DANAHER CORP /DE/
Form 4
July 29, 2005

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

OMB APPROVAL	
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(Print or Type Responses)

1. Name and Address of Reporting Person *
COMAS DANIEL L
(Last) (First) (Middle)
2099 PENNSYLVANIA AVENUE, NW, 12TH FLOOR
(Street)
WASHINGTON, DC 20006
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DANAHER CORP /DE/ [DHR]

3. Date of Earliest Transaction (Month/Day/Year)
07/28/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP & CFO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	07/28/2005		M		28,000	A	$ 7.8125	28,000	D	
Common Stock	07/28/2005		S		10,000	D	$ 56.13	18,000	D	
Common Stock	07/28/2005		S		1,000	D	$ 56.1	17,000	D	
Common Stock	07/28/2005		S		100	D	$ 56.09	16,900	D	
Common Stock	07/28/2005		S		2,100	D	$ 56.08	14,800	D	

Common Stock	07/28/2005		S		1,000	D	$ 56.07	13,800	D	
Common Stock	07/28/2005		S		3,800	D	$ 56.12	10,000	D	
Common Stock	07/28/2005		S		10,000	D	$ 56.35	0	D	
Common Stock								2,264	I	By spouse (1)
Common Stock								3,004	I	401(k) plan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee stock option (right to buy)	$ 7.8125	07/28/2005		M			28,000	(2)	12/05/2005	Common Stock	28,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COMAS DANIEL L 2099 PENNSYLVANIA AVENUE, NW 12TH FLOOR WASHINGTON, DC 20006			EVP & CFO	

Signatures

James F. O'Reilly, attorney-in-fact for Daniel L. Comas	07/29/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The reporting person disclaims beneficial ownership of these shares.

(2) The reporting person received a grant of options to purchase 28,000 shares on December 5, 1995. Twenty percent of the options became exercisable on each of the first five anniversaries of the grant date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Operating
Income

Revenues from
External
Customers

Net
Intersegment
Revenues

Operating
Income

(in millions)
Natural Gas Distribution
$
487

$
8

$
7

$
470

$
7

$
42

Energy Services
841

19

15

918

13

16

Midstream Investments (2)
—

—

—

—

—

—

Other Operations
—

—

—

(1
)

—

1

Eliminations
—

(27
)

—

—

(20
)

—

Consolidated
$
1,328

$
—

$
22

$
1,387

$
—

$
59

Six Months Ended June 30,

	2018 Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	2017 Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
	(in millions)					
Natural Gas Distribution	$1,630	$ 18	$ 163	$1,377	$ 16	$ 210
Energy Services	2,098	47	(11)	2,103	24	51
Midstream Investments (2)	—	—	—	—	—	—
Other Operations	—	—	1	—	—	(3)
Eliminations	—	(65)	—	—	(40)	—
Consolidated	$3,728	$ —	$ 153	$3,480	$ —	$ 258

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(2) CenterPoint Energy’s and CERC’s Midstream Investments’ equity earnings, net are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions)			
Enable	$58	$ 59	$127	$131

CenterPoint Energy and CERC

	Total Assets			
	June 30, 2018		December 31, 2017	
	CenterPoint Energy	CERC	CenterPoint Energy	CERC
	(in millions)			
Electric Transmission & Distribution	$10,430	$—	$10,292	$—
Natural Gas Distribution	6,501	6,501	6,608	6,608
Energy Services	1,256	1,256	1,521	1,521
Midstream Investments	2,451	2,451	2,472	2,472
Other Operations	2,311 (3)	89	2,497 (3)	70
Eliminations	(841)	(655)	(654)	(559)
Consolidated	$22,108	$9,642	$22,736	$10,112

(3) Includes pension and other postemployment-related regulatory assets of $577 million and $600 million, respectively, as of June 30, 2018 and December 31, 2017.

