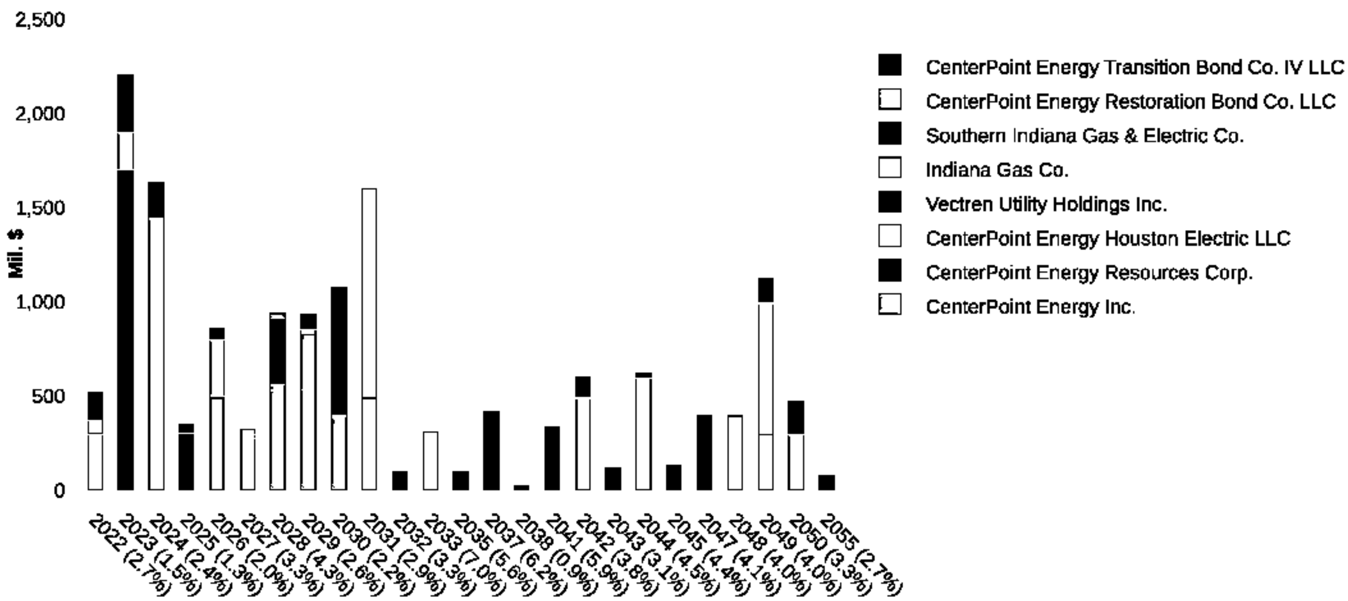
Scheduled Maturities Of CenterPoint Energy Group's Long-Term Debt



Source: S&P Global Ratings.

CenterPoint Energy Inc.--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	6,975	9,203	9,991	11,984	7,160	8,121
EBITDA	1,930	2,093	1,842	2,676	2,449	2,715
Funds from operations (FFO)	1,710	1,767	1,430	2,041	1,802	2,196
Interest expense	359	334	391	609	571	589
Cash interest paid	324	311	323	480	504	565
Operating cash flow (OCF)	1,759	1,379	1,614	1,302	1,713	(277)
Capital expenditure	1,406	1,417	1,643	2,470	2,569	3,130
Free operating cash flow (FOCF)	353	(38)	(29)	(1,168)	(856)	(3,407)
Discretionary cash flow (DCF)	(90)	(499)	(530)	(1,838)	(1,360)	(3,875)
Cash and short-term investments	1,294	1,220	4,771	847	879	1,577
Gross available cash	1,294	1,220	871	847	879	1,577
Debt	6,442	7,216	8,600	15,526	15,017	16,252
Common equity	3,460	4,688	7,658	7,959	7,224	9,018

CenterPoint Energy Inc.--Financial Summary

Adjusted ratios

EBITDA margin (%)	27.7	22.7	18.4	22.3	34.2	33.4
Return on capital (%)	12.1	13.2	8.3	8.0	5.3	6.1
EBITDA interest coverage (x)	5.4	6.3	4.7	4.4	4.3	4.6
FFO cash interest coverage (x)	6.3	6.7	5.4	5.3	4.6	4.9
Debt/EBITDA (x)	3.3	3.4	4.7	5.8	6.1	6.0
FFO/debt (%)	26.5	24.5	16.6	13.1	12.0	13.5
OCF/debt (%)	27.3	19.1	18.8	8.4	11.4	(1.7)
FOCF/debt (%)	5.5	(0.5)	(0.3)	(7.5)	(5.7)	(21.0)
DCF/debt (%)	(1.4)	(6.9)	(6.2)	(11.8)	(9.1)	(23.8)

Reconciliation Of CenterPoint Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	17,006	9,418	8,352	2,680	1,363	529	2,715	22	492	3,164
Cash taxes paid	-	-	-	-	-	-	46	-	-	-
Cash interest paid	-	-	-	-	-	-	(527)	-	-	-
Lease liabilities	23	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	8	1	1	(1)	7	-	-
Intermediate hybrids (equity)	400	(400)	-	-	-	25	(25)	(25)	(25)	-
Postretirement benefit obligations/ deferred compensation	340	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(1,577)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	34	(34)	(34)	-	(34)
Share-based compensation expense	-	-	-	48	-	-	-	-	-	-

Reconciliation Of CenterPoint Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Dividends from equity investments	-	-	-	189	-	-	-	-	-	-
Securitized stranded costs	(537)	-	(231)	(231)	(21)	(21)	21	(210)	-	-
Asset-retirement obligations	585	-	-	21	21	21	-	-	-	-
Nonoperating income (expense)	-	-	-	-	89	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(38)	-	-
Debt: other	12	-	-	-	-	-	-	-	-	-
Interest expense: other	-	-	-	-	-	1	-	-	-	-
Total adjustments	(754)	(400)	(231)	35	90	60	(519)	(299)	(25)	(34)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	16,252	9,018	8,121	2,715	1,453	589	2,196	(277)	468	3,130

Liquidity

We base our 'A-2' short-term rating on CenterPoint on our long-term issuer credit rating.

We assess CenterPoint's liquidity as adequate because we believe sources will likely cover uses by more than 1.1x over the next 12 months and will be sufficient to meet cash outflows even if EBITDA declines 10%. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of about $230 million;
- Credit facility availability of $4 billion;
- Estimated cash FFO of $3.4 billion; and
- Asset sale proceeds of $2 billion-$2.5 billion.

Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of $3.2 billion;
- Capital spending of about $3.5 billion; and
- Dividends of about $540 million.

Covenant Analysis

Requirements

CenterPoint, Vectren Utility Holdings Inc. (VUHI), CEHE, and CERC each borrow from credit facilities that contain business and financial covenants.

Capitalization Covenants

Registrant	Capacity	Maturity	Financial covenant
CenterPoint Energy Inc.	$2.4 billion	Feb. 4, 2024	65% debt to capitalization*
Vectren Utility Holdings Inc.	$400 million	Feb. 4, 2024	65% debt to capitalization
CenterPoint Energy Houston Electric	$300 million	Feb. 4, 2024	67.5% debt to capitalization*
CenterPoint Energy Resources Corp.	$900 million	Feb. 4, 2024	65% debt to capitalization

*--Financial covenant could temporarily increase to 70% if CEHE experiences over $100 million in damage from a natural disaster.

Compliance expectations

As of Dec. 31, 2021, each entity was in compliance with all financial covenants. We expect them to remain in compliance through the forecast period.

Environmental, Social, And Governance

ESG Credit Indicators

E-2 S-2 G-2

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of CenterPoint.

Group Influence

Under our group rating methodology, we assess CenterPoint as the parent of the group that comprises CEHE, CERC, Vectren Corp., VUHI, Indiana Gas Co., and SIGECO. The group credit profile is 'bbb+', leading to an issuer credit rating of 'BBB+'.

Issue Ratings--Subordination Risk Analysis

Capital structure

The $12.4 billion of consolidated debt at CenterPoint includes about $5.2 billion of unsecured debt at its operating subsidiaries and about $5.3 billion of general and first-mortgage bond debt obligations.

Analytical conclusions

We rate CenterPoint's preferred stock two notches below the issuer credit rating to reflect the discretionary nature of the dividend and the deeply subordinated claim if a bankruptcy were to occur.

We rate the unsecured debt at CenterPoint one notch below the issuer credit rating because priority debt exceeds 50% of consolidated debt, after which point the company's debt could be considered structurally subordinated.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of May 04, 2022)*

CenterPoint Energy Inc.

Ratings Detail (as of May 04, 2022)*

Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BBB-
Senior Unsecured	BBB
Issuer Credit Ratings History	
22-Feb-2021	BBB+/Stable/A-2
02-Apr-2020	BBB+/Negative/A-2
01-Feb-2019	BBB+/Stable/A-2
24-Apr-2018	A-/Watch Neg/A-2
04-Dec-2017	A-/Stable/A-2
04-Aug-2017	A-/Positive/A-2
Related Entities	
CenterPoint Energy Houston Electric LLC	
Issuer Credit Rating	BBB+/Stable/NR
Senior Secured	A
CenterPoint Energy Resources Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Indiana Gas Co. Inc.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB+
Southern Indiana Gas & Electric Co.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A
Vectren Corp.	
Issuer Credit Rating	BBB+/Stable/--
Vectren Utility Holdings Inc.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

S&P Global
Ratings

Research

CenterPoint Energy Houston Electric LLC

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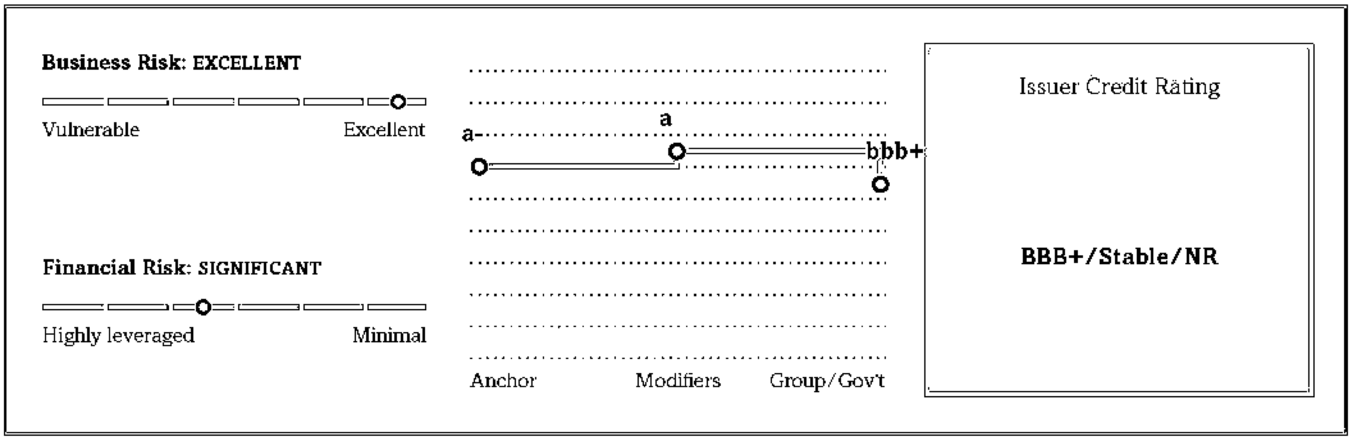
CenterPoint Energy Houston Electric LLC



Credit Highlights

Overview	
Key strengths	**Key risks**
Low-risk regulated electric transmission and distribution utility with no commodity exposure.	Limited geographic and regulatory diversity, operating in the Gulf Coast area of Texas, including Houston.
Generally credit-supportive regulatory environment in Texas.	Elevated capital spending that, when combined with the utility's dividend payments, will result in negative discretionary cash flow.
Large customer base of about 2.4 mmillion that is predominantly residential and commercial, providing cash flow stability.	

CenterPoint Energy Houston Electric LLC (CEHE) operates under a generally credit-supportive regulatory framework. CEHE benefits from constructive cost-recovery mechanisms such as multiple riders for transmission investments, distribution investments, and energy efficiency. These mechanisms ensure cash flow stability and limit the regulatory lag and need for future rate case filings.

Planned investments in electric transmission and distribution operations will support the overall credit profile. The company has a capital spending plan in place to upgrade and modernize its transmission and distribution assets. We expect projects such as Bailey-Jones Creek, which is being executed to meet the growing demand in the Freeport, Texas, area to be part of the rate base. The company will be able to recover the costs associated with the projects on a timely basis through recovery mechanisms that will reduce regulatory lag.

In February 2021, winter storms hit CEHE's geographical area, hurting business. Authorized by the Public Utility Commission of Texas, CEHE established a regulatory asset of $14 million for bad debt expenses stemming from retail electric providers defaulting on paying delivery charges. Additionally, CEHE established a regulatory asset of $14 million to defer operating and maintenance costs pertaining to the winter storm event. We believe this has a minimal impact to CEHE, and that the costs will be recovered in the fuel adjustment clause and be passed through to customers.

Outlook: Stable

The stable outlook on CEHE reflects our stable outlook on its parent, CenterPoint Energy Inc. (CPE). The outlook on CPE reflects our expectation of consistent financial measures, albeit with minimal financial cushion, and that CPE will maintain its business risk profile in line with the strengthened assessment after the reduction in midstream operations. Our baseline forecast for 2021 and 2022 includes CPE's funds from operations (FFO) to debt of about 13% annually, minimally above the downside trigger.

Downside scenario

We could lower the ratings on CPE and its subsidiaries within the next two years if:

- Its consolidated financial measures weaken such that FFO to debt remains consistently below 12%. This could occur if the company's ability to effectively manage its regulatory risk weakens or expected deleveraging does not occur. Moreover, CPE's financial measures could weaken if its midstream distributions from Energy Transfer L.P. materially decline if CPE's management does not use the sale proceeds to bolster the capital structure; or
- Business risk increases unexpectedly from a decline in CPE's ability to effectively manage regulatory risk.

Upside scenario

We could raise our ratings on CPE and its subsidiaries in the next two years if:

- Its consolidated business risk remains consistent; and
- Its financial measures improve such that its FFO to debt rises to and remains consistently above 15%. Financial measures could improve if CPE takes additional steps to deleverage its capital structure or cash flow strengthens.

Our Base-Case Scenario

Assumptions

- Gross margin growth in the 2%-3% range per year;
- Continued use of existing regulatory mechanisms;
- Customer growth of roughly 2% per year;
- Capital spending averaging over $1 billion per year;
- Dividends in the $325 million-$400 million range per year; and
- Company partly funds negative discretionary cash flow with debt.

Key metrics

	2020a	2021f	2022f
FFO to debt (%)	14.9	18-19	18-19
Debt to EBITDA (x)	4.8	4.5-5	4.5-5
FFO cash interest coverage (x)	4.4	5-5.5	4.5-5

a--Actual. f--Forecast. FFO--Funds from operations.

Company Description

CEHE is a regulated wires-only transmission and distribution electric utility serving about 2.4 million customers in the Houston metropolitan area.

