

Related Securities continues to increase by the amount of the tax benefit realized each year. If the ZENS had been redeemed on December 31, 2023, deferred taxes of approximately \$728 million would have been payable in 2023, based on 2023 tax rates in effect. In addition, if all the shares of ZENS-Related Securities had been sold on December 31, 2023 to fund the aggregate redemption amount, capital gains taxes of approximately \$81 million would have been payable in 2023. Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy's cash flows. This could happen if CenterPoint Energy's creditworthiness were to drop, the market for the ZENS were to become illiquid, or for some other reason. While funds for the payment of cash upon exchange of ZENS could be obtained from the sale of the shares of ZENS-Related Securities CenterPoint Energy owns or from other sources, ZENS exchanges result in a cash outflow because tax deferrals related to the ZENS and ZENS-Related Securities shares would typically be disposed when ZENS are exchanged and ZENS-Related Securities shares are sold.

Our potential business strategies and strategic initiatives, including merger and acquisition activities and the disposition of assets or businesses, may not be completed or perform as expected, adversely affecting our financial condition, results of operations and cash flows.

Our financial condition, results of operations and cash flows depend, in part, on our management's ability to implement our business strategies successfully and realize the anticipated benefits therefrom. In 2021, we announced our strategic goals for CenterPoint Energy, including our ten-year capital plan, and net zero and carbon emission reductions goals. Our strategic goals are subject to the risks described in this section and various assumptions. These assumptions may be proven incorrect or we may not be able to execute on these strategic goals in a timely manner or at all. If we are unable to execute on our strategic goals, including our ten-year capital plan, the benefits therefrom may not be fully realized, if at all, and our reputation may be adversely affected.

From time to time we have made, and may continue to make, acquisitions or divestitures of businesses and assets, such as our proposed sale of our Louisiana and Mississippi natural gas local distribution companies, our completed sale of our Energy Systems Group business, form joint ventures or undertake restructurings, such as the Restructuring. However, suitable acquisition candidates or potential buyers may not continue to be available on terms and conditions we find acceptable, or the expected benefits of completed acquisitions or dispositions may not be realized fully or at all, or may not be realized in the anticipated timeframe. If we are unable to make acquisitions, or if those acquisitions do not perform as anticipated, our future growth may be adversely affected. Further, any completed or future acquisitions or dispositions involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate;
- we may assume liabilities that were not disclosed to us, that exceed our estimates, or for which our rights to indemnification from the seller are limited;
- we may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems;
- acquisitions or dispositions, or the pursuit of such transactions, including any separation or disentanglement efforts or requirements, such as the provision of transition services, could disrupt our ongoing businesses, distract management, divert resources and make it difficult to maintain current business standards, controls and procedures; and
- we may not receive regulatory approvals necessary to complete an acquisition or disposition in a timely manner or at all.

On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements. We can make no assurances regarding the completion of this sale, which could be subject to delays or otherwise not consummated.

Changing demographics, poor investment performance of pension plan assets and other factors adversely affecting the calculation of pension liabilities could unfavorably impact our financial condition, results of operations and liquidity.

CenterPoint Energy and its subsidiaries maintain qualified defined benefit pension plans covering certain of its employees. Costs associated with these plans are dependent upon a number of factors including the investment returns on plan assets, the level of interest rates used to calculate the funded status of the plan, contributions to the plan, the number of plan participants and government regulations with respect to funding requirements and the calculation of plan liabilities. Funding requirements may increase and CenterPoint Energy may be required to make unplanned contributions in the event of a decline in the market

value of plan assets, a decline in the interest rates used to calculate the present value of future plan obligations, or government regulations that increase minimum funding requirements or the pension liability. In 2023, 2022 and 2021, CenterPoint Energy had a settlement expense for its pension plans as a result of an increase in eligible employee retirements and pension plan distributions. See Note 8 to the consolidated financial statements for further information. In addition to affecting CenterPoint Energy's funding requirements, these factors could adversely affect our financial condition, results of operations and liquidity.

We may be significantly affected by changes in federal income tax laws and regulations, including any comprehensive federal tax reform legislation.

Our businesses are impacted by U.S. federal income tax policy. The TCJA, CARES Act, and the IRA significantly changed the U.S. Internal Revenue Code, including taxation of U.S. corporations, by among other things, reducing the federal corporate income tax rate, limiting interest deductions, altering the expensing of capital expenditures, enacting a new CAMT, and expanding federal tax credits for cleaner energy production. Based on information and forecasts as of December 31, 2023, the Registrants will be subject to the CAMT included in the IRA.

The interpretive guidance issued by the IRS and state tax authorities may be inconsistent with our interpretation and the legislation could be subject to amendments, which could lessen or increase certain impacts of the legislation. In addition, the retail regulatory treatment of the expanded tax credits and CAMT could impact the Registrants' future cash flows, and this legislation could result in unintended consequences not yet identified that could have an adverse impact on the Registrants' financial results and future cash flows.

Further federal tax reform legislation could be enacted that may significantly change the federal income tax laws applicable to domestic businesses, including changes that may increase the federal income tax rate and impact investment incentives and deductions for depreciation and interest, among other deductions. While CenterPoint Energy and its subsidiaries cannot assess the overall impact of any such potential legislation on our businesses, it is possible that our financial condition, results of operations or cash flows could be negatively impacted. Furthermore, with any enacted federal tax reform legislation, it is uncertain how state commissions and local municipalities may require us to respond to the effects of such tax legislation, including determining the treatment of EDIT and other increases and decreases in our revenue requirements. As such, potential regulatory actions in response to any enacted tax legislation could adversely affect our financial condition, results of operations and cash flows.

Risk Factors Affecting Safety and Security Risks

The Registrants' businesses have safety risks.

The Registrants' facilities and distribution and transmission systems have been and may in the future be involved in incidents that result in injury, death, or property loss to employees, customers, third parties, or the public. Although the Registrants have insurance coverage for many potential incidents, depending upon the nature and severity of any incident, they could experience financial loss, claims and litigation, damage to their reputation, and negative consequences from regulatory authorities or other public authorities. Further, certain CenterPoint Energy employees who work in the field have experienced threats of violence during the performance of their work. Threats of violence, actual violence and other concerns may result in field employees being unable or unwilling to complete critical functions, which could adversely affect our businesses, financial condition and results of operations, and could make it harder to recruit and retain certain employees.

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

We are subject to cyber and physical security risks related to our information technology systems, operational technology, network infrastructure, and other technology and facilities used to conduct almost all of our businesses. For example, the operation of our electric generation, transmission and distribution systems are dependent on not only physical interconnection of our facilities but also on communications among the various components of our systems and third-party systems. This reliance on information and communication between and among those components has increased since deployment of the intelligent grid, smart devices and operational technologies across our businesses. Further, certain of the various internal systems we use to conduct our businesses are highly integrated. Consequently, a cyberattack or unauthorized access in any one of these systems could potentially impact the other systems. Similarly, our business operations are interconnected with external networks and facilities. For example, the operation of an efficient deregulated wholesale and retail electric market in Texas mandates communication with ERCOT, and competitive retailers; and our Indiana Electric organization has a similar relationship with MISO. Also, the distribution of natural gas to our customers requires communications with third-party

systems. Disruption of those communications, whether caused by physical disruption such as storms or other natural disasters, by failure of equipment or technology or by man-made events, such as cyberattacks or acts of terrorism, may disrupt our ability to conduct operations and control assets.

The sophistication of cybersecurity threats, including those leveraging AI, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of AI, may further expose our computer systems to the risk of cybersecurity incidents. Cyberattacks, including phishing attacks and threats from the use of malware, ransomware and viruses or malicious code, and unauthorized access could also result in the loss, or unauthorized use, of confidential, proprietary or critical infrastructure data or security breaches of other information technology systems that could disrupt operations and critical business functions, adversely affect reputation, impact our customers, increase costs and subject us to possible legal claims and liability. While we have implemented and maintain a cybersecurity program designed to protect our information technology, operational technology, and data systems from such attacks, our cybersecurity program does not prevent all breaches or cyberattack incidents. We have experienced an increase in the number of attempts by external parties to access our networks or our company data without authorization. We have also experienced, and expect to continue to experience, cyber intrusions and attacks to our information systems and those of third parties, including vendors, suppliers, contractors and quasi government entities who perform certain services for us or administer and maintain our sensitive information. These prior intrusions and attacks have not had a material impact on our business, results of operations, or financial condition. Because technology is increasingly complex and cyberattacks are increasingly sophisticated and more frequent, there is a risk such incidents could have an adverse effect on us in the future. The risk of a disruption or breach of our operational technology systems, or the compromise of the data processed in connection with our operations, through a cybersecurity breach or ransomware attack, has increased as attempted attacks have advanced in sophistication and number around the world. We are not fully insured against all cybersecurity risks, any of which could adversely affect our reputation and could have an adverse effect on our financial condition, results of operations and cash flows.

We depend on the secure operations of our physical assets to transport the energy we deliver and our information technology to process, transmit and store electronic information, including information and operational technology we use to safely operate our energy transportation systems. Security breaches, attacks on our infrastructure and facilities, including against the Registrants or as a means to harm a third-party by disrupting the transmission and distribution of energy, or acts of terrorism, including by foreign or domestic actors, could expose our business to a risk of loss, misuse or interruption of critical physical assets or information and functions that affect our operations, as well as potential data privacy breaches and loss of protected personal information and other sensitive information, such as Critical Energy Infrastructure Information. Such losses could result in operational impacts, damage to our assets, public or personal safety incidents, impacts to our customers, damage to the environment, reputational harm, competitive disadvantage, regulatory enforcement actions, litigation and a potential adverse effect on our operations, financial condition, results of operations and cash flows. There is no certainty that costs incurred related to actual or thwarted cyberattacks, or for the safeguarding against such security threats, will be recoverable through rates.

Compliance with and changes in cybersecurity laws and regulations have a cost and operational impact on our business, and failure to comply with such requirements could adversely impact our reputation, financial condition, results of operations and cash flows.

Cyberattacks are becoming more sophisticated, and U.S. government warnings have indicated infrastructure assets, including pipelines and electric generation and infrastructure, may be specifically targeted by certain groups. The TSA announced two new security directives in the second and third quarters of 2021. These directives required critical pipeline owners to comply with mandatory reporting measures, designate a cybersecurity coordinator, provide vulnerability assessments, and ensure compliance with certain cybersecurity requirements. In the third quarter of 2022, the TSA made significant updates to one of the security directives to require critical pipeline owners to establish and implement a TSA-approved Cybersecurity Implementation Plan, develop and maintain a Cybersecurity Incident Response Plan, and establish a Cybersecurity Assessment Plan. The TSA approved CenterPoint Energy's Cybersecurity Implementation Plan in December 2022. The TSA further updated and renewed the pipeline security directive in July 2023 with updated requirements for Pipeline Cybersecurity Mitigation Actions, Contingency Planning, and Testing. CenterPoint Energy continues to take measures to comply with the TSA pipeline security directive requirements. We may be required to expend significant additional resources and costs to respond to cyberattacks, to continue to modify or enhance our protective measures, or to assess, investigate and remediate any critical infrastructure security vulnerabilities. There is no certainty that such costs incurred will be recovered through rates. Any failure to remain in compliance with these government regulations or failure in our cybersecurity protective measures may result in enforcement actions which may have an adverse effect on our reputation, financial condition, results of operations and cash flows.

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

In connection with our businesses, we and our third parties (vendors, suppliers, and contractors) collect and retain personal information (for example, information of our customers, shareholders, suppliers and employees), and there is an expectation that we and such third parties will adequately protect that information. The regulatory environment surrounding information security and data privacy continues to evolve and is increasingly demanding. New laws and regulations governing data privacy and the unauthorized disclosure of confidential information pose increasingly complex compliance challenges and elevate our costs. Any failure by us to comply with these laws and regulations, including as a result of a security or privacy breach, could result in significant costs, fines and penalties and liabilities for us. While we have implemented and maintain a cybersecurity program designed to protect our information technology, operational technology, and data systems from attacks, and while we have implemented and maintain a data privacy program designed to manage and protect personal information, neither program can prevent all security or privacy breaches. We and some of our third parties that maintain personal information have experienced, and expect to continue to experience, data privacy incidents and breaches; however, to date, we have not experienced a material data privacy incident or breach. A significant theft, loss or fraudulent use of the personal information we maintain, or failure of our vendors, suppliers and contractors to use or maintain such data in accordance with contractual provisions and other legal requirements, could adversely impact our reputation and could result in significant costs, fines and penalties and liabilities for us. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection privacy, we may incur significant liabilities and penalties as a result.

We may not be successful in our adoption of AI, which could adversely affect our business, reputation, or financial results.

We are using and exploring the further use of AI, including generative AI, and its ability to enhance the services we offer to the communities we serve. There are significant risks involved in developing and deploying AI, and there can be no assurance that the use of AI will enhance our services or be beneficial to our business, including with respect to the efficiency and resiliency of our systems. For example, our AI-related efforts may give rise to risks related to harmful content, accuracy, bias, discrimination, toxicity, intellectual property infringement or misappropriation, defamation, data privacy, and cybersecurity, among others. In addition, the adoption of AI may subject us to new or enhanced governmental or regulatory scrutiny, new or amended laws, rules, directives, and regulations governing the use of AI, litigation, ethical concerns, negative consumer perceptions as to automation and AI, or other complications that could adversely affect our business, reputation, or financial results. We may not be able to recover our investments in AI technology through our regulatory proceedings, and our use of AI may subject us to legal liability. Similarly, as AI continues to evolve we may not be able to adopt and implement AI as quickly as our customers or communities desire or regulators may require, which could also adversely affect us. AI is a relatively new and rapidly evolving technology, and we are unable to predict all of the risks that may result from the adoption of our AI initiatives.

General and Other Risks

Our revenues and results of operations are seasonal.

Houston Electric's, Indiana Electric's and Natural Gas' revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity and natural gas usage, as applicable. Houston Electric's revenues are generally higher during the warmer months. As in certain past years, unusually mild weather in the warmer months could diminish Houston Electric's results of operations and harm its financial condition. Conversely, as in certain past years, extreme warm weather conditions could increase Houston Electric's results of operations in a manner that would not likely be annually recurring. A significant portion of Indiana Electric's sales are for space heating and cooling. Consequently, as in certain past years, Indiana Electric's results of operations may be adversely affected by warmer-than-normal heating season weather or colder-than-normal cooling season weather, while, as has occurred in certain past years, more extreme seasonal weather conditions could increase Indiana Electric's results of operations in a manner that would not likely be annually recurring. Natural Gas' revenues are customarily higher during the winter months. As in certain past years, unusually mild weather in the winter months could diminish Natural Gas' results of operations and harm its financial condition. Conversely, as occurred in certain past years, extreme cold weather conditions could increase its results of operations in a manner that would not likely be annually recurring. For information related to weather normalization regulatory mechanisms and weather hedges, see Note 9(a) to the consolidated financial statements. For additional risks related to the February 2021 Winter Storm Event, see Note 7 to the consolidated financial statements for further information.

Climate change could adversely impact financial results from our businesses and result in more frequent and more severe weather events that could adversely affect our results of operations.

A changing climate creates uncertainty and could result in broad changes, both physical and financial in nature, to our service territories and our business. If climate changes occur that result in warmer temperatures than normal in our service territories, financial results from our businesses could be adversely impacted. For example, where natural gas is used to heat homes and businesses, warmer weather might result in less natural gas being used, adversely affecting us. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes, and severe winter weather conditions, including ice storms, all of which may impact our operations and ability to serve our customers. To the extent the frequency and severity of extreme weather events increases, our costs of providing service may increase, including the costs and availability of procuring insurance related to such impacts, and those costs may not be recoverable. Further, events of extreme weather could make it unsafe or hinder the effectiveness of our employees to fix, maintain and restore power to affected areas and could harm our reputation. Since certain of our facilities are located along or near the Texas gulf coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers. Our Electric and Natural Gas operations in our service territories were both also impacted by the February 2021 Winter Storm Event and could experience a similar event in the future, which could have an adverse impact on our financial condition, results of operations and cash flows. In the long term, climate change could also cause shifts in population, including customers moving away from our service territories. When we cannot deliver electricity or natural gas to customers or our customers cannot receive our services, our financial results are impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs or recover in a timely manner, or if recovery of such costs results in higher rates and reduced demand for our services, our future financial results may be adversely impacted. Similarly, public and private efforts to address climate change, such as by legislation, regulation, actions by private interest groups, and litigation, could impact our ability to continue operating our businesses as we do today, significant aspects of which rely on fossil fuels. These initiatives could have a significant impact on us and our operations as well as on our third-party suppliers, vendors and partners, which could impact us by among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to us. For further information on these initiatives, please see “ — We are subject to operational...” Finally, we may be subject to climate change litigation, which could result in substantial fines, penalties or damages and restrictions on our operations. The oil and gas industry has already faced such litigation, challenging its marketing and use of fossil fuels and attributing climate change to emissions resulting from the use of fossil fuels, and other industries, including ours, could face such litigation in the future. For more information, see Note 7 to the consolidated financial statements, and “— CenterPoint Energy is subject to operational and financial risks...”

We are exposed to risks related to reduction in energy consumption due to factors such as changes in customers' perceptions from incidents of other utilities.

Our businesses are affected by reduction in energy consumption due to factors including economic, climate and market conditions in our service territories, energy efficiency initiatives, use of alternative technologies and changes in our customers' perceptions regarding natural gas usage as a result of incidents of other utilities involving natural gas pipelines, which could impact our ability to grow our customer base and our rate of growth. Growth in customer accounts and growth of customer usage each directly influence demand for electricity and natural gas and the need for additional delivery facilities. Customer growth and customer usage are affected by a number of factors outside our control, such as mandated energy efficiency measures, bans on or further regulation of natural gas-fired appliances, demand-side management goals, distributed generation resources and economic and demographic conditions, including population changes, job and income growth, housing starts, new business formation and the overall level of economic activity. Declines in demand for electricity and natural gas in our service territories due to pipeline incidents of other utilities, increased electricity and natural gas prices as experienced during the February 2021 Winter Storm Event and during periods of persisting high inflation or economic downturns, among other factors, could reduce overall usage and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity and natural gas. Although Houston Electric's and Indiana Electric's transmission and distribution businesses are subject to regulated allowable rates of return and recovery of certain costs under periodic adjustment clauses, overall declines in electricity delivered and used as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. A reduction in the rate of economic, employment and/or population growth could result in lower growth and reduced demand for and usage of electricity and natural gas in such service territories. Some or all of these factors could result in a lack of growth or decline in customer demand for electricity or natural gas or number of customers and may result in our failure to fully realize anticipated benefits from significant capital investments and expenditures, which could have an adverse effect on our financial condition, results of operations and cash flows.

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

We have risks associated with aging infrastructure assets, including the failure of equipment or processes and potential breakdowns due to such aging. The age of certain of our assets may result in a need for replacement or higher level of maintenance costs because of our risk based federal and state compliant integrity management programs. As part of our long-term capital plan, we continue to make upgrades to our aging infrastructure assets to enhance the reliability of our infrastructure. Failure to achieve timely and full recovery of expenses associated with our aging infrastructure could adversely impact revenues and could result in increased capital expenditures or expenses. In addition, the nature of information available on aging infrastructure assets may make inspections, maintenance, upgrading and replacement of the assets particularly challenging. Also, our ability to successfully maintain or replace our aging infrastructure may be delayed or be at a greater cost than anticipated due to supply chain disruptions. Further, with respect to Natural Gas' operations, if certain pipeline replacements (for example, cast-iron or bare steel pipe) are not completed timely or successfully, government agencies and private parties might allege the uncompleted replacements caused events such as fires, explosions or leaks. Although we maintain insurance for certain of our facilities, our insurance coverage may not be sufficient in the event a catastrophic loss is alleged to have been caused by a failure to timely complete equipment replacements. Insufficient insurance coverage and increased insurance costs could adversely impact our financial condition, results of operations and cash flows. Finally, aging infrastructure may complicate our utility operations ability to address climate change concerns and efforts to enhance resiliency and reliability. See "— Disruptions to the global supply..."

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

Our performance depends on the successful operation of our facilities. Operating these facilities involves many risks inherent in the generation, transmission and distribution of electricity and in the delivery of natural gas that could result in substantial losses or other damages. From time to time, we have and may in the future experience various risks associated with the operations of our facilities, including, but not limited to, the following:

- operator error or failure of equipment or processes, including failure to follow appropriate safety protocols for, among others, the transmission and distribution of electricity and in the delivery of natural gas, including operations of our peak shaving, propane-air facilities;
- the handling of hazardous equipment or materials that could result in serious personal injury, loss of life and environmental and property damage;
- operating limitations that may be imposed by environmental or other regulatory requirements;
- labor disputes;
- information technology or financial and billing system failures, including those due to the implementation and integration of new technology, that impair our information technology infrastructure, reporting systems or disrupt normal business operations;
- compliance mandates that result in penalties from our regulators;
- failure to obtain in a timely manner and at reasonable prices the necessary fuel, such as coal and natural gas, building materials or other items needed to operate our facilities;
- information technology failure that affects our ability to access customer information or causes us to lose confidential or proprietary data that adversely affects our reputation or exposes us to legal claims; and
- catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts, hurricanes, ice storms, flooding, terrorism, wildfires, pandemic health events or other similar occurrences, including any environmental impacts related thereto, which catastrophic events may require participation in mutual assistance efforts by us or other utilities to assist in power restoration efforts.

Such events may result in a decrease or elimination of revenue from our facilities, an increase in the cost of operating our facilities or delays in cash collections, any of which could have an adverse effect on our financial condition, results of operations and cash flows. Such events have and may in the future result in the imposition of regulatory or environmental fines and increased litigation.

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

We operate businesses that require sophisticated data collection, processing systems, software and other technology. Some of the technologies supporting the industries we serve are changing rapidly and increasing in complexity. New technologies will emerge or grow that may be superior to, or may not be compatible with, some of our existing technologies, and may require us to make significant investments and expenditures so that we can continue to provide cost-effective and reliable methods for energy production and delivery. Among such technological advances are distributed generation resources (e.g., private solar, microturbines, fuel cells), energy storage devices and more energy-efficient buildings and products designed to reduce energy consumption and waste. As these technologies become a more cost-competitive option over time, whether through cost effectiveness or government incentives and subsidies, such as under the IRA, certain customers may choose to meet their own energy needs and subsequently decrease usage of our systems and services, including Indiana Electric's generating facilities becoming less competitive and economical. Further, certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Just as high inflation and rising interest rates, incentivize our customers to consume less energy, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric and natural gas devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

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

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

We currently have insurance in place, such as general liability and property insurance, to cover certain of our facilities in amounts that we consider appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage premiums continue to increase, and insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of our facilities may not be sufficient to fully cover or restore the loss or damage without negative impact on our financial condition, results of operations and cash flows. Costs, damages and other liabilities related to recent events and incidents that affected other utilities, such as wildfires, winter storms and explosions, among other things, have exceeded or could exceed such utilities' insurance coverage. Further, as a result of these recent events and incidents, the marketplace for insurance coverage to utility companies may be unavailable or limited in capacity or any such available coverage may be deemed by us to be cost prohibitive under current conditions. Insurance premiums for any such coverage, if available, may not be eligible for recovery, whether in full or in part, by us through the rates charged by our utility businesses.

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

Global or regional health pandemics, epidemics or similar public health threats could negatively impact our business, outlook, financial condition, results of operations and liquidity.

Current and future health pandemics, epidemics and similar public health threats, such as COVID-19 and its variants, and the measures implemented to contain their spread, such as travel bans and restrictions, quarantines and vaccination mandates, continue to and may in the future have widespread impacts on the global economy, our employees, customers, and third-party business partners. The severity, magnitude and duration of a current or future health threat is uncertain, rapidly changing and hard to predict. Any future health threat, including the emergence of a new variant of COVID-19, could, in the future, impact our business in numerous ways, including, but not limited to, those outlined below:

- reduced demand from our commercial and industrial customers and shifts in demand for our services;
- delayed service to customers because of shutdowns and/or illness and travel restrictions among our employees;
- negative impacts to the financial condition of our customers and REPs and their ability to pay for our services, and our ability to disconnect service for non-payment may be limited, and state regulators may impose bill deferral programs;
- potential limits or significant or entire curtailments of the ability of public utility commissions to approve or authorize applications and other requests we may make with respect to our businesses, including delaying rate making proceedings;
- increased risk to our cybersecurity program as a result of an increase in cyberattacks during the pandemic and increased remote working arrangements, see above “Risks Affecting our Safety and Security Risks”;
- increased rates of inflation and delays in our supply chain and our ability to complete maintenance, repairs, and capital programs, which could result in disruption, increased costs and our inability to execute on or require us to make modifications to our capital plan; and
- accelerated employee turnover as a result of concerns regarding restrictions and guidelines, including mask mandates and quarantine mandates, and increased acceptability of alternative work arrangements.

Like many companies, we experienced the above and other impacts pursuant to the COVID-19 pandemic. These and other impacts of global or regional health pandemics, epidemics or similar public health threats could also have the effect of heightening many of the other risks described in this section and the other reports we file from time to time with the SEC. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long-term adverse impacts to our operations, financial condition and liquidity. The ultimate impact of public health threats on our business depends on factors beyond our knowledge or control, including the duration and severity of the outbreak as well as third-party actions taken to contain the spread and mitigate the public health effects. Any of these factors could have a negative impact on our business, outlook, financial condition and results of operations, which impact could be material.

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

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

Failure to attract and retain an appropriately qualified workforce and maintain good labor relations could adversely impact the operations of our facilities and our results of operations.

Our businesses are dependent on recruiting, retaining and motivating employees. Like many companies in the utilities industry and other industries, we have experienced higher than normal turnover of employees as a result of a number of factors, including the COVID-19 pandemic, a tightening labor market, increasing remote working opportunities, employees shifting industries, individuals deciding not to work and a maturing workforce. Of our employee population, not including employees of Energy Systems Group prior to the divestiture on June 30, 2023 or temporary employees, 18.7%, 19.3% and 23.6% were retirement eligible as of December 31, 2023, 2022 and 2021, respectively. Certain circumstances, such as an aging workforce without appropriate replacements, a mismatch of existing skillsets to future needs, or the unavailability of contract resources may lead to operating challenges such as a lack of resources, loss of knowledge or a lengthy time period associated with skill development. Our costs, including costs to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate our businesses, particularly the specialized skills and knowledge required to construct and operate generation facilities, a technology-enabled power grid and transmission and distribution infrastructure, among other facilities. If we are unable to successfully attract and retain an appropriately qualified workforce, our ability to execute on our 10-year capital plan and our results of operations could be negatively affected.

Furthermore, the operations of our facilities depend on good labor relations with our employees, and several of our businesses have in place collective bargaining agreements with different labor unions, comprising approximately 40% of our workforce. We have several separate bargaining units, each with a unique collective bargaining agreement described further in

Note 8(j) to the consolidated financial statements, which information is incorporated herein by reference. The collective bargaining agreements with Teamsters Local 135 related to SIGECO employees and Utility Workers Union of America, Local 175 related to VEDO employees are scheduled to expire in September 2024 and October 2024, respectively, and negotiations of these agreements are expected to be completed before the respective expirations. Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have an adverse effect on our businesses, results of operations and/or cash flows. Labor disruptions, strikes or significant negotiated wage and benefit increases, whether due to union activities, employee turnover or otherwise, could have an adverse effect on our businesses, results of operations and cash flows.

Item 1B. *Unresolved Staff Comments*

None.

Item 1C. *Cybersecurity*

Our processes for assessing, identifying, and managing material risks from cybersecurity threats are part of our overall enterprise risk management system and processes. Enterprise risks, including cybersecurity risks, and their associated mitigations are reviewed at least annually by senior management and the Board of Directors. Throughout the year, we regularly assess our cybersecurity program and continue to invest in hardening and maturing our cybersecurity measures as further described below.

Managing Material Risks & Integrated Overall Risk Management

As a foundation of this approach, we have implemented a layered governance structure to help assess, identify, and manage cybersecurity risks. It starts with our internal Cybersecurity Operations Center (CSOC), which routinely analyzes threat information from external sources, monitors network activity, and responds to potential security incidents. In addition, our cybersecurity and privacy policies encompass incident response procedures and information security governance. As part of our ongoing assessment of our cybersecurity program, we monitor and make adjustments, as necessary, in support of compliance with current and emerging cybersecurity and privacy laws, regulations and guidance applicable to us in jurisdictions where we do business (including NERC CIP reliability standards and TSA security directives), as further described in Item 1A "Risk Factors." Our internal audit team conducts regular internal security audits and vulnerability assessments of CenterPoint Energy's systems and user data security practices.

In addition, CenterPoint Energy's cybersecurity program is increasingly leveraging intelligence-sharing capabilities about emerging threats within the energy industry, across other industries, with specialized vendors, and through public-private partnerships with U.S. government intelligence agencies. By engaging with utility-specific organizations, CenterPoint Energy benefits from quality analysis and rapid sharing of security information across the energy sector. Such intelligence helps allow for better detection and prevention of emerging cyber threats before they materialize. Just as it tests its policies and plans internally, CenterPoint Energy also engages in external exercises such as the bi-annual GridEx Security Exercise to evaluate and address the preparedness of the industry as a whole.

Oversee Third-Party Risk

We conduct security risk assessments on proposed software, hardware, and third-party technology solutions used by CenterPoint Energy, including a diligence review of enterprise and security architecture, vendor security, and a privacy impact assessment when deemed appropriate. These assessments evaluate these technologies prior to deployment in CenterPoint Energy's network environment. Further, we maintain a vendor risk management program, a component of which assesses the maturity of certain third parties and their cybersecurity and data privacy programs to help protect information shared with approved third parties. We also leverage third-party cybersecurity ratings of companies to inform our risk rating when conducting these assessments. Additionally, CenterPoint Energy imposes contractual obligations on vendors and other third-party business partners related to privacy, confidentiality, and data security based on their access to our data and systems and the nature and sensitivity of the data and systems. Such contractual provisions may specify the measures and safeguards that the parties must implement to protect our data from unauthorized access use, disclosure, modification, or destruction.

Engage Third Parties on Risk Management

We also undergo periodic external security audits, vulnerability assessments, and penetration testing of CenterPoint Energy's systems and user data security practice, conducted by third-party consultants. We also conduct tabletop exercises to

test our incident response processes. Further, as discussed below, we engage third parties to provide guidance and support to our cybersecurity management team.

Risks from Cybersecurity Threats

As described in Item 1A “Risk Factors,” our operations rely on the secure processing, storage, and transmission of confidential, sensitive, and other information within our computer systems and networks. Computer viruses, hackers, employee or vendor incidents, and other external hazards could expose our information systems—and those of our third parties who process our data, provide access to systems, or that have access to our systems—to security breaches, cybersecurity incidents or other disruptions, any of which could materially and adversely affect our business, reputation, results of operations and financial condition, and subject us to possible legal claims and liability. While we have experienced cybersecurity incidents in the past, to date none have materially affected us, including our business strategy, results of operations or financial condition.

Governance

As part of our overall risk management approach, we prioritize the identification and management of cybersecurity risks at several levels, including Board oversight, executive commitment, management support, and employee training.

Board of Directors Oversight

As of December 2023, our Audit Committee, comprised of independent directors from our Board, oversees the Board’s responsibilities relating to CenterPoint Energy’s cybersecurity and data privacy programs, including cybersecurity risk management. Prior to December 2023, our Governance, Environmental and Sustainability Committee, comprised of independent directors from our Board, oversaw cybersecurity responsibilities. As part of their risk oversight responsibilities, the applicable committee received quarterly reports from our Executive Vice President and General Counsel, or representatives from our cybersecurity or data privacy groups, and periodic reports from our third party consultants. Based on these reports, the applicable committee reported to the Board regarding certain cybersecurity or data privacy related items, including, among other items, CenterPoint Energy’s progress in maturing its cybersecurity program, results of audits, penetration and vulnerability testing of CenterPoint Energy’s cybersecurity program, the cybersecurity landscape and emerging threats, status of ongoing initiatives and strategies, incident reports and learnings from any cybersecurity events, compliance with regulatory requirements and industry standards, data privacy matters, and the cybersecurity budget.

Risk Management Personnel

Since January 2023, our cybersecurity program has been overseen by our Executive Vice President and General Counsel. Our Executive Vice President and General Counsel has significant risk management, governance and litigation experience. We believe these skills are needed in leadership of our cybersecurity program to help ensure that risk management, legal, disclosure and governance perspectives are considered in the design of our cybersecurity program and in evaluating and responding to potential cyber incidents. CenterPoint Energy currently engages a third-party consultant, who reports directly to the Executive Vice President and General Counsel, to provide Chief Information Security Officer (CISO) advisory services. This consultant has 15 years of experience serving in cybersecurity leadership positions, including as a CISO at a large U.S.-based power, utility, and gas company and also at a large multi-national energy products and services company. We also have management-level committees and an experienced CSOC team that support our processes to assess and manage cybersecurity risk as follows:

- The Data Privacy Office, led by our Senior Vice President, Deputy General Counsel, Chief Ethics and Compliance Officer, and Data Privacy Officer, addresses the collection, storage, usage, disclosure and destruction of data for specific business purposes and addresses existing and emerging laws, regulations, trends, expectations and best practices with regards to maintaining a mature data privacy program.
- The Risk Oversight Committee, which is supported by our Enterprise Risk Management function and chaired by our Executive Vice President and General Counsel, is comprised of senior executives from across CenterPoint Energy, monitors and oversees risks facing CenterPoint Energy, as well as provides risk assessments and control oversight for certain business activities, including overseeing CenterPoint Energy’s cybersecurity risks.
- The crisis management team, which includes senior executives across CenterPoint Energy, is alerted as appropriate to cybersecurity incidents, natural disasters, and business outages. This team has established and continually assesses CenterPoint Energy’s communications plan in the event of a crisis. Additionally, as appropriate, the Audit Committee

or the Board are made aware of significant cybersecurity incidents in accordance with our cybersecurity incident response playbook.