(17) Supplemental Disclosure of Cash Flow Information

The table below provides supplemental disclosure of cash flow information:

	Six Months Ended June 30,					
	2018			2017		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Cash Payments/Receipts:						
Interest, net of capitalized interest	$167	$ 90	$ 50	$182	$ 94	$ 56
Income taxes, net	88	120	3	11	76	3
Non-cash transactions:						
Accounts payable related to capital expenditures	133	75	69	106	75	44

The table below provides a reconciliation of cash, cash equivalents and restricted cash reported in the Condensed Consolidated Balance Sheets to the amount reported in the Condensed Statements of Consolidated Cash Flows:

	June 30, 2018		December 31, 2017	
	CenterPoint Energy	Houston Electric	CenterPoint Energy	Houston Electric
	(in millions)			
Cash and cash equivalents	$328	$ 253	$ 260	$ 238

Restricted cash included in Prepaid expenses and other current assets	37	37	35	35
Restricted cash included in Other	1	1	1	1
Total cash, cash equivalents and restricted cash shown in Condensed Statements of Consolidated Cash Flows	$ 366	$ 291	$ 296	$ 274

CERC does not have restricted cash and therefore was not included in the table above.

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(18) Related Party Transactions (Houston Electric and CERC)

Houston Electric and CERC participate in a money pool through which they can borrow or invest on a short-term basis. Funding needs are aggregated and external borrowing or investing is based on the net cash position. The net funding requirements of the money pool are expected to be met with borrowings under CenterPoint Energy's revolving credit facility or the sale of CenterPoint Energy's commercial paper.

The table below summarizes money pool activity:

	June 30, 2018		December 31, 2017	
	Houston Electric	CERC	Houston Electric	CERC
	(in millions)			
Money pool investments (borrowings) (1)	$26	$ —	$(60)	$(570)
Weighted average interest rate	2.00%	— %	1.90 %	1.90 %

(1) Included in Accounts and notes receivable (payable)–affiliated companies in the Condensed Consolidated Balance Sheets.

Affiliate related net interest income (expense) was not material for either the three or six months ended June 30, 2018 or 2017.

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

Amounts charged for these services were as follows and are included primarily in operation and maintenance expenses:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Houston Electric	CERC	Houston Electric	CERC	Houston Electric	CERC	Houston Electric	CERC
	(in millions)							
Corporate service charges	$47	$ 35	$44	$ 32	$91	$ 69	$86	$ 63
Net affiliate service charges (billings)	(3)	3	(4)	4	(5)	5	(5)	5

Houston Electric and CERC paid dividends on their common shares and stock, respectively, to Utility Holding, LLC as follows:

Three Months Ended June 30,		Six Months Ended June 30,	
2018	2017	2018	2017

	Houston Electric	CERC	Houston Electric	CERC	Houston Electric	CERC	Houston Electric	CERC
	(in millions)							
Dividends paid	$31	$ 125	$10	$ 140	$63	$ 211	$42	$ 248

(19) Subsequent Events (CenterPoint Energy and CERC)

CenterPoint Energy Dividend Declaration

On July 26, 2018, CenterPoint Energy's Board of Directors declared a regular quarterly cash dividend of $0.2775 per share of common stock payable on September 13, 2018 to shareholders of record as of the close of business on August 16, 2018.

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Enable Distributions Declarations

On August 1, 2018, Enable declared a quarterly cash distribution of $0.318 per unit on all of its outstanding common units for the quarter ended June 30, 2018. Accordingly, CERC Corp. expects to receive a cash distribution of approximately $74 million from Enable in the third quarter of 2018 to be made with respect to CERC Corp.'s investment in common units of Enable for the second quarter of 2018.

On August 1, 2018, Enable declared a quarterly cash distribution of $0.625 per Series A Preferred Unit for the quarter ended June 30, 2018. Accordingly, CenterPoint Energy expects to receive a cash distribution of approximately $9 million from Enable in the third quarter of 2018 to be made with respect to CenterPoint Energy's investment in Series A Preferred Units of Enable for the second quarter of 2018.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

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 Interim Condensed Financial Statements contained in this Form 10-Q and each Registrants' 2017 Form 10-K. 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. In this Form 10-Q, the terms "our," "we" and "us" are used as abbreviated references to CenterPoint Energy, Inc. together with its consolidated subsidiaries.