Peer Comparison

Table 1

CenterPoint Energy Houston Electric LLC--Peer Comparison				
Industry Sector: Electric				
	CenterPoint Energy Houston Electric LLC	**Atmos Energy Corp.**	**AEP Texas Inc.**	**Oncor Electric Delivery Co. LLC**
Ratings as of May 3, 2021	BBB+/Stable/NR	A-/Negative/A-2	A-/Negative/--	A/Stable/A-1
	--Fiscal year ended Dec. 31, 2020--	**--Fiscal year ended Sept. 30, 2020--**	**--Fiscal year ended Dec. 31, 2020--**	**--Fiscal year ended Dec. 31, 2020--**
(Mil. $)				
Revenue	2,653.0	2,821.1	1,519.5	4,511.0
EBITDA	879.0	1,304.4	818.2	2,195.0
Funds from operations (FFO)	630.0	1,089.4	705.0	1,676.6
Interest expense	181.0	99.8	175.5	445.4
Cash interest paid	184.0	218.0	156.1	409.4
Cash flow from operations	658.0	1,055.8	529.3	1,544.6
Capital expenditure	1,050.0	1,927.2	1,282.5	2,521.0
Free operating cash flow (FOCF)	(392.0)	(871.4)	(753.2)	(976.4)
Discretionary cash flow (DCF)	(943.0)	(1,153.8)	(753.2)	(1,332.4)
Cash and short-term investments	139.0	20.8	0.1	27.0
Debt	4,224.9	5,053.9	4,517.0	10,787.0
Equity	3,111.0	6,791.2	3,206.0	8,238.4
Adjusted ratios				
EBITDA margin (%)	33.1	46.2	53.8	48.7
Return on capital (%)	8.0	7.7	5.2	7.3
EBITDA interest coverage (x)	4.9	13.1	4.7	4.9

Table 1

CenterPoint Energy Houston Electric LLC--Peer Comparison (cont.)				
FFO cash interest coverage (x)	4.4	6.0	5.5	5.1
Debt/EBITDA (x)	4.8	3.9	5.5	4.9
FFO/debt (%)	14.9	21.6	15.6	15.5
Cash flow from operations/debt (%)	15.6	20.9	11.7	14.3
FOCF/debt (%)	(9.3)	(17.2)	(16.7)	(9.1)
DCF/debt (%)	(22.3)	(22.8)	(16.7)	(12.4)

Business Risk: Excellent

Our assessment of CEHE's business risk profile reflects our view of the company's relatively low-risk wires-only electric transmission and distribution operations under the generally constructive regulatory framework in Texas. CEHE is located within the Electric Reliability Council of Texas market, and the Public Utility Commission of Texas regulates the company.

CEHE has a larger customer base of about 2.4 million and limited regulatory and geographical diversity since it operates only in Texas. The service territory demonstrates above-average customer growth. The mostly residential and commercial customer base provides stability to operating cash flows.

The company benefits from multiple riders for transmission investments, distribution investments, and energy efficiency. Its consistent use of these riders--along with its above-average customer growth--reduces its regulatory lag and limits the need for future rate case filings.

Financial Risk: Significant

Our stand-alone financial risk profile for CEHE incorporates a base-case scenario that includes adjusted FFO to debt averaging about 19%, above the midpoint of the benchmark range for the financial risk profile category. We expect the supplemental ratio of adjusted FFO cash interest coverage to be in the 4.5x-5x range, bolstering the financial risk profile determination. Over the next few years, we expect CEHE to have annual capital spending of about $1.2 billion-$1.7 billion and, prospectively, annual dividends of about $325 million-$400 million per year. We expect operating cash flow after capital spending and dividends (discretionary cash flow) to be modestly negative over the next several years. This indicates a need for external funding such as debt issuances and cash injections from within the CPE group. Various rate mechanisms allow for the timely recovery of costs and support more stable operating cash flow. We expect the company will continue to fund its investments in a manner that preserves credit quality. We expect leverage to be aggressive over the next few years as indicated by adjusted debt to EBITDA averaging in the high-4x range per year through 2023.

We assess the company's financial risk profile using our medial volatility benchmarks, which reflect the utility's lower-risk regulated utility operations and effective management of regulatory risk. These benchmarks are more relaxed than the benchmarks we use for typical corporate issuers.

We expect CEHE's FFO to debt to average about 18%-19% through 2023. To reflect our expectations that the financial measures will reflect the higher end of the range for CEHE's financial risk profile category, we have assigned positive adjustment to our comparable rating analysis modifier. This results in a one-notch uplift to the company's stand-alone credit profile.

Financial Summary

Table 2

CenterPoint Energy Houston Electric LLC--Financial Summary

Industry Sector: Electric					
	--Fiscal year ended Dec. 31--				
	2020	**2019**	**2018**	**2017**	**2016**
(Mil. $)					
Revenue	2,653.0	2,673.0	2,636.0	2,587.0	2,506.0
EBITDA	879.0	950.0	946.0	924.0	911.0
Funds from operations (FFO)	630.0	657.0	644.9	713.9	658.9
Interest expense	181.0	176.0	149.1	140.1	138.1
Cash interest paid	184.0	206.0	147.1	134.1	124.1
Cash flow from operations	658.0	624.0	570.9	568.9	641.9
Capital expenditure	1,050.0	1,017.0	916.0	869.0	856.0
Free operating cash flow (FOCF)	(392.0)	(393.0)	(345.1)	(300.1)	(214.1)
Discretionary cash flow (DCF)	(943.0)	(769.0)	(554.1)	(480.1)	(349.1)
Cash and short-term investments	139.0	697.0	335.0	238.0	341.0
Gross available cash	139.0	697.0	335.0	238.0	341.0
Debt	4,224.9	3,375.8	3,053.0	2,849.9	2,352.0
Equity	3,111.0	3,251.0	2,682.0	2,369.0	2,117.0
Adjusted ratios					
EBITDA margin (%)	33.1	35.5	35.9	35.7	36.4
Return on capital (%)	8.0	9.7	10.3	11.4	13.0
EBITDA interest coverage (x)	4.9	5.4	6.3	6.6	6.6
FFO cash interest coverage (x)	4.4	4.2	5.4	6.3	6.3
Debt/EBITDA (x)	4.8	3.6	3.2	3.1	2.6
FFO/debt (%)	14.9	19.5	21.1	25.1	28.0
Cash flow from operations/debt (%)	15.6	18.5	18.7	20.0	27.3
FOCF/debt (%)	(9.3)	(11.6)	(11.3)	(10.5)	(9.1)
DCF/debt (%)	(22.3)	(22.8)	(18.1)	(16.8)	(14.8)

Reconciliation

Table 3

CenterPoint Energy Houston Electric LLC--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts

	--Fiscal year ended Dec. 31, 2020--							
CenterPoint Energy Houston Electric LLC reported amounts (mil. $)								
	Debt	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
	5,019.0	2,911.0	1,136.0	576.0	199.0	879.0	899.0	1,058.0
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(65.0)	--	--
Cash interest paid	--	--	--	--	--	(204.0)	--	--
Reported lease liabilities	1.0	--	--	--	--	--	--	--
Operating leases	--	--	--	0.0	0.0	(0.0)	(0.0)	--
Postretirement benefit obligations/deferred compensation	56.9	--	--	--	1.0	--	--	--
Accessible cash and liquid investments	(139.0)	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	8.0	(8.0)	(8.0)	(8.0)
Securitized stranded costs	(747.0)	(258.0)	(258.0)	(28.0)	(28.0)	28.0	(230.0)	--
Asset-retirement obligations	34.0	--	1.0	1.0	1.0	--	--	--
Nonoperating income (expense)	--	--	--	6.0	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(3.0)	--
Total adjustments	(794.2)	(258.0)	(257.0)	(21.0)	(18.0)	(249.0)	(241.0)	(8.0)
S&P Global Ratings' adjusted amounts								
	Debt	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
	4,224.9	2,653.0	879.0	555.0	181.0	630.0	658.0	1,050.0

Liquidity: Adequate

We assess CEHE's stand-alone liquidity as adequate because we believe its liquidity sources are likely to cover uses by more than 1.1x over the next 12 months and to meet cash outflows even with a 10% decline in EBITDA. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and a generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of about $140 million;
- Revolving credit facility availability of $300 million; and
- Estimated cash FFO of about $960 million.

Principal liquidity uses

- Debt maturities of about $615 million;
- Capital spending of about $425 million; and
- Dividends of $200 million.

Environmental, Social, And Governance

CEHE's exposure to environmental risk is more manageable compared with its electric utility peer group, since transmission and distribution companies are more favorably positioned than their counterparts with electricity generation assets. Social and governance factors are consistent with what we see across the industry for other regulated utilities.

Group Influence

Under our group rating methodology, we consider CEHE to be a core subsidiary of parent CPE, which reflects our view that CEHE is highly unlikely to be sold, has a strong-long term commitment from senior management, is successful at what it does, and contributes materially to the group. Given its core subsidiary status and our 'bbb+' group credit profile on CPE, our long-term issuer credit rating on CEHE is 'BBB+!APOS;.

Issue Ratings - Recovery Analysis

- CEHE's first-mortgage bonds benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/NR

Business risk: Excellent

Country risk: Very low

Industry risk: Very low

Competitive position: Strong

Financial risk: Significant

Cash flow/leverage: Significant

Anchor: a-

Modifiers

Diversification/portfolio effect: Neutral (no impact)

Capital structure: Neutral (no impact)

Financial policy: Neutral (no impact)

Liquidity: Adequate (no impact)

Management and governance: Satisfactory (no impact)

Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile : a

Group credit profile: bbb+

Entity status within group: Core (-2 notches from SACP)

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: The Treatment Of Non-Common Equity Financing In Nonfinancial Corporate Entities, April 29, 2014
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	**a-**	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of May 6, 2021)*

CenterPoint Energy Houston Electric LLC	
Issuer Credit Rating	BBB+/Stable/NR
Senior Secured	A
Issuer Credit Ratings History	
22-Feb-2021	BBB+/Stable/NR
02-Apr-2020	BBB+/Negative/NR
01-Feb-2019	BBB+/Stable/NR
24-Apr-2018	A-/Watch Neg/NR
04-Dec-2017	A-/Stable/NR
04-Aug-2017	A-/Positive/NR
19-Aug-2016	A-/Developing/NR

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

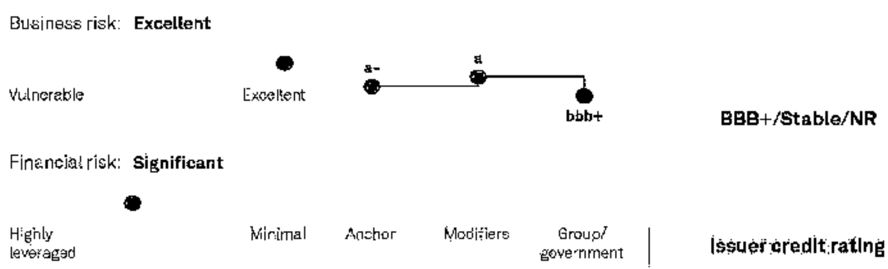
S&P Global
Ratings

Research

CenterPoint Energy Houston Electric LLC

May 6, 2022

Ratings Score Snapshot



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Credit Highlights

Overview

Key strengths	Key risks
Low-risk electric transmission and distribution utility.	Limited geographic and regulatory diversity.
Constructive regulatory framework in Texas.	Regulatory lag could pressure financial measures.
Large customer base of stable electricity customers.	Negative discretionary cash flow necessitates external funding.

We view the utility's ability to recover uncollectible balances as constructive for its credit quality. As a transmission and distribution (T&D) utility, CenterPoint Energy Houston Electric LLC (CEHE) provides wires-only services to intermediaries that procure power for consumers. In the past, these intermediaries, including retail electric providers (REPs) that CEHE bills for the use of its T&D assets, have incurred extremely high fuel and purchased power costs, which caused some to become insolvent. However, as of Dec. 31, 2021, CEHE's allowance for credit losses was negligible, out of a total accounts receivable balance of almost $265 million. CEHE's regulatory construct under the Public Utilities Commission of Texas (PUCT) allows the utility to recover uncollectible amounts due from REPs through its distribution charges. Although there is a lag in the recovery of these amounts, we believe CEHE's ability to recover uncollectible balances is constructive for its credit quality.

We believe capital spending could increase. In September 2021, parent **CenterPoint Energy Inc. (CenterPoint)** announced a $40 billion, 10-year capital spending plan. It plans to spend about $19 billion of that on CEHE's electric system. The company also recently announced a collaboration with the City of Houston to develop a plan to modernize and harden infrastructure from disruptive weather events and invest in electric vehicle infrastructure. We believe this 10-year initiative with the City of Houston could increase capital spending from the most recently indicated levels.

CEHE recently filed to recover $1.6 billion in distribution investments and expenses it has incurred since 2018. In addition to investments made on system growth, reliability, and grid modernization, CEHE's filing includes about $200 million of expenses related to 500 megawatts of emergency mobile generation it procured in 2021. The company is seeking to recover these deferred costs, including an applicable return, in its latest distribution cost recovery factor (DCRF) filing. While the T&D utility's lease agreements for temporary emergency generation are in line with legislation enacted in response to the February 2021 winter storm, precedent regarding the means of recovery, i.e., through the DCRF mechanism, has yet to be set. We therefore believe that if CEHE must defer recovery until its next general rate proceeding--with new rates expected in third-quarter 2024--it could increase leverage and weaken financial measures.

Outlook

The stable outlook on CEHE reflects our stable outlook on parent CenterPoint. The outlook on CenterPoint reflects our expectation of consistent financial measures, albeit with minimal financial cushion. We expect CenterPoint will maintain its business risk profile in line with the strengthened assessment after the reduction in midstream operations. Our baseline forecast includes CenterPoint's consolidated funds from operations (FFO) to debt of about 15% in 2022 and 13%-14% in 2023 and 2024.

Downside scenario

We could lower our rating on CenterPoint and its subsidiaries over the next two years if CenterPoint's:

- Consolidated financial measures weaken such that FFO to debt remains consistently below 12%, which could occur if the company cannot effectively manage regulatory risk or reduce leverage as expected; or
- Business risk unexpectedly increases.

Upside scenario

We could raise our rating on CenterPoint and its subsidiaries over the next two years if:

- Business risk is unchanged; and
- Financial measures improve, such that FFO to debt rises and consistently exceeds 15%. Financial measures could improve if CenterPoint takes additional steps to deleverage its capital structure or if cash flow strengthens.

Our Base-Case Scenario

Assumptions

We assume an increase in CEHE's gross margins stemming from:

- A greater than 2% annual increase in the volumes across its T&D network;
- Twice yearly filings under its transmission cost of service (TCOS) capital tracker to recover transmission-related investments; and
- Annual filings under its DCRF capital tracker to recover distribution-related investments (except in years when the company files a general rate proceeding).

In addition, we assume:

- Elevated capital spending averaging more than $1.8 billion per year;
- Cash contributions and distributions remain in compliance with the PUCT's approved capital structure, which is currently 57.5% debt to 42.5% equity; and

- Annual debt issuances to fund negative discretionary cash flow and refinance debt maturities.