- The Cybersecurity Awareness Governance Committee, which includes leaders from across CenterPoint Energy's corporate functions and business units, each with expertise in, or with specific responsibility for, managing or protecting CenterPoint Energy's assets, information and personnel. This committee provides strategic direction and oversight for CenterPoint Energy's cybersecurity awareness and training initiatives.
- The Artificial Intelligence (AI) Steering Committee was established by CenterPoint Energy to provide strategic direction, oversight, and guidance in the planning, development, deployment, and management of AI initiatives within the organization. The committee's primary objective is to ensure that AI technologies are aligned with business goals, ethical considerations, appropriate security protections, and industry best practices while driving innovation and enhancing competitiveness.

These committees provide periodic summary reports on their activities and initiatives to appropriate senior executives, and the Executive Vice President and General Counsel and/or various members of the cyber and data privacy teams communicates updates to the Audit Committee or the Board.

At the employee level, we maintain an experienced information technology team that is tasked with implementing our privacy and cybersecurity programs and supporting the cybersecurity consultant in carrying out reporting, security and mitigation functions. We also hold employee trainings on privacy, cybersecurity, AI, records and information management, conduct phishing tests, and generally seek to promote awareness of cybersecurity risk through communication and education of our employee population. The Governance, Environmental and Sustainability Committee was, and now the Audit Committee will be, provided with periodic reports on our employee cybersecurity awareness efforts.

Item 2. Properties

The following discussion is based on the Registrants' businesses as of December 31, 2023.

Character of Ownership

We lease or own our principal properties in fee, including our corporate office space and various real property. Most of our electric lines and natural gas mains are located, pursuant to easements and other rights, on public roads or on land owned by others.

Electric (CenterPoint Energy and Houston Electric)

Properties

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

All real and tangible properties of Houston Electric, subject to certain exclusions, are currently subject to the lien of the M&DOT and the lien of the General Mortgage, which is junior to the lien of the M&DOT.

No first mortgage bonds are outstanding under the M&DOT and Houston Electric is contractually obligated to not issue any additional first mortgage bonds under the M&DOT and is undertaking actions to release the lien of the M&DOT and terminate the M&DOT. For information related to debt outstanding under the General Mortgage, see Note 13 to the consolidated financial statements.

Indiana Electric's properties are primarily located in Indiana. They consist of transmission lines in Indiana and Kentucky, distribution lines, substations, service centers, coal-fired generating facilities, gas-fired turbine peaking units, a landfill gas electric generation project and solar generation facilities.

All real and tangible properties of Indiana Electric, subject to certain exclusions, are currently subject to the lien of the Amended and Restated Mortgage Indenture dated as of January 1, 2023, between SIGECO (Indiana Electric) and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as Trustee.

Electric Lines - Transmission and Distribution. As of December 31, 2023, Houston Electric and Indiana Electric owned and operated the following electric transmission and distribution lines:

Description	Houston Electric		Indiana Electric	
	Overhead Lines	Underground Lines	Indiana	Kentucky (1)
Transmission lines:		(In Circuit Miles)		
69 kV	132	2	567	—
138 kV	2,333	24	420	9
345 kV	1,445	—	49	15
Total	3,910	26	1,036	24
Distribution lines	29,270	27,267	7,266	—

(1) These assets interconnect with Louisville Gas and Electric Company's transmission system at Cloverport, Kentucky and with Big Rivers Electric Cooperative at Sebree, Kentucky.

Generating Capacity. In 2023, SIGECO completed the planned retirement of its A.B. Brown Units 1 & 2. As of December 31, 2023, Indiana Electric had 727 MW of installed generating capacity, as set forth in the following table.

Generation Source	Unit No.	Location	Date in Service	Capacity (MW)
Coal				
F.B. Culley	2	Warrick County	1966	90
F.B. Culley	3	Warrick County	1973	270
Warrick (1)	4	Warrick County	1970	150
Total Coal Capacity				510
Gas				
Brown (2)	3	Posey County	1991	80
Brown	4	Posey County	2002	80
Renewable Landfill Gas		Pike County	2009	3
Total Gas Capacity				163
Solar				
Oak Hill		Evansville, Indiana	2018	2
Volkman		Evansville, Indiana	2018	2
Troy		Spencer County	2021	50
Total Solar Capacity				54
Total Generating Capacity (3)				727

(1) SIGECO and AGC own a 300 MW unit at the Warrick Power Plant as tenants in common. SIGECO exited joint operations of Warrick 4 on January 1, 2024.

(2) Brown Unit 3 is also equipped to burn oil.

(3) Excludes 1.5% participation in OVEC. See Item 1. Business for more details.

Natural Gas Combustion Turbines. In 2022, Indiana Electric received approval from the IURC for a CPCN seeking approval to construct two natural gas combustion turbines to replace portions of its existing coal-fired generation fleet. The turbines are targeted to be operational by year end 2025. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

Solar. Indiana Electric entered into an amended and restated BTA to build a 191 MW solar array in Posey County, Indiana. Additionally, Indiana Electric entered into a BTA to acquire a 130 MW solar array in Pike County, Indiana through a special purpose entity for a capped purchase price. For further information about Indiana Electric's BTAs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

Mobile Generation. As allowed by a law enacted by the Texas legislature after the February 2021 Winter Storm Event and amended in 2023, Houston Electric is leasing TEEEF that can aid in restoring power to customers during certain significant power outages that are impacting its distribution system. As of December 31, 2023, Houston Electric leased 505 MW of TEEEF. For more information, see Note 20 to the consolidated financial statements.

Substations. A substation is a facility that transforms electricity from a higher voltage to a lower voltage or vice versa. Generally, this facility is the interface between the transmission system and the distribution grid.

	As of December 31, 2023	
	Number of Substations	Transformer Capacity (in Mva)
Houston Electric	240	72,806
Indiana Electric	108	6,913
Total CenterPoint Energy	348	79,719

Service Centers. Service centers consist of office buildings, warehouses and repair facilities that are used in the business of transmitting and distributing electricity.

	As of December 31, 2023	
	Number of Service Centers	Acres of Land
Houston Electric	13	375
Indiana Electric	6	70
Total CenterPoint Energy	19	445

Natural Gas (CenterPoint Energy and CERC)

CenterPoint Energy's and CERC's Natural Gas use various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather. CenterPoint Energy's and CERC's Natural Gas may also supplement contracted supplies and storage from time to time with stored LNG and propane-air plant production.

As of December 31, 2023, CenterPoint Energy's and CERC's Natural Gas owned and operated the following natural gas facilities:

	No. of Assets	Storage Capacity (Bcf)	Working Capacity (Bcf)	Maximum Daily Withdrawal Rate (MMcf)
CenterPoint Energy				
Underground Natural Gas Storage Facility	8	43	14	305
CERC				
Underground Natural Gas Storage Facility	5	32	9	205

	No. of Assets	Daily Production Rate (Dth)	On-site Storage Capacity	
			Millions of Gallons	Dth
CenterPoint Energy and CERC				
Propane Air-Gas Manufacturing Plant	16	247,000	14.1	1,228,000
LNG Plant Facility	1	72,000	12.0	1,010,000

The table below reflects CenterPoint Energy's and CERC's Natural Gas contracted upstream storage services as of December 31, 2023:

	Storage Capacity (Bcf)	Maximum Peak Daily Delivery (MMcf)
Upstream Storage Service	84	2,241

The table below reflects the approximate total linear miles of CenterPoint Energy's and CERC's Natural Gas distribution and transmission mains owned as of December 31, 2023:

	CenterPoint Energy	CERC
All Locations	84,000	81,000
Indiana and Ohio	22,000	19,000

CenterPoint Energy's and CERC's Natural Gas owned mains varying in size from one-half inch to 24 inches in diameter. CenterPoint Energy's and CERC's Natural Gas Indiana and Ohio mains are located in Indiana and Ohio except for, in the case of CenterPoint Energy, pipeline facilities extending from points in northern Kentucky to points in southern Indiana so that gas may be transported to Indiana and sold or transported to customers in Indiana. Generally, in each of the cities, towns and rural areas served by CenterPoint Energy's and CERC's Natural Gas, they own the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which CenterPoint Energy's and CERC's Natural Gas receives gas are owned, operated and maintained by others, and their distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on land owned by suppliers.

As of December 31, 2023, CenterPoint Energy and CERC, through CEIP, owned and operated over 217 miles of intrastate pipeline in Louisiana and Texas.

Item 3. Legal Proceedings

For a discussion of material legal and regulatory proceedings, including environmental legal proceedings that involve a governmental authority as a party and that the Registrants reasonably believe would result in \$1,000,000 or more of monetary sanctions, exclusive of interest and costs, under federal, state and local laws that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment, affecting the Registrants, please read "Business — Regulation" and "Business — Environmental Matters" in Item 1 of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of Part II of this report and Note 15(d) to the consolidated financial statements, which information is incorporated herein by reference.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

This combined Form 10-K is filed separately by three registrants: CenterPoint Energy, Houston Electric and CERC.

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

CenterPoint Energy

As of February 12, 2024, CenterPoint Energy's common stock was held by approximately 22,703 shareholders of record. CenterPoint Energy's common stock is listed on the NYSE and NYSE Chicago and is traded under the symbol "CNP."

The amount of future cash dividends will be subject to determination based upon CenterPoint Energy's financial condition and results of operations, future business prospects, any applicable contractual restrictions and other factors that CenterPoint Energy's Board of Directors considers relevant and will be declared at the discretion of CenterPoint Energy's Board of Directors. For further information on CenterPoint Energy's dividends, see Note 12 to the consolidated financial statements.

Repurchases of Equity Securities

During the quarter ended December 31, 2023, none of CenterPoint Energy's equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, were purchased by or on behalf of CenterPoint Energy or any "affiliated purchasers," as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended.

Houston Electric

As of February 12, 2024, all of Houston Electric's 1,000 outstanding common shares were held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy.

CERC

As of February 12, 2024, all of CERC Corp.'s 1,000 outstanding shares of common stock were held by Utility Holding, LLC, a wholly-owned subsidiary of CenterPoint Energy.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

No Registrant makes any representations as to the information related solely to CenterPoint Energy or the subsidiaries of CenterPoint Energy other than itself.

The following combined discussion and analysis should be read in combination with the consolidated financial statements included in Item 8 herein. When discussing CenterPoint Energy's consolidated financial information, it includes the results of Houston Electric and CERC, which, along with CenterPoint Energy, are collectively referred to as the Registrants. Where appropriate, information relating to a specific registrant has been segregated and labeled as such. Unless the context indicates otherwise, specific references to Houston Electric and CERC also pertain to CenterPoint Energy. In this combined Form 10-K, the terms "our," "we" and "us" are used as abbreviated references to CenterPoint Energy, Inc. together with its consolidated subsidiaries, including Houston Electric and CERC, unless stated otherwise.

OVERVIEW

Background

CenterPoint Energy, Inc. is a public utility holding company. CenterPoint Energy's operating subsidiaries own and operate electric transmission, distribution and generation and natural gas distribution facilities. For a detailed description of CenterPoint Energy's operating subsidiaries, please read Note 1 to the consolidated financial statements.

Houston Electric is an indirect, wholly-owned subsidiary of CenterPoint Energy that provides electric transmission service to transmission service customers in the ERCOT region and distribution service to REPs serving the Texas gulf coast area that includes the city of Houston.

CERC Corp. is an indirect, wholly-owned subsidiary of CenterPoint Energy that (i) directly owns and operates natural gas distribution systems in Louisiana, Minnesota, Mississippi and Texas, (ii) indirectly, through Indiana Gas and VEDO, owns and operates natural gas distribution systems in Indiana and Ohio, respectively, and (iii) owns and operates permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies through CEIP.

Reportable Segments

In this Management's Discussion and Analysis, we discuss our results from continuing operations on a consolidated basis and individually for each of our reportable segments, which are listed below. We also discuss our liquidity, capital resources and critical accounting policies. We are first and foremost an energy delivery company and it is our intention to remain focused on these regulated segments. The results of our business operations are significantly impacted by weather, customer growth, economic conditions, cost management, competition, rate proceedings before regulatory agencies and other actions of the various regulatory agencies to whose jurisdiction we are subject, among other factors.

As of December 31, 2023, CenterPoint Energy's reportable segments were Electric, Natural Gas, and Corporate and Other.

- The Electric reportable segment includes electric transmission and distribution services that are subject to rate regulation in Houston Electric's and Indiana Electric's service territories, as well as the impacts of generation-related stranded costs and other true-up balances recoverable by the regulated electric utility and energy delivery services to electric customers and electric generation assets to serve electric customers and optimize those assets in the wholesale power market in Indiana Electric's service territory. For further information about the Electric reportable segment, see "Business — Our Business — Electric" in Item 1 of Part I of this report
- The Natural Gas reportable segment includes (i) intrastate natural gas sales to, and natural gas transportation and distribution for residential, commercial, industrial and institutional customers in Indiana, Louisiana, Minnesota, Mississippi, Ohio and Texas; (ii) permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies through CEIP; and (iii) home appliance maintenance and repair services to customers in Minnesota and home repair protection plans to natural gas customers in Indiana, Mississippi, Ohio and Texas through a third party. For further information about the Natural Gas reportable segment, see "Business — Our Business — Natural Gas" in Item 1 of Part I of this report
- The Corporate and Other reportable segment includes energy performance contracting and sustainable infrastructure services by Energy Systems Group through June 30, 2023, the date of the sale of Energy Systems Group, and corporate support operations that support CenterPoint Energy's business operations. CenterPoint Energy's Corporate and Other also includes office buildings and other real estate used for business operations.

Houston Electric and CERC each consist of a single reportable segment.

Subsequent Events. On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

EXECUTIVE SUMMARY

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

Factors Influencing Our Businesses and Industry Trends

We are an energy delivery company with electric transmission and distribution, power generation, and natural gas distribution operations that serve more than seven million metered customers across six jurisdictions. The majority of our revenues are generated from the transmission and delivery of electricity and the sale of natural gas by our subsidiaries.

We continue to execute on our strategic goals for our businesses which were set in 2021. These include our ten-year capital plan from 2021 through 2030, a focus on targeting controllable operations and maintenance savings for the benefit of our customers, prudent capital funding including divestitures of non-core assets, and net zero and carbon emission reduction goals. Our focus continues to be on the growth of our regulated utility businesses including our electric and gas utility operations, which comprise over 95% of our earnings for the year ended December 31, 2023. See Note 11 to the consolidated financial statements for further details.

Pursuant to this business strategy and in light of the nature of our businesses, significant amounts of capital investment are reflected in our current capital plan, which has increased to nearly \$44 billion through 2030, a nearly 10% increase from the original 10-year plan. These investments include a focus on additional system resiliency, reliability, and grid modernization. These investments are not only intended to meet our customers' current needs, but are also in anticipation for further organic growth and load growth from increased electrification in our service territories. To fund these capital investments, we rely on internally generated cash, borrowings under our credit facilities, proceeds from commercial paper, cash proceeds from strategic transactions (such as the sale of our Arkansas and Oklahoma LDC businesses in 2022 and our Energy Systems Group divestiture in 2023), and issuances of equity and debt in the capital markets to satisfy these capital needs.

We strive to maintain investment grade ratings for our securities to access the capital markets on terms we consider reasonable. A reduction in our ratings generally would increase our borrowing costs for new issuances of debt, as well as

borrowing costs under our existing revolving credit facilities, and may prevent us from accessing the commercial paper markets. Disruptions in the financial markets along with high or rising interest rates can also affect the availability of new capital on terms we consider attractive. In those circumstances, we may not be able to obtain certain types of external financing or may be required to accept terms less favorable than they would otherwise accept. For that reason, we seek to maintain adequate liquidity for our businesses through existing credit facilities and prudent refinancing of existing debt.

The regulation of electric transmission, distribution and generation facilities as well as natural gas pipelines and related facilities by federal and state regulatory agencies affects CenterPoint Energy's, Houston Electric's and CERC's businesses. In accordance with applicable regulations, CenterPoint Energy, Houston Electric and CERC are making, and will continue to make, significant capital investments in their service territories under our capital plan to help operate and maintain safer, more reliable and growing electric and natural gas systems. The current economic environment (e.g., sustained higher interest rates and higher relative levels of inflation in the United States) discussed further below could result in heightened regulatory scrutiny as these regulatory agencies seek to reduce the financial impact of utility bills on customers.

While greater than 80% of CenterPoint Energy's projected consolidated investments are expected to be recovered through interim capital recovery trackers or rate cases based on a forward test year, the balance is expected to be recovered through base rate cases. CERC's Texas and Minnesota gas jurisdictions along with Indiana Electric have filed rates cases during 2023, and Houston Electric intends to file a rate case in early 2024 and CERC's Ohio jurisdiction intends to file a rate case in the second half of 2024. The outcome of these base rate proceedings will determine, among other things, the ability to recover certain capital investments within those jurisdictions. The outcome of these base rate proceedings is uncertain and may be impacted by the current economic environment.

To assess our financial performance, our management primarily monitors the recovery of costs and return on investments by the evaluation of net income and capital expenditures, among other things, from our regulated service territories within our reportable segments. Within these broader financial measures, we monitor margins, natural gas and fuel costs, interest expense, capital spend, working capital requirements, and operation and maintenance expense. In addition to these financial measures, we also monitor a number of variables that management considers important to gauge the performance of our reportable segments, including the number of customers, throughput, use per customer, commodity prices, heating and cooling degree days, environmental impacts, safety factors, system reliability and customer satisfaction.

CenterPoint Energy and CERC have weather normalization or other rate mechanisms that largely mitigate the impact of weather on Natural Gas in Indiana, Louisiana, Mississippi, Minnesota and Ohio, as applicable. CenterPoint Energy's and CERC's Natural Gas in Texas and CenterPoint Energy's electric operations in Texas and Indiana do not have such mechanisms, although fixed customer charges are historically higher in Texas for Natural Gas compared to its other jurisdictions. As a result, fluctuations from normal weather may have a positive or negative effect on CenterPoint Energy's and CERC's Natural Gas' results in Texas and on CenterPoint Energy's electric operations' results in its Texas and Indiana service territories.

Each state has a unique economy and is driven by different industrial sectors. Our largest customers reflect the diversity in industries in the states across our footprint. For example, Houston Electric is largely concentrated in Houston, a diverse economy where a higher percentage of employment is tied to the energy sector relative to other regions of the country. Although the Houston area represents a large part of our customer base, we have a diverse customer base throughout the various states our utility businesses serve. In Minnesota, for instance, education and health services are the state's largest sectors. Indiana and Ohio are impacted by changes in the Midwest economy in general and changes in particular industries concentrated in the Midwest such as automotive, feed and grain processing. Some industries are driven by population growth like education and health care, while others may be influenced by strength in the national or international economy. Adverse economic conditions, coupled with concerns for protecting the environment and increased availability of alternate energy sources, may cause consumers to use less energy or avoid expansions of their facilities, including natural gas facilities, resulting in less demand for our services. Long-term national trends indicate customers have reduced their energy consumption, which could adversely affect our results. To the extent population growth is affected by lower energy prices and there is financial pressure on some of our customers who operate within the energy industry, there may be an impact on the growth rate of our customer base and overall demand. Management expects residential meter growth for Houston Electric to remain in line with long term trends at approximately 2%. Typical customer growth in the jurisdictions served by the Natural Gas reportable segment is approximately 1%. Management expects residential meter growth for CERC to remain in line with long term trends at approximately 1%.

Rising inflation and sustained high interest rates and a recessionary environment could potentially adversely impact CenterPoint Energy's ability to execute on its 10-year capital plan. The inability to execute on our capital plan may result in lost

future revenues for CenterPoint Energy. Additionally, these economic conditions may affect customers' ability to pay their utility bills which may preclude our ability to collect balances due from such customers.

Further, the global supply chain has experienced significant disruptions due to a multitude of factors, such as labor shortages, resource availability, long lead times, inflation and weather. These disruptions have adversely impacted the utility industry. Like many of our peers, we have experienced disruptions to our supply chain and may continue to experience such disruptions in the future. To the extent adverse economic conditions, including supply chain disruptions, affect our suppliers and customers as well as our ability to meet our capital plan and generation transition plan, results from our energy delivery businesses may suffer. For more information, see Note 15 to the consolidated financial statements.

Further, in response to concerns for protecting the environment, we have strived to take a leading stance in the transition to safer and cleaner energy by being the first combined electric and natural gas utility with regulated generation assets to adopt net zero for its Scope 1 and certain Scope 2 GHG emissions by 2035 goals. In addition, we set a Scope 3 GHG emission reduction goal across our multi-state footprint by committing to help our residential and commercial customers reduce GHG emissions attributable to their end use of natural gas by 20% to 30% by 2035 from a 2021 baseline. Our capital plan supports these goals.

Significant Events

Series A Preferred Stock Redemption. On September 1, 2023, CenterPoint Energy redeemed all of the outstanding shares of Series A Preferred Stock for cash of \$800 million at a redemption price of \$1,000 per share, plus accumulated and unpaid dividends thereon to, but excluding, the redemption date. For further information, see Note 12 to the consolidated financial statements.

Divestiture of Energy Systems Group. On May 21, 2023, Vectren Energy Services entered into an Equity Purchase Agreement to sell all of the outstanding limited liability company interests of Energy Systems Group to ESG Holdings Group, for a purchase price of \$157 million, subject to customary adjustments set forth in the Equity Purchase Agreement, including adjustments based on Energy Systems Group's net working capital at closing, indebtedness, cash and cash equivalents and transaction expenses. The transaction closed on June 30, 2023 for \$154 million in cash, subject to finalization of the purchase price adjustment. For further information, see Note 4 to the consolidated financial statements.

Regulatory Proceedings. On March 23, 2023, CenterPoint Energy and CERC, collectively, received approximately \$1.1 billion in proceeds from the customer rate relief bonds issued by the Texas Public Financing Authority related to the February 2021 Winter Storm Event.

On April 5, 2023, a final order was issued approving the \$39 million revenue requirement from Houston Electric's 2021 investment in TEEEF. On April 5, 2023, Houston Electric filed its second TEEEF filing requesting a TEEEF revenue requirement of \$188 million or a net increase in TEEEF revenues of approximately \$149 million. On August 28, 2023 the State Office of Administrative Hearings issued an Order setting interim rates to collect an annual revenue requirement at the filed amount. On September 26, 2023, intervenors filed testimony with various recommendations including extending the amortization period. A settlement was reached with parties that incorporated an 8 1/2 year amortization period and a TEEEF revenue requirement of \$153 million based on the December 31, 2022 balance with interim rates effective December 15, 2023. The State Office of Administrative Hearings ALJ approved the revised interim rates and the settlement was approved by the PUCT in its order issued on February 1, 2024.

On June 29, 2023, Indiana Electric received the net securitization proceeds of \$337 million from the issuance and sale of the SIGECO Securitization Bonds to reimburse or pay for qualified costs approved by the IURC related to the completed retirement of its A.B. Brown coal-fired generation facilities.

For further information, see Note 7 to the consolidated financial statements. For information related to our pending and completed regulatory proceedings to date in 2023 and to date in 2024, see "—Liquidity and Capital Resources —Regulatory Matters" below

Debt Transactions. In 2023, CenterPoint Energy issued or borrowed a combined \$6.0 billion in new debt, including Houston Electric's issuance of \$1.4 billion aggregate principal amount of general mortgage bonds, CERC's issuance of \$1.5 billion aggregate principal amount of senior notes and a \$500 million term loan, SIGECO Securitization Subsidiary's issuance of \$341 million aggregate principal amount of SIGECO Securitization Bonds, SIGECO's issuance of \$650 million aggregate principal amount of first mortgage bonds, and CenterPoint Energy's issuance of \$1.0 billion aggregate principal amount of convertible senior notes, \$400 million aggregate principal amount of senior notes and a \$250 million term loan. During 2023, CenterPoint Energy repaid or redeemed a combined \$3.0 billion of debt, including CERC's repayment of \$1.0 billion of term loans and \$1.332 billion of senior notes maturing in 2023, CenterPoint Energy's repayment of its

\$250 million term loan and \$350 million of its floating rate senior notes and SIGECO's early redemption of \$91 million of first mortgage bonds, excluding scheduled principal payments on Securitization Bonds. For information about debt transactions in 2023, see Note 13 to the consolidated financial statements.

CenterPoint Energy Leadership Transition. On March 15, 2023, CenterPoint Energy announced the appointment of Christopher A. Foster to the position of Executive Vice President and Chief Financial Officer, effective May 5, 2023. On September 27, 2023, CenterPoint Energy appointed Kristie L. Colvin to the position of Senior Vice President and Chief Accounting Officer of CenterPoint Energy and its affiliated subsidiaries, effective October 5, 2023. On October 26, 2023, CenterPoint Energy announced the retirement of Dave Lesar and appointment of Jason Wells to the position of President and Chief Executive Officer, effective January 5, 2024.

Subsequent Events . On January 10, 2024, CenterPoint Energy entered into an Equity Distribution Agreement with certain financial institutions with respect to the offering and sale from time to time of shares of Common Stock, having an aggregate gross sales price of up to \$500 million. Sales of Common Stock may be made by any method permitted by applicable law and deemed to be an "at the market offering" as defined in Rule 415 of the Securities Act of 1933. CenterPoint Energy may also enter into one or more forward sales agreements pursuant to master forward confirmations. The offer and sale of Common Stock under the Equity Distribution Agreement will terminate upon the earliest of (1) the sale of all Common Stock subject to the Equity Distribution Agreement, (2) termination of the Equity Distribution Agreement, or (3) May 17, 2026. As of February 20, 2024, CenterPoint Energy has not issued any shares of Common Stock under the Equity Distribution Agreement and has not entered into any forward sale agreements.

Additionally, on February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

Our past earnings and results of operations are not necessarily indicative of our future earnings and results of operations. The magnitude of our future earnings and results of our operations will depend on or be affected by numerous factors that apply to all Registrants unless otherwise indicated including:

- CenterPoint Energy's business strategies and strategic initiatives, restructurings, including the completed Restructuring, joint ventures and acquisitions or dispositions of assets or businesses, including the proposed sale of our Louisiana and Mississippi natural gas local distribution company businesses, and the completed sale of Energy Systems Group, which we cannot assure will have the anticipated benefits to us;
- industrial, commercial and residential growth in our service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns;
- our ability to fund and invest planned capital and the timely recovery of our investments, including those related to Indiana Electric's generation transition plan as part of its IRPs;
- our ability to successfully construct, operate, repair and maintain electric generating facilities, natural gas facilities, TEEEF and electric transmission facilities, including complying with applicable environmental standards and the implementation of a well-balanced energy and resource mix, as appropriate;
- timely and appropriate rate actions that allow and authorize requested and timely recovery of costs and a reasonable return on investment, including the timing and amount of recovery of Houston Electric's TEEEF leases, and requested or favorable adjustments to rates and approval of other requested items as part of base rate proceedings;
- economic conditions in regional and national markets, including changes to inflation and interest rates, and instability of banking institutions, and their effect on sales, prices and costs;
- weather variations and other natural phenomena, including the impact of severe weather events on operations, capital and legislation such as in connection with the February 2021 Winter Storm Event;
- volatility in the markets for natural gas as a result of, among other factors, armed conflicts, including the conflict in the Middle East and any broader related conflict, and the conflict in Ukraine, and the related sanctions on certain Russian entities;
- disruptions to the global supply chain, including volatility in commodity prices, and tariffs and other legislation impacting the supply chain, that could prevent CenterPoint Energy from securing the resources needed to, among other things, fully execute on its 10-year capital plan or achieve its net zero and carbon emissions reduction goals;
- non-payment for our services due to financial distress of our customers and the ability of our customers, including REPs, to satisfy their obligations to CenterPoint Energy, Houston Electric and CERC, and the negative impact on such ability related to adverse economic conditions and severe weather events;

- public health threats, such as COVID-19, and their effect on our operations, business and financial condition, our industries and the communities we serve, U.S. and world financial markets and supply chains, potential regulatory actions and changes in customer and stakeholder behavior relating thereto;
- state and federal legislative and regulatory actions or developments affecting various aspects of our businesses, including, among others, energy deregulation or re-regulation, pipeline integrity and safety and changes in regulation and legislation pertaining to trade, health care, finance and actions regarding the rates charged by our regulated businesses;
- direct or indirect effects on our facilities, resources, operations and financial condition resulting from terrorism, cyberattacks or intrusions, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events such as fires, ice, earthquakes, explosions, leaks, floods, droughts, hurricanes, tornadoes and other severe weather events, pandemic health events or other occurrences;
- tax legislation, including the effects of the IRA (which includes but is not limited to any potential changes to tax rates, CAMT imposed, tax credits and/or interest deductibility), as well as any changes in tax laws under the current or future administrations, and uncertainties involving state commissions' and local municipalities' regulatory requirements and determinations regarding the treatment of EDIT and our rates;
- our ability to mitigate weather impacts through normalization or rate mechanisms, and the effectiveness of such mechanisms;
- actions by credit rating agencies, including any potential downgrades to credit ratings;
- matters affecting regulatory approval, legislative actions, construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or cancellation or in costs that cannot be recouped in rates;
- local, state and federal legislative and regulatory actions or developments relating to the environment, including, among others, those related to global climate change, air emissions, carbon, waste water discharges and the handling and disposal of CCR that could impact operations, cost recovery of generation plant costs and related assets, and CenterPoint Energy's net zero and carbon emissions reduction goals;
- the impact of unplanned facility outages or other closures;
- the sufficiency of our insurance coverage, including availability, cost, coverage and terms and ability to recover claims;
- the availability and prices of raw materials and services and changes in labor for current and future construction projects and operations and maintenance costs, including our ability to control such costs;
- impacts from CenterPoint Energy's pension and postretirement benefit plans, such as the investment performance and increases to net periodic costs as a result of plan settlements and changes in assumptions, including discount rates;
- changes in interest rates and their impact on costs of borrowing and the valuation of CenterPoint Energy's pension benefit obligation;
- commercial bank and financial market conditions, including disruptions in the banking industry, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- inability of various counterparties to meet their obligations to us;
- the extent and effectiveness of our risk management activities;
- timely and appropriate regulatory actions, which include actions allowing securitization for any hurricanes or other severe weather events, or natural disasters or other recovery of costs, including stranded coal-fired generation asset costs;
- acquisition and merger or divestiture activities involving us or our industry, including the ability to successfully complete merger, acquisition and divestiture plans such as the proposed sale of our Louisiana and Mississippi natural gas local distribution company businesses;
- our ability to attract, effectively transition, motivate and retain management and key employees and maintain good labor relations;
- changes in technology, particularly with respect to efficient battery storage or the emergence or growth of new, developing or alternative sources of generation, and their adoption by consumers;
- the impact of climate change and alternate energy sources on the demand for natural gas and electricity generated or transmitted by us;
- the timing and outcome of any audits, disputes and other proceedings related to taxes;
- the recording of impairment charges;
- political and economic developments, including energy and environmental policies under the current administration;
- CenterPoint Energy's ability to execute on its strategy, initiatives, targets and goals, including its net zero and carbon emissions reduction goals and its operations and maintenance expenditure goals;
- the outcome of litigation, including litigation related to the February 2021 Winter Storm Event;
- the effect of changes in and application of accounting standards and pronouncements; and

- other factors discussed in “Risk Factors” in Item 1A of Part I of this report and in other reports that the Registrants file from time to time with the SEC.

CENTERPOINT ENERGY CONSOLIDATED RESULTS OF OPERATIONS

CenterPoint Energy’s results of operations are affected by seasonal fluctuations in the demand for electricity and natural gas. CenterPoint Energy’s results of operations are also affected by, among other things, the actions of various governmental authorities having jurisdiction over rates its subsidiaries charge, debt service costs, income tax expense, its subsidiaries ability to collect receivables from RFPs and customers and its ability to recover its regulatory assets. For information regarding factors that may affect the future results of our consolidated operations, please read “Risk Factors” in Item 1A of Part I of this report.

Income available to common shareholders for the years ended December 31, 2023, 2022 and 2021 was as follows:

	Year Ended December 31,			Favorable (Unfavorable)	
	2023	2022	2021	2023 to 2022	2022 to 2021
	(in millions)				
Electric	\$ 654	\$ 603	\$ 475	\$ 51	\$ 128
Natural Gas	533	492	403	41	89
Total Utility Operations	1,187	1,095	878	92	217
Corporate & Other (1)	(320)	(87)	(305)	(233)	218
Discontinued Operations	—	—	818	—	(818)
Total CenterPoint Energy	\$ 867	\$ 1,008	\$ 1,391	\$ (141)	\$ (383)

- (1) Includes energy performance contracting and sustainable infrastructure services through Energy Systems Group through the date of sale on June 30, 2023, unallocated corporate costs, interest income and interest expense, intercompany eliminations and the reduction of income allocated to preferred shareholders.