RECENT EVENTS

Proposed Merger with Vectren. On April 21, 2018, CenterPoint Energy entered into the Merger Agreement. Under the terms of the Merger Agreement, CenterPoint Energy will acquire Vectren for approximately $6 billion in cash. For more information about the proposed merger with Vectren, see Note 3 to the Interim Condensed Financial Statements.

AT&T Merger. In June 2018, AT&T's merger with TW closed. For further information regarding the AT&T merger and its impact on the ZENS, see Note 11 to the Interim Condensed Financial Statements.

Regulatory Proceedings. For details related to our pending and completed regulatory proceedings and orders related to the TCJA to date in 2018, see "—Liquidity and Capital Resources —Regulatory Matters" below.

Credit Facility Amendment. In May 2018, CenterPoint Energy entered into an amendment to its revolving credit facility that will increase the aggregate commitments from $1.7 billion to $3.3 billion under certain conditions. For more information about the amendment, see Note 12 to the Interim Condensed Financial Statements.

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CENTERPOINT ENERGY CONSOLIDATED RESULTS OF OPERATIONS

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 CenterPoint Energy’s 2017 Form 10-K and “Risk Factors” in Item 1A of Part II of CenterPoint Energy’s First Quarter 2018 Form 10-Q and this Form 10-Q.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions, except per share amounts)			
Revenues	$2,186	$2,143	$5,341	$4,878
Expenses	1,999	1,903	4,903	4,347
Operating Income	187	240	438	531
Interest and Other Finance Charges	(91)	(77)	(169)	(155)
Interest on Securitization Bonds	(14)	(20)	(30)	(40)
Equity in Earnings of Unconsolidated Affiliate, net	58	59	127	131
Other Income, net	(228)	9	(242)	43
Income (Loss) Before Income Taxes	(88)	211	124	510
Income Tax Expense (Benefit)	(13)	76	34	183
Net Income (Loss)	$(75)	$135	$90	$327
Basic Earnings (Loss) Per Share	$(0.17)	$0.31	$0.21	$0.76
Diluted Earnings (Loss) Per Share	$(0.17)	$0.31	$0.21	$0.75

Three months ended June 30, 2018 compared to three months ended June 30, 2017

We reported a net loss of $75 million ($(0.17) per diluted share) for the three months ended June 30, 2018 compared to net income of $135 million ($0.31 per diluted share) for the same period in 2017.

The decrease in net income of $210 million was primarily due to the following key factors:

- a $241 million increase in losses on indexed debt securities related to the ZENS included in Other Income, net shown above, resulting from a loss of $242 million from AT&T’s acquisition of TW in June 2018, partially offset by increased gains of $1 million in the underlying value of the indexed debt securities;
- a $53 million decrease in operating income discussed below by segment;
- a $14 million increase in interest expense due to higher outstanding other long-term debt and the amortization of Bridge Facility fees of $7 million;
- a $1 million decrease in equity earnings from our investment in Enable, discussed further in Note 9 to our Interim Condensed Financial Statements; and
- a $1 million decrease in gains on marketable securities included in Other Income, net shown above.

These decreases in net income were partially offset by the following:

- an $89 million decrease in income tax expense due to lower net income and a reduction in the corporate income tax rate resulting from the TCJA, partially offset by re-measurement of state deferred taxes discussed below;

- a $6 million decrease in interest expense related to lower outstanding balances of our Securitization Bonds; and
- a $5 million increase in miscellaneous other non-operating income included in Other Income, net shown above, primarily due to lower non-service cost components of net periodic pension and postretirement costs.

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Six months ended June 30, 2018 compared to six months ended June 30, 2017

We reported net income of $90 million ($0.21 per diluted share) for the six months ended June 30, 2018 compared to net income of $327 million ($0.75 per diluted share) for the six months ended June 30, 2017.