Key metrics

CenterPoint Energy Houston Electric LLC--Key Metrics*

Mil. $	2021a	2022e	2023f	2024f
Debt to EBITDA (x)	4.6	4.0-4.5	4.5-5.0	4.5-5.0
FFO to debt (%)	17.1	16-17	16-17	15-16
FFO cash interest coverage (x)	4.9	5.0-5.5	5.0-5.5	5.0-5.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Company Description

CEHE is a regulated electric T&D utility that delivers electricity to approximately 2.7 million customers in Houston and the surrounding area. It provides transmission grid connections to merchant generation facilities and interconnections to other transmission grids in Texas. CEHE is a wholly owned subsidiary of CenterPoint.

Peer Comparison

CenterPoint Energy Houston Electric LLC--Peer Comparisons

	CenterPoint Energy Houston Electric LLC	Oncor Electric Delivery Co. LLC	AEP Texas Inc.	ITC Holdings Corp.
Foreign currency issuer credit rating	BBB+/Stable/NR	A/Stable/A-1	A-/Stable/--	A-/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/NR	A/Stable/A-1	A-/Stable/--	A-/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-12-31
Mil.	$	$	$	$
Revenue	2,903	4,764	1,496	1,349
EBITDA	1,056	2,319	783	1,024
Funds from operations (FFO)	824	1,822	606	779
Interest	198	434	180	259
Cash interest paid	212	413	172	245
Operating cash flow (OCF)	535	1,692	514	777
Capital expenditure	1,606	2,484	1,023	826
Free operating cash flow (FOCF)	(1,071)	(792)	(509)	(49)
Discretionary cash flow (DCF)	(1,071)	(1,631)	(509)	(281)
Cash and short-term investments	214	11	0	5

CenterPoint Energy Houston Electric LLC--Peer Comparisons

Gross available cash	214	11	0	5
Debt	4,820	11,515	4,912	6,686
Equity	3,622	8,906	3,594	2,474
EBITDA margin (%)	36.4	48.7	52.4	75.9
Return on capital (%)	8.1	7.1	6.1	8.7
EBITDA interest coverage (x)	5.3	5.3	4.4	4.0
FFO cash interest coverage (x)	4.9	5.4	4.5	4.2
Debt/EBITDA (x)	4.6	5.0	6.3	6.5
FFO/debt (%)	17.1	15.8	12.3	11.7
OCF/debt (%)	11.1	14.7	10.5	11.6
FOCF/debt (%)	(22.2)	(6.9)	(10.4)	(0.7)
DCF/debt (%)	(22.2)	(14.2)	(10.4)	(4.2)

Business Risk

We base our assessment of CEHE's business risk on its regulated utility operations that serve approximately 2.7 million customers in Texas. Given material barriers to entry, CEHE and the regulated utility industry are effectively insulated from competitive market challenges. This underlies our view of regulated utilities' very low industry risk compared with other industries.

Our assessment of CEHE's business risk primarily reflects its wires-only T&D operations, which we believe are less risky than the operations of T&D utilities with commodity exposure. Our assessment of CEHE's business risk is supported by a generally constructive regulatory framework in Texas under the PUCT, which provides CEHE with interim rate adjustment mechanisms for capital investments that support its cash flow stability and reduce regulatory lag. While CEHE's service territory demonstrates above-average customer growth, its regulatory and geographical diversity is limited because it operates only in Houston and the surrounding area.

Financial Risk

Over the next three years, we expect CEHE's elevated capital spending to drive its financial performance. This reflects our assumption of roughly $5.4 billion in capital spending through 2023 across its network. Our assessment also incorporates above-average volumetric growth and that CEHE continues to recover its operating and capital costs in full on a timely basis.

While we expect the company's regulatory construct to provide significant rate relief on an annual basis, we forecast its discretionary cash flow, or operating cash flow after capital spending and dividends, to be negative over the next several years. Therefore, we anticipate it will fund this shortfall with a balanced mix of incremental debt issuances and capital contributions from the CenterPoint group.

We forecast S&P Global Ratings-adjusted FFO to debt of 15%-17% through 2024, which places CEHE's financial measures just below the midpoint of our benchmark range. We also assume a supplemental adjusted FFO cash interest coverage ratio of 5x-5.5x, bolstering the financial risk profile determination.

Over the next few years, we expect CEHE to have elevated capital spending that averages more than $1.8 billion per year. We expect the utility to provide upstream distributions net of cash contributions that allow it to remain in compliance with the PUCT's approved capital structure, which is currently 57.5% debt to 42.5% equity. We expect leverage to be elevated over the next few years, as indicated by adjusted debt to EBITDA of 4x-5x through 2024.

We base our risk assessment on our medial volatility benchmarks, which are more relaxed than those we use for typical corporate issuers. This reflects CEHE's lower-risk regulated utility operations and effective management of regulatory risk.

CenterPoint Energy Houston Electric LLC--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	$	$	$	$	$	$
Revenues	2,506	2,587	2,636	2,673	2,653	2,903
EBITDA	911	924	946	950	879	1,056
Funds from operations (FFO)	659	714	645	657	630	824
Interest expense	138	140	149	176	181	198
Cash interest paid	124	134	147	206	184	212
Operating cash flow (OCF)	642	569	571	624	658	535
Capital expenditure	856	869	916	1,017	1,050	1,606
Free operating cash flow (FOCF)	(214)	(300)	(345)	(393)	(392)	(1,071)
Discretionary cash flow (DCF)	(349)	(480)	(554)	(769)	(943)	(1,071)
Cash and short-term investments	341	238	335	697	139	214
Gross available cash	341	238	335	697	139	214
Debt	2,352	2,850	3,053	3,376	4,225	4,820
Common equity	2,117	2,369	2,682	3,251	3,111	3,622
Adjusted ratios						
EBITDA margin (%)	36.4	35.7	35.9	35.5	33.1	36.4
Return on capital (%)	13.0	11.4	10.3	9.7	8.0	8.1
EBITDA interest coverage (x)	6.6	6.6	6.3	5.4	4.9	5.3
FFO cash interest coverage (x)	6.3	6.3	5.4	4.2	4.4	4.9
Debt/EBITDA (x)	2.6	3.1	3.2	3.6	4.8	4.6
FFO/debt (%)	28.0	25.1	21.1	19.5	14.9	17.1
OCF/debt (%)	27.3	20.0	18.7	18.5	15.6	11.1
FOCF/debt (%)	(9.1)	(10.5)	(11.3)	(11.6)	(9.3)	(22.2)
DCF/debt (%)	(14.8)	(16.8)	(18.1)	(22.8)	(22.3)	(22.2)

Reconciliation Of CenterPoint Energy Houston Electric LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									

Reconciliation Of CenterPoint Energy Houston Electric LLC Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Company reported amounts	5,495	3,622	3,134	1,286	644	204	1,056	770	-	1,619
Cash taxes paid	-	-	-	-	-	-	(20)	-	-	-
Cash interest paid	-	-	-	-	-	-	(220)	-	-	-
Lease liabilities	1	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	42	-	-	-	-	1	-	-	-	-
Accessible cash and liquid investments	(214)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	13	(13)	(13)	-	(13)
Securitized stranded costs	(537)	-	(231)	(231)	(21)	(21)	21	(210)	-	-
Asset-retirement obligations	33	-	-	1	1	1	-	-	-	-
Nonoperating income (expense)	-	-	-	-	13	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(12)	-	-
Total adjustments	(675)	-	(231)	(230)	(7)	(6)	(232)	(235)	-	(13)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	4,820	3,622	2,903	1,056	637	198	824	535	-	1,606

Liquidity

We assess CEHE's stand-alone liquidity as adequate because we believe sources will likely cover uses by more than 1.1x over the next 12 months and will meet cash outflows even if EBITDA declines 10%. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and generally satisfactory standing in credit markets.

Principal liquidity sources

- Cash and liquid investments of about $215 million;
- Credit facility availability of $300 million: and
- Estimated cash FFO of about $1.06 billion.

Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of about $520 million; and
- Capital spending of about $710 million.

Environmental, Social, And Governance

ESG Credit Indicators

E-2 **S-2** **G-2**

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of CEHE.

Group Influence

Under our group rating methodology, we consider CEHE to be a core subsidiary of parent CenterPoint, which reflects our view that CEHE is highly unlikely to be sold, has a strong-long term commitment from senior management, is successful at what it does, and contributes materially to the group. Given its core status and our 'bbb+' group credit profile on CenterPoint, our long-term issuer credit rating on CEHE is 'BBB+'.

Issue Ratings--Recovery Analysis

Key analytical factors

CEHE's general-mortgage bonds benefit from a lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/NR**
Local currency issuer credit rating	**BBB+/Stable/NR**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**a**

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
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- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
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- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
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- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of May 06, 2022)*

CenterPoint Energy Houston Electric LLC

Ratings Detail (as of May 06, 2022)*

Issuer Credit Rating	BBB+/Stable/NR
Senior Secured	A
Issuer Credit Ratings History	
22-Feb-2021	BBB+/Stable/NR
02-Apr-2020	BBB+/Negative/NR
01-Feb-2019	BBB+/Stable/NR
24-Apr-2018	A-/Watch Neg/NR
04-Dec-2017	A-/Stable/NR
04-Aug-2017	A-/Positive/NR
Related Entities	
CenterPoint Energy Inc.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BBB-
Senior Unsecured	BBB
CenterPoint Energy Resources Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+
Indiana Gas Co. Inc.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB+
Southern Indiana Gas & Electric Co.	
Issuer Credit Rating	BBB+/Stable/--
Senior Secured	A
Vectren Corp.	
Issuer Credit Rating	BBB+/Stable/--
Vectren Utility Holdings Inc.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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Ratings

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Bulletin:

CenterPoint Energy Inc.'s Sale Of Energy Solutions Business Is Credit Neutral

May 22, 2023

DALLAS (S&P Global Ratings) May 22, 2023--S&P Global Ratings today said that our ratings and outlook on CenterPoint Energy Inc. (BBB+/Stable/A-2) and its subsidiaries are unchanged following its recent announced sale of Vectren Energy Services Corp. (VESCO). The company expects $110 million in proceeds from this transaction, after tax. The sale aligns with CenterPoint's strategy to focus on its low-risk, regulated utility operations, which will contribute the majority of its consolidated EBITDA. The VESCO transaction is expected to close in the third quarter of 2023.

In addition to the cash generation from its regulated utility businesses, we expect CenterPoint will generate over $1.5 billion in inorganic cash flow in 2023. The company received $1.073 billion in securitization proceeds in March (related to the extraordinary gas costs it incurred during the February 2021 winter storm), and we expect CenterPoint's subsidiary Southern Indiana Gas & Electric Co. (SIGECO; BBB+/Stable/--) will receive an incremental $350 million in gross securitization proceeds related to its planned generation retirements in Indiana. Combining these amounts with the VESCO sale proceeds, we forecast a consolidated funds from operations (FFO) to debt of 12%-14% through 2025. Our base case assumes that the company will reduce leverage and fund its discretionary cash flow deficit with the aggregate amounts.

CenterPoint's full year 2022 FFO to debt was 9.7% because of a one-time cash tax payment of $421 million. However, we expect its consolidated EBITDA growth to remain robust, reflecting ongoing cost recovery through existing mechanisms and periodic general rate filings from its regulated utility subsidiaries.

CenterPoint originally acquired VESCO in 2019 as part of its acquisition of Vectren LLC and its regulated utilities in Indiana and Ohio, including SIGECO, Indiana Gas Co. Inc. (BBB+/Stable/--), and Vectren Energy Delivery of Ohio LLC.

For more information, please see our most recent research update published Nov. 17, 2022, on RatingsDirect.

This report does not constitute a rating action.

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Ratings

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CenterPoint Energy Inc.'s Zero-Premium Exchangeable Subordinated Note Rating Withdrawn

June 27, 2019

NEW YORK (S&P Global Ratings) June 27, 2019—S&P Global Ratings today withdrew its 'BBB' issue rating on CenterPoint Energy Inc.'s 2.0% zero-premium exchangeable subordinated notes due 2029. We do not have criteria on which to base the rating and therefore the rating was maintained in error.

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Related Criteria

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
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- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

CenterPoint Energy Inc.

Issuer Credit Rating	BBB+/Stable/A-2

Ratings Withdrawn

	To	From
CenterPoint Energy Inc.		
Subordinated	NR	BBB

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

Research

Corporate, Financial Institution, And Insurance Ratings Placed Under Criteria Observation On Criteria Update

July 1, 2019

*(**Editor's Note:** In the media release published earlier today, Nuveen Finance LLC was omitted from the list of issuers placed under criteria observation. A corrected version follows.)*

LONDON (S&P Global Ratings) July 1, 2019--S&P Global Ratings today published its revised methodology for determining an issuer credit rating on entities that are part of corporate, financial institutions, insurance, and international public finance groups, as well as U.S. public finance obligated groups (see "Group Rating Methodology").

Following changes in rating methodology, credit rating agencies regulated under Regulation (EC) No 1060/2009, as amended, are required to immediately place credit ratings potentially affected by such changes "under observation" (see "Standard & Poor's Announces "Under Criteria Observation" Identifier For Ratings Potentially Affected By Criteria Changes," published May 7, 2013).

As a result of these updated criteria, we are placing our ratings on the issuers listed below, and their related debt issues, under criteria observation (UCO).

We are labelling these issuer and related ratings as being UCO in the Regulatory Identifier column on the individual issuer pages of S&P Global Ratings' online credit rating products. We will keep the UCO identifier in place until the conclusion of the review under the changed criteria, at which time we may affirm or change the ratings. We expect to finish the review within six months of the criteria's effective date.

ISSUERS PLACED UNDER CRITERIA OBSERVATION

INSURANCE

- AIA Group Ltd.
- Allianz Global Corporate and Specialty South Africa Ltd.
- Allianz PLC
- Ameriprise Financial Inc.
- Cardif Colombia Seguros Generales S.A.
- Chubb Insurance Company Limited (China)
- General Reinsurance Africa Ltd.
- GIC Re South Africa Ltd.

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See complete contact list at end of article.

- Hannover Life Reassurance Africa Ltd.
- Hannover Reinsurance Africa Ltd.
- IF P&C Insurance Holding Ltd. (publ)
- Munich Reinsurance Co. of Africa Ltd.
- RiverSource Life Insurance Co.
- RiverSource Life Insurance Co. of New York
- Sampo PLC
- SCOR Africa Ltd.
- SCOR Brasil Resseguros SA
- Sompo Insurance (Thailand) PLC
- Swiss Re Africa Ltd.
- Tokio Marine Insurance (Thailand) Public Co. Ltd.
- Travelers Insurance DAC

FINANCIAL INSTITUTIONS

- Banque Internationale a Luxembourg
- Blucora, Inc.
- FG BCS Ltd
- Liquidnet Holdings, Inc.
- National Securities Clearing Corporation
- Nuveen Finance LLC
- The Depository Trust Company

CORPORATE & INFRASTRUCTURE

- Alabama Power Co.
- Ameren Illinois Co.
- American Transmission Systems Inc.
- Castle Peak Power Co. Ltd.
- CenterPoint Energy Houston Electric LLC
- Cleveland Electric Illuminating Co.
- Commonwealth Edison Co.
- The Connecticut Water Co.
- Consumers Energy Co.
- Dayton Power & Light Co.
- Doosan Bobcat Inc.
- DTE Electric Co.