2023 Compared to 2022

Net Income. CenterPoint Energy reported income available to common shareholders of \$867 million for 2023 compared to income available to common shareholders of \$1,008 million for 2022.

Income available to common shareholders decreased \$141 million primarily due to the following items:

- an increase in net income of \$51 million for the Electric reportable segment, as further discussed below;
- an increase in net income of \$41 million for the Natural Gas reportable segment, as further discussed below; and
- a decrease in income available to common shareholders of \$233 million for Corporate and Other, primarily due to a pre-tax net gain of \$86 million on the sale of Energy Transfer equity securities in 2022 further discussed in Note 11 to the consolidated financial statements, partially offset by \$45 million of costs associated with early redemption of long-term debt in first quarter 2022. The decrease is also due to a loss on sale of \$13 million and current tax expense of \$32 million related to the divestiture of Energy Systems Group further discussed in Note 4 to the consolidated financial statements, as well as \$19 million due to remeasurement of deferred income tax balances. The remaining variance is due largely to an increase in borrowing costs.

2022 Compared to 2021

Net Income. CenterPoint Energy reported income available to common shareholders of \$1,008 million for 2022 compared to income available to common shareholders of \$1,391 million for 2021.

Income available to common shareholders decreased \$383 million primarily due to the following items:

- an increase in net income of \$128 million for the Electric reportable segment, as further discussed below;
- an increase in net income of \$89 million for the Natural Gas reportable segment, as further discussed below;
- an increase in income available to common shareholders of \$218 million for Corporate and Other, primarily due to a \$28 million pre-tax payment related to the impact of Board-implemented governance changes announced in July 2021, the net gain of \$86 million in 2022 and a net loss of \$122 million in December 2021 on the sale of Energy Transfer equity securities discussed further in Note 11 to the consolidated financial statements, partially offset by a \$34 million loss in Enable Series A Preferred Unit distributions in 2021 discussed in Note 4, and a decrease in income allocated to

- preferred shareholders of \$46 million, primarily due to the conversion of the Series B Preferred Stock to Common Stock during 2021; and
• a decrease in income of \$818 million from discontinued operations, discussed further in Note 4 to the consolidated financial statements.

Income Tax Expense. For a discussion of effective tax rate per period, see Note 14 to the consolidated financial statements.

Subsequent Events. On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

CENTERPOINT ENERGY'S RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

CenterPoint Energy's CODM views net income as the measure of profit or loss for the reportable segments. Segment results include inter-segment interest income and expense, which may result in inter-segment profit and loss.

The following discussion of CenterPoint Energy's results of operations is separated into two reportable segments, Electric and Natural Gas.

ELECTRIC

The following table provides summary data of CenterPoint Energy's Electric reportable segment:

	Year Ended December 31,			Favorable (Unfavorable)	
	2023	2022	2021	2023 to 2022	2022 to 2021
(In millions, except throughput, weather and customer data)					
Revenues	\$ 4,290	\$ 4,108	\$ 3,763	\$ 182	\$ 345
Expenses:					
Utility natural gas, fuel and purchased power	176	222	186	46	(36)
Operation and maintenance	1,880	1,864	1,761	(16)	(103)
Depreciation and amortization	872	793	775	(79)	(18)
Taxes other than income taxes	272	275	268	3	(7)
Total expenses	3,200	3,154	2,990	(46)	(164)
Operating Income	1,090	954	773	136	181
Other Income (Expense):					
Interest expense and other finance charges	(303)	(235)	(226)	(68)	(9)
Other income (expense), net	56	31	23	25	8
Income before income taxes	843	750	570	93	180
Income tax expense	189	147	95	(42)	(52)
Net income	\$ 654	\$ 603	\$ 475	\$ 51	\$ 128
Throughput (in GWh):					
Residential	35,166	35,074	32,067	—%	9 %
Total	108,766	105,541	103,000	3 %	2 %
Weather (percentage of normal weather for service area):					
Cooling degree days	114 %	110 %	108 %	4 %	2 %
Heating degree days	90 %	121 %	82 %	(31)%	39 %
Number of metered customers at end of period:					
Residential	2,588,510	2,534,730	2,493,832	2 %	2 %
Total	2,916,028	2,858,203	2,814,859	2 %	2 %

The following table provides variance explanations by major income statement caption for the Electric reportable segment:

	Favorable (Unfavorable)	
	2023 to 2022	2022 to 2021
	(in millions)	
Revenues		
Customer rates and impact of the change in rate design	\$ 167	\$ 38
Transmission Revenues, including TCOS and TCRF and impact of the change in rate design, inclusive of costs billed by transmission providers, partially offset in operation and maintenance below	122	157
Customer growth	26	28
Refund of protected and unprotected EDIT, offset in income tax expense	—	32
Impacts from increased peak demand in the prior year, collected in rates in the current year	—	2
Energy efficiency, partially offset in operation and maintenance below	—	(3)
Equity return, related to the annual true-up of transition charges for amounts over or under collected in prior periods	(5)	2
Pass-through revenues, offset in operation and maintenance below	(13)	21
Miscellaneous revenues, primarily related to service connections and off-system sales	(14)	11
Bond Companies and SIGECO Securitization Subsidiary, offset in other line items below	(27)	(33)
Weather, efficiency improvements and other usage impacts	(28)	54
Cost of fuel and purchased power, offset in utility natural gas, fuel and purchased power below	(46)	36
Total	\$ 182	\$ 345
Utility natural gas, fuel and purchased power		
Cost of purchased power, offset in revenues above	\$ 30	\$ 12
Cost of fuel, including coal, natural gas, and fuel oil, offset in revenues above	16	(48)
	\$ 46	\$ (36)
Operation and maintenance		
Transmission costs billed by transmission providers, offset in revenues above	\$ (26)	\$ (77)
Contract services	(21)	(2)
Energy efficiency, offset in revenues above	(8)	4
Support services	(8)	20
Bond Companies and SIGECO Securitization Subsidiary, offset in other line items	—	3
Labor and benefits	7	7
Pass through expenses, offset in revenues above	11	(19)
All other operation and maintenance expense, including materials and supplies and insurance	29	(39)
Total	\$ (16)	\$ (103)
Depreciation and amortization		
Ongoing additions to plant-in-service	\$ (106)	\$ (40)
Bond Companies and SIGECO Securitization Subsidiary, offset in other line items	27	22
Total	\$ (79)	\$ (18)
Taxes other than income taxes		
Incremental capital projects placed in service, and the impact of changes to tax rates	\$ 2	\$ (14)
Franchise fees and other taxes	1	7
Total	\$ 3	\$ (7)
Interest expense and other finance charges		
Changes in outstanding debt	\$ (76)	\$ (32)
Bond Companies and SIGECO Securitization Subsidiary, offset in other line items above	(4)	8
Other, primarily AFUDC and impacts of regulatory deferrals	12	15
Total	\$ (68)	\$ (9)
Other income (expense), net		
Other income, including AFUDC - equity	\$ 21	\$ 8
Bond Companies and SIGECO Securitization Subsidiary, offset in other line items above	4	—
Total	\$ 25	\$ 8

Income Tax Expense. For a discussion of effective tax rate per period by Registrant, see Note 14 to the consolidated financial statements.

NATURAL GAS

The following table provides summary data of CenterPoint Energy's Natural Gas reportable segment:

	Year Ended December 31,			Favorable (Unfavorable)	
	2023	2022	2021	2023 to 2022	2022 to 2021
	(in millions, except throughput, weather and customer data)				
Revenues	\$ 4,279	\$ 4,946	\$ 4,336	\$ (667)	\$ 610
Expenses:					
Utility natural gas, fuel and purchased power	1,888	2,665	1,941	777	(724)
Non-utility cost of revenues, including natural gas	3	4	18	1	14
Operation and maintenance	949	919	979	(30)	60
Depreciation and amortization	513	466	527	(47)	61
Taxes other than income taxes	245	261	253	16	(8)
Total expenses	3,598	4,315	3,718	717	(597)
Operating Income	681	631	618	50	13
Other Income (Expense)					
Gain on sale	—	303	8	(303)	295
Interest expense and other finance charges	(188)	(137)	(141)	(51)	4
Other income (expense), net	15	(62)	(2)	77	(60)
Income from Continuing Operations Before Income Taxes	508	735	483	(227)	252
Income tax expense (benefit)	(25)	243	80	268	(163)
Net Income	\$ 533	\$ 492	\$ 403	\$ 41	\$ 89
Throughput (in Bcf):					
Residential	199	240	241	(17)%	—%
Commercial and industrial	418	424	428	(1)%	(1)%
Total Throughput	617	664	669	(7)%	(1)%
Weather (percentage of 10-year average for service area):					
Heating degree days	86 %	106 %	91 %	(20)%	15 %
Number of customers at end of period:					
Residential	4,010,113	3,964,221	4,372,428	1 %	(9)%
Commercial and industrial	303,841	301,834	354,602	1 %	(15)%
Total	4,313,954	4,266,055	4,727,030	1 %	(10)%

The following table provides variance explanations by major income statement caption for the Natural Gas reportable segment:

	Favorable (Unfavorable)	
	2023 to 2022	2022 to 2021
	(in millions)	
Revenues		
Cost of natural gas, offset in utility natural gas, fuel and purchased power below	\$ (754)	\$ 923
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	(38)	(457)
Gross receipts tax, offset in taxes other than income taxes below	(17)	19
Weather and usage	(7)	22
Refund of protected and unprotected EDIT, offset in income tax expense	3	6
Non-volumetric and miscellaneous revenue	14	26
Energy efficiency and other pass-through, offset in operation and maintenance below	17	3
Non-utility revenues, including impacts of MES disposal	18	(17)
Customer growth	20	16
Customer rates and impact of the change in rate design, exclusive of the TCJA impact below	77	69
Total	\$ (667)	\$ 610
Utility natural gas, fuel and purchased power		
Cost of natural gas, offset in revenues above	\$ 754	\$ (923)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	23	199
	\$ 777	\$ (724)
Non-utility costs of revenues, including natural gas		
Non-utility cost of revenues, including natural gas	\$ 1	\$ 14
	\$ 1	\$ 14
Operation and maintenance		
Miscellaneous operations and maintenance expenses, including bad debt expense	\$ (36)	\$ (21)
Energy efficiency and other pass-through, offset in revenues above	(17)	(3)
Contract services	(3)	(14)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	3	125
Labor and benefits, primarily due to headcount	11	(5)
Corporate support services	12	(22)
Total	\$ (30)	\$ 60
Depreciation and amortization		
Incremental capital projects placed in service	\$ (49)	\$ (23)
Lower depreciation rates in Indiana from 2021 rate order	—	18
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	2	66
Total	\$ (47)	\$ 61
Taxes other than income taxes		
Gross receipts tax, offset in revenues above	\$ 17	\$ (19)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	1	23
Incremental capital projects placed in service	(2)	(12)
Total	\$ 16	\$ (8)
Gain on Sale		
Gain on Sale of Arkansas and Oklahoma Natural Gas businesses in 2022	\$ (303)	\$ 295
Total	\$ (303)	\$ 295
Interest expense and other finance charges		
Changes in outstanding debt	\$ (59)	\$ (11)
Other, primarily AFUDC and impacts of regulatory deferrals	8	15
Total	\$ (51)	\$ 4
Other income (expense), net		
Changes to non-service benefit cost, primarily settlement cost incurred in 2022	\$ 60	\$ (66)
AFUDC - Equity, primarily from increased capital spend	10	3
Other miscellaneous non-operating income (expenses)	7	3
Total	\$ 77	\$ (60)

Income Tax Expense (Benefit). For a discussion of effective tax rate per period by Registrant, see Note 14 to the consolidated financial statements.

Subsequent Events. On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

HOUSTON ELECTRIC CONSOLIDATED RESULTS OF OPERATIONS

Houston Electric's CODM views net income as the measure of profit or loss for its reportable segment. Houston Electric consists of a single reportable segment. Houston Electric's results of operations are affected by seasonal fluctuations in the demand for electricity. Houston Electric's results of operations are also affected by, among other things, the actions of various governmental authorities having jurisdiction over rates Houston Electric charges, debt service costs, income tax expense, Houston Electric's ability to collect receivables from REPs and Houston Electric's ability to recover its regulatory assets. For information regarding factors that may affect the future results of Houston Electric's consolidated operations, please read "Risk Factors" in Item 1A of Part I of this report.

	Year Ended December 31,			Favorable (Unfavorable)	
	2023	2022	2021	2023 to 2022	2022 to 2021
(in millions, except throughput, weather and customer data)					
Revenues:					
TDU	\$ 3,514	\$ 3,205	\$ 2,894	\$ 309	\$ 311
Bond Companies	163	207	240	(44)	(33)
Total revenues	3,677	3,412	3,134	265	278
Expenses:					
Operation and maintenance, excluding Bond Companies	1,669	1,647	1,591	(22)	(56)
Depreciation and amortization, excluding Bond Companies	593	479	429	(114)	(50)
Taxes other than income taxes	262	261	251	(1)	(10)
Bond Companies	159	194	219	35	25
Total	2,683	2,581	2,490	(102)	(91)
Operating Income	994	831	644	163	187
Interest expense and other finance charges	(259)	(202)	(183)	(57)	(19)
Interest expense on Securitization Bonds	(8)	(13)	(21)	5	8
Other income, net	34	19	17	15	2
Income before income taxes	761	635	457	126	178
Income tax expense	168	125	76	(43)	(49)
Net income	\$ 593	\$ 510	\$ 381	\$ 83	\$ 129
Throughput (in GWh):					
Residential	33,830	33,676	30,650	—%	10 %
Total	103,862	100,062	96,898	4 %	3 %
Weather (percentage of 10-year average for service area):					
Cooling degree days	114 %	110 %	109 %	4 %	1 %
Heating degree days	92 %	120 %	80 %	(28)%	40 %
Number of metered customers at end of period:					
Residential	2,455,309	2,402,329	2,359,168	2 %	2 %
Total	2,763,535	2,706,598	2,660,938	2 %	2 %

The following table provides variance explanations by major income statement caption for Houston Electric:

	Favorable (Unfavorable)	
	2023 to 2022	2022 to 2021
	(in millions)	
Revenues		
Customer rates and impact of the change in rate design	\$ 187	\$ 30
Transmission Revenues, including TCOS and TCRF and impact of the change in rate design, inclusive of costs billed by transmission providers	120	157
Customer growth	25	27
Energy efficiency, partially offset in operation and maintenance below	1	(3)
Refund of protected and unprotected EDIT, offset in income tax expense	—	32
Impacts from increased peak demand in the prior year, collected in rates in the current year	—	2
Miscellaneous revenues	(4)	5
Equity return, related to the annual true-up of transition charges for amounts over or under collected in prior periods	(5)	1
Weather impacts and other usage	(15)	60
Bond Companies, offset in other line items below	(44)	(33)
Total	\$ 265	\$ 278
Operation and maintenance, excluding Bond Companies		
Transmission costs billed by transmission providers, offset in revenues above	\$ (26)	\$ (77)
Contract services	(23)	3
Energy efficiency program costs, offset in revenues above	(8)	3
Support services	(6)	24
Labor and benefits	3	12
All other operation and maintenance expense, including materials and supplies and insurance	38	(21)
Total	\$ (22)	\$ (56)
Depreciation and amortization, excluding Bond Companies		
Ongoing additions to plant-in-service	\$ (114)	\$ (50)
Total	\$ (114)	\$ (50)
Taxes other than income taxes		
Franchise fees and other taxes	\$ (2)	\$ 4
Incremental capital projects placed in service, and the impact of changes to tax rates	1	(14)
Total	\$ (1)	\$ (10)
Bond Companies expense		
Operations and maintenance and depreciation expense, offset by revenues above	\$ 35	\$ 25
Total	\$ 35	\$ 25
Interest expense and other finance charges		
Changes in outstanding debt	\$ (64)	\$ (32)
Other, primarily AFUDC and impacts of regulatory deferrals	7	13
Total	\$ (57)	\$ (19)
Interest expense on Securitization Bonds		
Lower outstanding principal balance, offset by revenues above	\$ 5	\$ 8
Total	\$ 5	\$ 8
Other income, net		
Other income, including AFUDC - equity	\$ 11	\$ 2
Bond Companies	4	—
Total	\$ 15	\$ 2

Income Tax Expense. For a discussion of effective tax rate per period, see Note 14 to the consolidated financial statements.

CERC CONSOLIDATED RESULTS OF OPERATIONS

CERC's CODM views net income as the measure of profit or loss for its reportable segment. CERC consists of a single reportable segment. CERC's results of operations are affected by seasonal fluctuations in the demand for natural gas. CERC's results of operations are also affected by, among other things, the actions of various federal, state and local governmental authorities having jurisdiction over rates CERC charges, debt service costs and income tax expense, CERC's ability to collect receivables from customers and CERC's ability to recover its regulatory assets. For information regarding factors that may affect the future results of CERC's consolidated operations, please read "Risk Factors" in Item 1A of Part I of this report.

	Year Ended December 31,			Favorable (Unfavorable)	
	2023	2022	2021	2023 to 2022	2022 to 2021
	(In millions, except throughput, weather and customer data)				
Revenues:	4,149	4,800	4,200	(651)	600
Expenses:					
Utility natural gas	1,856	2,607	1,885	751	(722)
Non-utility cost of revenues, including natural gas	3	4	17	1	13
Operation and maintenance	904	886	973	(18)	87
Depreciation and amortization	493	448	483	(45)	35
Taxes other than income taxes	243	257	249	14	(8)
Total expenses	3,499	4,202	3,607	703	(595)
Operating Income	650	598	593	52	5
Other Income (Expense)					
Gain on sale	—	557	11	(557)	546
Interest expense and other finance charges	(178)	(130)	(134)	(48)	4
Other income (expense), net	14	(64)	(4)	78	(60)
Income Before Income Taxes	486	961	466	(475)	495
Income tax expense (benefit)	(26)	236	76	262	(160)
Net Income	\$ 512	\$ 725	\$ 390	\$ (213)	\$ 335
Throughput (in BCF):					
Residential	194	233	235	(17)%	(1)%
Commercial and industrial	386	389	396	(1)%	(2)%
Total Throughput	580	622	631	(7)%	(1)%
Weather (percentage of 10-year average for service area):					
Heating degree days	86 %	106 %	91 %	(20)%	15 %
Number of customers at end of period:					
Residential	3,905,388	3,859,726	4,268,385	1 %	(10)%
Commercial and industrial	293,235	291,184	336,828	1 %	(14)%
Total	4,198,623	4,150,910	4,605,213	1 %	(10)%

The following table provides variance explanations by major income statement caption for CERC:

	Favorable (Unfavorable)	
	2023 to 2022	2022 to 2021
	(in millions)	
Revenues		
Cost of natural gas, offset in utility natural gas, fuel and purchased power below	\$ (728)	\$ 921
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	(38)	(457)
Gross receipts tax, offset in taxes other than income taxes	(15)	19
Weather and usage	(7)	22
Refund of protected and unprotected EDIT, offset in income tax expense	3	6
Energy efficiency and other pass-through, offset in operation and maintenance	8	8
Non-volumetric and miscellaneous revenue	13	26
Non-utility revenues, including impacts of MES disposal	18	(17)
Customer growth	20	16
Customer rates and impact of the change in rate design, exclusive of the TCJA impact	75	56
Total	\$ (651)	\$ 600
Utility natural gas		
Cost of natural gas, offset in revenues above	\$ 728	\$ (921)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	23	199
Total	\$ 751	\$ (722)
Non-utility costs of revenues, including natural gas		
Other, primarily non-utility cost of revenues	\$ 1	\$ 13
Total	\$ 1	\$ 13
Operation and maintenance		
Miscellaneous operations and maintenance expenses, including bad debt expense	\$ (36)	\$ (20)
Energy efficiency and other pass-through, offset in revenues above	(8)	(8)
Contract services	—	(8)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	3	125
Labor and benefits	11	(4)
Corporate Support Services	12	2
Total	\$ (18)	\$ 87
Depreciation and amortization		
Incremental capital projects placed in service	\$ (47)	\$ (44)
Indiana lower depreciation rates from recent rate order	—	13
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	2	66
Total	\$ (45)	\$ 35
Taxes other than income taxes		
Gross receipts tax, offset in revenues	\$ 15	\$ (19)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	1	23
Incremental capital projects placed in service	(2)	(12)
Total	14	(8)
Gain on sale		
Net gain on sale of Arkansas and Oklahoma Natural Gas businesses	\$ (557)	\$ 546
Total	\$ (557)	\$ 546
Interest expense and other finance charges		
Changes in outstanding debt	\$ (56)	\$ (11)
Other, primarily AFUDC and impacts of regulatory deferrals	8	15
Total	\$ (48)	\$ 4
Other income (expense), net		
Changes to non-service benefit cost, primarily settlement cost incurred in 2022	\$ 60	\$ (65)
Increase in Equity AFUDC	9	2
Other miscellaneous non-operating income (expenses)	9	—
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	—	3
Total	\$ 78	\$ (60)

Income Tax Expense (Benefit). For a discussion of effective tax rate per period, see Note 14 to the consolidated financial statements.

Subsequent Events. On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Historical Cash Flows

The net cash provided by (used in) operating, investing and financing activities for 2023, 2022 and 2021 is as follows:

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Cash provided by (used in):									
Operating activities	\$ 3,877	\$ 1,401	\$ 2,312	\$ 1,810	\$ 966	\$ 856	\$ 22	\$ 770	\$ (1,219)
Investing activities	(4,233)	(2,503)	(1,643)	(1,628)	(2,435)	406	(1,851)	(1,617)	(1,287)
Financing activities	374	1,103	(668)	(345)	1,324	(1,277)	1,916	926	2,515

Operating Activities. The following items contributed to increased (decreased) net cash provided by operating activities:

	Year Ended December 31,					
	2023 compared to 2022			2022 compared to 2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Changes in net income after adjusting for non-cash items	\$ 394	\$ 235	\$ 170	\$ (492)	\$ 211	\$ (169)
Changes in working capital	917	229	358	(615)	(177)	(107)
Changes in net regulatory assets and liabilities (1)	809	(89)	908	2,529	196	2,339
Changes in equity in earnings of unconsolidated affiliates (2)	—	—	—	339	—	—
Changes in distributions from unconsolidated affiliates (2)	—	—	—	(155)	—	—
Lower pension contribution	3	—	—	26	—	—
Other	(56)	60	20	156	(34)	12
	<u>\$ 2,067</u>	<u>\$ 435</u>	<u>\$ 1,456</u>	<u>\$ 1,788</u>	<u>\$ 196</u>	<u>\$ 2,075</u>

(1) The change in net regulatory assets and liabilities at CenterPoint Energy and CERC is primarily due to securitization of the incurred natural gas costs associated with the February 2021 Winter Storm Event. See Note 7 to the consolidated financial statements for more information on the February 2021 Winter Storm Event.

(2) In September 2021, CenterPoint Energy's equity investment in Enable met the held for sale criteria and is reflected as discontinued operations on CenterPoint Energy's Statements of Consolidated Income. For further information, see Note 4 to the consolidated financial statements.

Investing Activities. The following items contributed to (increased) decreased net cash used in investing activities:

	Year Ended December 31,					
	2023 compared to 2022			2022 compared to 2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Proceeds from the sale of equity securities	\$ (702)	\$ —	\$ —	\$ (618)	\$ —	\$ —
Net change in capital expenditures	18	157	42	(1,255)	(817)	(337)
Transaction costs related to the Enable Merger	—	—	—	49	—	—
Cash received related to Enable Merger	—	—	—	(5)	—	—
Net change in notes receivable from unconsolidated affiliates	—	(238)	(1)	—	—	—
Proceeds from divestitures	(1,931)	—	(2,075)	2,053	—	2,053
Other	10	13	(15)	(1)	(1)	(23)
	<u>\$ (2,605)</u>	<u>\$ (68)</u>	<u>\$ (2,049)</u>	<u>\$ 223</u>	<u>\$ (818)</u>	<u>\$ 1,693</u>

Financing Activities. The following items contributed to (increased) decreased net cash used in financing activities:

	Year Ended December 31,					
	2023 compared to 2022			2022 compared to 2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Net changes in commercial paper outstanding	\$ (981)	\$ —	\$ (227)	\$ (1,206)	\$ —	\$ (646)
Net changes in long-term debt outstanding, excluding commercial paper	2,560	373	(778)	(1,231)	386	(936)
Net changes in debt and equity issuance costs	(19)	4	—	2	(5)	(4)
Net changes in short-term borrowings	(462)	—	(462)	479	—	479
Redemption of Series A Preferred Stock	(800)	—	—	—	—	—
Increased payment of Common Stock dividends	(45)	—	—	(55)	—	—
Decreased (increased) payment of Preferred Stock dividends	(1)	—	—	58	—	—
Payment of obligation for finance lease	485	485	—	(306)	(306)	—
Net change in notes payable from affiliated companies	—	(772)	1,517	—	(374)	(2,007)
Contribution from parent	—	(258)	211	—	1,013	149
Dividend to parent	—	(51)	348	—	(316)	(827)
Other	(18)	(2)	—	(2)	—	—
	<u>\$ 719</u>	<u>\$ (221)</u>	<u>\$ 609</u>	<u>\$ (2,261)</u>	<u>\$ 398</u>	<u>\$ (3,792)</u>

Future Sources and Uses of Cash

The Registrants expect that anticipated 2024 cash needs will be met with borrowings under their credit facilities, proceeds from the issuance of long-term debt, proceeds from sales of Common Stock under the Equity Distribution Agreement further described in Note 21 to the consolidated financial statements, anticipated cash flows from operations, and with respect to CenterPoint Energy and CERC, proceeds from commercial paper. Discretionary financing or refinancing may result in the issuance of equity securities of CenterPoint Energy or debt securities of the Registrants in the capital markets or the arrangement of additional credit facilities or term bank loans. Issuances of equity or debt in the capital markets, funds raised in the commercial paper markets and additional credit facilities may not, however, be available on acceptable terms.

Material Current and Long-term Cash Requirements. The liquidity and capital requirements of the Registrants are affected primarily by results of operations, capital expenditures, debt service requirements, tax payments, working capital needs and various regulatory actions. Capital expenditures are expected to be used for investment in infrastructure for electric and natural gas distribution operations. These capital expenditures are anticipated to maintain reliability and safety, increase resiliency and

expand our systems through value-added projects. In addition to dividend payments on CenterPoint Energy's Common Stock and interest payments on debt, the Registrants' principal anticipated cash requirements for 2024 include the following:

	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Estimated capital expenditures	\$ 3,669	\$ 1,895	\$ 1,385
Maturing CenterPoint Energy senior notes	850	—	—
Scheduled principal payments on Securitization Bonds	178	161	—
Maturing SIGECO first mortgage bonds	22	—	—
Minimum contributions to pension plans and other post-retirement plans	17	1	4

The following table sets forth the Registrants' estimates of the Registrants' capital expenditures currently planned for projects for 2024 through 2028. See Note 17 to the consolidated financial statements for CenterPoint Energy's actual capital expenditures by reportable segment for 2023.

	2024	2025	2026	2027	2028
	(in millions)				
CenterPoint Energy					
Electric	\$ 2,205	\$ 3,341	\$ 3,589	\$ 3,080	\$ 3,018
Natural Gas	1,450	1,432	1,604	1,469	1,344
Corporate and Other	14	20	20	20	20
Total	\$ 3,669	\$ 4,793	\$ 5,213	\$ 4,569	\$ 4,382
Houston Electric (1)	\$ 1,895	\$ 2,598	\$ 2,663	\$ 2,822	\$ 2,816
CERC (1)	\$ 1,385	\$ 1,370	\$ 1,486	\$ 1,391	\$ 1,271

(1) Houston Electric and CERC each consist of a single reportable segment.

Capital Expenditures for Climate-Related Projects. As part of its approximately \$44.5 billion 10-year capital expenditure plan, which concludes in 2030, CenterPoint Energy anticipates spending over \$3 billion in cleaner energy investments and enablement, which may be used to support, among other things, renewable energy generation and electric vehicle expansion.

The following table summarizes the Registrants' material current and long-term cash requirements as of December 31, 2023.

	Total	2024	2025-2026	2027-2028	2029 and thereafter
	(in millions)				
CenterPoint Energy					
Securitization Bonds (1)	\$ 502	\$ 178	\$ 27	\$ 29	\$ 268
Other long-term debt (1) (2)	18,282	872	2,311	3,894	11,205
Interest payments — Securitization Bonds(3)	187	27	32	29	99
Interest payments — other long-term debt(3)	9,238	835	1,652	1,317	5,434
Short-term borrowings	4	4	—	—	—
Commodity and other commitments (4)	6,749	993	2,002	982	2,772
Total cash requirements	\$ 34,962	\$ 2,909	\$ 6,024	\$ 6,251	\$ 19,778
Houston Electric					
Securitization Bonds (1)	\$ 161	161	—	—	—
Other long-term debt (1)	7,513	—	300	800	6,413
Interest payments — Securitization Bonds(3)	4	4	—	—	—
Interest payments — other long-term debt(3)	5,340	306	610	583	3,841
Total cash requirements	\$ 13,018	\$ 471	\$ 910	\$ 1,383	\$ 10,254

	Total	2024	2025-2026	2027-2028	2029 and thereafter					
CERC	(in millions)									
Long-term debt	\$	4,700	\$	—	\$	70	\$	1,740	\$	2,890
Interest payments — long-term debt(3)		2,213		240		478		398		1,097
Short-term borrowings		4		4		—		—		—
Commodity and other commitments (4)		4,245		679		1,083		799		1,684
Total cash requirements	\$	11,162	\$	923	\$	1,631	\$	2,937	\$	5,671

- (1) Balances reflect aggregate principal amounts outstanding and do not include unamortized discounts, premiums or issuance costs. See Note 13 to the consolidated financial statements for additional information.
- (2) ZENS obligations are included in the 2029 and thereafter column at their contingent principal amount of \$18 million as of December 31, 2023. These obligations are exchangeable for cash at any time at the option of the holders for 95% of the current value of the reference shares attributable to each ZENS (\$538 million as of December 31, 2023), as discussed in Note 11 to the consolidated financial statements.
- (3) The Registrants calculated estimated interest payments for long-term debt as follows: for fixed-rate debt and term debt, the Registrants calculated interest based on the applicable rates and payment dates; for variable-rate debt and/or non-term debt, the Registrants used interest rates in place as of December 31, 2023. The Registrants typically expect to settle such interest payments with cash flows from operations and short-term borrowings.
- (4) For a discussion of commodity and other commitments, see Note 15(a) to the consolidated financial statements.

The table above does not include the following:

- estimated future payments for expected future AROs primarily estimated to be incurred after 2026. See Note 3(c) to the consolidated financial statements for further information.
- expected contributions to pension plans and other postretirement plans in 2024. See Note 8(g) to the consolidated financial statements for further information.
- operating leases. See Note 20 to the consolidated financial statements for further information.

Off-Balance Sheet Arrangements. Other than Houston Electric's general mortgage bonds issued as collateral for tax-exempt long-term debt of CenterPoint Energy (see Note 13 to the consolidated financial statements) and short-term leases, the Registrants have no off-balance sheet arrangements.

Regulatory Matters

February 2021 Winter Storm Event

For information about the February 2021 Winter Storm Event, see Note 7 to the consolidated financial statements.

Indiana Electric Securitization of Generation Retirements (CenterPoint Energy)

For further information about the issuance of SIGECO Securitization Bonds, see Note 7 to the consolidated financial statements.

Indiana Electric CPCN (CenterPoint Energy)

BTAs

On February 23, 2021, Indiana Electric filed a CPCN with the IURC seeking approval to purchase the Posey solar project. On October 27, 2021, the IURC issued an order approving the CPCN, authorizing Indiana Electric to purchase the Posey solar project through a BTA to acquire its solar array assets for a fixed purchase price and approved recovery of costs via a levelized rate over the anticipated 35-year life. Due to community feedback and rising project costs caused by inflation and supply chain issues affecting the energy industry, Indiana Electric, along with Arevon, the developer, announced plans in January 2022 to downsize the Posey solar project to 191 MW. Indiana Electric collaboratively agreed to the scope change, and on February 1, 2023, Indiana Electric entered into an amended and restated BTA that is contingent on further IURC review and approval. On February 7, 2023, Indiana Electric filed a CPCN with the IURC to approve the amended BTA. With the passage of the IRA,

Indiana Electric can now pursue PTCs for solar projects. Indiana Electric requested that project costs, net of PTCs, be recovered in rate base rather than a levelized rate, through base rates or the CECA mechanism, depending on which provides more timely recovery. On September 6, 2023 the IURC issued an order approving the CPCN. The Posey solar project is expected to be placed in service in 2025 and recovered through base rates.

