchangeable within one year of the date noted

(2) Debt issued as collateral is excluded from the financial statements because of the contingent nature of the obligation

Debt Issuances. Houston Electric issued the following general mortgage bonds during 2017:

Issuance Date	Aggregate Principal Amount	Interest Rate	Maturity Date
	(in millions)		
January 2017	$ 300	3.00%	2027

The proceeds from the issuance of these bonds were used to repay short-term debt and for general limited liability company purposes

Hedging of Interest Expense for Future Debt Issuances In January 2017, Houston Electric entered into forward interest rate agreements with multiple counterparties, having an aggregate notional amount of $150 million. These agreements were executed to hedge, in part, volatility in the 10-year U S treasury rate by reducing Houston Electric's exposure to variability in cash flows related to interest payments of Houston Electric's $300 million issuance of fixed rate debt in January 2017. These forward interest rate agreements were designated as cash flow hedges Accordingly, the effective portion of realized losses associated with the agreements, which totaled approximately $1 million, is a component of accumulated other comprehensive income in 2017 and will be amortized over the life of the bonds.

As of December 31, 2017. Houston Electric had no pre-issuance interest rate hedges in place.

In January and February 2018, Houston Electric entered into forward interest rate agreements with multiple counterparties, having an aggregate notional amount of $200 million. These agreements were executed to hedge, in part, volatility in the 30-year U.S treasury rate by reducing Houston Electric's exposure to variability in cash flows related to interest payments on a forecasted issuance of fixed rate debt in 2018 These forward interest rate agreements were designated as cash flow hedges Accordingly, the effective portion of unrealized gains and losses associated with the forward interest rate agreements will be recorded as a component of accumulated other comprehensive income and the ineffective portion, if any, will be recorded in income.

Securitization Bonds As of December 31, 2017, Houston Electric had special purpose subsidiaries consisting of the Bond Companies, which it consolidates. The consolidated special purpose subsidiaries are wholly-owned, bankruptcy remote entities that were formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of transition bonds or system restoration bonds and activities incidental thereto. These Securitization Bonds are payable only through the imposition and collection of "transition" or "system restoration" charges, as defined in the Texas Public Utility Regulatory Act, which are irrevocable, non-bypassable charges to provide recovery of authorized qualified costs Houston Electric has no payment obligations in respect of the Securitization Bonds other than to remit the applicable transition or system restoration charges it collects. Each special purpose entity is the sole owner of the right to impose, collect and receive the applicable transition or system restoration charges securing the bonds issued by that entity. Creditors of CenterPoint Energy or Houston Electric have no recourse to any assets or revenues of the Bond Companies (including the transition and system restoration charges), and the holders of Securitization Bonds have no recourse to the assets or revenues of CenterPoint Energy or Houston Electric

Revolving Credit Facility In June 2017, Houston Electric entered into an amendment to its revolving credit facility to extend the termination date thereof from March 3, 2021 to March 3, 2022 and to terminate the swingline loan subfacility thereunder. No changes were made to the aggregate commitments under the revolving credit facility.

As of December 31, 2017 and 2016, Houston Electric had the following revolving credit facility and utilization of such facility:

December 31, 2017			December 31, 2016		
Size of Facility	Loans	Letters of Credit	Size of Facility	Loans	Letters of Credit
(in millions)					
$ 300	$ —	$ 4	$ 300	$ —	$ 4

Execution Date	Size of Facility	Draw Rate of LIBOR plus (1)	Financial Covenant Limit on Debt for Borrowed Money to Capital Ratio (2)	Debt for Borrowed Money to Capital Ratio as of December 31, 2017 (3)	Termination Date (4)
	(in millions)				
March 3, 2016	$ 300	1.125%	65%	48.6%	March 3, 2022

(1) Based on current credit ratings.

(2) The financial covenant limit will temporarily increase from 65% to 70% if Houston Electric experiences damage from a natural disaster in its service territory and Houston Electric certifies to the administrative agent that Houston Electric has incurred system restoration costs reasonably likely to exceed $100 million in a consecutive 12-month period, all or part of which Houston Electric intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date Houston Electric delivers its certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of Houston Electric's certification or (iii) the revocation of such certification

(3) As defined in the revolving credit facility agreement, excluding Securitization Bonds

(4) Amended on June 16, 2017 to extend the termination date as noted above

Houston Electric was in compliance with all financial debt covenants as of December 31, 2017

Maturities Maturities of long-term debt, capital leases and sinking fund requirements are as follows

	Houston Electric (1)	Securitization Bonds
	(in millions)	
2018	$ 434	$ 434
2019	458	458
2020	231	231
2021	613	211
2022	519	219

(1) These maturities include Securitization Bonds principal repayments on scheduled payment dates

Liens As of December 31, 2017, Houston Electric's assets were subject to liens securing approximately $102 million of first mortgage bonds Sinking or improvement fund and replacement fund requirements on the first mortgage bonds may be satisfied by certification of property additions Sinking fund and replacement fund requirements for 2017, 2016 and 2015 have been satisfied by certification of property additions The replacement fund requirement to be satisfied in 2018 is approximately $266 million, and the sinking fund requirement to be satisfied in 2018 is approximately $1.6 million Houston Electric expects to meet these 2018 obligations by certification of property additions As of December 31, 2017, Houston Electric's assets were also subject to liens securing approximately $2.9 billion of general mortgage bonds, which are junior to the liens of the first mortgage bonds

(9) Income Taxes

The components of Houston Electric's income tax expense (benefit) were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Current income tax expense			
Federal	$ 70	$ 165	$ 106
State	19	18	21
Total current expense	89	183	127
Deferred income tax expense (benefit).			
Federal	(98)	(34)	18
Total deferred expense (benefit)	(98)	(34)	18
Total income tax expense (benefit)	$ (9)	$ 149	$ 145

A reconciliation of income tax expense (benefit) using the federal statutory income tax rate to the actual income tax expense and resulting effective income tax rate is as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in millions)		
Income before income taxes	$ 424	$ 425	$ 406
Federal statutory income tax rate	35 %	35%	35%
Expected federal income tax expense	148	149	142
Increase (decrease) in tax expense resulting from			
State income tax expense, net of federal income tax	12	12	14
Federal income tax rate reduction	(158)	—	—
Other, net	(11)	(12)	(11)
Total	(157)	—	3
Total income tax expense (benefit)	$ (9)	$ 149	$ 145
Effective tax rate	(2)%	35%	36%

In 2017, Houston Electric recognized a $158 million deferred tax benefit from the remeasurement of Houston Electric's ADFIT liability as a result of the enactment of the TCJA on December 22, 2017, which reduced the U S. corporate income tax rate from 35% to 21% For additional information on the 2017 impacts of the TCJA, please see the discussion following the deferred tax assets and liabilities table below

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities were as follows

	December 31, 2017	December 31, 2016
	(in millions)	
Deferred tax assets:		
Benefits and compensation	$ 28	$ 47
Asset retirement obligations	7	12
Regulatory liabilities	198	17
Other	3	4
Total deferred tax assets	236	80
Deferred tax liabilities:		
Property, plant, and equipment	1,030	1,541
Regulatory assets	265	542
Total deferred tax liabilities	1,295	2,083
Net deferred tax liabilities	$ 1,059	$ 2,003

Federal Tax Reform On December 22, 2017, President Trump signed into law comprehensive tax reform legislation informally called The Tax Cuts and Jobs Acts, or TCJA, which resulted in significant changes to federal tax laws effective January 1, 2018. The new legislation contains several key tax provisions that will impact Houston Electric, including the reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018. The new legislation also includes a variety of other changes, such as, a limitation on the tax deductibility of interest expense, acceleration of business asset expensing, and reduction in the amount of executive pay that may qualify for a tax deduction, among others. Several provisions of the TCJA are not generally applicable to the public utility industry, including the limitation on the tax deductibility of interest expense and acceleration of business asset expensing

While the effective date of the rate change in the legislation is January 1, 2018, ASC 740 requires that deferred tax balances be adjusted in the period of enactment to the rate in which those deferred taxes will reverse. The EDIT from the rate change resulted in an adjustment to income tax expense of $158 million and creation of a net regulatory liability of $829 million (includes $180 million gross-up) for the amount that is likely to be returned to ratepayers. The $158 million benefit to income tax expense is for the remeasurement of Houston Electric's stranded costs related to the Securitization Bonds. The amount and expected amortization of the net regulatory tax liability may differ from the $829 million estimate, possibly materially, due to, among other things, regulatory actions, interpretations and assumptions Houston Electric has made, and any guidance that may be issued in the future. Houston Electric will continue to assess the amount and expected amortization of the net regulatory tax liability as it has proceedings with regulators in future periods For the discussion of risks associated with the amount and expected flow through of EDIT by Houston Electric, see "Management's Narrative Analysis of Results of Operations—Liquidity and Capital Resources—Regulatory Matters—Tax Reform" in Item 7 of Part II of this report.

Houston Electric is a member of the U S. federal consolidated income tax return of CenterPoint Energy. Houston Electric reports its income tax provision on a separate entity basis pursuant to a tax sharing agreement with CenterPoint Energy.

Uncertain Income Tax Positions. Houston Electric reported no uncertain tax liability as of December 31, 2017, 2016, and 2015. Houston Electric expects no significant change to the uncertain tax liability over the next 12 months ending December 31, 2018

Tax Audits and Settlements Tax years through 2015 have been audited and settled with the IRS For the 2016 through 2018 tax years, CenterPoint Energy is a participant in the IRS's Compliance Assurance Process

(10) Commitments and Contingencies

(a) Lease Commitments

Houston Electric currently has obligations under non-cancelable long-term operating leases of less than $1 million per year for the years 2018 to 2022 Total lease expense for all operating leases was less than $1 million in each of the years ended December 31, 2017, 2016 and 2015.

(b) Legal, Environmental and Other Matters

Legal Matters

Gas Market Manipulation Cases. CenterPoint Energy, Houston Electric or their predecessor, Reliant Energy, and certain of their former subsidiaries have been named as defendants in certain lawsuits described below. Under a master separation agreement between CenterPoint Energy and a former subsidiary, RRI, CenterPoint Energy and its subsidiaries are entitled to be indemnified by RRI and its successors for any losses, including certain attorneys' fees and other costs, arising out of these lawsuits. In May 2009, RRI sold its Texas retail business to a subsidiary of NRG and RRI changed its name to RRI Energy, Inc. In December 2010, Mirant Corporation merged with and became a wholly-owned subsidiary of RRI, and RRI changed its name to GenOn In December 2012, NRG acquired GenOn through a merger in which GenOn became a wholly-owned subsidiary of NRG None of the sale of the retail business, the merger with Mirant Corporation, or the acquisition of GenOn by NRG alters RRI's (now GenOn's) contractual obligations to indemnify CenterPoint Energy and its subsidiaries, including Houston Electric, for certain liabilities, including their indemnification obligations regarding the gas market manipulation litigation.

A large number of lawsuits were filed against numerous gas market participants in a number of federal and western state courts in connection with the operation of the natural gas markets in 2000–2002 CenterPoint Energy and its affiliates have since been released or dismissed from all such cases. CES, a subsidiary of CERC Corp , was a defendant in a case now pending in federal court in Nevada alleging a conspiracy to inflate Wisconsin natural gas prices in 2000–2002 On May 24, 2016, the district court granted CES's motion for summary judgment, dismissing CES from the case. The plaintiffs have appealed that ruling CenterPoint Energy and CES intend to continue vigorously defending against the plaintiffs' claims. In June 2017, GenOn and various affiliates filed for protection under Chapter 11 of the U.S Bankruptcy Code. In December 2017, GenOn received court approval of a restructuring plan and is expected to emerge from Chapter 11 in mid-2018 CenterPoint Energy, CERC, and CES submitted proofs of claim in the bankruptcy proceedings to protect their indemnity rights If GenOn were unable to meet its indemnity obligations or satisfy a liability that has been assumed in the gas market manipulation litigation, then Houston Electric, CenterPoint Energy or CERC could incur liability and be responsible for satisfying the liability. Houston Electric does not expect the ultimate outcome of the case against CES to have a material adverse effect on its financial condition, results of operations or cash flows.

Environmental Matters

Asbestos Some facilities owned by Houston Electric contain or have contained asbestos insulation and other asbestos-containing materials CenterPoint Energy and its subsidiaries, including Houston Electric, are from time to time named, along with numerous others, as defendants in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos, and CenterPoint Energy anticipates that additional claims may be asserted in the future Although their ultimate outcome cannot be predicted at this time, Houston Electric does not expect these matters, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations or cash flows

Other Environmental From time to time, Houston Electric identifies the presence of environmental contaminants during its operations or on property where its predecessor companies have conducted operations Other such sites involving contaminants may be identified in the future. Houston Electric has and expects to continue to remediate any identified sites consistent with its state and federal legal obligations From time to time, Houston Electric has received notices, and may receive notices in the future, from regulatory authorities or others regarding its status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants In addition, Houston Electric has been, or may be, named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, Houston Electric does not expect these matters, either individually or in the aggregate, to have a material adverse effect on its financial condition, results of operations or cash flows.

Other Proceedings

Houston Electric is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business From time to time, Houston Electric is also a defendant in legal proceedings with respect to claims brought by various plaintiffs against broad groups of participants in the energy industry Some of these proceedings involve substantial amounts Houston Electric regularly analyzes current information and, as necessary, provides accruals for probable and reasonably estimable liabilities on the eventual disposition of these matters. Houston Electric does not expect the disposition of these matters to have a material adverse effect on its financial condition, results of operations or cash flows

(11) Unaudited Quarterly Information

Summarized quarterly financial data is as follows:

	Year Ended December 31, 2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions)			
Revenues	$ 638	$ 752	$ 843	$ 765
Operating income	77	164	247	123
Net income (1)	18	75	130	210

	Year Ended December 31, 2016			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions)			
Revenues	$ 656	$ 763	$ 909	$ 731
Operating income	79	158	258	132
Net income	17	71	136	52

(1) Net income for the fourth quarter 2017 includes a reduction in income taxes of $158 million due to tax reform See Note 9 for further discussion of the impacts of tax reform implementation.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2017 to provide assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure

There has been no change in our internal controls over financial reporting that occurred during the three months ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company, and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements

Management has designed its internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America Management's assessment included review and testing of both the design effectiveness and operating effectiveness of controls over all relevant assertions related to all significant accounts and disclosures in the financial statements

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission Based on our evaluation under the framework in *Internal Control — Integrated Framework* (2013), our management has concluded that our internal control over financial reporting was effective as of December 31, 2017

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report

Item 9B. ***Other Information***

The ratio of earnings to fixed charges as calculated pursuant to SEC rules was 2 98, 2 88, 2 72, 2 57 and 2 67 for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information called for by Item 10 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries)

Item 11. ***Executive Compensation***

The information called for by Item 11 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information called for by Item 12 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries).

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information called for by Item 13 is omitted pursuant to Instruction I(2) to Form 10-K (Omission of Information by Certain Wholly-Owned Subsidiaries)

Item 14. ***Principal Accounting Fees and Services***

Aggregate fees billed to Houston Electric during the fiscal years ending December 31, 2017 and 2016 by its principal accounting firm, Deloitte & Touche LLP, are set forth below.

	Year Ended December 31,	
	2017	2016
Audit fees (1)	$ 819,364	$ 735,280
Audit-related fees (2)	516,000	598,000
Total audit and audit-related fees	1,335,364	1,333,280
Tax fees	—	—
All other fees	—	—
Total fees	$ 1,335,364	$ 1,333,280

(1) For 2017 and 2016, amounts include fees for services provided by the principal accounting firm relating to the integrated audit of financial statements and internal control over financial reporting, statutory audits, attest services, and regulatory filings

(2) For 2017 and 2016, includes fees for consultations concerning financial accounting and reporting standards and various agreed-upon or expanded procedures related to accounting records to comply with financial accounting or regulatory reporting matters.

Houston Electric is not required to have, and does not have, an audit committee

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1) Financial Statements

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2017

The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements

I, II, III, IV and V

(a)(3) Exhibits

See Index of Exhibits beginning on page 57

Item 16. ***Form 10-K Summary***

None

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
For Fiscal Year Ended December 31, 2017

INDEX OF EXHIBITS

Exhibits not incorporated by reference to a prior filing are designated by a cross (+), all exhibits not so designated are incorporated herein by reference to a prior filing as indicated

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3(a)	Articles of Conversion of Reliant Energy, Incorporated	Form 8-K dated August 31, 2002 filed with the SEC on September 3, 2002	1-3187	3(a)
3(b)	Restated Certificate of Formation of CenterPoint Energy Houston Electric, LLC ("Houston Electric")	Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011	1-3187	3.1
3(c)	Amended and Restated Limited Liability Company Agreement of Houston Electric	Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011	1-3187	3 2
4(a)(1)	Mortgage and Deed of Trust, dated November 1, 1944 between Houston Lighting and Power Company ("HL&P") and Chase Bank of Texas, National Association (formerly, South Texas Commercial National Bank of Houston), as Trustee, as amended and supplemented by 20 Supplemental Indentures thereto	HL&P's Form S-7 filed on August 25, 1977	2-59748	2(b)
4(a)(2)	Twenty-First through Fiftieth Supplemental Indentures to Exhibit 4(a)(1)	HL&P's Form 10-K for the year ended December 31, 1989	1-3187	4(a)(2)
4(a)(3)	Fifty-First Supplemental Indenture to Exhibit 4(a)(1) dated as of March 25, 1991	HL&P's Form 10-Q for the quarter ended June 30, 1991	1-3187	4(a)
4(a)(4)	Fifty-Second through Fifty-Fifth Supplemental Indentures to Exhibit 4(a)(1) each dated as of March 1, 1992	HL&P's Form 10-Q for the quarter ended March 31, 1992	1-3187	4
4(a)(5)	Fifty-Sixth and Fifty-Seventh Supplemental Indentures to Exhibit 4(a)(1) each dated as of October 1, 1992	HL&P's Form 10-Q for the quarter ended September 30, 1992	1-3187	4
4(a)(6)	Fifty-Eighth and Fifty-Ninth Supplemental Indentures to Exhibit 4(a)(1) each dated as of March 1, 1993	HL&P's Form 10-Q for the quarter ended March 31, 1993	1-3187	4
4(a)(7)	Sixtieth Supplemental Indenture to Exhibit 4(a)(1) dated as of July 1, 1993	HL&P's Form 10-Q for the quarter ended June 30, 1993	1-3187	4
4(a)(8)	Sixty-First through Sixty-Third Supplemental Indentures to Exhibit 4(a)(1) each dated as of December 1, 1993	HL&P's Form 10-K for the year ended December 31, 1993	1-3187	4(a)(8)
4(a)(9)	Sixty-Fourth and Sixty-Fifth Supplemental Indentures to Exhibit 4(a)(1) each dated as of July 1, 1995	HL&P's Form 10-K for the year ended December 31, 1995	1-3187	4(a)(9)
4(b)(1)	General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank, as Trustee	Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002	1-3187	4(j)(1)
4(b)(2)	Second Supplemental Indenture to Exhibit 4(b)(1), dated as of October 10, 2002	Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002	1-3187	4(j)(3)
4(b)(3)	Third Supplemental Indenture to Exhibit 4(b)(1), dated as of October 10, 2002	Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002	1-3187	4(j)(4)