The decrease in net income of $237 million was primarily due to the following key factors:

- a $249 million increase in losses on indexed debt securities related to the ZENS included in Other Income, net shown above, resulting from a loss of $11 million from Meredith's acquisition of Time in March 2018 and a loss of $242 million from AT&T's acquisition of TW in June 2018, partially offset by increased gains of $4 million in the underlying value of the indexed debt securities;
- a $93 million decrease in operating income discussed below by segment;
- a $44 million decrease in gains on marketable securities included in Other Income, net shown above;
- a $14 million increase in interest expense due to higher outstanding other long-term debt and the amortization of Bridge Facility fees of $7 million; and
- a $4 million decrease in equity earnings from our investment in Enable, discussed further in Note 9 to our Interim Condensed Financial Statements.

These decreases in net income were partially offset by the following:

- a $149 million decrease in income tax expense due to lower net income and a reduction in the corporate income tax rate resulting from the TCJA, partially offset by re-measurement of state deferred taxes discussed below;
- a $10 million decrease in interest expense related to lower outstanding balances of our Securitization Bonds; and
- an $8 million increase in miscellaneous other non-operating income included in Other Income, net shown above, primarily due to lower non-service cost components of net periodic pension and postretirement costs.

Income Tax Expense

Our effective tax rate reported for the three months ended June 30, 2018 was 15% compared to 36% for the same period in 2017. The effective tax rate reported for the six months ended June 2018 was 27% compared to 36% for the same period in 2017. The lower effective tax rates for the three and six months ended June 30, 2018 were primarily due to the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018 as prescribed by the TCJA, and partially offset by the impact of state tax law changes which resulted in re-measurement of state deferred taxes. The state tax law changes combined with the lower earnings for the period result in the lower than expected effective tax rate for the current quarter and higher than expected six-month effective tax rate. We expect our annual effective tax rate for the fiscal year ending December 31, 2018 to be approximately 23%.

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HOUSTON ELECTRIC'S MANAGEMENT'S NARRATIVE ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

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 more information regarding factors that may affect the future results of operations of Houston Electric's business, please read "Risk Factors" in Item 1A of Part I of Houston Electric's 2017 Form 10-K.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions, except throughput and customer data)			
Revenues	$854	$752	$1,609	$1,390
Expenses	673	581	1,309	1,134
Operating income	181	171	300	256
Interest and other finance charges	(36)	(32)	(69)	(65)
Interest on Securitization Bonds	(14)	(20)	(30)	(40)
Other income, net	(3)	(2)	(6)	(6)
Income before income taxes	128	117	195	145
Income tax expense	27	42	42	52
Net income	$101	$75	$153	$93

Three months ended June 30, 2018 compared to three months ended June 30, 2017

Houston Electric reported net income of $101 million for the three months ended June 30, 2018 compared to net income of $75 million for the same period in 2017.

Net income increased $26 million due to the following key factors:

- a $16 million increase in TDU operating income as discussed further below in Results of Operations by Business Segment; and

- a $15 million decrease in income tax expense due to a reduction in the corporate income tax rate resulting from the TCJA.

These increases to net income were partially offset by the following:

- a $4 million increase in interest expense due to higher outstanding other long-term debt; and

- a $1 million decrease in miscellaneous other non-operating income included in Other income, net shown above.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

Houston Electric reported net income of $153 million for the six months ended June 30, 2018 compared to net income of $93 million for the six months ended June 30, 2017.

Net income increased $60 million, primarily due to the following key factors:

- a $54 million increase in TDU operating income resulting from the $49 million increase discussed further below in Results of Operations by Business Segment and increased usage of $5 million, primarily due to a return to more normal weather, which was not offset by the weather hedge loss recorded on CenterPoint Energy; and

- a $10 million decrease in income tax expense due to a reduction in the corporate income tax rate resulting from the TCJA.

These increases to net income were partially offset by a $4 million increase in interest expense due to higher outstanding other long-term debt.

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Income Tax Expense

Houston Electric's effective tax rate reported for the three months ended June 30, 2018 was 21% compared to 36% for the same period in 2017. The effective tax rate reported for the six months ended June 30, 2018 was 22% compared to 36% for the same period in 2017. The lower effective tax rate for both the three and six months ended June 30, 2018 was primarily due to the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018 as prescribed by the TCJA.