On July 5, 2022, Indiana Electric entered into a BTA to acquire a 130 MW solar array in Pike County, Indiana through a special purpose entity for a capped purchase price. A CPCN for the project was filed with the IURC on July 29, 2022. On September 21, 2022, an agreement in principle was reached resolving all the issues between Indiana Electric and OUCC. The Stipulation and Settlement agreement was filed on October 6, 2022 and a settlement hearing was held on November 1, 2022. On January 11, 2023, the IURC issued an order approving the settlement agreement authorizing Indiana Electric to purchase and acquire the Pike County solar project through a BTA and approved the estimated cost. The IURC also designated the project as a clean energy project under Ind. Code Ch. 8-1-8.8, approved the proposed levelized rate and associated ratemaking and accounting treatment. Due to inflationary pressures, the developer disclosed that costs have exceeded the agreed upon levels in the BTA. Once pricing is updated and parties determine whether to continue with the project, Indiana Electric may have to refile for approval of the project with the IURC, which could delay the in-service date from 2025 to 2026. If Indiana Electric is not able to reach a mutually acceptable solution with the developers of the Pike County Solar project, Indiana Electric may seek to terminate the project.

On January 10, 2023, Indiana Electric filed a CPCN with the IURC to acquire a wind energy generating facility with installed capacity of 200 MWs through a BTA, consistent with its 2019/2020 IRP that calls for up to 300 MWs of wind generation. The wind project is located in MISO's Central Region. Indiana Electric has approval to recover the costs of the wind facility via the CECA mechanism, which is expected to be placed in service by the end of 2026. On June 6, 2023 the IURC issued an order approving the CPCN, and thereby authorizing Indiana Electric to purchase the wind generating facility. However, as of the date of this Form 10-K, Indiana Electric has not entered into any definitive agreement relating to this wind energy generating facility, and it is not certain that a definitive agreement will be entered into at all.

PPAs

Indiana Electric also sought approval in February 2021 for a 100 MW solar PPA with Clenera LLC in Warrick County, Indiana. The request accounted for increased cost of debt related to this PPA, which provides equivalent equity return to offset imputed debt during the 25 year life of the PPA. In October 2021, the IURC approved the Warrick County solar PPA but denied the request to preemptively offset imputed debt in the PPA cost. Due to rising project costs caused by inflation and supply chain issues affecting the energy industry, Clenera LLC and Indiana Electric were compelled to renegotiate terms of the agreement to increase the PPA price. On January 17, 2023, Indiana Electric filed a request with the IURC to amend the previously approved PPA with certain modifications. Revised purchase power costs are requested to be recovered through the fuel adjustment clause proceedings over the term of the amended PPA. On May 30, 2023, the IURC approved the Warrick County solar amended PPA; however, due to MISO interconnection study delays, the developer disclosed the project in-service date could be delayed from 2025 to 2026.

On August 25, 2021, Indiana Electric filed with the IURC seeking approval to purchase 185 MW of solar power, under a 15-year PPA, from Oriden, which is developing a solar project in Vermillion County, Indiana, and 150 MW of solar power, under a 20-year PPA, from Origen, which is developing a solar project in Knox County, Indiana. On May 4, 2022, the IURC issued an order approving Indiana Electric to enter into both PPAs. In March 2022, when the results of the MISO interconnection study were completed, Origen advised Indiana Electric that the costs to construct the solar project in Knox County, Indiana had increased. The increase was largely driven by escalating commodity and supply chain costs impacting manufacturers worldwide. In August 2022, Indiana Electric and Origen entered into an amended PPA, which reiterated the terms contained in the 2021 PPA with certain modifications. On February 22, 2023 the IURC approved the Knox County solar amended PPA; however, due to MISO interconnection delays, the project in-service date could be delayed from 2024 to 2025. On January 17, 2023, Indiana Electric filed a request with the IURC to amend the previously approved PPA with Oriden with certain modifications. Revised purchase power costs were approved to be recovered through the fuel adjustment clause proceedings over the term of the amended PPA with Oriden. On May 30, 2023, the IURC approved the Vermillion County solar amended PPA; however, due to MISO interconnection study delays, the developer disclosed the project in-service date could be delayed from 2025 to 2026.

Natural Gas Combustion Turbines

On June 17, 2021, Indiana Electric filed a CPCN with the IURC seeking approval to construct two natural gas combustion turbines to replace portions of its existing coal-fired generation fleet. On June 28, 2022, the IURC approved the CPCN. The

estimated \$334 million turbine facility is being constructed at the previous site of the A.B. Brown power plant in Posey County, Indiana and will provide a combined output of 460 MW. Indiana Electric received approval for depreciation expense and post in-service carrying costs to be deferred in a regulatory asset until the date Indiana Electric's base rates include a return on and recovery of depreciation expense on the facility. A new approximately 23.5 mile pipeline will be constructed and operated by Texas Gas Transmission, LLC to supply natural gas to the turbine facility. FERC granted a certificate to construct the pipeline on October 20, 2022. The period to challenge FERC's certificate in a federal district court expired on February 20, 2023. Indiana Electric granted its contractor a full notice to proceed to construct the turbines on December 9, 2022. The facility is targeted to be operational by mid year 2025. Recovery of the proposed natural gas combustion turbines and regulatory asset is included in the forecasted test year in the Indiana Electric rate case, which was filed with the IURC on December 5, 2023.

For more information regarding uncertainties related to our solar projects, see Item 1A of Part I of this combined Form 10-K and “—Solar Panel Issues” below.

Culley Unit 3 Operations

In June 2022, F.B. Culley Unit 3, an Indiana Electric coal-fired electric generation unit with an installed generating capacity of 270 MW, experienced an operating issue relating to its boiler feed pump turbine. The unit returned to service in March 2023. In testimony filed September 13, 2023, the OUCG and an intervenor that represents industrial customers filed testimony with the IURC alleging that Indiana Electric did not act prudently which led to the unplanned outage and recommended disallowances between \$21 million to \$27 million. On October 23, 2023, Indiana Electric filed rebuttal testimony with the IURC and an evidentiary hearing was held on November 2, 2023. Indiana Electric expects a decision from the IURC in the first half of 2024.

Space City Solar Transmission Interconnection Project (CenterPoint Energy and Houston Electric)

On December 17, 2020, Houston Electric filed a CPCN with the PUCT for approval to build a 345 kV transmission line in Wharton County, Texas connecting the Hillje substation on Houston Electric's transmission system to the planned 610 MW Space City Solar Generation facility being developed by third-party developer EDF Renewables. In November 2021, the PUCT approved a route that was estimated to cost \$25 million and issued a final order on January 12, 2022. There have been project delays due to supply chain constraints in the developer acquiring solar panels. Houston Electric substantially completed construction in the fall of 2023, and the transmission line is expected to be energized shortly after the generation facility is complete, which is anticipated to occur in the first quarter of 2025.

Kilgore Transmission Project (CenterPoint Energy and Houston Electric)

On August 30, 2023, Houston Electric filed a CCN application with the PUCT for approval to build a 138 kV double circuit transmission line in Chambers County, Texas that will loop the existing 138 kV Chevron to Langston circuit number 86 on Houston Electric's transmission system to Houston Electric's planned Kilgore substation. The actual capital costs of the project, including the transmission line and the planned Kilgore substation, will depend on actual land acquisition costs, construction costs, and other factors and have been estimated to be \$60 million to \$99 million. A decision on the approval of the project in the PUCT proceeding is expected in the first quarter of 2024.

Mill Creek Transmission Project (CenterPoint Energy and Houston Electric)

On November 17, 2023, Houston Electric filed a CCN application with the PUCT for approval to build a 138 kV double circuit transmission line in Harris and Montgomery Counties, Texas that will connect Houston Electric's transmission system to Houston Electric's planned Mill Creek substation. The actual capital costs of the project, including the transmission line and the planned Kilgore substation, will depend on actual land acquisition costs, construction costs, and other factors and have been estimated to be \$61 million to \$90 million. A decision on the approval of the project in the PUCT proceeding is expected in the second or third quarter of 2024.

Texas Legislation (CenterPoint Energy, Houston Electric and CERC)

Houston Electric and CERC are reviewing legislation passed in 2023 and associated PUCT rulemaking projects, including the following pieces of legislation that became law during the 88th Texas Legislature, including:

- House Bill 1500 is effective September 1, 2023 and continues the functions of the PUCT, the Office of Public Utility Counsel, and ERCOT through 2029. This bill also includes an amendment that clarifies the use cases under which TDUs may lease and operate temporary generation during “significant” power outages;
- House Bill 2263 is effective June 12, 2023 and authorizes local distribution companies to offer programs to promote energy conservation and to recover costs prudently incurred to implement such programs under Railroad Commission authority;
- House Bill 2555 is effective June 13, 2023 and allows an electric utility to create a transmission and distribution system resiliency plan with the PUCT and associated cost recovery to enhance its system through hardening, undergrounding certain lines, flood mitigation measures, and vegetation management. On January 18, 2024 the PUCT issued an Order adopting its Resiliency Plan Rule (16 TAC 25.62);
- Senate Bill 947 is effective September 1, 2023 and creates severe criminal offenses for intentional damage to critical infrastructure facilities that create extended power outages;
- Senate Bill 1015 is effective June 18, 2023 and allows utilities to file the DCRF twice a year, on any day the PUCT is open (at least 185 days after filing a full base rate proceeding) and setting an administrative approval timeline of 60 days;
- Senate Bill 1016 is effective May 5, 2023 and requires the PUCT to presume that all employee compensation and benefits are reasonable and necessary when establishing a utility's rates if based upon market compensation studies issued within the last three years; it includes exceptions for utility officer incentives that are based on financial metrics. Certain incentive compensation that is in-line with market studies will be presumed reasonable and recoverable; and
- Senate Bill 1076 is effective June 2, 2023 and moves the timeline for the PUCT to approve CCN for transmission projects to 180 days after the date of filing, rather than the first anniversary of the day it was filed.

Minnesota Legislation (CenterPoint Energy and CERC)

The Natural Gas Innovation Act was passed by the Minnesota legislature in June 2021 with bipartisan support. This law establishes a regulatory framework to enable the state's investor-owned natural gas utilities to provide customers with access to renewable energy resources and innovative technologies, with the goal of reducing GHG emissions and advancing the state's clean energy future. The maximum allowable cost for an innovation plan will start at 1.75% of the utility's revenue in the state and could increase to 4% by 2033, subject to review and approval by the MPUC. Specifically, the Natural Gas Innovation Act allows a natural gas utility to submit an innovation plan for approval by the MPUC which could propose the use of renewable energy resources and innovative technologies such as:

- renewable natural gas (produces energy from organic materials such as wastewater, agricultural manure, food waste, agricultural or forest waste);
- renewable hydrogen gas (produces energy from water through electrolysis with renewable electricity such as solar);
- energy efficiency measures (avoids energy consumption in excess of the utility's existing conservation programs); and
- innovative technologies (reduces or avoids greenhouse gas emissions using technologies such as carbon capture).

On June 28, 2023, CERC submitted its first innovation plan to the MPUC; the five-year plan includes 18 pilot projects and seven smaller research-and-development projects. These projects will deploy and evaluate a broad array of innovative resources including made-in-Minnesota alternative gases such as renewable natural gas and green hydrogen as well as pioneering technologies such as a networked geothermal district energy system and end-use carbon capture. The proposed plan requires approval from the MPUC through a review process that is expected to take about one year. The MPUC requested comments by September 15, 2023 if parties believe that the filing is incomplete based on the reporting requirements or if parties do not believe that the MPUC's standard informal proceeding process is appropriate. No parties filed comments regarding completeness or raising concerns that the MPUC's standard informal procedural process is inappropriate. The initial comment period closed January 15, 2024, reply comments are due March 15, 2024 and supplemental comments are due May 15, 2024; CERC anticipates the MPUC will hear this matter after the final comments are received.

Solar Panel Issues (CenterPoint Energy)

CenterPoint Energy's current and future solar projects have been impacted by delays and/or increased costs. The potential delays and inflationary cost pressures communicated from the developers of our solar projects have been primarily due to (i) unavailability of solar panels and other uncertainties related to a DOC investigation on anti-dumping and countervailing duties petition filed by a domestic solar manufacturer, (ii) the December 2021 Uyghur Forced Labor Prevention Act on solar modules and other products manufactured in China's Xinjiang Uyghur Autonomous Region and (iii) persistent general global supply chain and labor availability issues. On December 2, 2022, the DOC issued its preliminary determination, finding four of the eight companies being investigated are attempting to bypass U.S. duties. On August 18, 2023, the DOC announced its final determination and found that five of the eight companies investigated are attempting to bypass U.S. duties by doing minor

processing in one of the Southeast Asian countries before shipment to the United States. Pursuant to President Biden's executive order issued in June 2022, duties will not be collected on any solar module and cell imports from these Southeast Asian countries until June 2024, as long as the imports are consumed in the U.S. market within six months of the termination of the executive order. The executive order could be subject to legal challenges and its effects remain uncertain. The resolution of these issues will determine what additional costs or delays our solar projects will be subject to. These impacts have resulted in cost increases for certain projects, and may result in cost increases in other projects, and such impacts have resulted in, or are expected to result in, the need for us to seek additional regulatory review and approvals. Additionally, significant changes to project costs and schedules as a result of these factors could impact the viability of the projects. For more information regarding potential delays, cancellations and supply chain disruptions, see "Item 1A. Risk Factors— Risk Factors Affecting Operations — Electric Generation, Transmission and Distribution — Increases in the cost or..." in this report.

TDSIC 2.0 (CenterPoint Energy)

On May 24, 2023, Indiana Electric filed its petition and case-in-chief with the IURC requesting, among other things, approval of its five-year plan for transmission, distribution, and storage improvements pursuant to Ind. Code ch. 8-1-39 (TDSIC Plan). Intervenor filed their case in chief on August 16, 2023 and Indiana Electric filed rebuttal on August 29, 2023. A hearing was held on September 13, 2023 and an order approving the TDSIC Plan was issued on December 27, 2023. The approved five-year TDSIC Plan, covering the period January 1, 2024 through December 31, 2028, consists of approximately \$454 million in proposed investments across seven different programs: (1) Distribution 12kV Circuit Rebuild, (2) Distribution Underground Rebuild, (3) Distribution Automation, (4) Wood pole replacement, (5) Transmission Line Rebuild, (6) Substation Rebuild, and (7) Substation Physical Security.

Rate Change Applications

The Registrants are routinely involved in rate change applications before state regulatory authorities. Those applications include general rate cases, where the entire cost of service of the utility is assessed and reset. In addition, Registrants are periodically involved in proceedings to adjust its capital tracking mechanisms (e.g., CSLA, DCRF, DRR, GRIP, TCOS, ECA, CECA and TDSIC), its cost of service adjustments (e.g., RSP and RRA), its decoupling mechanism (e.g., Decoupling and SRC), and its energy efficiency cost trackers (e.g., CIP, DSMA, EECR, EECRF, EEFC and EEFR).

Houston Electric Rate Case. Texas law mandates that electric utilities file a base rate proceeding no later than every four years from the date of their last base rate proceeding final order. Houston Electric's most recent base rate proceeding order was approved by the PUCT on March 9, 2020, in Docket No. 49421. Therefore, Houston Electric is required to file its next base rate proceeding no later than March 9, 2024.

Texas Gas Rate Case. On October 30, 2023 CERC filed an application with the Railroad Commission and municipal regulatory authorities to set new natural gas base rates that would be applied consistently across the approximately 1.9 million customers. The requested increase is approximately 3.1% or \$37 million based on an historical test year ending June 30, 2023. The need for a rate change is primarily driven by the continuing investment in the safety and reliability of the natural gas system, including new Intelis natural gas meters that feature an integrated safety shutoff valve, changes to depreciation rates that better reflect the actual life and salvage characteristics of assets, and changes in other costs to serve customers. The request reflects a proposed 10.50% ROE on a 60.61% equity ratio. Intervenor testimony is due in early March 2024, followed by staff testimony. Rebuttal testimony is due in late March 2024 and a hearing on the merits is scheduled for mid-April 2024. A final order is expected in Q2 2024.

Minnesota Rate Case. On November 1, 2023, CERC filed an application with the MPUC requesting an adjustment to delivery charges in 2024 and 2025 for the natural gas business in Minnesota. The requested increase is approximately 6.5% or \$85 million for 2024 and an additional approximately 3.7% or \$52 million for 2025. The need for a rate change is primarily driven by the continuing investment in the safety and reliability of the natural gas system, including new Intelis natural gas meters that feature an integrated safety shutoff valve, changes to depreciation rates that better reflect the actual life and salvage characteristics of assets, and changes in other costs to serve customers. The request reflects a proposed 10.3% ROE on a 52.5% equity ratio. Interim rates of \$69 million were implemented as of January 1, 2024. A decision on 2025 interim rates was delayed until the fourth quarter of 2024. The anticipated decision date of the rate case is July 1, 2025.

Indiana Electric Rate Case. On December 5, 2023, Indiana Electric filed a petition with the IURC for authority to modify its rates and charges for electric utility service through a phase-in of rates. The requested increase is approximately 16% or \$119 million based on a forward looking 2025 test year. The need for a rate increase is primarily driven by the continuing investment that is being made to ensure the safety and reliability of the system and normal increases in operating expenses. The rate case

reflects a proposed 10.4% ROE on a 55% equity ratio. A hearing is scheduled for late-April through mid-May 2024. A final order is expected in the fourth quarter of 2024.

The table below reflects significant applications pending or completed since the Registrants' combined 2022 Form 10-K was filed with the SEC through February 20, 2024.

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CenterPoint Energy and Houston Electric (PUCT)					
DCRF (1)	86	December 2023	TBD	TBD	Based on the net change in distribution invested capital since its last base rate proceeding of approximately \$2.5 billion for the period January 1, 2019 through September 30, 2023 for a revenue increase of \$86 million, adjusted for load growth. This is the second DCRF filing made in 2023; filing two DCRFs in a year was authorized in 2023 legislative session. A request for interim rates to be implemented on February 12, 2024 was also made on December 14, 2023; the interim rate request was denied on January 9, 2024. On December 28, 2023, an intervenor requested a good cause extension, on January 5, 2024, certain parties supported it, and it was granted on January 9, 2024. On January 24, 2024, certain intervenors requested an evidentiary hearing, and the request was denied on January 25, 2024. On February 5, 2024, Houston Electric notified the ALJ that the parties have reached an agreement in principle on all issues in this proceeding, and filed an agreed expedited motion for interim rates. On February 6, 2024, the PUCT ALJ issued an order denying to abate the proceeding and retaining the procedural schedule already established. On February 7, 2024, Houston Electric on behalf of itself and all parties responded to the February 6, 2024 order to clarify that the abatement request was not intended to alter the statutory timeframe for a decision. On February 9, 2024, the PUCT ALJ issued an order setting filing deadlines and requesting briefing on interim rates. On February 13, 2024, interim rates designed to collect \$220 million (\$73 million incremental) were approved, to be effective April 2024.
TCOS	44	August 2023	October 2023	October 2023	Based on net change in invested capital of \$405 million for the period February 1, 2023 through June 30, 2023. Notice of Approval issued October 6, 2023.
EECRF (1)	16	June 2023	March 2024	November 2023	The requested \$53 million is comprised primarily of the following: 2024 program costs of \$38 million; a credit of \$2 million related to the over-recovery of 2022 program costs; the 2022 earned bonus of \$16 million; and 2024 projected evaluation, measurement and verification costs of \$1 million. An order approving performance bonus and rates was issued November 3, 2023.
DCRF	70	April 2023	September 2023	September 2023	The net change in distribution invested capital since its last base rate proceeding of approximately \$1.9 billion for the period January 1, 2019 through December 31, 2022 for a revenue increase of \$85 million, adjusted for load growth. On July 14, 2023 a settlement was filed that results in a revenue increase of \$70 million adjusted for load growth. Order approving the rates included in the settlement was issued September 14, 2023.
TEEEF (1)	114	April 2023	December 2023	February 2024	A total Rider TEEEF revenue requirement of \$188 million for cost incurred through December 31, 2022. The revenue change between the rates resulting from the 2022 TEEEF and this application is \$149 million. Interim rates effective September 1, 2023. Settlement in principle announced and motion to abate filed October 12, 2023 and updated interim rates were effective December 15, 2023. The settlement incorporates an 8 1/2 year amortization period. The PUCT approved the settlement in its order that was issued February 1, 2024.
TCOS	40	March 2023	May 2023	May 2023	Based on net change in invested capital of \$367 million for the period August 1, 2022 through January 31, 2023.
DCRF and TEEEF	117	April 2022	April 2023	April 2023	Original filing included both capital that has traditionally been recovered under DCRF and TEEEF capital; the filing was separated into traditional DCRF and TEEEF in June 2022. The traditional DCRF portion revenue requirement of \$78 million was approved and was implemented September 1, 2022. A final order was issued on April 5, 2023 approving a TEEEF revenue requirement of \$39 million with rates effective April 15, 2023. On April 28, 2023 and May 1, 2023 certain intervenors filed motions for rehearing of the PUCT's April 5, 2023 order. On May 25, 2023 the PUCT issued its order on rehearing which clarified some of the findings, but did not change the approval of TEEEF cost recovery. On June 19, 2023 certain intervenors filed motions for rehearing of the May 25, 2023 order on rehearing. The PUCT denied the motions for rehearing in an order issued on August 3, 2023. See Note 7 to the consolidated financial statements for further information.
CenterPoint Energy and CERC - Beaumont/East Texas, South Texas, Houston and Texas Coast (Railroad Commission)					
GRIP	60	March 2023	June 2023	June 2023	Based on net change in invested capital for calendar year 2022 of \$390 million.
Rate Case (1)	37	October 2023	TBD	TBD	See discussion above under <i>Texas Gas Rate Case</i> .

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CenterPoint Energy and CERC - Louisiana (LPSC)					
RSP	6	September 2022	May 2023	April 2023	Based on ROE of 9.95% with 50 basis point (+/-) earnings band. The North Louisiana increase, net of TCJA effects considered outside of the earnings band, is \$3 million based on a test year ended June 2022 and adjusted ROE of 7.05%. The South Louisiana increase, net of TCJA effects considered outside of the earnings band, is \$5 million based on a test year ended June 2022 and adjusted ROE of 4.19%. The TCJA refund impact to North Louisiana and South Louisiana was \$1 million and \$1 million, respectively. North Louisiana and South Louisiana also seek to recover regulatory assets due to COVID-19 bad debt expenses in the amounts of \$0.7 million and \$0.3 million, respectively. On April 5, 2023 the LPSC issued an order approving a joint settlement for \$2.7 million in North Louisiana and \$4.6 million in South Louisiana in addition to the full impacts of TCJA and COVID-19 recoveries. Implementation occurred in May 2023 upon approval of compliance tariff.
RSP (1)	12	September/October 2023	TBD	TBD	Based on ROE of 9.95% with 50 basis point (+/-) earnings band. The North Louisiana increase, net of TCJA effects considered outside of the earnings band and completion of COVID-19 asset recovery, is \$8 million based on a test year ended June 2023 and adjusted ROE of 3.67%. The South Louisiana increase, net of TCJA effects considered outside of the earnings band and completion of COVID-19 asset recovery, is \$5 million based on a test year ended June 2023 and adjusted ROE of 5.47%. The TCJA refund impact to North Louisiana and South Louisiana was \$0.6 million and \$0.4 million, respectively. South Louisiana interim rates were implemented on December 28, 2023, subject to refund. North Louisiana interim rates were implemented on January 29, 2024. Staff reports issued on January 31, 2024 recommended disallowances of \$0.3 million and \$0.2 million in North and South Louisiana, respectively.
CenterPoint Energy and CERC - Minnesota (MPUC)					
CIP Financial Incentive	8	May 2023	September 2023	October 2023	CIP Financial Incentive based on 2022 CIP program activity.
Rate Case (1)	136	November 2023	TBD	TBD	See discussion above under <i>Minnesota Rate Case</i> .
CenterPoint Energy and CERC - Mississippi					
RRA	7	May 2023	October 2023	October 2023	Based on ROE of 10.098% with 100 basis point (+/-) earnings band. Revenue increase of approximately \$8 million based on 2022 test year adjusted earned ROE of 5.66%. Interim increase of approximately \$1 million implemented May 31, 2023. Settled increase of approximately \$7 million approved and implemented October 3, 2023. Order authorized recovery of regulatory assets due to COVID-19 in the amount of \$0.3 million over the 2024 calendar year.
CenterPoint Energy - Indiana South - Gas (IURC)					
CSIA	3	April 2023	July 2023	July 2023	Requested an increase of \$33 million to rate base, which reflects approximately \$3 million annual increase in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case. The mechanism also includes a change in (over)/under-recovery variance of \$1 million annually. Also included are unrecovered deferred operations and maintenance expenses of \$9 million. OUCC filed on June 2, 2023, recommending approval of the proposed CSIA rates and updated plan as filed, with non-cost recommendations. Rebuttal testimony filed June 16, 2023. A hearing was held June 28, 2023. The IURC issued an Order approving the CSIA on July 26, 2023.
CSIA	3	October 2023	February 2024	January 2024	Requested an increase of \$31 million to rate base, which reflects approximately \$3 million annual increase in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case. The mechanism also includes a change in (over)/under-recovery variance of \$1 million annually. OUCC filed on December 8, 2023, recommending disallowance of two projects for customer-side replacements. Engineering rebuttal testimony was filed December 15, 2023, stating why costs were necessary for safety and integrity of customers and system. Responded to IURC docket entry requesting additional information on January 2, 2024. A hearing was held January 3, 2024. The IURC issued an order on January 31, 2024, approving the CSIA with the exception of the two projects for customer-side replacements which are not authorized for recovery. Indiana South filed revised revenue requirement schedules removing the two project costs with its compliance filing. Revised rates were effective February 1, 2024.

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CenterPoint Energy and CERC - Indiana North - Gas (IURC)					
CSIA	9	April 2023	July 2023	July 2023	Requested an increase of \$95 million to rate base, which reflects approximately \$9 million annual increase in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case. The mechanism also includes a change in (over)/under-recovery variance of \$5 million annually. Also included are unrecovered deferred operations and maintenance expenses of \$20 million. OUC filed on June 2, 2023, recommending approval of the proposed CSIA rates and updated plan as filed, with non-cost recommendations. Rebuttal testimony was filed on June 16, 2023. A hearing was held June 28, 2023. The IURC issued an Order approving the CSIA on July 26, 2023.
CSIA	9	October 2023	January 2024	January 2024	Requested an increase of \$98 million to rate base, which reflects approximately \$9 million annual increase in current revenues. 80% of revenue requirement is included in requested rate increase and 20% is deferred until the next rate case. The mechanism also includes a change in (over)/under-recovery variance of \$1 million annually. OUC filed on December 8, 2023, recommending approval as filed. Responded to IURC Docket entry requesting additional information on January 2, 2024. A hearing was held January 3, 2024. The IURC issued an Order approving the CSIA on January 31, 2024 with rates effective January 31, 2024.
CenterPoint Energy and CERC - Ohio (PUCO)					
DRR (1)	6	May 2023	September 2023	August 2023	Requested an increase of \$46 million to rate base for investments made in 2022, which reflects a \$6 million annual increase in current revenues. A change in (over)/under-recovery variance of \$0.3 million annually is also included in rates. PUCO staff review and recommendation filed June 29, 2023, recommending approval as proposed. VEDO statement of issues resolved in case filed July 14, 2023. PUCO issued a Finding & Order approving the DRR August 23, 2023, and revised rates effective September 1, 2023.
CenterPoint Energy - Indiana Electric (IURC)					
TDSIC	2	February 2023	June 2023	May 2023	Requested an increase of \$31 million to rate base, which reflects a \$5 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance and a tax reform credit for a total of (\$1 million). OUC filed on April 3, 2023, recommending approval of the proposed TDSIC rates and updated plan as filed. A hearing was held on May 3, 2023. On May 30, 2023, the IURC issued an order approving the TDSIC rates and updated plan as filed with rates effective June 1, 2023.
CECA	—	February 2023	June 2023	May 2023	Requested an increase of less than \$1 million to rate base, which reflects an annual increase of less than \$1 million in current revenues. The mechanism also includes a change in (over)/under-recovery variance of less than (\$1 million). OUC filed on March 31, 2023, recommending approval of the proposed CECA cost recovery with a reduction of approximately \$0.3 million. Rebuttal testimony was filed on April 6, 2023. A hearing was held on May 3, 2023. On May 30, 2023, the IURC issued an order approving the CECA rates with a cost recovery reduction of approximately \$0.3 million with rates effective June 6, 2023.
ECA (1)	1	May 2023	February 2024	February 2024	Requested an increase of \$51 million to rate base, which reflects a \$1 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million. A hearing was held on October 24, 2023. Indiana Electric filed a proposed order on October 31, 2023. The OUC filed a proposed order on November 8, 2023. Indiana Electric filed a response to the OUC proposed order on November 15, 2023. A final order was issued February 7, 2024 with rates effective February 8, 2024.
DSMA (1)	16	July 2023	January 2024	November 2023	The requested \$45 million is comprised primarily of the following: 2024 program costs of \$11 million and \$26 million of lost revenue, \$3 million related to the over-recovery of 2022 program costs and \$11 million under-recovery related to a prior period variance adjustment; the requested \$45 million is an increase of \$16 million compared to the prior DSMA. A settlement between Indiana Electric and the OUC was reached concerning the \$11 million under-recovery which resolves all issues related to the DSMA for January through December 2024 including the \$11 million under-recovery. The settlement provides that the IURC should approve the DSMA and that Indiana Electric will arrange for educational training on demand side management offerings. A settlement hearing was held on October 24, 2023. The IURC issued an Order approving the settlement on November 22, 2023, with rates effective January 1, 2024.

Mechanism	Annual Increase (Decrease) ⁽¹⁾ (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
TDSIC ⁽¹⁾	3	August 2023	November 2023	November 2023	Requested an increase of \$27 million to rate base, which reflects a \$3 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance and a tax reform credit for a total of (\$0.2 million). OUCC filed on October 2, 2023 recommending approval of the proposed TDSIC rates. A hearing was held on October 31, 2023. The IURC issued an Order approving the TDSIC on November 29, 2023, with rates effective November 30, 2023.
Rate Case ⁽¹⁾	119	December 2023	TBD	TBD	See discussion above under <i>Indiana Electric Rate Case</i> .
TDSIC ⁽¹⁾	5	February 2024	TBD	TBD	Requested an increase of \$36 million to rate base, which reflects a \$5 million annual increase in current revenues. 80% of the revenue requirement is included in requested rate increase and 20% is deferred until next rate case. The mechanism also includes a change in (over)/under-recovery variance and a tax reform credit for a total of (\$1 million). OUCC is expected to file testimony on April 2, 2024 and a hearing is scheduled for April 30, 2024.
CECA ⁽¹⁾	—	February 2024	TBD	TBD	Requested a decrease of \$1 million to rate base, which reflects no change in current revenues. The mechanism also includes a change in (over)/under-recovery variance of \$0.1 million.

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

Inflation Reduction Act (IRA)

On August 16, 2022, the IRA was signed into law. The new law extends or creates tax-related energy incentives for solar, wind and alternative clean energy sources, implements, subject to certain exceptions, a 1% tax on share repurchases after December 31, 2022, and implements a 15% CAMT based on the adjusted financial statement income of certain large corporations. Corporations are entitled to a CAMT credit to the extent CAMT liability exceeds regular tax liability, which can be carried forward indefinitely and used in future years when regular tax exceeds the CAMT. The IRA did not have a material impact on the Registrants' 2023 financial results. It is likely that CenterPoint Energy and the Registrant Subsidiaries will owe CAMT in excess of their regular tax liability beginning in 2024. As a result, CenterPoint Energy and the Registrant Subsidiaries expect a temporary increase in federal cash tax payments due to this provision.

Greenhouse Gas Regulation and Compliance (CenterPoint Energy)

On August 3, 2015, the EPA released its CPP rule, which required a 32% reduction in carbon emissions from 2005 levels. The final rule was published in the Federal Register on October 23, 2015, and that action was immediately followed by litigation ultimately resulting in the U.S. Supreme Court staying implementation of the rule. On July 8, 2019, the EPA published the ACE rule, which (i) repealed the CPP rule; (ii) replaced the CPP rule with a program that requires states to implement a program of energy efficiency improvement targets for individual coal-fired electric generating units; and (iii) amended the implementing regulations for Section 111(d) of the Clean Air Act. On January 19, 2021, the majority of the ACE rule — including the CPP repeal, CPP replacement, and the timing-related portions of the Section 111(d) implementing rule — was struck down by the U.S. Court of Appeals for the D.C. Circuit and on October 29, 2021, the U.S. Supreme Court agreed to consider four petitions filed by various coal interests and a coalition of 19 states. On June 30, 2022, the U.S. Supreme Court ruled that the EPA exceeded its authority in promulgating the CPP. On May 11, 2023, the EPA announced proposed emission limits and guidelines for carbon dioxide from fossil fuel-fired power plants under Section 111 of the Clean Air Act which, if finalized, apply new GHG performance standards for those existing coal-fired units expected to continue operation beyond December 31, 2029. We will continue to evaluate the applicability of the rule to existing and new gas-fired generating units, but would note that CenterPoint Energy does not currently have plans to operate any of its coal-fired units beyond December 2029.