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
4(b)(4)	Officer's Certificates dated October 10, 2002, setting forth the form, terms and provisions of the First through Eighth Series of General Mortgage Bonds	CenterPoint Energy. Inc 's ("CNP's") Form 10-K for the year ended December 31, 2003	1-31447	4(c)(10)
4(b)(5)	Ninth Supplemental Indenture to Exhibit 4(b)(1), dated as of November 12, 2002	CNP's Form 10-K for the year ended December 31, 2002	1-31447	4(e)(10)
4(b)(6)	Tenth Supplemental Indenture to Exhibit 4(b)(1), dated as of March 18, 2003	Form 8-K dated March 13, 2003	1-3187	4 1
4(b)(7)	Officer's Certificate dated March 18, 2003 setting forth the form, terms and provisions of the Tenth Series and Eleventh Series of General Mortgage Bonds	Form 8-K dated March 13, 2003	1-3187	4.2
4(b)(8)	Eleventh Supplemental Indenture to Exhibit 4(b)(1), dated as of May 23, 2003	Form 8-K dated May 16, 2003	1-3187	4 1
4(b)(9)	Officer's Certificate dated May 23, 2003 setting forth the form, terms and provisions of the Twelfth Series of General Mortgage Bonds	Form 8-K dated May 16, 2003	1-3187	4 2
4(b)(10)	Twentieth Supplemental Indenture to Exhibit 4(b)(1) dated as of December 9, 2008	Form 8-K dated January 6, 2009	1-3187	4 2
4(b)(11)	Twenty-Second Supplemental Indenture to Exhibit 4(b)(1), dated as of August 10, 2012	CNP's Form 10-K for the year ended December 31, 2012	1-31447	4(e)(33)
4(b)(12)	Officer's Certificate, dated August 10, 2012 setting forth the form, terms and provisions of the Twenty-Second Series of General Mortgage Bonds	CNP's Form 10-K for the year ended December 31, 2012	1-31447	4(e)(34)
4(b)(13)	Twenty-Third Supplemental Indenture, dated as of March 17, 2014, to the General Mortgage Indenture, dated as of October 10, 2002, between Houston Electric and the Trustee	CNP's Form 10-Q for the quarter ended March 31, 2014	1-31447	4 10
4(b)(14)	Officer's Certificate, dated as of March 17, 2014, setting forth the form, terms and provisions of the Twenty-Third Series of General Mortgage Bonds	CNP's Form 10-Q for the quarter ended March 31, 2014	1-31447	4 11
4(b)(15)	Twenty-Fourth Supplemental Indenture, dated as of May 18, 2016, to the General Mortgage Indenture, dated as of October 10, 2002, between Houston Electric and the Trustee	CNP's Form 10-Q for the quarter ended June 30, 2016	1-31447	4.5
4(b)(16)	Officer's Certificate, dated as of May 18, 2016, setting forth the form, terms and provisions of the Twenty-Fifth Series of General Mortgage Bonds	CNP's Form 10-Q for the quarter ended June 30, 2016	1-31447	4 6
4(b)(17)	Twenty-Fifth Supplemental Indenture, dated as of August 11, 2016 to the General Mortgage Indenture, dated as of October 10, 2002, between Houston Electric and the Trustee	CNP's Form 10-Q for the quarter ended September 30, 2016	1-31447	4 5
4(b)(18)	Officer's Certificate, dated as of August 11, 2016 setting forth the form, terms and provisions of the Twenty-Sixth Series of General Mortgage Bonds	CNP's Form 10-Q for the quarter ended September 30, 2016	1-31447	4 6
4(b)(19)	Twenty-Sixth Supplemental Indenture, dated as of January 12, 2017, to the General Mortgage Indenture, dated as of October 10, 2002, between Houston Electric and the Trustee	CNP's Form 10-K for the year ended December 31, 2016	1-31447	4(e)(41)

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
4(b)(20)	Officer's Certificate, dated as of January 12, 2017, setting forth the form, terms and provisions of the Twenty-Seventh Series of General Mortgage Bonds	CNP's Form 10-K for the year ended December 31, 2016	1-31447	4(c)(42)
4(c)(1)	$300,000,000 Credit Agreement dated as of March 3, 2016 among Houston Electric, as Borrower, and the banks named therein	CNP's Form 8-K dated March 3, 2016	1-31447	4.2
4(c)(2)	First Amendment to Credit Agreement, dated as of June 16, 2017, among Houston Electric, as Borrower, and the banks named therein	Form 8-K dated June 16, 2017	1-3187	4 2

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, Houston Electric has not filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of securities authorized does not exceed 10% of the total assets of Houston Electric and its subsidiaries on a consolidated basis. Houston Electric hereby agrees to furnish a copy of any such instrument to the SEC upon request.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
10	City of Houston Franchise Ordinance	CNP's Form 10-Q for the quarter ended June 30, 2005	1-31447	10 1
+12	Computation of Ratios of Earnings to Fixed Charges			
+23	Consent of Deloitte & Touche LLP			
+31 1	Rule 13a-14(a)/15d-14(a) Certification of Scott M Prochazka			
+31 2	Rule 13a-14(a)/15d-14(a) Certification of William D Rogers			
+32 1	Section 1350 Certification of Scott M Prochazka			
+32 2	Section 1350 Certification of William D Rogers			
+101 INS	XBRL Instance Document			
+101 SCH	XBRL Taxonomy Extension Schema Document			
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
+101 DEF	XBRL Taxonomy Extension Definition Linkbase Document			
+101 LAB	XBRL Taxonomy Extension Labels Linkbase Document			
+101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on the 22nd day of February, 2018

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
(Registrant)

By: /s/ SCOTT M. PROCHAZKA
Scott M Prochazka
Manager

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 22, 2018

Signature	Title
/s/ SCOTT M. PROCHAZKA (Scott M. Prochazka)	Manager and Chairman (Principal Executive Officer)
/s/ WILLIAM D ROGERS (William D. Rogers)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ KRISTIE L COLVIN (Kristie L. Colvin)	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 12

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT WHOLLY OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

	Year Ended December 31,				
	2017	2016	2015	2014	2013 (1)
	(in millions)				
Income before extraordinary item	$ 433	$ 276	$ 261	$ 252	$ 269
Income taxes	(9)	149	145	131	146
Capitalized interest	(6)	(6)	(8)	(10)	(10)
	418	419	398	373	405
Fixed charges, as defined:					
Interest	205	217	223	227	232
Capitalized interest	6	6	8	10	10
Interest component of rentals charged to operating expense	—	—	—	—	—
Total fixed charges	211	223	231	237	242
Earnings, as defined	$ 629	$ 642	$ 629	$ 610	$ 647
Ratio of earnings to fixed charges	2 98	2 88	2.72	2.57	2 67

(1) Excluded from the computation of fixed charges for the year ended December 31, 2013 is interest income of less than $1 million, which is included in income tax expense

(2) Net income for the year ended December 31, 2017 includes a reduction in income taxes of $158 million due to tax reform. See Note 9 for further discussion of the impacts of tax reform implementation

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-215833-01 on Form S-3 of our report dated February 22, 2018, relating to the consolidated financial statements of CenterPoint Energy Houston Electric, LLC and subsidiaries appearing in this Annual Report on Form 10-K of CenterPoint Energy Houston Electric, LLC for the year ended December 31, 2017.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 22, 2018

Exhibit 31.1

CERTIFICATIONS

I, Scott M Prochazka, certify that

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy Houston Electric, LLC,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4 The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have·

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles,

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions).

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date· February 22, 2018

/s/ Scott M. Prochazka

Scott M. Prochazka
Chairman (Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, William D. Rogers, certify that:

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy Houston Electric, LLC,

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report,

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report,

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have.

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared,

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions)

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date February 22, 2018

/s/ William D Rogers

William D Rogers
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U S C SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CenterPoint Energy Houston Electric, LLC (the "Company") on Form 10-K for the year ended December 31, 2017 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Scott M. Prochazka, Chairman (Principal Executive Officer), certify, pursuant to 18 U S C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that

1 The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ Scott M. Prochazka

Scott M. Prochazka
Chairman (Principal Executive Officer)
February 22, 2018

Exhibit 32 2

CERTIFICATION PURSUANT TO
18 U S C SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CenterPoint Energy Houston Electric, LLC (the "Company") on Form 10-K for the year ended December 31, 2017 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, William D Rogers, Chief Financial Officer, certify, pursuant to 18 U S C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that

1 The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William D Rogers

William D. Rogers
Executive Vice President and Chief Financial Officer
February 22, 2018

SELECTION CRITERIA FOR COMPARABLE COMPANIES AND EARNINGS GROWTH

	Ticker Symbol	Company	Market Cap.[1] (Millions)	LTD/Capital[1, 2]	S&P Rating[3]	Earnings Growth		
						VL[1]	Zacks[4]	***Average***
1	LNT	Alliant Energy Corp.	$10,835	53.3%	A-	6.50%	5.40%	***5.95%***
2	AEE	Ameren Corporation	$17,386	50.3%	BBB+	6.50%	6.20%	***6.35%***
3	AEP	American Electric Power Company, Inc. (AEP)	$39,968	53.2%	A-	4.00%	5.70%	***4.85%***
4	BKH	Black Hills Corporation	$4,319	57.5%	BBB+	6.00%	4.80%	***5.40%***
5	ED	Consolidated Edison, Inc.	$24,163	48.9%	A-	3.00%	2.00%	***2.50%***
6	DTE	DTE Energy Company	$22,333	54.2%	BBB+	5.00%	6.00%	***5.50%***
7	DUK	Duke Energy Corporation	$63,090	54.0%	A-	5.50%	5.00%	***5.25%***
8	EE	El Paso Electric Company	$2,435	52.5%	BBB	4.50%	4.10%	***4.30%***
9	ES	Eversource Energy	$21,963	51.2%	A+	5.50%	5.60%	***5.55%***
10	EXC	Exelon Corporation	$45,730	52.2%	BBB+	7.50%	4.10%	***5.80%***
11	FTS	Fortis Inc.	$20,371	58.8%	A-	5.50%	4.90%	***5.20%***
12	IDA	IDACORP, Inc.	$4,911	43.6%	BBB	3.50%	3.80%	***3.65%***
13	NEE	NextEra Energy, Inc.	$85,156	52.7%	A-	9.00%	7.70%	***8.35%***
14	NWE	NorthWestern Corporation	$3,481	52.2%	BBB	3.00%	2.50%	***2.75%***
15	OGE	OGE Energy Corp.	$8,399	42.0%	BBB+	6.50%	4.60%	***5.55%***
16	OTTR	Otter Tail Corporation	$1,995	44.7%	BBB	5.00%	7.00%	***6.00%***
17	PNW	Pinnacle West Capital Corporation	$10,566	47.0%	A-	5.00%	5.00%	***5.00%***
18	POR	Portland General Electric Company	$4,519	46.5%	BBB+	4.50%	4.10%	***4.30%***
19	PEG	Public Service Enterprise Group Incorporated	$27,749	46.6%	BBB+	4.50%	6.30%	***5.40%***
20	WEC	WEC Energy Group, Inc.	$24,053	50.4%	A-	6.00%	4.40%	***5.20%***
21	XEL	Xcel Energy Inc.	$28,210	56.4%	A-	5.50%	5.90%	***5.70%***
		Averages	*$22,459*	*50.87%*		*5.33%*	*5.00%*	***5.17%***

Sources. [1] *Value Line Investment Report.* Electric Utility East (February 15, 2019), Electric Utility Central (March 15,2019), and Electric Utility West (April 26, 2019).

[2] Most recent capital structure from *Value Line Investment Report.* Electric Utility East (as of 2017), Electric Utility Central (as of 2018), and Electric Utility West (as of 2018)

[3] Issuer Credit Rating from *S&P Global Ratings,* retrieved on April 23, 2019, from *S&P Global Market Intelligence* (www.snl.com)

[4] *Zacks Investment Research,* retrieved on April 22, 2019, from *www.zacks.com/stock/quote/*

Public Utility Commission of Texas
Docket No 49421
Source Yahoo Finance (https //finance.yahoo com/lookup/)

Workpaper JO-11

00000584

AVERAGE STOCK PRICE

	Ticker Symbol	Company	***12-week Average***	12 4/22/2019	11 4/15/2019	10 4/8/2019	9 4/1/2019	8 3/25/2019	7 3/18/2019	6 3/11/2019	5 3/4/2019	4 2/25/2019	3 2/18/2019	2 2/11/2019	1 2/4/2019
1	LNT	*Alliant Energy Corp*	**$46.34**	$46.68	$45.98	$46.81	$46.74	$47.13	$47 55	$47 40	$46.25	$45.87	$45.68	$44.98	$45.00
2	AEE	Ameren Corporation	**$71.61**	$71.99	$70.48	$71.98	$72 39	$73.55	$73.75	$72 56	$71.23	$70.47	$71.71	$69 22	$70.01
3	AEP	American Electric Power Compan	**$82.59**	$84 02	$83 01	$84 15	$83.57	$83.75	$85 14	$83 81	$81.95	$81.40	$81 72	$79.27	$79 34
4	BKH	Black Hills Corporation	**$72.00**	$71.96	$71 32	$72.92	$73 84	$74.07	$72.87	$73.02	$72.81	$71.95	$71.19	$69.14	$68.93
5	ED	Consolidated Edison, Inc.	**$83.03**	$84.32	$83.61	$84.55	$84.81	$84.81	$84.91	$84.84	$83 82	$82.66	$82.10	$77.77	$78.19
6	DTE	DTE Energy Company	**$122.66**	$124.04	$123.21	$124 42	$123 98	$124.74	$124.89	$123 04	$122 26	$121.97	$122.78	$118 90	$117 66
7	DUK	Duke Energy Corporation	**$89.73**	$89 68	$89 14	$90.45	$90.53	$90.00	$90.70	$90.65	$90.20	$89.53	$89.91	$86.60	$89.36
8	EE	El Paso Electric Company	**$57.46**	$59.80	$58.90	$60 40	$60.03	$58 82	$57.55	$58.24	$58 09	$56.74	$54.67	$53.06	$53 22
9	ES	Eversource Energy	**$70.35**	$70.86	$69 96	$70.68	$71.08	$70.95	$71.69	$71.73	$69.15	$69.20	$69.76	$69.66	$69.51
10	EXC	Exelon Corporation	**$49.20**	$50.07	$49 40	$49.70	$49.90	$50 13	$50.28	$50 00	$48.78	$48.54	$48 37	$47.90	$47 36
11	FTS	Fortis Inc.	**$36.41**	$36.63	$37 29	$37.50	$37.24	$36.99	$37 01	$36.68	$35.92	$35.54	$35.63	$34 84	$35 68
12	IDA	IDACORP, Inc	**$98.90**	$98.04	$97 09	$98.81	$99 24	$99.54	$100.02	$99.54	$100.34	$98.92	$99.42	$97.89	$97.91
13	NEE	NextEra Energy, Inc.	**$188.78**	$190 06	$189.36	$190 85	$190.08	$193.32	$193.93	$191.24	$188.70	$186.31	$186.88	$182.82	$181.79
14	NWE	NorthWestern Corporation	**$68.59**	$68.77	$68.24	$69 66	$70.70	$70 41	$70.65	$70.16	$69 60	$68.49	$66 86	$65 01	$64.48
15	OGE	OGE Energy Corp.	**$42.09**	$42.02	$41 43	$41.80	$42.70	$42 75	$42 74	$42 74	$42 01	$42.07	$42.42	$41.52	$40.91
16	OTTR	Otter Tail Corporation	**$50.07**	$50.70	$50 50	$50.57	$50 18	$49.82	$48.58	$50 13	$50.43	$50.63	$49.94	$49.88	$49.54
17	PNW	Pinnacle West Capital Corporatio	**$93.81**	$94 80	$94.07	$95.31	$94.64	$95.58	$96.72	$96.15	$93.16	$92 78	$93 22	$89.96	$89.38
18	POR	Portland General Electric Compa	**$50.74**	$51 19	$50.26	$51.76	$51.83	$51 84	$51.38	$51 97	$51.13	$49.97	$50.10	$48 59	$48.92
19	PEG	Public Service Enterprise Group I	**$58.44**	$58 70	$58 87	$59 89	$59 70	$59 41	$59.63	$59.73	$58.41	$58 78	$56.84	$55 87	$55.44
20	WEC	WEC Energy Group, Inc.	**$77.03**	$77.05	$76.29	$77.82	$78.22	$79.08	$79 33	$78.88	$77.00	$76 03	$76.64	$73 88	$74 13
21	XEL	Xcel Energy Inc	**$55.16**	$55.41	$54.68	$55.87	$55 71	$56 21	$57.07	$56 10	$55.27	$54 53	$54.87	$53.08	$53.10

[1] Stock Prices are adjusted by Yahoo Finance to reflect the effects of the date when the next dividend is expected to be paid

FORECASTED DIVIDENDS

Ticker Symbol	Company	Growth Rate[1] (Attach. JO-2)	Next Four Quarters Next	2nd	3rd	4th	***Total Proj. D_1***	Stock Price (Attach. JO-3)	Dividend Yield
LNT	Alliant Energy Corp.	5.95%	$0.3550	$0.3550	$0.3550	$0.3761	***$1.44***	$46.34	3.11%
AEE	Ameren Corporation	6.35%	$0.4750	$0.4750	$0.5052	$0.5052	***$1.96***	$71.61	2.74%
AEP	American Electric Power	4.85%	$0.6700	$0.6700	$0.7025	$0.7025	***$2.74***	$82.59	3.32%
BKH	Black Hills Corporation	5.40%	$0.5050	$0.5050	$0.5323	$0.5323	***$2.07***	$72.00	2.88%
ED	Consolidated Edison, Inc	2.50%	$0.7400	$0.7400	$0.7400	$0.7585	***$2.98***	$83.03	3.59%
DTE	DTE Energy Company	5.50%	$0.9450	$0.9450	$0.9450	$0.9970	***$3.83***	$122.66	3.12%
DUK	Duke Energy Corporatio	5.25%	$0.9275	$0.9762	$0.9762	$0.9762	***$3.86***	$89.73	4.30%
EE	El Paso Electric Compar	4.30%	$0.3755	$0.3755	$0.3755	$0.3755	***$1.50***	$57.46	2.61%
ES	Eversource Energy	5.55%	$0.5350	$0.5350	$0.5350	$0.5647	***$2.17***	$70.35	3.08%
EXC	Exelon Corporation	5.80%	$0.3625	$0.3625	$0.3625	$0.3835	***$1.47***	$49.20	2.99%
FTS	Fortis Inc.	5.20%	$0.4500	$0.4500	$0.4734	$0.4734	***$1.85***	$36.41	5.07%
IDA	IDACORP, Inc.	3.65%	$0.6300	$0.6300	$0.6530	$0.6530	***$2.57***	$98.90	2.59%
NEE	NextEra Energy, Inc.	8.35%	$1.2027	$1.2027	$1.2027	$1.3031	***$4.91***	$188.78	2.60%
NWE	NorthWestern Corporati	2.75%	$0.5750	$0.5750	$0.5750	$0.5908	***$2.32***	$68.59	3.38%
OGE	OGE Energy Corp.	5.55%	$0.3650	$0.3650	$0.3853	$0.3853	***$1.50***	$42.09	3.56%
OTTR	Otter Tail Corporation	6.00%	$0.3500	$0.3500	$0.3500	$0.3710	***$1.42***	$50.07	2.84%
PNW	Pinnacle West Capital C	5.00%	$0.7375	$0.7375	$0.7744	$0.7744	***$3.02***	$93.81	3.22%
POR	Portland General Electri	4.30%	$0.3625	$0.3781	$0.3781	$0.3781	***$1.50***	$50.74	2.95%
PEG	Public Service Enterpris	5.40%	$0.4743	$0.4743	$0.4743	$0.4999	***$1.92***	$58.44	3.29%
WEC	WEC Energy Group, Inc	5.20%	$0.5900	$0.5900	$0.5900	$0.6207	***$2.39***	$77.03	3.10%
XEL	Xcel Energy Inc.	5.70%	$0.4050	$0.4050	$0.4050	$0.4281	***$1.64***	$55.16	2.98%

[1] *The growth rate is applied to the quarterly dividend during the period when dividends have historically increased.*

This file presents data that supplement CBO's January 2019 report *The Budget and Economic Outlook 2019 to 2029*
www cbo gov/publication/54918