- DTE Gas Co.
- Duke Energy Carolinas LLC
- Duke Energy Florida, LLC
- Duke Energy Indiana Inc.
- Duke Energy Ohio Inc.
- Duke Energy Progress, LLC
- Duquesne Light Co.
- Entergy Arkansas, LLC
- Entergy Gulf States Louisiana LLC
- Entergy Louisiana LLC
- Entergy Mississippi, LLC
- FirstEnergy Transmission LLC
- Florida Power & Light Co.
- Georgia Power Co.
- Golden State Water Co.
- Gulf Power Co.
- Indianapolis Power & Light Co.
- International Transmission Co.
- ITC Great Plains LLC
- ITC Holdings Corp.
- ITC Midwest LLC
- Kansas City Power & Light Co.
- Met-Ed Capital L.P.
- Metropolitan Edison Co.
- Michigan Electric Transmission Co.
- Mid-Atlantic Interstate Transmission LLC
- Nicor Gas Co.
- NSTAR Electric Co.
- Ohio Edison Co.
- Ohio Edison Financing Trust
- Ohio Edison Financing Trust II
- Oklahoma Gas & Electric Co.
- Otter Tail Power Co.
- PECO Energy Co.
- Penelec Capital

- Pennsylvania Electric Co.
- Pennsylvania Power Co.
- Piedmont Natural Gas Co. Inc.
- PNPP II Funding Corp.
- Progress Energy Inc.
- Public Service Co. of North Carolina Inc.
- Public Service Electric & Gas Co.
- PVNGS II Funding Corp. Inc.
- Questar Gas Co.
- Rockland Electric Co.
- SEMCO Energy Inc.
- Southern Electric Generating Co.
- Southwest Gas Corp.
- Spire Alabama Inc.
- Spire Missouri Inc.
- SUEZ Water New Jersey Inc.
- SUEZ Water Resources Inc.
- Texas-New Mexico Power Co.
- Toledo Edison Co.
- Trans-Allegheny Interstate Line Co.
- Union Electric Co. d/b/a Ameren Missouri
- Virginia Electric & Power Co.
- Washington Gas Light Co.
- West Penn Power Co.

RELATED CRITERIA

- Group Rating Methodology, July 1, 2019

RELATED RESEARCH

- Guidance: General Criteria: Group Rating Methodology, July 1, 2019

This report does not constitute a rating action.

S&P Global Ratings, part of S&P Global Inc. (NYSE: SPGI), is the world's leading provider of independent credit risk research. We publish more than a million credit ratings on debt issued by sovereign, municipal, corporate and financial sector entities. With over 1,400 credit analysts in 26 countries, and more than 150 years' experience of assessing credit risk, we offer a unique combination of global coverage and local insight. Our research and opinions about relative credit risk provide market participants with information that helps to support the growth of transparent, liquid debt markets worldwide.

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S&P Global
Ratings

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Tear Sheet:

CenterPoint Energy Inc. Announces Higher Capital Spending; Floating-Rate Debt Exposure Still A Headwind

July 31, 2023

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What's new: CenterPoint Energy Inc. (CNP) recently reported modestly weaker second-quarter earnings from less-than-favorable weather and higher interest expense. In addition, the company increased its capital spending for 2023 by $400 million to $4 billion, while also stating its intention to utilize new legislation enacted in Texas to seek more timely distribution cost recovery.

Why it matters: CNP is operating with limited financial cushion for its respective financial risk profile category. While higher rate recovery and continued debt repayment could strengthen its funds from operations (FFO) to debt to 14% in 2025, weaker performance in 2023 and 2024 could make it harder to achieve this. CNP's operating cash flow deficit continues to rise from increasing capital spending and dividends; we therefore believe the ability to file two distribution cost recovery factor filings per year in Texas should provide more timely cost recovery and benefit its cash flows.

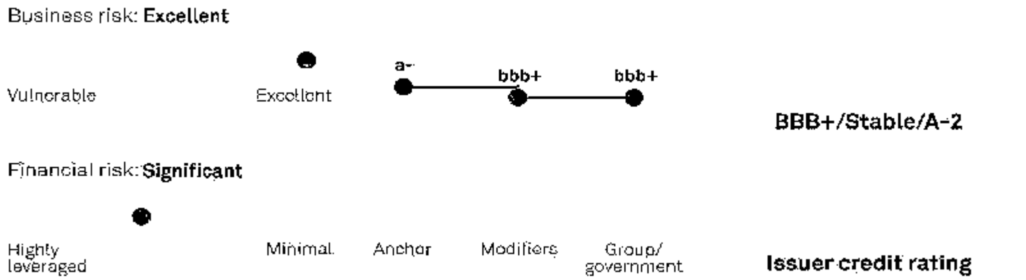
Despite a significant decrease over the past six months, CNP's floating-rating debt exposure remains a headwind to stronger financial performance. This includes its $800 million series A preferred stock--which will convert from a fixed rate (6.125%) to a floating rate equal to the three-month U.S. dollar LIBOR plus 3.27% on Sept. 1. However, in addition to the cash generation from its regulated utility businesses, we expect securitization proceeds and subsidiary sale proceeds will generate over $1.5 billion in cash flow in 2023. Given this, our base case assumes that CNP will maintain at least 100-150 basis points of cushion from its downgrade threshold, in terms of consolidated FFO to debt.

CenterPoint Energy Inc.--Key metrics*

Mil. $	2021a	2022a	2023e	2024f	2025f
Debt to EBITDA (x)	6.0	6.5	5.5-6.0	6.0-6.5	5.5-6.0
FFO to debt (%)	13.5	9.7	13.0-14.0	12.0-13.0	13.0-14.0
FFO interest coverage (x)	4.9	4.0	4.5-5.0	4.0-4.5	4.0-4.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Ratings Score Snapshot



Company Description

CenterPoint Energy is a Houston-based holding company that primarily engages in electric utility and natural gas distribution operations through its regulated utility subsidiaries.

Outlook

The stable outlook on CNP and its subsidiaries reflects our expectation that the company's deleveraging strategy will support its financial measures, such that consolidated FFO to debt is 12%-14% through 2025.

Downside scenario

We could lower our ratings over the next two years if CNP's consolidated financial measures weaken due to higher than expected leverage or weaker than expected cash flow, resulting in FFO to debt consistently below 12%. Separately, we could also lower our ratings if CNP's business risk unexpectedly increases from a weakening in its ability to effectively manage its regulatory risk across its multistate footprint.

Upside scenario

We could raise our ratings over the next two years if CNP's business risk remains consistent and its consolidated financial measures improve, such that its FFO to debt is consistently above 15%. This could be driven by further delivering of its capital structure or from a strengthening of its cash flow.

Financial Summary

CenterPoint Energy Inc.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a

CenterPoint Energy Inc.--Financial Summary

Display currency (mil.)	$	$	$	$	$	$
Revenues	9,203	9,991	11,984	7,160	8,121	9,088
EBITDA	2,093	1,842	2,676	2,449	2,715	2,699
Funds from operations (FFO)	1,767	1,430	2,041	1,802	2,196	1,706
Interest expense	334	391	609	571	589	600
Cash interest paid	311	323	480	504	565	572
Operating cash flow (OCF)	1,379	1,614	1,302	1,713	(277)	1,491
Capital expenditure	1,417	1,643	2,470	2,569	3,130	4,375
Free operating cash flow (FOCF)	(38)	(29)	(1,168)	(856)	(3,407)	(2,884)
Discretionary cash flow (DCF)	(499)	(530)	(1,838)	(1,360)	(3,875)	(3,349)
Cash and short-term investments	1,220	4,771	847	879	1,577	509
Gross available cash	1,220	871	847	879	1,577	509
Debt	7,216	8,600	15,526	15,017	16,252	17,659
Common equity	4,688	7,658	7,959	7,224	9,018	9,645
Adjusted ratios						
EBITDA margin (%)	22.7	18.4	22.3	34.2	33.4	29.7
Return on capital (%)	13.2	8.3	8.0	5.3	6.1	6.4
EBITDA interest coverage (x)	6.3	4.7	4.4	4.3	4.6	4.5
FFO cash interest coverage (x)	6.7	5.4	5.3	4.6	4.9	4.0
Debt/EBITDA (x)	3.4	4.7	5.8	6.1	6.0	6.5
FFO/debt (%)	24.5	16.6	13.1	12.0	13.5	9.7
OCF/debt (%)	19.1	18.8	8.4	11.4	(1.7)	8.4
FOCF/debt (%)	(0.5)	(0.3)	(7.5)	(5.7)	(21.0)	(16.3)
DCF/debt (%)	(6.9)	(6.2)	(11.8)	(9.1)	(23.8)	(19.0)

Peer Comparison

CenterPoint Energy Inc.--Peer Comparisons

	CenterPoint Energy Inc.	PPL Corp.	NiSource Inc.	WEC Energy Group Inc.
Foreign currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$
Revenue	9,088	7,902	5,851	9,597
EBITDA	2,699	2,669	2,029	3,299
Funds from operations (FFO)	1,706	2,053	1,641	2,732

CenterPoint Energy Inc.--Peer Comparisons

Interest	600	515	415	562
Cash interest paid	572	453	381	515
Operating cash flow (OCF)	1,491	1,759	1,383	2,112
Capital expenditure	4,375	2,148	2,175	2,345
Free operating cash flow (FOCF)	(2,884)	(389)	(792)	(233)
Discretionary cash flow (DCF)	(3,349)	(1,194)	(1,227)	(1,237)
Cash and short-term investments	509	356	41	29
Gross available cash	509	356	41	29
Debt	17,659	14,162	11,806	17,737
Equity	9,645	14,158	7,462	11,851
EBITDA margin (%)	29.7	33.8	34.7	34.4
Return on capital (%)	6.4	5.5	6.6	7.7
EBITDA interest coverage (x)	4.5	5.2	4.9	5.9
FFO cash interest coverage (x)	4.0	5.5	5.3	6.3
Debt/EBITDA (x)	6.5	5.3	5.8	5.4
FFO/debt (%)	9.7	14.5	13.9	15.4
OCF/debt (%)	8.4	12.4	11.7	11.9
FOCF/debt (%)	(16.3)	(2.7)	(6.7)	(1.3)
DCF/debt (%)	(19.0)	(8.4)	(10.4)	(7.0)

Environmental, Social, And Governance

ESG Credit Indicators

E-2 S-2 G-2

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of CNP.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013

- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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Tear Sheet:

CenterPoint Energy Inc. Continues To Manage Its Floating-Rate Debt Exposure, Lowering Cash Interest

August 4, 2023

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What's new: CenterPoint Energy Inc. (CNP) recently priced $900 million in 4.25% convertible senior notes due 2026. The company expects to redeem its outstanding $800 million series A fixed-to-floating-rate cumulative redeemable perpetual preferred stock on Sept. 1 with proceeds from the offering, in addition to, in part, repaying outstanding commercial paper. The fixed interest rate on the convertible senior notes is lower than the current rate on the preferred stock and CNP's commercial paper.

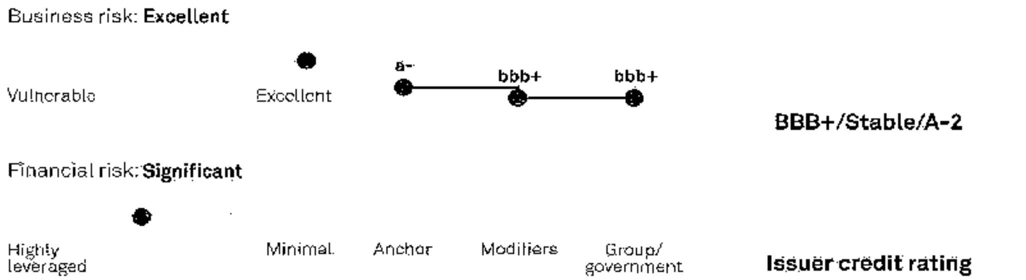
Why it matters: We recently commented that the cash interest related to CNP's floating-rate debt exposure remains a headwind to stronger financial measures. The company's floating-rate debt aggregated $2.4 billion on June 30, 2023, but down from $4.5 billion at year-end. Although we expect the issuance to increase leverage slightly from our base case, we expect the company to benefit more from the reduction in cash interest as a result of the redemption. We believe this should strengthen its funds from operations (FFO) and support its financial cushion.

CenterPoint Energy Inc.--Key metrics*

Mil. $	2021a	2022a	2023e	2024f	2025f
Debt to EBITDA (x)	6.0	6.5	5.5-6.0	6.0-6.5	5.5-6.0
FFO to debt (%)	13.5	9.7	13.0-14.0	12.0-13.0	13.0-14.0
FFO interest coverage (x)	4.9	4.0	4.5-5.0	4.0-4.5	4.0-4.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Ratings Score Snapshot



Recent Research

CenterPoint Energy Inc., July 31, 2023

Company Description

CNP is a Houston-based holding company that primarily engages in electric utility and natural gas distribution operations through its regulated utility subsidiaries.

Outlook

The stable outlook on CNP and its subsidiaries reflects our expectation that the company's deleveraging strategy will support its financial measures, such that consolidated FFO to debt is 12%-14% through 2025.

Downside scenario

We could lower our ratings over the next two years if CNP's consolidated financial measures weaken due to higher than expected leverage or weaker-than-expected cash flow, resulting in FFO to debt consistently below 12%. Separately, we could also lower our ratings if CNP's business risk unexpectedly increases from a weakening in its ability to effectively manage its regulatory risk across its multistate footprint.

Upside scenario

We could raise our ratings over the next two years if CNP's business risk remains consistent and its consolidated financial measures improve, such that its FFO to debt is consistently above 15%. This could result from further delivering of its capital structure or from a strengthening of its cash flow.

