

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

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

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

Increasingly, environmental regulation has resulted in more restrictions and limitations on activities that may impact the environment. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation and monitoring, and actual future expenditures may be different from the amounts currently anticipated. The Registrants try to anticipate future regulatory requirements that might be imposed and plan accordingly to maintain compliance with changing environmental laws and regulations.

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

Global Climate Change

There is increasing attention being paid in the United States and worldwide to the issue of climate change. As a result, from time to time, regulatory agencies have considered the modification of existing laws or regulations or the adoption of new laws or regulations addressing the emissions of GHG on the state, federal, or international level. 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. The EPA has announced it plans on issuing new GHG emissions rules in the future.

The Biden administration recommitted the United States to the Paris Agreement, which can be expected to drive 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 United States' commitments announced in Glasgow. In September 2021, CenterPoint Energy announced its net zero emissions goals for both Scope 1 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 and customers choose their generation providers, 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 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. For more information regarding CenterPoint Energy's net zero and carbon emission reduction goals and their

related risks, see “Risk Factors — Risk Factors Affecting Regulatory, Environmental and Legal Risks — CenterPoint Energy is subject to operational and financial risks ...” 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 rules that target reductions in methane emissions, which are likely to 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.

To the extent climate changes may occur and such 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 for cooling. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes and flooding. 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. 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.

Air Emissions

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

Water Discharges

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

Waters of the United States

Under the Obama administration, the EPA promulgated a set of rules that included a comprehensive regulatory overhaul of defining “waters of the United States” for the purposes of determining federal jurisdiction. The Trump administration signaled its intent to repeal and replace the Obama-era rules. In accordance with this intent, the EPA promulgated a rule in early 2018 that postponed the effectiveness of the Obama-era rules until 2020. Thereafter, the EPA proposed a new set of rules that would narrow the Clean Water Act’s jurisdiction, which were finalized on April 21, 2020. That set of rules was vacated by recent decisions in the U.S. federal district courts in New Mexico and Arizona, and on November 18, 2021, the EPA released a proposal to reestablish the pre-2015 definition of “waters of the United States” which will become effective upon finalization and publication. On December 30, 2022, the EPA and the U.S. Army Corps of Engineers announced the final “Revised Definition of ‘waters of the United States’” rule, which was published on January 18, 2023 and becomes effective on March 20.

2023. The potential impact of the revisions to the “waters of the United States” regulations on the Registrants’ business, liabilities, compliance obligations or profits and revenues is uncertain at this time.

ELG

In 2015, the EPA finalized revisions to the existing steam electric wastewater discharge standards which set more stringent wastewater discharge limits and effectively prohibited further wet disposal of coal ash in ash ponds. These new standards are applied at the time of permit renewal and an affected facility must comply with the wastewater discharge limitations no later than December 31, 2023, and the prohibition of wet sluicing of bottom ash no later than December 31, 2025. In February 2019, the IURC approved Indiana Electric’s ELG compliance plan for its F.B. Culley Generating Station, and Indiana Electric is currently finalizing its ELG compliance plan for the remainder of its affected units as part of its ongoing IRP process.

Cooling Water Intake Structures

Section 316 of the federal Clean Water Act requires steam electric generating facilities use “best technology available” to minimize adverse environmental impacts on a body of water. In May 2014, the EPA finalized a regulation requiring installation of “best technology available” to mitigate impingement and entrainment of aquatic species in cooling water intake structures. Indiana Electric is currently completing the required ecological studies and anticipates timely compliance in 2023.

Hazardous Waste

The Registrants’ operations generate wastes, including some hazardous wastes, that are subject to the federal RCRA, and comparable state laws, which impose detailed requirements for the handling, storage, treatment, transport and disposal of hazardous and solid waste. RCRA currently exempts many natural gas gathering and field processing wastes from classification as hazardous waste. Specifically, RCRA excludes from the definition of hazardous waste waters produced and other wastes associated with the exploration, development or production of crude oil and natural gas. However, these oil and gas exploration and production wastes are still regulated under state law and the less stringent non-hazardous waste requirements of RCRA. Moreover, ordinary industrial wastes such as paint wastes, waste solvents, laboratory wastes and waste compressor oils may be regulated as hazardous waste. The transportation of natural gas in pipelines may also generate some hazardous wastes that would be subject to RCRA or comparable state law requirements.

Coal Ash

Indiana Electric has three ash ponds, two at the F.B. Culley facility (Culley East and Culley West) and one at the A.B. Brown facility. In 2015, the EPA finalized its CCR Rule, which regulates coal ash as non-hazardous material under the RCRA. The final rule allows beneficial reuse of ash, and the majority of the ash generated by Indiana Electric’s generating plants will continue to be beneficially reused. The EPA continues to propose amendments to the CCR Rule; however, under the CCR Rule as it is currently in effect, Indiana Electric is required to perform integrity assessments, including ground water monitoring, at its F.B. Culley and A.B. Brown generating stations. The ground water studies are necessary to determine the remaining service life of the ponds and whether a pond must be retrofitted with liners or closed in place. Preliminary groundwater monitoring indicates potential groundwater impacts very close to Indiana Electric’s ash impoundments, and further analysis is ongoing. The CCR Rule required companies to complete location restriction determinations by October 18, 2018. Indiana Electric completed its evaluation and determined that one F.B. Culley pond (Culley East) and the A.B. Brown pond fail the aquifer placement location restriction. As a result of this failure, Indiana Electric was required to cease disposal of new ash in the ponds and commence closure of the ponds by April 11, 2021. Indiana Electric filed timely requests for extensions available under the CCR Rule that would allow Indiana Electric to continue to use the ponds through October 15, 2023. The inability to take these extensions may result in increased and potentially significant operational costs in connection with the accelerated implementation of an alternative ash disposal system or adversely impact Indiana Electric’s future operations. Failure to comply with these requirements could also result in an enforcement proceeding, including the imposition of fines and penalties. On January 22, 2021, Indiana Electric received letters from the EPA for both the F.B. Culley and A.B. Brown facilities that determined Indiana Electric’s extension submittals complete and extended the compliance deadline of April 11, 2021 until the EPA issues a final decision on the extension requests. On October 5, 2022, SIGECO received a proposed conditional approval of its extension request for the A.B. Brown facility. The Culley West pond was closed under CCR provisions applicable to inactive ponds, and closure activities were completed in December 2020. For further discussion about Indiana Electric’s ash ponds, please see Note 15(d) to the consolidated financial statements.

Liability for Remediation

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

Liability for Preexisting Conditions

For information about preexisting environmental matters, please see Note 15(d) to the consolidated financial statements.

HUMAN CAPITAL

CenterPoint Energy believes its employees are critical to safely delivering electricity and natural gas across its service territories and seeks to create a diverse, equitable, inclusive and safe work environment. CenterPoint Energy’s core values—safety, integrity, accountability, initiative and respect—guide how it makes decisions and provide the foundation for a strong culture of ethics where employees are responsible for upholding these values and following CenterPoint Energy’s Ethics and Compliance Code.

The following table sets forth the number of employees by Registrant and reportable segment as of December 31, 2022:

Reportable Segment	Number of Employees			Number of Employees Represented by Collective Bargaining Groups		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
Electric	3,038	2,681	—	1,639	1,446	—
Natural Gas	3,583	—	3,296	1,691	—	1,635
Corporate and Other (1)	2,365	—	—	139	—	—
Total	8,986	2,681	3,296	3,469	1,446	1,635

- (1) Employees in the Corporate and Other segment provide services to the Electric and Natural Gas segments and the costs of these services have been charged directly to the Electric and Natural Gas segments using assignment methods that management believes are reasonable. For further information, see Note 19 to the consolidated financial statements.

CenterPoint Energy’s workforce includes 3,469 employees represented by collective bargaining agreements. For information about the status of collective bargaining agreements, see Note 8(j) to the consolidated financial statements.

Recruiting, Training and Development. CenterPoint Energy’s human capital priorities include attracting, retaining and developing high performing talent through its talent management activities. CenterPoint Energy endeavors to maintain a workforce reflective of the available workforce within the territories we serve by attracting quality candidates through its recruitment and selection processes, with the goal of creating a work environment in which every employee is engaged, aligned with CenterPoint Energy’s vision and values and understands how they contribute to its long-term performance. CenterPoint Energy recruits qualified employees regardless of race, gender, color, sexual orientation, age, religion, or physical or mental disability. The talent acquisition team has an increased focus with local partnerships to strategically impact all the local communities being served. This continues to include SERJobs, Houston Area Urban League, Work Texas, Wesley Community Center, Historically Black Colleges and Universities, Hispanic Serving Institutions, and a more robust college partnership in all six states in alignment with CenterPoint Energy Foundation initiatives.

CenterPoint Energy takes a strategic approach to attracting, retaining, and developing its workforce. CenterPoint Energy’s strategy combines talent review and succession planning along with internal talent development as essential elements of overall workforce planning. To support its commitment to safely and reliably delivering electricity and natural gas, CenterPoint Energy focuses on the continuous development of its greatest assets, its employees, building a sustainable leadership pipeline.

CenterPoint Energy conducts annual talent review and succession planning with all levels of leadership to ensure business continuity and identify its future leaders. With regards to the senior executive team, the Board of Directors, in conjunction with management, is executing on a comprehensive executive succession planning process, which, among other things, is intended to identify and retain senior executive talent and provide development opportunities. CenterPoint Energy invests in employee development throughout the year to align performance to business needs, drive development planning and contribute to career progression. CenterPoint Energy offers development programs for its employees at all phases of their career including technical and leadership pathways. CenterPoint Energy's processes and progress are reviewed annually for the purposes of continuous improvement.

Diversity, Equity and Inclusion. CenterPoint Energy is dedicated to advancing an inclusive culture and work environment, free from discrimination of any kind, where business results are achieved through the skills, abilities and talents of a diverse workforce. In 2022, CenterPoint Energy's DE&I Council continued to engage employees through internal partnerships with additional resources for employee survey, training, communications and ERG governance. The DE&I Council has eight approved ERGs that focus on employee professional development, networking, cultural awareness and serve as a resource in alignment with CenterPoint Energy's goals and objectives. The ERGs encompass groups including, but not limited to, Women, Black, LGBTQ+, Military, Hispanic/Latin, Asian, employees of Indian descent and those providing assistance to individuals of varying abilities with the support of executive leadership. The ERGs engaged over 1,600 employee members to develop and manage 59 events for the entire employee population throughout the enterprise. In 2022, CenterPoint Energy and employees were recognized by several organizations for initiatives and continued education and certification in Diversity, Equity and Inclusion. Competitive placements in 2022 were 57% racially and/or ethnically diverse and 41% gender diverse. Additional favorable metrics include the diversity of interview panels and diverse candidates interviewed. As of December 31, 2022, CenterPoint Energy's workforce was 41% racially and/or ethnically diverse.

Compensation and Benefits. CenterPoint Energy is committed to providing its employees competitive pay and benefits. Its compensation philosophy is to maintain employee total compensation, including base pay and short-term and long-term incentives, that is market competitive, internally equitable and performance based. CenterPoint Energy believes such pay practices attract, motivate, and retain employees with the skills and competencies necessary to achieve business goals. In addition to competitive compensation, CenterPoint Energy offers its employees benefits including, health and welfare benefits, retirement and savings plans, including company matching, disability coverage, paid time off, family leave, well-being and employee assistance programs, among other benefits which CenterPoint Energy believes provides a competitive and attractive total rewards package.

Workforce Health and Safety. CenterPoint Energy is committed to the health and safety of its workforce, customers, business counterparties and the communities where it operates. Under its Safety Forward approach, safety is the responsibility of all employees. CenterPoint Energy has established a structured employee safety onboarding and development plan through its learning and development platform, offering safety and technical training courses focused on driving, worker safety and safety culture as well as other safety programs designed to encourage employee engagement and participation. Key safety metrics include advanced safety participation, leadership safety engagement rate, days away, restricted or transferred and preventable vehicle incident rate, among other metrics. CenterPoint Energy is aligned with the Edison Electric Institute, American Gas Association and other industry organizations to reduce serious injuries and fatalities. CenterPoint Energy believes the introduction of its READY model adds increased focus on hazard identification and implementation of direct controls to add capacity for safety. In response to the COVID-19 pandemic as a critical service provider, CenterPoint Energy implemented precautionary measures to keep its employees who operate its business safe and informed. Our protocols also encompassed protections for our customers as our workforce continued to provide our services.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS
(as of February 9, 2023)

Name	Age	Title
David J. Lesar	69	Chief Executive Officer
Jason P. Wells	45	President, Chief Operating Officer and Chief Financial Officer
Lynne Harkel-Rumford	66	Executive Vice President and Chief Human Resources Officer
Monica Karuturi	44	Executive Vice President and General Counsel
Jason M. Ryan	47	Executive Vice President, Regulatory Services and Government Affairs

David J. Lesar has served as a director since May 2020 and Chief Executive Officer of CenterPoint Energy since January 2023. He previously served as President and Chief Executive Officer of the Company from July 2020 to December 2022. He served as interim Chief Executive Officer of Health Care Service Corporation, the largest privately held health insurer in the United States, from July 2019 through June 1, 2020 and a director from 2018 to July 2020. Prior to joining Health Care Services Corporation, Mr. Lesar served as the Chairman of the Board and Chief Executive Officer of Halliburton Company.

from 2000 to 2017 and as its Executive Chairman of the Board from June 2017 until December 2018. Mr. Lesar joined Halliburton in 1993 and served in a variety of other roles, including executive vice president of Finance and Administration for Halliburton Energy Services, a Halliburton business unit, Chief Financial Officer of Halliburton from 1995 through May 1997 and President and Chief Operating Officer from May 1997 through August 2000. He has also served on the board of directors of several companies, most recently Agrium, Inc. as well as Lyondell Chemical Co., Southern Co., Cordant Technologies and Mirant.

Jason P. Wells has served as President, Chief Operating Officer and Chief Financial Officer of CenterPoint Energy since January 2023. He served as Executive Vice President and Chief Financial Officer of CenterPoint Energy from September 2020 to December 2022. Prior to joining CenterPoint Energy, Mr. Wells served as Executive Vice President and Chief Financial Officer of PG&E Corporation, a publicly traded electric utility holding company serving approximately 16 million customers through its subsidiary Pacific Gas and Electric Company, from June 2019 to September 2020. He previously served as Senior Vice President and Chief Financial Officer of PG&E Corporation from January 2016 to June 2019 and as Vice President, Business Finance of Pacific Gas and Electric Company from August 2013 to January 2016. PG&E Corporation filed Chapter 11 bankruptcy on January 29, 2019 and successfully emerged from bankruptcy on July 1, 2020. He also served in various finance and accounting roles of increasing responsibility at Pacific Gas and Electric Company. Mr. Wells earned his bachelor's degree and master's degree in accounting, both from the University of Florida. He is a certified public accountant. Mr. Wells serves on the Bauer College Board of the C.T. Bauer College of Business at the University of Houston, the Advisory Board of the Kinder Institute for Urban Research at Rice University, and the Boards of Central Houston, Inc. and M.D. Anderson Cancer Center.

Lynne Harkel-Rumford has served as Executive Vice President and Chief Human Resources Officer of CenterPoint Energy since January 2022. With over 30 years of experience in compensation and benefits matters, Ms. Harkel-Rumford previously served as Senior Vice President and Chief Human Resources Officer from July 2020 to January 2022; Vice President, Total Rewards and Technology from September 2014 to July 2020; and as Associate General Counsel from April 2007 to September 2014. Ms. Harkel-Rumford currently serves on the advisory board of directors of Target Hunger in Houston assisting with Board governance.

Monica Karuturi has served as Executive Vice President and General Counsel of CenterPoint Energy since January 2022. She previously served as Senior Vice President and General Counsel from July 2020 to January 2022; Senior Vice President and Deputy General Counsel from April 2019 to July 2020; as Vice President and Associate General Counsel - Corporate and Securities from October 2015 to April 2019; and as Associate General Counsel - Corporate from September 2014 to October 2015. Prior to joining CenterPoint Energy, Ms. Karuturi served as counsel for LyondellBasell Industries for corporate and finance matters and strategic transactions. Ms. Karuturi was appointed as a Commissioner of the Texas Access to Justice Commission by the Texas Supreme Court in June 2015 and served in this capacity until June 2021. She currently serves as Chair of the Houston Bar Foundation. Ms. Karuturi also serves on the Advisory Council of the Tahirih Justice Center.

Jason M. Ryan has served as Executive Vice President, Regulatory Services and Government Affairs of CenterPoint Energy since January 2022. He previously served as Senior Vice President, Regulatory Services and Government Affairs from July 2020 to January 2022; Senior Vice President and General Counsel from April 2019 to July 2020; as Senior Vice President, Regulatory and Government Affairs from February 2019 to April 2019; as Vice President of Regulatory and Government Affairs and Associate General Counsel from March 2017 to February 2019; and as Vice President and Associate General Counsel from September 2014 to March 2017. He was appointed to the Texas Diabetes Council by Texas Governor Perry in 2013 for a term ending in 2019; he was reappointed by Texas Governor Abbott in 2019 for a term ending in 2025. Mr. Ryan currently serves on the boards of the Lone Star Flight Museum and the Association of Electric Companies of Texas. He also serves on the executive committee of the legal committee of the American Gas Association.

Item 1A. Risk Factors

CenterPoint Energy is a holding company that conducts all of its business operations through subsidiaries, primarily Houston Electric, CERC and SIGECO. The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this combined report on Form 10-K, summarizes the principal risk factors associated with the holding company and the businesses conducted by its subsidiaries. However, additional risks and uncertainties either not presently known or not currently believed by management to be material may also adversely affect CenterPoint Energy's businesses. For other factors that may cause actual results to differ from those indicated in any forward-looking statement or projection contained in this combined report on Form 10-K, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in Item 7, which should be read in conjunction with the risk factors contained in this Item 1A. Carefully consider each of the risks described below, including those relating to Houston Electric and CERC, which, along with CenterPoint Energy, are collectively referred to as the Registrants. Unless the context indicates otherwise, where appropriate, information relating to a specific registrant has been segregated and labeled as such and

specific references to Houston Electric and CERC in this section also pertain to CenterPoint Energy. In this combined report on Form 10-K, the terms “our,” “we” and “us” are used as abbreviated references to CenterPoint Energy, Inc. together with its subsidiaries.

Risk Factors Affecting Operations

Electric Generation, Transmission and Distribution (CenterPoint Energy and Houston Electric)

Disruptions at power generation facilities, generation inadequacy or directives issued by regulatory authorities could cause interruptions in Houston Electric’s and Indiana Electric’s ability to provide transmission and distribution services and adversely affect their reputation, financial condition, results of operations and cash flows.

Houston Electric owns the transmission and distribution infrastructure in its service territory that delivers electric power to its customers, but it does not own or operate any power generation facilities, except for its operation of TEEEF. Indiana Electric owns and operates power generation facilities in addition to the transmission and distribution infrastructure in its service territory. Both Houston Electric and Indiana Electric must follow the directives issued by their respective independent system operator, ERCOT and MISO, respectively. ERCOT and MISO have and may in the future issue directives requiring members to implement controlled outages as a result of an emergency or reliability issues. For example, in February 2021, the ERCOT regulated Texas electric system experienced extreme winter weather conditions and an unprecedented power generation shortage. The amount of electricity generated by the state’s power generation companies was insufficient to meet the amount demanded by customers. This resulted in ERCOT directing TDUs to significantly Load Shed, which caused customer outages across the ERCOT electric grid of Texas, including in Houston Electric’s service territory. See Note 7 to the consolidated financial statements and “— Houston Electric’s use of temporary ...” for further information. If power generation capacity is severely disrupted or is inadequate for any reason in the future, Houston Electric’s or Indiana Electric’s transmission and distribution services may be diminished or interrupted. Further, as with the lawsuits filed in the aftermath of the February 2021 Winter Storm Event, claims and lawsuits could be filed against the Registrants, and our reputation, financial condition, results of operations and cash flows could be adversely affected.

Additionally, Indiana Electric’s generating facilities and the generating facilities that supply the power transmitted by Houston Electric are subject to operational risks that have and may in the future result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased purchase power costs. For example, in December 2022, the A.B. Brown 1 and 2 generating units were offline at various times over an approximately week and a half period due to complications as a result of Winter Storm Elliott. If Indiana Electric is unable to meet its generation capacity it would be required to buy its energy on the open market, which is what occurred during Winter Storm Elliott when A.B. Brown 1 and 2 went offline. Such open market purchases may result in increased costs and may have an adverse impact on our operations. During the outage in Winter Storm Elliott, Indiana Electric had an increase in cost due to open market purchases because Indiana Electric would have been able to generate electricity at a lower rate than the costs incurred to purchase the electricity on the open market. Further, Indiana Electric is party to a number of PPAs with third parties. Indiana Electric’s power generation may be disrupted or otherwise insufficient if third parties do not deliver required power under our PPAs. These operational risks can arise from circumstances such as facility shutdowns or malfunctions due to equipment failure or operator error; aging infrastructure; interruption of fuel supply or increased prices of fuel as contracts expire and inflation rates rise; disruptions in the delivery of electricity; inability to comply with regulatory or permit requirements; labor disputes; or natural disasters, all of which could adversely affect Indiana Electric’s and Houston Electric’s business. Further, Indiana Electric currently relies on coal for the majority of its generation capacity. Indiana Electric purchases the majority of its coal supply from a single, unrelated party and, although the coal supply is under long-term contract, the loss of this supplier or transportation interruptions could adversely affect its ability to deliver electricity to its customers and adversely impact Indiana Electric’s financial condition, results of operations and cash flows. In 2021 and part of 2022, Indiana Electric experienced coal supply shortages due to labor shortages that the coal industry is experiencing. While the coal supply shortage that Indiana Electric experienced did not impact its ability to deliver electricity to its customers, labor shortages as well as supply shortages in the future, whether caused by insufficient supply or supplier bankruptcy or other regulatory and supply issues in the mining industry, may lead to increased cost and have an adverse impact on our operations, financial condition, results of operations and cash flows. See “— Continued disruptions to the supply...”