The Biden administration recommitted the United States to the Paris Agreement, which has driven a renewed regulatory push to require further GHG emission reductions from the energy sector and proceeded to lead negotiations at the global climate conference in Glasgow, Scotland. On April 22, 2021, President Biden announced new goals of 50% reduction of economy-wide GHG emissions, and 100% carbon-free electricity by 2035, which formed the basis of the U.S. commitments announced in Glasgow. In September 2021, CenterPoint Energy announced its net zero emissions goals for both Scope 1 emissions and certain Scope 2 emissions by 2035 as well as a goal to reduce certain Scope 3 emissions by 20% to 30% by 2035.

Because Texas is an unregulated market, CenterPoint Energy's Scope 2 estimates do not take into account Texas electric transmission and distribution assets in the line loss calculation and, in addition, exclude emissions related to purchased power in Indiana between 2024 and 2026 as estimated. CenterPoint Energy's Scope 3 emissions estimates are based on the total natural gas supply delivered to residential and commercial customers as reported in the U.S. Energy Information Administration (EIA) Form EIA-176 reports and do not take into account the emissions of transport customers and emissions related to upstream extraction. These emission goals are expected to be used to position CenterPoint Energy to comply with anticipated future regulatory requirements from the current and future administrations to further reduce GHG emissions. CenterPoint Energy's and CERC's revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of their operations or would have the effect of reducing the consumption of natural gas. The IRA established the Methane Emissions Reduction Program, which imposes a charge on methane emissions from certain natural gas transmission facilities, and the EPA has proposed new regulations targeting reductions in methane emissions, which if implemented will increase costs related to production, transmission and storage of natural gas. Houston Electric, in contrast to some electric utilities including Indiana Electric, does not generate electricity, other than TEEEF, and thus is not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity. CenterPoint Energy's net zero emissions goals are aligned with Indiana Electric's generation transition plan and are expected to position Indiana Electric to comply with anticipated future regulatory requirements related to GHG emissions reductions. Nevertheless, Houston Electric's and Indiana Electric's revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within their respective service territories. Likewise, incentives to conserve energy or to use energy sources other than natural gas could result in a decrease in demand for the Registrants' services. For example, Minnesota has enacted the Natural Gas Innovation Act that seeks to provide customers with access to renewable energy resources and innovative technologies, with the goal of reducing GHG emissions. Further, certain local government bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain specified dates. For example, Minneapolis has adopted carbon emission reduction goals in an effort to decrease reliance on fossil natural gas. Additionally, cities in Minnesota within CenterPoint Energy's Natural Gas operational footprint are considering initiatives to eliminate natural gas use in buildings and focus on electrification. Also, Minnesota cities may consider seeking legislative authority for the ability to enact voluntary enhanced energy standards for all development projects. These initiatives could have a significant impact on CenterPoint Energy and its operations, and this impact could increase if other cities and jurisdictions in its service area enact similar initiatives. Further, our third-party suppliers, vendors and partners may also be impacted by climate change laws and regulations, which could impact CenterPoint Energy's business by, among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to CenterPoint Energy. Conversely, regulatory actions that effectively promote the consumption of natural gas because of its lower emissions characteristics would be expected to benefit CenterPoint Energy and CERC and their natural gas-related businesses. At this time, however, we cannot quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on the Registrants' businesses.

Compliance costs and other effects associated with climate change, reductions in GHG emissions and obtaining renewable energy sources remain uncertain. Although the amount of compliance costs remains uncertain, any new regulation or legislation relating to climate change will likely result in an increase in compliance costs. While the requirements of a federal or state rule remain uncertain, CenterPoint Energy will continue to monitor regulatory activity regarding GHG emission standards that may affect its business. Currently, CenterPoint Energy does not purchase carbon credits. In connection with its net zero emissions goals, CenterPoint Energy is expected to purchase carbon credits in the future; however, CenterPoint Energy does not currently expect the number of credits, or cost for those credits, to be material.

Climate Change Trends and Uncertainties

As a result of increased awareness regarding climate change, coupled with adverse economic conditions, availability of alternative energy sources, including private solar, microturbines, fuel cells, energy-efficient buildings and energy storage devices, and new regulations restricting emissions, including potential regulations of methane emissions, some consumers and companies may use less energy, meet their own energy needs through alternative energy sources or avoid expansions of their facilities, including natural gas facilities, resulting in less demand for the Registrants' services. As these technologies become a more cost-competitive option over time, whether through cost effectiveness or government incentives and subsidies, certain customers may choose to meet their own energy needs and subsequently decrease usage of the Registrants' systems and services, which may result in, among other things, Indiana Electric's generating facilities becoming less competitive and economical. Further, evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels have had significant impacts on CenterPoint Energy's electric generation and natural gas businesses. For example, because Indiana Electric's current generating facilities substantially rely on coal for their operations, certain financial institutions choose not to participate in CenterPoint Energy's financing arrangements. Conversely, demand for the Registrants'

services may increase as a result of customer changes in response to climate change. For example, as the utilization of electric vehicles increases, demand for electricity may increase, resulting in increased usage of CenterPoint Energy's systems and services. Any negative opinions with respect to CenterPoint Energy's environmental practices or its ability to meet the challenges posed by climate change formed by regulators, customers, investors, legislators or other stakeholders could harm its reputation.

To address these developments, CenterPoint Energy announced its net zero emissions goals for both Scope 1 emissions and certain Scope 2 emissions by 2035. Indiana Electric's 2019/2020 IRP identified a preferred portfolio that retires 730 MW of coal-fired generation facilities and replaces these resources with a mix of generating resources composed primarily of renewables, including solar, wind, and solar with storage, supported by dispatchable natural gas combustion turbines including a pipeline to serve such natural gas generation. Indiana Electric continues to execute on its 2019/2020 IRP and has received initial approvals for 756 MWs of the 700-1,000 MWs identified within Indiana Electric's 2019/2020 IRP. Additionally, as reflected in its 10-year capital plan announced in September 2021, CenterPoint Energy anticipates spending over \$3 billion in cleaner energy investments and enablement, which may be used to support, among other things, renewable energy generation and electric vehicle expansion. CenterPoint Energy believes its planned investments in renewable energy generation and corresponding planned reduction in its GHG emissions as part of its net zero emissions goals support global efforts to reduce the impacts of climate change. Indiana Electric has conducted a new IRP, which was submitted to the IURC in May 2023, to identify an appropriate generation resource portfolio to satisfy the needs of its customers and comply with environmental regulations. The proposed preferred portfolio is the second evolution to the generation transition plan to move away from coal-fired generation to a more sustainable portfolio of resources. Indiana Electric plans to convert its last remaining coal unit to natural gas by 2027 and to add a significant amount of additional renewable resources through 2033. For more information regarding CenterPoint Energy's net zero emission goals and the risks associated with them, see "Risk Factors — Risk Factors Affecting Regulatory, Environmental and Legal Risks — CenterPoint Energy is subject to operational and financial risks..."

To the extent climate changes result in warmer temperatures in the Registrants' service territories, financial results from the Registrants' businesses could be adversely impacted. For example, CenterPoint Energy's and CERC's Natural Gas could be adversely affected through lower natural gas sales. On the other hand, warmer temperatures in CenterPoint Energy's and Houston Electric's electric service territory may increase revenues from transmission and distribution and generation through increased demand for electricity used for cooling. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes and flooding, including such storms as the February 2021 Winter Storm Event. Since many of the Registrants' facilities are located along or near the Texas gulf coast, increased or more severe hurricanes or tornadoes could increase costs to repair damaged facilities and restore service to customers. CenterPoint Energy's current 10-year capital plan includes capital expenditures to maintain reliability and safety and increase resiliency of its systems as climate change may result in more frequent significant weather events. Houston Electric does not own or operate any electric generation facilities other than, since September 2021, its operation of TEEEF. Houston Electric transmits and distributes to customers of REPs electric power that the REPs obtain from power generation facilities owned by third parties. To the extent adverse weather conditions affect the Registrants' suppliers, results from their energy delivery businesses may suffer. For example, in Texas, the February 2021 Winter Storm Event caused an electricity generation shortage that was severely disruptive to Houston Electric's service territory and the wholesale generation market and also caused a reduction in available natural gas capacity. When the Registrants cannot deliver electricity or natural gas to customers, or customers cannot receive services, the Registrants' financial results can be impacted by lost revenues, and they generally must seek approval from regulators to recover restoration costs. To the extent the Registrants are unable to recover those costs, or if higher rates resulting from recovery of such costs result in reduced demand for services, the Registrants' future financial results may be adversely impacted. Further, as the intensity and frequency of significant weather events continues, it may impact our ability to secure cost-efficient insurance.

Other Matters

Credit Facilities

The Registrants may draw on their respective revolving credit facilities from time to time to provide funds used for general corporate and limited liability company purposes, including to backstop CenterPoint Energy's and CERC's commercial paper programs. The facilities may also be utilized to obtain letters of credit. For further details related to the Registrants' revolving credit facilities, please see Note 13 to the consolidated financial statements.

Based on the consolidated debt to capitalization covenant in the Registrants' revolving credit facilities, the Registrants would have been permitted to utilize the full capacity of such revolving credit facilities, which aggregated approximately \$4.0 billion as of December 31, 2023.

As of February 12, 2024, the Registrants had the following revolving credit facilities and utilization of such facilities:

Registrant	Size of Facility	Amount Utilized as of February 12, 2024			Weighted Average Interest Rate	Termination Date
		Loans	Letters of Credit	Commercial Paper		
		(in millions)				
CenterPoint Energy	\$ 2,400	\$ —	\$ —	\$ 1,272	5.51%	December 6, 2027
CenterPoint Energy (1)	250	—	—	—	—%	December 6, 2027
Houston Electric	300	—	—	—	—%	December 6, 2027
CERC	1,050	—	1	359	5.49%	December 6, 2027
Total	\$ 4,000	\$ —	\$ 1	\$ 1,631		

(1) This credit facility was issued by SIGECO.

Borrowings under each of the revolving credit facilities are subject to customary terms and conditions. However, there is no requirement that the borrower makes representations prior to borrowing as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under each of the revolving credit facilities are subject to acceleration upon the occurrence of events of default that we consider customary. The revolving credit facilities also provide for customary fees, including commitment fees, administrative agent fees, fees in respect of letters of credit and other fees. In each of the revolving credit facilities, the spread to SOFR and the commitment fees fluctuate based on the borrower's credit rating. Each of the Registrant's credit facilities provide for a mechanism to replace SOFR with possible alternative benchmarks upon certain benchmark replacement events. The borrowers are currently in compliance with the various business and financial covenants in the four revolving credit facilities.

Debt Transactions

For detailed information about the Registrants' debt transactions in 2023, see Note 13 to the consolidated financial statements.

Securities Registered with the SEC

On May 17, 2023, the Registrants filed a joint shelf registration statement with the SEC registering indeterminate principal amounts of Houston Electric's general mortgage bonds, CERC Corp.'s senior debt securities and CenterPoint Energy's senior debt securities and junior subordinated debt securities and an indeterminate number of shares of Common Stock, shares of preferred stock, depositary shares, as well as stock purchase contracts and equity units. The joint shelf registration statement will expire on May 17, 2026. For information related to the Registrants' debt issuances in 2023, see Note 13 to the consolidated financial statements.

Temporary Investments

As of February 12, 2024, the Registrants had no temporary investments.

Money Pool

The Registrants participate in a money pool through which they and certain of their subsidiaries can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the CenterPoint Energy money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper. The net funding requirements of the CERC money pool are expected to be met with borrowings under CERC's revolving credit facility or the sale of CERC's commercial paper. The money pool may not provide sufficient funds to meet the Registrants' cash needs.

The table below summarizes CenterPoint Energy money pool activity by Registrant as of February 12, 2024:

	Weighted Average Interest Rate	Houston Electric		CERC	
		(in millions)			
Money pool investments	5.57%	\$	60	\$	—

Impact on Liquidity of a Downgrade in Credit Ratings

The interest rate on borrowings under the Registrants' credit facilities is based on their respective credit ratings. As of February 12, 2024, Moody's, S&P and Fitch had assigned the following credit ratings to senior debt of the Registrants:

Registrant	Borrower/Instrument	Moody's		S&P		Fitch	
		Rating	Outlook (1)	Rating	Outlook (2)	Rating	Outlook (3)
CenterPoint Energy	CenterPoint Energy Senior Unsecured Debt	Baa2	Stable	BBB	Stable	BBB	Stable
CenterPoint Energy	Vectren Corp. Issuer Rating	n/a	n/a	BBB+	Stable	n/a	n/a
CenterPoint Energy	SIGECO Senior Secured Debt	A1	Stable	A	Stable	n/a	n/a
Houston Electric	Houston Electric Senior Secured Debt	A2	Stable	A	Stable	A	Stable
CERC	CERC Corp. Senior Unsecured Debt	A3	Stable	BBB+	Stable	A-	Stable
CERC	Indiana Gas Senior Unsecured Debt	n/a	n/a	BBB+	Stable	n/a	n/a

- (1) A Moody's rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term.
- (2) An S&P outlook assesses the potential direction of a long-term credit rating over the intermediate to longer term.
- (3) A Fitch rating outlook indicates the direction a rating is likely to move over a one- to two-year period.

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

A decline in credit ratings could increase borrowing costs under the Registrants' revolving credit facilities. If the Registrants' credit ratings had been downgraded one notch by S&P and Moody's from the ratings that existed as of December 31, 2023, the impact on the borrowing costs under the four revolving credit facilities would have been insignificant. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact the Registrants' ability to complete capital market transactions and to access the commercial paper market. Additionally, a decline in credit ratings could increase cash collateral requirements and reduce earnings of CenterPoint Energy's and CERC's Natural Gas reportable segments.

Pipeline tariffs and contracts typically provide that if the credit ratings of a shipper or the shipper's guarantor drop below a threshold level, which is generally investment grade ratings from both Moody's and S&P, cash or other collateral may be demanded from the shipper in an amount equal to the sum of three months' charges for pipeline services plus the unrecovered cost of any lateral built for such shipper. If the credit ratings of CERC Corp. decline below the applicable threshold levels, CERC might need to provide cash or other collateral of as much as \$256 million as of December 31, 2023. The amount of collateral will depend on seasonal variations in transportation levels.

ZENS and Securities Related to ZENS (CenterPoint Energy)

If CenterPoint Energy's creditworthiness were to drop such that ZENS holders thought its liquidity was adversely affected or the market for the ZENS were to become illiquid, some ZENS holders might decide to exchange their ZENS for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of ZENS-Related Securities that CenterPoint Energy owns or from other sources. CenterPoint Energy owns shares of ZENS-Related Securities equal to approximately 100% of the reference shares used to calculate its obligation to the holders of the ZENS. ZENS exchanges result in a cash outflow because tax deferrals related to the ZENS and shares of ZENS-Related Securities would typically cease when ZENS are exchanged or otherwise retired and shares of ZENS-Related Securities are sold. The ultimate tax liability related to the ZENS and ZENS-Related Securities continues to increase by the amount of the tax benefit realized each year, and there could be a significant cash outflow when the taxes are paid as a result of the retirement or exchange of the ZENS. If all ZENS had been exchanged for cash on December 31, 2023, deferred taxes of approximately \$728 million would have been payable in 2023. If all the ZENS-Related Securities had been sold on December 31, 2023, capital gains taxes of approximately \$81 million

would have been payable in 2023 based on 2023 tax rates in effect. For additional information about ZENS, see Note 11 to the consolidated financial statements.

Cross Defaults

Under each of CenterPoint Energy's, Houston Electric's and CERC's respective revolving credit facilities and CERC's term loan agreement, a payment default on, or a non-payment default, event or condition that permits acceleration of, any indebtedness for borrowed money and certain other specified types of obligations (including guarantees) exceeding \$125 million by the borrower or any of their respective significant subsidiaries will cause a default under such borrower's respective credit facility or term loan agreement. Under SIGECO's revolving credit facility, a payment default on, or a non-payment default, event or condition that permits acceleration of, any indebtedness for borrowed money and certain other specific types of obligations (including guarantees) exceeding \$75 million by SIGECO or any of its significant subsidiaries will cause a default under SIGECO's credit facility. A default by CenterPoint Energy would not trigger a default under its subsidiaries' debt instruments or revolving credit facilities.

Possible Acquisitions, Divestitures and Joint Ventures

From time to time, the Registrants consider the acquisition or the disposition of assets or businesses or possible joint ventures, strategic initiatives or other joint ownership arrangements with respect to assets or businesses. Any determination to take action in this regard will be based on market conditions and opportunities existing at the time, and accordingly, the timing, size or success of any efforts and the associated potential capital commitments are unpredictable. The Registrants may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to the Registrants at that time due to a variety of events, including, among others, maintenance of our credit ratings, industry conditions, general economic conditions, market conditions and market perceptions. CenterPoint Energy has increased its planned capital expenditures in its Electric and Natural Gas businesses multiple times over the recent years to support rate base growth. The Registrants may continue to explore asset sales as a means to efficiently finance a portion of its increased capital expenditures in the future, subject to the conditions listed above. For further information, see Note 4.

On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

Hedging of Interest Expense for Future Debt Issuances

From time to time, the Registrants may enter into interest rate agreements to hedge, in part, volatility in the U.S. treasury rates by reducing variability in cash flows related to interest payments. For further information, see Note 9(a) to the consolidated financial statements.

Collection of Receivables from REPs (CenterPoint Energy and Houston Electric)

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

Other Factors that Could Affect Cash Requirements

In addition to the above factors, the Registrants' liquidity and capital resources could also be negatively affected by:

- cash collateral requirements that could exist in connection with certain contracts, including weather hedging arrangements, and natural gas purchases, natural gas price and natural gas storage activities of CenterPoint Energy's and CERC's Natural Gas reportable segment;
- acceleration of payment dates on certain gas supply contracts, under certain circumstances, as a result of increased natural gas prices, and concentration of natural gas suppliers (CenterPoint Energy and CERC);
- increased costs related to the acquisition of natural gas (CenterPoint Energy and CERC);
- increases in interest expense in connection with debt refinancings and borrowings under credit facilities or term loans or the use of alternative sources of financings on capital and other financial markets;
- various legislative or regulatory actions;
- incremental collateral, if any, that may be required due to regulation of derivatives (CenterPoint Energy and CERC);
- the ability of REPs, including REP affiliates of NRG and Vistra Energy Corp., to satisfy their obligations to CenterPoint Energy and Houston Electric;
- slower customer payments and increased write-offs of receivables due to higher natural gas prices, changing economic conditions, public health threats or severe weather events (CenterPoint Energy and CERC);
- the satisfaction of any obligations pursuant to guarantees;
- the outcome of litigation, including litigation related to the February 2021 Winter Storm Event;
- contributions to pension and postretirement benefit plans;
- restoration costs and revenue losses resulting from future natural disasters such as hurricanes and the timing of recovery of such restoration costs; and
- various other risks identified in "Risk Factors" in Item 1A of Part I of this report.

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

Certain provisions in certain note purchase agreements relating to debt issued by CERC have the effect of restricting the amount of secured debt issued by CERC and debt issued by subsidiaries of CERC Corp. Additionally, Houston Electric and SIGECO are limited in the amount of mortgage bonds they can issue by the General Mortgage and SIGECO's mortgage indenture, respectively. For information about the total debt to capitalization financial covenants in the Registrants' and SIGECO's revolving credit facilities, see Note 13 to the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

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

Accounting for Rate Regulation

Accounting guidance for regulated operations provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. CenterPoint Energy, for its Electric and Natural Gas reportable segments, Houston Electric and CERC apply this

accounting guidance. Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet as regulatory assets or liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Regulatory assets and liabilities are recorded when it is probable that these items will be recovered or reflected in future rates. Determining probability requires significant judgment on the part of management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders and the strength or status of applications for rehearing or state court appeals. If events were to occur that would make the recovery of these assets and liabilities no longer probable, the Registrants would be required to write off or write down these regulatory assets and liabilities. For further detail on the Registrants' regulatory assets and liabilities, see Note 7 to the consolidated financial statements.

Impairment of Long-Lived Assets, Including Goodwill

The Registrants review the carrying value of long-lived assets, including goodwill, whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually, goodwill is tested for impairment as required by accounting guidance for goodwill and other intangible assets. Unforeseen events, changes in market conditions, and probable regulatory disallowances, where applicable, could have a material effect on the value of long-lived assets, including goodwill, future cash flows, interest rate, and regulatory matters, and could result in an impairment charge. The Registrants recorded no impairments to long-lived assets, including goodwill during 2023, 2022 and 2021.

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

Fair value measurements require significant judgment and unobservable inputs, including (i) projected timing and amount of future cash flows, which factor in planned growth initiatives, (ii) the regulatory environment, as applicable, and (iii) discount rates reflecting risk inherent in the future market prices. Determining the discount rates for the businesses that are not rate-regulated, such as for Energy Systems Group, requires the estimation of the appropriate company-specific risk premiums for such businesses based on evaluation of industry and entity-specific risks, which includes expectations about future market or economic conditions existing on the date of the impairment test. Changes in these assumptions could have a significant impact on results of the impairment tests.

Annual goodwill impairment test

CenterPoint Energy and CERC completed their 2023 annual goodwill impairment test during the third quarter of 2023 and determined, based on an income approach or a weighted combination of income and market approaches, that no goodwill impairment charge was required for any reporting unit. The fair values of each reporting unit significantly exceeded the carrying value of the reporting unit.

Although no goodwill impairment resulted from the 2023 annual test, an interim goodwill impairment test could be triggered by the following: actual earnings results that are materially lower than expected, significant adverse changes in the operating environment, an increase in the discount rate, changes in other key assumptions which require judgment and are forward looking in nature, if CenterPoint Energy's market capitalization falls below book value for an extended period of time, or events affecting a reporting unit such as a contemplated disposal of all or part of a reporting unit.

Assets Held for Sale and Discontinued Operations

Generally, a long-lived asset to be sold is classified as held for sale in the period in which management, with approval from the Board of Directors, as applicable, commits to a plan to sell, and a sale is expected to be completed within one year. The Registrants record assets and liabilities held for sale, or the disposal group, at the lower of their carrying value or their estimated fair value less cost to sell. If the disposal group reflects a component of a reporting unit and meets the definition of a business, the goodwill within that reporting unit is allocated to the disposal group based on the relative fair value of the components representing a business that will be retained and disposed. Goodwill is not allocated to a portion of a reporting unit that does not meet the definition of a business. A disposal group that meets the held for sale criteria and also represents a strategic shift to the Registrant is also reflected as discontinued operations on the Statements of Consolidated Income, and prior periods are recast to reflect the earnings or losses from such businesses as income from discontinued operations, net of tax.

As described further in Note 4 to the consolidated financial statements, certain assets and liabilities of Energy Systems Group representing a business were disposed of on June 30, 2023. As a result of the held for sale criteria being met during the same period as the completion of the sale, goodwill attributable to Energy Systems Group of \$134 million was reflected in the pre-tax loss on sale of \$13 million based on the actual sale proceeds received at closing on June 30, 2023.

Accounting for Securitization of Coal Generation Facility Retirements

Accounting guidance for rate regulated long-lived asset abandonment requires that the carrying value of an operating asset or an asset under construction is removed from property, plant and equipment when it becomes probable that the asset will be abandoned. The Registrants recognize either a loss on abandonment or regulatory asset when they concluded it is probable the cost will be recovered in future rates. The portion of property, plant and equipment that will remain used and useful until abandonment and recovered through depreciation expense in rates will continue to be classified as property, plant and equipment until the asset is abandoned. The Registrants evaluate if an adjustment to the estimated life of the asset and, accordingly, the rate of depreciation, is required to recover the asset while it is still providing service. Determining probability of abandonment or probability of recovery requires significant judgment on the part of management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders and the strength or status of applications for rehearing or state court appeals.

In connection with the securitization financing of qualified costs in the second quarter of 2023 associated with the completed retirement of SIGECO's A.B. Brown coal generation facilities, CenterPoint Energy evaluated the VIE consisting of the SIGECO Securitization Subsidiary, a wholly-owned, bankruptcy-remote, special purpose entity, for possible consolidation, including review of qualitative factors such as the power to direct the activities of the VIE and the obligation to absorb losses of the VIE. CenterPoint Energy has the power to direct the significant activities of the VIE and is most closely associated with the VIE as compared to other interests held by the holders of the SIGECO Securitization Bonds. CenterPoint Energy is, therefore, considered the primary beneficiary and consolidated the VIE.

For purposes of reporting cash flows, the Registrants consider cash equivalents to be short-term, highly-liquid investments with maturities of three months or less from the date of purchase. Cash and cash equivalents held by the SIGECO Securitization Subsidiary solely to support servicing the SIGECO Securitization Bonds as of December 31, 2023 are reflected on CenterPoint Energy's Consolidated Balance Sheet.

In connection with the issuance of the SIGECO Securitization Bonds, CenterPoint Energy was required to establish a restricted cash account to collateralize the SIGECO Securitization Bonds that were issued in the financing transaction. The restricted cash account is not available for withdrawal until the maturity of the SIGECO Securitization Bonds and is not included in cash and cash equivalents.

Unbilled Revenues

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

Pension and Other Retirement Plans

CenterPoint Energy sponsors pension and other retirement plans in various forms covering all employees who meet eligibility requirements. CenterPoint Energy uses several statistical and other factors that attempt to anticipate future events in calculating the expense and liability related to its plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as estimated by management, within certain guidelines. In addition, CenterPoint Energy's actuarial consultants use subjective factors such as withdrawal and mortality rates. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the

amount of pension and other retirement plans expense recorded. Please read “— Other Significant Matters — Pension Plans” for further discussion

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2(t) to the consolidated financial statements, incorporated herein by reference, for a discussion of new accounting pronouncements that affect the Registrants.

OTHER SIGNIFICANT MATTERS

Pension Plans (CenterPoint Energy). As discussed in Note 8(b) to the consolidated financial statements, CenterPoint Energy maintains non-contributory qualified defined benefit pension plans covering eligible employees. Employer contributions for the qualified plans are based on actuarial computations that establish the minimum contribution required under ERISA and the maximum deductible contribution for income tax purposes.

Under the terms of CenterPoint Energy’s pension plans, it reserves the right to change, modify or terminate the plan. CenterPoint Energy’s funding policy is to review amounts annually and contribute an amount at least equal to the minimum contribution required under ERISA.

Additionally, CenterPoint Energy maintains unfunded non-qualified benefit restoration plans which allow participants to receive the benefits to which they would have been entitled under the non-contributory qualified pension plan except for federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated.

CenterPoint Energy’s funding requirements and employer contributions for the years ended December 31, 2023, 2022 and 2021 were as follows:

	Year Ended December 31,		
	2023	2022	2021
	(In millions)		
CenterPoint Energy			
Minimum funding requirements for qualified pension plans	\$ —	\$ —	\$ —
Employer contributions to the qualified pension plans	24	27	53
Employer contributions to the non-qualified benefit restoration plans	8	8	8

CenterPoint Energy expects to make contributions of approximately \$2 million and \$7 million to the qualified pension plans and non-qualified benefit restoration plans in 2024, respectively.

Changes in pension obligations and plan assets may not be immediately recognized as pension expense in CenterPoint Energy’s Statements of Consolidated Income, but generally are recognized in future years over the remaining average service period of plan participants. As such, significant portions of pension expense recorded in any period may not reflect the actual level of benefit payments provided to plan participants.

As the sponsor of a plan, CenterPoint Energy is required to (a) recognize on its Consolidated Balance Sheet an asset for the plan’s over-funded status or a liability for the plan’s under-funded status, (b) measure a plan’s assets and obligations as of the end of the fiscal year and (c) recognize changes in the funded status of the plans in the year that changes occur through adjustments to other comprehensive income and, when related to its rate-regulated utilities with recoverability of cost, to regulatory assets.

The projected benefit obligation for all defined benefit pension plans was \$1.5 billion and \$1.6 billion as of December 31, 2023 and 2022, respectively. This decrease was primarily due to increases in discount rates, as well as the impact of lump sum settlement payments.

In December 2022, the CenterPoint Energy pension plan completed an annuity lift-out, a transaction that provided for the purchase of an irrevocable group annuity contract to fund pension plan annuities of retirees from previously divested businesses, as part of a de-risking strategy. This annuity lift-out impacted 1,119 retirees and beneficiaries, as well as reduced \$138 million in pension obligations and \$136 million in plan assets which were transferred to an insurance company. The transfer of plan assets is considered to be a lump sum settlement payment that reduced CenterPoint Energy pension plan’s projected benefit obligation in 2022.

As of December 31, 2023, the projected benefit obligation exceeded the market value of plan assets of CenterPoint Energy's pension plans by \$344 million. Changes in interest rates or the market values of the securities held by the plan during a year could materially, positively or negatively, change the funded status and affect the level of pension expense and required contributions at the next remeasurement.

Houston Electric and CERC participate in CenterPoint Energy's qualified and non-qualified pension plans covering substantially all employees. Pension cost by Registrant were as follows:

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Pension cost	\$ 53	\$ 27	\$ 19	\$ 172	\$ 59	\$ 88	\$ 69	\$ 34	\$ 24

The calculation of pension cost and related liabilities requires the use of assumptions. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from the assumptions. Two of the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate.

As of December 31, 2023, CenterPoint Energy's qualified pension plans had an expected long-term rate of return on plan assets of 6.50%, which is the same as the 6.50% rate assumed as of December 31, 2022. The expected rate of return assumption was developed using the targeted asset allocation of our plans and the expected return for each asset class. CenterPoint Energy regularly reviews its actual asset allocation and periodically rebalances plan assets to reduce volatility and better match plan assets and liabilities.

As of December 31, 2023, the projected benefit obligation was calculated assuming a discount rate of 4.95%, which is 0.2% lower than the 5.15% discount rate assumed as of December 31, 2022 attributed primarily to rising interest rates. The discount rate was determined by reviewing yields on high-quality bonds that receive one of the two highest ratings given by a recognized rating agency and the expected duration of pension obligations specific to the characteristics of CenterPoint Energy's plans.

CenterPoint Energy's actuarially determined pension and other postemployment cost for 2023 and 2022 that is greater or less than the amounts being recovered through rates in the majority of Texas jurisdictions is deferred as a regulatory asset or liability, respectively. Pension cost for 2024, including the nonqualified benefit restoration plan, is estimated to be \$51 million before applicable regulatory deferrals and capitalization, based on an expected return on plan assets of 6.50% and a discount rate of 4.95% as of December 31, 2023. If the expected return assumption were lowered by 0.50% from 6.50% to 6.00%, 2024 pension cost would increase by approximately \$6 million.

As of December 31, 2023, the pension plans projected benefit obligation, including the unfunded nonqualified pension plans, exceeded plan assets by \$344 million. If the discount rate were lowered by 0.50% from 4.95% to 4.45%, the assumption change would increase CenterPoint Energy's projected benefit obligation by approximately \$66 million and decrease its 2024 pension cost by approximately \$2 million. The expected reduction in pension cost due to the decrease in discount rate is a result of the expected correlation between the reduced interest rate and appreciation of fixed income assets in pension plans with significantly more fixed income instruments than equity instruments. In addition, the assumption change would impact CenterPoint Energy's Consolidated Balance Sheets by increasing the regulatory asset recorded as of December 31, 2023 by \$57 million and would result in a charge to comprehensive income in 2023 of \$7 million, net of tax of \$2 million, due to the increase in the projected benefit obligation.

Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact CenterPoint Energy's future pension expense and liabilities. CenterPoint Energy cannot predict with certainty what these factors will be in the future.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Impact of Changes in Interest Rates, Equity Prices and Energy Commodity Prices

The Registrants are exposed to various market risks. These risks arise from transactions entered into in the normal course of business and are inherent in the Registrants' consolidated financial statements. Most of the revenues and income from the Registrants' business activities are affected by market risks. Categories of market risk include exposure to commodity prices through non-trading activities, interest rates and equity prices. A description of each market risk is set forth below:

- Interest rate risk primarily results from exposures to changes in the level of borrowings and changes in interest rates.
- Equity price risk results from exposures to changes in prices of individual equity securities (CenterPoint Energy).
- Commodity price risk results from exposures to price volatilities of commodities, such as natural gas, NGLs and other energy commodities (CenterPoint Energy).

Management has established comprehensive risk management policies to monitor and manage these market risks.

Interest Rate Risk

As of December 31, 2023, the Registrants had outstanding long-term debt and lease obligations and CenterPoint Energy had obligations under its ZENS that subject them to the risk of loss associated with movements in market interest rates.

CenterPoint Energy's floating rate obligations aggregated \$1.9 billion and \$4.5 billion as of December 31, 2023 and 2022, respectively. If the floating interest rates were to increase by 100 basis points from December 31, 2023 rates, CenterPoint Energy's combined interest expense would increase by approximately \$19 million annually. CenterPoint Energy has \$350 million aggregate principal amount of floating rate notes maturing in 2024 that will be refinanced at current rates.

Houston Electric did not have any floating rate obligations as of either December 31, 2023 or 2022.

CERC's floating rate obligations aggregated \$484 million and \$1.4 billion as of December 31, 2023 and 2022, respectively. If the floating interest rates were to increase by 100 basis points from December 31, 2023 rates, CERC's combined interest expense would increase by approximately \$5 million annually. CERC has no floating rate notes maturing in 2024.