Financial Summary

CenterPoint Energy Inc.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022

CenterPoint Energy Inc.--Financial Summary

Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$
Revenues	9,203	9,991	11,984	7,160	8,121	9,088
EBITDA	2,093	1,842	2,676	2,449	2,715	2,699
Funds from operations (FFO)	1,767	1,430	2,041	1,802	2,196	1,706
Interest expense	334	391	609	571	589	600
Cash interest paid	311	323	480	504	565	572
Operating cash flow (OCF)	1,379	1,614	1,302	1,713	(277)	1,491
Capital expenditure	1,417	1,643	2,470	2,569	3,130	4,375
Free operating cash flow (FOCF)	(38)	(29)	(1,168)	(856)	(3,407)	(2,884)
Discretionary cash flow (DCF)	(499)	(530)	(1,838)	(1,360)	(3,875)	(3,349)
Cash and short-term investments	1,220	4,771	847	879	1,577	509
Gross available cash	1,220	871	847	879	1,577	509
Debt	7,216	8,600	15,526	15,017	16,252	17,659
Common equity	4,688	7,658	7,959	7,224	9,018	9,645
Adjusted ratios						
EBITDA margin (%)	22.7	18.4	22.3	34.2	33.4	29.7
Return on capital (%)	13.2	8.3	8.0	5.3	6.1	6.4
EBITDA interest coverage (x)	6.3	4.7	4.4	4.3	4.6	4.5
FFO cash interest coverage (x)	6.7	5.4	5.3	4.6	4.9	4.0
Debt/EBITDA (x)	3.4	4.7	5.8	6.1	6.0	6.5
FFO/debt (%)	24.5	16.6	13.1	12.0	13.5	9.7
OCF/debt (%)	19.1	18.8	8.4	11.4	(1.7)	8.4
FOCF/debt (%)	(0.5)	(0.3)	(7.5)	(5.7)	(21.0)	(16.3)
DCF/debt (%)	(6.9)	(6.2)	(11.8)	(9.1)	(23.8)	(19.0)

Peer Comparison

CenterPoint Energy Inc.--Peer Comparisons

	CenterPoint Energy Inc.	PPL Corp.	NiSource Inc.	WEC Energy Group Inc.
Foreign currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$
Revenue	9,088	7,902	5,851	9,597

CenterPoint Energy Inc.--Peer Comparisons

EBITDA	2,699	2,669	2,029	3,299
Funds from operations (FFO)	1,706	2,053	1,641	2,732
Interest	600	515	415	562
Cash interest paid	572	453	381	515
Operating cash flow (OCF)	1,491	1,759	1,383	2,112
Capital expenditure	4,375	2,148	2,175	2,345
Free operating cash flow (FOCF)	(2,884)	(389)	(792)	(233)
Discretionary cash flow (DCF)	(3,349)	(1,194)	(1,227)	(1,237)
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EBITDA margin (%)	29.7	33.8	34.7	34.4
Return on capital (%)	6.4	5.5	6.6	7.7
EBITDA interest coverage (x)	4.5	5.2	4.9	5.9
FFO cash interest coverage (x)	4.0	5.5	5.3	6.3
Debt/EBITDA (x)	6.5	5.3	5.8	5.4
FFO/debt (%)	9.7	14.5	13.9	15.4
OCF/debt (%)	8.4	12.4	11.7	11.9
FOCF/debt (%)	(16.3)	(2.7)	(6.7)	(1.3)
DCF/debt (%)	(19.0)	(8.4)	(10.4)	(7.0)

Environmental, Social, And Governance

ESG Credit Indicators

E-2 **S-2** **G-2**

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of CNP.

Rating Component Scores

Foreign currency issuer credit rating	**BBB+/Stable/A-2**
Local currency issuer credit rating	**BBB+/Stable/A-2**
Business risk	**Excellent**
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant
Anchor	**a-**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	**bbb+**

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
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- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013

- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

S&P Global
Ratings

Research

Research Update:

CenterPoint Energy Houston Electric LLC 'BBB+' Ratings Affirmed And Removed From UCO

September 13, 2019

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Rating Action Overview

We have reviewed our ratings on CenterPoint Energy Houston Electric LLC (CEHE) that we labeled as "under criteria observation" (UCO) after publishing our revised Group Rating Methodology criteria on July 1, 2019.

With our criteria review complete, we are affirming all of ratings on the company, including our 'BBB+' issuer credit rating and 'A' issue level rating on the first mortgage bonds (FMB) and are removing the UCO designation. The recovery ratings on the FMB remain '1+'.

Rating Action Rationale

The rating actions reflect the application of our revised Group Rating Methodology criteria as well as our assessment of CEHE as a core subsidiary of CenterPoint Energy Inc. (CPE). Our view is that the current insulation measures are not sufficient to warrant a notch separation between the CPE and CEHE. Therefore, we align our issuer credit rating on CEHE with our 'bbb+' group credit profile on CPE.

Issue Ratings - Recovery Analysis

CEHE's FMBs benefit from a first priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating: BBB+/Stable/--

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low

Competitive position: Excellent

Financial risk: Intermediate

Cash flow/Leverage: Intermediate

Anchor: a+

Modifiers

Diversification/Portfolio effect: Neutral (no impact)

Capital structure: Neutral (no impact)

Financial policy: Neutral (no impact)

- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand alone credit profile: a+

- Group credit profile: bbb+
- Entity status within group: Core (-3 notches from SACP)

Related Criteria

General Criteria: Group Rating Methodology, July 1, 2019

Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013

Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013

General Criteria: Methodology: Industry Risk, Nov. 19, 2013

General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013

General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

CenterPoint Energy Houston Electric LLC	
Issuer Credit Rating	BBB+/Stable/NR
CenterPoint Energy Houston Electric LLC	
Senior Secured	A
Recovery Rating	1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

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CenterPoint Energy Inc.

September 13, 2023

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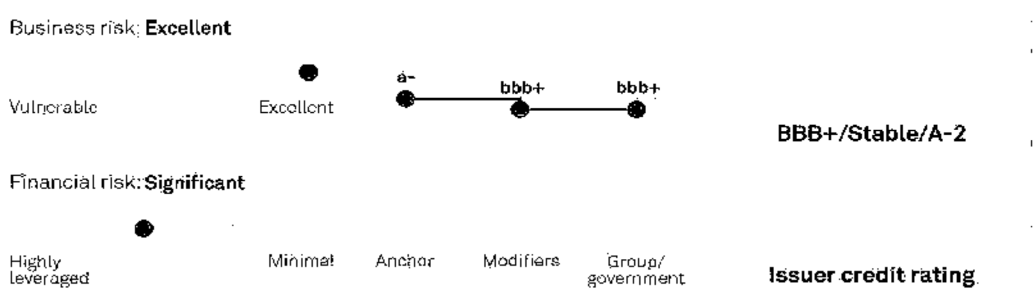
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Fully regulated electric and natural gas utility operations.	Minimal cushion in financial measures.
Regulatory and geographic diversity.	Elevated capital spending.
Large customer base across six states.	Service territory with elevated storm risk.

Significantly higher near-term capital spending could reduce CenterPoint Energy Inc.'s (CenterPoint) timeliness of cost recovery. We expect CenterPoint's capital spending to be elevated over the next few years ($3.639 billion in 2023, $4.716 billion in 2024, and $3.618 billion in 2025) as subsidiary Southern Indiana Gas and Electric Co. (SIGECO) implements its generation transition plan, which includes the retirement of its two-unit, 485-megawatt A.B. Brown coal plant. According to its integrated resource plan, SIGECO plans to replace this coal capacity with renewables and natural gas combustion turbines. The elevated capital plan also includes the development of a pipeline to serve the proposed natural gas plants. To recover the remaining book value and removal costs associated with the early retirement of A.B. Brown units 1 and 2, SIGECO issued approximately $341 million in securitization financing through a wholly owned, bankruptcy-remote, special purpose entity. We believe, however, that pressure on customer bills—primarily from elevated capital spending and higher commodity costs—could weaken SIGEOCO's ability to receive rate increases for the elevated capital spending, especially considering SIGECO's smaller customer base. Any delays in cost recovery could pressure financial measures for SIGECO and parent CenterPoint.

CenterPoint continues to reduce its floating-rate debt exposure. On Sept. 1, 2023, CenterPoint redeemed all of the outstanding shares of its Series A fixed-to-floating rate preferred stock using proceeds from an early August 2023 issuance of 4.25% convertible senior notes due in 2026. The fixed interest rate on the convertible senior notes is lower than the current rate on the preferred stock. We recently commented that the cash interest related to CenterPoint's floating-rate debt exposure remains a headwind to stronger financial measures. The company's floating-rate debt is an aggregate $1.6 billion, down from $4.5 billion at year-end. Although we expect the issuance to increase leverage slightly from our base case, the company will benefit more from the reduced cash interest. We believe this should strengthen its funds from operations (FFO) and financial cushion.

Outlook

The stable outlook on CenterPoint and its subsidiaries reflects our expectation that the deleveraging strategy will support its financial measures, such that consolidated FFO to debt is between 12% and 14% through 2025.

Downside scenario

We could lower our ratings over the next two years if:

- CenterPoint's consolidated financial measures weaken due to higher-than-expected leverage or weaker-than-expected cash flow, resulting in FFO to debt consistently below 12%; or
- Business risk unexpectedly increases from a weakened ability to effectively manage regulatory risk across its multistate footprint.

Upside scenario

We could raise our ratings over the next two years if CenterPoint's:

- Business risk remains consistent; and
- Consolidated financial measures improve, such that FFO to debt is consistently above 15%.

This could result from CenterPoint further deleveraging its capital structure or from stronger cash flow.

Our Base-Case Scenario

Assumptions

- Annual EBITDA growth in the high-single-digit percent area. This reflects annual rate base growth that provides ongoing cost recovery through rate surcharges and periodic general rate filings. Our forecast also incorporates annual volumetric growth that is primarily at utilities CenterPoint Energy Houston Electric (CEHE) and CenterPoint Energy Resources Corp. (CERC).

- Annual capital spending of $3.6 billion-$4.7 billion.
- Annual dividends of $450 million-$650 million.
- No common equity issuance through 2025.
- Securitization proceeds of almost $1.5 billion in early 2023.
- Negative discretionary cash flow funded with debt.
- All debt maturities are refinanced.

Key metrics

CenterPoint Energy Inc.--Key Metrics*

Mil. $	2021a	2022a	2023e	2024f	2025f
Debt to EBITDA (x)	6.0	6.5	5.5-6	6.0-6.5	5.5-6.0
FFO to debt (%)	13.5	9.7	13.0-14.0	12.0-13.0	13.0-14.0
FFO interest coverage (x)	4.9	4.0	4.0-4.5	4.0-4.5	4.0-4.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Company Description

CenterPoint is a Houston-based holding company that primarily engages in electric utility and natural gas distribution operations through its regulated utility subsidiaries. These subsidiaries include CEHE, an electricity transmission and distribution company with customers in Houston and the surrounding area; SIGECO, a vertically integrated electricity and natural gas distribution company in southern Indiana; and CERC, a gas distribution company serving customers in Louisiana, Minnesota, Mississippi, and Texas; and natural gas distribution utilities owned by CERC, serving about 1 million customers in Indiana and Ohio.

Peer Comparison

CenterPoint Energy Inc.--Peer Comparisons

	CenterPoint Energy Inc.	PPL Corp.	NiSource Inc.	WEC Energy Group Inc.
Foreign currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Local currency issuer credit rating	BBB+/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$
Revenue	9,096	7,902	5,851	9,597
EBITDA	2,699	2,609	2,029	3,299
Funds from operations (FFO)	1,708	2,058	1,641	2,731
Interest	600	516	415	561
Cash interest paid	571	450	381	515
Operating cash flow (OCF)	1,491	1,759	1,383	2,112
Capital expenditure	4,375	2,148	2,175	2,345
Free operating cash flow (FOCF)	(2,884)	(389)	(792)	(233)
Discretionary cash flow (DCF)	(3,349)	(1,194)	(1,227)	(1,237)
Cash and short-term investments	509	358	41	29
Gross available cash	509	358	41	29
Debt	17,659	14,162	11,808	17,737
Equity	9,875	14,158	7,482	11,851
EBITDA margin (%)	29.7	33.0	34.7	34.4
Return on capital (%)	6.4	5.5	6.8	7.7
EBITDA interest coverage (x)	4.5	5.1	4.9	5.9
FFO cash interest coverage (x)	4.0	5.6	5.3	6.3
Debt/EBITDA (x)	6.5	5.4	5.8	5.4
FFO/debt (%)	9.7	14.5	13.9	15.4
OCF/debt (%)	8.4	12.4	11.7	11.9
FOCF/debt (%)	(16.3)	(2.7)	(6.7)	(1.3)
DCF/debt (%)	(19.0)	(8.4)	(10.4)	(7.0)

Business Risk

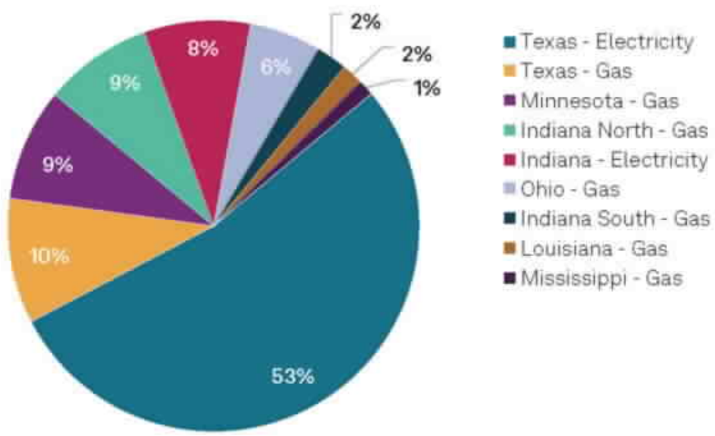
Our assessment of CenterPoint's business risk incorporates:

- CEHE's low-risk wires-only electricity transmission and distribution operations that serve over 2.7 million customers in Texas;
- CERC's low-risk natural gas local distribution operations that serve about 4.2 million customers in Indiana, Louisiana, Minnesota, Mississippi, Ohio, and Texas; and
- SIGECO's vertically integrated electric and natural gas distribution operations that serve about 152,000 customers in Indiana.

Given material barriers to entry, CenterPoint's utility subsidiaries and the regulated utility industry as a whole operate insulated from competitive market challenges. This supports our view of regulated utilities' very low industry risk compared to other industries. Our assessment is supported by generally constructive regulatory frameworks across CenterPoint's six-state service footprint that provide mechanisms to recover expenses incurred between rate cases for fuel and purchased power; revenues lost to changes in consumption, including usage and weather; property taxes; and investments related to its electric and gas network. These mechanisms provide sufficient cash flow and opportunities to achieve authorized returns with minimum regulatory lag. CenterPoint's geographic and regulatory diversity, which minimizes the impact of adverse regulatory decisions or regional economic downturns, also supports our assessment.

CenterPoint Energy Inc. rate base breakdown

As of year-end 2022



Source: Company presentation.

Financial Risk

CenterPoint's financial risk profile includes FFO to debt of about 12%-14% through 2025. This is at the lower end of the benchmark range. We expect leverage, indicated by adjusted debt to EBITDA, will be 5.5x-6x from aggressive use of debt. Over the same period, our supplemental ratio of FFO cash interest coverage is about 4x-4.5x, which is at the higher end of the benchmark range.