Houston Electric’s receivables are primarily concentrated in a small number of REPs, and any delay or default in payments of these receivables could adversely affect Houston Electric’s financial condition, results of operations and cash flows.

Houston Electric’s receivables from the distribution of electricity are collected from REPs that supply the electricity. As of December 31, 2022, Houston Electric provided electric delivery service to approximately 64 REPs. Adverse economic

conditions, such as the impact of COVID-19, the February 2021 Winter Storm Event, structural problems in the market served by ERCOT, inflation or financial difficulties of one or more REPs have and may in the future impair the ability of these REPs to pay for Houston Electric's services or cause them to delay such payments. Houston Electric depends on these REPs to remit payments on a timely basis. Houston Electric's PUCT-approved tariff outlines the remedies available to Houston Electric in the event that a REP defaults on amounts owed. Among the remedies available to Houston Electric are seeking recourse against any cash deposit, letter of credit, or surety bond provided by the REP or implementing mutually agreeable terms with the REP. Another remedy is to require that customers be shifted to another REP or a provider of last resort. Houston Electric thus incurs risk for payments related to services provided prior to the shift to another REP or the provider of last resort. A significant portion of Houston Electric's billed receivables from REPs are from affiliates of NRG and Vistra Energy Corp. Houston Electric's aggregate billed receivables balance from REPs as of December 31, 2022 was \$252 million. Approximately 39% and 18% of this amount was owed by affiliates of NRG and Vistra Energy Corp., respectively. Any delay or default in payment by REPs could adversely affect Houston Electric's financial condition, results of operations and cash flows. If a REP was 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 regarding prior payments Houston Electric had received from such REP. For example, following the February 2021 Winter Storm Event, multiple REPs filed for bankruptcy. We are currently capturing the amounts owed by these REPs as a permitted regulatory asset for bad debt expenses, which will be subject to a reasonableness review by the PUCT when we seek recovery in our next base rate case. As of both December 31, 2022 and 2021, 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. There is no guarantee that we will be able to recover any or all of the regulatory asset in our next base rate case. See " — Rate Regulation of Registrants' Electric ..."

Indiana Electric's execution of its generation transition plan, including its IRP, are subject to various risks, including timely recovery of capital investments and increased costs and risks related to the timing and cost of development and/or construction of new generation facilities.

Indiana requires each electric utility to perform and submit an IRP to the IURC every three years, unless extended, that uses economic modeling to consider the costs and risks associated with available resource options to provide reliable electric service for the next 20-year period. Indiana Electric has used past IRPs and will continue to use future IRPs to evaluate its mix of generation resources. Indiana Electric engages with the communities it serves, its regulators and third-parties in developing its generation transition plan. Recent IRPs have demonstrated Indiana Electric can most cost effectively serve its customers by transitioning its generation fleet to a wider mix of resources, including renewables. For example, 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 is now preparing a new IRP to be filed in 2023 for which it has conducted a request for proposals to identify the cost of generating resources, including renewables, thermal and demand-side resources, and short-term capacity to meet the future needs of its electric customers. While the IURC does not approve or reject Indiana Electric's IRP, the IURC does comment on the IRP. Indiana Electric is required to obtain a CPCN prior to constructing or acquiring generating resources. Indiana Electric also obtains IURC approval of PPAs and DSM plans to ensure cost recovery.

Indiana Electric must manage several risks associated with its generation transition plan. The IURC may delay providing comments on Indiana Electric's IRP, requiring Indiana Electric to either wait for comments or proceed to implement its IRP without IURC comments. The IURC comments may raise concerns with Indiana Electric's IRP that make it difficult to obtain approval of the generation transition plan if not addressed. There is no guarantee that the IURC will approve Indiana Electric's requests to implement part of its generation transition. If Indiana Electric fails to receive IURC approvals necessary to acquire the projects or resources identified in its IRP, Indiana Electric may not be able to implement its generation transition plan in a timely manner or at all. If Indiana Electric is unable to implement its generation transition plan, it may have an adverse effect on CenterPoint Energy's ability to execute on its net zero and carbon emission goals, its growth strategy, achieve financial targets, and otherwise impact results of operations and cash flows.

Even if a generation project is approved, risks associated with the development or construction of any new generation exist, including new legislation restricting or delaying new generation, moratorium legislation, the ability to procure resources needed to build at a reasonable cost, scarcity of resources and labor, ability to appropriately estimate costs of new generation, the effects of potential construction delays, project scope changes, and cost overruns and the ability to meet capacity requirements. For example, we, along with our developers of the Posey solar project, have announced plans to downsize the Posey solar project from 300 MW to 191 MW because of supply chain issues experienced in the energy industry, rising cost of commodities and community feedback. Indiana Electric will also seek recovery of costs related to the amendments of the Posey agreement. For additional information, see " — Continued disruptions to the supply..." Furthermore, we have begun to acquire and/or develop additional solar and wind facilities as part of our capital plan. However, we have not yet entered into definitive agreements with developers for the acquisition and/or development of all of the additional projects, and we face significant competition with other bidders for a limited number of such generation facilities that developers plan to construct and for solar

panels. For additional information, see “ — Increases in the cost or reduction in supply ...” The number of available projects is further limited by the MISO interconnection queue due to potential interconnection costs that may render projects infeasible. As a result, suitable generation facility project candidates or resources necessary to construct such projects may not be available on terms and conditions we find acceptable, or the expected benefits of a completed facility may not be realized fully or at all, or may not be realized in the anticipated timeframe. If Indiana Electric was unable to meet its generation needs as a result of project delays or cancellations it would be required to buy the necessary capacity and electricity on the open market. Such open market purchases may result in increased costs and may have an adverse impact on our operations, financial condition, results of operations and cash flows. If we are unable to complete or acquire such generation facilities or resources, or if they do not perform as anticipated, our future growth, financial condition, results of operations and cash flows may be adversely affected.

Increases in the cost or reduction in supply of solar energy system components due to tariffs or trade restrictions imposed by the U.S. government may have an adverse effect on our business, financial condition and results of operations.

China is a major producer of solar panels and other solar products. Certain solar cells, modules, laminates and panels from China are subject to various antidumping and countervailing duty rates, depending on the exporter supplying the product, imposed by the U.S. government as a result of determinations the United States was materially injured as a result of such imports being sold at less than fair value and subsidized by the Chinese government. In March 2022, the DOC announced it would initiate an investigation into whether imports of solar cells and panels produced in Cambodia, Malaysia, Thailand and Vietnam are circumventing U.S. rules and laws, such as antidumping and countervailing duty rates, which impose a tariff on imports of solar cells and panels manufactured in China. In December 2022, the DOC issued its preliminary findings noting that circumvention was occurring in each of the four countries. If an affirmative finding is made by the DOC, it could impose duties on imports of solar cells and panels from Cambodia, Malaysia, Thailand and Vietnam with both forward-looking and retroactive application. In addition, in December 2021, President Biden signed into law the Uyghur Forced Labor Prevention Act, which bans goods from China's Xinjiang region due to the use of forced labor. Continuing tensions between the United States and China may lead to restrictions in trade between the two countries or new legislation, tariffs or bans, any of which could further negatively impact the supply of solar panels. These or similar duties and legislation have and may in the future also put upward pressure on prices of these solar energy products, which may reduce our ability to acquire these items in a timely and cost-efficient manner. If we or the developers we are working with are unable to secure such solar energy products in a timely and cost-efficient manner, we may be forced to delay, downsize and/or cancel solar projects and we may not be able to procure the resources needed to fully execute on our ten-year capital plan or achieve our net zero emissions goals. We have experienced project delays due to developers of our projects being unable to acquire solar panels due to supply chain constraints. Additionally, delays or cancellations by developers of third-party solar power facilities expected to interconnect with CenterPoint Energy's and Houston Electric's system may have adverse impacts, such as delayed or reduced potential future revenues. We cannot predict what additional actions the U.S. government may adopt with respect to tariffs or other trade regulations in the future or what actions may be taken by other countries in retaliation for such measures. If an affirmative finding is made by the DOC or other additional measures are imposed, our business, financial condition and results of operations may be adversely affected.

In the aftermath of the February 2021 Winter Storm Event, there have been calls for reform of the Texas electric market, some measure of which, if implemented, could have an adverse impact on Houston Electric.

During and in the aftermath of the February 2021 Winter Storm Event, the Texas legislature revised applicable statutes and granted the PUCT and ERCOT additional regulatory authority, both oversight and enforcement, that focuses on ensuring ERCOT market participants, including power generation facilities and TDUs (like Houston Electric), have adopted sufficient winterization standards and protection. Houston Electric is in compliance with the requirements applicable to it. If any additional protections are required in the future, complying with these new protections may increase the cost of electricity, which could adversely affect Houston Electric's results of operations. Any potential decreases in customer usage due to higher electricity prices charged by REPs may not result in increased base rates charged by Houston Electric for its services until its next general base rate proceeding. For further information on Houston Electric's regulatory proceedings, see “ — Rate regulation of Houston Electric's...”

Various governmental and regulatory agencies and other entities have called for or are conducting inquiries and investigations into the February 2021 Winter Storm Event and the efforts made by various entities to prepare for, and respond to, this event, including the electricity generation shortfall issues. Such agencies and entities include the United States Congress, FERC, NERC, Texas RE, ERCOT, Texas government entities and officials such as the Texas Governor's office, the Texas Legislature, the Texas Attorney General, the PUCT, the City of Houston and other municipal and county entities in Houston Electric's service area, among other entities. In addition to questions around preparation and response, some federal and other officials, as well as members of the public and media, have called for reviews and reforms of the Texas electric market, including whether it should continue to be governed by ERCOT or instead be subject to FERC jurisdiction and regulation by joining an ISO such as MISO, as well as the division of the market between power generators, TDUs (such as Houston Electric) and REPs. There are significant uncertainties whether any further market structure or governance changes will result from these

discussions. If there are changes to how the Texas electric market is structured or regulated, such changes could have an adverse impact on Houston Electric's business, financial condition and results of operations. See Note 7 to the consolidated financial statements for further information.

Houston Electric's use of TEEEF is subject to various risks, including related failure to obtain and deploy sufficient TEEEF resources, potential performance issues and allegations about Houston Electric's deployment of the resources (including the planning, execution, and effectiveness of the same), regulatory and environmental requirements, and timely recovery of capital.

Following the February 2021 Winter Storm Event, the Texas legislature passed a law, effective September 1, 2021, that allows TDUs, such as Houston Electric, to lease and temporarily operate back-up generation resources during widespread power outages where ERCOT has ordered a TDU to Load Shed or the TDU's distribution facilities are not being fully served by the bulk power system under normal operations. In response to this legislation, Houston Electric entered into two leases for TEEEF (mobile generation).

If Houston Electric is otherwise unable to deploy a sufficient number of TEEEF in time to respond to a particular event; if the TEEEF fail to perform as intended; if Houston Electric is otherwise unable to provide back-up generation resources and restore power as intended; or if the use of TEEEF or their failure to perform causes or is alleged to cause any personal injury, property damage, or other damage or loss due to allegations it failed to deploy such units reasonably or effectively and failed to respond to particular power outages, Houston Electric could be subject to claims, demands, litigation, liability, regulatory scrutiny, and loss of reputation. While Houston Electric has insurance coverage and indemnity rights for its use of TEEEF, if its insurers or indemnitors fail to meet their indemnity obligations, Houston Electric could be liable for personal injury, property damage, or other damage or loss. As noted above, the legislation prescribes specific and limited use for the TEEEF, and Houston Electric's TEEEF have limited generation capacity, such that in future events customers could still be without power despite deployment of the TEEEF.

Further, the TEEEF are subject to various environmental regulations and permitting requirements, which could have an impact on Houston Electric's ability to use these units. If Houston Electric is not in compliance with any environmental regulation or permitting requirement, Houston Electric could be subject to further potential liability. The use of TEEEF is also subject to various requirements, and failure to comply with them could subject Houston Electric to additional liability as well as challenges to its use of TEEEF in general. Additionally, Houston Electric's recovery of its costs for TEEEF is not certain. In April 2022, Houston Electric sought to recover its costs for TEEEF through a DCRF application. In July 2022, Houston Electric amended its filing to include the TEEEF cost in a separate rider and intervenors filed testimony in September 2022 challenging the acquisition and deployment of TEEEF. On January 27, 2023, the administrative law judges issued a proposal for decision recommending that the leasing of the TEEEF was not prudent or reasonable and necessary and that the PUCT deny recovery of all of the TEEEF costs. The PUCT is expected to consider the proposal for decision on March 9, 2023. If Houston Electric is unable to recover any or all of its TEEEF costs, it could have an adverse impact on its financial condition, results of operations and cash flows. For further information, see " — Rate Regulation of Houston Electric's...", " — Our insurance coverage may not..." and " — We are subject to operational..."

Natural Gas (CenterPoint Energy and CERC)

Access to natural gas supplies and pipeline transmission and storage capacity are essential components of reliable service for Natural Gas' customers.

Natural Gas depends on third-party service providers to maintain an adequate supply of natural gas and for available storage and intrastate and interstate pipeline capacity to satisfy its customers' needs, all of which are critical to system reliability. Substantially all of Natural Gas' natural gas supply is purchased on intrastate and interstate pipelines. If Natural Gas is unable to secure an independent natural gas supply of its own or if third-party service providers fail to timely deliver natural gas to meet Natural Gas' requirements, the resulting decrease in natural gas supply in Natural Gas' service territories could have an adverse effect on its financial condition, results of operations and cash flows. Additionally, a significant disruption, whether through reduced intrastate and interstate pipeline transmission or storage capacity or other events affecting natural gas supply, including, but not limited to, operational failures, hurricanes, tornadoes, floods, severe winter weather conditions, acts of terrorism or cyberattacks or changes in legislative or regulatory requirements, could also adversely affect Natural Gas' businesses. Further, to the extent that Natural Gas' natural gas requirements cannot be met through access to or continued use of existing natural gas infrastructure or if additional infrastructure, including onshore and offshore exploration and production facilities, gathering and processing systems and pipeline and storage capacity is not constructed at a rate that satisfies demand, then Natural Gas' operations could be negatively affected.

Natural Gas is subject to fluctuations in natural gas prices, which could affect the ability of its suppliers and customers to meet their obligations or may impact its operations which could adversely affect CERC's financial condition, results of operations and cash flows.

Natural Gas is subject to risk associated with changes in the price of natural gas. Significant increases in natural gas prices, such as those experienced during the February 2021 Winter Storm Event, might affect Natural Gas' ability to collect balances due from customers and could create the potential for uncollectible accounts expense to exceed the recoverable levels built into tariff rates. In addition, a sustained period of high natural gas prices could (i) decrease demand for natural gas in the areas in which Natural Gas operates, thereby resulting in decreased sales and revenues and (ii) increase the risk that Natural Gas' suppliers or customers fail or are unable to meet their obligations. An increase in natural gas prices would also increase working capital requirements by increasing the investment that must be made to maintain natural gas inventory levels.

Natural Gas must compete with alternate energy sources, which could result in less natural gas delivered and have an adverse impact on CenterPoint Energy's and CERC's financial condition, results of operations and cash flows.

Natural Gas competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and natural gas marketers also compete directly with Natural Gas for natural gas sales to end users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass Natural Gas' facilities and market, sell and/or transport natural gas directly to commercial and industrial customers. Any reduction in the amount of natural gas delivered by Natural Gas as a result of competition with alternate energy sources may have an adverse impact on CenterPoint Energy and CERC's financial condition, results of operations and cash flows.

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 involving natural gas pipelines.

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 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.

Energy Systems Group (CenterPoint Energy)

Energy Systems Group's operations could be adversely affected by a number of factors.

Energy Systems Group's business results are dependent on a number of factors. The industry in which Energy Systems Group operates is competitive and many of the contracts are subject to a bidding process. Should Energy Systems Group be unsuccessful in bidding contracts (for example, federal Indefinite Delivery/Indefinite Quantity contracts), results of operations could be impacted. Through competitive bidding, the volume of contracted work could vary significantly from year to year. Further, to the extent there are unanticipated cost increases in completion of the contracted work or issues arise where amounts due for work performed may not be collected, the profit margin realized on any single project could be reduced. Changes in legislation and regulations impacting the sectors in which the customers served by Energy Systems Group operate could adversely impact operating results. Additionally, Energy Systems Group's business is subject to other risks including, but not

limited to, the following: the discontinuation of the federal ESPC and UESC programs; increases in tax liability, such as due to changes in legislation or the interpretation of existing guidelines; the inability of customers to finance projects; failure to appropriately design, construct or operate projects; increased project delays and backlogs, particularly in the federal sector, increases in costs and shortages in supply materials and other factors; cancellation of projects by customers or reductions in the scope of the projects; and obligations related to warranties, guarantees and other contractual and legal obligations.

Energy Systems Group's business has performance and warranty obligations, some of which are guaranteed by CenterPoint Energy.

In the normal course of business, Energy Systems Group issues performance bonds and other forms of assurance that commit it to operate facilities, pay vendors or subcontractors and support warranty obligations. As the parent company, CenterPoint Energy or Vectren has, and will, from time to time guarantee its subsidiaries' commitments. These guarantees do not represent incremental consolidated obligations; rather, they represent parental guarantees of subsidiary obligations to allow the subsidiary the flexibility to conduct business without posting other forms of collateral. Neither CenterPoint Energy nor Vectren has been called upon to satisfy any obligations pursuant to these parental guarantees to date. For further information, see Note 15(c) to the consolidated financial statements.

Risk Factors Affecting Regulatory, Environmental and Legal Risks

Rate regulation of Registrants' Electric and Natural Gas businesses may delay or deny their ability to earn an expected return and fully and timely recover their costs.

The Registrants' Electric and Natural Gas businesses are regulated by certain municipalities and state commissions. Their rates are set in comprehensive base rate proceedings (i.e., general rate cases) based on an analysis of their invested capital, their expenses and other factors in a designated test year (often either fully or partially historic), subject to periodic review and adjustments. Each of these rate proceedings is subject to third-party intervention and appeal, and the timing of a general base rate proceeding may be out of the Registrants' control. Houston Electric, Indiana Electric and CERC each plan to file rate cases during 2023. The Registrants can make no assurance that their or their subsidiaries' respective base rate proceedings will result in requested or favorable adjustments to their rates, in full and timely cost recovery or approval of other requested items, including, among other things, capital structure and ROE. Moreover, these base rate proceedings have caused in certain instances, and in the future could cause, the Registrants' Electric and/or Natural Gas businesses to recover their investments below their requested levels, below the national average return for utilities or below recently approved return levels for other utilities in their respective jurisdictions. For instance, in the 2019 Houston Electric general rate case, Houston Electric filed a base rate case seeking approval for revenue increases of approximately \$194 million and a 10.4% ROE, but after entering into a Stipulation and Settlement Agreement filed with the PUCT, Houston Electric received an overall revenue requirement increase of approximately \$13 million and a 9.4% ROE. To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. Further, the Registrants or their subsidiaries might be required to implement additional measures, such as the adoption of ring-fencing measures by Houston Electric in connection with its 2019 rate case proceeding. Such additional measures may adversely impact the Registrant's businesses and could have an adverse effect on their financial condition, results of operations and cash flows.

The rates that Registrants' Electric and Natural Gas businesses are allowed to charge may not match their costs at any given time, a situation referred to as "regulatory lag." Regulatory lag has been and may be exaggerated in the future under certain circumstances, such as increasing inflation rates like those experienced in 2022. For example, the MPUC has ordered the amortization period for extraordinary gas costs resulting from the February 2021 Winter Storm Event be increased from 27-months to 63-months beginning on January 1, 2022, and CERC forego recovery of the associated carrying costs to make customer monthly bills more affordable and due to carrying costs not being typically recoverable in Minnesota. Though several interim rate adjustment mechanisms have been approved by jurisdictional regulatory authorities and implemented by the Registrants and their subsidiaries to reduce the effects of regulatory lag (for example, CSIA, DCRF, DRR, DSMA, GRIP, RCRA, RRA, RSP, TCOS and TDSIC), such adjustment mechanisms are subject to the applicable regulatory body's approval, which we cannot assure would be approved, and are subject to certain limitations that may reduce or otherwise impede the Registrants' or their subsidiaries' ability to adjust its rates or result in rates below those requested. Therefore, the Registrants can make no assurance filings for such mechanisms will result in favorable adjustments to rates or in full cost recovery. Further, from time to time, the Registrants' regulators approve the issuance of securitization bonds in order to recover certain costs, including costs incurred as a result of severe weather or to recover stranded asset costs. The issuance of these securitization bonds may be delayed. For instance, CenterPoint Energy and CERC have filed for securitization of natural gas costs in Texas, received commission approval and issuance of a financing order in 2022, and expect the Texas Public Financing Authority to issue customer rate relief bonds in first half of 2023. If the issuance of such securitization bonds is delayed, we may not be able

to recover our costs in a timely manner, which could have an adverse effect on CenterPoint Energy's and CERC's financial condition, results of operations and cash flows.