Contents

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2017Q1	2017Q2	2017Q3	2017Q4	2018Q1	2018Q2
Output							
Gross Domestic Product (GDP)	Billions of dollars	19163	19359	19588	19832	20041	20412
	Percentage change, annual rate	3.9	4.2	4.8	5.1	4.3	7.6
Gross National Product (GNP)	Billions of dollars	19395	19575	19843	20103	20310	20679
	Percentage change, annual rate	3.6	3.8	5.6	5.3	4.2	7.5
Potential GDP	Billions of dollars	19366	19503	19691	19899	20090	20341
	Percentage change, annual rate	3.7	2.9	3.9	4.3	3.9	5.1
Real GDP	Billions of 2012 dollars	17863	17995	18121	18224	18324	18512
	Percentage change, annual rate	1.8	3.0	2.8	2.3	2.2	4.2
Real GNP	Billions of 2012 dollars	18088	18204	18364	18481	18582	18766
	Percentage change, annual rate	1.5	2.6	3.6	2.6	2.2	4.0
Real Potential GDP	Billions of 2012 dollars	18060	18134	18210	18288	18372	18463
	Percentage change, annual rate	1.6	1.6	1.7	1.7	1.9	2.0
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	13518	13646	13767	13868	13958	14129
	Percentage change, annual rate	1.9	3.8	3.6	3.0	2.6	5.0
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	105.5	105.7	106.2	106.9	107.5	108.1
	Percentage change, annual rate	2.1	0.8	1.6	2.7	2.5	2.0
Price Index, PCE, Excluding food and energy	2012=100	107.4	107.7	108.1	108.7	109.2	109.8
	Percentage change, annual rate	1.6	1.3	1.4	2.1	2.2	2.1
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	243.9	244.0	245.3	247.3	249.4	250.5
	Percentage change, annual rate	3.0	0.1	2.1	3.3	3.5	1.7
CPI-U, Excluding Food and Energy	1982-84=100	250.9	251.4	252.5	253.9	255.7	256.9
	Percentage change, annual rate	2.2	0.8	1.8	2.2	3.0	1.8
Chained CPI-U	Dec 1999=100	138.3	138.9	139.3	139.7	140.8	142.2
	Percentage change, annual rate	2.8	1.8	1.0	1.2	3.2	4.0
GDP Price Index	2012=100	107.2	107.6	108.1	108.8	109.3	110.2
	Percentage change, annual rate	2.0	1.2	2.2	2.5	2.0	3.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	128.3	129.0	130.0	130.7	132.0	132.8
	Percentage change, annual rate	3.5	2.2	3.1	2.2	4.0	2.4
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	48.0	46.2	47.6	55.1	58.0	64.7
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	51.8	48.2	48.2	55.4	62.9	68.0
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.0	3.0	2.9	2.9	3.0	2.8
FHFA House Price Index, Purchase Only	1991Q1=100	239.1	243.4	247.5	251.8	256.7	259.9
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	195.0	190.7	183.4	185.3	180.5	185.1
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.7	4.3	4.3	4.1	4.1	3.9
Labor Force, Civilian, 16 Years or Older	Millions	160	160	161	161	162	162
	Percentage change, annual rate	0.8	0.1	1.7	-0.5	2.8	0.3
Labor Force Participation Rate, 16 Years or Older	Percent	62.9	62.8	62.9	62.7	62.9	62.8
Potential Labor Force Participation Rate	Percent	63.2	63.2	63.1	63.1	63.0	63.0
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	153	153	154	154	155	155
	Percentage change, annual rate	1.2	1.5	1.8	0.4	2.7	1.2
Employment, Total Nonfarm (Establishment Survey)	Millions	146	146	147	147	148	149
	Percentage change, annual rate	1.6	1.3	1.5	1.5	1.7	1.7
Labor Productivity Index (Nonfarm Business Sector)	2012=100	103	104	104	104	104	105
	Percentage change, annual rate	0.4	1.6	2.3	-0.3	0.3	3.0
Hours of All Persons (Nonfarm Business Sector)	2012=100	108.6	109.2	109.6	110.5	111.1	111.7
	Percentage change, annual rate	1.5	2.2	1.3	3.3	2.3	2.0
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	254	255	255	256	257	257
	Percentage change, annual rate	-0.5	0.8	0.9	0.9	1.6	0.8
Households (Total Occupied Housing Units)	Millions	120	120	120	121	121	121
Interest Rates							
10-Year Treasury Note	Percent	2.4	2.3	2.2	2.4	2.8	2.9
3-Month Treasury Bill	Percent	0.6	0.9	1.0	1.2	1.6	1.8
Federal Funds Rate	Percent	0.7	1.0	1.2	1.2	1.4	1.7
Income							
Income, Personal	Billions of dollars	16604	16721	16895	17103	17319	17467
	Percentage of GDP	86.7	86.4	86.3	86.2	86.4	85.6
Compensation of Employees, Paid	Billions of dollars	10249	10340	10471	10569	10710	10783

	Percentage of GDP	53.5	53.4	53.5	53.3	53.4	52.8
Wages and Salaries	Billions of dollars	8325	8396	8507	8588	8711	8771
	Percentage of GDP	43.4	43.4	43.4	43.3	43.5	43.0
Nonwage Income	Billions of dollars	4802	4830	4855	4964	5019	5070
	Percentage of GDP	25.1	25.0	24.8	25.0	25.0	24.8
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	42	42	36	35	35	37
	Percentage of GDP	0.2	0.2	0.2	0.2	0.2	0.2
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1433	1454	1471	1491	1515	1532
	Percentage of GDP	7.5	7.5	7.5	7.5	7.6	7.5
Income, rental, with CCAdj	Billions of dollars	719	724	732	745	749	754
	Percentage of GDP	3.8	3.7	3.7	3.8	3.7	3.7
Interest income, personal	Billions of dollars	1524	1491	1500	1577	1598	1607
	Percentage of GDP	8.0	7.7	7.7	8.0	8.0	7.9
Dividend income, personal	Billions of dollars	1084	1120	1115	1116	1122	1141
	Percentage of GDP	5.7	5.8	5.7	5.6	5.6	5.6
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2056	2090	2101	2151	2177	2242
	Percentage of GDP	10.7	10.8	10.7	10.8	10.9	11.0
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1623	1670	1641	1668	1691	1760
	Percentage of GDP	8.5	8.6	8.4	8.4	8.4	8.6
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	13114	13233	13359	13579	13680	13876
	Percentage change, annual rate	3.9	3.7	3.9	6.8	3.0	5.9
Gross Private Domestic Investment	Billions of dollars	3279	3338	3414	3441	3544	3580
	Percentage change, annual rate	6.5	7.4	9.4	3.3	12.4	4.1
Nonresidential fixed investment	Billions of dollars	2525	2577	2607	2643	2720	2791
	Percentage change, annual rate	10.2	8.4	4.8	5.6	12.3	10.9
Residential fixed investment	Billions of dollars	746	744	752	777	787	799
	Percentage change, annual rate	14.4	-0.7	4.0	14.5	5.1	5.9
Change in private inventories	Billions of dollars	8	17	55	22	36	-10
Government Consumption Expenditures and Gross Investmen	Billions of dollars	3346	3360	3372	3419	3457	3507
	Percentage change, annual rate	2.9	1.6	1.5	5.7	4.5	5.9
Federal	Billions of dollars	1252	1264	1264	1281	1295	1313
	Percentage change, annual rate	2.7	3.8	-0.1	5.4	4.5	5.7
State and local	Billions of dollars	2094	2096	2109	2139	2162	2194
	Percentage change, annual rate	3.0	0.4	2.4	5.8	4.5	6.0
Net Exports of Goods and Services	Billions of dollars	-577	-572	-557	-608	-639	-550
Exports	Billions of dollars	2294	2316	2358	2432	2477	2569
	Percentage change, annual rate	8.9	3.9	7.5	13.1	7.7	15.6
Imports	Billions of dollars	2871	2888	2916	3040	3117	3119
	Percentage change, annual rate	9.6	2.5	3.8	18.2	10.5	0.2
Memorandum: Balance on Current Account	Billions of dollars	-462	-508	-435	-485	-514	-424
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	12428	12516	12585	12706	12723	12842
	Percentage change, annual rate	1.8	2.9	2.2	3.9	0.5	3.8
Gross Private Domestic Investment	Billions of 2012 dollars	3129	3172	3240	3246	3321	3317
	Percentage change, annual rate	4.9	5.7	8.8	0.8	9.6	-0.5
Nonresidential fixed investment	Billions of 2012 dollars	2487	2531	2552	2583	2654	2710
	Percentage change, annual rate	9.6	7.3	3.4	4.9	11.5	8.7
Residential fixed investment	Billions of 2012 dollars	614	605	605	621	615	613
	Percentage change, annual rate	11.1	-5.5	-0.5	11.2	-3.4	-1.4
Change in private inventories	Billions of 2012 dollars	-2	12	64	16	30	-37
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3130	3130	3122	3140	3152	3172
	Percentage change, annual rate	-0.8	0.1	-1.0	2.4	1.5	2.5
Federal	Billions of 2012 dollars	1190	1197	1193	1205	1213	1224
	Percentage change, annual rate	0.0	2.4	-1.3	4.1	2.6	3.6
State and local	Billions of 2012 dollars	1938	1931	1927	1934	1938	1947
	Percentage change, annual rate	-1.2	-1.3	-0.9	1.4	0.9	1.8
Net Exports of Goods and Services	Billions of 2012 dollars	-846	-844	-846	-899	-902	-841
Exports	Billions of 2012 dollars	2413	2435	2456	2496	2518	2574
	Percentage change, annual rate	5.0	3.6	3.5	6.6	3.6	9.3
Imports	Billions of 2012 dollars	3259	3279	3302	3395	3420	3415
	Percentage change, annual rate	4.8	2.5	2.8	11.8	3.0	-0.6

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency, IVA = inventory valuation adjustment; MMBtu = 1 million British ther

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3	2019Q4
Output							
Gross Domestic Product (GDP)	Billions of dollars	20660	20900	21141	21366	21600	21806
	Percentage change, annual rate	5.0	4.7	4.7	4.3	4.4	3.9
Gross National Product (GNP)	Billions of dollars	20930	21123	21346	21562	21790	21990
	Percentage change, annual rate	5.0	3.7	4.3	4.1	4.3	3.7
Potential GDP	Billions of dollars	20532	20750	20969	21180	21401	21625
	Percentage change, annual rate	3.8	4.3	4.3	4.1	4.2	4.3
Real GDP	Billions of 2012 dollars	18672	18789	18907	19021	19134	19219
	Percentage change, annual rate	3.5	2.5	2.5	2.4	2.4	1.8
Real GNP	Billions of 2012 dollars	18928	19002	19103	19207	19314	19392
	Percentage change, annual rate	3.5	1.6	2.1	2.2	2.2	1.6
Real Potential GDP	Billions of 2012 dollars	18557	18654	18754	18855	18957	19060
	Percentage change, annual rate	2.1	2.1	2.2	2.2	2.2	2.2
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	14271	14376	14484	14585	14687	14761
	Percentage change, annual rate	4.1	3.0	3.0	2.8	2.8	2.0
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	108.5	109.0	109.5	110.0	110.5	111.1
	Percentage change, annual rate	1.5	2.0	1.9	1.7	2.1	2.2
Price Index, PCE, Excluding food and energy	2012=100	110.2	110.7	111.3	111.9	112.5	113.1
	Percentage change, annual rate	1.5	1.9	2.1	2.1	2.2	2.2
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	251.7	253.2	254.5	255.6	257.1	258.8
	Percentage change, annual rate	2.0	2.4	2.1	1.7	2.4	2.7
CPI-U, Excluding Food and Energy	1982-84=100	258.2	259.6	261.2	262.9	264.5	266.3
	Percentage change, annual rate	2.0	2.2	2.6	2.5	2.6	2.6
Chained CPI-U	Dec 1999=100	142.6	142.7	143.5	144.8	145.3	145.5
	Percentage change, annual rate	1.1	0.3	2.2	3.8	1.3	0.6
GDP Price Index	2012=100	110 6	111.2	111.8	112.3	112.9	113.5
	Percentage change, annual rate	1.7	2.2	2.1	1.9	2.0	2.1
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	133.9	135.0	136.1	137.3	138.5	139.8
	Percentage change, annual rate	3.4	3.4	3.4	3.5	3.6	3.6
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	66.2	62.3	59.0	59.6	59.8	59.7
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	69.8	63.5	56.9	57.6	58.1	58.5
Price of Natural Gas, Henry Hub	Dollars per MMBtu	2.9	3.9	4.4	2.8	2.8	2.9
FHFA House Price Index, Purchase Only	1991Q1=100	263.2	265.9	268.7	271.0	273.2	275.2
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	189.7	193.1	192.8	192.3	191.5	190.8
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	3.8	3.7	3.6	3.6	3.5	3.5
Labor Force, Civilian, 16 Years or Older	Millions	162	162	163	163	163	164
	Percentage change, annual rate	0.6	1.0	0.6	0.9	0.9	0.8
Labor Force Participation Rate, 16 Years or Older	Percent	62 8	62.8	62.8	62.8	62.8	62.8
Potential Labor Force Participation Rate	Percent	63 0	62.9	62.9	62.8	62.8	62.8
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	156	156	157	157	158	158
	Percentage change, annual rate	1.1	1.3	0.9	1.2	1.1	0.8
Employment, Total Nonfarm (Establishment Survey)	Millions	149	150	150	151	151	152
	Percentage change, annual rate	1.7	1.5	1.3	1.3	1.2	1.0
Labor Productivity Index (Nonfarm Business Sector)	2012=100	106	106	106	107	107	108
	Percentage change, annual rate	2.2	1.4	1.6	1.5	1.6	1.5
Hours of All Persons (Nonfarm Business Sector)	2012=100	112.2	112.6	113.0	113.3	113.7	113.8
	Percentage change, annual rate	1.8	1.6	1.4	1.3	1.2	0.6
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	258	259	259	259	260	261
	Percentage change, annual rate	1.0	0.9	0.5	0.8	0.8	0.8
Households (Total Occupied Housing Units)	Millions	121	122	122	122	123	123
Interest Rates							
10-Year Treasury Note	Percent	2.9	3.1	3.2	3.3	3.4	3.5
3-Month Treasury Bill	Percent	2.0	2.4	2.5	2.7	2.9	3.0
Federal Funds Rate	Percent	1.9	2.2	2.5	2.7	3.0	3.2
Income							
Income, Personal	Billions of dollars	17642	17891	18130	18348	18577	18802
	Percentage of GDP	85.4	85.6	85.8	85.9	86.0	86.2
Compensation of Employees, Paid	Billions of dollars	10893	11015	11152	11292	11431	11560

	Percentage of GDP	52.7	52.7	52.8	52.9	52.9	53.0
Wages and Salaries	Billions of dollars	8865	8978	9086	9199	9312	9421
	Percentage of GDP	42.9	43.0	43.0	43.1	43.1	43.2
Nonwage Income	Billions of dollars	5119	5205	5260	5324	5397	5464
	Percentage of GDP	24.8	24.9	24.9	24.9	25.0	25.1
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	31	36	39	41	44	48
	Percentage of GDP	0.1	0.2	0.2	0.2	0.2	0.2
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1552	1574	1589	1608	1626	1643
	Percentage of GDP	7.5	7.5	7.5	7.5	7.5	7.5
Income, rental, with CCAdj	Billions of dollars	767	779	796	799	801	802
	Percentage of GDP	3.7	3.7	3.8	3.7	3.7	3.7
Interest income, personal	Billions of dollars	1614	1646	1653	1681	1721	1755
	Percentage of GDP	7.8	7.9	7.8	7.9	8.0	8.0
Dividend income, personal	Billions of dollars	1155	1170	1183	1195	1206	1216
	Percentage of GDP	5.6	5.6	5.6	5.6	5.6	5.6
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2318	2323	2339	2339	2342	2321
	Percentage of GDP	11.2	11.1	11.1	10.9	10.8	10.6
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1819	1888	1916	1916	1917	1891
	Percentage of GDP	8.8	9.0	9.1	9.0	8.9	8.7
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	14052	14221	14404	14568	14747	14927
	Percentage change, annual rate	5.2	4.9	5.2	4.6	5.0	5.0
Gross Private Domestic Investment	Billions of dollars	3709	3744	3772	3808	3843	3877
	Percentage change, annual rate	15.3	3.8	3.0	3.9	3.8	3.6
Nonresidential fixed investment	Billions of dollars	2819	2862	2900	2927	2953	2979
	Percentage change, annual rate	4.1	6.1	5.4	3.8	3.7	3.5
Residential fixed investment	Billions of dollars	800	802	812	822	834	848
	Percentage change, annual rate	0.9	0.8	5.0	4.9	6.4	6.8
Change in private inventories	Billions of dollars	89	81	60	59	55	50
Government Consumption Expenditures and Gross Investmen	Billions of dollars	3551	3600	3640	3669	3695	3690
	Percentage change, annual rate	5.1	5.7	4.4	3.3	2.8	-0.5
Federal	Billions of dollars	1330	1359	1377	1384	1389	1362
	Percentage change, annual rate	5.1	9.2	5.5	2.1	1.2	-7.3
State and local	Billions of dollars	2221	2241	2263	2285	2306	2328
	Percentage change, annual rate	5.1	3.7	3.8	4.0	3.8	3.8
Net Exports of Goods and Services	Billions of dollars	-651	-665	-674	-678	-685	-689
Exports	Billions of dollars	2541	2544	2551	2568	2593	2623
	Percentage change, annual rate	-4.3	0.6	1.1	2.8	3.9	4.6
Imports	Billions of dollars	3192	3210	3225	3246	3278	3311
	Percentage change, annual rate	9.8	2.2	1.9	2.7	4.0	4.1
Memorandum: Balance on Current Account	Billions of dollars	-513	-571	-601	-616	-631	-641
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	12957	13049	13154	13248	13342	13431
	Percentage change, annual rate	3.6	2.9	3.3	2.9	2.9	2.7
Gross Private Domestic Investment	Billions of 2012 dollars	3435	3455	3467	3491	3515	3539
	Percentage change, annual rate	15.1	2.3	1.4	2.8	2.8	2.7
Nonresidential fixed investment	Billions of 2012 dollars	2727	2759	2787	2807	2828	2848
	Percentage change, annual rate	2.5	4.7	4.2	2.9	3.0	2.9
Residential fixed investment	Billions of 2012 dollars	609	604	608	613	620	628
	Percentage change, annual rate	-2.6	-3.3	2.5	3.1	4.8	5.2
Change in private inventories	Billions of 2012 dollars	87	82	61	60	55	49
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3192	3220	3240	3247	3252	3227
	Percentage change, annual rate	2.6	3.5	2.4	1.0	0.5	-2.9
Federal	Billions of 2012 dollars	1235	1257	1268	1269	1268	1238
	Percentage change, annual rate	3.5	7.3	3.6	0.5	-0.4	-9.1
State and local	Billions of 2012 dollars	1957	1963	1972	1978	1983	1987
	Percentage change, annual rate	2.0	1.3	1.7	1.3	1.1	0.9
Net Exports of Goods and Services	Billions of 2012 dollars	-946	-971	-991	-1004	-1015	-1018
Exports	Billions of 2012 dollars	2546	2552	2560	2578	2597	2620
	Percentage change, annual rate	-4.4	1.0	1.2	2.9	2.9	3.7
Imports	Billions of 2012 dollars	3492	3523	3551	3582	3611	3638
	Percentage change, annual rate	9.2	3.6	3.2	3.6	3.3	3.0

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = inventomal units.