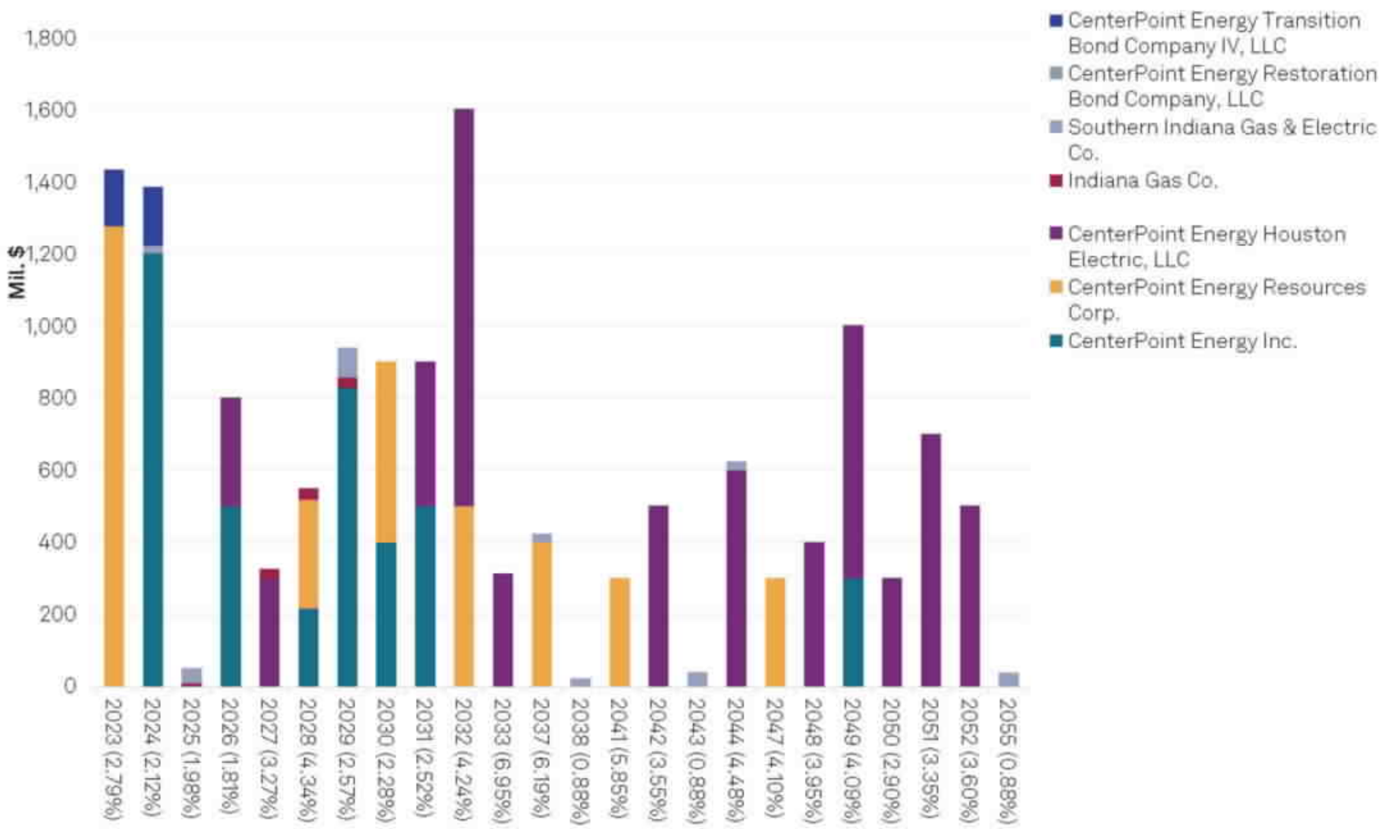
We expect continued discretionary cash flow deficits through 2025, requiring external funding that we expect will be long-term debt because CenterPoint does not anticipate issuing equity through the forecast period. CenterPoint's elevated capital spending is the primary factor in our financial risk assessment. We use our medial volatility benchmarks, which are more relaxed than those we use for a typical corporate issuer. This reflects the company's lower-risk utility operations and effective management of regulatory risk.

Debt maturities

- 2023: $1.35 billion
- 2024: $1.39 billion
- 2025: $51 million

- 2026: $860 million
- 2027: $2.9 billion
- Thereafter: $9.64 billion

CenterPoint Energy Inc. maturities of long-term debt



Sources: S&P Global Ratings, company reports.

CenterPoint Energy Inc.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$

CenterPoint Energy Inc.--Financial Summary

Revenues	9,203	9,991	11,984	7,160	8,121	9,088
EBITDA	2,093	1,842	2,676	2,449	2,715	2,699
Funds from operations (FFO)	1,767	1,430	2,041	1,802	2,196	1,706
Interest expense	334	391	609	571	589	600
Cash interest paid	311	323	480	504	565	572
Operating cash flow (OCF)	1,379	1,614	1,302	1,713	(277)	1,491
Capital expenditure	1,417	1,643	2,470	2,569	3,130	4,375
Free operating cash flow (FOCF)	(38)	(29)	(1,168)	(856)	(3,407)	(2,884)
Discretionary cash flow (DCF)	(499)	(530)	(1,838)	(1,360)	(3,875)	(3,349)
Cash and short-term investments	1,220	4,771	847	879	1,577	509
Gross available cash	1,220	871	847	879	1,577	509
Debt	7,216	8,600	15,526	15,017	16,252	17,659
Common equity	4,688	7,658	7,959	7,224	9,018	9,645
Adjusted ratios						
EBITDA margin (%)	22.7	18.4	22.3	34.2	33.4	29.7
Return on capital (%)	13.2	8.3	8.0	5.3	6.1	6.4
EBITDA interest coverage (x)	6.3	4.7	4.4	4.3	4.6	4.5
FFO cash interest coverage (x)	6.7	5.4	5.3	4.6	4.9	4.0
Debt/EBITDA (x)	3.4	4.7	5.8	6.1	6.0	6.5
FFO/debt (%)	24.5	16.6	13.1	12.0	13.5	9.7
OCF/debt (%)	19.1	18.8	8.4	11.4	(1.7)	8.4
FOCF/debt (%)	(0.5)	(0.3)	(7.5)	(5.7)	(21.0)	(16.3)
DCF/debt (%)	(6.9)	(6.2)	(11.8)	(9.1)	(23.8)	(19.0)

Reconciliation Of CenterPoint Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2022									
Company reported amounts	17,434	10,045	9,321	2,855	1,566	524	2,699	1,810	489	4,419
Cash taxes paid	-	-	-	-	-	-	(421)	-	-	-
Cash interest paid	-	-	-	-	-	-	(516)	-	-	-
Lease liabilities	19	-	-	-	-	-	-	-	-	-
Operating leases	-	-	-	6	1	1	(1)	5	-	-

Reconciliation Of CenterPoint Energy Inc. Reported Amounts With S&P Global Adjusted Amounts (Mil. $)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Intermediate hybrids (equity)	400	(400)	-	-	-	25	(25)	(25)	(25)	-
Postretirement benefit obligations/ deferred compensation	391	-	-	-	-	-	-	-	-	-
Accessible cash and liquid investments	(509)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	44	(44)	(44)	-	(44)
Share-based compensation expense	-	-	-	51	-	-	-	-	-	-
Securitized stranded costs	(317)	-	(233)	(233)	(13)	(13)	13	(220)	-	-
Asset-retirement obligations	482	-	-	20	20	20	-	-	-	-
Nonoperating income (expense)	-	-	-	-	114	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(36)	-	-
Debt: other	(241)	-	-	-	-	-	-	-	-	-
Total adjustments	225	(400)	(233)	(156)	122	76	(993)	(319)	(25)	(44)
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	17,659	9,645	9,088	2,699	1,688	600	1,706	1,491	465	4,375

Liquidity

We rate CenterPoint's commercial paper program 'A-2', reflecting our issuer credit rating on the company. As of June 30, 2023, we assess the company's liquidity as adequate, with sources covering uses by more than 1.1x for the next 12 months, even if forecast consolidated EBITDA declines 10%. We use slightly less stringent thresholds because we believe its constructive regulatory framework provide manageable cash flow stability even in economic stress.

CenterPoint maintains $4 billion in committed credit facilities through 2027. We believe the company can lower its high capital spending during stressful periods, which limits the need to refinance under such conditions. This is because the majority of CenterPoint's five-year capital plan is geared towards growth-related investments to primarily support growth in the Houston area and SIGECO's decarbonization plan. Furthermore, our assessment reflects CenterPoint's generally prudent risk management, sound relationships with its banks, and satisfactory standing in the credit markets. Overall, we believe CenterPoint will likely withstand adverse market circumstances during the next 12 months with sufficient liquidity to meet its obligations. We expect CenterPoint to manage upcoming long-term debt maturities but refinance well in advance of scheduled due dates.

Principal liquidity sources

- Cash and liquid investments of about $215 million;
- Credit facility availability of $4 billion;
- Estimated cash FFO of $2.3 billion; and
- Working capital inflow of about $740 million.

Principal liquidity uses

- Debt maturities, including outstanding commercial paper, of $2.4 billion;
- Capital spending of about $3.6 billion; and
- Dividends of about $540 million.

Covenant Analysis

Requirements

CenterPoint, CEHE, and CERC each borrow from credit facilities that contain business and financial covenants.

Capitalization covenants

Registrant	Capacity	Maturity	Financial covenant
CenterPoint Energy Inc.	$2.4 billion	Dec. 6, 2027	65% debt to capitalization*
CenterPoint Energy Inc.	$250 million	Dec. 6, 2027	65% debt to capitalization
CenterPoint Energy Houston Electric	$300 million	Dec. 6, 2027	67.5% debt to capitalization*
CenterPoint Energy Resources Corp.	$1.05 billion	Dec. 6, 2027	65% debt to capitalization

*Financial covenant could temporarily increase to 70% if CEHE sustains over $100 million in damage from a natural disaster.

Compliance expectations

As of June 30, each entity was in compliance with all financial covenants. We expect them to remain in compliance through the forecast period.

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of CenterPoint.

Group Influence

Under our group rating methodology, we assess CenterPoint as the parent of the group that comprises CEHE, CERC, Indiana Gas Co., and SIGECO. The group credit profile is 'bbb+', leading to an issuer credit rating of 'BBB+'.

Issue Ratings   Subordination Risk Analysis

Capital structure

As of June 30, 2023, the $16.9 billion of consolidated debt at CenterPoint includes about $4.3 billion of unsecured debt and about $7.5 billion of general and first-mortgage bond debt obligations at its operating subsidiaries.

Analytical conclusions

We rate the unsecured debt at CenterPoint one notch below the issuer credit rating because priority debt exceeds 50% of consolidated debt, at which point its debt could be considered structurally subordinated.

Rating Component Scores

Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	a-
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bbb+

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
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- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (as of September 13, 2023)*

CenterPoint Energy Inc.	
Issuer Credit Rating	BBB–/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock	BB
Senior Unsecured	BB
Issuer Credit Ratings History	
22-Feb-2021	BBB+/Stable/A-2
02-Apr-2020	BBB–/Negative/A-2
01-Feb-2019	BBB–/Stable/A-2
Related Entities	
CenterPoint Energy Houston Electric LLC	
Issuer Credit Rating	BBB+/Stable/NR
Senior Secured	A
CenterPoint Energy Resources Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB–
Indiana Gas Co. Inc.	
Issuer Credit Rating	BBB+/Stable/NR
Senior Unsecured	BBB–
Southern Indiana Gas & Electric Co.	

Ratings Detail (as of September 13, 2023)*

Issuer Credit Rating	BBB+/Stable/
Senior Secured	A
Vectren LLC	
Issuer Credit Rating	BBB–/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

S&P Global
Ratings

Research

Tear Sheet:

CenterPoint Energy Inc. Reports Higher EBITDA But Floating-Rate Debt Exposure Remains Significant

October 30, 2023

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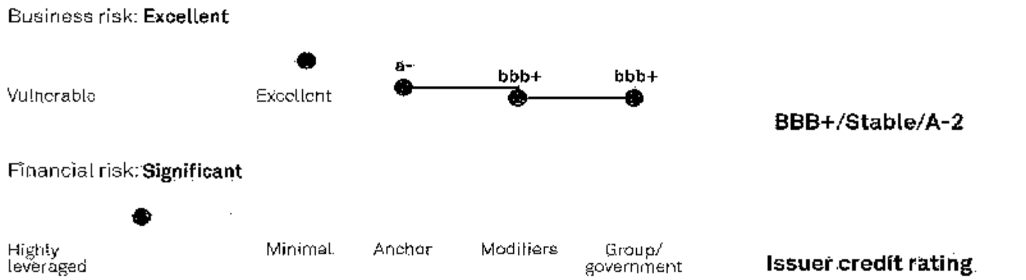
What's new: CenterPoint Energy Inc. (CNP) recently reported its financial results for the nine months ended Sept. 30, 2023. The company's consolidated EBITDA rose by 13%, or $295 million, relative to the same period in 2022, primarily due to a steady increase in its volumes and ongoing rate recovery by its utility subsidiaries. However, CNP's higher interest paid on its floating-rate obligations--totaling $1.8 billion as of the end of the quarter--continues to be a headwind to stronger financial measures, including its funds from operations (FFO) to debt, and partially offsets some of the improvement in its utility operating performance. The company also announced capital spending increases of $200 million in 2023 and a combined $300 million in 2024 and 2025, as well as a potential new $250 million at-the-market equity issuance program.

Why it matters: The robust utility growth and ongoing rate recovery have supported an improvement in its EBITDA in recent years amid inflationary cost increases. That said, the cash interest costs related to CNP's floating-rate debt remain a headwind. The company's elevated cash interest and reliance on debt leverage to fund its increasing capital spending have depressed its consolidated FFO to debt since at least 2021 and we expect this trend will continue, given the limited equity issuance included in its announced financing plan. This strategy heightens the need for ongoing and timely cost recovery by its utility subsidiaries. Because subsidiary CenterPoint Energy Houston Electric LLC (CEHE) accounts for a significant proportion of CNP's consolidated capital spending, we anticipate the subsidiary's ability to increase its rate surcharges twice per year for transmission and distribution capital spending will likely support management's strategy.

Ratings Score Snapshot



Recent Research

- CenterPoint Energy Inc., July 31, 2023

Company Description

CNP is a Houston-based holding company that primarily engages in electric utility and natural gas distribution operations through its regulated utility subsidiaries. These subsidiaries include CEHE, an electricity transmission and distribution company with customers in Houston and the surrounding area; Southern Indiana Gas & Electric Co. Inc., a vertically integrated electricity and natural gas distribution company in southern Indiana; and CenterPoint Energy Resources Corp. (CERC), a gas distribution company serving customers in Louisiana, Minnesota, Mississippi, and Texas; and natural gas distribution utilities owned by CERC, serving about 1 million customers in Indiana and Ohio.

Outlook

The stable outlook on CNP and its subsidiaries reflects our expectation that its deleveraging strategy will support its financial measures and improve its consolidated FFO to debt to between 12% and 14% through 2025.

Downside scenario

We could lower our ratings on CNP over the next two years if:

- Its consolidated financial measures weaken due to higher-than-expected leverage or weaker-than-expected cash flow, causing its FFO to debt to reman consistently below 12%; or
- Its business risk unexpectedly increases due to a weakening of its ability to effectively manage regulatory risk across its multi-state footprint.

Upside scenario

We could raise our ratings on CNP over the next two years if:

- The company's business risk remains consistent; and
- Its consolidated financial measures improve, including FFO to debt of consistently above 15%.

This could occur if CNP further deleverages its capital structure or increases its cash flow.