Inherent in the regulatory process is some level of risk jurisdictional regulatory authorities may challenge the reasonableness or prudence of operating expenses incurred or capital investments made by the Registrants or their subsidiaries and deny the full recovery of their cost of service in rates. From time to time, these reviews and investigations have caused in certain instances, and in the future could cause, the Registrants' to recover their costs or investments below their requested levels. For example, in October 2022, the MPUC issued a written order disallowing recovery of approximately \$36 million of the \$409 million originally requested by CERC in connection with its recovery of costs incurred as a result of the February 2021 Winter Storm Event. In November 2022, CERC filed a petition for reconsideration with the MPUC and the MPUC issued a written order denying the petition on January 6, 2023. Notwithstanding the application of such rate adjustment mechanisms, the regulatory process by which rates are determined is subject to change as a result of legislative processes or rulemakings, as the case may be, and may not always be available or result in rates that will produce recovery of the Registrants' or their subsidiaries' costs or enable them to earn their authorized return. Changes to the rate case or interim adjustment mechanisms could result in an increase in regulatory lag or otherwise impact the Registrants' ability to recover their costs in a timely manner. To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. For further information on rate case proceedings and interim rate adjustment mechanisms, 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.

We are subject to operational and financial risks and liabilities arising from environmental laws and regulations, including regulation of CCR, climate change legislation and certain local initiatives that seek to limit fossil fuel usage.

Our operations are subject to stringent and complex laws and regulations pertaining to the environment. As an owner or operator of natural gas pipelines, distribution systems and storage, electric generating facilities and electric transmission and distribution systems, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, including among others, restricting the use of fossil fuels through future climate legislation or regulation, restricting the use of natural gas-fired appliances in new homes, limiting airborne emissions from generating facilities, restricting the way we manage wastes, including wastewater discharges, air emissions and CCR removal, and requiring remedial action or monitoring to mitigate environmental actions caused by our operations or attributable to former operations. We may need to spend substantial amounts and devote other resources from time to time to comply with these requirements. For example, Indiana Electric has determined that two ponds, one at F.B. Culley and one at A.B. Brown, were required to be closed under the CCR Rule. Indiana Electric has timely filed extension requests under the CCR Rule. If Indiana Electric does not receive approval of these or future extension requests, Indiana Electric may have increased and potentially significant operational costs in connection with the accelerated implementation of an alternative ash disposal system. Further, in the course of operations we have released, and may in the future inadvertently release, various contaminants. Any such releases could have a significant impact on the environment and result in significant fines. Failure to comply with applicable environmental laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, which we have been subject to from time to time, revocation of permits, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict joint and several liability for costs required to clean, restore and monitor sites where hazardous substances have been stored, disposed or released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment.

Regulatory agencies have also adopted, and from time to time consider adopting, new legislation and/or modifying existing laws and regulations to reduce GHGs. There continues to be a wide-ranging policy and regulatory debate, both nationally and internationally, regarding the potential impact of GHGs and possible means for their regulation. The trend in environmental regulation has been to place more restrictions and limitations on activities that may impact the environment, which is expected to continue under the current administration. 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 United States' commitments announced in Glasgow, Scotland. Reentry into the Paris Agreement, revised climate commitments coming out of the 2021 United Nations Climate Change Conference held in Glasgow and President Biden's executive orders may result in the development of additional regulations or changes to existing regulations. Potential future restrictions include, among other things, the United States enacting additional GHG regulations and mandated financial, emissions and other disclosures. As a distributor and transporter of natural gas and electricity, and a generator of electricity in Indiana, the Registrants' 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 its operations or that would have the effect of reducing the

consumption of natural gas or electricity or prevent the use of certain fuel types. Also, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be greater than the amounts we currently anticipate, which could adversely affect our financial condition, results of operations and cash flows. Likewise, incentives to conserve energy or use energy sources other than natural gas could result in a decrease in demand for our services. For further discussion, see “Business—Environmental Matters” in Item 1 and “—Natural Gas must compete with...”

Evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels may have substantial impacts on CenterPoint Energy's and CERC'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. Further, some investors choose to not invest in CenterPoint Energy due to CenterPoint Energy's and CERC's use of fossil fuels. Also, certain cities in CenterPoint Energy's and CERC's Natural Gas operational footprint have discussed the adoption of initiatives to prohibit the construction of new natural gas facilities that would provide service and focus on electrification. For example, Minneapolis has adopted carbon emission reduction goals in an effort to decrease reliance on fossil gas. Certain state and local governments in states such as New York and California have also passed, or are considering, legislation banning the use of natural gas-fired appliances in new homes, which could affect consumer use of natural gas. Should such bans be enacted within Natural Gas' operational footprint, they could adversely affect consumer demand for natural gas. Any such initiatives and legislation could adversely affect CenterPoint Energy's and CERC's results of operations.

CenterPoint Energy is subject to operational and financial risks and liabilities associated with the implementation of and efforts to achieve its carbon emissions reduction goals.

In September 2021, CenterPoint Energy announced its net zero emission goals for Scope 1 and certain Scope 2 emissions by 2035 and a 20-30% reduction in certain Scope 3 emissions by 2035 as compared to 2021 levels. CenterPoint Energy's analysis and plan for execution requires it to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of CenterPoint Energy's underlying assumptions prove incorrect, its actual results and ability to achieve net zero emissions by 2035 could differ materially from its expectations. Certain of the assumptions that could impact CenterPoint Energy's ability to meet its net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with expectations (inclusive of changes related to the sale of CenterPoint Energy's Natural Gas businesses in Arkansas and Oklahoma); regulatory approval of Indiana Electric's generation transition plan; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; CenterPoint Energy's ability to implement its modernization plans for its pipelines and facilities; the ability to complete and timely implement generation alternatives, such as solar and wind generation, to Indiana Electric's coal generation and retirement dates of Indiana Electric's coal facilities by 2035; the ability to construct and/or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of or scarcity of resources and labor, any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; changes in applicable standards or methodologies; and enhancement of energy efficiencies. Our businesses may face increased scrutiny from investors and other stakeholders related to our sustainability activities, including the goals, targets, and objectives we announce, our methodologies and timelines for pursuing them, and related disclosures. If our sustainability practices do not meet investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected. Similarly, our failure or perceived failure to pursue or fulfill our sustainability-focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or at all, could adversely affect our business or reputation, as well as expose us to government enforcement actions and private litigation.

Developing and implementing plans for compliance with voluntary climate commitments can lead to additional capital, personnel and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. To the extent that we believe any of these costs are recoverable in rates, cost recovery could be resisted by our regulators and our regulators might attempt to deny or defer timely recovery of these costs. Moreover, we cannot predict the ultimate impact of achieving our emissions reduction goals, or the various implementation aspects, on our system reliability or our financial condition and results of operations.

Houston Electric and Indiana Electric, as a member of ERCOT and MISO, respectively, could be subject to higher costs for system improvements, as well as fines or other sanctions as a result of FERC mandatory reliability standards.

Houston Electric and Indiana Electric are members of ERCOT and MISO, respectively, which serve the electric transmission needs of their applicable regions. As a result of their respective participation in ERCOT and MISO, Houston Electric and Indiana Electric do not have operational control over their transmission facilities and are subject to certain costs for improvements to these regional electric transmission systems. In addition, the FERC has jurisdiction with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by Houston Electric and other utilities within ERCOT and Indiana Electric and other utilities within MISO, respectively. The FERC has designated the NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system. The FERC has approved the delegation by the NERC of authority for reliability in ERCOT to the Texas RE, a Texas non-profit corporation, and for reliability in the portion of MISO that includes Indiana Electric to ReliabilityFirst Corporation, a Delaware non-profit corporation. Compliance with mandatory reliability standards may subject Houston Electric and Indiana Electric to higher operating costs and may result in increased capital expenditures, which may not be fully recoverable in rates. While Houston Electric and Indiana Electric have received minor fines in the past for noncompliance, if Houston Electric or Indiana Electric were to be found to be in noncompliance with applicable mandatory reliability standards again, they would be subject to sanctions, including potential monetary penalties, which could range as high as over a million dollars per violation per day, and non-monetary penalties, such as having to file a mitigation plan to prevent recurrence of a similar violation and having certain milestones in such plan tracked.

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

The Registrants are subject to numerous legal proceedings, including lawsuits and environmental matters in addition to regulatory proceedings, the most significant of which are summarized in Note 15 to the consolidated financial statements. Litigation is subject to many uncertainties; recent trends suggest jury verdicts and other liability have been increasing, and the Registrants cannot predict the outcome of all matters with assurance. Additionally, under some circumstances, the Registrants could potentially have claims filed against them or incur liabilities associated with assets and businesses no longer owned by them as a result of sales, divestitures or other transfers to third parties who may be unable to fulfill their indemnity obligations to the Registrants. Final resolution of these matters, or any potential future claims or liabilities, may require additional expenditures over an extended period of time that may be in excess of established insurance or reserves and may have an adverse effect on the Registrants' financial results.

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

We are committed to living our core values of safety, integrity, accountability, initiative and respect and complying with all applicable laws and regulations. Despite that commitment and efforts to prevent misconduct, it is possible for employees to engage in intentional misconduct, fail to uphold our core values, and violate laws and regulations for individual gain through contract or procurement fraud, misappropriation, bribery or corruption, fraudulent related-party transactions and serious breaches of our Ethics and Compliance Code and other policies. If such intentional misconduct by employees should occur, it could result in substantial liability, higher costs, increased regulatory scrutiny and negative public perceptions, any of which could have an adverse effect on our financial condition, results of operations and cash flows. From time to time, including as part of our Ethics and Compliance program's efforts to detect misconduct, we become aware of and expect to continue to become aware of instances of employee misconduct, which we investigate, remediate and disclose as appropriate and proportionate to the incident.

Risk Factors Affecting Financial, Economic and Market Risks

Continued disruptions to the global supply chain may lead to higher prices for goods and services and impact our operations, which could have an adverse impact on our ability to execute our capital plan and on our financial condition, results of operations and cash flows.

The global supply chain has experienced and is expected to continue to experience disruptions due to a multitude of factors, such as the COVID-19 pandemic, labor shortages, resource availability, long lead time, inflation and weather, and these disruptions have adversely impacted the utility industry. We, as well as other companies in our industry, have experienced supply chain disruptions, as well as increased prices, and we may continue to experience this in the future. Examples of materials necessary for the transmission and distribution of power we and our industry have experienced difficulties in procuring include transformers, wires, cables, meters, poles and solar panels. We may continue to experience difficulties in procuring these resources and others necessary to operate our businesses in the future, and if we were to experience other

significant supply chain disruptions in the future, we may not be able to procure the resources, including labor, needed to timely perform storm restoration activities, fully execute on our ten-year capital plan or achieve our net zero emission goals. Moreover, high inflation and rising interest rates continue to be an area of economic concern and has contributed to the increased prices for materials and services that have been experienced by us and other companies in our industry. Even if we are able to procure the necessary resources, we might not be able to do so at a reasonable cost or in a timely manner which could result in project cancellations or scope changes, delays, cost overruns and under-recovery of costs. If we are unable to fully execute on capital plans as a result of supply chain disruptions, our financial condition, results of operations and cash flows may be adversely affected.

CenterPoint Energy is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, CenterPoint Energy depends on the performance of and distributions from its subsidiaries to meet its payment obligations and to pay dividends on its common and preferred stock, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.

CenterPoint Energy derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. Similarly, as a result of the Restructuring, CERC derives a significant portion of its operating income from and holds a significant portion of its assets through its subsidiaries, including Indiana Gas and VEDO. As a result, CenterPoint Energy and to a lesser extent, CERC, depend on the performance of and distributions from their respective subsidiaries to meet their respective payment obligations and to pay dividends on their respective common and/or preferred stock. In general, CenterPoint Energy's and CERC's subsidiaries are separate and distinct legal entities and have no obligation to provide them with funds for their respective payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit CenterPoint Energy's and CERC's respective subsidiaries' ability to make payments or other distributions to CenterPoint Energy or CERC, and their respective subsidiaries could agree to contractual restrictions on their ability to make payments or other distributions. Further, as part of Houston Electric's 2019 base rate case, Houston Electric agreed to certain "ring-fencing" measures to increase its financial separateness from CenterPoint Energy. Houston Electric is expected to file a base rate proceeding in late 2023. In this proceeding, Houston Electric may be requested to institute further ring-fencing measures or further ring-fencing measures could be imposed on Houston Electric in the future through legislation or PUCT rules or orders. While current ring-fencing measures have not impacted Houston Electric's ability to pay dividends to CenterPoint Energy, the imposition of any additional measures impacting CenterPoint Energy's ability to receive dividends from Houston Electric could adversely affect CenterPoint Energy's cash flows, credit quality, financial condition and results of operations. Any such adverse effect on CenterPoint Energy could also adversely affect Houston Electric's cash flows, credit quality, financial condition and results of operations as CenterPoint Energy may not be able to financially support Houston Electric if and when necessary.

CenterPoint Energy's right to receive assets of any subsidiary, and therefore the right of its creditors to participate in those assets, are structurally subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if CenterPoint Energy were a creditor of any subsidiary, its rights as a creditor would likely be effectively subordinated to any security interest in the assets of that subsidiary and any senior indebtedness of the subsidiary.

If we are unable to arrange future financings on acceptable terms, our ability to finance our capital expenditures or refinance outstanding indebtedness could be limited.

Our businesses are capital intensive, and we rely on various sources to finance our capital expenditures. For example, we depend on (i) long-term debt, (ii) borrowings through our revolving credit facilities and, for CenterPoint Energy and CERC, commercial paper programs and (iii) if market conditions permit, issuances of additional shares of common or preferred stock by CenterPoint Energy. We may also use such sources to refinance any outstanding indebtedness as it matures. Additionally, from time to time, our operating subsidiaries, including Houston Electric and CERC, may rely on intercompany borrowings from CenterPoint Energy that may be sourced from CenterPoint Energy's external financings. As of December 31, 2022, CenterPoint Energy had \$17 billion of outstanding indebtedness on a consolidated basis, which includes \$317 million of non-recourse Securitization Bonds. For information on outstanding indebtedness of Houston Electric and CERC as well as future maturities, see Note 13 to the consolidated financial statements. Our future financing activities may be significantly affected by, among other things:

- general economic and capital market conditions, including inflation;
- credit availability from financial institutions and other lenders;
- investor confidence in us and the markets in which we operate;
- the future performance of our businesses;
- maintenance of acceptable credit ratings;
- actions from the Federal Reserve, including further interest rate increases and unanticipated actions;

- market expectations regarding our future earnings and cash flows;
- investor willingness to invest in companies associated with fossil fuels;
- our ability to access capital markets on reasonable terms;
- timing of future securitizations by jurisdictions in which we operate; and
- provisions of relevant securities laws.

The Registrants' current credit ratings and any changes in credit ratings in 2022 and to date in 2023 are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Other Matters — Impact on Liquidity of a Downgrade in Credit Ratings" in Item 7 of Part II of this report. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be reduced or withdrawn by a rating agency. The Registrants note these credit ratings are not recommendations to buy, sell or hold their securities. 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 an adverse impact on their ability to access capital on acceptable terms. For example, if CERC's credit rating were to decline, it may have an adverse impact on the cost of borrowings and, in extraordinary market conditions, it may limit the ability to access the debt capital markets. Additionally, CERC might be required to post collateral under its shipping arrangements or to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC's financial condition and results of operations and cash flows could be adversely affected.

CERC also expects to receive approximately \$1.1 billion in proceeds from the issuance of customer rate relief bonds by Texas Public Financing Authority in the first half of 2023 to reimburse CERC's natural gas costs incurred as a result of the February 2021 Winter Storm Event. Such proceeds were originally expected to be received in 2022. The failure to receive such proceeds or any further delay could adversely affect our financial condition, results of operations and cash flows.

An impairment of goodwill, long-lived assets, including intangible assets, equity method investments and an impairment or fair value adjustment could reduce our earnings.

Long-lived assets, including intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment at least annually, as well as when events or changes in circumstances indicate the carrying value may not be recoverable. During the year ended December 31, 2020, CenterPoint Energy identified and recorded a goodwill impairment charge of \$185 million in the Indiana Electric reporting unit. No impairments to goodwill were recorded during the years ended December 31, 2022 and 2021. See Note 6 to the consolidated financial statements for further information. Should the annual goodwill impairment test or another periodic impairment test or an observable transaction indicate the fair value of our assets is less than the carrying value, we would be required to take a non-cash charge to earnings with a correlative effect on equity, increasing balance sheet leverage as measured by debt to total capitalization. A non-cash impairment charge or fair value adjustment could adversely impact our financial condition and results of operations.

If CenterPoint Energy redeems the ZENS prior to their maturity in 2029, its ultimate tax liability and redemption payments would result in significant cash payments, which would adversely impact its cash flows. Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy's cash flows.

CenterPoint Energy has approximately \$828 million principal amount of ZENS outstanding as of December 31, 2022. 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. CenterPoint Energy may redeem all of the ZENS at any time at a redemption amount per ZENS equal to the higher of the contingent principal amount per ZENS (\$26 million in the aggregate, or \$1.86 per ZENS, as of December 31, 2022), or the sum of the current market value of the reference shares attributable to one ZENS at the time of redemption. In the event CenterPoint Energy redeems the ZENS, in addition to the redemption amount, it would be required to pay deferred taxes related to the ZENS. CenterPoint Energy's ultimate tax liability related to the ZENS and ZENS-Related Securities continues to increase by the amount of the tax benefit realized each year. If the ZENS had been redeemed on December 31, 2022, deferred taxes of approximately \$665 million would have been payable in 2022, based on 2022 tax rates in effect. In addition, if all the shares of ZENS-Related Securities had been sold on December 31, 2022 to fund the aggregate redemption amount, capital gains taxes of approximately \$80 million would have been payable in 2022. 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.

Dividend requirements associated with CenterPoint Energy's Series A Preferred Stock subject it to certain risks.

CenterPoint Energy has 800,000 shares of Series A Preferred Stock outstanding. Any future payments of cash dividends, and the amount of any cash dividends CenterPoint Energy pays, on its Series A Preferred Stock will depend on, among other things, its financial condition, capital requirements and results of operations and the ability of our subsidiaries to distribute cash to CenterPoint Energy, as well as other factors that CenterPoint Energy's Board of Directors (or an authorized committee thereof) may consider relevant. Any failure to pay scheduled dividends on the Series A Preferred Stock when due could adversely impact our ability to access capital on acceptable terms and would likely have an adverse impact on the market price of the Series A Preferred Stock, Common Stock and CenterPoint Energy's debt securities and would prohibit CenterPoint Energy, under the terms of the Series A Preferred Stock, from paying cash dividends on or repurchasing shares of Common Stock (subject to limited exceptions) until such time as CenterPoint Energy has paid all accumulated and unpaid dividends on the Series A Preferred Stock.

Further, the terms of the Series A Preferred Stock provide that if dividends on any of the respective shares have not been declared and paid for the equivalent of three or more semi-annual or six or more quarterly dividend periods, whether or not for consecutive dividend periods, the holders of such shares, voting together as a single class with holders of any and all other series of CenterPoint Energy's capital stock on parity with its Series A Preferred Stock (as to the payment of dividends and amounts payable on liquidation, dissolution or winding up of CenterPoint Energy's affairs) upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of a total of two additional members of CenterPoint Energy's Board of Directors, subject to certain terms and limitations.

The replacement of LIBOR, or SOFR, with an alternative reference rate, may adversely affect the cost of capital related to outstanding debt and other financial instruments.

LIBOR is currently the basic rate of interest widely used as a global reference for setting interest rates on variable rate loans and other securities. Certain financial instruments entered into by the Registrants' subsidiaries, use LIBOR as a reference rate. Beginning January 1, 2022, the Financial Conduct Authority ceased publishing one week and two-month U.S. dollar LIBOR and is expected to cease publishing all remaining U.S. dollar LIBOR tenors in June 2023 unless cessation is further extended.

Each of the Registrants' credit and term loan facilities, including certain facilities or financial instruments entered into by their subsidiaries, use SOFR as a reference rate. Because SOFR is a broad U.S. Treasury repo financing rate that represents overnight secured funding transactions, it differs fundamentally from LIBOR. Any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR's phaseout could cause LIBOR to perform differently than in the past or cease to exist. Changes in the method of calculating LIBOR, or the replacement of LIBOR (or SOFR) with an alternative rate or benchmark, may adversely affect interest rates and result in higher borrowing costs. This could adversely affect our cash flow and liquidity. Each of the Registrants' credit facilities provide for a mechanism to replace SOFR with possible alternative benchmarks upon certain benchmark replacement events. We will evaluate the potential impact of any such potential benchmark replacements should it occur.