As of December 31, 2023 and 2022, CenterPoint Energy had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$16.9 billion and \$12.5 billion, respectively, in principal amount and having a fair value of \$16.1 billion and \$11.1 billion, respectively. Because these instruments are fixed-rate, they do not expose CenterPoint Energy to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$635 million if interest rates were to decline by 10% from their levels as of December 31, 2023. CenterPoint Energy has \$500 million of fixed-rate senior notes and \$23 million of SIGECO first mortgage bonds maturing in 2024 that will be refinanced at current rates.

As of December 31, 2023 and 2022, Houston Electric had outstanding fixed-rate debt aggregating \$7.7 billion and \$6.4 billion, respectively, in principal amount and having a fair value of approximately \$7 billion and \$5.6 billion, respectively. Because these instruments are fixed-rate, they do not expose Houston Electric to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$374 million if interest rates were to decline by 10% from their levels as of December 31, 2023. Houston Electric has no fixed-rate general mortgage bonds maturing in 2024.

As of December 31, 2023 and 2022, CERC had outstanding fixed-rate debt aggregating \$4.2 billion and \$3.5 billion, respectively, in principal amount and having a fair value of \$4.2 billion and \$3.3 billion, respectively. Because these instruments are fixed-rate, they do not expose CERC to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately \$152 million if interest rates were to decline by 10% from their levels at December 31, 2023. CERC has no fixed-rate senior notes maturing in 2024.

In general, such an increase in fair value would impact earnings and cash flows only if the Registrants were to reacquire all or a portion of these instruments in the open market prior to their maturity.

As discussed in Note 11 to the consolidated financial statements, the ZENS obligation is bifurcated into a debt component and a derivative component. The debt component of \$5 million at December 31, 2023 was a fixed-rate obligation and, therefore, did not expose CenterPoint Energy to the risk of loss in earnings due to changes in market interest rates. However,

the fair value of the debt component would increase by approximately \$1 million if interest rates were to decline by 10% from levels at December 31, 2023. Changes in the fair value of the derivative component, a \$605 million recorded liability at December 31, 2023, are recorded in CenterPoint Energy's Statements of Consolidated Income and, therefore, it is exposed to changes in the fair value of the derivative component as a result of changes in the underlying risk-free interest rate. If the risk-free interest rate were to increase by 10% from December 31, 2023 levels, the fair value of the derivative component liability would decrease by approximately \$1 million, which would be recorded as an unrealized gain in CenterPoint Energy's Statements of Consolidated Income.

Equity Market Value Risk (CenterPoint Energy)

CenterPoint Energy is exposed to equity market value risk through its ownership of 10.2 million shares of AT&T Common, 0.9 million shares of Charter Common and 2.5 million shares of WBD Common, which CenterPoint Energy holds to facilitate its ability to meet its obligations under the ZENS. See Note 11 to the consolidated financial statements for a discussion of CenterPoint Energy's ZENS obligation. Changes in the fair value of the ZENS-Related Securities held by CenterPoint Energy are expected to substantially offset changes in the fair value of the derivative component of the ZENS. A decrease of 10% from the December 31, 2023 aggregate market value of these shares would result in a net loss of less than \$1 million, which would be recorded as a loss on debt securities in CenterPoint Energy's Statements of Consolidated Income.

Commodity Price Risk From Non-Trading Activities (CenterPoint Energy)

CenterPoint Energy's regulated operations are exposed to commodity price risk during severe weather events such as hurricanes, tornadoes and severe winter weather conditions. Severe weather events can increase commodity prices related to natural gas, coal and purchased power, which may increase our costs of providing service, and those costs may not be recoverable in rates. Recovery of cost increases driven by rising commodity prices during severe weather events could be resisted by our regulators and our regulators might attempt to deny or defer timely recovery of those costs.

However, CenterPoint Energy's regulated operations in Indiana have limited exposure to commodity price risk for transactions involving purchases and sales of natural gas, coal and purchased power for the benefit of retail customers due to current state regulations, which, subject to compliance with those regulations, allow for recovery of the cost of such purchases through natural gas and fuel cost adjustment mechanisms. CenterPoint Energy's utility natural gas operations in Indiana have regulatory authority to lock in pricing for up to 50% of annual natural gas purchases using arrangements with an original term of up to 10 years. This authority has been utilized to secure fixed price natural gas using both physical purchases and financial derivatives. As of December 31, 2023, the recorded fair value of non-trading energy derivative liability was \$12 million for CenterPoint Energy's utility natural gas operations in Indiana, which is offset by a regulatory asset.

Natural gas and coal prices have other effects on working capital requirements, interest costs, and some level of price-sensitivity in volumes sold or delivered. Constructive regulatory orders, such as those authorizing lost margin recovery, other innovative rate designs and recovery of unaccounted for natural gas and other natural gas-related expenses, also mitigate the effect natural gas costs may have on CenterPoint Energy's financial condition. In 2008, the PUCO approved an exit of the merchant function in CenterPoint Energy's Ohio natural gas service territory, allowing Ohio customers to purchase substantially all natural gas directly from retail marketers rather than from CenterPoint Energy.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
CenterPoint Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related statements of consolidated income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2024, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements — Refer to Note 7 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by regulators and commissions in various jurisdictions (collectively, the "Commissions") that have jurisdiction with respect to the rates of electric and gas transmission and distribution companies in those jurisdictions. Management has determined its regulated operations meet the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. The impacts of accounting for the economics of rate regulation are pervasive to the financial statements and disclosures.

The Company's rates are subject to regulatory rate-setting processes by the Commissions. Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on, and recovery of, the Company's investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered in rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the Commissions in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about certain affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of regulatory actions on the financial statements. Management's judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of capital investments made by the Company and (3) refunds to customers. Given that certain of management's accounting judgments are based on assumptions about the outcome of decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the potential uncertainty of decisions by the Commissions included the following, among others:

- We evaluated the Company's disclosures related to the effects of rate regulation by testing certain recorded balances and evaluating regulatory developments.
- We read relevant regulatory orders issued by the Commissions, regulatory statutes, filings made by the Company and intervenors, and other external information. We evaluated relevant external information and compared it to certain recorded regulatory asset and liability balances for completeness.
- For certain regulatory matters, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 20, 2024

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

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in millions, except per share amounts)		
Revenues:			
Utility revenues	\$ 8,524	\$ 9,018	\$ 8,042
Non-utility revenues	172	303	310
Total	8,696	9,321	8,352
Expenses:			
Utility natural gas, fuel and purchased power	2,061	2,887	2,127
Non-utility cost of revenues, including natural gas	99	204	208
Operation and maintenance	2,850	2,833	2,810
Depreciation and amortization	1,401	1,288	1,316
Taxes other than income taxes	525	543	528
Total	6,936	7,755	6,989
Operating Income	1,760	1,566	1,363
Other Income (Expense):			
Gain (loss) on equity securities	31	(227)	(172)
Gain (loss) on indexed debt securities	(27)	325	50
Gain (loss) on sale	(13)	303	8
Interest expense and other finance charges	(684)	(511)	(508)
Interest expense on Securitization Bonds	(17)	(13)	(21)
Other income (expense), net	37	(26)	58
Total	(673)	(149)	(585)
Income from Continuing Operations Before Income Taxes	1,087	1,417	778
Income tax expense	170	360	110
Income from Continuing Operations	917	1,057	668
Income from Discontinued Operations (net of tax expense of \$- 0 -, \$- 0 -, and \$ 201 , respectively)	—	—	818
Net Income	917	1,057	1,486
Income allocated to preferred shareholders	50	49	95
Income Available to Common Shareholders	\$ 867	\$ 1,008	\$ 1,391
Basic earnings per common share - continuing operations	\$ 1.37	\$ 1.60	\$ 0.97
Basic earnings per common share - discontinued operations	—	—	1.38
Basic Earnings Per Common Share	\$ 1.37	\$ 1.60	\$ 2.35
Diluted earnings per common share - continuing operations	\$ 1.37	\$ 1.59	\$ 0.94
Diluted earnings per common share - discontinued operations	—	—	1.34
Diluted Earnings Per Common Share	\$ 1.37	\$ 1.59	\$ 2.28
Weighted Average Common Shares Outstanding, Basic	631	629	593
Weighted Average Common Shares Outstanding, Diluted	633	632	610

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Net Income	\$ 917	\$ 1,057	\$ 1,486
Other comprehensive income (loss):			
Adjustment to pension and other postemployment plans (net of tax expense (benefit) of (\$ 1), \$ 2 and \$ 7 , respectively)	(5)	32	21
Net deferred gain from cash flow hedges (net of tax benefit of \$- 0 -, \$- 0 - and \$- 0 -, respectively)	1	—	—
Reclassification of deferred loss from cash flow hedges realized in net income (net of tax expense of \$- 0 -, \$- 0 - and \$- 0 -, respectively)	—	1	2
Other comprehensive income (loss) from unconsolidated affiliates (net of tax of \$- 0 -, \$- 0 -, and \$- 0 -, respectively)	—	—	3
Total	(4)	33	26
Comprehensive income	913	1,090	\$ 1,512
Income allocated to preferred shareholders	50	49	95
Comprehensive income available to common shareholders	\$ 863	\$ 1,041	\$ 1,417

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents (\$ 90 and \$ 75 related to VIEs, respectively)	\$ 90	\$ 74
Investment in equity securities	541	510
Accounts receivable (\$ 21 and \$ 22 related to VIEs, respectively), less allowance for credit losses of \$ 27 and \$ 38, respectively	710	889
Accrued unbilled revenues (\$ 2 and \$- 0 - related to VIEs, respectively), less allowance for credit losses of \$ 2 and \$ 4, respectively	516	764
Natural gas and coal inventory	197	241
Materials and supplies	573	635
Non-trading derivative assets	—	10
Taxes receivable	94	20
Regulatory assets	161	1,385
Prepaid expenses and other current assets (\$ 15 and \$ 13 related to VIEs, respectively)	145	171
Total current assets	3,027	4,699
Property, Plant and Equipment:		
Property, plant and equipment	40,396	37,728
Less: accumulated depreciation and amortization	10,543	10,585
Property, plant and equipment, net	29,853	27,143
Other Assets:		
Goodwill	4,160	4,294
Regulatory assets (\$ 402 and \$ 229 related to VIEs, respectively)	2,513	2,193
Non-trading derivative assets	—	2
Other non-current assets	162	215
Total other assets	6,835	6,704
Total Assets	\$ 39,715	\$ 38,546

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, cont.

	December 31, 2023	December 31, 2022
	(in millions, except par value and shares)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 4	\$ 511
Current portion of VIE Securitization Bonds long-term debt	178	156
Indexed debt, net	5	7
Current portion of other long-term debt	872	1,346
Indexed debt securities derivative	605	578
Accounts payable	917	1,352
Taxes accrued	291	298
Interest accrued	236	159
Dividends accrued	126	144
Customer deposits	111	110
Non-trading derivative liabilities	9	—
Other	510	452
Total current liabilities	3,864	5,113
Other Liabilities:		
Deferred income taxes, net	4,079	3,986
Non-trading derivative liabilities	3	—
Benefit obligations	572	547
Regulatory liabilities	3,208	3,245
Other	763	774
Total other liabilities	8,625	8,552
Long-term Debt, net:		
VIE Securitization Bonds, net	320	161
Other long-term debt, net	17,239	14,675
Total long-term debt, net	17,559	14,836
Commitments and Contingencies (Note 15)		
Temporary Equity (Note 12)	—	3
Shareholders' Equity:		
Cumulative preferred stock, \$ 0.01 par value, 20,000,000 shares authorized, no shares and 800,000 shares outstanding, respectively, \$- 0 - and \$ 800 liquidation preference, respectively (Note 12)	—	790
Common stock, \$ 0.01 par value, 1,000,000,000 shares authorized, 631,225,829 shares and 629,535,631 shares outstanding, respectively	6	6
Additional paid-in capital	8,604	8,568
Retained earnings	1,092	709
Accumulated other comprehensive loss	(35)	(31)
Total shareholders' equity	9,667	10,042
Total Liabilities and Shareholders' Equity	\$ 39,715	\$ 38,546

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 917	\$ 1,057	\$ 1,486
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,401	1,288	1,316
Deferred income taxes	31	20	213
Loss (gain) on divestitures	13	(303)	(681)
Loss (gain) on equity securities	(31)	227	172
Loss (gain) on indexed debt securities	27	(325)	(50)
Equity in earnings of unconsolidated affiliates	—	—	(339)
Distributions from unconsolidated affiliates	—	—	155
Pension contributions	(32)	(35)	(61)
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	423	(461)	(98)
Inventory	167	(259)	(140)
Taxes receivable	(74)	(19)	81
Accounts payable	(302)	203	175
Net regulatory assets and liabilities	1,043	234	(2,295)
Other current assets and liabilities	162	(5)	56
Other non-current assets and liabilities	72	109	(53)
Other operating activities, net	60	79	85
Net cash provided by operating activities	3,877	1,810	22
Cash Flows from Investing Activities:			
Capital expenditures	(4,401)	(4,419)	(3,164)
Transaction costs related to Enable Merger (Note 4)	—	—	(49)
Cash received related to Enable Merger	—	—	5
Proceeds from sale of equity securities, net of transaction costs	—	702	1,320
Proceeds from divestitures (Note 4)	144	2,075	22
Other investing activities, net	24	14	15
Net cash used in investing activities	(4,233)	(1,628)	(1,851)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(10)	452	(27)
Payment of obligation for finance lease	—	(485)	(179)
Proceeds from (payments of) commercial paper, net	(1,055)	(74)	1,132
Proceeds from long-term debt and term loans	6,044	2,089	4,493
Payments of long-term debt and term loans, including make-whole premiums	(3,190)	(1,795)	(2,968)
Payment of debt issuance costs	(55)	(36)	(38)
Payment of dividends on Common Stock	(485)	(440)	(385)
Payment of dividends on Preferred Stock	(50)	(49)	(107)
Redemption of Series A Preferred Stock	(800)	—	—
Other financing activities, net	(25)	(7)	(5)
Net cash provided by (used in) financing activities	374	(345)	1,916
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	18	(163)	87
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	91	254	167
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 109	\$ 91	\$ 254

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
(in millions of dollars and shares, except authorized shares and per share amounts)						
Cumulative Preferred Stock, \$ 0.01 par value; authorized 20,000,000 shares						
Balance, beginning of year	1	\$ 790	1	\$ 790	3	\$ 2,363
Conversion of Series B Preferred Stock and Series C Preferred Stock	—	—	—	—	(2)	(1,573)
Redemption of Series A Preferred Stock	(1)	(790)	—	—	—	—
Balance, end of year	—	—	1	790	1	790
Common Stock, \$ 0.01 par value; authorized 1,000,000,000 shares						
Balance, beginning of year	630	6	629	6	551	6
Issuances related to benefit and investment plans	1	—	1	—	1	—
Issuances of Common Stock	—	—	—	—	77	—
Balance, end of year	631	6	630	6	629	6
Additional Paid-in-Capital						
Balance, beginning of year		8,568		8,529		6,914
Issuances related to benefit and investment plans		36		39		41
Issuances of Common Stock, net of issuance costs		—		—		1
Conversion of Series B Preferred Stock and Series C Preferred Stock		—		—		1,573
Balance, end of year		8,604		8,568		8,529
Retained Earnings (Accumulated Deficit)						
Balance, beginning of year		709		154		(845)
Net income (loss)		917		1,057		1,486
Common Stock dividends declared (see Note 12)		(492)		(453)		(404)
Series A Preferred Stock dividends declared (see Note 12)		(42)		(49)		(49)
Series B Preferred Stock dividends declared (see Note 12)		—		—		(34)
Balance, end of year		1,092		709		154
Accumulated Other Comprehensive Loss						
Balance, beginning of year		(31)		(64)		(90)
Other comprehensive income		(4)		33		26
Balance, end of year		(35)		(31)		(64)
Total Shareholders' Equity		<u>\$ 9,667</u>		<u>\$ 10,042</u>		<u>\$ 9,415</u>

See Combined Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Member of
CenterPoint Energy Houston Electric, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CenterPoint Energy Houston Electric, LLC and subsidiaries (an indirect wholly-owned subsidiary of CenterPoint Energy, Inc.) (the "Company") as of December 31, 2023 and 2022, the related statements of consolidated income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements — Refer to Note 7 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by the Public Utility Commission of Texas ("PUCT"), which has jurisdiction with respect to the rates of electric transmission and distribution companies in Texas. Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. The impacts of accounting for the economics of rate regulation are pervasive to the financial statements and disclosures.

The Company's rates are subject to regulatory rate-setting processes by the PUCT. Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on, and recovery of, the Company's investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investment, and the timing and amount of assets to be recovered in rates. The PUCT's regulation of rates is

premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the PUCT in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the PUCT will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about certain affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of regulatory actions on the financial statements. Management's judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of capital investments made by the Company, and (3) refunds to customers. Given that certain of management's accounting judgments are based on assumptions about the outcome of decisions by the PUCT, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the potential uncertainty of decisions by the PUCT included the following, among others:

- We evaluated the Company's disclosures related to the effects of rate regulation by testing certain recorded balances and evaluating regulatory developments.
- We read relevant regulatory orders issued by the PUCT, regulatory statutes, filings made by the Company and intervenors, and other external information. We evaluated relevant external information and compared it to certain recorded regulatory asset and liability balances for completeness.
- For certain regulatory matters, we inspected the Company's filings with the Commissions and the filings with the PUCT by intervenors to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the PUCT's treatment of similar costs under similar circumstances.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 20, 2024

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

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

STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Revenues	\$ 3,677	\$ 3,412	\$ 3,134
Expenses:			
Operation and maintenance	1,673	1,650	1,597
Depreciation and amortization	748	670	642
Taxes other than income taxes	262	261	251
Total	2,683	2,581	2,490
Operating Income	994	831	644
Other Income (Expense):			
Interest expense and other finance charges	(259)	(202)	(183)
Interest expense on Securitization Bonds	(8)	(13)	(21)
Other income, net	34	19	17
Total	(233)	(196)	(187)
Income Before Income Taxes	761	635	457
Income tax expense	168	125	76
Net Income	\$ 593	\$ 510	\$ 381

See Combined Notes to Consolidated Financial Statements

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

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents (\$ 76 and \$ 75 related to VIEs, respectively)	\$ 76	\$ 75
Accounts and notes receivable, net (\$ 19 and \$ 22 related to VIEs, respectively), less allowance for credit losses of \$ 1 and \$ 1 , respectively	295	311
Accounts and notes receivable—affiliated companies	251	21
Accrued unbilled revenues	142	142
Materials and supplies	409	471
Taxes receivable	38	—
Prepaid expenses and other current assets (\$ 13 and \$ 13 related to VIEs, respectively)	48	41
Total current assets	1,259	1,061
Property, Plant and Equipment, net		
Property, plant and equipment	19,515	17,753
Less: accumulated depreciation and amortization	4,469	4,292
Property, plant and equipment, net	15,046	13,461
Other Assets:		
Regulatory assets (\$ 74 and \$ 229 related to VIEs, respectively)	752	778
Other non-current assets	29	39
Total other assets	781	817
Total Assets	\$ 17,086	\$ 15,339

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
(AN INDIRECT, WHOLLY-OWNED SUBSIDIARY OF CENTERPOINT ENERGY, INC.)
CONSOLIDATED BALANCE SHEETS – (continued)

LIABILITIES AND MEMBER ' S EQUITY

	December 31, 2023	December 31, 2022
	(In millions)	
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of VIE Securitization Bonds long-term debt	\$ 161	\$ 156
Accounts payable	351	413
Accounts and notes payable—affiliated companies	104	755
Taxes accrued	155	150
Interest accrued	99	83
Other current liabilities	111	88
Total current liabilities	981	1,645
Other Liabilities:		
Deferred income taxes, net	1,406	1,229
Benefit obligations	32	38
Regulatory liabilities	1,025	1,155
Other non-current liabilities	107	77
Total other liabilities	2,570	2,499
Long-Term Debt, net:		
VIE Securitization Bonds, net	—	161
Other long-term debt, net	7,426	6,036
Total long-term debt, net	7,426	6,197
Commitments and Contingencies (Note 15)		
Member's Equity:		
Common stock	—	—
Additional paid-in capital	4,745	3,860
Retained earnings	1,364	1,138
Total member's equity	6,109	4,998
Total Liabilities and Member's Equity	\$ 17,086	\$ 15,339

See Combined Notes to Consolidated Financial Statements

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

STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 593	\$ 510	\$ 381
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	748	670	642
Deferred income taxes	160	86	32
Changes in other assets and liabilities:			
Accounts and notes receivable, net	16	(63)	(17)
Accounts receivable/payable—affiliated companies	(1)	47	(36)
Inventory	62	(179)	(97)
Accounts payable	(60)	(7)	66
Taxes receivable	(38)	—	—
Net regulatory assets and liabilities	(130)	(41)	(237)
Other current assets and liabilities	28	(20)	39
Other non-current assets and liabilities	35	(25)	6
Other operating activities, net	(12)	(12)	(9)
Net cash provided by operating activities	1,401	966	770
Cash Flows from Investing Activities:			
Capital expenditures	(2,279)	(2,436)	(1,619)
Increase in notes receivable—affiliated companies	(238)	—	—
Other investing activities, net	14	1	2
Net cash used in investing activities	(2,503)	(2,435)	(1,617)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	1,398	1,589	1,096
Payments of long-term debt	(156)	(720)	(613)
Dividend to parent	(367)	(316)	—
Increase (decrease) in notes payable — affiliated companies	(642)	130	504
Payment of debt issuance costs	(13)	(17)	(12)
Contribution from parent	885	1,143	130
Payment of obligation for finance lease	—	(485)	(179)
Other financing activities, net	(2)	—	—
Net cash provided by financing activities	1,103	1,324	926
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1	(145)	79
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	88	233	154
Cash, Cash Equivalents and Restricted Cash at End of the Year	\$ 89	\$ 88	\$ 233

See Combined Notes to Consolidated Financial Statements

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

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions, except share amounts)					
Common Stock						
Balance, beginning of year	1,000	\$ —	1,000	\$ —	1,000	\$ —
Balance, end of year	1,000	—	1,000	—	1,000	—
Additional Paid-in-Capital						
Balance, beginning of year		3,860		2,678		2,548
Non-cash contribution from parent		—		38		—
Contribution from parent		885		1,143		130
Other		—		1		—
Balance, end of year		4,745		3,860		2,678
Retained Earnings						
Balance, beginning of year		1,138		944		563
Net income		593		510		381
Dividend to parent		(367)		(316)		—
Balance, end of year		1,364		1,138		944
Total Member's Equity		<u>\$ 6,109</u>		<u>\$ 4,998</u>		<u>\$ 3,622</u>

See Combined Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder of
CenterPoint Energy Resources Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CenterPoint Energy Resources Corp. and subsidiaries (an indirect wholly-owned subsidiary of CenterPoint Energy, Inc.) (the "Company") as of December 31, 2023 and 2022, the related statements of consolidated income, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements — Refer to Note 7 to the financial statements

Critical Audit Matter Description

The Company is subject to rate regulation by regulators and commissions in various jurisdictions (collectively, the "Commissions") that have jurisdiction with respect to the rates of gas transmission and distribution companies in those jurisdictions. Management has determined its regulated operations meet the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation. The impacts of accounting for the economics of rate regulation are pervasive to the financial statements and disclosures.

The Company's rates are subject to regulatory rate-setting processes by the Commissions. Rates are determined and approved in regulatory proceedings based on an analysis of the Company's costs to provide utility service and a return on, and recovery of, the Company's investment in the utility business. Regulatory decisions can have an impact on the recovery of costs, the rate

of return earned on investment, and the timing and amount of assets to be recovered in rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. Decisions to be made by the Commissions in the future will impact the accounting for regulated operations, including decisions about the amount of allowable costs and return on invested capital included in rates and any refunds that may be required. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about certain affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of regulatory actions on the financial statements. Management's judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of capital investments made by the Company and (3) refunds to customers. Given that certain of management's accounting judgments are based on assumptions about the outcome of decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the potential uncertainty of decisions by the Commissions included the following, among others:

- We evaluated the Company's disclosures related to the effects of rate regulation by testing certain recorded balances and evaluating regulatory developments.
- We read relevant regulatory orders issued by the Commissions, regulatory statutes, filings made by the Company and intervenors, and other external information. We evaluated relevant external information and compared it to certain recorded regulatory asset and liability balances for completeness.
- For certain regulatory matters, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 20, 2024

We have served as the Company's auditor since 1997.

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Revenues:			
Utility revenues	\$ 4,107	\$ 4,764	\$ 4,143
Non-utility revenues	42	36	57
Total	4,149	4,800	4,200
Expenses:			
Utility natural gas	1,856	2,607	1,885
Non-utility cost of revenue, including natural gas	3	4	17
Operation and maintenance	904	886	973
Depreciation and amortization	493	448	483
Taxes other than income taxes	243	257	249
Total	3,499	4,202	3,607
Operating Income	650	598	593
Other Income (Expense):			
Gain on sale	—	557	11
Interest expense and other finance charges	(178)	(130)	(134)
Other income (expense), net	14	(64)	(4)
Total	(164)	363	(127)
Income Before Income Taxes	486	961	466
Income tax expense (benefit)	(26)	236	76
Net Income	\$ 512	\$ 725	\$ 390

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Net income	\$ 512	\$ 725	\$ 390
Other comprehensive income:			
Adjustment to other postemployment plans (net of tax expense of \$- 0 -, \$ 4 and \$ 1 , respectively)	—	6	—
Other comprehensive income	—	6	—
Comprehensive income	\$ 512	\$ 731	\$ 390

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
	(in millions)	
ASSETS		
Current Assets :		
Cash and cash equivalents	\$ 1	\$ —
Accounts receivable, less allowance for credit losses of \$ 25 and \$ 34 , respectively	356	463
Accrued unbilled revenue, less allowance for credit losses of \$ 1 and \$ 4 , respectively	329	573
Accounts and notes receivable — affiliated companies	43	52
Material and supplies	107	98
Natural gas inventory	156	195
Non-trading derivative assets	—	7
Taxes receivable	101	12
Regulatory assets	161	1,336
Prepaid expenses and other current assets	55	78
Total current assets	1,309	2,814
Property, Plant and Equipment:		
Property, plant and equipment	15,672	14,379
Less: accumulated depreciation and amortization	4,169	3,973
Property, plant and equipment, net	11,503	10,406
Other Assets:		
Goodwill	1,583	1,583
Regulatory assets	850	844
Non-trading derivative assets	—	2
Other non-current assets	51	55
Total other assets	2,484	2,484
Total Assets	\$ 15,296	\$ 15,704

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

CONSOLIDATED BALANCE SHEETS, cont.

	December 31, 2023	December 31, 2022
	(in millions)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 4	\$ 511
Current portion of long-term debt	—	1,331
Accounts payable	392	690
Accounts and notes payable—affiliated companies	99	190
Taxes accrued	145	140
Interest accrued	70	50
Customer deposits	95	94
Non-trading derivative liabilities	8	—
Other current liabilities	274	200
Total current liabilities	1,087	3,206
Other Liabilities:		
Deferred income taxes, net	1,246	1,262
Non-trading derivative liabilities	3	—
Benefit obligations	74	76
Regulatory liabilities	1,882	1,801
Other non-current liabilities	455	501
Total other liabilities	3,660	3,640
Long-Term Debt, net	4,670	3,495
Commitments and Contingencies (Note 15)		
Stockholder's Equity:		
Common stock	—	—
Additional paid-in capital	4,229	3,729
Retained earnings	1,634	1,618
Accumulated other comprehensive income	16	16
Total stockholder's equity	5,879	5,363
Total Liabilities and Stockholder's Equity	\$ 15,296	\$ 15,704

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 512	\$ 725	\$ 390
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	493	448	483
Deferred income taxes	(41)	178	101
Gain on divestitures	—	(557)	(11)
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	410	(376)	(68)
Accounts receivable/payable-affiliated companies	(81)	41	27
Inventory	101	(50)	(62)
Taxes receivable	(89)	—	(28)
Accounts payable	(250)	190	95
Net regulatory assets and liabilities	1,152	244	(2,095)
Other current assets and liabilities	85	13	(39)
Other non-current assets and liabilities	(1)	(2)	(31)
Other operating activities, net	21	2	19
Net cash provided by (used in) operating activities	2,312	856	(1,219)
Cash Flows from Investing Activities:			
Capital expenditures	(1,619)	(1,661)	(1,324)
Increase in notes receivable-affiliated companies	(1)	—	—
Proceeds from divestitures (Note 4)	—	2,075	22
Other investing activities, net	(23)	(8)	15
Net cash provided by (used in) investing activities	(1,643)	406	(1,287)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	(10)	452	(27)
Proceeds from (payments of) commercial paper, net	(321)	(94)	552
Proceeds from long-term debt and term loans	2,006	927	1,699
Payments of long-term debt and term loans, including make-whole premiums	(2,332)	(475)	(311)
Payment of debt issuance costs	(14)	(14)	(10)
Dividends to parent	(496)	(844)	(17)
Contribution from parent	500	289	140
Increase (decrease) in notes payable-affiliated companies	—	(1,517)	490
Other financing activities, net	(1)	(1)	(1)
Net cash provided by (used in) financing activities	(668)	(1,277)	2,515
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	1	(15)	9
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	—	15	6
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1	\$ —	\$ 15

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES
(An Indirect, Wholly-Owned Subsidiary of CenterPoint Energy, Inc.)

STATEMENTS OF CONSOLIDATED CHANGES IN EQUITY

	2023		2022		2021	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions, except share amounts)					
Common Stock						
Balance, beginning of year	1,000	\$ —	1,000	\$ —	1,000	\$ —
Balance, end of year	1,000	—	1,000	—	1,000	—
Additional Paid-in-Capital						
Balance, beginning of year		3,729		4,106		3,966
Non-cash contribution from parent		—		54		—
Contribution from parent		500		289		140
Contribution to parent for sale of Arkansas and Oklahoma Natural Gas businesses		—		(720)		—
Balance, end of year		4,229		3,729		4,106
Retained Earnings						
Balance, beginning of year		1,618		1,017		644
Net income		512		725		390
Dividend to parent		(496)		(124)		(17)
Balance, end of year		1,634		1,618		1,017
Accumulated Other Comprehensive Income						
Balance, beginning of year		16		10		10
Other comprehensive income		—		6		—
Balance, end of year		16		16		10
Total Stockholder's Equity		<u>\$ 5,879</u>		<u>\$ 5,363</u>		<u>\$ 5,133</u>

See Combined Notes to Consolidated Financial Statements

**CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC AND SUBSIDIARIES
CENTERPOINT ENERGY RESOURCES CORP. AND SUBSIDIARIES**

COMBINED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Background

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

Except as discussed in Note 13 to the Registrants' Consolidated Financial Statements, no registrant has an obligation in respect of any other Registrant's debt securities, and holders of such debt securities should not consider the financial resources or results of operations of any Registrant other than the obligor in making a decision with respect to such securities.

Included in this combined Form 10-K are the Financial Statements of CenterPoint Energy, Houston Electric and CERC, which are referred to collectively as the Registrants. The Combined Notes to the Consolidated Financial Statements apply to all Registrants and specific references to Houston Electric and CERC herein also pertain to CenterPoint Energy, unless otherwise indicated.

Background. CenterPoint Energy, Inc. is a public utility holding company. On June 30, 2023, CenterPoint Energy completed the sale of its indirect subsidiary, Energy Systems Group, to an unaffiliated third party. For additional information, see Note 4.

As of December 31, 2023, CenterPoint Energy's operating subsidiaries were as follows:

- Houston Electric owns and operates electric transmission and distribution facilities in the Texas gulf coast area that includes the city of Houston;
- CERC Corp. (i) directly owns and operates natural gas distribution systems in Louisiana, Minnesota, Mississippi and Texas, (ii) indirectly, through Indiana Gas and VEDO, owns and operates natural gas distribution systems in Indiana and Ohio, respectively, and (iii) owns and operates permanent pipeline connections through interconnects with various interstate and intrastate pipeline companies through CEIP; and
- SIGECO provides energy delivery services to electric and natural gas customers located in and near Evansville in southwestern Indiana and owns and operates electric generation assets to serve its electric customers and optimizes those assets in the wholesale power market.

For a description of CenterPoint Energy's reportable segments, see Note 17. Houston Electric and CERC each consist of a single reportable segment.

On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles. The accounts of the Registrants and their wholly-owned and majority-owned and controlled subsidiaries are included in the consolidated financial statements. All intercompany transactions and balances are eliminated in consolidation, except as described below.

As of December 31, 2023, CenterPoint Energy, Houston Electric and SIGECO had VIEs including the Bond Companies and the SIGECO Securitization Subsidiary, which are consolidated. The consolidated VIEs are wholly-owned, bankruptcy-

remote, special purpose entities that were formed solely for the purpose of securitizing transition property or facilitating the securitization financing of qualified costs in the second quarter of 2023 associated with the completed retirement of SIGECO's A.B. Brown coal generation facilities. CenterPoint Energy, through SIGECO, has a controlling financial interest in the SIGECO Securitization Subsidiary and is the VIE's primary beneficiary. For further information, see Note 7. Creditors of CenterPoint Energy, Houston Electric and SIGECO have no recourse to any assets or revenues of the Bond Companies or the SIGECO Securitization Subsidiary, as applicable. The Securitization Bonds issued by these VIEs are payable only from and secured by transition or securitization property, as applicable, and the bondholders have no recourse to the general credit of CenterPoint Energy, Houston Electric or SIGECO.