Key Metrics

CenterPoint Energy Inc.--Key metrics*

Mil. $	2021a	2022a	2023e	2024f
Debt to EBITDA (x)	6.0	6.5	5.5-6.0	6.0-6.5
FFO to debt (%)	13.5	9.7	10.0-14.0	11.0-13.0
FFO interest coverage (x)	4.9	4.0	4.5-5.0	4.0-4.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Financial Summary

CenterPoint Energy Inc.--Financial Summary

Period ending	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022
Reporting period	2017a	2018a	2019a	2020a	2021a	2022a
Display currency (mil.)	$	$	$	$	$	$
Revenues	9,200	9,991	11,964	7,160	8,141	9,086
EBITDA	2,090	1,841	2,670	2,449	2,716	2,699
Funds from operations (FFO)	1,787	1,430	2,041	1,802	2,196	1,706
Interest expense	334	391	609	571	599	601
Cash interest paid	311	323	480	504	585	572
Operating cash flow (OCF)	1,379	1,814	1,302	1,713	(177)	1,491
Capital expenditure	1,417	1,843	2,470	2,569	3,130	4,375
Free operating cash flow (FOCF)	(38)	(29)	(1,168)	(856)	(3,307)	(2,884)
Discretionary cash flow (DCF)	(499)	(600)	(1,838)	(1,366)	(3,876)	(3,349)
Cash and short-term investments	1,220	4,771	847	870	1,577	509
Gross available cash	1,220	871	847	879	1,577	509
Debt	7,216	8,800	15,526	15,017	16,252	17,675
Common equity	4,008	7,058	7,959	7,114	9,018	9,846
Adjusted ratios						
EBITDA margin (%)	22.7	18.4	22.3	34.2	33.4	29.7
Return on capital (%)	13.1	8.3	9.0	5.3	6.1	6.4
EBITDA interest coverage (x)	6.3	4.7	4.4	4.3	4.6	4.5
FFO cash interest coverage (x)	6.7	5.4	5.3	4.6	4.9	4.0
Debt/EBITDA (x)	3.4	4.7	5.8	6.1	6.0	6.5
FFO/debt (%)	24.5	16.3	13.1	12.0	13.5	9.7
OCF/debt (%)	19.1	20.6	8.4	11.4	(1.1)	8.4
FOCF/debt (%)	(0.5)	(0.3)	(7.5)	(5.7)	(20.3)	(16.3)
DCF/debt (%)	(6.9)	(6.8)	(11.8)	(9.1)	(23.8)	(18.9)

Peer Comparison

CenterPoint Energy Inc.--Peer Comparisons

	CenterPoint Energy Inc.	PPL Corp.	NiSource Inc.	WEC Energy Group Inc.
Foreign currency issuer credit rating	BBB–/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Local currency issuer credit rating	BBB–/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2022-12-31	2022-12-31	2022-12-31	2022-12-31
Mil.	$	$	$	$
Revenue	9,556	7,902	5,851	9,597
EBITDA	2,839	2,609	2,019	3,299
Funds from operations (FFO)	1,733	2,056	1,641	2,731
Interest	601	515	415	562
Cash interest paid	572	453	381	515
Operating cash flow (OCF)	1,491	1,759	1,383	2,112
Capital expenditure	4,375	2,148	2,175	2,345
Free operating cash flow (FOCF)	(2,884)	(389)	(792)	(233)
Discretionary cash flow (DCF)	(3,349)	(1,194)	(1,227)	(1,237)
Cash and short-term investments	500	358	41	29
Gross available cash	609	356	41	29
Debt	17,876	14,182	11,808	17,737
Equity	9,846	14,153	7,482	11,961
EBITDA margin (%)	29.7	33.0	34.5	34.4
Return on capital (%)	6.4	6.6	6.8	7.7
EBITDA interest coverage (x)	4.7	5.1	4.9	5.9
FFO cash interest coverage (x)	4.0	5.5	5.3	6.3
Debt/EBITDA (x)	6.3	5.4	5.8	5.4
FFO/debt (%)	9.7	14.5	13.9	15.4
OCF/debt (%)	8.3	12.4	11.7	11.9
FOCF/debt (%)	(16.1)	(2.7)	(6.7)	(1.3)
DCF/debt (%)	(18.7)	(8.4)	(10.4)	(7.0)

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of CNP.

Rating Component Scores

Foreign currency issuer credit rating	BBB+/Stable/A-2
Local currency issuer credit rating	BBB+/Stable/A-2
Business risk	Excellent
Country risk	Very Low
Industry risk	Very Low
Competitive position	Strong
Financial risk	Significant
Cash flow/leverage	Significant
Anchor	a-
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Negative (-1 notch)
Stand-alone credit profile	bbb+

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | Utilities: Collateral Coverage And Issue Notching Rules For '1+' And '1' Recovery Ratings On Senior Bonds Secured By Utility Real Property, Feb. 14, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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Research Update:

CenterPoint Energy Inc. And Subsidiaries' Ratings Affirmed On Expected Securitization Funding In Texas; Outlook Stable

November 17, 2022

PRIMARY CREDIT ANALYST

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Rating Action Overview

- The Texas Bond Review Board recently approved the $3.4 billion bond issuance that will refund select natural gas local distribution companies (LDCs) for the extraordinary gas costs incurred during the severe winter storm of February 2021.

  The issuance will provide CenterPoint Energy Inc. (CNP) subsidiary, CenterPoint Energy Resources Corp. (CERC), with $1.073 billion in proceeds. We expect it to reduce leverage with these proceeds, bolstering its stand alone financial measures.
- We affirmed our ratings on CNP and its subsidiaries, including CERC, CenterPoint Energy Houston Electric LLC (CEHE), Indiana Gas Co. Inc. (IGC), and Southern Indiana Gas & Electric Co. (SIGECO).
- We also raised our stand-alone credit profile (SACP) on CERC to 'a-' from 'bbb+' to reflect the strengthening in its financial measures.

  The outlook on CNP and its subsidiaries remains stable and reflects our expectation that CNP will maintain consolidated funds from operations (FFO) to debt between 13% and 15%.

Rating Action Rationale

We expect $1.073 billion in securitization proceeds will be distributed to CERC by year-end 2022. The recent approval by the Texas Bond Review Board allows the public finance authority issuing the debt the ability to start marketing the bonds to investors. Although one final approval by the Texas Attorney General's office is required post-marketing before issuance proceeds can be disbursed, we expect the process will finalize in the coming weeks and CERC will receive $1.073 billion in proceeds. We believe the company will use the proceeds to reduce its leverage, strengthening its stand alone funds from operations (FFO) to debt. Assuming CERC continues to receive favorable and timely regulatory outcomes across its six state footprint, we forecast its stand-alone FFO to debt between 16% and 19% through 2024. CERC's 2021 FFO to debt was

13.1%. We revised our comparable ratings analysis modifier to neutral from negative because of this strengthening, leading to its revised SACP.

CNP will generate almost $3.9 billion in cash flow inorganically in 2022. Earlier this year, CERC received $2.075 billion in after-tax proceeds from the sale of its natural gas LDCs in Arkansas and Oklahoma. Parent CNP also received proceeds from the liquidation of its remaining equity interests in Energy Transfer for about $750 million. Combining these amounts with the securitization proceeds, we forecast consolidated FFO to debt between 13% and 15% through 2024. Our base case assumes that CNP will reduce leverage with the aggregate amounts.

We assess CERC's business risk profile above the midpoint of the range for its respective category. CERC's excellent business risk profile reflects its geographical and regulatory diversity and effective management of regulatory risk that facilitates sufficient cash flow and opportunities to achieve authorized returns with minimum regulatory lag. Environmental factors, however, are a moderately negative consideration in our credit rating analysis of CERC because its natural gas pipeline network exposes it to environmental and natural conditions like unprecedented weather events, such as the severe winter weather of February 2021.

Outlook

The stable outlook on CNP and its subsidiaries reflects our expectation that the company's deleveraging strategy will support its financial measures, such that consolidated FFO to debt is between 13% and 15% through 2024.

Downside scenario

We could lower our ratings over the next two years if CNP's consolidated financial measures weaken due to higher than expected leverage or weaker than expected cash flow, resulting in FFO to debt consistently below 12%. Separately, we could also lower our ratings if CNP's business risk unexpectedly increases from a weakening in its ability to effectively manage its regulatory risk across its multistate footprint.

Upside scenario

We could raise our ratings over the next two years if CNP's business risk remains consistent and its consolidated financial measures improve, such that its FFO to debt is consistently above 15%. This could be driven by further delivering of its capital structure or from a strengthening of its cash flow.

Company Description

CenterPoint is a Houston based holding company that primarily engages in electric utility and natural gas distribution operations through its regulated utility subsidiaries.

Our Base-Case Scenario

- Annual EBITDA growth above the mid-single-digit percent area. This reflects annual rate base growth that provides ongoing cost recovery through existing mechanisms and periodic general rate filings.
- Elevated capital spending of $3.5 billion-$4.7 billion per year.
- Annual dividends of $400 million-$550 million.
- No common equity issuance through 2024.
- Negative discretionary cash flow, or operating cash flow after capital spending and dividends, that is funded with debt.
- All debt maturities are refinanced.

Liquidity

We base our 'A-2' short-term rating on CenterPoint on our long-term issuer credit rating.

We assess CenterPoint's liquidity as adequate because we believe sources will likely cover uses by more than 1.1x over the next 12 months and will be sufficient to meet cash outflows even if EBITDA declines 10%. The assessment also reflects the company's generally prudent risk management, sound relationships with banks, and generally satisfactory standing in credit markets.

Principal liquidity sources:

- Cash and liquid investments of about $115 million.
- Credit facility availability of $4 billion.
- Estimated cash FFO of almost $3 billion.
- Securitization bond proceeds of $1.073 billion.

Principal liquidity uses:

- Debt maturities, including outstanding commercial paper, of $2.675 billion.
- Capital spending slightly over $4 billion.
- Dividends of $575 million.

Issue Ratings - Subordination Risk Analysis

Capital structure

The $14.1 billion of consolidated debt at CenterPoint includes about $4.5 billion of unsecured debt at its operating subsidiaries and about $6.5 billion of general and first-mortgage bond debt obligations.

Analytical conclusions

We rate the unsecured debt at CenterPoint one notch below the issuer credit rating because priority debt exceeds 50% of consolidated debt, after which point the company's debt could be considered structurally subordinated.

We rate CenterPoint's preferred stock two notches below the issuer credit rating to reflect the discretionary nature of the dividend and the deeply subordinated claim if a bankruptcy were to occur.

Ratings Score Snapshot

CenterPoint Energy Inc.

Issuer credit rating: BBB+/Stable/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/Leverage: Significant

Anchor a-

Modifiers

- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Negative (-1 notch)

Stand-alone credit profile: bbb+

Group credit profile: bbb+

ESG credit indicators: E-2 S-2 G-2

CenterPoint Energy Resources Corp.

Issuer Credit Rating: BBB+/Stable/A-2

Business risk: Excellent

- Country risk: Very low
- Industry risk: Very low
- Competitive position: Strong

Financial risk: Significant

- Cash flow/leverage: Significant

Anchor: a-

Modifiers

- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)
- Stand-alone credit profile: a

Group credit profile: bbb+

- Entity status within group: Core

ESG credit indicators: E-3 S-2 G-2

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
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- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Ratings Affirmed	
CenterPoint Energy Inc.	
CenterPoint Energy Resources Corp.	
Issuer Credit Rating	BBB+/Stable/A-2
CenterPoint Energy Houston Electric LLC	
Indiana Gas Co. Inc.	
Issuer Credit Rating	BBB+/Stable/NR
Southern Indiana Gas & Electric Co.	
Vectren Corp.	
Issuer Credit Rating	BBB+/Stable/

Issue-Level Ratings Affirmed	
CenterPoint Energy Inc.	
Senior Unsecured	BBB
Preferred Stock	BBB
Commercial Paper	A-2
CenterPoint Energy Houston Electric LLC	
Senior Secured	A
CenterPoint Energy Resources Corp.	
Senior Unsecured	BBB-
Commercial Paper	A-2
Indiana Gas Co. Inc.	
Senior Unsecured	BBB-
Southern Indiana Gas & Electric Co.	
Senior Secured	A
Issue-Level Ratings Affirmed; Recovery Ratings Unchanged	
CenterPoint Energy Houston Electric LLC	
Senior Secured	A
Recovery Rating	1+
Southern Indiana Gas & Electric Co.	
Senior Secured	A
Recovery Rating	1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

S&P Global
Ratings

Research

Credit FAQ:

What's Behind CenterPoint Energy Inc.'s Transformation?

November 22, 2021

For U.S. regulated utility CenterPoint Energy Inc. (CPE), 2021 has been a year of many changes. In February, CPE and its subsidiaries felt the full brunt of the extreme weather in the wake of the winter storm, which caused utilities across the central U.S. to incur extraordinary fuel and purchased power costs. At the same time, CPE announced its intention to sell its natural gas distribution operations in Arkansas and Oklahoma. It is also in the middle of a transaction where its investment in midstream entity Enable Midstream Partners L.P. (Enable) will be merged into Energy Transfer L.P. (ET). And most recently, during its analyst day, CPE announced an increased five year capital plan and presented a new 10 year plan specifically targeting its environmental, social, and governance (ESG) goals.

Here, we answer questions about CPE's involvement in the ET sale and ultimate exit from midstream, the impact from Winter Storm Uri, the company's updated capital plan, and its revised clean energy transition plan, and discuss any potential impacts to our ratings on the company. Our base case assumes CPE's financial measures will remain at the lower end of the financial risk profile category.

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Frequently Asked Questions

What drove S&P Global Ratings' rating action and outlook revision on CPE and its subsidiaries in mid-February 2021?

In mid-February, Enable and ET announced their plan to merge. We expect the sale of Enable will lead to a modest improvement in the CPE's consolidated business risk profile, given management's strategy to focus on its low risk regulated utility operations over the longer term. At the same time, CPE subsidiary CenterPoint Energy Resources Corp. (CERC) is selling its natural gas distribution operating divisions in Arkansas and Oklahoma.

Our base-case assumption is that CPE will use proceeds from the transactions to, in part, repay debt. Given our expectation of stronger, more predictable financial measures over the next several years combined with a modest strengthening of the business risk profile we affirmed our issuer credit rating (ICR) on CPE and its subsidiaries, including CERC, CenterPoint Energy Houston Electric LLC (CEHE), Vectren Utility Holdings Inc. (VUHI), Southern Indiana Gas and Electric Co. (SIGECO), and Indiana Gas Co. Inc. (IGC). We also revised our assessment of CPE's consolidated financial risk profile to significant from aggressive to better align with our expectation of financial measures, including funds from operations (FFO) to debt of about 13% through 2024.

See "CenterPoint Energy Inc. Outlook Revised To Stable From Negative; Ratings Affirmed," Feb. 22, 2021, for more details on the rating actions.

Why did S&P Global Ratings revise the rating outlooks on CPE and its subsidiaries to stable from negative?

The outlook revision reflects our expectation of consistent financial measures, albeit with minimal financial cushion. We expect CPE to maintain its business risk profile in line with our assessment of a significant financial risk profile after the reduction in midstream operations.

How much could CPE obtain upon sale of its ownership interest in Enable?