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 the Company, including our ten-year long-term capital plan, and net zero and carbon emission reduction 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 long-term 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 completed sale of our Natural Gas businesses in Arkansas and Oklahoma and the completed Enable Merger and subsequent sale of Energy Transfer Common Units and Energy Transfer Series G Preferred Units, from joint ventures or undertake restructurings, such as the recently completed 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.

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 2022 and 2021, the Company 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 condensed 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 corporate alternative minimum tax, and expanding federal tax credits for cleaner energy production. Based on information and forecasts as of December 31, 2022, the Registrants' may be subject to the corporate alternative minimum tax 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 corporate alternative minimum tax 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.

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 adversaries attacking information technology systems, operational technology, network infrastructure, and other technology and facilities used to conduct almost all of our businesses, which includes, among other things, (i) managing operations and other business processes and (ii) protecting sensitive information maintained in the normal course of business. For example, the operation of our electric 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.

Cyberattacks, including phishing attacks and threats from the use of malicious code such as malware, ransomware and viruses, and unauthorized access could also result in the loss, or unauthorized use, of confidential, proprietary or critical infrastructure data or security breaches of other information technology systems that could disrupt operations and critical business functions, adversely affect reputation, increase costs and subject us to possible legal claims and liability. 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, like ERCOT and MISO, 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 operations. Because technology is increasingly complex and cyber-attacks 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, 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 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. In the second and third quarters of 2021, the TSA announced two new security directives in response to a ransomware attack on the Colonial Pipeline that occurred in 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 announced a third security directive requiring 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. Pipeline owners are required to continue to implement the measures outlined in the second directive until such time as an organization's Cybersecurity Implementation Plan is approved. TSA approved CenterPoint Energy's Cybersecurity Implementation Plan in December 2022. 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 personally identifiable information could adversely affect us.

In connection with our businesses, we and our vendors, suppliers and contractors collect and retain personally identifiable 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 from attacks, neither program can prevent all security or privacy breaches. We and some of our third party vendors who maintain personally identifiable information have experienced, and expect to continue to experience, data privacy incidents and breaches. A significant theft, loss or fraudulent use of the personally identifiable 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.

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 condensed 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. 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...”

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 “— Continued disruptions to the 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;
- 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, 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. Similarly to the impact of rising inflation and rising interest rates, among other items that 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 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;
- delay the timeliness of our service to customers because of shutdowns and/or illness and travel restrictions among our employees;
- negatively impact 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;
- may limit or curtail significantly or entirely 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 cyber attacks 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 or temporary employees, 19.3%, 23.6% and 26.1% were retirement eligible as of December 31, 2022, 2021 and 2020, 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 39% 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 IBEW 1393, USW 12213, USW 7441 related to Natural Gas employees and IBEW 66 related to Houston Electric employees are scheduled to expire in May 2023 for IBEW 66 and the remainder are scheduled to expire in December 2023, 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 2. *Properties*

The following discussion is based on the Registrants' businesses as of December 31, 2022.

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 network 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, 2022, 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	213	2	566	—
138 kV	2,290	24	407	9
345 kV	1,445	—	48	15
Total	3,948	26	1,021	24
		(in Circuit Miles)		
Distribution lines	29,057	28,611	4,615	2,583

(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. As of December 31, 2022, Indiana Electric had 1,212 MW of installed generating capacity, as set forth in the following table.

Generation Source	Unit No.	Location	Date in Service	Capacity (MW)
Coal				
A.B. Brown (1)	1	Posey County	1979	245
A.B. Brown (1)	2	Posey County	1986	240
F.B. Culley	2	Warrick County	1966	90
F.B. Culley	3	Warrick County	1973	270
Warrick (2)	4	Warrick County	1970	150
Total Coal Capacity				995
Gas				
Brown (3)	3	Posey County	1991	80
Brown	4	Posey County	2002	80
Renewable Landfill Gas		Pike County	2009	3
Total Gas Capacity				163

Generation Source	Unit No.	Location	Date in Service	Capacity (MW)
Solar				
Oak Hill		Evansville, Indiana	2018	2
Volkman		Evansville, Indiana	2018	2
Troy		Spencer County	2021	50
Total Solar Capacity				54
Total Generating Capacity ⁽⁴⁾				1,212

- (1) A.B. Brown Units 1 & 2 are expected to be retired by the end of 2023.
(2) SIGECO and AGC own a 300 MW unit at the Warrick Power Plant as tenants in common.
(3) Brown Unit 3 is also equipped to burn oil.
(4) 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 a BTA to build a 300 MW solar array in Posey County, Indiana, which was subsequently downsized to 191 MW. 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, Houston Electric is leasing TEEEF that can aid in restoring power to customers during certain widespread power outages that are impacting its distribution system. As of December 31, 2022, 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, 2022	
	Number of Substations	Transformer Capacity (in Mva)
Houston Electric	239	72,050
Indiana Electric	110	6,906
Total CenterPoint Energy	349	78,956

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, 2022	
	Number of Service Centers	Acres of Land
Houston Electric	13	320
Indiana Electric	6	50
Total CenterPoint Energy	19	370

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, 2022, CenterPoint Energy's and CERC's Natural Gas owned and operated the following natural gas facilities:

	<u>No. of Assets</u>	<u>Storage Capacity (Bcf)</u>	<u>Working Capacity (Bcf)</u>	<u>Maximum Daily Withdrawal Rate (MMcf)</u>
CenterPoint Energy				
Underground Natural Gas Storage Facility	8	43	14	331
CERC				
Underground Natural Gas Storage Facility	5	32	9	205

	<u>No. of Assets</u>	<u>Daily Production Rate (Dth)</u>	<u>On-site Storage Capacity</u>	
			<u>Millions of Gallons</u>	<u>Dth</u>
CenterPoint Energy and CERC				
Propane Air-Gas Manufacturing Plant	16	234,000	14,100,000	1,290,000
LNG Plant Facility	1	72,000	12,000,000	1,000,000

The table below reflects CenterPoint Energy's and CERC's Natural Gas contracted upstream storage services as of December 31, 2022:

	<u>Storage Capacity (Bcf)</u>	<u>Maximum Peak Daily Delivery (MMcf)</u>
Upstream Storage Service	92	2,322

As of December 31, 2022, CenterPoint Energy's and CERC's Natural Gas owned approximately 84,000 and 81,000 linear miles, respectively, of natural gas distribution and transmission mains, respectively, varying in size from one-half inch to 24 inches in diameter. CenterPoint Energy's and CERC's Natural Gas in Indiana and Ohio includes approximately 22,000 and 19,000 miles, respectively, of distribution and transmission mains, all of which 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, 2022, 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 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 9, 2023, CenterPoint Energy’s common stock was held by approximately 23,939 shareholders of record. CenterPoint Energy’s common stock is listed on the NYSE and Chicago Stock Exchange 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, 2022, none of CenterPoint Energy’s equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 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.

Houston Electric

As of February 9, 2023, 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 9, 2023, 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. Selected Financial Data (CenterPoint Energy)

Not applicable.

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, and provide energy performance contracting and sustainable infrastructure services. 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.

CenterPoint Energy completed the Restructuring on June 30, 2022, whereby the equity interests in Indiana Gas and VEDO, both subsidiaries it acquired in its acquisition of Vectren on February 1, 2019, were transferred from VUH to CERC Corp. As a result, Indiana Gas and VEDO became wholly owned subsidiaries of CERC Corp. to better align CenterPoint Energy's organizational structure with management and financial reporting and to fund future capital investments more efficiently. The Restructuring was a non-cash common control acquisition by CERC. As a result, CERC acquired these businesses at CenterPoint Energy's historical basis in these entities and prior year amounts were recast to reflect the Restructuring as if it occurred at the earliest period presented for which CenterPoint Energy had common control. The Restructuring did not impact CenterPoint Energy's carrying basis in any entity, its allocation of goodwill to its reporting units, or its segment presentation. Neither CenterPoint Energy nor CERC recognized any gains or losses in connection with the Restructuring. SIGECO was not acquired by CERC and remains a subsidiary of VUH.

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, 2022, 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 and other 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.

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.

In 2021, we announced strategic goals for our businesses, including our ten-year capital plan, and net zero and carbon emission reduction goals. Our focus on the growth of our regulated utility businesses led to the previously announced Enable Merger in December 2021 and CenterPoint Energy’s subsequent complete divestiture of its remaining Energy Transfer Common Units and Energy Transfer Series G Preferred Units in February and March 2022. As a result of these transactions, over 95% of our earnings are now derived from regulated utility operations. 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, as reflected in our current capital plan, which was increased in 2022 to fund additional investments in system resiliency, reliability, and grid modernization, is required. 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, including via increased electric vehicle adoption. 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), and issuances of debt in the capital markets to satisfy these capital needs. We strive to maintain investment grade ratings for our securities to access the capital markets on terms we consider reasonable. A reduction in our ratings generally would increase our borrowing costs for new issuances of debt, as well as borrowing costs under our existing revolving credit facilities, and may prevent us from accessing the commercial paper markets. Disruptions in the financial markets along with 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 a safer, more reliable and growing electric and natural gas systems. The current economic environment (e.g., increasing interest rates, 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. This increased level of scrutiny could result in the disallowance (in part or in whole) of CenterPoint Energy and its subsidiaries from recovering on certain capital investments. CenterPoint Energy’s, Houston Electric’s and CERC’s compliance expenses may also increase as a result of preventative measures required under these regulations. Consequently, new rates in the areas they serve are necessary to recover

these increasing costs. Houston Electric, Indiana Electric and CERC plan to file rate cases during 2023. 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.

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 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. For example, we, along with the developer of the project, announced plans in January 2022 to downsize the solar array to be built in Posey County, Indiana due to supply chain issues experienced in the energy industry, rising cost of commodities and community feedback. 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

Regulatory Proceedings. The commissioners of the MPUC held deliberations in August 2022 regarding CERC's natural gas cost prudence review case related to the February 2021 Winter Storm Event. As a result, the MPUC disallowed recovery of approximately \$36 million of jurisdictional gas costs incurred during the event (or about 8.7% of the total of such costs incurred by CERC) and CERC's regulatory asset balance was reduced to reflect the disallowance. Houston Electric filed its DCRF application with the PUCT on April 5, 2022, and subsequently amended such filing on July 1, 2022 to show mobile generation in a separate Rider TEEEF, seeking recovery of deferred costs and the applicable return as of December 31, 2021 under these lease agreements of approximately \$200 million. The annual revenue increase requested for these lease agreements is

approximately \$57 million. On January 27, 2023, the administrative law judges issued a proposal for decision recommending that the leasing of the TEEEF was not prudent or reasonable and necessary and that the PUCT deny recovery of all of the TEEEF costs. The PUCT is expected to consider the proposal for decision on March 9, 2023. For further information, see Note 7 to the consolidated financial statements. For information related to our pending and completed regulatory proceedings to date in 2022 and to date in 2023, see “—Liquidity and Capital Resources—Regulatory Matters” below

Debt Transactions. In 2022, Houston Electric issued \$1.6 billion, and CERC issued or borrowed \$1.0 billion in new debt, excluding the debt exchanges discussed below. CenterPoint Energy repaid or redeemed a combined \$1.53 billion of debt, including CERC's redemption of \$425 million of debt and CEHE's redemption of \$500 million of debt, but excluding scheduled principal payments on Securitization Bonds. For information about debt transactions in 2022, see Note 13 to the consolidated financial statements.

Debt Exchange. As a part of the Restructuring, on May 27, 2022, CERC Corp. and VUH completed an exchange with holders of VUH PPNs whereby CERC Corp. issued new senior notes with an aggregate principal amount of \$302 million in return for all of their outstanding VUH PPNs with an aggregate principal amount of \$302 million. On October 5, 2022, in connection with the settlement of an exchange offer, CERC Corp. issued \$75 million aggregate principal amount of 6.10% senior notes due 2035 in exchange for all remaining outstanding VUH senior notes. For additional information, see Note 13 to the consolidated financial statements.

Restructuring. CenterPoint Energy completed the Restructuring on June 30, 2022, whereby the equity interests in Indiana Gas and VEDO, each of which were acquired in its acquisition of Vectren on February 1, 2019, were transferred from VUH to CERC Corp. As a result, Indiana Gas and VEDO became wholly owned subsidiaries of CERC Corp. to better align CenterPoint Energy's organizational structure with management and financial reporting and to fund future capital investments more efficiently. For additional information, see Note 1 to the consolidated financial statements.

Credit Facilities. On December 6, 2022, CenterPoint Energy, Inc. and its wholly owned subsidiaries, Houston Electric and CERC, replaced their existing revolving credit facilities with three revolving credit facilities totaling \$3.75 billion in aggregate commitments. In addition, SIGECO entered into a new revolving credit facility totaling an additional \$250 million in aggregate commitments. The aggregate amount of commitments among the four credit facilities total \$4.0 billion. On June 30, 2022, in connection with the Restructuring, VUH repaid in full all outstanding indebtedness and terminated all remaining commitments and other obligations under its \$400 million amended and restated credit agreement dated as of February 4, 2021. For additional information, see Note 13 to the consolidated financial statements.

Sale of Energy Transfer Equity Securities. In 2022, CenterPoint Energy sold its remaining Energy Transfer Common Units and Energy Transfer Series G Preferred Units for net proceeds of \$702 million. For more information, see Note 11 to the consolidated financial statements.

Sale of Natural Gas Businesses. On January 10, 2022, CERC Corp. completed the sale of its Arkansas and Oklahoma Natural Gas businesses. For additional information regarding discontinued operations and divestitures, see Note 4 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 Restructuring, joint ventures and acquisitions or dispositions of assets or businesses, including the completed sale of our Natural Gas businesses in Arkansas and Oklahoma and our exit of the midstream sector, 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 demand for our non-utility products and services and 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 recovery of costs and a reasonable return on investment, including the timing and amount of the recovery of Houston Electric's TEEEF leases;
- future economic conditions in regional and national markets, including inflation, and their effect on sales, prices and costs;
- weather variations and other natural phenomena, including the impact of severe weather events on operations and capital, such as impacts from the February 2021 Winter Storm Event;
- increases in commodity prices;
- volatility in the markets for natural gas as a result of, among other factors, armed conflicts, including the conflict in Ukraine and the related sanctions on certain Russian entities;
- changes in rates of inflation;
- continued disruptions to the global supply chain, including 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 REPs to satisfy their obligations to CenterPoint Energy and Houston Electric, including 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 behaviors 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, cyber attacks 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 CARES Act and the IRA (which includes but is not limited to any potential changes to tax rates, tax credits and/or interest deductibility), as well as any changes in tax laws under the current administration, 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 cost overruns 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 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, 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;
- non-payment for our services due to financial distress of our customers;
- the extent and effectiveness of our risk management activities;
- timely and appropriate regulatory actions, which include actions allowing securitization, such as the anticipated issuance of customer rate relief bonds by the Texas Public Financing Authority, for any hurricanes or other severe weather events, or natural disasters or other recovery of costs, including stranded coal 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;
- our ability to recruit, effectively transition 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;
- the transition to a replacement for the LIBOR benchmark interest rate;
- CenterPoint Energy's ability to execute on its 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 development of new opportunities and the performance of projects undertaken by Energy Systems Group, which are subject to, among other factors, the level of success in bidding contracts and cancellation and/or reductions in the scope of projects by customers, and obligations related to warranties, guarantees and other contractual and legal obligations;
- the effect of changes in and application of accounting standards and pronouncements; and
- other factors discussed in "Risk Factors" in Item 1A 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 REPs 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 (loss) available to common shareholders for the years ended December 31, 2022, 2021 and 2020 was as follows:

	Year Ended December 31,			Favorable (Unfavorable)	
	2022	2021	2020	2022 to 2021	2021 to 2020
	(in millions)				
Electric	\$ 603	\$ 475	\$ 230	\$ 128	\$ 245
Natural Gas	492	403	278	89	125
Total Utility Operations	1,095	878	508	217	370
Corporate & Other (1)	(87)	(305)	(201)	218	(104)
Discontinued Operations	—	818	(1,256)	(818)	2,074
Total CenterPoint Energy	<u>\$ 1,008</u>	<u>\$ 1,391</u>	<u>\$ (949)</u>	<u>\$ (383)</u>	<u>\$ 2,340</u>

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

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.

2021 Compared to 2020

Net Income. CenterPoint Energy reported income available to common shareholders of \$1,391 million for 2021 compared to a loss available to common shareholders of \$949 million for 2020.

Income available to common shareholders increased \$2,340 million primarily due to the following items:

- an increase in net income of \$245 million for the Electric reportable segment, as further discussed below;
- an increase in net income of \$125 million for the Natural Gas reportable segment, as further discussed below; and
- a decrease in income available to common shareholders of \$104 million for Corporate and Other, primarily due to net gain of \$97 million on Energy Transfer equity securities in 2021 discussed further in Note 11 to the consolidated financial statements, a \$28 million pre-tax payment related to the impact of Board-implemented governance changes announced in July 2021, approximately \$51 million unfavorable income tax impact primarily driven by CARES Act benefit in 2020, and approximately \$33 million of CenterPoint Energy Inc. debt redemption charges in 2021; partially offset by approximately \$15 million of lower interest expense as a result of the debt redemptions and a decrease in income allocated to preferred shareholders of \$58 million due to the conversion of Series C Preferred Stock to Common Stock during 2020 and \$22 million primarily due to the conversion of Series B Preferred Stock to Common Stock during 2021; and
- an increase in income of \$2,074 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.

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)	
	2022	2021	2020	2022 to 2021	2021 to 2020
	(In millions, except throughput, weather and customer data)				
Revenues	\$ 4,108	\$ 3,763	\$ 3,470	\$ 345	\$ 293
Expenses:					
Utility natural gas, fuel and purchased power	222	186	147	(36)	(39)
Operation and maintenance	1,864	1,761	1,683	(103)	(78)
Depreciation and amortization	793	775	684	(18)	(91)
Taxes other than income taxes	275	268	268	(7)	—
Goodwill Impairment (1)	—	—	185	—	185
Total expenses	3,154	2,990	2,967	(164)	(23)
Operating Income	954	773	503	181	270
Other Income (Expense):					
Interest and other finance charges	(235)	(226)	(220)	(9)	(6)
Other income (expense), net	31	23	19	8	4
Income before income taxes	750	570	302	180	268
Income tax expense	147	95	72	(52)	(23)
Net income	\$ 603	\$ 475	\$ 230	\$ 128	\$ 245
Throughput (in GWh):					
Residential	35,074	32,067	32,630	9 %	(2)%
Total	105,541	103,000	98,647	2 %	4 %
Weather (percentage of normal weather for service area):					
Cooling degree days	110 %	108 %	109 %	2 %	(1)%
Heating degree days	121 %	82 %	76 %	39 %	6 %
Number of metered customers at end of period:					
Residential	2,534,730	2,493,832	2,433,474	2 %	2 %
Total	2,858,203	2,814,859	2,749,116	2 %	2 %

(1) For information related to the 2020 goodwill impairment at the Indiana Electric reporting unit, see Note 6 to the consolidated financial statements.