(b) Use of Estimates

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

(c) Equity Method and Investments without a Readily Determinable Fair Value (CenterPoint Energy)

CenterPoint Energy uses the equity method for investments in entities when it exercises significant influence, does not have control and is not considered the primary beneficiary, if applicable. Generally, equity investments in limited partnerships with interest greater than approximately 3-5% is accounted for under the equity method.

Under the equity method, CenterPoint Energy adjusts its investments each period for contributions made, distributions received, respective shares of comprehensive income and amortization of basis differences, as appropriate. CenterPoint Energy evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline.

CenterPoint Energy considers distributions received from equity method investments which do not exceed cumulative equity in earnings subsequent to the date of investment to be a return on investment and classifies these distributions as operating activities in its Statements of Consolidated Cash Flows. CenterPoint Energy considers distributions received from equity method investments in excess of cumulative equity in earnings subsequent to the date of investment to be a return of investment and classifies these distributions as investing activities in its Statements of Consolidated Cash Flows.

Investments without a readily determinable fair value will be measured at cost, less impairment, plus or minus observable prices changes of an identical or similar investment of the same issuer.

(d) Revenues

The Registrants record revenue for electricity delivery and natural gas sales and services under the accrual method and these revenues are recognized upon delivery to customers. Electricity deliveries not billed by month-end are accrued based on actual AMS meter data, supply volumes, estimated line loss and applicable tariff rates. Natural gas sales not billed by month-end are accrued based upon estimated purchased gas volumes, estimated lost and unaccounted for gas and currently effective tariff rates. For further discussion, see Note 5.

(e) MISO Transactions

Indiana Electric is a member of the MISO. MISO-related purchase and sale transactions are recorded using settlement information provided by the MISO. These purchase and sale transactions are accounted for on at least a net hourly position, meaning net purchases within that interval are recorded on CenterPoint Energy's Statements of Consolidated Income in Utility natural gas, fuel and purchased power, and net sales within that interval are recorded on CenterPoint Energy's Statements of Consolidated Income in Utility revenues. On occasion, prior period transactions are resettled outside the routine process due to a change in the MISO's tariff or a material interpretation thereof. Expenses associated with resettlements are recorded once the resettlement is probable and the resettlement amount can be estimated. Revenues associated with resettlements are recognized when the amount is determinable and collectability is reasonably assured.

(f) Guarantees

CenterPoint Energy recognizes guarantee obligations at fair value. CenterPoint Energy discloses parent company guarantees of a subsidiary's obligation when that guarantee results in the exposure of a material obligation of the parent company even if the probability of fulfilling such obligation is considered remote. See Note 15(c).

(g) Long-lived Assets, Goodwill and Intangibles

The Registrants record property, plant and equipment at historical cost and expense repair and maintenance costs as incurred.

The Registrants periodically evaluate long-lived assets, including property, plant and equipment, and specifically identifiable intangibles subject to amortization, when events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. For rate-regulated businesses, recoverability of long-lived assets is assessed by determining if a capital disallowance from a regulator is probable through monitoring the outcome of rate cases and other proceedings. For businesses that are not rate-regulated, recoverability is assessed based on an estimate of undiscounted cash flows attributable to the assets compared to the carrying value of the assets. No long-lived asset or intangible asset impairments were recorded in 2023, 2022 or 2021.

CenterPoint Energy and CERC perform goodwill impairment tests at least annually and evaluate goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. CenterPoint Energy and CERC recognize a goodwill impairment by the amount a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill within that reporting unit. CenterPoint Energy includes deferred tax assets and liabilities within its reporting unit's carrying value for the purposes of annual and interim impairment tests, regardless of whether the estimated fair value reflects the disposition of such assets and liabilities. For further information about the goodwill impairment tests, see Note 6.

(h) Assets Held for Sale and Discontinued Operations

Generally, a long-lived asset to be sold is classified as held for sale in the period in which management, with approval from the Board of Directors, as applicable, commits to a plan to sell, and a sale is expected to be completed within one year. The Registrants record assets and liabilities held for sale, or the disposal group, at the lower of their carrying value or their estimated fair value less cost to sell. If the disposal group reflects a component of a reporting unit and meets the definition of a business, the goodwill within that reporting unit is allocated to the disposal group based on the relative fair value of the components representing a business that will be retained and disposed. Goodwill is not allocated to a portion of a reporting unit that does not meet the definition of a business. A disposal group that meets the held for sale criteria and also represents a strategic shift to the Registrant is also reflected as discontinued operations on the Statements of Consolidated Income, and prior periods are recast to reflect the earnings or losses from such businesses as income from discontinued operations, net of tax.

(i) Regulatory Assets and Liabilities

The Registrants apply the guidance for accounting for regulated operations within the Electric reportable segment and the Natural Gas reportable segment. The Registrants' rate-regulated subsidiaries may collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings.

The Registrants' rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. In addition, a portion of the amount of removal costs collected from customers that relate to AROs has been reflected as an asset retirement liability in accordance with accounting guidance for AROs.

For further detail on the Registrants' regulatory assets and liabilities, see Note 7.

(j) Depreciation and Amortization Expense

The Registrants compute depreciation and amortization using the straight-line method based on economic lives or regulatory-mandated recovery periods. Amortization expense includes amortization of certain regulatory assets and other intangibles.

(k) Capitalization and Deferral of Interest, including AFUDC

The Registrants capitalize interest and AFUDC as a component of projects under construction and amortize it over the assets' estimated useful lives once the assets are placed in service. Additionally, the Registrants defer interest costs into a regulatory asset when amounts are probable of recovery. Deferred debt interest is amortized over the recovery period for rate-making purposes. AFUDC represents the composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction for subsidiaries that apply the guidance for accounting for regulated operations. Although AFUDC increases both property, plant and equipment and earnings, it is realized in cash when the assets are included in rates. The table below includes interest capitalized or deferred during the periods.

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Capitalized interest and AFUDC debt (1)	\$ 32	\$ 18	\$ 6	\$ 26	\$ 14	\$ 7	\$ 18	\$ 13	\$ 3
AFUDC equity (2)	62	32	14	37	24	5	28	20	5
Deferred debt interest (3)	65	16	43	51	12	36	26	1	22

(1) Included in Interest expense and other finance charges on the Registrants' respective Statements of Consolidated Income.

(2) Included in Other Income (Expense) on the Registrants' respective Statements of Consolidated Income.

(3) Represents the amount of deferred debt interest on certain regulatory assets that are authorized to earn a return, such as debt post in-service carrying costs on property, plant and equipment, gas costs, storm restoration costs, and TEEEF (including returns on both regulatory and lease assets).

(l) Income Taxes

Houston Electric and CERC are included in CenterPoint Energy's U.S. federal consolidated income tax return. Houston Electric and CERC report their income tax provision on a separate entity basis pursuant to a tax sharing policy with CenterPoint Energy. Current federal and certain state income taxes are payable to or receivable from CenterPoint Energy.

The Registrants use the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. A valuation allowance is established against deferred tax assets for which management believes realization is not considered to be more likely than not. The Registrants recognize interest and penalties as a component of income tax expense (benefit), as applicable, in their respective Statements of Consolidated Income. CenterPoint Energy reports the income tax provision associated with its interest in Enable in discontinued operations, net of tax in its Statements of Consolidated Income. For further information, see Note 4.

To the extent certain EDIT of the Registrants' rate-regulated subsidiaries may be recoverable or payable through future rates, regulatory assets and liabilities have been recorded, respectively. See Note 14 for further discussion.

The Registrants use the portfolio approach to recognize income tax effects on other comprehensive income from accumulated other comprehensive income.

Investment tax credits are deferred and amortized to income over the approximate lives of the related property. Production tax credits extended by the IRA may be used to reduce current federal income taxes payable.

(m) Accounts Receivable and Allowance for Credit Losses

Accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews historical write-offs, current available information, and reasonable and supportable forecasts to estimate and establish allowance for credit losses. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. See Note 7 for further information about regulatory deferrals of bad debt expense, including those related to COVID-19 and the February 2021 Winter Storm Event.

(n) Inventory

The Registrants' inventory consists principally of materials and supplies, and for CERC, natural gas, and for CenterPoint Energy, coal inventory. Materials and supplies are valued at the lower of average cost or market. Materials and supplies are recorded to inventory when purchased and subsequently charged to expense or capitalized to plant when installed. Inventory related to CenterPoint Energy's regulated operations is valued at historical cost consistent with ratemaking treatment. Coal inventory is valued at average cost. Certain natural gas in storage at CenterPoint Energy's and CERC's utilities are recorded using the LIFO method. CenterPoint Energy's and CERC's balances in inventory that were valued using LIFO method were as follows:

	Year Ended December 31,							
	2023 (1)		2022					
	CenterPoint Energy		CERC					
	(in millions)							
LIFO inventory	\$	106	\$	101	\$	86	\$	82

(1) Based on the average cost of gas purchased during December 2023, CenterPoint Energy's and CERC's cost of replacing inventories carried at LIFO cost was more than the carrying value at December 31, 2023 by \$ 8 million and \$ 13 million, respectively.

(o) Derivative Instruments

The Registrants are exposed to various market risks. These risks arise from transactions entered into in the normal course of business. The Registrants, from time to time, utilize derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices, weather and interest rates on operating results and cash flows. Such derivatives are recognized in the Registrants' Consolidated Balance Sheets at their fair value unless the Registrant elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or normal sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business. CenterPoint Energy elected to record changes in the fair value of amounts excluded from the assessment of effectiveness immediately in its Statements of Consolidated Income, and such amounts will be captured in a regulatory asset or regulatory liability if they are recoverable or refundable to customers.

(p) Investments in Equity Securities (CenterPoint Energy)

CenterPoint Energy reports equity securities at estimated fair value in the Consolidated Balance Sheets, and any gains and losses, net of any transaction costs, are recorded as Gain (Loss) on Equity Securities in the Statements of Consolidated Income.

(q) Environmental Costs

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

(r) Cash and Cash Equivalents and Restricted Cash

For purposes of reporting cash flows, the Registrants consider cash equivalents to be short-term, highly-liquid investments with maturities of three months or less from the date of purchase. Cash and cash equivalents held by the Bond Companies and the SIGECO Securitization Subsidiary (VIEs) solely to support servicing the Securitization Bonds as of December 31, 2023 and 2022 are reflected on CenterPoint Energy's and Houston Electric's Consolidated Balance Sheets.

In connection with the issuance of Securitization Bonds, CenterPoint Energy and Houston Electric were required to establish restricted cash accounts to collateralize the bonds that were issued in these financing transactions. These restricted cash accounts are not available for withdrawal until the maturity of the bonds and are not included in cash and cash equivalents. For more information on restricted cash see Note 18.

(s) Preferred Stock and Dividends

Preferred stock is evaluated to determine balance sheet classification, and all conversion and redemption features are evaluated for bifurcation treatment. Proceeds received net of issuance costs are recognized on the settlement date. Cash dividends become a liability once declared. Income available to common stockholders is computed by deducting from net income the dividends accumulated and earned during the period on cumulative preferred stock.

(t) New Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). This ASU updates segment disclosure requirements through enhanced disclosures around significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Registrants are currently evaluating the impact of this ASU on their respective consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). This ASU enhances the transparency of income tax disclosures related to rate reconciliation and income taxes. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Registrants are currently evaluating the impact of this ASU on their respective consolidated financial statements.

Management believes that all other recently adopted and recently issued accounting standards that are not yet effective will not have a material impact on the Registrants’ financial position, results of operations or cash flows upon adoption.

(3) Property, Plant and Equipment

(a) Property, Plant and Equipment

Property, plant and equipment includes the following:

	Weighted Average Useful Lives (in years)	December 31, 2023			December 31, 2022		
		Property, Plant and Equipment, Gross	Accumulated Depreciation & Amortization	Property, Plant and Equipment, Net	Property, Plant and Equipment, Gross	Accumulated Depreciation & Amortization	Property, Plant and Equipment, Net
		(in millions)					
CenterPoint Energy							
Electric transmission and distribution	37	\$ 19,151	\$ 4,762	\$ 14,389	\$ 19,154	\$ 5,317	\$ 13,837
Electric generation (1)	25	1,381	315	1,066	2,120	813	1,307
Natural gas distribution	32	16,492	4,337	12,155	15,097	4,135	10,962
Finance ROU asset mobile generation	7.5	662	136	526	662	41	621
Other property	22	2,710	993	1,717	695	279	416
Total		\$ 40,396	\$ 10,543	\$ 29,853	\$ 37,728	\$ 10,585	\$ 27,143
Houston Electric							
Electric transmission and distribution	37	\$ 16,800	\$ 3,641	\$ 13,159	\$ 14,791	\$ 3,556	\$ 11,235
Finance ROU asset mobile generation	7.5	662	136	526	662	41	621
Other property	20	2,053	692	1,361	2,300	695	1,605
Total		\$ 19,515	\$ 4,469	\$ 15,046	\$ 17,753	\$ 4,292	\$ 13,461
CERC							
Natural gas distribution	31	\$ 15,591	\$ 4,136	\$ 11,455	\$ 14,316	\$ 3,946	\$ 10,370
Other property	15	81	33	48	63	27	36
Total		\$ 15,672	\$ 4,169	\$ 11,503	\$ 14,379	\$ 3,973	\$ 10,406

- (1) SIGECO and AGC own a 300 MW unit at the Warrick Power Plant (Warrick Unit 4) as tenants in common as of December 31, 2023. SIGECO’s share of the cost of this unit as of December 31, 2023, is \$ 198 million with accumulated depreciation totaling \$ 171 million. Under the operating agreement, AGC and SIGECO shared equally in the cost of operation and output of the unit. SIGECO’s share of operating costs is included in Operation and maintenance expense in CenterPoint Energy’s Statements of Consolidated Income. SIGECO exited joint operations of Warrick 4 on January 1, 2024.

(b) Depreciation and Amortization

The following table presents depreciation and amortization expense for 2023, 2022 and 2021:

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Depreciation	\$ 1,092	\$ 484	\$ 459	\$ 1,013	\$ 434	\$ 420	\$ 1,024	\$ 391	\$ 466
Amortization of securitized regulatory assets	163	155	—	191	191	—	213	213	—
Other amortization	146	109	34	84	45	28	79	38	17
Total	\$ 1,401	\$ 748	\$ 493	\$ 1,288	\$ 670	\$ 448	\$ 1,316	\$ 642	\$ 483

(c) AROs

The Registrants account for an ARO at fair value in the period during which the legal obligation is incurred if a reasonable estimate of fair value and its settlement date can be made. At the timing of recording an ARO, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. The Registrants recognize a regulatory asset or liability for the timing differences between the recognition of expenses and costs recovered through the ratemaking process. The estimates of future liabilities are developed using a discounted cash flow model based upon estimates and assumptions of future costs, interest rates, credit-adjusted risk-free rates and the estimated timing of settlement.

The Registrants have recorded AROs associated with the removal of asbestos and asbestos-containing material in its buildings, including substation building structures. CenterPoint Energy recorded AROs relating to the closure of the ash ponds at A.B. Brown and F.B. Culley. CenterPoint Energy and Houston Electric also recorded AROs relating to treated wood poles for electric distribution, distribution transformers containing PCB (also known as Polychlorinated Biphenyl), and underground fuel storage tanks. CenterPoint Energy and CERC also recorded AROs relating to gas pipelines abandoned in place.

A reconciliation of the changes in the ARO liability recorded in Other non-current liabilities on each of the Registrants' respective Consolidated Balance Sheets is as follows:

	December 31, 2023			December 31, 2022		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Beginning balance	\$ 610	\$ 36	\$ 420	\$ 659	\$ 42	\$ 479
Accretion expense (1)	23	1	16	20	1	15
Revisions in estimates (2)	(43)	3	(56)	(69)	(7)	(74)
Ending balance	\$ 590	\$ 40	\$ 380	\$ 610	\$ 36	\$ 420

(1) Reflected in Regulatory assets on each of the Registrants' respective Consolidated Balance Sheets.

(2) In 2023 and 2022, CenterPoint Energy and CERC reflected a decrease in their respective ARO liability, which was primarily attributable to increases in the long-term interest rates used for discounting in the ARO calculation. In 2023, Houston Electric reflected an increase in its ARO liability attributable to an increase in discount rates and disposal costs, while in 2022, Houston Electric reflected a decrease in its ARO liability, which was primarily attributable to increases in the long-term interest rates used for discounting in the ARO calculation.

(4) Divestitures (CenterPoint Energy and CERC)

Divestiture of Energy Systems Group . On May 21, 2023, CenterPoint Energy, through its subsidiary Vectren Energy Services, entered into an Equity Purchase Agreement to sell all of the outstanding limited liability company interests of Energy Systems Group to ESG Holdings Group, for a purchase price of \$ 157 million, subject to customary adjustments set forth in the Equity Purchase Agreement, including adjustments based on Energy Systems Group's net working capital at closing, indebtedness, cash and cash equivalents and transaction expenses. The transaction closed on June 30, 2023, and CenterPoint Energy received \$ 154 million in cash. Additionally, as of December 31, 2023, CenterPoint Energy had a payable of

approximately \$ 2 million to ESG Holdings Group for working capital and other adjustments set forth in the Equity Purchase Agreement.

In May 2023, certain assets and liabilities of Energy Systems Group met the held for sale criteria. The divestiture of Energy Systems Group reflects CenterPoint Energy's continued strategic focus on its core utility businesses. The historical annual revenues, net income and total assets of Energy Systems Group did not have a sufficient effect, quantitatively or qualitatively, on CenterPoint Energy's financial results to be considered a strategic shift. Therefore, the income and expenses associated with Energy Systems Group were not reflected as discontinued operations on CenterPoint Energy's Statements of Consolidated Income. For disposal groups that are classified as held for sale but that do not meet the criteria for discontinued operations reporting, the assets and liabilities of the disposal group are required to be separately presented on the face of the balance sheet only in the initial period in which it is classified as held for sale. Therefore, CenterPoint Energy's Consolidated Balance Sheets as of December 31, 2022 were not recast to reflect Energy Systems Group's assets and liabilities as held for sale. Depreciation and amortization of long-lived assets ceased at the end of the quarter in which the held for sale criteria is met. Additionally, as a result of the completion of the sale of Energy Systems Group in June 2023, there were no assets or liabilities classified as held for sale as of December 31, 2023. For a discussion of guarantees and product warranties related to Energy Systems Group, see Note 15(c).

CenterPoint Energy recognized a loss on sale of approximately \$ 13 million, including \$ 3 million of transaction costs, during the twelve months ended December 31, 2023, in connection with the closing of the sale of Energy Systems Group. Additionally, CenterPoint Energy recognized a current tax expense of \$ 32 million during the twelve months ended December 31, 2023, as a result of the cash taxes payable upon the closing of the sale.

The pre-tax income (loss) for Energy Systems Group, excluding interest and corporate allocations, included in CenterPoint Energy's Statements of Consolidated Income is as follows:

	Year Ended December 31,		
	2023 ⁽¹⁾	2022	2021
	(in millions)		
Income (Loss) from Continuing Operations Before Income Taxes	\$ (4)	\$ 2	\$ (3)

(1) Reflects January 1, 2023 to June 30, 2023 results only due to of the sale of Energy Systems Group.

Divestiture of Arkansas and Oklahoma Natural Gas Businesses (CenterPoint Energy and CERC). On April 29, 2021, CenterPoint Energy, through its subsidiary CERC Corp., entered into the AROK Asset Purchase Agreement to sell its Arkansas and Oklahoma Natural Gas businesses for \$ 2.15 billion in cash, including recovery of approximately \$ 425 million in natural gas costs, including storm-related incremental natural gas costs associated with the February 2021 Winter Storm Event, subject to certain adjustments set forth in the AROK Asset Purchase Agreement. The assets included approximately 17,000 miles of main pipeline in Arkansas, Oklahoma and certain portions of Bowie County, Texas serving more than half a million customers. The transaction closed on January 10, 2022.

The sale was considered an asset sale for tax purposes, requiring net deferred tax liabilities to be excluded from held for sale balances. The deferred taxes associated with the businesses were recognized as a deferred income tax benefit by CenterPoint Energy and CERC upon closing of the sale in 2022.

Although the Arkansas and Oklahoma Natural Gas businesses met the held for sale criteria as of December 31, 2021, their disposals did not represent a strategic shift to CenterPoint Energy and CERC, as both retained significant operations in, and continued to invest in, their natural gas businesses. Therefore, the income and expenses associated with the disposed businesses were not reflected as discontinued operations on CenterPoint Energy's and CERC's Statements of Consolidated Income, as applicable. Since the depreciation on the Arkansas and Oklahoma Natural Gas assets continued to be reflected in revenues through customer rates until the closing of the transaction and will be reflected in the carryover basis of the rate-regulated assets, CenterPoint Energy and CERC continued to record depreciation on those assets through the closing of the transaction. The Registrants record assets and liabilities held for sale at the lower of their carrying value or their estimated fair value less cost to sell.

CenterPoint Energy and CERC recognized gains of \$ 303 million and \$ 557 million, respectively, net of transaction costs of \$ 59 million, in connection with the closing of the disposition of the Arkansas and Oklahoma Natural Gas businesses during the year ended December 31, 2022. CenterPoint Energy and CERC collected a receivable of \$ 15 million in May 2022 for full and final settlement of the working capital adjustment under the AROK Asset Purchase Agreement.

Neither CenterPoint Energy nor CERC recognized any gains or losses on the measurement of assets held for sale during the year ended December 31, 2021. See Note 6 for further information about the allocation of goodwill to the businesses to be disposed.

As a result of the completion of the sale of the Arkansas and Oklahoma Natural Gas businesses, there were no assets or liabilities classified as held for sale as of December 31, 2022.

The pre-tax income for the Arkansas and Oklahoma Natural Gas businesses, excluding interest and corporate allocations, included in CenterPoint Energy's and CERC's Statements of Consolidated Income is as follows:

	Year Ended December 31,	Year Ended December 31,	
		2022 (1)	2021
		(in millions)	
Income from Continuing Operations Before Income Taxes	\$	9	\$ 78

(1) Reflects January 1, 2022 to January 9, 2022 results only due to of the sale of the Arkansas and Oklahoma Natural Gas businesses.

Effective on the date of the closing of the disposition of the Arkansas and Oklahoma Natural Gas businesses, a subsidiary of CenterPoint Energy entered into the Transition Services Agreement, whereby that subsidiary agreed to provide certain transition services such as accounting, customer operations, procurement, and technology functions for a term of up to twelve months. In November 2022, a significant majority of all services under the Transition Services Agreement were terminated, and on January 10, 2023, all remaining services were terminated.

CenterPoint Energy's charges to Southern Col Midco for reimbursement of transition services was less than \$ 1 million and \$ 40 million during the years ended December 31, 2023 and 2022, respectively. Actual transition services costs incurred are recorded net of amounts charged to Southern Col Midco. CenterPoint Energy had no accounts receivable and accounts receivable of \$ 1 million as of December 31, 2023 and 2022, respectively, from Southern Col Midco for transition services.

Divestiture of MES (CenterPoint Energy and CERC). CenterPoint Energy, through its subsidiary CERC Corp., completed the sale of MES on August 31, 2021 to Last Mile Energy. Prior to the transaction, MES provided temporary delivery of LNG and CNG throughout the contiguous 48 states and MES was reflected in CenterPoint Energy's Natural Gas reportable segment and CERC's single reportable segment, as applicable.

The MES disposal did not represent a strategic shift to CenterPoint Energy and CERC, as both retained significant operations in, and continued to invest in, their natural gas businesses. Therefore, the income and expenses associated with MES are not reflected as discontinued operations on CenterPoint Energy's and CERC's Statements of Consolidated Income, as applicable. CenterPoint Energy and CERC recognized a pre-tax gain on the sale of \$ 8 million and \$ 11 million, respectively, during year ended December 31, 2021. See Note 6 for further information about the allocation of goodwill to the MES disposal.

Discontinued Operations (CenterPoint Energy)

CenterPoint Energy's discontinued operations reflect the disposal of its interests in Enable, which represented a strategic shift that had a major effect on CenterPoint Energy's operations and financial results. As such, the equity in earnings of unconsolidated affiliates, net of tax, associated with CenterPoint Energy's equity investment in Enable was reflected as discontinued operations on CenterPoint Energy's Statements of Consolidated Income.

A summary of discontinued operations presented in CenterPoint Energy's Statements of Consolidated Income is as follows:		
		Year Ended December 31, 2021
		(in millions)
Equity in earnings of unconsolidated affiliate, net	\$	1,019
Income from discontinued operations before income taxes		1,019
Income tax expense		201
Net income from discontinued operations	\$	818

CenterPoint Energy elected not to separately disclose discontinued operations on its Statements of Consolidated Cash Flows. Except as discussed in Note 2, long-lived assets are not depreciated or amortized once they are classified as held for sale. The following table summarizes CenterPoint Energy's cash flows from discontinued operations and certain supplemental cash flow disclosures as applicable:

	Year Ended December 31, 2021	
	(in millions)	
Cash flows from operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on Enable Merger	\$	(681)
Equity in earnings of unconsolidated affiliate		(339)
Distributions from unconsolidated affiliate		155
Cash flows from investing activities:		
Transaction costs related to the Enable Merger		(49)
Cash received related to Enable Merger		5

Disposal of Investment in Enable (CenterPoint Energy). On December 2, 2021, Enable completed the previously announced Enable Merger pursuant to the Enable Merger Agreement entered into on February 16, 2021. At the closing of the Enable Merger on December 2, 2021, Energy Transfer acquired 100 % of Enable's outstanding common and preferred units, and, as a result, Enable Common Units owned by CenterPoint Energy were exchanged for Energy Transfer Common Units and Enable Series A Preferred Units owned by CenterPoint Energy were exchanged for Energy Transfer Series G Preferred Units.

During the year ended December 31, 2022, CenterPoint Energy sold all of its remaining Energy Transfer Common Units and Energy Transfer Series G Preferred Units. See Note 11 for further information regarding Energy Transfer equity securities.

Distributions Received from Enable (CenterPoint Energy):

	Year Ended December 31, 2021	
	Per Unit	Cash Distribution
	(in millions)	
Enable Common Units	\$ 0.6610	\$ 155
Enable Series A Preferred Units	2.2965	34
Total		\$ 189

Transactions with Enable (CenterPoint Energy and CERC):

The transactions with Enable through December 2, 2021 in the following tables exclude transactions with the Energy Services Disposal Group.

	Year Ended December 31, 2021	
	(in millions)	
Natural gas expenses, including transportation and storage costs (1)	\$	85

(1) Included in Utility natural gas, fuel and purchased power on CenterPoint Energy's Statements of Consolidated Income and in Utility natural gas on CERC's Statements of Consolidated Income.

Summarized Financial Information for Enable (CenterPoint Energy)

Summarized consolidated income (loss) information for Enable is as follows:

	Year Ended December 31, 2021 ⁽¹⁾	
	(in millions)	
Operating revenues	\$	3,466
Cost of sales, excluding depreciation and amortization		1,959
Depreciation and amortization		382
Operating income		634
Net income attributable to Enable Common Units		461
Reconciliation of Equity in Earnings (Losses), net before income taxes:		
CenterPoint Energy's interest	\$	248
Basis difference amortization ⁽²⁾		92
Loss on dilution, net of proportional basis difference recognition		(1)
Gain on Enable Merger		680
CenterPoint Energy's equity in earnings (losses), net before income taxes ⁽³⁾	\$	1,019

(1) Reflects January 1, 2021 to December 2, 2021 results only due to the closing of the Enable Merger.

(2) Equity in earnings of unconsolidated affiliate includes CenterPoint Energy's share of Enable earnings adjusted for the amortization of the basis difference of CenterPoint Energy's original investment in Enable and its underlying equity in net assets of Enable. The basis difference was being amortized through the year 2048 and ceased upon closing of the Enable Merger.

(3) Reported as discontinued operations on CenterPoint Energy's Statements of Consolidated Income.

(5) Revenue Recognition

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Registrants expect to be entitled to receive in exchange for these goods or services.

ARPs are contracts between the utility and its regulators, not between the utility and a customer. The Registrants recognize ARP revenue as other revenues when the regulator-specified conditions for recognition have been met. Upon recovery of ARP revenue through incorporation in rates charged for utility service to customers, ARP revenue is reversed and recorded as revenue from contracts with customers. The recognition of ARP revenues and the reversal of ARP revenues upon recovery through rates charged for utility service may not occur in the same period.

The following tables disaggregate revenues by reportable segment and major source:

CenterPoint Energy

	Year Ended December 31, 2023			
	Electric	Natural Gas	Corporate and Other	Total
	(in millions)			
Revenue from contracts with customers	\$ 4,275	\$ 4,210	\$ 127	\$ 8,612
Other ⁽¹⁾	15	69	3	87
Eliminations	—	(3)	—	(3)
Total revenues	\$ 4,290	\$ 4,276	\$ 130	\$ 8,696

	Year Ended December 31, 2022			
	Electric	Natural Gas	Corporate and Other	Total
	(in millions)			
Revenue from contracts with customers	\$ 4,095	\$ 4,969	\$ 263	\$ 9,327
Other (1)	13	(23)	4	(6)
Total revenues	<u>\$ 4,108</u>	<u>\$ 4,946</u>	<u>\$ 267</u>	<u>\$ 9,321</u>

	Year Ended December 31, 2021			
	Electric	Natural Gas	Corporate and Other	Total
	(in millions)			
Revenue from contracts with customers	\$ 3,726	\$ 4,281	\$ 249	\$ 8,256
Other (1)	37	55	4	96
Total revenues	<u>\$ 3,763</u>	<u>\$ 4,336</u>	<u>\$ 253</u>	<u>\$ 8,352</u>

(1) Primarily consists of income from ARPs and leases. Total lease income was \$ 8 million, \$ 7 million and \$ 7 million for each of the years ended December 31, 2023, 2022 and 2021, respectively.

Houston Electric

	Year Ended December 31,			
	2023	2022	2021	
	(in millions)			
Revenue from contracts with customers	\$ 3,684	\$ 3,417	\$ 3,117	
Other (1)	(7)	(5)	17	
Total revenues	<u>\$ 3,677</u>	<u>\$ 3,412</u>	<u>\$ 3,134</u>	

(1) Primarily consists of income from ARPs and leases. Lease income was not significant for the years ended December 31, 2023, 2022, and 2021.

CERC

	Year Ended December 31,			
	2023	2022	2021	
	(in millions)			
Revenue from contracts with customers	\$ 4,083	\$ 4,816	\$ 4,148	
Other (1)	66	(16)	52	
Total revenues	<u>\$ 4,149</u>	<u>\$ 4,800</u>	<u>\$ 4,200</u>	

(1) Primarily consists of income from ARPs and leases. Lease income was \$ 4 million, \$ 3 million and \$ 3 million, respectively, for the years ended December 31, 2023, 2022 and 2021.

Revenues from Contracts with Customers

Electric (CenterPoint Energy and Houston Electric). Houston Electric distributes electricity to customers over time and customers consume the electricity when delivered. Indiana Electric generates, distributes and transmits electricity to customers over time, and customers consume the electricity when delivered. Revenue, consisting of both volumetric and fixed tariff rates set by state regulators, such as the PUCT and the IURC, is recognized as electricity is delivered and represents amounts both billed and unbilled. Discretionary services requested by customers are provided at a point in time with control transferring upon the completion of the service. Revenue for discretionary services provided by Houston Electric is recognized upon completion of service based on the tariff rates set by the PUCT. Payments for electricity distribution and discretionary services are aggregated and received on a monthly basis. Houston Electric performs transmission services over time as a stand-ready obligation to provide a reliable network of transmission systems. Revenue is recognized upon time elapsed, and the monthly tariff rate set by the regulator. Payments are received on a monthly basis. Indiana Electric customers are billed monthly and payment terms, set by the regulator, require payment within a month of billing.

Natural Gas (CenterPoint Energy and CERC). CenterPoint Energy and CERC distribute and transport natural gas to customers over time, and customers consume the natural gas when delivered. Revenue, consisting of both volumetric and fixed tariff rates set by the state governing agency for that service area, is recognized as natural gas is delivered and represents amounts both billed and unbilled. Discretionary services requested by the customer are provided at a point in time with control transferring upon completion of the service. Revenue for discretionary services is recognized upon completion of service based on the tariff rates set by the applicable state regulator. Payments of natural gas distribution, transportation and discretionary services are aggregated and received on a monthly basis.

Contract Balances. When the timing of delivery of service is different from the timing of the payments made by customers and when the right to consideration is conditioned on something other than the passage of time, the Registrants recognize either a contract asset (performance precedes billing) or a contract liability (customer payment precedes performance). Those customers that prepay are represented by contract liabilities until the performance obligations are satisfied. The Registrants' contract assets are included in Accrued unbilled revenues and contract liabilities are included in Accounts payable and Other current liabilities in their Consolidated Balance Sheets. CenterPoint Energy's contract assets and contract liabilities primarily related to Energy Systems Group contracts where revenue was recognized using the input method prior to the sale of Energy Systems Group that was completed on June 30, 2023.