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2
Output							
Gross Domestic Product (GDP)	Billions of dollars	22016	22225	22431	22632	22836	23041
	Percentage change, annual rate	3.9	3.9	3.7	3.6	3.7	3.6
Gross National Product (GNP)	Billions of dollars	22192	22398	22600	22800	23002	23206
	Percentage change, annual rate	3.7	3.8	3.7	3.6	3.6	3.6
Potential GDP	Billions of dollars	21847	22070	22294	22521	22750	22979
	Percentage change, annual rate	4.2	4.1	4.1	4.1	4.1	4.1
Real GDP	Billions of 2012 dollars	19308	19394	19474	19549	19625	19702
	Percentage change, annual rate	1.9	1.8	1.7	1.5	1.6	1.6
Real GNP	Billions of 2012 dollars	19472	19554	19631	19704	19776	19851
	Percentage change, annual rate	1.7	1.7	1.6	1.5	1.5	1.5
Real Potential GDP	Billions of 2012 dollars	19159	19258	19356	19453	19551	19649
	Percentage change, annual rate	2.1	2.1	2.1	2.0	2.0	2.0
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	14839	14915	14986	15051	15117	15183
	Percentage change, annual rate	2.1	2.1	1.9	1.8	1.8	1.8
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	111.7	112.4	113.0	113.6	114.2	114.8
	Percentage change, annual rate	2.2	2.2	2.2	2.2	2.2	2.1
Price Index, PCE, Excluding food and energy	2012=100	113.7	114.4	115.0	115.6	116.2	116.8
	Percentage change, annual rate	2.2	2.2	2.2	2.2	2.2	2.1
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	260.5	262.2	263.9	265.6	267.3	269.0
	Percentage change, annual rate	2.7	2.7	2.6	2.6	2.6	2.6
CPI-U, Excluding Food and Energy	1982-84=100	268.0	269.8	271.5	273.3	275.1	276.9
	Percentage change, annual rate	2.6	2.7	2.7	2.7	2.6	2.6
Chained CPI-U	Dec 1999=100	146.5	148.3	148.9	149.1	150.1	151.9
	Percentage change, annual rate	2.8	5.1	1.6	0.5	2.7	4.9
GDP Price Index	2012=100	114.0	114.6	115.2	115.8	116.4	116.9
	Percentage change, annual rate	2.0	2.0	2.0	2.1	2.1	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	141.0	142.3	143.6	144.9	146.2	147.4
	Percentage change, annual rate	3.7	3.7	3.7	3.6	3.6	3.6
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	59.6	59.5	59.4	59.3	59.2	59.2
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	58.6	58.6	58.7	58.8	58.8	58.8
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.0	2.5	2.6	2.7	2.8	2.5
FHFA House Price Index, Purchase Only	1991Q1=100	277.1	278.8	280.5	282.3	284.3	286.2
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	190.5	190.2	189.8	189.4	188.9	188.4
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	3.5	3.6	3.7	3.9	4.0	4.1
Labor Force, Civilian, 16 Years or Older	Millions	164	164	165	165	165	165
	Percentage change, annual rate	0.8	0.7	0.7	0.6	0.6	0.6
Labor Force Participation Rate, 16 Years or Older	Percent	62.8	62.8	62.8	62.7	62.7	62.7
Potential Labor Force Participation Rate	Percent	62.7	62.7	62.7	62.6	62.6	62.5
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	158	158	158	158	158	158
	Percentage change, annual rate	0.6	0.4	0.2	0.1	0.1	0.0
Employment, Total Nonfarm (Establishment Survey)	Millions	152	152	152	152	153	153
	Percentage change, annual rate	0.8	0.8	0.2	0.3	0.2	0.2
Labor Productivity Index (Nonfarm Business Sector)	2012=100	108	109	109	110	110	111
	Percentage change, annual rate	1.6	1.6	1.9	1.8	1.9	1.9
Hours of All Persons (Nonfarm Business Sector)	2012=100	114.0	114.1	114.1	114.1	114.1	114.0
	Percentage change, annual rate	0.5	0.4	0.0	0.0	-0.1	-0.2
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	261	262	262	263	263	264
	Percentage change, annual rate	0.8	0.8	0.8	0.8	0.8	0.8
Households (Total Occupied Housing Units)	Millions	123	123	124	124	124	125
Interest Rates							
10-Year Treasury Note	Percent	3.6	3.6	3.7	3.7	3.7	3.7
3-Month Treasury Bill	Percent	3.1	3.1	3.2	3.2	3.2	3.2
Federal Funds Rate	Percent	3.4	3.4	3.4	3.4	3.4	3.4
Income							
Income, Personal	Billions of dollars	19037	19247	19454	19664	19899	20102
	Percentage of GDP	86.5	86.6	86.7	86.9	87.1	87.2
Compensation of Employees, Paid	Billions of dollars	11689	11821	11943	12065	12190	12314

	Percentage of GDP	53.1	53.2	53.2	53.3	53.4	53.4
Wages and Salaries	Billions of dollars	9529	9638	9737	9837	9937	10036
	Percentage of GDP	43.3	43.4	43.4	43.5	43.5	43.6
Nonwage Income	Billions of dollars	5525	5584	5649	5708	5762	5817
	Percentage of GDP	25.1	25.1	25.2	25.2	25.2	25.2
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	51	55	58	62	65	67
	Percentage of GDP	0.2	0.2	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1660	1677	1692	1708	1724	1740
	Percentage of GDP	7.5	7.5	7.5	7.5	7.5	7.6
Income, rental, with CCAdj	Billions of dollars	810	808	805	803	806	806
	Percentage of GDP	3.7	3.6	3.6	3.5	3.5	3.5
Interest income, personal	Billions of dollars	1779	1812	1854	1889	1915	1946
	Percentage of GDP	8.1	8.2	8.3	8.3	8.4	8.4
Dividend income, personal	Billions of dollars	1225	1233	1240	1247	1253	1258
	Percentage of GDP	5.6	5.5	5.5	5.5	5.5	5.5
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2325	2323	2320	2321	2320	2316
	Percentage of GDP	10.6	10.5	10.3	10.3	10.2	10.1
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1884	1877	1872	1872	1872	1870
	Percentage of GDP	8.6	8.4	8.3	8.3	8.2	8.1
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	15097	15259	15407	15551	15694	15838
	Percentage change, annual rate	4.6	4.4	3.9	3.8	3.7	3.7
Gross Private Domestic Investment	Billions of dollars	3916	3952	3991	4026	4062	4098
	Percentage change, annual rate	4.1	3.7	3.9	3.6	3.6	3.6
Nonresidential fixed investment	Billions of dollars	3005	3029	3054	3078	3100	3121
	Percentage change, annual rate	3.4	3.3	3.3	3.2	2.8	2.8
Residential fixed investment	Billions of dollars	863	877	892	908	923	939
	Percentage change, annual rate	6.9	7.0	7.1	7.1	6.9	7.0
Change in private inventories	Billions of dollars	49	46	44	40	39	38
Government Consumption Expenditures and Gross Investmen	Billions of dollars	3697	3712	3738	3765	3793	3822
	Percentage change, annual rate	0.7	1.7	2.8	2.9	3.1	3.0
Federal	Billions of dollars	1348	1343	1348	1354	1361	1368
	Percentage change, annual rate	-4.1	-1.4	1.4	1.8	2.0	2.0
State and local	Billions of dollars	2349	2369	2390	2411	2433	2454
	Percentage change, annual rate	3.6	3.6	3.6	3.6	3.6	3.6
Net Exports of Goods and Services	Billions of dollars	-694	-698	-705	-709	-713	-717
Exports	Billions of dollars	2655	2688	2722	2757	2789	2822
	Percentage change, annual rate	5.1	5.0	5.2	5.1	4.8	4.9
Imports	Billions of dollars	3349	3386	3427	3465	3502	3539
	Percentage change, annual rate	4.6	4.5	4.9	4.6	4.3	4.3
Memorandum: Balance on Current Account	Billions of dollars	-657	-667	-679	-686	-695	-701
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	13510	13580	13638	13692	13745	13798
	Percentage change, annual rate	2.4	2.1	1.7	1.6	1.5	1.5
Gross Private Domestic Investment	Billions of 2012 dollars	3565	3588	3612	3632	3653	3673
	Percentage change, annual rate	3.0	2.6	2.7	2.2	2.3	2.3
Nonresidential fixed investment	Billions of 2012 dollars	2868	2885	2902	2917	2930	2942
	Percentage change, annual rate	2.7	2.5	2.3	2.1	1.7	1.7
Residential fixed investment	Billions of 2012 dollars	635	643	651	659	667	675
	Percentage change, annual rate	5.1	5.0	5.1	5.0	4.9	4.8
Change in private inventories	Billions of 2012 dollars	48	44	42	38	37	36
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3214	3210	3213	3217	3221	3226
	Percentage change, annual rate	-1.6	-0.6	0.4	0.5	0.6	0.6
Federal	Billions of 2012 dollars	1220	1210	1209	1208	1209	1209
	Percentage change, annual rate	-5.9	-3.2	-0.4	-0.1	0.1	0.1
State and local	Billions of 2012 dollars	1992	1997	2001	2005	2009	2014
	Percentage change, annual rate	0.9	0.9	0.9	0.9	0.9	0.8
Net Exports of Goods and Services	Billions of 2012 dollars	-1021	-1024	-1029	-1033	-1035	-1038
Exports	Billions of 2012 dollars	2642	2663	2687	2710	2732	2755
	Percentage change, annual rate	3.3	3.3	3.6	3.6	3.3	3.3
Imports	Billions of 2012 dollars	3663	3687	3715	3743	3768	3792
	Percentage change, annual rate	2.8	2.6	3.1	3.0	2.7	2.6

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2021Q3	2021Q4	2022Q1	2022Q2	2022Q3	2022Q4
Output							
Gross Domestic Product (GDP)	Billions of dollars	23247	23456	23669	23884	24104	24327
	Percentage change, annual rate	3.6	3.6	3.7	3.7	3.7	3.8
Gross National Product (GNP)	Billions of dollars	23413	23622	23838	24052	24272	24495
	Percentage change, annual rate	3.6	3.6	3.7	3.6	3.7	3.7
Potential GDP	Billions of dollars	23210	23443	23679	23916	24156	24400
	Percentage change, annual rate	4.1	4.1	4.1	4.1	4.1	4.1
Real GDP	Billions of 2012 dollars	19778	19856	19935	20015	20096	20178
	Percentage change, annual rate	1.6	1.6	1.6	1.6	1.6	1.6
Real GNP	Billions of 2012 dollars	19927	20004	20084	20163	20243	20323
	Percentage change, annual rate	1.5	1.5	1.6	1.6	1.6	1.6
Real Potential GDP	Billions of 2012 dollars	19747	19845	19943	20042	20141	20239
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	15250	15318	15387	15457	15528	15599
	Percentage change, annual rate	1.8	1.8	1.8	1.8	1.8	1.8
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	115.4	116.0	116.6	117.2	117.8	118.5
	Percentage change, annual rate	2.1	2.1	2.1	2.1	2.1	2.1
Price Index, PCE, Excluding food and energy	2012=100	117.4	118.1	118.7	119.3	119.9	120.5
	Percentage change, annual rate	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	270.7	272.4	274.1	275.8	277.5	279.2
	Percentage change, annual rate	2.5	2.5	2.5	2.5	2.5	2.5
CPI-U, Excluding Food and Energy	1982-84=100	278.6	280.4	282.1	283.8	285.5	287.2
	Percentage change, annual rate	2.6	2.5	2.5	2.4	2.4	2.4
Chained CPI-U	Dec 1999=100	152.5	152.7	153.7	155.4	156.0	156.2
	Percentage change, annual rate	1.5	0.5	2.7	4.7	1.4	0.5
GDP Price Index	2012=100	117.5	118.1	118.7	119.3	119.9	120.6
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.1	2.1
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	148.7	150.0	151.2	152.5	153.8	155.0
	Percentage change, annual rate	3.5	3.5	3.4	3.4	3.3	3.3
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	59.2	59.2	59.2	59.3	59.5	59.6
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	58.9	59.0	59.0	59.2	59.3	59.5
Price of Natural Gas, Henry Hub	Dollars per MMBtu	2.5	2.7	2.8	2.5	2.6	2.7
FHFA House Price Index, Purchase Only	1991Q1=100	288.2	290.2	292.2	294.3	296.4	298.5
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	188.0	187.6	187.2	186.8	186.4	186.0
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.2	4.4	4.5	4.6	4.7	4.8
Labor Force, Civilian, 16 Years or Older	Millions	165	166	166	166	166	166
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.5	0.5
Labor Force Participation Rate, 16 Years or Older	Percent	62.6	62.6	62.5	62.5	62.4	62.4
Potential Labor Force Participation Rate	Percent	62.5	62.4	62.4	62.3	62.3	62.2
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	158	158	158	158	158	159
	Percentage change, annual rate	0.0	0.0	0.0	0.0	0.1	0.2
Employment, Total Nonfarm (Establishment Survey)	Millions	153	153	153	153	153	153
	Percentage change, annual rate	0.1	0.1	0.1	0.1	0.1	0.2
Labor Productivity Index (Nonfarm Business Sector)	2012=100	111	112	112	113	113	114
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	1.9
Hours of All Persons (Nonfarm Business Sector)	2012=100	113.9	113.9	113.8	113.8	113.8	113.7
	Percentage change, annual rate	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	264	265	265	266	266	267
	Percentage change, annual rate	0.8	0.8	0.8	0.8	0.8	0.8
Households (Total Occupied Housing Units)	Millions	125	125	125	126	126	126
Interest Rates							
10-Year Treasury Note	Percent	3.7	3.7	3.7	3.7	3.8	3.8
3-Month Treasury Bill	Percent	3.2	3.2	3.2	3.2	3.2	3.1
Federal Funds Rate	Percent	3.4	3.4	3.4	3.4	3.4	3.4
Income							
Income, Personal	Billions of dollars	20309	20516	20765	20974	21187	21397
	Percentage of GDP	87.4	87.5	87.7	87.8	87.9	88.0
Compensation of Employees, Paid	Billions of dollars	12437	12562	12685	12808	12932	13061

	Percentage of GDP	53.5	53.6	53.6	53.6	53.7	53.7
Wages and Salaries	Billions of dollars	10134	10231	10329	10426	10525	10625
	Percentage of GDP	43.6	43.6	43.6	43.7	43.7	43.7
Nonwage Income	Billions of dollars	5874	5934	5994	6052	6113	6176
	Percentage of GDP	25.3	25.3	25.3	25.3	25.4	25.4
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	70	72	74	76	77	79
	Percentage of GDP	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1756	1772	1789	1805	1822	1839
	Percentage of GDP	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	804	803	799	800	801	802
	Percentage of GDP	3.5	3.4	3.4	3.3	3.3	3.3
Interest income, personal	Billions of dollars	1981	2019	2062	2098	2136	2174
	Percentage of GDP	8.5	8.6	8.7	8.8	8.9	8.9
Dividend income, personal	Billions of dollars	1263	1268	1271	1274	1278	1281
	Percentage of GDP	5.4	5.4	5.4	5.3	5.3	5.3
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2316	2319	2328	2333	2340	2349
	Percentage of GDP	10.0	9.9	9.8	9.8	9.7	9.7
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1870	1875	1884	1891	1900	1911
	Percentage of GDP	8.0	8.0	8.0	7.9	7.9	7.9
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	15986	16136	16298	16462	16630	16800
	Percentage change, annual rate	3.8	3.8	4.1	4.1	4.2	4.2
Gross Private Domestic Investment	Billions of dollars	4132	4169	4204	4237	4268	4298
	Percentage change, annual rate	3.4	3.6	3.4	3.3	2.9	2.8
Nonresidential fixed investment	Billions of dollars	3140	3161	3180	3198	3212	3228
	Percentage change, annual rate	2.5	2.7	2.3	2.3	1.9	1.9
Residential fixed investment	Billions of dollars	955	971	987	1003	1018	1034
	Percentage change, annual rate	6.9	6.9	6.8	6.6	6.3	6.2
Change in private inventories	Billions of dollars	37	37	37	37	37	36
Government Consumption Expenditures and Gross Investmen	Billions of dollars	3850	3878	3902	3927	3956	3986
	Percentage change, annual rate	3.0	3.0	2.5	2.7	3.0	3.1
Federal	Billions of dollars	1374	1380	1381	1384	1390	1396
	Percentage change, annual rate	1.8	1.8	0.4	0.9	1.7	1.8
State and local	Billions of dollars	2476	2498	2521	2543	2567	2590
	Percentage change, annual rate	3.6	3.6	3.6	3.6	3.7	3.7
Net Exports of Goods and Services	Billions of dollars	-721	-727	-734	-742	-750	-758
Exports	Billions of dollars	2858	2891	2927	2963	3000	3037
	Percentage change, annual rate	5.1	4.8	5.0	5.1	5.1	5.0
Imports	Billions of dollars	3578	3619	3661	3705	3751	3795
	Percentage change, annual rate	4.5	4.6	4.8	4.9	5.0	4.8
Memorandum: Balance on Current Account	Billions of dollars	-707	-714	-722	-733	-743	-751
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	13854	13911	13977	14043	14113	14183
	Percentage change, annual rate	1.6	1.7	1.9	1.9	2.0	2.0
Gross Private Domestic Investment	Billions of 2012 dollars	3692	3713	3731	3748	3762	3775
	Percentage change, annual rate	2.0	2.3	2.0	1.9	1.5	1.4
Nonresidential fixed investment	Billions of 2012 dollars	2953	2965	2975	2985	2992	2999
	Percentage change, annual rate	1.5	1.7	1.3	1.3	0.9	1.0
Residential fixed investment	Billions of 2012 dollars	683	690	698	704	710	716
	Percentage change, annual rate	4.6	4.5	4.3	3.9	3.5	3.3
Change in private inventories	Billions of 2012 dollars	35	34	34	34	34	33
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3230	3233	3233	3234	3238	3241
	Percentage change, annual rate	0.5	0.4	0.0	0.1	0.4	0.4
Federal	Billions of 2012 dollars	1208	1208	1203	1200	1199	1198
	Percentage change, annual rate	-0.1	-0.2	-1.6	-1.1	-0.3	-0.2
State and local	Billions of 2012 dollars	2018	2022	2026	2030	2034	2038
	Percentage change, annual rate	0.8	0.8	0.8	0.8	0.8	0.8
Net Exports of Goods and Services	Billions of 2012 dollars	-1040	-1045	-1050	-1056	-1062	-1068
Exports	Billions of 2012 dollars	2778	2801	2823	2846	2869	2892
	Percentage change, annual rate	3.5	3.3	3.2	3.3	3.3	3.1
Imports	Billions of 2012 dollars	3819	3846	3873	3902	3932	3960
	Percentage change, annual rate	2.8	2.9	2.9	3.0	3.1	2.9

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2023Q1	2023Q2	2023Q3	2023Q4	2024Q1	2024Q2
Output							
Gross Domestic Product (GDP)	Billions of dollars	24554	24785	25023	25265	25516	25767
	Percentage change, annual rate	3.8	3.8	3.9	3.9	4.0	4.0
Gross National Product (GNP)	Billions of dollars	24723	24956	25196	25441	25693	25947
	Percentage change, annual rate	3.8	3.8	3.9	3.9	4.0	4.0
Potential GDP	Billions of dollars	24646	24893	25142	25392	25644	25897
	Percentage change, annual rate	4.1	4.1	4.1	4.0	4.0	4.0
Real GDP	Billions of 2012 dollars	20261	20347	20436	20527	20624	20721
	Percentage change, annual rate	1.7	1.7	1.8	1.8	1.9	1.9
Real GNP	Billions of 2012 dollars	20407	20492	20581	20674	20771	20869
	Percentage change, annual rate	1.6	1.7	1.8	1.8	1.9	1.9
Real Potential GDP	Billions of 2012 dollars	20337	20435	20533	20630	20728	20825
	Percentage change, annual rate	2.0	1.9	1.9	1.9	1.9	1.9
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	15672	15747	15825	15906	15993	16080
	Percentage change, annual rate	1.9	1.9	2.0	2.1	2.2	2.2
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	119.1	119.7	120.3	120.9	121.5	122.1
	Percentage change, annual rate	2.1	2.1	2.1	2.1	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	121.1	121.7	122.3	123.0	123.6	124.2
	Percentage change, annual rate	2.1	2.0	2.1	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	280.9	282.5	284.2	285.9	287.6	289.3
	Percentage change, annual rate	2.5	2.4	2.4	2.4	2.4	2.4
CPI-U, Excluding Food and Energy	1982-84=100	288.9	290.6	292.3	294.0	295.7	297.4
	Percentage change, annual rate	2.4	2.4	2.4	2.4	2.3	2.3
Chained CPI-U	Dec 1999=100	157.2	159.0	159.5	159.7	160.7	162.4
	Percentage change, annual rate	2.6	4.6	1.4	0.4	2.5	4.5
GDP Price Index	2012=100	121.2	121.8	122.4	123.1	123.7	124.4
	Percentage change, annual rate	2.1	2.1	2.1	2.1	2.1	2.1
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	156.3	157.5	158.8	160.0	161.3	162.6
	Percentage change, annual rate	3.3	3.3	3.2	3.2	3.2	3.2
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	59.9	60.2	60.6	61.2	61.7	62.3
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	59.7	60.0	60.4	61.0	61.6	62.1
Price of Natural Gas, Henry Hub	Dollars per MMBtu	2.9	2.6	2.6	2.8	2.9	2.7
FHFA House Price Index, Purchase Only	1991Q1=100	301.1	303.6	306.2	308.7	311.3	313.8
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	185.6	185.3	184.9	184.6	184.3	184.0
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.8	4.8	4.8	4.8	4.8	4.8
Labor Force, Civilian, 16 Years or Older	Millions	167	167	167	167	167	168
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.4	0.4
Labor Force Participation Rate, 16 Years or Older	Percent	62.3	62.3	62.2	62.1	62.1	62.0
Potential Labor Force Participation Rate	Percent	62.2	62.1	62.1	62.0	62.0	61.9
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	159	159	159	159	159	160
	Percentage change, annual rate	0.3	0.4	0.5	0.5	0.5	0.4
Employment, Total Nonfarm (Establishment Survey)	Millions	153	153	153	154	154	154
	Percentage change, annual rate	0.3	0.4	0.4	0.4	0.5	0.5
Labor Productivity Index (Nonfarm Business Sector)	2012=100	114	115	115	116	116	117
	Percentage change, annual rate	1.8	1.8	1.8	1.8	1.8	1.8
Hours of All Persons (Nonfarm Business Sector)	2012=100	113.8	113.8	113.9	114.0	114.1	114.2
	Percentage change, annual rate	0.1	0.2	0.2	0.3	0.4	0.4
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	267	268	269	269	270	270
	Percentage change, annual rate	0.8	0.8	0.8	0.8	0.8	0.8
Households (Total Occupied Housing Units)	Millions	127	127	127	127	128	128
Interest Rates							
10-Year Treasury Note	Percent	3.8	3.8	3.8	3.7	3.7	3.7
3-Month Treasury Bill	Percent	3.1	3.0	3.0	2.9	2.9	2.8
Federal Funds Rate	Percent	3.4	3.4	3.3	3.1	3.1	3.1
Income							
Income, Personal	Billions of dollars	21648	21866	22087	22306	22569	22794
	Percentage of GDP	88.2	88.2	88.3	88.3	88.5	88.5
Compensation of Employees, Paid	Billions of dollars	13190	13321	13454	13593	13729	13867