After completing the Enable/ET merger, which will likely close by year end 2021, we expect CPE to receive approximately 6.5% ownership of ET common units for the current 53.7% of Enable common units. CPE will also exchange $363 million of Enable series A non-cumulative preferred shares for about $385 million of ET series G perpetual preferred units.

During its September 2021 analyst day, the company announced that it will sell by year-end 2021, through a contingent forward sale, 50 million ET common units (25% of CPE's expected ET common units). Along with selling these common units, CPE plans to sell the ET preferred shares, thereby monetizing about 40% of the ET equity investment by the end of 2021. In our base-case scenario, we assume the proceeds from these sales will help fund the company's rising capital spending, thereby supporting credit measures. We base our business risk profile assessment on regulated utility operations only since we have already reflected the sales of non utility operations.

How did the February winter storm affect CPE and its subsidiaries?

CPE's utility subsidiaries incurred about $2.1 billion in incremental natural gas costs during the winter storm events. At the time, the Texas Railroad Commission (RRC) authorized the state's local distribution companies (LDCs) to accrue the incremental expenses as a regulatory asset for future rate recovery. As of June 30, 2021, CPE and CERC recorded current regulatory assets of $325 million (inclusive of CERC expenses) and $222 million, respectively, and non current regulatory assets of $1.77 billion (inclusive of CERC expenses) and $1.76 billion, respectively.

Also during the winter storm, the Public Utility Commission of Texas (PUCT) prohibited disconnections by any retail electric providers (REPs) from nonpayment by customers. As of June 30, 2021, CEHE recorded a regulatory asset of $8 million for bad debt expenses resulting from defaults on payments by REPs, and a regulatory asset of $12 million to defer operations and maintenances costs from the storm.

How does CPE plan to recover the incremental costs incurred during the winter storm?

To fund immediate cash impact of these incremental expenses, CERC, at the time, issued $1.7 billion in incremental senior notes (see chart detailing the storm's impact on CPE's operations).

Table 1

Recovery of Winter Storm Uri Costs

	Texas	Arkansas	Oklahoma	Minnesota	Indiana	Louisiana	Mississippi
Company	CERC	CERC	CERC	CERC	IGC and SIGECO	CERC	CERC
Costs	$1.082 bil.	$329 mil.	$79 mil.	$405 mil.	$107 mil.	$72 mil.	$3 mil.
Securitization	Yes	No	Yes	No	No	No	No
Recovery	Approved for securitization	Gas Supply Rate rider	Applied for securitization	Cost recovery mechanism	Cost recovery mechanisms	Cost recovery mechanisms	Normal gas cost recovery
Recovery timing	N/A	5 years	N/A	27 months	12 months	3 years	N/A
Recovery starts	N/A	May 2021	N/A	Sept. 2021	Aug. 2021	May 2021	Sept. 2021

As of Sept. 30 2021. N/A--Not available. Source: S&P Global Ratings and company data.

Long-term recovery for the winter storm costs varies between regulatory jurisdictions. In states that do not have securitization in place, CPE expects to recover the extraordinary costs within a one- to five-year period with and without carrying charges. For material balances, if cost recovery is not within one year or through securitization, the state commission has authorized rate recovery of carrying charges along with incurred costs.

How are the Arkansas and Oklahoma divisions' sales structured?

CPE announced in late April 2021 that Summit Utilities Inc., an owner and operator of natural gas distribution and transmission pipeline systems, would purchase CERC's Arkansas and Oklahoma natural gas local distribution operating divisions. The assets include approximately 17,000 miles of main pipelines serving more than 500,000 customers. We expect the sale to be completed by year-end 2021.

The expected gross purchase price of the two gas LDCs is approximately $2.15 billion, including $425 million of incremental gas costs incurred in Winter Storm Uri. We expect CPE to use the net sales proceeds and the reimbursement for the remaining incremental gas costs to fund capital spending and repay debt at CPE and CERC. CPE plans to have elevated capital spending within its regulated operations for the next five years, and the sale of the two gas LDCs would help fund the increased spending. Although there will be an EBITDA loss after the sale of the operating utilities, incremental EBITDA growth is expected in later years.

We expect for the sale of the two gas LDCs to close by the end of 2021. Post-sale, CPE's utility mix would be 40% natural gas and 60% electric.

What does CPE's decarbonization strategy entail?

CPE's decarbonization strategy targets Scope 1, 2, and 3 emissions. Scope 1 emissions are direct emissions from company-owned and controlled resources, Scope 2 emissions are indirect emissions from the generation of purchased power, and Scope 3 emissions are all indirect emissions not already included in Scope 2 emissions. Examples of Scope 3 emissions include the production and transportation of fuels such as coal or natural gas used in generation of electricity.

Specifically, CPE plans to reduce Scope 1 and 2 emissions by approximately 5.2 million metric tons (MM MT) to net-zero by 2035 and reduce Scope 3 emissions 20%-30% by 2035 across all of its operating utilities.

With the company's electric generation housed under subsidiary SIGECO, in mid-June 2020, CPE revealed plans to retire SIGECO's 490 megawatt (MW) AB Brown coal facility and unit 2 of its 90 MW FB Culley coal facility in 2023, while also exiting its 150 MW stake in the Warrick coal facility in 2023. The company plans to replace this capacity with at least 1,000 MW of renewables in addition to the construction of two natural gas combustion turbines. As per its mid June 2021 predetermination filing in Indiana, SIGECO is seeking pre approval of a 460 MW gas turbine facility that the utility anticipates costing $323 million. We believe the plan demonstrates the company's commitment to its decarbonization goals, while also satisfying state regulators' recent request to consider more renewables as part of its long-term integrated resource plan (IRP). We believe pre-approval of the plan will reduce regulatory risk related to disallowance. The recent approval of legislation permitting the use of securitization financing to recover costs associated with retired generation assets further enables the company to implement its plan in a credit supportive manner.

Table 2

Owned Generating Capacity At SIGECO (Indiana South)

	Capacity (MW)
Coal	1,000 MW
Natural gas	163 MW
Solar	4 MW

Source: S&P Global Ratings and company data.

To address methane leaks across its natural gas distribution network in Ohio and Indiana, CPE expects to remove all cast iron pipes in both states by 2023 and replace all unprotected steel mains by 2032.

How does CPE's capital plan affect the company's financial measures?

CPE plans to invest over $18 billion within the next five years as per its latest capital plan. This includes spending to improve system maintenance and reliability, to accommodate customer growth, and to deploy sustainable technologies.

Most of this spending will occur within its regulated business segments, which is line with CPE's goal to be a fully regulated business. Additionally, the increase in capital expenditures by $900 million more in 2021 compared to 2020 will help overcome the loss of the Arkansas and Oklahoma LDC divisions without affecting CPE's utility earnings growth target. CPE's elevated capital plan will require a balanced mix of debt and equity funding, in addition to periodic rate increases, to maintain current financial measures, including adjusted FFO to debt of about 13% through 2023.

Table 3

CenterPoint Energy Inc. 10-Year Capital Plan

($ bil.)

	2021	2022	2023	2024	2025	2026-2030
Total	3.5	3.8	4.7	3.7	3.2	22

Table 3

CenterPoint Energy Inc. 10-Year Capital Plan (cont.)

($ bil.)

	2021	2022	2023	2024	2025	2026-2030
Gas	1.4	1.4	1.9	1.4	1.5	9
Electric	2.1	2.4	2.8	2.3	1.7	13

Source: S&P Global Ratings and company data.

Table 4

CenterPoint Energy Inc.--Natural Gas 10-Year Capital Plan

Operating utility jurisdiction	Capital spending percentage (%)
Indiana	22%
Louisiana	7%
Minnesota	23%
Ohio	10%
Mississipi	4%
Texas	33%
Arkansas & Oklahoma	1%

Source: S&P Global Ratings and company data.

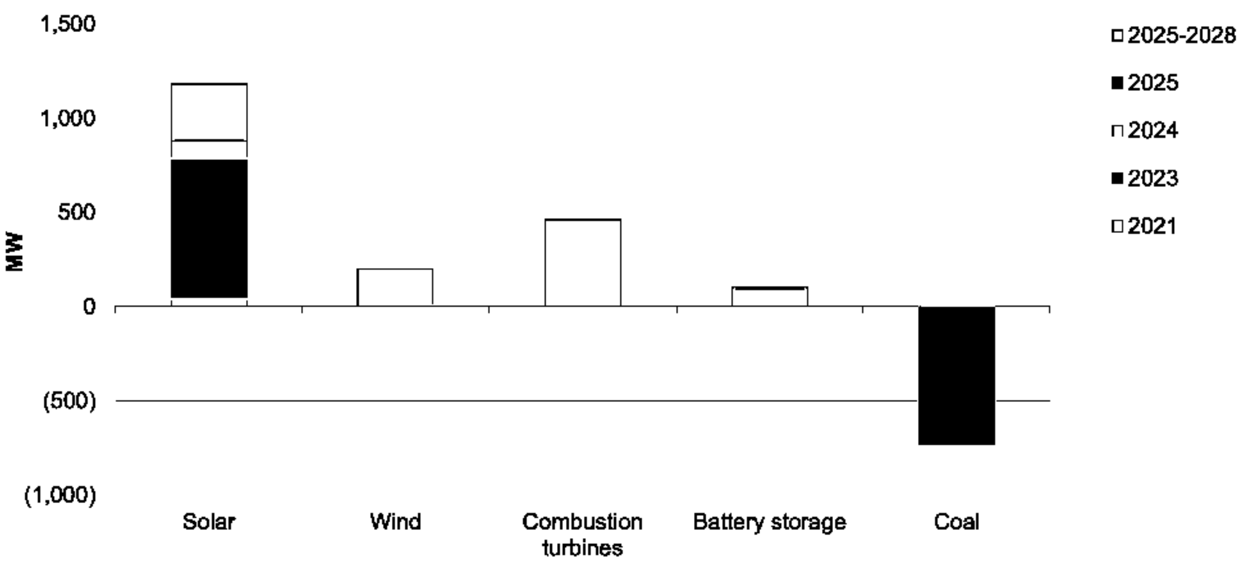
Table 5

CenterPoint Energy Inc.-Electric 10-Year Capital Plan

Operating utility jurisdiction	Capital spending percentage (%)
Indiana	17%
Texas	83%

Source: S&P Global Ratings and company data.

Generation Project Timeline



Source: S&P Global Ratings and company data.

How will CPE fund its elevated capital plans?

The company does not expect to need any external equity issuance to fund its revised capital plan. In fact, CPE eliminated a previously announced $300 million at the market equity program and does not expect to issue equity through 2030. Instead, CPE plans to utilize the approximately $2.15 billion gross proceeds from the sale of its Arkansas and Oklahoma LDCs, the approximately $1.1 billion securitization proceeds, plus any proceeds from the ultimate sale of its ET common and preferred units, to repay debt and apply towards its higher capital spending. Additionally, we expect annual dividend increases of 8% in line with the company's expectations.

This report does not constitute a rating action.

S&P Global
Ratings

Research

Bulletin:

CenterPoint Energy Inc. Ratings Unaffected By Natural Gas Utility's Intended Sale Of Its Arkansas And Oklahoma Divisions

December 8, 2020

NEW YORK (S&P Global Ratings) Dec. 8, 2020 S&P Global Ratings today said that CenterPoint Energy Inc.'s (CPE; BBB+/Negative/A-2) announcement that natural gas distribution subsidiary CenterPoint Energy Resources Corp. (CERC; BBB+/Negative/A-2) intends to sell its Arkansas and Oklahoma operating divisions will not affect our ratings or outlook on CPE. The two divisions have a combined rate-base of approximately $700 million. Although there is no transaction currently pending, CPE expects to announce one in the first half of 2021 with a closing date in 2022. We will continue to monitor CPE for any definitive transaction information, including pricing, and for any change in its planned use for the sales proceeds beyond its indication that it will paydown debt.

This report does not constitute a rating action.

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CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 56211
SOAH DOCKET NO. 473-24-13232

HOUSTON COALITION OF CITIES
REQUEST NO.: HCC-RFP02-02

QUESTION:

Please provide copies of all presentations made by CenterPoint Energy Houston Electric, LLC to S&P, Moody's and Fitch rating agencies since January 2019 to the present, together with materials, analysis and calculations supporting the credit metrics or other financial information shared with the rating agencies as part of the presentations.

ANSWER:

Please see attachments.

The attachments are confidential and are being provided pursuant to the Protective Order issued in Docket No. 56211.

SPONSOR:
Jackie Richert

RESPONSIVE DOCUMENTS:
HCC-RFP02-02 2019 Fitch presentation (confidential).pdf
HCC-RFP02-02 2019 Moodys presentation (confidential).pdf
HCC-RFP02-02 2019 SP presentation (confidential).pdf
HCC-RFP02-02 2020 CenterPoint Energy Houston Electric Financial Plan (confidential).xlsx
HCC-RFP02-02 2020 Fitch presentation (confidential).pdf
HCC-RFP02-02 2020 Moodys presentation (confidential).pdf
HCC-RFP02-02 2020 SP presentation (confidential).pdf
HCC-RFP02-02 2022 RA presentation (confidential).pdf
HCC-RFP02-02 2023 CNP financials (confidential).xlsx
HCC-RFP02-02 2023 RA presentation (confidential).pdf
HCC-RFP02-02 2024 RA presentation (confidential).pdf
HCC-RFP02-02 2024-2026 CNP Financial Plan_Fitch (confidential).xlsx
HCC-RFP02-02 2024-2026 CNP Financial Plan_Moodys (confidential).xlsx
HCC-RFP02-02 2024-2026 CNP Financial Plan_SP (confidential).xlsx
HCC-RFP02-02 CNP 2020 Financials for Moodys RAS (confidential).xlsx
HCC-RFP02-02 CNP 2022 Financials and Ratios Fitch (confidential).xlsx
HCC-RFP02-02 CNP 2022 Financials and Ratios Moodys (confidential).xlsx
HCC-RFP02-02 Fitch 2019 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 Fitch 2020-2022 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 Moodys 2019 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 Moodys 2020 CenterPoint Energy Financial Plan_Base Case (confidential).xlsx
HCC-RFP02-02 Moodys 2020 CenterPoint Energy Financial Plan_Target Case (confidential).xlsx
HCC-RFP02-02 Moodys 2020-2022 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 Moodys RAS Final Nov 9 2020 (confidential).pdf
HCC-RFP02-02 Moodys RAS presentation Jan 2 2020 (confidential).pdf
HCC-RFP02-02 SP 2019 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 SP 2020-2022 CenterPoint Energy Financial Plan (confidential).xlsx
HCC-RFP02-02 SP CNP 2022 Financials and Ratios (confidential).xlsx

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
PUC DOCKET NO. 56211
SOAH DOCKET NO. 473-24-13232

HOUSTON COALITION OF CITIES
REQUEST NO.: HCC-RFP02-03

QUESTION:

Please provide complete copies of all cited sources referenced in Ms Richert's direct testimony.

ANSWER:

The cited source for table 5 reference is from: https://fred.stlouisfed.org

The remaining referenced files are included in exhibits or as publicly available as sourced through footnotes.

SPONSOR:
Jackie Richert

RESPONSIVE DOCUMENTS:
None