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

	Favorable (Unfavorable)			
	2022 to 2021		2021 to 2020	
	(in millions)			
Revenues				
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	\$	157	\$	254
Weather, efficiency improvements and other usage impacts, excluding impact of COVID-19		54		(57)
Customer rates and impact of the change in rate design		38		(80)
Cost of fuel and purchased power, offset in utility natural gas, fuel and purchased power below		36		39
Refund of protected and unprotected EDIT, offset in income tax expense		32		(8)
Customer growth		28		32
Pass-through revenues, offset in operation and maintenance below		21		2
Miscellaneous revenues, primarily related to service connections and off-system sales		11		4
Equity return, related to the annual true-up of transition charges for amounts over or under collected in prior periods		2		9
Impacts from increased peak demand in the prior year, collected in rates in the current year		2		6
Impacts on usage from COVID-19		—		28
Energy efficiency, partially offset in operation and maintenance below		(3)		12
Bond Companies, offset in other line items below		(33)		52
Total	\$	345	\$	293
Utility natural gas, fuel and purchased power				
Cost of purchased power, offset in revenues above		12		6
Cost of fuel, including coal, natural gas, and fuel oil, offset in revenues above		(48)		(45)
Total	\$	(36)	\$	(39)
Operation and maintenance				
Transmission costs billed by transmission providers, offset in revenues above	\$	(77)	\$	(90)
All other operation and maintenance expense, including materials and supplies and insurance		(39)		(8)
Pass-through expenses, offset in revenues above		(19)		(3)
Contract services		(2)		—
Merger related expenses, primarily severance and technology		—		10
Bond Companies, offset in other line items		3		(1)
Energy efficiency, offset in revenues above		4		(1)
Labor and benefits		7		9
Support services		20		6
Total	\$	(103)	\$	(78)
Depreciation and amortization				
Bond Companies, offset in other line items	\$	22	\$	(58)
Ongoing additions to plant-in-service		(40)		(33)
Total	\$	(18)	\$	(91)
Taxes other than income taxes				
Incremental capital projects placed in service	\$	(14)	\$	(2)
Franchise fees and other taxes		7		2
Total	\$	(7)	\$	—
Goodwill impairment				
See Note 6 for further information	\$	—	\$	185
Total	\$	—	\$	185
Interest expense and other finance charges				
Changes in outstanding debt	\$	(32)	\$	(19)
Other, primarily AFUDC and impacts of regulatory deferrals		15		6
Bond Companies, offset in other line items above		8		7
Total	\$	(9)	\$	(6)
Other income (expense), net				
Reduction to non-service benefits costs	\$	—	\$	5
Other income, including AFUDC - equity		8		—
Investments in CenterPoint Energy Money Pool interest income		—		(1)
Total	\$	8	\$	4

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)	
	2022	2021	2020	2022 to 2021	2021 to 2020
	(in millions, except throughput, weather and customer data)				
Revenues	\$ 4,946	\$ 4,336	\$ 3,631	\$ 610	\$ 705
Expenses:					
Utility natural gas, fuel and purchased power	2,665	1,941	1,341	(724)	(600)
Non-utility cost of revenues, including natural gas	4	18	17	14	(1)
Operation and maintenance	919	979	995	60	16
Depreciation and amortization	466	527	491	61	(36)
Taxes other than income taxes	261	253	237	(8)	(16)
Total expenses	4,315	3,718	3,081	(597)	(637)
Operating Income	631	618	550	13	68
Other Income (Expense)					
Gain on sale	303	8	—	295	8
Interest expense and other finance charges	(137)	(141)	(153)	4	12
Other income (expense), net	(62)	(2)	6	(60)	(8)
Income from Continuing Operations Before Income Taxes	735	483	403	252	80
Income tax expense	243	80	125	(163)	45
Net Income	\$ 492	\$ 403	\$ 278	\$ 89	\$ 125
Throughput (in Bcf):					
Residential	240	241	237	—%	2 %
Commercial and industrial	424	428	439	(1)%	(3)%
Total Throughput	664	669	676	(1)%	(1)%
Weather (percentage of 10-year average for service area):					
Heating degree days	106 %	91 %	91 %	15 %	—%
Number of customers at end of period:					
Residential	3,964,221	4,372,428	4,328,607	(9)%	1 %
Commercial and industrial	301,834	354,602	349,725	(15)%	1 %
Total	4,266,055	4,727,030	4,678,332	(10)%	1 %

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

	Favorable (Unfavorable)	
	2022 to 2021	2021 to 2020
	(in millions)	
Revenues		
Cost of natural gas, offset in utility natural gas, fuel and purchased power below	\$ 923	\$ 600
Customer rates and impact of the change in rate design, exclusive of the TCJA impact below	69	65
Non-volumetric and miscellaneous revenue, excluding impacts from COVID-19	26	(16)
Weather and usage, excluding impacts from COVID-19	22	12
Gross receipts tax, offset in taxes other than income taxes below	19	13
Customer growth	16	13
Refund of protected and unprotected EDITI, offset in income tax expense	6	(8)
Energy efficiency, offset in operation and maintenance below	3	(7)
Impacts of COVID-19, including usage and other miscellaneous charges	—	16
Changes in non-utility revenues, including impacts of MES disposal	(17)	17
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	(457)	—
Total	\$ 610	\$ 705
Utility natural gas, fuel and purchased power		
Cost of natural gas, offset in revenues above	(923)	(600)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	199	—
	\$ (724)	\$ (600)
Non-utility costs of revenues, including natural gas		
Non-utility cost of revenues, including natural gas	14	(1)
	\$ 14	\$ (1)
Operation and maintenance		
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	\$ 125	\$ —
Contract services	(14)	(3)
Merger related expenses, primarily severance and technology	—	8
Energy efficiency, offset in revenues above	(3)	7
Corporate support services	(22)	(8)
Labor and benefits, primarily due to headcount	(5)	(19)
Miscellaneous operations and maintenance expenses, including bad debt expense	(21)	31
Total	\$ 60	\$ 16
Depreciation and amortization		
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	\$ 66	\$ —
Lower depreciation rates in Indiana from 2021 rate order	18	—
Incremental capital projects placed in service	(23)	(36)
Total	\$ 61	\$ (36)
Taxes other than income taxes		
Gross receipts tax, offset in revenues above	\$ (19)	\$ (13)
Incremental capital projects placed in service	(12)	(3)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	23	—
Total	\$ (8)	\$ (16)
Gain on Sale		
Net gain on sale of MES	\$ —	\$ 8
Gain on Sale of Arkansas and Oklahoma Natural Gas businesses	295	—
Total	\$ 295	\$ 8
Interest expense and other finance charges		
Changes in outstanding debt	\$ (11)	\$ (2)
Other, primarily AFUDC and impacts of regulatory deferrals	15	14
Total	\$ 4	\$ 12

	Favorable (Unfavorable)	
	2022 to 2021	2021 to 2020
	(in millions)	
Other income (expense), net		
Increase to non-service benefit cost, primarily settlement cost incurred in 2022	\$ (66)	\$ (10)
AFUDC - Equity, primarily from increased capital spend	3	—
Money pool investments with CenterPoint Energy interest income	—	2
Other miscellaneous non-operating income (expenses)	3	—
Total	\$ (60)	\$ (8)

Income Tax Expense. For a discussion of effective tax rate per period by Registrant, see Note 14 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)	
	2022	2021	2020	2022 to 2021	2021 to 2020
	(in millions, except throughput, weather and customer data)				
Revenues:					
TDU	\$ 3,205	\$ 2,894	\$ 2,723	\$ 311	\$ 171
Bond Companies	207	240	188	(33)	52
Total revenues	3,412	3,134	2,911	278	223
Expenses:					
Operation and maintenance, excluding Bond Companies	1,647	1,591	1,517	(56)	(74)
Depreciation and amortization, excluding Bond Companies	479	429	405	(50)	(24)
Taxes other than income taxes	261	251	252	(10)	1
Bond Companies	194	219	161	25	(58)
Total	2,581	2,490	2,335	(91)	(155)
Operating Income	831	644	576	187	68
Interest expense and other finance charges	(202)	(183)	(171)	(19)	(12)
Interest expense on Securitization Bonds	(13)	(21)	(28)	8	7
Other income, net	19	17	10	2	7
Income before income taxes	635	457	387	178	70
Income tax expense	125	76	53	(49)	(23)
Net income	\$ 510	\$ 381	\$ 334	\$ 129	\$ 47
Throughput (in GWh):					
Residential	33,676	30,650	31,244	10 %	(2)%
Total	100,062	96,898	93,768	3 %	3 %
Weather (percentage of 10-year average for service area):					
Cooling degree days	110 %	109 %	110 %	1 %	(1)%
Heating degree days	120 %	80 %	72 %	40 %	8 %
Number of metered customers at end of period:					
Residential	2,402,329	2,359,168	2,303,315	2 %	2 %
Total	2,706,598	2,660,938	2,599,827	2 %	2 %

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

	Favorable (Unfavorable)	
	2022 to 2021	2021 to 2020
	(in millions)	
Revenues		
Transmission Revenues, including TCOS and TCRF and impact of the change in rate design, inclusive of costs billed by transmission providers	\$ 157	\$ 254
Weather impacts and other usage	60	(51)
Refund of protected and unprotected EDIT, offset in income tax expense	32	(8)
Customer rates and impact of the change in rate design	30	(100)
Customer growth	27	31
Miscellaneous revenues	5	(1)
Impacts from increased peak demand in the prior year, collected in rates in the current year	2	6
Equity return, related to the annual true-up of transition charges for amounts over or under collected in prior periods	1	9
Impacts on usage from COVID-19	—	19
Energy efficiency, partially offset in operation and maintenance below	(3)	12
Bond Companies, offset in other line items below	(33)	52
Total	\$ 278	\$ 223
Operation and maintenance, excluding Bond Companies		
Transmission costs billed by transmission providers, offset in revenues above	\$ (77)	\$ (90)
All other operation and maintenance expense, including materials and supplies and insurance	(21)	(2)
Merger related expenses, primarily severance and technology	—	9
Contract services	3	(3)
Energy efficiency program costs, offset in revenues above	3	(1)
Labor and benefits	12	11
Support services	24	2
Total	\$ (56)	\$ (74)
Depreciation and amortization, excluding Bond Companies		
Ongoing additions to plant-in-service	\$ (50)	\$ (24)
Total	\$ (50)	\$ (24)
Taxes other than income taxes		
Franchise fees and other taxes	\$ 4	\$ 4
Incremental capital projects placed in service	(14)	(3)
Total	\$ (10)	\$ 1
Bond Companies expense		
Operations and maintenance and depreciation expense, offset by revenues above	\$ 25	\$ (58)
Total	\$ 25	\$ (58)
Interest expense and other finance charges		
Changes in outstanding debt	\$ (32)	\$ (19)
Other, primarily AFUDC and impacts of regulatory deferrals	13	7
Total	\$ (19)	\$ (12)
Interest expense on Securitization Bonds		
Lower outstanding principal balance, offset by revenues above	\$ 8	\$ 7
Total	\$ 8	\$ 7
Other income (expense), net		
Reduction to non-service benefit cost	\$ —	\$ 8
Other income, including AFUDC - equity	2	—
Investments in CenterPoint Energy Money Pool interest income	—	(1)
Total	\$ 2	\$ 7

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.

CenterPoint Energy completed the Restructuring on June 30, 2022, whereby the equity interests in Indiana Gas and VEDO, both subsidiaries it acquired in its acquisition of Vectren on February 1, 2019, were transferred from VUH to CERC Corp. As a result, Indiana Gas and VEDO became wholly owned subsidiaries of CERC Corp. The Restructuring was a non-cash common control acquisition by CERC. As a result, CERC acquired these businesses at CenterPoint Energy's historical basis in these entities and prior year amounts were recast to reflect the Restructuring as if it occurred at the earliest period presented for which CenterPoint Energy had common control.

	Year Ended December 31,			Favorable (Unfavorable)	
	2022	2021	2020	2022 to 2021	2021 to 2020
	(in millions, except throughput, weather and customer data)				
Revenues:	4,800	4,200	3,531	600	669
Expenses:					
Utility natural gas, fuel and purchased power	2,607	1,885	1,313	(722)	(572)
Non-utility cost of revenues, including natural gas	4	17	17	13	—
Operation and maintenance	886	973	997	87	24
Depreciation and amortization	448	483	441	35	(42)
Taxes other than income taxes	257	249	234	(8)	(15)
Total expenses	4,202	3,607	3,002	(595)	(605)
Operating Income	598	593	529	5	64
Other Income (Expense)					
Gain on sale	557	11	—	546	11
Interest expense and other finance charges	(130)	(134)	(143)	4	9
Other income (expense), net	(64)	(4)	(4)	(60)	—
Income from Continuing Operations Before Income Taxes	961	466	382	495	84
Income tax expense (benefit)	236	76	117	(160)	41
Income From Continuing Operations	725	390	265	335	125
Loss from Discontinued Operations (net of tax benefit of \$—, \$—, and \$(2), respectively)	—	—	(66)	—	66
Net Income	\$ 725	\$ 390	\$ 199	\$ 335	\$ 191
Throughput (in BCF):					
Residential	233	235	231	(1)%	2 %
Commercial and industrial	389	396	410	(2)%	(3)%
Total Throughput	622	631	641	(1)%	(2)%
Weather (percentage of 10-year average for service area):					
Heating degree days	106 %	91 %	91 %	15 %	—%
Number of customers at end of period:					
Residential	3,859,726	4,268,385	4,225,047	(10)%	1 %
Commercial and industrial	291,184	336,828	332,210	(14)%	1 %
Total	4,150,910	4,605,213	4,557,257	(10)%	1 %

Discontinued Operations. On February 24, 2020, CenterPoint Energy, through its subsidiary CERC Corp., entered into the Equity Purchase Agreement to sell the Energy Services Disposal Group. Accordingly, the previously reported Energy Services reportable segment has been eliminated. The transaction closed on June 1, 2020. For further information, see Note 4 to the consolidated financial statements.

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

Revenues	Favorable (Unfavorable)	
	2022 to 2021	2021 to 2020
	(in millions)	
Cost of natural gas, offset in utility natural gas, fuel and purchased power below	\$ 921	\$ 572
Customer rates and impact of the change in rate design, exclusive of the TCJA impact	56	56
Non-volumetric and miscellaneous revenue	26	(16)
Weather and usage	22	11
Gross receipts tax, offset in taxes other than income taxes	19	13
Customer growth	16	12
Energy efficiency, offset in operation and maintenance	8	(4)
Refund of protected and unprotected EDIT, offset in income tax expense	6	(8)
Impacts of COVID-19	—	16
Changes in non-utility revenues, including impacts of MES disposal	(17)	17
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	(457)	—
Total	\$ 600	\$ 669
Utility natural gas, fuel and purchased power		
Cost of natural gas, offset in revenues above	\$ (921)	\$ (572)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	199	—
Total	\$ (722)	\$ (572)
Non-utility costs of revenues, including natural gas		
Other, primarily non-utility cost of revenues	\$ 13	\$ —
Total	\$ 13	\$ —
Operation and maintenance		
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	\$ 125	\$ —
Contract services	(8)	(2)
Labor and benefits	(4)	(18)
Energy efficiency, offset in revenues above	(8)	4
Corporate Support Services	2	5
Merger related expenses, primarily severance and technology	—	8
Miscellaneous operations and maintenance expenses, including bad debt expense	(20)	27
Total	\$ 87	\$ 24
Depreciation and amortization		
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	\$ 66	\$ —
Indiana lower depreciation rates from recent rate order	13	—
Incremental capital projects placed in service	(44)	(42)
Total	\$ 35	\$ (42)
Taxes other than income taxes		
Gross receipts tax, offset in revenues	\$ (19)	\$ (13)
Incremental capital projects placed in service	(12)	(2)
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	23	—
Total	\$ (8)	\$ (15)
Gain on sale		
Net gain on sale of Arkansas and Oklahoma Natural Gas businesses	\$ 546	\$ —
Net gain on sale of MES	—	11
Total	\$ 546	\$ 11
Interest expense and other finance charges		
Changes in outstanding debt	\$ (11)	\$ (5)
Other, primarily AFUDC and impacts of regulatory deferrals	15	14
Total	\$ 4	\$ 9

	Favorable (Unfavorable)	
	2022 to 2021	2021 to 2020
	(in millions)	
Other income (expense), net		
Increase to non-service benefit cost	\$ (65)	\$ (10)
Other miscellaneous non-operating income (expenses)	—	10
Increase in Equity AFUDC	2	—
Nine days in January 2022 for Arkansas and Oklahoma Natural Gas businesses due to sale	3	—
Total	\$ (60)	\$ —

Income Tax Expense. For a discussion of effective tax rate per period, see Note 14 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 2022, 2021 and 2020 is as follows:

	Year Ended December 31,								
	2022			2021			2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Cash provided by (used in):									
Operating activities	\$ 1,810	\$ 966	\$ 856	\$ 22	\$ 770	\$ (1,219)	\$ 1,595	\$ 899	\$ 990
Investing activities	(1,628)	(2,435)	406	(1,851)	(1,617)	(1,287)	(1,265)	(564)	(770)
Financing activities	(345)	1,324	(1,277)	1,916	926	2,515	(834)	(416)	(223)

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

	Year Ended December 31,					
	2022 compared to 2021			2021 compared to 2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Changes in net income after adjusting for non-cash items	\$ (492)	\$ 211	\$ (169)	\$ 2,098	\$ 203	\$ 117
Changes in working capital	(615)	(177)	(107)	(155)	(101)	(236)
Increase in regulatory assets ⁽¹⁾	2,529	196	2,339	(2,188)	(226)	(2,017)
Change in equity in earnings of unconsolidated affiliates	339	—	—	(1,767)	—	—
Change in distributions from unconsolidated affiliates ^{(2) (3)}	(155)	—	—	42	—	—
Higher pension contribution	26	—	—	25	—	—
Other	156	(34)	12	(28)	(5)	(73)
	<u>\$ 1,788</u>	<u>\$ 196</u>	<u>\$ 2,075</u>	<u>\$ (1,973)</u>	<u>\$ (129)</u>	<u>\$ (2,209)</u>

- (1) The increase in regulatory assets is primarily due to 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.
- (3) This change is partially offset by the change in distributions from Enable in excess of cumulative earnings in investing activities noted in the table below.

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

	Year Ended December 31,					
	2022 compared to 2021			2021 compared to 2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Proceeds from the sale of equity securities	\$ (618)	\$ —	\$ —	\$ 1,320	\$ —	\$ —
Net change in capital expenditures	(1,255)	(817)	(337)	(568)	(561)	(178)
Transaction costs related to the Enable Merger	49	—	—	(49)	—	—
Cash received related to Enable Merger	(5)	—	—	5	—	—
Net change in notes receivable from unconsolidated affiliates	—	—	—	—	(481)	9
Change in distributions from Enable in excess of cumulative earnings ⁽¹⁾	—	—	—	(80)	—	—
Proceeds from divestitures	2,053	—	2,053	(1,193)	—	(343)
Other	(1)	(1)	(23)	(21)	(11)	(5)
	<u>\$ 223</u>	<u>\$ (818)</u>	<u>\$ 1,693</u>	<u>\$ (586)</u>	<u>\$ (1,053)</u>	<u>\$ (517)</u>

(1) 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.

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

	Year Ended December 31,					
	2022 compared to 2021			2021 compared to 2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Net changes in commercial paper outstanding	\$ (1,206)	\$ —	\$ (646)	\$ 1,893	\$ —	\$ 582
Proceeds from issuances of preferred stock, net	—	—	—	(723)	—	—
Proceeds from issuance of Common Stock, net	—	—	—	(672)	—	—
Net changes in long-term debt outstanding, excluding commercial paper	(1,231)	386	(936)	2,450	415	1,481
Net changes in debt and equity issuance costs	2	(5)	(4)	(30)	(9)	(6)
Net changes in short-term borrowings	479	—	479	(27)	—	(27)
Decreased payment of Common Stock dividends	(55)	—	—	7	—	—
Decreased (increased) payment of Preferred Stock dividends	58	—	—	30	—	—
Payment of obligation for finance lease	(306)	(306)	—	(179)	(179)	—
Net change in notes payable from affiliated companies	—	(374)	(2,007)	—	496	508
Contribution from parent	—	1,013	149	—	68	(197)
Dividend to parent	—	(316)	(827)	—	551	111
Capital contribution to parent associated with the sale of CES	—	—	—	—	—	286
Other	(2)	—	—	1	—	—
	<u>\$ (2,261)</u>	<u>\$ 398</u>	<u>\$ (3,792)</u>	<u>\$ 2,750</u>	<u>\$ 1,342</u>	<u>\$ 2,738</u>

Future Sources and Uses of Cash

The Registrants expect that anticipated 2023 cash needs will be met with borrowings under their credit facilities, proceeds from the issuance of long-term debt (including ratepayer-backed securitization bonds), proceeds from the issuance by the Texas Public Financing Authority of customer rate relief bonds (which will not be a debt of CERC or its subsidiaries), term loans or common stock, 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 Series A Preferred Stock and Common Stock, and in addition to interest payments on debt, the Registrants' principal anticipated cash requirements for 2023 include the following:

	CenterPoint Energy	Houston Electric	CERC
		(in millions)	
Estimated capital expenditures	\$ 3,639	\$ 1,815	\$ 1,427
Scheduled principal payments on Securitization Bonds	156	156	—
Maturing CERC senior notes and term loan	1,831	—	1,831

The following table sets forth the Registrants' estimates of the Registrants' capital expenditures currently planned for projects for 2023 through 2027. See Note 17 to the consolidated financial statements for CenterPoint Energy's actual capital expenditures by reportable segment for 2022.

	2023	2024	2025	2026	2027
			(in millions)		
CenterPoint Energy					
Electric	\$ 2,102	\$ 3,335	\$ 2,251	\$ 2,246	\$ 2,388
Natural Gas	1,521	1,363	1,349	1,775	1,817
Corporate and Other	16	18	18	18	18
Total	\$ 3,639	\$ 4,716	\$ 3,618	\$ 4,039	\$ 4,223
Houston Electric (1)	\$ 1,815	\$ 1,970	\$ 1,863	\$ 2,098	\$ 2,246
CERC (1)	\$ 1,427	\$ 1,311	\$ 1,277	\$ 1,690	\$ 1,738

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

Capital Expenditures for Climate-Related Projects . On September 23, 2021, CenterPoint Energy announced a new 10-year capital expenditure plan. As part of its 10-year plan to spend over \$40 billion on capital expenditures, CenterPoint Energy anticipates spending over \$3 billion in clean energy investments and enablement, which may be used to support, among other things, renewable energy generation and electric vehicle expansion. CenterPoint Energy announced in November 2022 an increase of \$2.3 billion to its 10-year capital plan, concluding in 2030, which now totals nearly \$43 billion.

The following table summarizes the Registrants' material current and long-term cash requirements as of December 31, 2022.