	Percentage of GDP	53.7	53.7	53.8	53.8	53.8	53.8
Wages and Salaries	Billions of dollars	10729	10835	10943	11053	11163	11275
	Percentage of GDP	43.7	43.7	43.7	43.7	43.8	43.8
Nonwage Income	Billions of dollars	6238	6297	6357	6416	6474	6533
	Percentage of GDP	25.4	25.4	25.4	25.4	25.4	25.4
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	80	81	82	84	85	86
	Percentage of GDP	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1856	1875	1893	1912	1933	1953
	Percentage of GDP	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	797	800	803	807	805	811
	Percentage of GDP	3.2	3.2	3.2	3.2	3.2	3.1
Interest income, personal	Billions of dollars	2222	2257	2291	2323	2360	2388
	Percentage of GDP	9.1	9.1	9.2	9.2	9.2	9.3
Dividend income, personal	Billions of dollars	1282	1284	1287	1290	1293	1296
	Percentage of GDP	5.2	5.2	5.1	5.1	5.1	5.0
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2360	2371	2386	2409	2437	2461
	Percentage of GDP	9.6	9.6	9.5	9.5	9.6	9.6
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1924	1934	1949	1970	1998	2021
	Percentage of GDP	7.8	7.8	7.8	7.8	7.8	7.8
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	16974	17144	17315	17489	17674	17859
	Percentage change, annual rate	4.2	4.1	4.1	4.1	4.3	4.2
Gross Private Domestic Investment	Billions of dollars	4323	4359	4399	4441	4478	4520
	Percentage change, annual rate	2.3	3.4	3.7	3.9	3.3	3.9
Nonresidential fixed investment	Billions of dollars	3238	3258	3283	3310	3333	3363
	Percentage change, annual rate	1.3	2.5	3.0	3.4	2.8	3.7
Residential fixed investment	Billions of dollars	1049	1064	1078	1090	1101	1111
	Percentage change, annual rate	6.1	5.8	5.3	4.7	4.1	3.6
Change in private inventories	Billions of dollars	36	37	38	41	44	46
Government Consumption Expenditures and Gross Investmen	Billions of dollars	4017	4049	4081	4113	4145	4176
	Percentage change, annual rate	3.2	3.2	3.2	3.2	3.2	3.0
Federal	Billions of dollars	1404	1411	1419	1427	1434	1440
	Percentage change, annual rate	2.2	2.2	2.2	2.2	2.1	1.7
State and local	Billions of dollars	2614	2638	2662	2687	2712	2736
	Percentage change, annual rate	3.7	3.7	3.7	3.7	3.7	3.7
Net Exports of Goods and Services	Billions of dollars	-761	-767	-772	-778	-781	-788
Exports	Billions of dollars	3074	3112	3149	3186	3224	3262
	Percentage change, annual rate	4.9	5.0	4.9	4.8	4.8	4.8
Imports	Billions of dollars	3835	3878	3922	3964	4005	4050
	Percentage change, annual rate	4.3	4.6	4.5	4.4	4.2	4.5
Memorandum: Balance on Current Account	Billions of dollars	-756	-763	-769	-773	-776	-782
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	14255	14324	14393	14463	14543	14621
	Percentage change, annual rate	2.1	1.9	1.9	2.0	2.2	2.2
Gross Private Domestic Investment	Billions of 2012 dollars	3783	3801	3822	3844	3862	3884
	Percentage change, annual rate	0.9	1.9	2.2	2.4	1.8	2.3
Nonresidential fixed investment	Billions of 2012 dollars	3001	3013	3028	3047	3061	3081
	Percentage change, annual rate	0.3	1.6	2.1	2.4	1.8	2.7
Residential fixed investment	Billions of 2012 dollars	722	726	730	733	735	735
	Percentage change, annual rate	3.0	2.7	2.1	1.5	0.9	0.4
Change in private inventories	Billions of 2012 dollars	32	33	34	36	39	41
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3246	3250	3254	3258	3262	3265
	Percentage change, annual rate	0.6	0.5	0.5	0.5	0.5	0.3
Federal	Billions of 2012 dollars	1198	1199	1199	1200	1200	1199
	Percentage change, annual rate	0.1	0.1	0.1	0.2	0.0	-0.3
State and local	Billions of 2012 dollars	2042	2046	2050	2053	2057	2060
	Percentage change, annual rate	0.8	0.7	0.7	0.7	0.7	0.7
Net Exports of Goods and Services	Billions of 2012 dollars	-1071	-1077	-1083	-1089	-1093	-1101
Exports	Billions of 2012 dollars	2914	2937	2960	2983	3006	3029
	Percentage change, annual rate	3.1	3.2	3.2	3.1	3.1	3.2
Imports	Billions of 2012 dollars	3985	4014	4043	4072	4099	4130
	Percentage change, annual rate	2.5	3.0	2.9	2.9	2.7	3.1

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4
Output							
Gross Domestic Product (GDP)	Billions of dollars	26020	26274	26529	26785	27036	27286
	Percentage change, annual rate	4.0	4.0	3.9	3.9	3.8	3.8
Gross National Product (GNP)	Billions of dollars	26205	26461	26716	26973	27226	27479
	Percentage change, annual rate	4.0	4.0	3.9	3.9	3.8	3.8
Potential GDP	Billions of dollars	26151	26406	26662	26920	27178	27438
	Percentage change, annual rate	4.0	4.0	3.9	3.9	3.9	3.9
Real GDP	Billions of 2012 dollars	20817	20912	21008	21103	21192	21280
	Percentage change, annual rate	1.9	1.9	1.8	1.8	1.7	1.7
Real GNP	Billions of 2012 dollars	20968	21063	21158	21253	21343	21432
	Percentage change, annual rate	1.9	1.8	1.8	1.8	1.7	1.7
Real Potential GDP	Billions of 2012 dollars	20921	21018	21113	21209	21304	21399
	Percentage change, annual rate	1.9	1.9	1.8	1.8	1.8	1.8
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	16167	16253	16339	16426	16506	16586
	Percentage change, annual rate	2.2	2.2	2.1	2.1	2.0	1.9
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	122.8	123.4	124.0	124.6	125.2	125.8
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	124.8	125.4	126.0	126.6	127.3	127.9
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	291.0	292.7	294.4	296.1	297.8	299.5
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.3	2.3
CPI-U, Excluding Food and Energy	1982-84=100	299.1	300.8	302.6	304.3	306.0	307.8
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.3	2.3
Chained CPI-U	Dec 1999=100	163.0	163.1	164.1	165.9	166.4	166.5
	Percentage change, annual rate	1.3	0.3	2.4	4.5	1.3	0.3
GDP Price Index	2012=100	125.0	125.6	126.3	126.9	127.6	128.2
	Percentage change, annual rate	2.1	2.1	2.1	2.1	2.1	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	163.8	165.1	166.4	167.7	168.9	170.2
	Percentage change, annual rate	3.2	3.1	3.1	3.1	3.1	3.1
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	62.9	63.5	64.1	64.8	65.4	66.0
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	62.7	63.3	63.9	64.5	65.1	65.7
Price of Natural Gas, Henry Hub	Dollars per MMBtu	2.7	2.8	3.0	2.8	2.8	2.9
FHFA House Price Index, Purchase Only	1991Q1=100	316.3	318.8	321.3	323.8	326.3	328.9
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	183.7	183.4	183.1	182.8	182.5	182.2
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.8	4.8	4.8	4.8	4.8	4.8
Labor Force, Civilian, 16 Years or Older	Millions	168	168	168	168	168	169
	Percentage change, annual rate	0.4	0.4	0.4	0.4	0.4	0.4
Labor Force Participation Rate, 16 Years or Older	Percent	61.9	61.9	61.8	61.8	61.7	61.6
Potential Labor Force Participation Rate	Percent	61.9	61.8	61.8	61.8	61.7	61.7
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	160	160	160	160	160	160
	Percentage change, annual rate	0.4	0.4	0.4	0.4	0.4	0.3
Employment, Total Nonfarm (Establishment Survey)	Millions	154	154	154	155	155	155
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.4	0.4
Labor Productivity Index (Nonfarm Business Sector)	2012=100	118	118	119	119	120	120
	Percentage change, annual rate	1.8	1.8	1.8	1.8	1.8	1.8
Hours of All Persons (Nonfarm Business Sector)	2012=100	114.3	114.4	114.4	114.5	114.6	114.6
	Percentage change, annual rate	0.3	0.3	0.3	0.3	0.2	0.1
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	271	271	272	272	273	273
	Percentage change, annual rate	0.8	0.8	0.8	0.8	0.8	0.8
Households (Total Occupied Housing Units)	Millions	128	129	129	129	129	130
Interest Rates							
10-Year Treasury Note	Percent	3.7	3.7	3.7	3.7	3.7	3.7
3-Month Treasury Bill	Percent	2.7	2.8	2.7	2.7	2.7	2.7
Federal Funds Rate	Percent	3.0	3.0	3.0	3.0	3.0	3.0
Income							
Income, Personal	Billions of dollars	23024	23248	23515	23744	23978	24210
	Percentage of GDP	88.5	88.5	88.6	88.6	88.7	88.7
Compensation of Employees, Paid	Billions of dollars	14005	14149	14289	14430	14571	14715

	Percentage of GDP	53.8	53.8	53.9	53.9	53.9	53.9
Wages and Salaries	Billions of dollars	11388	11501	11614	11728	11842	11956
	Percentage of GDP	43.8	43.8	43.8	43.8	43.8	43.8
Nonwage Income	Billions of dollars	6595	6653	6712	6770	6833	6896
	Percentage of GDP	25.3	25.3	25.3	25.3	25.3	25.3
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	87	88	89	90	90	91
	Percentage of GDP	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1973	1994	2014	2034	2053	2072
	Percentage of GDP	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	816	822	819	825	831	837
	Percentage of GDP	3.1	3.1	3.1	3.1	3.1	3.1
Interest income, personal	Billions of dollars	2418	2443	2479	2505	2536	2567
	Percentage of GDP	9.3	9.3	9.3	9.4	9.4	9.4
Dividend income, personal	Billions of dollars	1301	1306	1311	1317	1323	1329
	Percentage of GDP	5.0	5.0	4.9	4.9	4.9	4.9
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2485	2511	2537	2559	2577	2597
	Percentage of GDP	9.6	9.6	9.6	9.6	9.5	9.5
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	2044	2069	2093	2114	2129	2146
	Percentage of GDP	7.9	7.9	7.9	7.9	7.9	7.9
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	18041	18225	18416	18604	18789	18970
	Percentage change, annual rate	4.1	4.1	4.3	4.2	4.0	3.9
Gross Private Domestic Investment	Billions of dollars	4564	4608	4643	4683	4721	4763
	Percentage change, annual rate	3.9	3.9	3.1	3.5	3.4	3.6
Nonresidential fixed investment	Billions of dollars	3396	3431	3459	3492	3525	3558
	Percentage change, annual rate	4.0	4.2	3.2	3.9	3.8	3.8
Residential fixed investment	Billions of dollars	1119	1127	1134	1140	1147	1156
	Percentage change, annual rate	3.1	2.8	2.5	2.3	2.2	3.2
Change in private inventories	Billions of dollars	48	50	51	51	50	50
Government Consumption Expenditures and Gross Investmen	Billions of dollars	4210	4243	4276	4310	4343	4377
	Percentage change, annual rate	3.3	3.2	3.2	3.1	3.2	3.1
Federal	Billions of dollars	1449	1457	1465	1473	1481	1489
	Percentage change, annual rate	2.5	2.2	2.2	2.2	2.2	2.2
State and local	Billions of dollars	2761	2786	2812	2837	2863	2888
	Percentage change, annual rate	3.7	3.7	3.7	3.6	3.6	3.6
Net Exports of Goods and Services	Billions of dollars	-795	-802	-806	-811	-818	-824
Exports	Billions of dollars	3301	3340	3380	3420	3460	3500
	Percentage change, annual rate	4.8	4.8	4.9	4.8	4.8	4.8
Imports	Billions of dollars	4096	4141	4185	4231	4278	4324
	Percentage change, annual rate	4.6	4.5	4.3	4.4	4.5	4.4
Memorandum: Balance on Current Account	Billions of dollars	-787	-793	-799	-805	-812	-814
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	14696	14773	14853	14931	15006	15076
	Percentage change, annual rate	2.1	2.1	2.2	2.1	2.0	1.9
Gross Private Domestic Investment	Billions of 2012 dollars	3907	3931	3946	3966	3984	4005
	Percentage change, annual rate	2.4	2.4	1.6	2.0	1.9	2.1
Nonresidential fixed investment	Billions of 2012 dollars	3105	3129	3147	3170	3192	3215
	Percentage change, annual rate	3.1	3.2	2.3	2.9	2.9	2.8
Residential fixed investment	Billions of 2012 dollars	735	735	734	732	731	732
	Percentage change, annual rate	0.0	-0.3	-0.5	-0.7	-0.7	0.3
Change in private inventories	Billions of 2012 dollars	42	44	44	44	43	42
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3270	3274	3277	3281	3285	3288
	Percentage change, annual rate	0.6	0.5	0.5	0.4	0.4	0.4
Federal	Billions of 2012 dollars	1200	1201	1201	1201	1202	1202
	Percentage change, annual rate	0.4	0.1	0.1	0.2	0.2	0.2
State and local	Billions of 2012 dollars	2064	2067	2070	2074	2077	2080
	Percentage change, annual rate	0.7	0.6	0.6	0.6	0.6	0.6
Net Exports of Goods and Services	Billions of 2012 dollars	-1109	-1117	-1123	-1130	-1138	-1146
Exports	Billions of 2012 dollars	3052	3076	3100	3124	3147	3171
	Percentage change, annual rate	3.1	3.1	3.2	3.1	3.1	3.1
Imports	Billions of 2012 dollars	4161	4193	4223	4253	4286	4317
	Percentage change, annual rate	3.1	3.1	2.9	2.9	3.1	2.9

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2026Q1	2026Q2	2026Q3	2026Q4	2027Q1	2027Q2
Output							
Gross Domestic Product (GDP)	Billions of dollars	27538	27792	28053	28320	28595	28876
	Percentage change, annual rate	3.7	3.7	3.8	3.9	3.9	4.0
Gross National Product (GNP)	Billions of dollars	27731	27985	28245	28513	28788	29069
	Percentage change, annual rate	3.7	3.7	3.8	3.9	3.9	4.0
Potential GDP	Billions of dollars	27700	27963	28228	28494	28764	29037
	Percentage change, annual rate	3.9	3.8	3.8	3.8	3.8	3.8
Real GDP	Billions of 2012 dollars	21368	21456	21548	21644	21744	21847
	Percentage change, annual rate	1.7	1.7	1.7	1.8	1.9	1.9
Real GNP	Billions of 2012 dollars	21519	21605	21696	21791	21890	21991
	Percentage change, annual rate	1.6	1.6	1.7	1.8	1.8	1.9
Real Potential GDP	Billions of 2012 dollars	21494	21588	21682	21777	21872	21968
	Percentage change, annual rate	1.8	1.8	1.8	1.8	1.8	1.8
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	16665	16745	16829	16918	17011	17106
	Percentage change, annual rate	1.9	1.9	2.0	2.1	2.2	2.3
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	126.5	127.1	127.7	128.3	129.0	129.6
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	128.5	129.1	129.8	130.4	131.0	131.7
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	301.2	303.0	304.7	306.5	308.3	310.1
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.3	2.3
CPI-U, Excluding Food and Energy	1982-84=100	309.5	311.3	313.1	314.9	316.7	318.5
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.3	2.3
Chained CPI-U	Dec 1999=100	167.5	169.4	169.9	170.1	171.1	173.0
	Percentage change, annual rate	2.4	4.5	1.3	0.3	2.4	4.5
GDP Price Index	2012=100	128.9	129.5	130.2	130.8	131.5	132.2
	Percentage change, annual rate	2.1	2.0	2.0	2.0	2.0	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	171.5	172.8	174.1	175.5	176.8	178.1
	Percentage change, annual rate	3.1	3.1	3.1	3.1	3.1	3.1
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	66.6	67.3	67.9	68.6	69.2	69.9
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	66.3	67.0	67.6	68.2	68.9	69.5
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.2	2.9	2.9	3.0	3.2	2.9
FHFA House Price Index, Purchase Only	1991Q1=100	331.5	334.1	336.7	339.3	341.8	344.2
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	181.9	181.7	181.4	181.1	180.9	180.6
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.8	4.8	4.8	4.8	4.8	4.8
Labor Force, Civilian, 16 Years or Older	Millions	169	169	169	169	169	169
	Percentage change, annual rate	0.4	0.3	0.3	0.3	0.4	0.4
Labor Force Participation Rate, 16 Years or Older	Percent	61.6	61.5	61.5	61.4	61.4	61.3
Potential Labor Force Participation Rate	Percent	61.6	61.6	61.5	61.5	61.4	61.4
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	161	161	161	161	161	161
	Percentage change, annual rate	0.3	0.3	0.3	0.3	0.4	0.4
Employment, Total Nonfarm (Establishment Survey)	Millions	155	155	155	156	156	156
	Percentage change, annual rate	0.4	0.4	0.4	0.4	0.4	0.5
Labor Productivity Index (Nonfarm Business Sector)	2012=100	121	121	122	122	123	124
	Percentage change, annual rate	1.8	1.8	1.9	1.9	1.9	1.9
Hours of All Persons (Nonfarm Business Sector)	2012=100	114.6	114.7	114.7	114.8	114.9	115.0
	Percentage change, annual rate	0.1	0.1	0.2	0.2	0.3	0.4
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	274	274	275	275	276	276
	Percentage change, annual rate	0.7	0.7	0.7	0.7	0.7	0.7
Households (Total Occupied Housing Units)	Millions	130	130	130	131	131	131
Interest Rates							
10-Year Treasury Note	Percent	3.7	3.7	3.7	3.7	3.7	3.7
3-Month Treasury Bill	Percent	2.7	2.7	2.7	2.7	2.7	2.8
Federal Funds Rate	Percent	3.0	3.0	3.0	3.0	3.0	3.1
Income							
Income, Personal	Billions of dollars	24491	24727	24965	25204	25489	25737
	Percentage of GDP	88.9	89.0	89.0	89.0	89.1	89.1
Compensation of Employees, Paid	Billions of dollars	14856	14998	15141	15288	15436	15587