The opening and closing balances of accounts receivable, other accrued unbilled revenue, contract assets and contract liabilities from contracts with customers are as follows:

CenterPoint Energy

	Accounts Receivable	Other Accrued Unbilled Revenues	Contract Assets ⁽¹⁾	Contract Liabilities ⁽¹⁾
	(in millions)			
Opening balance as of December 31, 2022	\$ 858	\$ 764	\$ 4	\$ 45
Closing balance as of December 31, 2023	652	516	—	2
Increase (decrease)	<u>\$ (206)</u>	<u>\$ (248)</u>	<u>\$ (4)</u>	<u>\$ (43)</u>

(1) Decrease primarily related to the completed sale of Energy Systems Group on June 30, 2023.

The amount of revenue recognized in the year ended December 31, 2023 that was included in the opening contract liability was \$ 2 million.

Houston Electric

	Accounts Receivable	Other Accrued Unbilled Revenues	Contract Liabilities
	(in millions)		
Opening balance as of December 31, 2022	\$ 271	\$ 142	\$ 2
Closing balance as of December 31, 2023	275	142	2
Increase	<u>\$ 4</u>	<u>\$ —</u>	<u>\$ —</u>

The amount of revenue recognized in the year ended December 31, 2023 that was included in the opening contract liability was \$ 2 million.

CERC

	Accounts Receivable	Other Accrued Unbilled Revenues
	(in millions)	
Opening balance as of December 31, 2022	\$ 478	\$ 573
Closing balance as of December 31, 2023	330	329
Decrease	<u>\$ (148)</u>	<u>\$ (244)</u>

CERC does not have any opening or closing contract asset or contract liability balances.

Remaining Performance Obligations (CenterPoint Energy). Following the completed sale of Energy Systems Group on June 30, 2023, CenterPoint Energy had no remaining performance obligations.

Practical Expedients and Exemption. Sales taxes and other similar taxes collected from customers are excluded from the transaction price. For contracts for which revenue from the satisfaction of the performance obligations is recognized in the amount invoiced, the practical expedient was elected and revenue expected to be recognized on these contracts has not been disclosed.

Allowance for Credit Losses and Bad Debt Expense

CenterPoint Energy and CERC segregate financial assets that fall under the scope of Topic 326, primarily trade receivables due in one year or less, into portfolio segments based on shared risk characteristics, such as geographical location and regulatory environment, for evaluation of expected credit losses. Historical and current information, such as average write-offs, are applied to each portfolio segment to estimate the allowance for losses on uncollectible receivables. Additionally, the allowance for losses on uncollectible receivables is adjusted for reasonable and supportable forecasts of future economic conditions, which can include changing weather, commodity prices, regulations, and macroeconomic factors, among others. Houston Electric had no material changes in its methodology to recognize losses on financial assets that fall under the scope of Topic 326, primarily due to the nature of its customers and regulatory environment. For a discussion of regulatory deferrals, see Note 7.

The table below summarizes the Registrants' bad debt expense amounts for 2023, 2022 and 2021, net of regulatory deferrals, including those related to COVID-19:

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Bad debt expense	\$ 18	\$ —	\$ 16	\$ 20	\$ —	\$ 17	\$ 12	\$ —	\$ 10
Bad debt expense deferred as regulatory asset	—	—	—	—	—	—	16	8	8

(6) Goodwill and Other Intangibles (CenterPoint Energy and CERC)

Goodwill (CenterPoint Energy)

CenterPoint Energy's goodwill by reportable segment is as follows:

	December 31, 2022	Disposals	December 31, 2023
	(in millions)		
Electric (1)	\$ 936	\$ —	\$ 936
Natural Gas	2,920	—	2,920
Corporate and Other	438	134 (2)	304
Total	<u>\$ 4,294</u>	<u>\$ 134</u>	<u>\$ 4,160</u>

(1) Amount presented is net of the accumulated goodwill impairment charge of \$ 185 million recorded in 2020.

(2) Represents goodwill attributable to the sale of Energy Systems Group. For further information, see Note 4.

CERC's goodwill as of both December 31, 2023 and December 31, 2022 was \$ 1,583 million.

When the net assets or equity interest transferred in a common-control transaction constitute a business, goodwill is included with the net assets transferred at the parent company's historical basis. CenterPoint Energy applied a relative fair value methodology to determine the amount of goodwill to allocate to CERC from its natural gas reporting unit as part of the Restructuring.

When a disposal group reflects a component of a reporting unit and meets the definition of a business, the goodwill within that reporting unit is allocated to the disposal group based on the relative fair value of the components representing a business that will be retained and disposed. As described further in Note 4, certain assets and liabilities of Energy Systems Group, including goodwill of \$ 134 million at CenterPoint Energy, were disposed of upon consummation of the sale of Energy Systems

Group in the second quarter of 2023. The disposal of goodwill attributable to Energy Systems Group was reflected in the loss on sale of \$ 13 million during the year ended December 31, 2023.

CenterPoint Energy and CERC perform goodwill impairment tests at least annually and evaluate goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. The impairment evaluation for goodwill is performed by comparing the fair value of each reporting unit with the carrying amount of the reporting unit, including goodwill. The reporting units approximate the reportable segments, with the exception of Energy Systems Group, which is a separate reporting unit but included in Corporate and Other at CenterPoint Energy. The estimated fair value of the reporting unit is primarily determined based on an income approach or a weighted combination of income and market approaches. If the carrying amount is in excess of the estimated fair value of the reporting unit, then the excess amount is recorded as an impairment charge, not to exceed the carrying amount of goodwill. See Note 2(g) for further discussion.

CenterPoint Energy and CERC performed the annual goodwill impairment tests in the third quarter of each of 2023 and 2022 and determined that no goodwill impairment charge was required for any reporting unit as a result of those tests.

Other Intangibles (CenterPoint Energy)

The tables below present information on CenterPoint Energy's other intangible assets, excluding goodwill, recorded in Other non-current assets on the Consolidated Balance Sheets and the related amortization expense included in Depreciation and amortization on CenterPoint Energy's Statements of Consolidated Income, unless otherwise indicated in the tables below. The intangible assets and associated amortization expense were primarily related to Energy Systems Group prior to the completion of the sale in June 2023 as indicated below. As a result, there are no intangible assets to report as of December 31, 2023. See Note 4 for further information.

	December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Balance
		(in millions)	
Customer relationships (1)	\$ 33	\$ (16)	\$ 17
Trade names (1)	16	(6)	10
Operation and maintenance agreements (1) (2)	12	(2)	10
Other	2	(1)	1
Total	\$ 63	\$ (25)	\$ 38

- (1) Related to Energy Systems Group prior to the completion of the sale in June 2023. Amortization ceased at June 30, 2023, the end of the quarter in which the held for sale criteria was met. See Note 4 for further information.
- (2) Amortization expense related to the operation and maintenance agreements is included in Non-utility cost of revenues, including natural gas on CenterPoint Energy's Statements of Consolidated Income. Amortization ceased at June 30, 2023, the end of the quarter in which the held for sale criteria was met. See Note 4 for further information.

	Year Ended December 31,		
	2023	2022	2021
		(in millions)	
Amortization expense of intangible assets recorded in Depreciation and amortization	\$ 3	\$ 6	\$ 6
Amortization expense of intangible assets recorded in Non-utility cost of revenues, including natural gas	—	1	1

(7) Regulatory Matters

The following is a list of regulatory assets and liabilities reflected on the Registrants' respective Consolidated Balance Sheets as of December 31, 2023 and 2022:

	December 31, 2023		
	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Regulatory Assets:			
Future amounts recoverable from ratepayers related to:			
Benefit obligations (1)	\$ 379	\$ —	\$ 5
Asset retirement obligations & other	290	75	186
Net deferred income taxes	96	41	42
Total future amounts recoverable from ratepayers	765	116	233
Amounts deferred for future recovery related to:			
Cost recovery riders	113	—	73
Hurricane and February 2021 Winter Storm Event restoration costs	149	123	26
Other regulatory assets	147	59	72
Gas recovery costs	27	—	27
Decoupling	17	—	17
COVID-19 incremental costs	12	8	4
TEEEF costs	48	48	—
Unrecognized equity return (2)	(63)	(39)	(16)
Total amounts deferred for future recovery	450	199	203
Amounts currently recovered in customer rates related to:			
Authorized trackers and cost deferrals	535	44	375
Securitized regulatory assets	434	74	—
Unamortized loss on reacquired debt and hedging	106	72	11
Gas recovery costs	34	—	34
Extraordinary gas costs	208	—	208
Regulatory assets related to TCJA	47	47	—
Hurricane Harvey restoration costs	17	17	—
Benefit obligations	11	11	—
Emergency Generation Costs	208	208	—
Unrecognized equity return (3)	(141)	(36)	(53)
Total amounts recovered in customer rates (4)	1,459	437	575
Total Regulatory Assets	\$ 2,674	\$ 752	\$ 1,011
Total Current Regulatory Assets (5)	\$ 161	\$ —	\$ 161
Total Non-Current Regulatory Assets	\$ 2,513	\$ 752	\$ 850
Regulatory Liabilities:			
Regulatory liabilities related to TCJA	\$ 1,377	\$ 695	\$ 505
Estimated removal costs	1,322	91	1,150
Other regulatory liabilities	548	245	260
Total Regulatory Liabilities	\$ 3,247	\$ 1,031	\$ 1,915
Total Current Regulatory Liabilities (6)	\$ 39	\$ 6	\$ 33
Total Non-Current Regulatory Liabilities	\$ 3,208	\$ 1,025	\$ 1,882

	December 31, 2022		
	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Regulatory Assets:			
Future amounts recoverable from ratepayers related to:			
Benefit obligations (1)	\$ 392	\$ —	\$ 5
Asset retirement obligations & other	237	64	155
Net deferred income taxes	83	34	40
Total future amounts recoverable from ratepayers	712	98	200
Amounts deferred for future recovery related to:			
Extraordinary gas costs	1,073	—	1,073
Cost recovery riders	133	—	57
Hurricane and February 2021 Winter Storm Event restoration costs	129	113	16
Other regulatory assets	129	46	67
Gas recovery costs	108	—	108
Decoupling	3	—	3
COVID-19 incremental costs	13	8	5
TEEEF costs	182	182	—
Unrecognized equity return	(54)	(27)	(5)
Total amounts deferred for future recovery	1,716	322	1,324
Amounts currently recovered in customer rates related to:			
Authorized trackers and cost deferrals	499	25	369
Securitized regulatory assets	229	229	—
Unamortized loss on reacquired debt and hedging	88	64	12
Gas recovery costs	79	—	30
Extraordinary gas costs	294	—	294
Regulatory assets related to TCJA	47	47	—
Hurricane Harvey restoration costs	30	30	—
Benefit obligations	18	18	—
Unrecognized equity return (3)	(134)	(55)	(49)
Total amounts recovered in customer rates	1,150	358	656
Total Regulatory Assets	\$ 3,578	\$ 778	\$ 2,180
Total Current Regulatory Assets (5)	\$ 1,385	\$ —	\$ 1,336
Total Non-Current Regulatory Assets	\$ 2,193	\$ 778	\$ 844
Regulatory Liabilities:			
Regulatory liabilities related to TCJA	\$ 1,436	\$ 716	\$ 536
Estimated removal costs	1,338	158	1,097
Other regulatory liabilities	496	281	193
Total Regulatory Liabilities	\$ 3,270	\$ 1,155	\$ 1,826
Total Current Regulatory Liabilities (6)	\$ 25	\$ —	\$ 25
Total Non-Current Regulatory Liabilities	\$ 3,245	\$ 1,155	\$ 1,801

(1) Pension and postretirement-related regulatory assets balances are actuarially valued annually.

(2) Represents the following: (a) CenterPoint Energy's allowed equity return on post in-service carrying cost generally associated with investments in Indiana; (b) Houston Electric's allowed equity return on TEEEF costs and storm restoration costs; and (c) CERC's allowed equity return on post in-service carrying cost associated with certain distribution facilities replacements expenditures in Texas.

(3) Represents the following: (a) CenterPoint Energy's allowed equity return on post in-service carrying cost generally associated with investments in Indiana; (b) Houston Electric's allowed equity return on its true-up balance of stranded costs, other changes and related interest resulting from the formerly integrated electric utilities prior to Texas deregulation to be recovered in rates through 2024 and certain storm restoration balances; and (c) CERC's allowed equity return on post in-service carrying cost associated with certain distribution facilities replacements expenditures in Texas.

- (4) Of the \$ 1.5 billion, \$ 437 million and \$ 575 million currently being recovered in customer rates related to CenterPoint Energy, Houston Electric and CERC, respectively, \$ 459 million, \$ 365 million and \$ 94 million is earning a return, respectively. The weighted average recovery period of regulatory assets currently being recovered in base rates, not earning a return, which totals \$ 428 million, \$ 72 million and \$ 320 million for CenterPoint Energy, Houston Electric and CERC, respectively, is 12 years, 28 years and 8 years, respectively. Regulatory assets not earning a return with perpetual or undeterminable lives have been excluded from the weighted average recovery period calculation.
- (5) Current regulatory assets for both CenterPoint Energy and CERC include extraordinary gas costs of \$ 86 million and \$ 1,175 million as of December 31, 2023 and 2022, respectively.
- (6) Current regulatory liabilities are included in Other current liabilities in each of the Registrants' respective Consolidated Balance Sheets.
- The table below reflects the amount of allowed equity return recognized by each Registrant in its Statements of Consolidated Income:

	Year Ended December 31,								
	2023			2022			2021		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Allowed equity return recognized	\$ 41	\$ 38	\$ 2	\$ 45	\$ 42	\$ 2	\$ 40	\$ 37	\$ 2

Indiana Electric Securitization of Generation Retirements (CenterPoint Energy)

On January 4, 2023, the IURC issued an order in accordance with Indiana Senate Enrolled Act 386 authorizing the issuance of up to \$ 350 million in securitization bonds to securitize qualified costs associated with the retirements of Indiana Electric's A.B. Brown coal-fired generation facilities. Accordingly, CenterPoint Energy determined that the retirement of property, plant and equipment became probable upon the issuance of the order. No loss on abandonment was recognized in connection with issuance of the order as there was no disallowance of all or part of the cost of the abandoned property, plant and equipment. In the first quarter of 2023, upon receipt of the order, CenterPoint Energy reclassified property, plant and equipment to be recovered through securitization to a regulatory asset and such amounts continued to earn a full return until recovered through securitization.

The SIGECO Securitization Subsidiary issued \$ 341 million aggregate principal amount of the SIGECO Securitization Bonds on June 29, 2023. See Note 13 for further details of the issuance of the SIGECO Securitization Bonds. The SIGECO Securitization Subsidiary used a portion of the net proceeds from the issuance of the SIGECO Securitization Bonds to purchase the securitization property from SIGECO. No gain or loss was recognized.

The SIGECO Securitization Bonds are secured by the securitization property, which includes the right to recover, through non-bypassable securitization charges payable by SIGECO's retail electric customers, the qualified costs of SIGECO authorized by the IURC order. SIGECO has no payment obligations with respect to the SIGECO Securitization Bonds except to remit collections of securitization charges as set forth in a servicing agreement between SIGECO and the SIGECO Securitization Subsidiary. The non-bypassable securitization charges are subject to a true-up mechanism.

February 2021 Winter Storm Event

In February 2021, certain of the Registrants' jurisdictions experienced an extreme and unprecedented winter weather event that resulted in prolonged freezing temperatures, which impacted their businesses. The February 2021 Winter Storm Event impacted wholesale prices of CenterPoint Energy's and CERC's natural gas purchases and their ability to serve customers in their Natural Gas service territories, including due to the reduction in available natural gas capacity and impacts to CenterPoint Energy's and CERC's natural gas supply portfolio activities, and the effects of weather on their systems and their ability to transport natural gas, among other things. The overall natural gas market, including the markets from which CenterPoint Energy and CERC sourced a significant portion of their natural gas for their operations, experienced significant impacts caused by the February 2021 Winter Storm Event, resulting in extraordinary increases in the cost of natural gas purchased by CenterPoint Energy and CERC of approximately \$ 2 billion. CenterPoint Energy and CERC have completed recovery of natural gas costs in Mississippi, Indiana and Texas discussed further below, and continue to recover the natural gas cost in Louisiana and Minnesota. As of December 31, 2023, CenterPoint Energy and CERC have each recorded current regulatory assets of \$ 86 million and non-current regulatory assets of \$ 130 million associated with the February 2021 Winter Storm Event. As of

December 31, 2022, CenterPoint Energy and CERC have each recorded current regulatory assets of \$ 1,175 million and non-current regulatory assets of \$ 202 million associated with the February 2021 Winter Storm Event.

In Minnesota, the MPUC issued its written order on October 19, 2022 disallowing CERC's recovery of approximately \$ 36 million of the \$ 409 million incurred, and CERC's regulatory asset balance was reduced to reflect the disallowance. CERC filed a petition for reconsideration on November 8, 2022 and a written order denying the petition for reconsideration was issued on January 6, 2023.

On August 24, 2023, the LPSC Staff issued an audit report which recommends some prospective process changes to the gas supply bid process and did not recommend any disallowance of February 2021 Winter Storm Event gas costs incurred in Louisiana. Recovery of such costs remains subject to LPSC approval. On December 19, 2023, the LPSC issued an order which accepted and approved the audit report.

As of both December 31, 2023 and 2022, as authorized by the PUCT, CenterPoint Energy and Houston Electric recorded a regulatory asset of \$ 8 million for bad debt expenses resulting from REPs' default on their obligation to pay delivery charges to Houston Electric net of collateral. Additionally, as of December 31, 2023 and 2022, both CenterPoint Energy and Houston Electric recorded a regulatory asset of \$ 17 million and \$ 16 million, respectively, and will request reimbursement of costs associated with the February 2021 Winter Storm Event in Houston Electric's next rate case.

See Note 15(d) for further information regarding litigation related to the February 2021 Winter Storm Event.

Texas Public Securitization

The Texas Natural Gas Securitization Finance Corporation issued customer rate relief bonds in March 2023, and on March 23, 2023, CenterPoint Energy and CERC, collectively, received approximately \$ 1.1 billion in cash proceeds from the issuance and sale of the state's customer rate relief bonds. The proceeds from the state's customer rate relief bonds included carrying costs incurred through August 2022. Incremental carrying costs incurred after August 2022 until the date the proceeds were received are recorded in a separate regulatory asset; the current Texas Gas rate proceeding includes a request for recovery of this regulatory asset. As CenterPoint Energy and CERC have no future financial obligations for the repayment of the state's customer rate relief bonds, the customer rate relief bonds are not recorded on CenterPoint Energy's or CERC's balance sheets. The \$ 1.1 billion in cash proceeds from the state's customer rate relief bonds is considered to be a government grant. The state's customer rate relief bonds are backed in part by customer rate relief property, including customer rate relief charges, which are non-bypassable uniform monthly volumetric charges to be paid by all existing and future customers as a component of each regulated utility's gas cost, separate from their base rate. CERC only acts as a collection agent, whose duties include management, servicing and administration of a portion of the customer rate relief property which is associated with the customer rate relief charge imposed on customers of CERC under the guidance and direction from the Railroad Commission. The Texas Natural Gas Securitization Finance Corporation, and not CenterPoint Energy or CERC, is the owner of the customer rate relief property. The assets of the Texas Natural Gas Securitization Finance Corporation are not available to pay creditors of CenterPoint Energy, CERC, or their affiliates. While the customer rate relief charges will be included by CERC in their monthly billings, the billing amount is established by the Railroad Commission. CERC will remit all customer rate relief charges to the financing entity set up by the Railroad Commission. Therefore, the collection and servicing of customer rate relief charges have no impact on the respective Statements of Consolidated Income of CenterPoint Energy or CERC.

As U.S. generally accepted accounting principles have no specific accounting guidance for government grants or assistance, the cash proceeds from the state's customer rate relief bonds were accounted for as a government grant by analogy to the grant model under IAS 20—Accounting for Government Grants and Disclosures of Government Assistance. CenterPoint Energy and CERC reflect the proceeds from the grant as a deduction to natural gas costs and recognized the \$ 1.1 billion of cash proceeds from the state's customer rate relief bonds within Utility natural gas expense on their respective Statements of Consolidated Income in the year ended December 31, 2023, net of the recognition of natural gas cost related to relieving CenterPoint Energy and CERC's regulatory assets related to the February 2021 Winter Storm Event in the same period.

Houston Electric TEEEF

Pursuant to legislation passed in 2021, Houston Electric entered into two leases for TEEEF (mobile generation) which are detailed in Note 20. Houston Electric initially sought recovery of the lease costs and the applicable return as of December 31, 2021 under these lease agreements of approximately \$ 200 million in its DCRF application filed with the PUCT on April 5, 2022, and subsequently amended on July 1, 2022, to show mobile generation in a separate Rider TEEEF. A final order was issued on April 5, 2023 approving a reduced revenue requirement of \$ 39 million that results in full recovery of costs requested

but lengthens the amortization period for the short-term lease to be collected over 82.5 months. On May 25, 2023, the PUCT issued its order on rehearing which clarified some of the findings, but did not change the approval of TEEEF cost recovery. Additional motions for rehearing were filed and the PUCT issued an order on August 3, 2023 denying the motions for rehearing. The deadline for a party to file a judicial appeal of the PUCT's decision was September 5, 2023, and no appeal was filed. As such, the PUCT's decision on the first TEEEF filing is now final and non-appealable.

On April 5, 2023, Houston Electric made its second TEEEF filing requesting recovery of TEEEF related costs incurred through December 31, 2022. Houston Electric is requesting a new annual revenue requirement of approximately \$ 188 million using 78 months to amortize the related deferred costs for proposed rates beginning September 2023, a net increase in TEEEF revenues of approximately \$ 149 million. On June 7, 2023, intervenors jointly requested a hearing, and on June 14, 2023, the PUCT staff indicated that it does not oppose a hearing in this docket. On June 21, 2023 Houston Electric made a filing that a hearing is not necessary given the PUCT's decision in the TEEEF docket filed in 2022 and indicated that if the PUCT does refer this case to the State Office of Administrative Hearings, any preliminary order issued by the PUCT should be limited. On July 18, 2023 the PUCT referred the case to the State Office of Administrative Hearings and, on July 20, 2023, the PUCT issued a preliminary order identifying the issues to be addressed. On August 28, 2023, the State Office of Administrative Hearings issued an Order setting interim rates to collect an annual revenue requirement at the filed amount. Interim rates became effective on September 1, 2023 and are subject to surcharge or refund if they differ from the final rates approved by the PUCT. On October 12, 2023, a joint motion to abate was filed because the parties reached an agreement in principle on all issues. The agreement in principle reduces the annual revenue requirement by approximately \$ 35 million based on recovering the balance as of December 31, 2022 over a 102 month amortization period (instead of the 78 month period in the initial filing) and also allows for revised interim rates (to incorporate the agreement in principle and the initial interim rates that have been in place since September 1, 2023). The updated interim rates were implemented December 15, 2023. The agreement in principle is subject to PUCT approval which was granted in its order issued on February 1, 2024.

Houston Electric defers costs associated with the short-term and long-term leases that are probable of recovery and would otherwise be charged to expense in a regulatory asset, including allowed debt returns, and determined that such regulatory assets remain probable of recovery as of December 31, 2023. Right of use finance lease assets, such as assets acquired under the long-term leases, are evaluated for impairment under the long-lived asset impairment model by assessing if a capital disallowance from a regulator is probable through monitoring the outcome of rate cases and other proceedings. Houston Electric continues to monitor the on-going proceedings and did not record any impairments on its right of use assets in the years ended December 31, 2023 or 2022. See Note 20 for further information.

(8) Stock-Based Incentive Compensation Plans and Employee Benefit Plans

(a) Stock-Based Incentive Compensation Plans (CenterPoint Energy)

CenterPoint Energy has LTIPs that provide for the issuance of stock-based incentives, including stock options, performance awards, restricted stock unit awards and restricted and unrestricted stock awards to officers, employees and non-employee directors. Approximately 30 million shares of Common Stock are authorized under these plans for awards. CenterPoint Energy issues new shares of its Common Stock to satisfy stock-based payments related to LTIPs. Equity awards are granted to employees without cost to the participants.

Compensation costs for the performance awards and stock unit awards granted under LTIPs are measured using fair value and expected achievement levels on the grant date. For performance awards with operational goals, the achievement levels are revised as goals are evaluated. The fair value of awards granted to employees is based on the closing stock price of CenterPoint Energy's Common Stock on the grant date. The compensation expense is recorded on a straight-line basis over the vesting period. Forfeitures are estimated on the date of grant based on historical averages and estimates are updated periodically throughout the vesting period.

The performance awards granted in 2023, 2022 and 2021 are distributed based upon the achievement of certain objectives over a three-year performance cycle. The stock unit awards granted in 2023, 2022 and 2021 are service based, subject to the achievement of a performance goal. The stock unit awards generally vest at the end of a three-year period; however, stock unit awards granted to non-employee directors vest immediately upon grant. Upon vesting, shares of the performance awards and stock unit awards are issued to the participants along with the value of dividend equivalents earned over the performance cycle or vesting period.

The following table summarizes CenterPoint Energy's expenses related to LTIPs for 2023, 2022 and 2021:

	Year Ended December 31,		
	2023	2022	2021
	(In millions)		
LTIP compensation expense (1)	\$ 65	\$ 51	\$ 48
Income tax benefit recognized	15	12	11
Actual tax benefit realized for tax deductions	17	6	4

(1) Amounts presented in the table above are included in Operation and maintenance expense in CenterPoint Energy's Statements of Consolidated Income and shown prior to any amounts capitalized.

The following tables summarize CenterPoint Energy's LTIP activity for 2023

	Year Ended December 31, 2023			
	Shares (Thousands)	Weighted-Average Grant Date Fair Value	Remaining Average Contractual Life (Years)	Aggregate Intrinsic Value (2) (Millions)
Performance Awards (1)				
Outstanding and nonvested as of December 31, 2022	5,157	\$ 24.26		
Granted	1,960	29.18		
Forfeited or canceled	(291)	27.38		
Vested and released to participants	(1,601)	23.08		
Outstanding and nonvested as of December 31, 2023	5,225	\$ 25.95	1.1	\$ 101
Stock Unit Awards				
Outstanding and nonvested as of December 31, 2022	2,296	\$ 25.03		
Granted	606	30.83		
Forfeited or canceled	(93)	27.10		
Vested and released to participants	(948)	24.48		
Outstanding and nonvested as of December 31, 2023	1,861	\$ 26.91	0.7	\$ 53

(1) Reflects maximum performance achievement.

(2) Reflects the impact of current expectations of achievement and stock price.

Additional information related to the Performance Awards and Stock Unit Awards is as follows:

	Year Ended December 31,		
	2023	2022	2021
	(In millions, except for per unit amounts)		
Performance Awards			
Weighted-average grant date fair value per unit of awards granted	\$ 29.18	\$ 28.12	\$ 21.89
Total intrinsic value of awards received by participants	47	13	7
Vested grant date fair value	37	13	8
Stock Unit Awards			
Weighted-average grant date fair value per unit of awards granted	\$ 30.83	\$ 28.44	\$ 24.20
Total intrinsic value of awards received by participants	28	14	11
Vested grant date fair value	23	13	11

As of December 31, 2023, there was \$ 36 million of total unrecognized compensation cost related to nonvested performance and stock unit awards which is expected to be recognized over a weighted-average period of 1.7 years.

(b) Pension Benefits (CenterPoint Energy)

CenterPoint Energy maintains a non-contributory qualified defined benefit pension plan covering eligible employees and is closed to new participants, with benefits determined using a cash balance formula. In addition to the non-contributory qualified defined benefit pension plan, CenterPoint Energy maintains unfunded non-qualified benefit restoration plans which allow participants to receive the benefits to which they would have been entitled under CenterPoint Energy's non-contributory qualified pension plan except for federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated.

CenterPoint Energy also maintains three additional qualified defined benefit pension plans, two of which are closed to new participants and one of which is completely frozen, and a non-qualified supplemental retirement plan. The defined benefit pension plans cover eligible full-time regular employees and retirees of Vectren and are primarily non-contributory.

In December 2022, the CenterPoint Energy pension plan completed an annuity lift-out, a transaction that provided for the purchase of an irrevocable group annuity contract to fund pension plan annuities of retirees from previously divested businesses, as part of a de-risking strategy. This annuity lift-out reduced the plan's pension obligation by \$ 138 million and plan assets by \$ 136 million which were transferred to an insurance company. The \$ 138 million transferred benefit obligation represented 9.4 % of CenterPoint Energy's total benefit obligation as of its last remeasurement prior to the transaction. As a result of this transaction, CenterPoint Energy incurred a settlement charge of \$ 47 million. In addition, CenterPoint Energy was relieved of all responsibility for these pension obligations' and an insurance company is now required to pay and administer the retirement benefits owed to 1,119 retirees and beneficiaries, with no changes to the amount, timing or form of retirement benefit payments.

CenterPoint Energy's net periodic cost includes the following components relating to pension, including the non-qualified benefit plans:

	Year Ended December 31,		
	2023	2022	2021
	(in millions)		
Service cost (1)	\$ 25	\$ 29	\$ 39
Interest cost (2)	76	73	59
Expected return on plan assets (2)	(76)	(87)	(103)
Amortization of net loss (2)	28	31	36
Settlement cost (2) (3)	—	126	38
Net periodic cost	\$ 53	\$ 172	\$ 69

- (1) Amounts presented in the table above are included in Operation and maintenance expense in CenterPoint Energy's Statements of Consolidated Income, net of regulatory deferrals and amounts capitalized.
- (2) Amounts presented in the table above are included in Other, net in CenterPoint Energy's Statements of Consolidated Income, net of regulatory deferrals.
- (3) A one-time, non-cash settlement cost is required when the total lump sum distributions or other settlements of plan benefit obligations during a plan year exceed the service cost and interest cost components of the net periodic cost for that year. In 2023, 2022 and 2021, CenterPoint Energy recognized non-cash settlement cost due to lump sum settlement payments. The transfer of assets related to the 2022 Annuity Lift-Out is considered a lump sum settlement payment.

CenterPoint Energy used the following assumptions to determine net periodic cost relating to pension benefits:

	Year Ended December 31,		
	2023	2022	2021
Discount rate	5.15 %	2.80 %	2.45 %
Expected return on plan assets	6.50	5.00	5.00
Rate of increase in compensation levels	4.99	4.95	5.05

In determining net periodic benefit cost, CenterPoint Energy uses fair value, as of the beginning of the year, as its basis for determining expected return on plan assets except for two of Vectren's qualified defined benefit pension plans which use a market related value of assets.

The following table summarizes changes in the benefit obligation, plan assets, the amounts recognized in the Consolidated Balance Sheets as well as the key assumptions of CenterPoint Energy's pension plans. The measurement dates for plan assets and obligations were December 31, 2023 and 2022.

	December 31,	
	2023	2022
	(in millions, except for actuarial assumptions)	
Change in Benefit Obligation		
Benefit obligation, beginning of year	\$ 1,553	\$ 2,298
Service cost	25	29
Interest cost	76	73
Benefits paid (4)	(147)	(509)
Actuarial (gain) loss (1)	41	(338)
Plan amendment	—	—
Benefit obligation, end of year	1,548	1,553
Change in Plan Assets		
Fair value of plan assets, beginning of year	1,212	2,072
Employer contributions	32	35
Benefits paid (4)	(147)	(509)
Actual investment return	107	(386)
Fair value of plan assets, end of year	1,204	1,212
Funded status, end of year	\$ (344)	\$ (341)
Amounts Recognized in Balance Sheets		
Non-current assets	\$ 4	\$ —
Current liabilities-other	(7)	(7)
Other liabilities-benefit obligations	(341)	(334)
Net liability, end of year	\$ (344)	\$ (341)
Actuarial Assumptions		
Discount rate (2)	4.95 %	5.15 %
Expected return on plan assets (3)	6.50	6.50
Rate of increase in compensation levels	4.97	4.99
Interest crediting rate	3.00	3.00

- (1) Significant sources of loss for 2023 include the decrease in discount rate from 5.15 % to 4.95 %, partially offset by significant sources of gain that include actual return on assets exceeding expected return on plan assets during 2023.
- (2) The discount rate assumption was determined by matching the projected cash flows of CenterPoint Energy's plans against a hypothetical yield curve of high-quality corporate bonds represented by a series of annualized individual discount rates from one-half to 99 years.
- (3) The expected rate of return assumption was developed using the targeted asset allocation of CenterPoint Energy's plans and the expected return for each asset class.
- (4) Benefits paid for 2022 includes \$ 136 million related to the 2022 Annuity Lift-Out.

The following table displays pension benefits related to CenterPoint Energy's pension plans that have accumulated benefit obligations in excess of plan assets:

	December 31,			
	2023		2022	
	Pension (Qualified)	Pension (Non-qualified)	Pension (Qualified)	Pension (Non-qualified)
	(in millions)			
Accumulated benefit obligation	\$ 1,496	\$ 48	\$ 1,497	\$ 51
Projected benefit obligation	1,500	48	1,502	51
Fair value of plan assets	1,204	—	1,212	—