	Total	2023	2024-2025	2026-2027	2028 and thereafter
			(in millions)		
CenterPoint Energy					
Securitization Bonds	\$ 317	\$ 156	\$ 161	\$ —	\$ —
Other long-term debt (1)	16,021	1,335	1,273	3,761	9,652
Interest payments — Securitization Bonds (2)	12	8	4	—	—
Interest payments — other long-term debt (2)	8,049	651	1,196	1,133	5,069
Short-term borrowings	511	511	—	—	—
Commodity and other commitments (3)	7,152	1,165	2,424	1,040	2,523
Total cash requirements	\$ 32,062	\$ 3,826	\$ 5,058	\$ 5,934	\$ 17,244

	Total	2023	2024-2025 (in millions)	2026-2027	2028 and thereafter
Houston Electric					
Securitization Bonds	\$ 317	\$ 156	\$ 161	\$ —	\$ —
Other long-term debt ⁽¹⁾	6,036	—	—	600	5,436
Interest payments — Securitization Bonds ⁽²⁾	12	8	4	—	—
Interest payments — other long-term debt ⁽²⁾	4,693	235	467	456	3,535
Total cash requirements	\$ 11,058	\$ 399	\$ 632	\$ 1,056	\$ 8,971
CERC					
Long-term debt	\$ 4,826	\$ 1,331	\$ 10	\$ 891	\$ 2,594
Interest payments — long-term debt ⁽²⁾	1,897	195	327	313	1,062
Short-term borrowings	511	511	—	—	—
Commodity and other commitments ⁽³⁾	5,096	894	1,426	822	1,954
Total cash requirements	\$ 12,330	\$ 2,931	\$ 1,763	\$ 2,026	\$ 5,610

(1) ZENS obligations are included in the 2028 and thereafter column at their contingent principal amount of \$26 million as of December 31, 2022. 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 (\$507 million as of December 31, 2022), as discussed in Note 11 to the consolidated financial statements.

(2) 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, 2022. The Registrants typically expect to settle such interest payments with cash flows from operations and short-term borrowings.

(3) 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 2023. 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

COVID-19 Regulatory Matters

For information about COVID-19 regulatory matters, see Note 7 to the consolidated financial statements.

February 2021 Winter Storm Event

For information about the February 2021 Winter Storm Event, see Note 7 to the consolidated financial statements, and for additional information on the Texas electric market, see "Risk Factors — Risk Factors Affecting Electric Generation, Transmission and Distribution Business — In connection with the February..."

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 will request 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. The Posey solar project is expected to be placed in service in 2025.

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 granting 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. The project is expected to be placed in service by the first quarter of 2025.

On January 10, 2023, Indiana Electric filed a CPCN with the IURC to acquire a wind energy generating facility 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. The construction phase is expected to commence during the second half of 2023 to achieve commercial operation by January 1, 2025. Indiana Electric has requested recovery via the CECA mechanism or through base rates in the next general rate case, depending on which provides more timely recovery. 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 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. The amended PPA will be brought before the IURC in a fully docketed proceeding in the second quarter of 2023. The Clenera solar array is expected to be placed in service in the second quarter of 2025.

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 Origis, 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, Origis 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 Origis entered into an amended PPA, which reiterated the terms contained in the 2021 PPA with certain modifications. On October 19, 2022, Indiana Electric filed with the IURC seeking approval of the amended PPA with Origis and a hearing was held on January 4, 2023. 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 are requested to be recovered through the fuel adjustment clause proceedings over the term of the amended PPA with Oriden. The amended PPA with Oriden will be brought before the IURC in a fully docketed proceeding in the second quarter of 2023. The Oriden solar array is expected to be placed in service in the second quarter of 2025 and the Origis solar array is expected to be placed in service by the third quarter of 2024.

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 planned to be constructed at the current site of the A.B. Brown power plant in Posey County, Indiana and would 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 South'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 expires 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 year end 2025. Recovery of the proposed natural gas combustion turbines and regulatory asset will be requested in the next Indiana Electric rate case expected in 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, and it remains out of service. The current estimate of the costs to repair F.B. Culley Unit 3 is approximately \$6 million to \$7 million, which will largely be capital expenditures. CenterPoint Energy has located a replacement boiler feed pump turbine which is currently being refurbished by the original equipment manufacturer to ensure it is in good working order. Currently, F.B. Culley Unit 3 is expected to return to service in the first half of 2023 depending on the time it takes to refurbish, install and test operation of the replacement turbine and related materials. CenterPoint Energy is evaluating the applicability of insurance coverages. For the duration of the unplanned outage, CenterPoint Energy expects to meet its generation capacity needs from its other generation units and power purchase agreements.

Indiana Electric Securitization of Planned Generation Retirements (CenterPoint Energy)

The State of Indiana has enacted legislation, Senate Bill 386, that would enable CenterPoint Energy to request approval from the IURC to securitize the remaining book value and removal costs associated with certain generating facilities not more than twenty-four months before the unit is retired. The Governor of Indiana signed the legislation on April 19, 2021. On May 10, 2022, CenterPoint Energy (Indiana Electric) filed an application with the IURC to securitize qualified costs associated with its planned retirements of coal generation facilities. Total qualified costs are estimated at \$359 million, of which \$350 million would be financed and \$9 million are estimated total ongoing costs. A hearing was held before the IURC on September 7, 2022 and a final order was received on January 4, 2023 authorizing the issuance of up to \$350 million in securitization bonds. Per Senate Bill 386, CenterPoint Energy has 90 days after the 30-day appeal period has expired to issue the securitization bonds, subject to an approved extension.

Subsidiary Restructuring

In July 2021, Indiana North and SIGECO filed petitions with the IURC for the approval of a new financial services agreement and the confirmation of Indiana North's financing authority, and final orders were issued by the IURC on December 28, 2021. VEDO filed a similar application with the PUCO in September 2021 and the PUCO issued an order on January 26, 2022 adopting recommendations by PUCO staff. Both the IURC and PUCO approved the petitions. The orders allowed the reissuance of existing debt of Indiana Gas and VEDO to CERC, the continued amortization of existing issuance expenses and discounts, and the treatment of any potential exchange fees as discounts to be amortized over the life of the debt. As a part of the Restructuring, on May 27, 2022, CERC Corp. and VUH completed an exchange with holders of VUH PPNs whereby CERC Corp. issued new senior notes with an aggregate principal amount of \$302 million in return for all of their outstanding VUH PPNs with an aggregate principal amount of \$302 million. Additionally, although not necessary to complete the Restructuring or the above mentioned exchange, on October 5, 2022, CERC Corp. closed a separate exchange offer of all outstanding VUH 6.10% senior notes for new notes of CERC Corp. For further information on the debt exchanges, see Note 13 to the consolidated financial statements. CenterPoint Energy completed the transfer of Indiana Gas and VEDO from VUH to CERC on June 30, 2022 to better align its organizational structure with management and financial reporting and to fund future capital investments more efficiently. See Note 1 to the consolidated financial statements for further information.

Bailey to Jones Creek Project (CenterPoint Energy and Houston Electric)

In April 2017, Houston Electric submitted a proposal to ERCOT requesting its endorsement of the Freeport Area Master Plan, which included the Bailey to Jones Creek Project. On November 21, 2019, the PUCT issued its final approval of Houston Electric's certificate of convenience and necessity application, based on an unopposed settlement agreement under which Houston Electric would construct the project at an estimated cost of approximately \$483 million. Houston Electric commenced pre-construction activities on the project in 2019, began construction in 2021, and completed construction and energized the line ahead of schedule in November 2021. Certain residual clean-up activities were done in 2022 and will continue in 2023.

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

On December 17, 2020, Houston Electric filed a certificate of convenience and necessity application 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. The actual capital costs of the project will depend on actual land acquisition costs, construction costs, and other factors. 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 expects to complete construction and energization of the transmission line by the end of 2023.

Texas Legislation (CenterPoint Energy and Houston Electric)

Houston Electric continues to review the effects of legislation passed in 2021 and will be reviewing proposed bills that have been or will be submitted during the current 2023 legislative session for similar impacts where applicable. For example, pursuant to legislation passed in 2021, Houston Electric entered into two leases for TEEEF (mobile generation). Houston Electric sought initial recovery of the 2021 lease costs for the TEEEF and the operational costs for transportation, mobilization and demobilization, labor and materials for interconnections, fuel for commissioning, testing and operation, purchase and lease of auxiliary equipment, and labor and materials for operations in its 2022 DCRF application. Additionally, the 2021 legislation allows Houston Electric to seek recovery of transmission and distribution facilities that have a lead time of at least six months and would aid in restoring power to Houston Electric's distribution customers following a widespread power outage. Houston Electric plans to seek recovery of costs associated with long-lead time facilities in a future DCRF or ratemaking proceeding. For further information regarding Houston Electric's TEEEF, see Notes 7 and 20 to the consolidated financial statements.

Minnesota Base Rate Case (CenterPoint Energy and CERC)

On November 1, 2021, CERC filed a general rate case with the MPUC seeking approval for a revenue increase of approximately \$67 million with a projected test year ended December 31, 2022. On September 23, 2022, the MPUC issued a written order approving the Settlement agreement which provides for a general revenue increase of \$48.5 million and overall rate of return of 6.65%. The MPUC approved CERC's compliance filing on January 17, 2023 and rate implementation began February 1, 2023. CERC plans to implement its Interim Rate Undercollection Plan in the second quarter of 2023 to collect the difference between authorized final rates and interim rates for the time period September 23, 2022 through January 31, 2023.

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 greenhouse gas emissions and advancing the state's clean energy future. 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).

CERC expects to submit its first innovation plan to the MPUC in 2023. 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.

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 are primarily due to (i) unavailability of solar panels and other uncertainties related to the pending 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; however, the investigation continues with the DOC's final determination, which is currently scheduled for May 2023. In June 2022, President Biden authorized an executive order which would suspend anti-circumvention tariffs on solar panels for two years; however, 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.

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., CSIA, DCRF, DRR, GRIP, TCOS 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). The table below reflects significant applications pending or completed since the Registrants' combined 2021 Form 10-K was filed with the SEC through February 15, 2023.

Mechanism	Annual Increase (Decrease) (i) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CenterPoint Energy and Houston Electric (PUCT)					
TCOS	38	September 2022	October 2022	October 2022	Based on net change in invested capital of \$317 million for the period January 1, 2022 through July 31, 2022.
EECRF	23	June 2022	March 2023	November 2022	The requested amount is comprised of the following: 2023 Program and Evaluation, Measurement and Verification costs of \$38 million, a charge of \$3 million related to the under-recovery of 2021 program costs including interest and rate case expenses, 2021 earned bonus of \$23 million for a total of \$64 million. On August 26, 2022, a unanimous settlement was filed for an adjusted total of \$63 million comprised of the following: 2023 Program and Evaluation, Measurement and Verification costs of \$37 million, a charge of \$3 million related to the under-recovery of 2021 program costs including interest and rate case expenses, and a 2021 earned bonus of \$23 million.
DCRF (i)	142	April 2022	TBD	TBD	As amended on July 1, 2022, the net change in distribution invested capital since its last base rate proceeding of over \$1 billion for the period January 1, 2019 through December 31, 2021 for a revenue increase of \$86 million, adjusted for load growth. In addition, the request includes approximately \$250 million in TEEEF during the calendar year ending December 31, 2021 representing a revenue increase of \$27 million. The requested overall revenue increase is \$142 million with a proposed effective date of September 1, 2022. On July 11, 2022, a partial settlement was filed resolving the non-TEEEF issues. The settlement provides for a black box reduction to the revenue requirement of \$7.8 million for a revenue increase of \$78 million and a September 1, 2022 effective date for rates. A hearing on TEEEF issues was held on October 19 through 20, 2022. Briefs were filed on November 16, 2022 and reply briefs were filed on December 2, 2022. On January 27, 2023, the administrative law judges issued a proposal for decision recommending that the leasing of the TEEEF was not prudent or reasonable and necessary and that the PUCT deny recovery of all of the TEEEF costs. The PUCT is expected to consider the proposal for decision on March 9, 2023.
TCOS	64	February 2022	April 2022	April 2022	Based on net change of invested capital of \$574 million.

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CenterPoint Energy and CERC - Beaumont/East Texas, South Texas, Houston and Texas Coast (Railroad Commission)					
GRIP	34	March 2022	June 2022	June 2022	Based on net change in invested capital for calendar year 2021 of \$213 million.
CenterPoint Energy and CERC - Louisiana (LPSC)					
RSP (1)	7	September 2022	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, 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 bad debt expenses in the amounts of \$0.7 million and \$0.3 million, respectively. Interim rates implemented on December 28, 2022, subject to refund.
CenterPoint Energy and CERC - Minnesota (MPUC)					
CIP Financial Incentive	8	May 2022	October 2022	September 2022	The requested amount is attributed to the CIP Financial Incentive based on 2021 CIP program activity, and the approved Conservation Cost Recovery Adjustment change is inclusive of the CIP Incentive as well as any over or under collections from CIP to reach a forecasted CIP tracker balance of zero.
Rate Case	49	November 2021	Feb. 2023	September 2022	See discussion above under <i>Minnesota Base Rate Case</i> .
Decoupling	N/A	September 2021	September 2021	April 2022	Represents under-recovery of approximately \$19 million recorded for and during the period July 1, 2020 through June 30, 2021, including an approximately \$5 million adjustment related to the implementation of final rates from the general rate case filed in 2019.
CenterPoint Energy and CERC - Mississippi (MPSC)					
RRA	2	April 2022	August 2022	August 2022	Based on ROE of 9.568% with 100 basis point (+/-) earnings band. Revenue increase of approximately \$3 million based on 2021 test year adjusted earned ROE of 7.74%. Interim increase of approximately \$1 million implemented May 31, 2022. A joint stipulation was filed on July 29, 2022 resolving all issues and an agreed revenue increase of \$2 million based on 2021 test year adjusted earned ROE of 8.27% with rates effective in August 2022.
CenterPoint Energy - Indiana South - Gas (IURC)					
CSIA	9	October 2022	January 2023	January 2023	Requested an increase of \$12 million to rate base, which reflects approximately \$1 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 O&M expenses of \$9 million. OUC filed on December 2, 2022 recommending approval of revenue requirement as filed, with additional recommendations on disallowing increases on cost estimates for a specific transmission project (no disallowances of actual costs in this filing). Rebuttal testimony was filed on December 9, 2022 responding to OUC's recommendations. A hearing was held on December 20, 2022, and an agreed upon joint proposed order was submitted to the judge on January 9, 2023, which the IURC approved on January 25, 2023.
CenterPoint Energy and CERC - Indiana North - Gas (IURC)					
CSIA	17	October 2022	January 2023	January 2023	Requested an increase of \$38 million to rate base, which reflects a \$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 (\$6 million) annually. Also included is unrecovered deferred operation and maintenance expenses of \$20 million. OUC filed on December 2, 2022 recommending changes to the Compliance Component Revenue Requirement as a result of recommending disallowance of actual costs for five distribution projects. Also recommended disallowing increases on cost estimates for certain projects. Rebuttal testimony was filed on December 9, 2022 responding to OUC's recommendations. A hearing was held on December 20, 2022, and an agreed upon joint proposed order was submitted to the judge on January 9, 2023, which the IURC approved on January 25, 2023.

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
DER	9	April 2022	September 2022	August 2022	CenterPoint Energy and CERC - Ohio (PUCO) Requested an increase of \$63 million to rate base for investments made in 2021, which reflects a \$9 million annual increase in current revenues. A change in (over)/under-recovery variance of \$4 million annually is also included in rates. PUCO issued order in August 2022 and rates implemented in September 2022. Filed a separate request on September 14, 2022 to extend the DER beyond 2023 for investment through December 31, 2026 (no impact to revenues). The Staff Report was filed January 11, 2023 with two recommendations: 1) For the extension period, any unrecovered capital investment in excess of the annual rate cap; continue to be deferred, however, CERC shall cease accruing additional carrying charges on the amounts in excess of the annual rate cap; 2) Staff agrees with CERC that this program should be completed following this 3-year extension and recommends to the PUCO that this extension be granted contingent upon the DER program ending and exclusive of any incremental investment following the completion of the mileage, projects and costs CERC outlined in this application. Objections are due by February 10, 2023. After reviewing the Staff Report and any objections filed, the PUCO will determine whether a hearing is necessary.
TDSIC (1)	2	February 2023	TBD	TBD	CenterPoint Energy - Indiana Electric (IURC) 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).
CECA (1)	—	February 2023	TBD	TBD	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).
TDSIC	3	August 2022	November 2022	November 2022	Requested an increase of \$43 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 of less than (\$1 million).
ECA	6	May 2022	August 2022	August 2022	Requested an increase of \$21 million to rate base, which reflects a \$9 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 (\$3 million).
TDSIC	3	February 2022	May 2022	May 2022	Requested an increase of \$42 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 of less than \$1 million.
CECA	(2)	February 2022	June 2022	May 2022	Requested a decrease of less than \$1 million to rate base, which reflects a \$3 million annual decrease in current revenues. The mechanism also includes a change in (over)/under-recovery variance of less than \$1 million. This mechanism includes a non-traditional rate making approach related to a 50 MW universal solar array placed in service in January 2021.

(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% corporate alternative minimum tax based on the AFSI of those corporations with an average AFSI of \$1 billion over the most recent three-year period. The IRA did not have a material impact on the Registrants' 2022 financial results and no material impact is expected for 2023 financial results. Further guidance on the tax provisions of the IRA is expected and the Registrants continue to evaluate the IRA provisions for the effect on their future financial results.

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. The EPA has announced it plans on issuing new greenhouse gas rules in the future.

The Biden administration recommitted the United States to the Paris Agreement, which can be expected to drive 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 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 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 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 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 clean 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. 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.

On June 30, 2022, in connection with the Restructuring, VUH repaid in full all outstanding indebtedness and terminated all remaining commitments and other obligations under its \$400 million amended and restated credit agreement dated as of February 4, 2021. VUH did not incur any penalties in connection with the early termination.

On December 6, 2022, CenterPoint Energy, Inc. and its wholly owned subsidiaries, Houston Electric and CERC, replaced their existing revolving credit facilities with three revolving credit facilities totaling \$3.75 billion in aggregate commitments. In addition, SIGECO entered into a new revolving credit facility totaling an additional \$250 million in aggregate commitments. The aggregate amount of commitments among the four credit facilities total \$4.0 billion.

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 billion as of December 31, 2022.

As of February 9, 2023, the Registrants had the following revolving credit facilities and utilization of such facilities:

Registrant	Size of Facility	Amount Utilized as of February 9, 2023			Weighted Average Interest Rate	Termination Date
		Loans	Letters of Credit (in millions)	Commercial Paper		
CenterPoint Energy	\$ 2,400	\$ —	\$ 11	\$ 1,759	4.86%	December 6, 2027
CenterPoint Energy ⁽¹⁾	250	—	—	—	— %	December 6, 2027
Houston Electric	300	—	—	—	— %	December 6, 2027
CERC	1,050	—	—	1,049	4.82%	December 6, 2027
Total	<u>\$ 4,000</u>	<u>\$ —</u>	<u>\$ 11</u>	<u>\$ 2,808</u>		

(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 issuances in 2022, see Note 13 to the consolidated financial statements.

Securities Registered with the SEC

On May 29, 2020, 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, depository shares, as well as stock purchase contracts and equity units. The joint shelf registration statement will expire on May 29, 2023. For information related to the Registrants' debt and equity security issuances in 2022, see Notes 12 and 13 to the consolidated financial statements.

Temporary Investments

As of February 9, 2023, 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 9, 2023:

	Weighted Average Interest Rate	Houston Electric	CERC
		(in millions)	
Money pool borrowings	4.91%	\$ (292)	\$ (32)

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 9, 2023, 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, 2022, 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 \$237 million as of December 31, 2022. 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, 2022, deferred taxes of approximately \$665 million would have been payable in 2022. If all the ZENS-Related Securities had been sold on December 31, 2022, capital gains taxes of approximately \$80 million would have been payable in 2022 based on 2022 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. As announced in September 2021, and updated in November 2022, CenterPoint Energy has increased its planned capital expenditures in its Electric and Natural Gas businesses to support rate base growth and may explore asset sales, in addition to the completed sale of its Natural Gas businesses located in Arkansas and Oklahoma, as a means to efficiently finance a portion of such increased capital expenditures. For further information, see Note 4.

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);
- 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 example, during 2022, the MPUC disallowed recovery of approximately \$36 million of jurisdictional gas costs incurred during the February 2021 Winter Storm Event and CERC's regulatory asset balance was reduced when such amounts were no longer probable of recovery. For further detail on the Registrants' regulatory assets and liabilities, see Note 7 to the consolidated financial statements.

Impairment of Long-Lived Assets, Including Identifiable Intangibles and Goodwill

The Registrants review the carrying value of long-lived assets, including identifiable intangibles and 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 intangibles and goodwill, future cash flows, interest rate, and regulatory matters could result in an impairment charge. The Registrants recorded no impairments to long-lived assets, including intangibles or goodwill during 2022 and 2021. During 2020, CenterPoint Energy recognized goodwill impairment losses as discussed further in Notes 4 and 6 to the consolidated financial statements.