	Percentage of GDP	53.9	54.0	54.0	54.0	54.0	54.0
Wages and Salaries	Billions of dollars	12069	12184	12299	12417	12537	12660
	Percentage of GDP	43.8	43.8	43.8	43.8	43.8	43.8
Nonwage Income	Billions of dollars	6960	7023	7087	7151	7219	7289
	Percentage of GDP	25.3	25.3	25.3	25.3	25.2	25.2
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	92	93	93	94	95	96
	Percentage of GDP	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	2091	2111	2131	2151	2173	2195
	Percentage of GDP	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	835	842	849	854	857	863
	Percentage of GDP	3.0	3.0	3.0	3.0	3.0	3.0
Interest income, personal	Billions of dollars	2604	2631	2659	2688	2717	2744
	Percentage of GDP	9.5	9.5	9.5	9.5	9.5	9.5
Dividend income, personal	Billions of dollars	1338	1346	1355	1365	1377	1391
	Percentage of GDP	4.9	4.8	4.8	4.8	4.8	4.8
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2619	2640	2663	2697	2731	2764
	Percentage of GDP	9.5	9.5	9.5	9.5	9.6	9.6
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	2165	2181	2201	2231	2262	2290
	Percentage of GDP	7.9	7.8	7.8	7.9	7.9	7.9
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	19163	19346	19531	19721	19923	20124
	Percentage change, annual rate	4.1	3.9	3.9	3.9	4.2	4.1
Gross Private Domestic Investment	Billions of dollars	4794	4838	4883	4930	4970	5016
	Percentage change, annual rate	2.6	3.7	3.8	3.9	3.3	3.8
Nonresidential fixed investment	Billions of dollars	3584	3617	3651	3686	3715	3751
	Percentage change, annual rate	3.0	3.7	3.8	3.9	3.2	4.0
Residential fixed investment	Billions of dollars	1165	1176	1187	1198	1207	1215
	Percentage change, annual rate	3.3	3.7	3.9	3.8	2.9	2.6
Change in private inventories	Billions of dollars	45	45	45	46	48	51
Government Consumption Expenditures and Gross Investmen	Billions of dollars	4411	4445	4480	4514	4549	4584
	Percentage change, annual rate	3.1	3.1	3.2	3.1	3.1	3.1
Federal	Billions of dollars	1497	1505	1514	1523	1532	1541
	Percentage change, annual rate	2.2	2.2	2.4	2.3	2.4	2.4
State and local	Billions of dollars	2914	2940	2966	2991	3017	3043
	Percentage change, annual rate	3.6	3.6	3.6	3.5	3.5	3.5
Net Exports of Goods and Services	Billions of dollars	-830	-836	-841	-844	-846	-848
Exports	Billions of dollars	3542	3583	3625	3668	3711	3753
	Percentage change, annual rate	4.8	4.8	4.8	4.8	4.7	4.7
Imports	Billions of dollars	4371	4419	4466	4512	4557	4601
	Percentage change, annual rate	4.4	4.4	4.3	4.2	4.0	3.9
Memorandum: Balance on Current Account	Billions of dollars	-821	-831	-838	-842	-846	-850
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	15154	15224	15294	15367	15448	15528
	Percentage change, annual rate	2.1	1.9	1.9	1.9	2.1	2.1
Gross Private Domestic Investment	Billions of 2012 dollars	4017	4039	4062	4087	4105	4129
	Percentage change, annual rate	1.2	2.2	2.3	2.4	1.8	2.3
Nonresidential fixed investment	Billions of 2012 dollars	3231	3254	3276	3300	3318	3343
	Percentage change, annual rate	2.0	2.8	2.8	2.9	2.2	3.0
Residential fixed investment	Billions of 2012 dollars	733	734	736	737	737	736
	Percentage change, annual rate	0.4	0.8	0.9	0.8	0.0	-0.4
Change in private inventories	Billions of 2012 dollars	38	38	37	38	40	42
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3292	3295	3299	3303	3307	3311
	Percentage change, annual rate	0.4	0.4	0.5	0.5	0.5	0.5
Federal	Billions of 2012 dollars	1203	1204	1205	1206	1207	1208
	Percentage change, annual rate	0.2	0.2	0.4	0.3	0.4	0.4
State and local	Billions of 2012 dollars	2082	2085	2088	2091	2094	2096
	Percentage change, annual rate	0.6	0.5	0.5	0.5	0.5	0.5
Net Exports of Goods and Services	Billions of 2012 dollars	-1153	-1161	-1167	-1172	-1176	-1179
Exports	Billions of 2012 dollars	3196	3220	3245	3270	3295	3320
	Percentage change, annual rate	3.1	3.1	3.1	3.1	3.1	3.1
Imports	Billions of 2012 dollars	4349	4381	4412	4442	4471	4499
	Percentage change, annual rate	3.0	3.0	2.9	2.7	2.6	2.6

Source: Congressional Budget Office

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Quarterly)

	Units	2027Q3	2027Q4	2028Q1	2028Q2	2028Q3	2028Q4
Output							
Gross Domestic Product (GDP)	Billions of dollars	29159	29441	29720	30001	30285	30571
	Percentage change, annual rate	4.0	3.9	3.8	3.8	3.8	3.8
Gross National Product (GNP)	Billions of dollars	29351	29634	29913	30194	30478	30764
	Percentage change, annual rate	3.9	3.9	3.8	3.8	3.8	3.8
Potential GDP	Billions of dollars	29312	29589	29870	30152	30437	30724
	Percentage change, annual rate	3.8	3.8	3.8	3.8	3.8	3.8
Real GDP	Billions of 2012 dollars	21949	22050	22147	22244	22341	22439
	Percentage change, annual rate	1.9	1.8	1.8	1.8	1.8	1.8
Real GNP	Billions of 2012 dollars	22092	22192	22288	22384	22480	22576
	Percentage change, annual rate	1.9	1.8	1.7	1.7	1.7	1.7
Real Potential GDP	Billions of 2012 dollars	22064	22161	22258	22356	22453	22551
	Percentage change, annual rate	1.8	1.8	1.8	1.8	1.8	1.8
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	17202	17296	17386	17476	17567	17658
	Percentage change, annual rate	2.3	2.2	2.1	2.1	2.1	2.1
Prices							
Price Index, Personal Consumption Expenditures (PCE)	2012=100	130.2	130.9	131.5	132.2	132.8	133.5
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	132.3	133.0	133.6	134.3	134.9	135.6
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	311.9	313.7	315.5	317.3	319.2	321.0
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.4	2.4
CPI-U, Excluding Food and Energy	1982-84=100	320.4	322.2	324.1	325.9	327.8	329.7
	Percentage change, annual rate	2.3	2.3	2.3	2.3	2.3	2.3
Chained CPI-U	Dec 1999=100	173.5	173.7	174.7	176.6	177.2	177.4
	Percentage change, annual rate	1.3	0.3	2.4	4.5	1.3	0.3
GDP Price Index	2012=100	132.8	133.5	134.2	134.9	135.6	136.2
	Percentage change, annual rate	2.0	2.0	2.0	2.0	2.0	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	179.5	180.8	182.2	183.6	185.0	186.4
	Percentage change, annual rate	3.1	3.1	3.1	3.1	3.1	3.1
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	70.5	71.2	71.6	72.1	72.5	72.9
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	70.2	70.8	71.2	71.7	72.1	72.5
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.0	3.1	3.3	3.0	3.1	3.3
FHFA House Price Index, Purchase Only	1991Q1=100	346.6	349.0	352.2	355.0	357.9	360.8
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	180.4	180.1	179.8	179.6	179.3	179.0
Labor							
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.8	4.8	4.8	4.7	4.7	4.7
Labor Force, Civilian, 16 Years or Older	Millions	170	170	170	170	170	170
	Percentage change, annual rate	0.4	0.4	0.4	0.4	0.4	0.4
Labor Force Participation Rate, 16 Years or Older	Percent	61.3	61.2	61.2	61.2	61.1	61.1
Potential Labor Force Participation Rate	Percent	61.3	61.3	61.3	61.2	61.2	61.2
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	161	162	162	162	162	162
	Percentage change, annual rate	0.4	0.5	0.4	0.4	0.4	0.5
Employment, Total Nonfarm (Establishment Survey)	Millions	156	156	156	157	157	157
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.5	0.5
Labor Productivity Index (Nonfarm Business Sector)	2012=100	124	125	125	126	126	127
	Percentage change, annual rate	1.9	1.8	1.8	1.8	1.8	1.8
Hours of All Persons (Nonfarm Business Sector)	2012=100	115.1	115.2	115.3	115.4	115.5	115.6
	Percentage change, annual rate	0.4	0.4	0.3	0.3	0.3	0.3
Population							
Noninstitutional Population, Civilian, 16 Years or Older	Millions	277	277	278	278	279	279
	Percentage change, annual rate	0.7	0.7	0.6	0.6	0.6	0.6
Households (Total Occupied Housing Units)	Millions	131	132	132	132	133	133
Interest Rates							
10-Year Treasury Note	Percent	3.7	3.7	3.7	3.7	3.7	3.7
3-Month Treasury Bill	Percent	2.8	2.8	2.8	2.8	2.8	2.8
Federal Funds Rate	Percent	3.1	3.1	3.1	3.1	3.1	3.1
Income							
Income, Personal	Billions of dollars	25988	26251	26569	26846	27127	27397
	Percentage of GDP	89.1	89.2	89.4	89.5	89.6	89.6
Compensation of Employees, Paid	Billions of dollars	15740	15895	16050	16207	16365	16527

	Percentage of GDP	54.0	54.0	54.0	54.0	54.0	54.1
Wages and Salaries	Billions of dollars	12784	12909	13035	13162	13290	13419
	Percentage of GDP	43.8	43.8	43.9	43.9	43.9	43.9
Nonwage Income	Billions of dollars	7359	7431	7506	7580	7655	7726
	Percentage of GDP	25.2	25.2	25.3	25.3	25.3	25.3
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	97	97	98	99	100	100
	Percentage of GDP	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	2217	2239	2261	2283	2305	2328
	Percentage of GDP	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	869	874	879	885	891	897
	Percentage of GDP	3.0	3.0	3.0	2.9	2.9	2.9
Interest income, personal	Billions of dollars	2772	2800	2832	2862	2893	2919
	Percentage of GDP	9.5	9.5	9.5	9.5	9.6	9.5
Dividend income, personal	Billions of dollars	1405	1420	1435	1451	1467	1483
	Percentage of GDP	4.8	4.8	4.8	4.8	4.8	4.8
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2795	2835	2863	2888	2912	2945
	Percentage of GDP	9.6	9.6	9.6	9.6	9.6	9.6
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	2318	2353	2377	2397	2416	2444
	Percentage of GDP	7.9	8.0	8.0	8.0	8.0	8.0
Components of GDP (Nominal)							
Personal Consumption Expenditures	Billions of dollars	20326	20526	20728	20929	21133	21337
	Percentage change, annual rate	4.1	4.0	4.0	3.9	3.9	3.9
Gross Private Domestic Investment	Billions of dollars	5062	5109	5153	5199	5247	5296
	Percentage change, annual rate	3.7	3.7	3.5	3.6	3.7	3.8
Nonresidential fixed investment	Billions of dollars	3788	3826	3863	3903	3945	3987
	Percentage change, annual rate	4.0	4.1	4.0	4.2	4.3	4.4
Residential fixed investment	Billions of dollars	1221	1228	1234	1240	1246	1253
	Percentage change, annual rate	2.3	2.1	2.0	2.0	2.1	2.3
Change in private inventories	Billions of dollars	53	55	56	56	56	55
Government Consumption Expenditures and Gross Investmen	Billions of dollars	4620	4655	4691	4727	4763	4799
	Percentage change, annual rate	3.1	3.1	3.1	3.1	3.1	3.1
Federal	Billions of dollars	1551	1560	1570	1580	1591	1601
	Percentage change, annual rate	2.5	2.5	2.6	2.6	2.6	2.6
State and local	Billions of dollars	3069	3095	3121	3147	3173	3199
	Percentage change, annual rate	3.5	3.4	3.4	3.4	3.3	3.3
Net Exports of Goods and Services	Billions of dollars	-848	-849	-851	-855	-858	-862
Exports	Billions of dollars	3797	3841	3885	3930	3975	4022
	Percentage change, annual rate	4.7	4.7	4.7	4.7	4.7	4.7
Imports	Billions of dollars	4645	4690	4737	4785	4834	4884
	Percentage change, annual rate	3.9	3.9	4.0	4.1	4.2	4.2
Memorandum: Balance on Current Account	Billions of dollars	-853	-855	-861	-866	-872	-879
Components of GDP (Real)							
Personal Consumption Expenditures	Billions of 2012 dollars	15606	15683	15759	15834	15909	15984
	Percentage change, annual rate	2.0	2.0	1.9	1.9	1.9	1.9
Gross Private Domestic Investment	Billions of 2012 dollars	4152	4175	4196	4219	4243	4267
	Percentage change, annual rate	2.3	2.3	2.1	2.2	2.2	2.3
Nonresidential fixed investment	Billions of 2012 dollars	3368	3393	3419	3446	3475	3504
	Percentage change, annual rate	3.0	3.1	3.0	3.3	3.3	3.4
Residential fixed investment	Billions of 2012 dollars	735	734	732	731	729	728
	Percentage change, annual rate	-0.6	-0.8	-0.9	-0.8	-0.8	-0.5
Change in private inventories	Billions of 2012 dollars	44	45	46	45	45	44
Government Consumption Expenditures and Gross Investmen	Billions of 2012 dollars	3315	3319	3323	3327	3331	3335
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.5	0.4
Federal	Billions of 2012 dollars	1209	1211	1213	1214	1216	1218
	Percentage change, annual rate	0.5	0.5	0.5	0.6	0.6	0.6
State and local	Billions of 2012 dollars	2099	2101	2104	2106	2108	2110
	Percentage change, annual rate	0.5	0.5	0.5	0.5	0.4	0.4
Net Exports of Goods and Services	Billions of 2012 dollars	-1182	-1185	-1190	-1195	-1201	-1207
Exports	Billions of 2012 dollars	3346	3371	3397	3423	3450	3476
	Percentage change, annual rate	3.1	3.1	3.1	3.1	3.1	3.1
Imports	Billions of 2012 dollars	4528	4556	4587	4618	4650	4683
	Percentage change, annual rate	2.5	2.6	2.7	2.8	2.8	2.8

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Fınance Agency; IVA = invento

January 2019 Baseline Economic Forecast—Data Release (Calendar Year)

	Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Output														
Gross Domestic Product (GDP)	Billions of dollars	19485	20503	21478	22326	23145	23996	24907	25894	26909	27926	29018	30144	31299
	Percentage change, annual rate	4.2	5.2	4.8	3.9	3.7	3.7	3.8	4.0	3.9	3.8	3.9	3.9	3.8
Gross National Product (GNP)	Billions of dollars	19729	20761	21672	22498	23311	24164	25079	26077	27099	28119	29211	30337	31492
	Percentage change, annual rate	4.3	5.2	4.4	3.8	3.6	3.7	3.8	4.0	3.9	3.8	3.9	3.9	3.8
Potential GDP	Billions of dollars	19615	20428	21294	22183	23096	24038	25018	26025	27050	28096	29175	30296	31456
	Percentage change, annual rate	3.6	4.1	4.2	4.2	4.1	4.1	4.1	4.0	3.9	3.9	3.8	3.8	3.8
Real GDP	Billions of 2012 dollars	18051	18574	19070	19431	19740	20056	20393	20768	21146	21504	21898	22293	22684
	Percentage change, annual rate	2.2	2.9	2.7	1.9	1.6	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8
Real GNP	Billions of 2012 dollars	18284	18820	19254	19590	19890	20203	20538	20918	21297	21653	22041	22432	22818
	Percentage change, annual rate	2.3	2.9	2.3	1.7	1.5	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.7
Real Potential GDP	Billions of 2012 dollars	18173	18511	18906	19307	19698	20091	20484	20873	21256	21635	22016	22405	22798
	Percentage change, annual rate	1.7	1.9	2.1	2.1	2.0	2.0	2.0	1.9	1.8	1.8	1.8	1.8	1.8
Real Gross Value Added: Nonfarm Business	Billions of 2012 dollars	13700	14183	14629	14948	15217	15493	15788	16123	16464	16789	17154	17522	17889
	Percentage change, annual rate	2 7	3.5	3.1	2.2	1.8	1.8	1.9	2.1	2.1	2.0	2.2	2.1	2.1
Prices														
Price Index, Personal Consumption Expenditures (PCE)	2012=100	106.1	108.3	110.3	112.7	115.1	117.5	120.0	122.5	124.9	127.4	129.9	132.5	135.2
	Percentage change, annual rate	1.8	2.1	1.9	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	108.0	110.0	112.2	114.7	117.1	119.6	122.0	124.5	127.0	129.4	132.0	134.6	137.3
	Percentage change, annual rate	1.6	1.9	2.0	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	245.1	251.2	256.5	263.1	269.8	276.6	283.4	290.1	296.9	303.9	311.0	318.3	325.8
	Percentage change, annual rate	2.1	2.5	2.1	2.6	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.4
CPI-U, Excluding Food and Energy	1982-84=100	252.2	257.6	263.7	270.7	277.8	284.7	291.4	298.3	305.2	312.2	319.5	326.9	334.6
	Percentage change, annual rate	1.8	2.1	2.4	2.6	2.6	2.5	2.4	2.3	2.3	2.3	2.3	2.3	2.4
Chained CPI-U	Dec 1999=100	139.0	142.1	144.8	148.2	151.8	155.3	158.8	162.3	165.7	169.2	172.8	176.5	180.2
	Percentage change, annual rate	1.8	2.2	1.9	2.4	2.4	2.3	2.3	2.2	2.1	2.1	2.1	2.1	2.1
GDP Price Index	2012=100	107.9	110.4	112.6	114.9	117.2	119.6	122.1	124.7	127.3	129.9	132.5	135.2	138.0
	Percentage change, annual rate	1.9	2.2	2.1	2.0	2.0	2.0	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	129.5	133.4	137.9	142.9	148.1	153.1	158.1	163.2	168.3	173.5	178.8	184.3	189.9
	Percentage change, annual rate	2.6	3.0	3.4	3.6	3.6	3.4	3.3	3.2	3.1	3.1	3.1	3.1	3.1
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	49.2	62.8	59.6	59.4	59.2	59.4	60.4	62.6	65.1	67.6	70.2	72.3	73.8
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	50.9	66.1	57.8	58.7	58.9	59.2	60.3	62.4	64.8	67.3	69.8	71.9	73.4
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.0	3.2	3.2	2.7	2.6	2.7	2.7	2.8	2.9	3.0	3.1	3.2	3.3
FHFA House Price Index, Purchase Only	1991Q1=100	245.4	261.4	272.0	279.7	287.2	295.3	304.9	315.0	325.1	335.4	345.4	356.5	368.2
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	188.6	187.1	191.8	190.0	188.2	186.6	185.1	183.8	182.6	181.5	180.5	179.4	178.3
Labor														
Unemployment Rate, Civilian, 16 Years or Older	Percent	4.4	3.9	3.5	3.7	4.2	4.6	4.8	4.8	4.8	4.8	4.8	4.7	4.7
Labor Force, Civilian, 16 Years or Older	Millions	160	162	163	164	165	166	167	168	168	169	170	170	171
	Percentage change, annual rate	0.7	1.0	0.7	0.8	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Labor Force Participation Rate, 16 Years or Older	Percent	62.8	62.8	62.8	62.8	62.7	62.5	62.2	62.0	61.7	61.5	61.3	61.1	61.0
Potential Labor Force Participation Rate	Percent	63.1	63.0	62.8	62.7	62.5	62.3	62.1	61.9	61.7	61.5	61.4	61.2	61.1
Employment, Civilian, 16 Years or Older (Household Survey)	Millions	153	156	157	158	158	158	159	160	160	161	161	162	163

	Percentage change, annual rate	1.3	1.5	1.1	0.6	0.1	0.0	0.3	0.4	0.4	0.3	0.4	0.4	0.5
Employment, Total Nonfarm (Establishment Survey)	Millions	147	149	151	152	153	153	153	154	155	155	156	157	158
	Percentage change, annual rate	1.6	1.6	1.4	0.8	0.3	0.1	0.3	0.5	0.5	0.4	0.4	0.5	0.5
Labor Productivity Index (Nonfarm Business Sector)	2012=100	103.9	105.3	107.1	108.8	110.9	113.1	115.2	117.3	119.4	121.6	123.8	126.1	128.3
	Percentage change, annual rate	1.1	1.3	1.7	1.6	1.9	2.0	1.8	1.8	1.8	1.8	1.9	1.8	1.8
Hours of All Persons (Nonfarm Business Sector)	2012=100	109.5	111.9	113.5	114.1	114.0	113.8	113.9	114.2	114.5	114.7	115.0	115.4	115.8
	Percentage change, annual rate	1.6	2.2	1.4	0.5	-0.1	-0.2	0.1	0.3	0.3	0.1	0.3	0.3	0.3
Population														
Noninstitutional Population, Civilian, 16 Years or Older	Millions	255	258	260	262	264	266	268	271	273	275	277	278	280
	Percentage change, annual rate	0.6	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.6	0.6
Households (Total Occupied Housing Units)	Millions	120	121	122	124	125	126	127	128	129	130	131	132	133
Interest Rates														
10-Year Treasury Note	Percent	2.3	2.9	3.4	3.6	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.7	3.8
3-Month Treasury Bill	Percent	0.9	1.9	2.8	3.2	3.2	3.2	3.0	2.8	2.7	2.7	2.8	2.8	2.8
Federal Funds Rate	Percent	1.0	1.8	2.9	3.4	3.4	3.4	3.3	3.1	3.0	3.0	3.1	3.1	3.1
Income														
Income, Personal	Billions of dollars	16831	17580	18464	19351	20207	21081	21977	22909	23862	24847	25866	26985	28164
	Percentage of GDP	86.4	85.7	86.0	86.7	87.3	87.9	88.2	88.5	88.7	89.0	89.1	89.5	90.0
Compensation of Employees, Paid	Billions of dollars	10407	10850	11359	11879	12376	12872	13389	13937	14501	15070	15664	16287	16933
	Percentage of GDP	53.4	52.9	52.9	53.2	53.5	53.6	53.8	53.8	53.9	54.0	54.0	54.0	54.1
Wages and Salaries	Billions of dollars	8454	8831	9254	9685	10084	10476	10890	11332	11785	12242	12722	13226	13748
	Percentage of GDP	43.4	43.1	43.1	43.4	43.6	43.7	43.7	43.8	43.8	43.8	43.8	43.9	43.9
Nonwage Income	Billions of dollars	4863	5103	5361	5617	5847	6084	6327	6564	6803	7055	7325	7617	7919
	Percentage of GDP	25.0	24.9	25.0	25.2	25.3	25.4	25.4	25.3	25.3	25.3	25.2	25.3	25.3
Proprietors' income, farm, with IVA & CCAdj	Billions of dollars	39	35	43	57	68	76	82	86	90	93	96	99	102
	Percentage of GDP	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Proprietors' income, nonfarm, with IVA & CCAdj	Billions of dollars	1462	1543	1617	1684	1748	1814	1884	1963	2043	2121	2206	2294	2385
	Percentage of GDP	7.5	7.5	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Income, rental, with CCAdj	Billions of dollars	730	762	799	807	805	800	802	814	828	845	866	888	912
	Percentage of GDP	3.7	3.7	3.7	3.6	3.5	3.3	3.2	3.1	3.1	3.0	3.0	2.9	2.9
Interest income, personal	Billions of dollars	1523	1616	1703	1833	1965	2117	2273	2402	2522	2646	2759	2876	3000
	Percentage of GDP	7.8	7.9	7.9	8.2	8.5	8.8	9.1	9.3	9.4	9.5	9.5	9.5	9.6
Dividend income, personal	Billions of dollars	1109	1147	1200	1236	1260	1276	1286	1299	1320	1351	1398	1459	1521
	Percentage of GDP	5.7	5.6	5.6	5.5	5.4	5.3	5.2	5.0	4.9	4.8	4.8	4.8	4.9
Profits, Corporate, With IVA & CCAdj	Billions of dollars	2099	2265	2335	2322	2318	2337	2381	2474	2568	2655	2781	2902	3010
	Percentage of GDP	10.8	11.0	10.9	10.4	10.0	9.7	9.6	9.6	9.5	9.5	9.6	9.6	9.6
Profits, Corporate, Domestic, With IVA & CCAdj	Billions of dollars	1651	1789	1910	1876	1872	1897	1944	2033	2120	2195	2306	2409	2496
	Percentage of GDP	8.5	8.7	8.9	8.4	8.1	7.9	7.8	7.9	7.9	7.9	7.9	8.0	8.0
Components of GDP (Nominal)														
Personal Consumption Expenditures	Billions of dollars	13321	13957	14661	15328	15913	16548	17231	17950	18695	19440	20225	21032	21857
	Percentage change, annual rate	4.3	4.8	5.0	4.5	3.8	4.0	4.1	4.2	4.1	4.0	4.0	4.0	3.9
Gross Private Domestic Investment	Billions of dollars	3368	3644	3825	3971	4115	4252	4380	4542	4703	4861	5039	5224	5424
	Percentage change, annual rate	6.2	8.2	5.0	3.8	3.6	3.3	3.0	3.7	3.5	3.4	3.7	3.7	3.8

Nonresidential fixed investment	Billions of dollars	2588	2798	2940	3041	3131	3204	3272	3381	3508	3634	3770	3925	4093
	Percentage change, annual rate	6.0	8.1	5.1	3.5	2.9	2.4	2.1	3.3	3.8	3.6	3.7	4.1	4.3
Residential fixed investment	Billions of dollars	755	797	829	885	947	1010	1070	1115	1144	1182	1218	1243	1275
	Percentage change, annual rate	8.0	5.6	4.0	6.8	7.0	6.7	5.9	4.1	2.7	3.3	3.1	2.1	2.5
Change in private inventories	Billions of dollars	26	49	56	45	38	37	38	47	50	45	52	56	56
Government Consumption Expenditures and Gross Investmer	Billions of dollars	3375	3529	3673	3728	3836	3943	4065	4194	4327	4462	4602	4745	4890
	Percentage change, annual rate	2.5	4.6	4.1	1.5	2.9	2.8	3.1	3.2	3.2	3.1	3.1	3.1	3.1
Federal	Billions of dollars	1265	1324	1378	1348	1370	1388	1415	1445	1477	1510	1546	1586	1627
	Percentage change, annual rate	2.7	4.7	4.1	-2.2	1.6	1.3	2.0	2.1	2.2	2.2	2.4	2.6	2.6
State and local	Billions of dollars	2109	2205	2295	2380	2465	2555	2650	2749	2850	2953	3056	3160	3263
	Percentage change, annual rate	2.5	4.5	4.1	3.7	3.6	3.6	3.7	3.7	3.7	3.6	3.5	3.4	3.3
Net Exports of Goods and Services	Billions of dollars	-578	-626	-681	-701	-719	-746	-769	-792	-815	-838	-848	-857	-872
Exports	Billions of dollars	2350	2533	2584	2706	2840	2982	3130	3282	3440	3604	3775	3953	4140
	Percentage change, annual rate	6.0	7.8	2.0	4.7	5.0	5.0	5.0	4.8	4.8	4.8	4.7	4.7	4.7
Imports	Billions of dollars	2929	3159	3265	3407	3559	3728	3900	4073	4254	4442	4623	4810	5012
	Percentage change, annual rate	7.0	7.9	3.4	4.3	4.5	4.7	4.6	4.4	4.5	4.4	4.1	4.0	4.2
Memorandum: Balance on Current Account	Billions of dollars	-473	-505	-622	-672	-704	-737	-765	-785	-808	-833	-851	-870	-895
Components of GDP (Real)														
Personal Consumption Expenditures	Billions of 2012 dollars	12559	12893	13294	13605	13827	14079	14359	14658	14967	15260	15566	15871	16171
	Percentage change, annual rate	2.5	2.7	3.1	2.3	1.6	1.8	2.0	2.1	2.1	2.0	2.0	2.0	1.9
Gross Private Domestic Investment	Billions of 2012 dollars	3197	3382	3503	3599	3683	3754	3813	3896	3976	4051	4140	4231	4331
	Percentage change, annual rate	4.8	5.8	3.6	2.7	2.3	1.9	1.6	2.2	2.0	1.9	2.2	2.2	2.4
Nonresidential fixed investment	Billions of 2012 dollars	2538	2713	2818	2893	2947	2988	3022	3094	3181	3265	3355	3461	3575
	Percentage change, annual rate	5.3	6.9	3.9	2.7	1.9	1.4	1.2	2.4	2.8	2.6	2.8	3.1	3.3
Residential fixed investment	Billions of 2012 dollars	611	611	617	647	679	707	728	735	732	735	736	730	727
	Percentage change, annual rate	3.3	-0.1	1.1	4.9	4.9	4.2	2.9	1.0	-0.4	0.3	0.1	-0.8	-0.4
Change in private inventories	Billions of 2012 dollars	23	41	56	43	36	34	34	41	43	38	43	45	44
Government Consumption Expenditures and Gross Investmer	Billions of 2012 dollars	3130	3184	3242	3213	3228	3237	3252	3268	3283	3297	3313	3329	3344
	Percentage change, annual rate	-0.1	1.7	1.8	-0.9	0.4	0.3	0.5	0.5	0.5	0.4	0.5	0.5	0.4
Federal	Billions of 2012 dollars	1196	1232	1261	1212	1208	1200	1199	1200	1202	1204	1209	1215	1223
	Percentage change, annual rate	0.7	3.0	2.3	-3.9	-0.3	-0.7	-0.1	0.1	0.2	0.2	0.4	0.5	0.6
State and local	Billions of 2012 dollars	1932	1951	1980	1999	2016	2032	2048	2062	2075	2087	2097	2107	2115
	Percentage change, annual rate	-0.5	1.0	1.5	1.0	0.9	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.4
Net Exports of Goods and Services	Billions of 2012 dollars	-859	-915	-1007	-1026	-1040	-1059	-1080	-1105	-1134	-1163	-1181	-1198	-1223
Exports	Billions of 2012 dollars	2450	2547	2589	2676	2767	2858	2948	3041	3135	3232	3333	3437	3544
	Percentage change, annual rate	3.0	4.0	1.6	3.4	3.4	3.3	3.2	3.1	3.1	3.1	3.1	3.1	3.1
Imports	Billions of 2012 dollars	3309	3462	3596	3702	3806	3917	4028	4146	4270	4396	4514	4635	4767
	Percentage change, annual rate	4.6	4.6	3.8	3.0	2.8	2.9	2.8	2.9	3.0	3.0	2.7	2.7	2.9

Source: Congressional Budget Office.

Actual values reflect data released as of early December 2018. Forecast values are shaded.

CCAdj = capital consumption adjustment; FHFA = Federal Housing Finance Agency; IVA = inventory valuation adjustment; MMBtu = 1 million British thermal units.

This file presents data that supplement CBO's January 2019 report *The Budget and Economic Outlook 2019 to 2029*
www.cbo.gov/publication/54918

January 2019 Baseline Economic Forecast—Data Release (Fiscal Year)

	Units	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Output														
Gross Domestic Product (GDP)	Billions of dollars	19272	20236	21252	22120	22939	23778	24672	25642	26656	27667	28738	29862	31006
	Percentage change, annual rate	3.9	5.0	5.0	4.1	3.7	3.7	3.8	3.9	4.0	3.8	3.9	3.9	3.8
Gross National Product (GNP)	Billions of dollars	19510	20505	21455	22295	23105	23946	24842	25822	26844	27860	28930	30055	31199
	Percentage change, annual rate	4.0	5.1	4.6	3.9	3.6	3.6	3.7	3.9	4.0	3.8	3.8	3.9	3.8
Potential GDP	Billions of dollars	19438	20215	21075	21959	22865	23799	24770	25771	26792	27832	28902	30012	31162
	Percentage change, annual rate	3.5	4.0	4.3	4.2	4.1	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.8
Real GDP	Billions of 2012 dollars	17941	18433	18963	19349	19664	19976	20306	20672	21054	21413	21796	22195	22585
	Percentage change, annual rate	2.1	2.7	2.9	2.0	1.6	1.6	1.7	1.8	1.8	1.7	1.8	1.8	1.8
Real GNP	Billions of 2012 dollars	18169	18689	19156	19512	19815	20123	20451	20820	21205	21563	21941	22336	22721
	Percentage change, annual rate	2.2	2.9	2.5	1.9	1.5	1.6	1.6	1.8	1.8	1.7	1.8	1.8	1.7
Real Potential GDP	Billions of 2012 dollars	18098	18420	18805	19208	19600	19993	20386	20776	21161	21541	21920	22307	22699
	Percentage change, annual rate	1.7	1.8	2.1	2.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.8	1.8
Real Gross Value Added Nonfarm Business	Billions of 2012 dollars	13596	14056	14533	14875	15150	15422	15711	16037	16381	16706	17059	17431	17796
	Percentage change, annual rate	2.5	3.4	3.4	2.4	1.8	1.8	1.9	2.1	2.1	2.0	2.1	2.2	2.1
Prices														
Price Index, Personal Consumption Expenditures (PCE)	2012=100	105.6	107.7	109.7	112.1	114.5	116.9	119.4	121.8	124.3	126.8	129.3	131.9	134.5
	Percentage change, annual rate	1.7	2.0	1.9	2.1	2.2	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0
Price Index, PCE, Excluding food and energy	2012=100	107.5	109.5	111.6	114.0	116.5	119.0	121.4	123.9	126.3	128.8	131.4	133.9	136.6
	Percentage change, annual rate	1.7	1.8	2.0	2.2	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Consumer Price Index, All Urban Consumers (CPI-U)	1982-84=100	243.9	249.7	255.1	261.4	268.1	274.9	281.7	288.5	295.2	302.1	309.2	316.4	323.9
	Percentage change, annual rate	2.1	2.4	2.2	2.4	2.6	2.5	2.5	2.4	2.3	2.3	2.3	2.3	2.4
CPI-U, Excluding Food and Energy	1982-84=100	251.1	256.2	262.0	268.9	276.0	283.0	289.7	296.6	303.4	310.4	317.6	325.0	332.6
	Percentage change, annual rate	2.0	2.0	2.3	2.6	2.6	2.5	2.4	2.4	2.3	2.3	2.3	2.3	2.3
Chained CPI-U	Dec 1999=100	138.4	141.3	144.1	147.3	150.9	154.4	158.0	161.4	164.9	168.3	171.9	175.6	179.3
	Percentage change, annual rate	1.7	2.1	2.0	2.3	2.4	2.4	2.3	2.2	2.1	2.1	2.1	2.1	2.1
GDP Price Index	2012=100	107.4	109.7	112.1	114.3	116.7	119.0	121.5	124.0	126.6	129.2	131.8	134.5	137.3
	Percentage change, annual rate	1.8	2.2	2.1	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.0	2.0	2.0
Employment Cost Index (ECI), Private Wages and Salaries	December 2005=100	128.6	132.4	136.7	141.7	146.8	151.9	156.9	161.9	167.0	172.2	177.5	182.9	188.5
	Percentage change, annual rate	2.5	2.9	3.3	3.6	3.6	3.5	3.3	3.2	3.1	3.1	3.1	3.1	3.1
Refiners' Acquisition Cost of Crude Oil, Imported	Dollars per barrel	46.6	61.0	60.2	59.5	59.2	59.3	60.1	62.0	64.5	67.0	69.6	71.8	73.4
Price of Crude Oil, West Texas Intermediate (WTI)	Dollars per barrel	49.3	64.0	59.0	58.6	58.8	59.1	59.9	61.8	64.2	66.7	69.2	71.4	73.0
Price of Natural Gas, Henry Hub	Dollars per MMBtu	3.0	2.9	3.5	2.7	2.6	2.6	2.7	2.8	2.9	3.0	3.1	3.1	3.2
FHFA House Price Index, Purchase Only	1991Q1=100	241.4	257.9	269.7	277.9	285.3	293.3	302.3	312.5	322.6	332.8	343.0	353.5	365.2
Nominal Exchange Rate Index (Export Weighted)	1970Q1=100	190.8	185.2	192.4	190.3	188.7	187.0	185.5	184.1	182.9	181.8	180.7	179.7	178.6

SELECTION CRITERIA FOR COMPARABLE COMPANIES AND EARNINGS GROWTH

	Ticker Symbol	Company	Market Cap.[1] (Millions)	LTD/Capital[1, 2]	S&P Rating[3]	Earnings Growth VL[1]	Zacks[4]	*Average*
1	LNT	Alliant Energy Corp.	$10,835	53.3%	A-	6.50%	5.40%	***5.95%***
2	AEE	Ameren Corporation	$17,386	50.3%	BBB+	6.50%	6.20%	***6.35%***
3	AEP	American Electric Power Company, Inc. (AEP)	$39,968	53.2%	A-	4.00%	5.70%	***4.85%***
4	BKH	Black Hills Corporation	$4,319	57.5%	BBB+	6.00%	4.80%	***5.40%***
5	ED	Consolidated Edison, Inc.	$24,163	48.9%	A-	3.00%	2.00%	***2.50%***
6	DTE	DTE Energy Company	$22,333	54.2%	BBB+	5.00%	6.00%	***5.50%***
7	DUK	Duke Energy Corporation	$63,090	54.0%	A-	5.50%	5.00%	***5.25%***
8	EE	El Paso Electric Company	$2,435	52.5%	BBB	4.50%	4.10%	***4.30%***
9	ES	Eversource Energy	$21,963	51.2%	A+	5.50%	5.60%	***5.55%***
10	EXC	Exelon Corporation	$45,730	52.2%	BBB+	7.50%	4.10%	***5.80%***
11	FTS	Fortis Inc.	$20,371	58.8%	A-	5.50%	4.90%	***5.20%***
12	IDA	IDACORP, Inc.	$4,911	43.6%	BBB	3.50%	3.80%	***3.65%***
13	NEE	NextEra Energy, Inc.	$85,156	52.7%	A-	9.00%	7.70%	***8.35%***
14	NWE	NorthWestern Corporation	$3,481	52.2%	BBB	3.00%	2.50%	***2.75%***
15	OGE	OGE Energy Corp.	$8,399	42.0%	BBB+	6.50%	4.60%	***5.55%***
16	OTTR	Otter Tail Corporation	$1,995	44.7%	BBB	5.00%	7.00%	***6.00%***
17	PNW	Pinnacle West Capital Corporation	$10,566	47.0%	A-	5.00%	5.00%	***5.00%***
18	POR	Portland General Electric Company	$4,519	46.5%	BBB+	4.50%	4.10%	***4.30%***
19	PEG	Public Service Enterprise Group Incorporated	$27,749	46.6%	BBB+	4.50%	6.30%	***5.40%***
20	WEC	WEC Energy Group, Inc.	$24,053	50.4%	A-	6.00%	4.40%	***5.20%***
21	XEL	Xcel Energy Inc.	$28,210	56.4%	A-	5.50%	5.90%	***5.70%***
		Averages	*$22,459*	*50.87%*		*5.33%*	*5.00%*	***5.17%***

Sources: [1] *Value Line Investment Report.* Electric Utility East (February 15, 2019), Electric Utility Central (March 15,2019), and Electric Utility West (April 26, 2019)

[2] Most recent capital structure from *Value Line Investment Report* Electric Utility East (as of 2017), Electric Utility Central (as of 2018), and Electric Utility West (as of 2018).