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 non-rate regulated businesses, such as for Energy Systems Group, requires the estimation of the appropriate company specific risk premiums for those non-rate regulated 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 2022 annual goodwill impairment test during the third quarter of 2022 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 2022 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.

Common control transactions (CenterPoint Energy and CERC)

When accounting for a transfer of net assets or exchange of equity interests between entities under common control, the entity that receives the net assets or the equity interests shall initially recognize the assets and liabilities transferred at the date of transfer based on the ultimate parent company's basis, which in the case of the Restructuring is CenterPoint Energy's basis. CenterPoint Energy's basis in net assets of an entity may differ from the historical net assets of that entity on a standalone basis, for example, because push-down accounting had not been applied on a standalone basis. Additionally, when the net assets transferred in a common-control transaction meet the definition of a business, the receiving entity will record an allocation of goodwill from the reporting unit based on the relative fair value of the businesses transferred within that reporting unit. As a result, on June 30, 2022, CERC received \$972 million of goodwill from CenterPoint Energy's Natural Gas reporting unit in connection with the Restructuring. CERC recast prior periods to reflect the Restructuring as if it occurred at the earliest period presented for which CenterPoint Energy had common control. The Restructuring did not impact CenterPoint Energy's basis in any entity, its allocation of goodwill to its reporting units, or its segment presentation. Neither CenterPoint Energy nor CERC recognized any gains or losses in connection with the Restructuring. SIGECO was not acquired by CERC and remains a subsidiary of VUH.

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, present value techniques based on estimates of cash flows, or multiples of earnings or revenue performance measures. The fair value could be different if different estimates and assumptions in these valuation techniques were applied.

Fair value measurements require significant judgment and often depend on unobservable inputs, including (i) projected timing and amounts 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. Changes in these assumptions could have a significant impact on the resulting fair value or relative fair value.

The fair value of the businesses within the Natural Gas reporting unit was estimated based on a weighted combination of income and market approaches, consistent with the methodology used in the 2021 annual goodwill impairment test (the most recent annual test completed at the time of the transaction).

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 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. 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.

For further information, see Note 4 to the consolidated financial statements.

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(u) 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 that allows participants to receive the benefits to which they would have been entitled under the non-contributory qualified pension plan except for the 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, 2022, 2021 and 2020 were as follows:

	Year Ended December 31,			
	2022	2021	2020	
	(in millions)			
CenterPoint Energy				
Minimum funding requirements for qualified pension plans	\$ —	\$ —	\$ —	76
Employer contributions to the qualified pension plans	27	53		76
Employer contributions to the non-qualified benefit restoration plans	8	8		10

Although CenterPoint Energy's minimum contribution requirement to the qualified pension plans in 2023 is zero, it expects to make contributions aggregating up to \$50 million. CenterPoint Energy expects to make contributions aggregating approximately \$7 million to the non-qualified benefit restoration plans in 2023.

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 \$1.6 billion and \$2.3 billion as of December 31, 2022 and 2021, 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 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, 2022, the projected benefit obligation exceeded the market value of plan assets of CenterPoint Energy's pension plans by \$341 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,								
	2022			2021			2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Pension cost	\$ 172	\$ 59	\$ 88	\$ 69	\$ 34	\$ 24	\$ 49	\$ 19	\$ 19

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, 2022, CenterPoint Energy's qualified pension plans had an expected long-term rate of return on plan assets of 6.50% rate, which is 1.50% higher than the 5.00% rate assumed as of December 31, 2021. 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, 2022, the projected benefit obligation was calculated assuming a discount rate of 5.15%, which is 84% higher than the 2.80% discount rate assumed as of December 31, 2021 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 2022 and 2021 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 2023, including the nonqualified benefit restoration plan, is estimated to be \$54 million.

before applicable regulatory deferrals and capitalization, based on an expected return on plan assets of 6.50% and a discount rate of 5.15% as of December 31, 2022. If the expected return assumption were lowered by 0.50% from 6.50% to 6.00%, 2023 pension cost would increase by approximately \$6 million.

As of December 31, 2022, the pension plans projected benefit obligation, including the unfunded nonqualified pension plans, exceeded plan assets by \$341 million. If the discount rate were lowered by 0.50% from 5.15% to 4.65%, the assumption change would increase CenterPoint Energy's projected benefit obligation by approximately \$68 million and decrease its 2023 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, 2022 by \$59 million and would result in a charge to comprehensive income in 2022 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, 2022, 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 \$4.5 billion and \$4.5 billion as of December 31, 2022 and 2021, respectively. If the floating interest rates were to increase by 10% from December 31, 2022 rates, CenterPoint Energy's combined interest expense would increase by approximately \$19 million annually. In 2023, SIGECO expects to remarket \$186 million of tax-exempt debt at then market rates due to mandatory purchase or mandatory tender for purchase provisions. On September 1, 2023, CenterPoint Energy's Series A Preferred Stock will convert from a fixed rate dividend rate to a floating rate per annum equal to three month U.S. dollar LIBOR (or alternative benchmark rate) plus 3.270%. For further information regarding CenterPoint Energy's Series A Preferred Stock, see Note 12 to the consolidated financial statements. CenterPoint Energy has no floating rate notes maturing in 2023, other than the CERC floating rate notes discussed below.

Houston Electric did not have any floating rate obligations as of either December 31, 2022 or 2021.

CERC's floating rate obligations aggregated \$1.4 billion and \$1.9 billion as of December 31, 2022 and 2021, respectively. If the floating interest rates were to increase by 10% from December 31, 2022 rates, CERC's combined interest expense would increase by approximately \$7 million annually. CERC has \$575 million of floating rate notes maturing in 2023 that will be refinanced at current rates.

As of December 31, 2022 and 2021, CenterPoint Energy had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$12.5 billion and \$11.7 billion, respectively, in principal amount and having a fair value of \$11.1 billion and \$13.0 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 \$510 million if interest rates were to decline by 10% from their levels as of December 31, 2022. CenterPoint Energy has no fixed-rate senior notes maturing in 2023, other than the CERC senior notes discussed below.

As of December 31, 2022 and 2021, Houston Electric had outstanding fixed-rate debt aggregating \$6.4 billion and \$5.5 billion, respectively, in principal amount and having a fair value of approximately \$5.6 billion and \$6.3 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 \$315 million if interest rates were to decline by 10% from their levels as of December 31, 2022. Houston Electric has no fixed-rate general mortgage bonds maturing in 2023.

As of December 31, 2022 and 2021, CERC had outstanding fixed-rate debt aggregating \$3.5 billion and \$2.5 billion, respectively, in principal amount and having a fair value of \$3.3 billion and \$2.8 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 \$126 million if interest rates were to decline by 10% from their levels at December 31, 2022. CERC has \$757 million of fixed-rate senior notes maturing in 2023 that will be refinanced at current rates.

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 \$7 million at December 31, 2022 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, 2022. Changes in the fair value of the derivative component, a \$578 million recorded liability at December 31, 2022, 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, 2022 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, 2022 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, 2022, the recorded fair value of non-trading energy derivative assets was \$11 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 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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, 2022, 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 17, 2023, 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 Notes 2, 4 and 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 by 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 affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future 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 uncertainty of decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred and deferred as regulatory assets, and (2) refunds or future reductions in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information 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. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated management's assertion that no indicators of impairment were identified in connection with the Company's property, plant, and equipment. We inspected the capital projects budget and inquired of management to identify projects that are designed to replace assets that may be retired prior to the end of the useful life. We inspected minutes of the board of directors and regulatory orders and other filings with the Commissions to identify any evidence that may contradict management's assertion regarding probability of a disallowance of long-lived assets.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects and inquired of management to assess whether capitalized costs are probable of disallowance.
- We obtained an analysis from management and letters from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 17, 2023

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

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2022	2021	2020
	(in millions, except per share amounts)		
Revenues:			
Utility revenues	\$ 9,018	\$ 8,042	\$ 7,049
Non-utility revenues	303	310	369
Total	9,321	8,352	7,418
Expenses:			
Utility natural gas, fuel and purchased power	2,887	2,127	1,488
Non-utility cost of revenues, including natural gas	204	208	257
Operation and maintenance	2,833	2,810	2,744
Depreciation and amortization	1,288	1,316	1,189
Taxes other than income taxes	543	528	516
Goodwill impairment	—	—	185
Total	7,755	6,989	6,379
Operating Income	1,566	1,363	1,039
Other Income (Expense):			
Gain (loss) on equity securities	(227)	(172)	49
Gain (loss) on indexed debt securities	325	50	(60)
Gain on sale	303	8	—
Interest expense and other finance charges	(511)	(508)	(501)
Interest expense on Securitization Bonds	(13)	(21)	(28)
Other income (expense), net	(26)	58	64
Total	(149)	(585)	(476)
Income from Continuing Operations Before Income Taxes	1,417	778	563
Income tax expense	360	110	80
Income from Continuing Operations	1,057	668	483
Income (Loss) from Discontinued Operations (net of tax expense (benefit) of \$-0-, \$201, and \$(333), respectively)	—	818	(1,256)
Net Income (Loss)	1,057	1,486	(773)
Income allocated to preferred shareholders	49	95	176
Income (Loss) Available to Common Shareholders	\$ 1,008	\$ 1,391	\$ (949)
Basic earnings per common share - continuing operations	\$ 1.60	\$ 0.97	\$ 0.58
Basic earnings (loss) per common share - discontinued operations	—	1.38	(2.37)
Basic Earnings (Loss) Per Common Share	\$ 1.60	\$ 2.35	\$ (1.79)
Diluted earnings per common share - continuing operations	\$ 1.59	\$ 0.94	\$ 0.58
Diluted earnings (loss) per common share - discontinued operations	—	1.34	(2.37)
Diluted Earnings (Loss) Per Common Share	\$ 1.59	\$ 2.28	\$ (1.79)
Weighted Average Common Shares Outstanding, Basic	629	593	531
Weighted Average Common Shares Outstanding, Diluted	632	610	531

See Combined Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2022	2021	2020
	(in millions)		
Net Income (Loss)	\$ 1,057	\$ 1,486	\$ (773)
Other comprehensive income (loss):			
Adjustment to pension and other postemployment plans (net of tax expense of \$ 2 , \$ 7 and \$- 0 -, respectively)	32	21	(5)
Reclassification of deferred loss from cash flow hedges realized in net income (net of tax expense of \$- 0 -, \$- 0 - and \$- 0 -, respectively)	1	2	—
Reclassification of net deferred losses from cash flow hedges (net of tax expense of \$- 0 -, \$- 0 -, and \$ 4 , respectively)	—	—	15
Other comprehensive income (loss) from unconsolidated affiliates (net of tax of \$- 0 -, \$- 0 -, and \$- 0 -, respectively)	—	3	(2)
Total	33	26	8
Comprehensive income (loss)	1,090	1,512	(765)
Income allocated to preferred shareholders	49	95	176
Comprehensive income (loss) available to common shareholders	\$ 1,041	\$ 1,417	\$ (941)

See Combined Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2022	December 31, 2021
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents (\$ 75 and \$ 92 related to VIEs, respectively)	\$ 74	\$ 230
Investment in equity securities	510	1,439
Accounts receivable (\$ 22 and \$ 29 related to VIEs, respectively), less allowance for credit losses of \$ 38 and \$ 44 , respectively	889	690
Accrued unbilled revenues, less allowance for credit losses of \$ 4 and \$ 6 , respectively	764	513
Natural gas and coal inventory	241	186
Materials and supplies	635	422
Non-trading derivative assets	10	9
Taxes receivable	20	1
Current assets held for sale	—	2,338
Regulatory assets	1,385	1,395
Prepaid expense and other current assets (\$ 13 and \$ 19 related to VIEs, respectively)	171	132
Total current assets	4,699	7,355
Property, Plant and Equipment, net	27,143	23,484
Other Assets:		
Goodwill	4,294	4,294
Regulatory assets (\$ 229 and \$ 420 related to VIEs, respectively)	2,193	2,321
Non-trading derivative assets	2	5
Other non-current assets	215	220
Total other assets	6,704	6,840
Total Assets	\$ 38,546	\$ 37,679

See Combined Notes to Consolidated Financial Statements

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

	December 31, 2022	December 31, 2021
	(in millions, except par value and shares)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 511	\$ 7
Current portion of VIE Securitization Bonds long-term debt	156	220
Indexed debt, net	7	10
Current portion of other long-term debt	1,346	308
Indexed debt securities derivative	578	903
Accounts payable	1,352	1,196
Taxes accrued	298	378
Interest accrued	159	136
Dividends accrued	144	131
Customer deposits	110	111
Non-trading derivative liabilities	—	2
Current liabilities held for sale	—	562
Other	452	323
Total current liabilities	5,113	4,287
Other Liabilities:		
Deferred income taxes, net	3,986	3,904
Non-trading derivative liabilities	—	12
Benefit obligations	547	511
Regulatory liabilities	3,245	3,153
Other	774	836
Total other liabilities	8,552	8,416
Long-term Debt, net:		
VIE Securitization Bonds, net	161	317
Other long-term debt, net	14,675	15,241
Total long-term debt, net	14,836	15,558
Commitments and Contingencies (Note 15)		
Temporary Equity (Note 12)	3	3
Shareholders' Equity:		
Cumulative preferred stock, \$ 0.01 par value, 20,000,000 shares authorized, 800,000 shares and 800,000 shares outstanding, respectively, \$ 800 and \$ 800 liquidation preference, respectively (Note 12)	790	790
Common stock, \$ 0.01 par value, 1,000,000,000 shares authorized, 629,535,631 shares and 628,923,534 shares outstanding, respectively	6	6
Additional paid-in capital	8,568	8,529
Retained earnings	709	154
Accumulated other comprehensive loss	(31)	(64)
Total shareholders' equity	10,042	9,415
Total Liabilities and Shareholders' Equity	\$ 38,546	\$ 37,679

See Combined Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2022	2021	2020
	(In millions)		
Cash Flows from Operating Activities:			
Net income (loss)	\$ 1,057	\$ 1,486	\$ (773)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,288	1,316	1,189
Deferred income taxes	20	213	(429)
Goodwill impairment and loss from reclassification to held for sale	—	—	175
Goodwill impairment	—	—	185
Gain on divestitures	(303)	(681)	—
Loss (gain) on equity securities	227	172	(49)
Loss (gain) on indexed debt securities	(325)	(50)	60
Equity in (earnings) losses of unconsolidated affiliates	—	(339)	1,428
Distributions from unconsolidated affiliates	—	155	113
Pension contributions	(35)	(61)	(86)
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	(461)	(98)	90
Inventory	(259)	(140)	9
Taxes receivable	(19)	81	24
Accounts payable	203	175	2
Net regulatory assets and liabilities	234	(2,295)	(107)
Other current assets and liabilities	(5)	56	104
Other non-current assets and liabilities	109	(53)	25
Other operating activities, net	79	85	35
Net cash provided by operating activities	1,810	22	1,995
Cash Flows from Investing Activities:			
Capital expenditures	(4,419)	(3,164)	(2,596)
Transaction costs related to Enable Merger (Note 4)	—	(49)	—
Cash received related to Enable Merger	—	5	—
Distributions from unconsolidated affiliates in excess of cumulative earnings	—	—	80
Proceeds from sale of equity securities, net of transaction costs	702	1,320	—
Proceeds from divestitures (Note 4)	2,075	22	1,215
Other investing activities, net	14	15	36
Net cash used in investing activities	(1,628)	(1,851)	(1,265)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	452	(27)	—
Payment of obligation for finance lease	(485)	(179)	—
Borrowings from revolving credit facilities	—	—	1,050
Repayments of revolving credit facilities	—	—	(1,050)
Proceeds from (payments of) commercial paper, net	(74)	1,132	(761)
Proceeds from long-term debt	2,089	4,493	799
Payments of long-term debt, including make-whole premiums	(1,795)	(2,968)	(1,724)
Payment of debt issuance costs	(36)	(38)	(8)
Payment of dividends on Common Stock	(440)	(385)	(392)
Payment of dividends on Preferred Stock	(49)	(107)	(137)
Proceeds from issuance of Common Stock, net	—	—	672
Proceeds from issuance of Series C Preferred stock, net	—	—	723
Other financing activities, net	(7)	(5)	(6)
Net cash provided by (used in) financing activities	(345)	1,916	(834)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(163)	87	(104)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	254	167	271
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 91	\$ 254	\$ 167

See Combined Notes to Consolidated Financial Statements

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

	2022		2021		2020	
	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	3	\$ 2,363	2	\$ 1,740
Issuances of Series C Preferred Stock, net of issuance costs	—	—	—	—	1	723
Conversion of Series B Preferred Stock and Series C Preferred Stock	—	—	(2)	(1,573)	—	(100)
Balance, end of year	1	790	1	790	3	2,363
Common Stock, \$ 0.01 par value; authorized 1,000,000,000 shares						
Balance, beginning of year	629	6	551	6	502	5
Issuances related to benefit and investment plans	1	—	1	—	1	—
Issuances of Common Stock	—	—	77	—	48	1
Balance, end of year	630	6	629	6	551	6
Additional Paid-in Capital						
Balance, beginning of year		8,529		6,914		6,080
Issuances related to benefit and investment plans		39		41		30
Issuances of Common Stock, net of issuance costs		—		1		672
Conversion of Series B Preferred Stock and Series C Preferred Stock		—		1,573		100
Recognition of beneficial conversion feature		—		—		32
Balance, end of year		8,568		8,529		6,914
Retained Earnings (Accumulated Deficit)						
Balance, beginning of year		154		(845)		632
Net income (loss)		1,057		1,486		(773)
Common Stock dividends declared (see Note 12)		(453)		(404)		(480)
Series A Preferred Stock dividends declared (see Note 12)		(49)		(49)		(73)
Series B Preferred Stock dividends declared (see Note 12)		—		(34)		(85)
Series C Preferred Stock dividends declared (see Note 12)		—		—		(27)
Amortization of beneficial conversion feature		—		—		(32)
Adoption of ASU 2016-13		—		—		(7)
Balance, end of year		709		154		(845)
Accumulated Other Comprehensive Loss						
Balance, beginning of year		(64)		(90)		(98)
Other comprehensive income		33		26		8
Balance, end of year		(31)		(64)		(90)
Total Shareholders' Equity		\$ 10,042		\$ 9,415		\$ 8,348

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 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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 Notes 2 and 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 by 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 affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future 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 uncertainty of decisions by the PUCT included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred and deferred as regulatory assets, and (2) refunds or future reductions in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the PUCT for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information 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. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the PUCT and the filings with the PUCT by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated management's assertion that no indicators of impairment were identified in connection with the Company's property, plant, and equipment. We inspected the capital projects budget and inquired of management to identify projects that are designed to replace assets that may be retired prior to the end of the useful life. We inspected minutes of the board of directors and regulatory orders and other filings with the PUCT to identify any evidence that may contradict management's assertion regarding probability of a disallowance of long-lived assets.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects and inquired of management to assess whether capitalized costs are probable of disallowance.
- We obtained an analysis from management and letters from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 17, 2023

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,		
	2022	2021	2020
	(in millions)		
Revenues	\$ 3,412	\$ 3,134	\$ 2,911
Expenses:			
Operation and maintenance	1,650	1,597	1,523
Depreciation and amortization	670	642	560
Taxes other than income taxes	261	251	252
Total	2,581	2,490	2,335
Operating Income	831	644	576
Other Income (Expense):			
Interest expense and other finance charges	(202)	(183)	(171)
Interest expense on Securitization Bonds	(13)	(21)	(28)
Other income, net	19	17	10
Total	(196)	(187)	(189)
Income Before Income Taxes	635	457	387
Income tax expense	125	76	53
Net Income	\$ 510	\$ 381	\$ 334

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 COMPREHENSIVE INCOME

	Year Ended December 31,		
	2022	2021	2020
	(in millions)		
Net income	\$ 510	\$ 381	\$ 334
Other comprehensive income:			
Reclassification of net deferred losses from cash flow hedges (net of tax expense of \$- 0 -, \$- 0 -, and \$ 4 , respectively)	—	—	15
Other comprehensive income	—	—	15
Comprehensive income	\$ 510	\$ 381	\$ 349

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, 2022	December 31, 2021
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents (\$ 75 and \$ 92 related to VIEs, respectively)	\$ 75	\$ 214
Accounts and notes receivable, net (\$ 22 and \$ 29 related to VIEs, respectively), less allowance for credit losses of \$ 1 and \$ 1 , respectively	311	263
Accounts and notes receivable—affiliated companies	21	11
Accrued unbilled revenues	142	127
Materials and supplies	471	292
Prepaid expenses and other current assets (\$ 13 and \$ 19 related to VIEs, respectively)	41	49
Total current assets	1,061	956
Property, Plant and Equipment, net	13,461	11,203
Other Assets:		
Regulatory assets (\$ 229 and \$ 420 related to VIEs, respectively)	778	789
Other non-current assets	39	32
Total other assets	817	821
Total Assets	\$ 15,339	\$ 12,980