[3] Issuer Credit Rating from *S&P Global Ratings,* retrieved on April 23, 2019, from *S&P Global Market Intelligence* (www.snl.com)

[4] *Zacks Investment Research,* retrieved on April 22, 2019, from *www zacks com/stock/quote/*

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Source Yahoo Finance (https //finance yahoo.com/lookup/)

Workpaper JO-12

AVERAGE STOCK PRICE

	Ticker Symbol	Company	***12-week Average***	12 4/22/2019	11 4/15/2019	10 4/8/2019	9 4/1/2019	8 3/25/2019	7 3/18/2019	6 3/11/2019	5 3/4/2019	4 2/25/2019	3 2/18/2019	2 2/11/2019	1 2/4/2019
1	LNT	Alliant Energy Corp.	**$46.34**	$46.68	$45.98	$46.81	$46.74	$47.13	$47.55	$47.40	$46.25	$45.87	$45.68	$44.98	$45.00
2	AEE	Ameren Corporation	**$71.61**	$71.99	$70.48	$71.98	$72.39	$73.55	$73.75	$72.56	$71.23	$70.47	$71.71	$69.22	$70.01
3	AEP	American Electric Power Compan	**$82.59**	$84.02	$83.01	$84.15	$83.57	$83.75	$85.14	$83.81	$81.95	$81.40	$81.72	$79.27	$79.34
4	BKH	Black Hills Corporation	**$72.00**	$71.96	$71.32	$72.92	$73.84	$74.07	$72.87	$73.02	$72.81	$71.95	$71.19	$69.14	$68.93
5	ED	Consolidated Edison, Inc.	**$83.03**	$84.32	$83.61	$84.55	$84.81	$84.81	$84.91	$84.84	$83.82	$82.66	$82.10	$77.77	$78.19
6	DTE	DTE Energy Company	**$122.66**	$124.04	$123.21	$124.42	$123.98	$124.74	$124.89	$123.04	$122.26	$121.97	$122.78	$118.90	$117.66
7	DUK	Duke Energy Corporation	**$89.73**	$89.68	$89.14	$90.45	$90.53	$90.00	$90.70	$90.65	$90.20	$89.53	$89.91	$86.60	$89.36
8	EE	El Paso Electric Company	**$57.46**	$59.80	$58.90	$60.40	$60.03	$58.82	$57.55	$58.24	$58.09	$56.74	$54.67	$53.06	$53.22
9	ES	Eversource Energy	**$70.35**	$70.86	$69.96	$70.68	$71.08	$70.95	$71.69	$71.73	$69.15	$69.20	$69.76	$69.66	$69.51
10	EXC	Exelon Corporation	**$49.20**	$50.07	$49.40	$49.70	$49.90	$50.13	$50.28	$50.00	$48.78	$48.54	$48.37	$47.90	$47.36
11	FTS	Fortis Inc	**$36.41**	$36.63	$37.29	$37.50	$37.24	$36.99	$37.01	$36.68	$35.92	$35.54	$35.63	$34.84	$35.68
12	IDA	IDACORP, Inc	**$98.90**	$98.04	$97.09	$98.81	$99.24	$99.54	$100.02	$99.54	$100.34	$98.92	$99.42	$97.89	$97.91
13	NEE	NextEra Energy, Inc.	**$188.78**	$190.06	$189.36	$190.85	$190.08	$193.32	$193.93	$191.24	$188.70	$186.31	$186.88	$182.82	$181.79
14	NWE	NorthWestern Corporation	**$68.59**	$68.77	$68.24	$69.66	$70.70	$70.41	$70.65	$70.16	$69.60	$68.49	$66.86	$65.01	$64.48
15	OGE	OGE Energy Corp	**$42.09**	$42.02	$41.43	$41.80	$42.70	$42.75	$42.74	$42.74	$42.01	$42.07	$42.42	$41.52	$40.91
16	OTTR	Otter Tail Corporation	**$50.07**	$50.70	$50.50	$50.57	$50.18	$49.82	$48.58	$50.13	$50.43	$50.63	$49.94	$49.88	$49.54
17	PNW	Pinnacle West Capital Corporatio	**$93.81**	$94.80	$94.07	$95.31	$94.64	$95.58	$96.72	$96.15	$93.16	$92.78	$93.22	$89.96	$89.38
18	POR	Portland General Electric Compar	**$50.74**	$51.19	$50.26	$51.76	$51.83	$51.84	$51.38	$51.97	$51.13	$49.97	$50.10	$48.59	$48.92
19	PEG	Public Service Enterprise Group I	**$58.44**	$58.70	$58.87	$59.89	$59.70	$59.41	$59.63	$59.73	$58.41	$58.78	$56.84	$55.87	$55.44
20	WEC	WEC Energy Group, Inc	**$77.03**	$77.05	$76.29	$77.82	$78.22	$79.08	$79.33	$78.88	$77.00	$76.03	$76.64	$73.88	$74.13
21	XEL	Xcel Energy Inc	**$55.16**	$55.41	$54.68	$55.87	$55.71	$56.21	$57.07	$56.10	$55.27	$54.53	$54.87	$53.08	$53.10

[1] *Stock Prices are adjusted by Yahoo Finance to reflect the effects of the date when the next dividend is expected to be paid*

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Workpaper JO-12

00000617

FORECASTED DIVIDENDS

Ticker Symbol	Company	Growth Rate[1] (Attach. JO-2)	Next Four Quarters: Next	2nd	3rd	4th	***Total Proj. D_1***	Stock Price (Attach. JO-3)	Dividend Yield
LNT	Alliant Energy Corp.	5.95%	$0.3550	$0.3550	$0.3550	$0.3761	***$1.44***	$46.34	3.11%
AEE	Ameren Corporation	6.35%	$0.4750	$0.4750	$0.5052	$0.5052	***$1.96***	$71.61	2.74%
AEP	American Electric Power	4.85%	$0.6700	$0.6700	$0.7025	$0.7025	***$2.74***	$82.59	3.32%
BKH	Black Hills Corporation	5.40%	$0.5050	$0.5050	$0.5323	$0.5323	***$2.07***	$72.00	2.88%
ED	Consolidated Edison, Inc	2.50%	$0.7400	$0.7400	$0.7400	$0.7585	***$2.98***	$83.03	3.59%
DTE	DTE Energy Company	5.50%	$0.9450	$0.9450	$0.9450	$0.9970	***$3.83***	$122.66	3.12%
DUK	Duke Energy Corporatio	5.25%	$0.9275	$0.9762	$0.9762	$0.9762	***$3.86***	$89.73	4.30%
EE	El Paso Electric Compar	4.30%	$0.3755	$0.3755	$0.3755	$0.3755	***$1.50***	$57.46	2.61%
ES	Eversource Energy	5.55%	$0.5350	$0.5350	$0.5350	$0.5647	***$2.17***	$70.35	3.08%
EXC	Exelon Corporation	5.80%	$0.3625	$0.3625	$0.3625	$0.3835	***$1.47***	$49.20	2.99%
FTS	Fortis Inc.	5.20%	$0.4500	$0.4500	$0.4734	$0.4734	***$1.85***	$36.41	5.07%
IDA	IDACORP, Inc.	3.65%	$0.6300	$0.6300	$0.6530	$0.6530	***$2.57***	$98.90	2.59%
NEE	NextEra Energy, Inc.	8.35%	$1.2027	$1.2027	$1.2027	$1.3031	***$4.91***	$188.78	2.60%
NWE	NorthWestern Corporati	2.75%	$0.5750	$0.5750	$0.5750	$0.5908	***$2.32***	$68.59	3.38%
OGE	OGE Energy Corp.	5.55%	$0.3650	$0.3650	$0.3853	$0.3853	***$1.50***	$42.09	3.56%
OTTR	Otter Tail Corporation	6.00%	$0.3500	$0.3500	$0.3500	$0.3710	***$1.42***	$50.07	2.84%
PNW	Pinnacle West Capital C	5.00%	$0.7375	$0.7375	$0.7744	$0.7744	***$3.02***	$93.81	3.22%
POR	Portland General Electri	4.30%	$0.3625	$0.3781	$0.3781	$0.3781	***$1.50***	$50.74	2.95%
PEG	Public Service Enterpris	5.40%	$0.4743	$0.4743	$0.4743	$0.4999	***$1.92***	$58.44	3.29%
WEC	WEC Energy Group, Inc	5.20%	$0.5900	$0.5900	$0.5900	$0.6207	***$2.39***	$77.03	3.10%
XEL	Xcel Energy Inc.	5.70%	$0.4050	$0.4050	$0.4050	$0.4281	***$1.64***	$55.16	2.98%

[1] *The growth rate is applied to the quarterly dividend during the period when dividends have historically increased.*

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Workpaper JO-12

Minimum ROE	*6 40%*
1st Quartile	*6 90%*
Average ROE	***7.22%***
3rd Quartile	*7 28%*
Maximum ROE	*9 20%*

MULTI-STAGE DISCOUNTED CASH FLOW

	LNT	AEE	AEP	BKH	ED	DTE	DUK	EE	ES	EXC	FTS	IDA	NEE	NWE	OGE	OTTR	PNW	POR	PEG	WEC	XEL
Stock Price	$46 34	$71 61	$82 59	$72 00	$83 03	$122 66	$89 73	$57 46	$70 35	$49 20	$36 41	$98 90	$188 78	$68 59	$42 09	$50 07	$93 81	$50 74	$58 44	$77 03	$55 16
Div1	$1 44	$1 96	$2 74	$2 07	$2 98	$3 83	$3 86	$1 50	$2 17	$1 47	$1 85	$2 57	$4 91	$2 32	$1 50	$1 42	$3 02	$1 50	$1 92	$2 39	$1 64
5-Yr Growth	5 95%	6 35%	4 85%	5 40%	2 50%	5 50%	5 25%	4 30%	5 55%	5 80%	5 20%	3 65%	8 35%	2 75%	5.55%	6 00%	5 00%	4 30%	5 40%	5 20%	5 70%
L-t Growth	3.90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%	3 90%
Cost of Equity	***7.21%***	***6.84%***	***7 31%***	***6.90%***	***7 28%***	***7.17%***	***8.39%***	***6 49%***	***7.14%***	***7 06%***	***9.20%***	***6.40%***	***6.90%***	***7 11%***	***7.66%***	***6.92%***	***7.22%***	***6.85%***	***7.34%***	***7 12%***	***7.04%***

Cash Flows

	LNT	AEE	AEP	BKH	ED	DTE	DUK	EE	ES	EXC	FTS	IDA	NEE	NWE	OGE	OTTR	PNW	POR	PEG	WEC	XEL
2019	-$46 34	-$71 61	-$82 59	-$72 00	-$83 03	-$122 66	-$89 73	-$57 46	-$70 35	-$49 20	-$36 41	-$98 90	-$188 78	-$68 59	-$42 09	-$50 07	-$93 81	-$50 74	-$58 44	-$77.03	-$55 16
2020	$1 44	$1 96	$2 74	$2 07	$2 98	$3 83	$3 86	$1 50	$2 17	$1 47	$1 85	$2 57	$4 91	$2 32	$1 50	$1 42	$3 02	$1 50	$1 92	$2 39	$1 64
2021	$1 53	$2 08	$2 88	$2.19	$3 05	$4 04	$4 06	$1 57	$2 29	$1 56	$1 94	$2 66	$5 32	$2 38	$1 58	$1 51	$3 17	$1 56	$2 03	$2 51	$1 74
2022	$1 62	$2 22	$3 02	$2 30	$3 13	$4 27	$4 27	$1 63	$2 42	$1 65	$2 04	$2 76	$5 77	$2 44	$1 67	$1 60	$3 33	$1 63	$2 14	$2 65	$1 84
2023	$1 71	$2 36	$3 16	$2 43	$3 21	$4 50	$4 50	$1 70	$2 55	$1 74	$2 15	$2 86	$6 25	$2 51	$1 76	$1 69	$3 50	$1 70	$2 25	$2 78	$1 94
2024	$1 82	$2 51	$3 32	$2 56	$3 29	$4 75	$4 73	$1 78	$2 69	$1 84	$2 26	$2 96	$6 77	$2 58	$1 86	$1 79	$3 68	$1 77	$2 37	$2 93	$2 05
2025	$1 89	$2 61	$3 45	$2 66	$3 42	$4 93	$4 92	$1 85	$2 80	$1 92	$2 35	$3 08	$7 03	$2 68	$1 94	$1 86	$3 82	$1 84	$2 47	$3 04	$2 13
2026	$1 96	$2 71	$3 58	$2 76	$3 55	$5 12	$5 11	$1 92	$2 91	$1 99	$2 44	$3 20	$7 31	$2 79	$2 01	$1 94	$3 97	$1 91	$2 56	$3 16	$2 21
2027	$2 04	$2 81	$3 72	$2 87	$3 69	$5 32	$5 31	$1 99	$3 02	$2 07	$2 54	$3 32	$7 59	$2 90	$2 09	$2 01	$4 12	$1 99	$2 66	$3 28	$2 30
2028	$2 12	$2 92	$3 87	$2 98	$3 83	$5 53	$5 51	$2 07	$3 14	$2 15	$2 64	$3 45	$7 89	$3 01	$2 17	$2 09	$4 28	$2 06	$2 77	$3 41	$2 39
2029	$2 20	$3 04	$4 02	$3 10	$3 98	$5 75	$5 73	$2 15	$3 26	$2 23	$2 74	$3 59	$8 20	$3 13	$2 26	$2 17	$4 45	$2 14	$2 87	$3 55	$2 48
2030	$2 28	$3 15	$4 17	$3 22	$4 14	$5 97	$5 95	$2 24	$3 39	$2 32	$2 85	$3 73	$8 52	$3 25	$2 34	$2 26	$4 62	$2 23	$2 99	$3 68	$2 58
2031	$2 37	$3 28	$4 34	$3 35	$4 30	$6 20	$6 19	$2 32	$3 52	$2 41	$2 96	$3 87	$8 85	$3 37	$2 43	$2 34	$4 80	$2 32	$3 10	$3 83	$2 68
2032	$2 47	$3 41	$4 51	$3 48	$4 46	$6 45	$6 43	$2 41	$3 66	$2 50	$3 07	$4 02	$9 19	$3 51	$2 53	$2 44	$4 99	$2 41	$3 22	$3 98	$2 79
2033	$2 56	$3 54	$4 68	$3 61	$4 64	$6 70	$6 68	$2 51	$3 80	$2 60	$3 19	$4 18	$9 55	$3 64	$2 63	$2 53	$5 19	$2 50	$3 35	$4 13	$2 89
2034	$2 66	$3 68	$4 86	$3 75	$4 82	$6 96	$6 94	$2 61	$3 95	$2 70	$3 32	$4 34	$9 92	$3 78	$2 73	$2 63	$5 39	$2 60	$3 48	$4 29	$3 01
2035	$2 77	$3 82	$5 05	$3 90	$5 01	$7 23	$7 21	$2 71	$4 10	$2 81	$3 45	$4 51	$10 31	$3 93	$2 84	$2 73	$5 60	$2 70	$3 61	$4 46	$3 12
2036	$2 87	$3 97	$5 25	$4 05	$5 20	$7 51	$7 49	$2 81	$4 26	$2 92	$3 58	$4 69	$10 71	$4 09	$2 95	$2 84	$5 82	$2 80	$3 76	$4 63	$3 25
2037	$2 99	$4 12	$5 46	$4 21	$5 41	$7 81	$7 78	$2 92	$4 43	$3 03	$3 72	$4 87	$11 13	$4 24	$3 06	$2 95	$6 04	$2 91	$3 90	$4 81	$3 37
2038	$3 10	$4 28	$5 67	$4 37	$5 62	$8 11	$8 08	$3 04	$4 60	$3 15	$3 86	$5 06	$11 56	$4 41	$3 18	$3 07	$6 28	$3 03	$4 05	$5 00	$3 50
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2165	$399 85	$552 17	$730 48	$563 74	$723 91	$1,045 26	$1,041 90	$391 36	$592 96	$405 84	$498 05	$652 12	$1,490 36	$568 36	$410 08	$395 01	$809 27	$390 02	$522 51	$644 73	$451 60
2166	$415 44	$573 70	$758 97	$585 72	$752 14	$1,086 03	$1,082 54	$406 62	$616 08	$421 67	$517 48	$677 55	$1,548 49	$590 53	$426 07	$410 42	$840 84	$405 23	$542 88	$669 87	$469 21
2167	$431 65	$596 08	$788 57	$608 57	$781 48	$1,128 38	$1,124 75	$422 48	$640 11	$438 11	$537 66	$703 97	$1,608 88	$613.56	$442 69	$426 42	$873 63	$421 03	$564 06	$696 00	$487 51
2168	$448 48	$619 32	$819 32	$632 30	$811 95	$1,172 39	$1,168 62	$438 96	$665 07	$455 20	$558 63	$731 43	$1,671 63	$637 48	$459 95	$443 05	$907 70	$437 45	$586 05	$723 14	$506 52
2169	$465 97	$643 48	$851 27	$656 96	$843 62	$1,218 11	$1,214 20	$456 08	$691 01	$472 95	$580 41	$759 95	$1,736 82	$662 35	$477 89	$460 33	$943 10	$454 51	$608 91	$751 34	$526 28

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Mid-point of longer run *Change in real GDP* 1.90%
Longer run *PCE inflation* 2.00%
GDP growth 3.90%

Workpaper JO-12

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assessments of projected appropriate monetary policy, December 2018

Percent

Variable	Median[1]					Central tendency[2]					Range[3]				
	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run	2018	2019	2020	2021	Longer run
Change in real GDP	3.0	2.3	2.0	1.8	1.9	3.0 3.1	2.3 2.5	1.8 2.0	1.5 2.0	1.8 2.0	3.0 3.1	2.0 2.7	1.5 2.2	1.4 2.1	1.7 2.2
September projection	3.1	2.5	2.0	1.8	1.8	3.0 3.2	2.4 2.7	1.8 2.1	1.6 2.0	1.8 2.0	2.9 3.2	2.1 2.8	1.7 2.4	1.5 2.1	1.7 2.1
Unemployment rate	3.7	3.5	3.6	3.8	4.4	3.7	3.5 3.7	3.5 3.8	3.6 3.9	4.2 4.5	3.7	3.4 4.0	3.4 4.3	3.4 4.2	4.0 4.6
September projection	3.7	3.5	3.5	3.7	4.5	3.7	3.4 3.6	3.4 3.8	3.5 4.0	4.3 4.6	3.7 3.8	3.4 3.8	3.3 4.0	3.4 4.2	4.0 4.6
PCE inflation	1.9	1.9	2.1	2.1	2.0	1.8 1.9	1.8 2.1	2.0 2.1	2.0 2.1	2.0	1.8 1.9	1.8 2.2	2.0 2.2	2.0 2.3	2.0
September projection	2.1	2.0	2.1	2.1	2.0	2.0 2.1	2.0 2.1	2.1 2.2	2.0 2.2	2.0	1.9 2.2	2.0 2.3	2.0 2.2	2.0 2.3	2.0
Core PCE inflation[4]	1.9	2.0	2.0	2.0		1.8 1.9	2.0 2.1	2.0 2.1	2.0 2.1		1.8 1.9	1.9 2.2	2.0 2.2	2.0 2.3	
September projection	2.0	2.1	2.1	2.1		1.9 2.0	2.0 2.1	2.1 2.2	2.0 2.2		1.9 2.0	2.0 2.3	2.0 2.2	2.0 2.3	
Memo: Projected appropriate policy path															
Federal funds rate	2.4	2.9	3.1	3.1	2.8	2.4	2.6 3.1	2.9 3.4	2.6 3.1	2.5 3.0	2.1 2.4	2.4 3.1	2.4 3.6	2.4 3.6	2.5 3.5
September projection	2.4	3.1	3.4	3.4	3.0	2.1 2.4	2.9 3.4	3.1 3.6	2.9 3.6	2.8 3.0	2.1 2.4	2.1 3.6	2.1 3.9	2.1 4.1	2.5 3.5

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 25–26, 2018. One participant did not submit longer-run projections for the change in real GDP, the unemployment rate, or the federal funds rate in conjunction with the September 25–26, 2018, meeting, and one participant did not submit such projections in conjunction with the December 18–19, 2018, meeting.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

On balance, participants continued to view

growth for 2018 and 2019 were slightly lower,