See Combined Notes to Consolidated Financial Statements

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

LIABILITIES AND MEMBER ' S EQUITY

	December 31, 2022	December 31, 2021
	(in millions)	
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of VIE Securitization Bonds long-term debt	\$ 156	\$ 220
Current portion of other long-term debt	—	300
Accounts payable	413	510
Accounts and notes payable—affiliated companies	755	568
Taxes accrued	150	193
Interest accrued	83	74
Other current liabilities	88	91
Total current liabilities	1,645	1,956
Other Liabilities:		
Deferred income taxes, net	1,229	1,122
Benefit obligations	38	55
Regulatory liabilities	1,155	1,152
Other non-current liabilities	77	98
Total other liabilities	2,499	2,427
Long-Term Debt, net:		
VIE Securitization Bonds, net	161	317
Other long-term debt, net	6,036	4,658
Total long-term debt, net	6,197	4,975
Commitments and Contingencies (Note 15)		
Member's Equity:		
Common stock	—	—
Additional paid-in capital	3,860	2,678
Retained earnings	1,138	944
Total member's equity	4,998	3,622
Total Liabilities and Member's Equity	\$ 15,339	\$ 12,980

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,		
	2022	2021	2020
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 510	\$ 381	\$ 334
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	670	642	560
Deferred income taxes	86	32	(42)
Changes in other assets and liabilities:			
Accounts and notes receivable, net	(63)	(17)	(26)
Accounts receivable/payable-affiliated companies	47	(36)	47
Inventory	(179)	(97)	(48)
Accounts payable	(7)	66	28
Net regulatory assets and liabilities	(41)	(237)	(11)
Other current assets and liabilities	(20)	39	55
Other non-current assets and liabilities	(25)	6	4
Other operating activities, net	(12)	(9)	(2)
Net cash provided by operating activities	966	770	899
Cash Flows from Investing Activities:			
Capital expenditures	(2,436)	(1,619)	(1,058)
Decrease in notes receivable-affiliated companies	—	—	481
Other investing activities, net	1	2	13
Net cash used in investing activities	(2,435)	(1,617)	(564)
Cash Flows from Financing Activities:			
Proceeds from long-term debt	1,589	1,096	299
Payments of long-term debt	(720)	(613)	(231)
Dividend to parent	(316)	—	(551)
Increase in notes payable – affiliated companies	130	504	8
Payment of debt issuance costs	(17)	(12)	(3)
Contribution from parent	1,143	130	62
Payment of obligation for finance lease	(485)	(179)	—
Net cash provided by (used in) financing activities	1,324	926	(416)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(145)	79	(81)
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	233	154	235
Cash, Cash Equivalents and Restricted Cash at End of the Year	\$ 88	\$ 233	\$ 154

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

	2022		2021		2020	
	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		2,678		2,548		2,486
Non-cash contribution from parent		38		—		—
Contribution from parent		1,143		130		62
Other		1		—		—
Balance, end of year		3,860		2,678		2,548
Retained Earnings						
Balance, beginning of year		944		563		780
Net income		510		381		334
Dividend to parent		(316)		—		(551)
Balance, end of year		1,138		944		563
Accumulated Other Comprehensive Loss						
Balance, beginning of year		—		—		(15)
Other comprehensive income		—		—		15
Balance, end of year		—		—		—
Total Member's Equity		<u>\$ 4,998</u>		<u>\$ 3,622</u>		<u>\$ 3,111</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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, 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 Notes 2, 4 and 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 by 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 affected account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future 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 uncertainty of decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred and deferred as regulatory assets, and (2) refunds or future reductions in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions for the Company and other public utilities, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information 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. We evaluated the external information and compared to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected the Company's filings with the Commissions and the filings with the Commissions by intervenors that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated management's assertion that no indicators of impairment were identified in connection with the Company's property, plant, and equipment. We inspected the capital projects budget and inquired of management to identify projects that are designed to replace assets that may be retired prior to the end of the useful life. We inspected minutes of the board of directors and regulatory orders and other filings with the Commissions to identify any evidence that may contradict management's assertion regarding probability of a disallowance of long-lived assets.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects and inquired of management to assess whether capitalized costs are probable of disallowance.
- We obtained an analysis from management and letters from internal and external legal counsel, as appropriate, regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery or a future reduction in rates.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 17, 2023

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,		
	2022	2021	2020
	(in millions)		
Revenues:			
Utility revenues	\$ 4,764	\$ 4,143	\$ 3,479
Non-utility revenues	36	57	52
Total	4,800	4,200	3,531
Expenses:			
Utility natural gas	2,607	1,885	1,313
Non-utility cost of revenue, including natural gas	4	17	17
Operation and maintenance	886	973	997
Depreciation and amortization	448	483	441
Taxes other than income taxes	257	249	234
Total	4,202	3,607	3,002
Operating Income	598	593	529
Other Income (Expense):			
Gain on sale	557	11	—
Interest expense and other finance charges	(130)	(134)	(143)
Other, net	(64)	(4)	(4)
Total	363	(127)	(147)
Income From Continuing Operations Before Income Taxes	961	466	382
Income tax expense (benefit)	236	76	117
Income From Continuing Operations	725	390	265
Loss from Discontinued Operations (net of tax benefit of \$ —, \$ —, and \$(2), respectively)	—	—	(66)
Net Income	\$ 725	\$ 390	\$ 199

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,		
	2022	2021	2020
		(in millions)	
Net income	\$ 725	\$ 390	\$ 199
Other comprehensive income:			
Adjustment to other postemployment plans (net of tax expense of \$ 4 , \$ 1 and \$ 1 , respectively)	6	—	—
Other comprehensive income	6	—	—
Comprehensive income	\$ 731	\$ 390	\$ 199

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, 2022	December 31, 2021
	(in millions)	
ASSETS		
Current Assets :		
Cash and cash equivalents	\$ —	\$ 15
Accounts receivable, less allowance for credit losses of \$ 34 and \$ 40 , respectively	463	336
Accrued unbilled revenue, less allowance for credit losses of \$ 4 and \$ 6 , respectively	573	335
Accounts and notes receivable — affiliated companies	52	28
Material and supplies	98	82
Natural gas inventory	195	151
Non-trading derivative assets	7	8
Taxes receivable	12	28
Current assets held for sale	—	2,084
Regulatory assets	1,336	1,371
Prepaid expenses and other current assets	78	48
Total current assets	2,814	4,486
Property, Plant and Equipment, Net	10,406	9,108
Other Assets:		
Goodwill	1,583	1,583
Regulatory assets	844	938
Non-trading derivative assets	2	4
Other non-current assets	55	34
Total other assets	2,484	2,559
Total Assets	\$ 15,704	\$ 16,153

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, 2022	December 31, 2021
	(in millions)	
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 511	\$ 7
Current portion of long-term debt	1,331	—
Accounts payable	690	503
Accounts and notes payable–affiliated companies	190	566
Taxes accrued	140	143
Interest accrued	50	30
Customer deposits	94	92
Current liabilities held for sale	—	562
Other current liabilities	200	151
Total current liabilities	3,206	2,054
Other Liabilities:		
Deferred income taxes, net	1,262	1,028
Benefit obligations	76	100
Regulatory liabilities	1,801	1,715
Other non-current liabilities	501	571
Total other liabilities	3,640	3,414
Long-Term Debt, net	3,495	5,552
Commitments and Contingencies (Note 15)		
Stockholder's Equity:		
Common stock	—	—
Additional paid-in capital	3,729	4,106
Retained earnings	1,618	1,017
Accumulated other comprehensive income	16	10
Total stockholder's equity	5,363	5,133
Total Liabilities and Stockholder's Equity	\$ 15,704	\$ 16,153

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,		
	2022	2021	2020
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 725	\$ 390	\$ 199
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	448	483	441
Deferred income taxes	178	101	113
Goodwill impairment and loss from reclassification to held for sale	—	—	93
Gain on divestitures	(557)	(11)	—
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	(376)	(68)	104
Accounts receivable/payable—affiliated companies	41	27	—
Inventory	(50)	(62)	64
Taxes receivable	—	(28)	—
Accounts payable	190	95	(40)
Net regulatory assets and liabilities	244	(2,095)	(78)
Other current assets and liabilities	13	(39)	33
Other non-current assets and liabilities	(2)	(31)	56
Other operating activities, net	2	19	5
Net cash provided by (used in) operating activities	856	(1,219)	990
Cash Flows from Investing Activities:			
Capital expenditures	(1,661)	(1,324)	(1,146)
Increase in notes receivable—affiliated companies	—	—	(9)
Proceeds from divestitures (Note 4)	2,075	22	365
Other investing activities, net	(8)	15	20
Net cash provided by (used in) investing activities	406	(1,287)	(770)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	452	(27)	—
Proceeds from (payments of) commercial paper, net	(94)	552	(30)
Proceeds from long-term debt	927	1,699	500
Payments of long-term debt, including make-whole premiums	(475)	(311)	(593)
Payment of debt issuance costs	(14)	(10)	(4)
Dividends to parent	(844)	(17)	(128)
Contribution from parent	289	140	337
Capital distribution to parent associated with the sale of CES	—	—	(286)
Increase (decrease) in notes payable—affiliated companies	(1,517)	490	(18)
Other financing activities, net	(1)	(1)	(1)
Net cash provided by (used in) financing activities	(1,277)	2,515	(223)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(15)	9	(3)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	15	6	9
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ —	\$ 15	\$ 6

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

	2022		2021		2020	
	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		4,106		3,966		3,915
Non-cash contribution from parent		54		—		—
Contribution from parent		289		140		337
Contribution to parent for sale of Arkansas and Oklahoma Natural Gas businesses		(720)		—		—
Capital distribution to parent associated with the sale of CES		—		—		(286)
Balance, end of year		3,729		4,106		3,966
Retained Earnings						
Balance, beginning of year		1,017		644		578
Net income		725		390		199
Dividend to parent		(124)		(17)		(128)
Adoption of ASU 2016-13		—		—		(5)
Balance, end of year		1,618		1,017		644
Accumulated Other Comprehensive Income						
Balance, beginning of year		10		10		10
Other comprehensive income		6		—		—
Balance, end of year		16		10		10
Total Stockholder's Equity		<u>\$ 5,363</u>		<u>\$ 5,133</u>		<u>\$ 4,620</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. CenterPoint Energy completed the Restructuring on June 30, 2022, whereby the equity interests in Indiana Gas and VEDO, both subsidiaries CenterPoint Energy acquired in its acquisition of Vectren on February 1, 2019, were transferred from VUH to CERC Corp. As a result, Indiana Gas and VEDO became wholly owned subsidiaries of CERC Corp., to better align CenterPoint Energy's organizational structure with management and financial reporting and to fund future capital investments more efficiently. The Restructuring was a non-cash common control acquisition by CERC. As a result, CERC acquired these businesses at CenterPoint Energy's historical basis in these entities and prior year amounts were recast to reflect the Restructuring as if it occurred at the earliest period presented for which CenterPoint Energy had common control. The Restructuring did not impact CenterPoint Energy's carrying basis in any entity, its allocation of goodwill to its reporting units, or its segment presentation. Neither CenterPoint Energy nor CERC recognized any gains or losses in connection with the Restructuring. SIGECO was not acquired by CERC and remains a subsidiary of VUH. See Note 6 for a discussion of the goodwill recorded at CERC as a result of this transaction. IURC and PUCO approvals necessary for the Restructuring were received in December 2021 (IURC) and January 2022 (PUCO).

On January 10, 2022, CERC Corp. completed the sale of its Arkansas and Oklahoma Natural Gas businesses. For additional information regarding discontinued operations and divestitures, see Note 4.

As of December 31, 2022, 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; and
- 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.
- 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; and
- Energy Systems Group provides energy performance contracting and sustainable infrastructure services, such as renewables, distributed generation and combined heat and power projects.

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

(2) Summary of Significant Accounting Policies***(a) Use of Estimates***

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

(b) Principles of Consolidation

The accounts of 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, 2022, CenterPoint Energy and Houston Electric had VIEs consisting of the Bond Companies, which are consolidated. The consolidated VIEs are wholly-owned, bankruptcy remote special purpose entities that were formed solely for the purpose of securitizing transition and system restoration related property. Creditors of CenterPoint Energy and Houston Electric have no recourse to any assets or revenues of the Bond Companies. The bonds issued by these VIEs are payable only from and secured by transition and system restoration property and the bondholders have no recourse to the general credit of CenterPoint Energy or Houston Electric.

(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/AMI 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) and (d).

(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 non-rate regulated businesses, 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 2022, 2021 or 2020.

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 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 utility plant 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,								
	2022			2021			2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric (in millions)	CERC	CenterPoint Energy	Houston Electric	CERC
Interest and AFUDC debt ⁽¹⁾ ⁽²⁾	\$ 44	\$ 14	\$ 22	\$ 34	\$ 13	\$ 16	\$ 27	\$ 8	\$ 13
AFUDC equity ⁽³⁾	37	24	5	28	20	5	25	14	3
Other deferred debt interest ⁽⁴⁾	33	12	21	10	1	9	3	—	3

(1) Included in Interest and other finance charges on CenterPoint Energy's Statements of Consolidated Income, inclusive of \$ 18 million, \$ 16 million and \$ 13 million of debt post in-service carrying costs on property, plant and equipment, primarily in Indiana, deferred into a regulatory asset in the years ended December 31, 2022, 2021 and 2020, respectively.

(2) Included in Interest and other finance charges on CERC's Statements of Consolidated Income, inclusive of \$ 15 million, \$ 13 million and \$ 10 million of debt post in-service carrying costs on property, plant and equipment, primarily in Indiana, deferred into a regulatory asset in the years ended December 31, 2022, 2021 and 2020, respectively.

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

(4) Represents the amount of deferred debt interest on certain regulatory assets that are authorized to earn a return, such as 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.

(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. 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,					
	2022 (1)		2021		2020 (1)	
	CenterPoint Energy				CERC	
	(in millions)					
LIFO inventory	\$	101	\$	101	\$	82
					\$	79

(1) Based on the average cost of gas purchased during December 2022, both CenterPoint Energy's and CERC's cost of replacing inventories carried at LIFO cost was more than the carrying value at December 31, 2022 by \$ 101 million.

(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 (VIEs) solely to support servicing the Securitization Bonds as of December 31, 2022 and 2021 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) Purchase Accounting

The Registrants evaluate acquisitions to determine when a set of acquired activities and assets represent a business. When control of a business is obtained, the Registrants apply the acquisition method of accounting and record the assets acquired, liabilities assumed and any non-controlling interest obtained based on fair value at the acquisition date. The excess of the fair value of purchase consideration over the fair value of the net assets acquired is recorded as goodwill. The results of operations of the acquired business are included in the Registrants' respective Statements of Consolidated Income beginning on the date of the acquisition.

(u) New Accounting Pronouncements

The following table provides an overview of certain recently adopted accounting pronouncements applicable to all the Registrants.

Recently Adopted Accounting Standards

ASU Number and Name	Description	Date of Adoption	Financial Statement Impact upon Adoption
ASU 2021-10: Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance	This standard requires additional disclosure requirements when a business receives government assistance and uses a grant or contribution accounting model by analogy to other accounting guidance such as the grant model under International Accounting Standards (IAS) 20 Accounting for Government Grants and Disclosures of Government Assistance and GAAP ASC 958-605 Not for Profit. <i>Transition method:</i> Prospective or retrospective	January 1, 2022	The prospective adoption of this standard resulted in additional annual disclosures related to the recovery of Texas natural gas costs associated with the February 2021 Winter Storm Event through the state securitization, which is accounted for as a government grant by analogy to IAS 20. The adoption of this standard did not have a material impact on the Registrants' financial position, results of operations or cash flows.

Management believes that 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, 2022			December 31, 2021		
		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	36	\$ 19,154	\$ 5,317	\$ 13,837	\$ 17,156	\$ 4,658	\$ 12,498
Electric generation (c)	26	2,120	813	1,307	1,807	1,179	628
Natural gas distribution	32	15,097	4,135	10,962	13,578	3,981	9,597
Finance ROU asset mobile generation	6.5	662	41	621	179	—	179
Other property	23	695	279	416	953	371	582
Total		<u>\$ 37,728</u>	<u>\$ 10,585</u>	<u>\$ 27,143</u>	<u>\$ 33,673</u>	<u>\$ 10,189</u>	<u>\$ 23,484</u>

	Weighted Average Useful Lives (in years)	December 31, 2022			December 31, 2021		
		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)					
Houston Electric							
Electric transmission and distribution	38	\$ 14,791	\$ 3,556	\$ 11,235	\$ 13,321	\$ 3,502	\$ 9,819
Finance ROU asset mobile generation	6.5	662	41	621	179	—	179
Other property	20	2,300	695	1,605	1,773	568	1,205
Total		\$ 17,753	\$ 4,292	\$ 13,461	\$ 15,273	\$ 4,070	\$ 11,203
CERC							
Natural gas distribution	32	\$ 14,316	\$ 3,946	\$ 10,370	\$ 12,885	\$ 3,800	\$ 9,085
Other property	17	63	27	36	49	26	23
Total		\$ 14,379	\$ 3,973	\$ 10,406	\$ 12,934	\$ 3,826	\$ 9,108

- (1) SIGECO and AGC own a 300 MW unit at the Warrick Power Plant (Warrick Unit 4) as tenants in common. SIGECO's share of the cost of this unit as of December 31, 2022, is \$ 198 million with accumulated depreciation totaling \$ 162 million. AGC and SIGECO share 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.

(b) Depreciation and Amortization

The following table presents depreciation and amortization expense for 2022, 2021 and 2020:

	Year Ended December 31,								
	2022			2021			2020		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)								
Depreciation	\$ 1,013	\$ 434	\$ 420	\$ 1,024	\$ 391	\$ 466	\$ 961	\$ 368	\$ 426
Amortization of securitized regulatory assets	191	191	—	213	213	—	155	155	—
Other amortization	84	45	28	79	38	17	73	37	15
Total	\$ 1,288	\$ 670	\$ 448	\$ 1,316	\$ 642	\$ 483	\$ 1,189	\$ 560	\$ 441

(c) AROs

The Registrants 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. The estimates of future liabilities were developed using historical information, and where available, quoted prices from outside contractors.

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, 2022			December 31, 2021		
	CenterPoint Energy (1)	Houston Electric	CERC (1)	CenterPoint Energy (1)	Houston Electric	CERC (1)
	(in millions)					
Beginning balance	\$ 659	\$ 42	\$ 479	\$ 664	\$ 43	\$ 514
Accretion expense (2)	20	1	15	19	1	13
Revisions in estimates (3)	(69)	(7)	(74)	(24)	(2)	(48)
Ending balance	\$ 610	\$ 36	\$ 420	\$ 659	\$ 42	\$ 479

- (1) Excludes ARO activity of Arkansas and Oklahoma Natural Gas businesses that were sold in January 2022 and are reflected as held for sale as of December 31, 2021. For further information, see Note 4.
 (2) Reflected in Regulatory assets on each of the Registrants' respective Consolidated Balance Sheets.
 (3) In 2022, the Registrants reflected a decrease in their respective ARO liability, which is primarily attributable to increases in the long-term interest rates used for discounting in the ARO calculation.

(4) Held for Sale and Divestitures (CenterPoint Energy and CERC)

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 an 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 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 Condensed 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 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 assets and liabilities of the Arkansas and Oklahoma Natural Gas businesses classified as held for sale in CenterPoint Energy's and CERC's Consolidated Balance Sheets, as applicable, as of December 31, 2021 included the following:

	December 31, 2021	
	CenterPoint Energy	CERC
	(in millions)	
Receivables, net	\$ 46	\$ 46
Accrued unbilled revenues	48	48
Natural gas inventory	46	46
Materials and supplies	9	9
Property, plant and equipment, net	1,314	1,314
Goodwill ⁽¹⁾	398	144
Regulatory assets	471	471
Other	6	6
Total current assets held for sale	\$ 2,338	\$ 2,084

	December 31, 2021	
	CenterPoint Energy	CERC
	(in millions)	
Short term borrowings (2)	\$ 36	\$ 36
Accounts payable	40	40
Taxes accrued	7	7
Customer deposits	12	12
Regulatory liabilities	365	365
Other	102	102
Total current liabilities held for sale	\$ 562	\$ 562

(1) See Note 6 for further information about the allocation of goodwill to the disposed businesses.

(2) Represents third-party AMAs associated with utility distribution service in Arkansas and Oklahoma. These transactions are accounted for as an inventory financing. For further information, see Notes 13 and 15.

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,		
	2022 (1)	2021	2020
	(in millions)		
Income from Continuing Operations Before Income Taxes	\$ 9	\$ 78	\$ 73

(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 \$ 40 million during the year ended December 31, 2022. Actual transitional services costs incurred are recorded net of amounts charged to Southern Col Midco. CenterPoint Energy had accounts receivable from Southern Col Midco of \$ 1 million as of December 31, 2022 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 and CERC)

CenterPoint Energy's and CERC's discontinued operations reflect the disposals of interests in Enable, Infrastructure Services and Energy Services, as applicable. CenterPoint Energy's disposal of its interests in Enable, discussed further below, represented a strategic shift that will have a major effect on CenterPoint Energy's operations or financial results, and 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. The Infrastructure Services and Energy Services Disposal Groups disposals, discussed further below, also represent a strategic shift to CenterPoint