CERC'S MANAGEMENT'S NARRATIVE ANALYSIS OF CONSOLIDATED RESULTS OF OPERATIONS

CERC's results of operations are affected by seasonal fluctuations in the demand for natural gas and price movements of energy commodities as well as natural gas basis differentials. 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, competition in CERC's various business operations, the effectiveness of CERC's risk management activities, debt service costs and income tax expense. For more information regarding factors that may affect the future results of operations for CERC's business, please read "Risk Factors" in Item 1A of Part I of CERC's 2017 Form 10-K.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions)			
Revenues	$1,328	$1,387	$3,728	$3,480
Expenses	1,306	1,328	3,575	3,222
Operating Income	22	59	153	258
Interest and other finance charges	(33)	(31)	(62)	(60)
Equity in earnings of unconsolidated affiliate, net	58	59	127	131
Other expense, net	(1)	(4)	(5)	(9)
Income Before Income Taxes	46	83	213	320
Income tax expense	10	29	47	119
Net Income	$36	$54	$166	$201

Three months ended June 30, 2018 compared to three months ended June 30, 2017

CERC reported net income of $36 million for the three months ended June 30, 2018 compared to net income of $54 million for the same period in 2017.

The decrease in net income of $18 million was primarily due to the following key factors:

- a $37 million decrease in operating income discussed below by segment in Results of Operations by Business Segment;

- a $2 million increase in interest expense due to higher outstanding long-term debt; and

- a $1 million decrease in equity earnings from our investment in Enable, discussed further in Note 9 to the Interim Condensed Financial Statements.

These decreases were partially offset by the following:

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- a $19 million decrease in income tax expense due to lower net income and a reduction in the corporate income tax rate resulting from the TCJA; and

- a $3 million increase in miscellaneous other non-operating income included in Other expense, net shown above.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

CERC reported net income of $166 million for the six months ended June 30, 2018 compared to net income of $201 million for the six months ended June 30, 2017.

The decrease in net income of $35 million was primarily due to the following key factors:

- a $105 million decrease in operating income discussed below by segment in Results of Operations by Business Segment;

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- a $4 million decrease in equity earnings from our investment in Enable, discussed further in Note 9 to the Interim Condensed Financial Statements; and
- a $2 million increase in interest expense due to higher outstanding long-term debt.

These decreases were partially offset by the following:

- a $72 million decrease in income tax expense due to lower net income and a reduction in the corporate income tax rate resulting from the TCJA; and
- a $4 million increase in miscellaneous other non-operating income included in Other expense, net shown above.

Income Tax Expense

CERC's effective tax rate reported for the three months ended June 30, 2018 was 22% compared to 35% for the same period in 2017. CERC's effective tax rate reported for the six months ended June 30, 2018 was 22% compared to 37% for the same period in 2017. The lower effective tax rates for both the three and six months ended June 30, 2018 were primarily due to the reduction in the federal corporate income tax rate from 35% to 21% effective January 1, 2018 as prescribed by the TCJA.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income (loss) for each business segment. Included in revenues are intersegment sales, which are accounted for as if the sales were to third parties at current market prices. See Note 16 to the Interim Condensed Financial Statements for details of business segments by Registrant.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions)			
Electric Transmission & Distribution	$181	$171	$296	$257
Natural Gas Distribution	7	42	163	210
Energy Services	15	16	(11)	51
Other Operations	(16)	11	(10)	13
Total Consolidated Operating Income	$187	$240	$438	$531

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Electric Transmission & Distribution

For information regarding factors that may affect the future results of operations of the Electric Transmission & Distribution business segment, please read “Risk Factors — Risk Factors Associated with Our Consolidated Financial Condition,” “— Risk Factors Affecting Our Electric Transmission & Distribution Business” and “— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of CenterPoint Energy’s 2017 Form 10-K.

The following table provides summary data of our Electric Transmission & Distribution business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions, except throughput and customer data)			
Revenues:				
TDU	$676	$ 653	$1,274	$ 1,215
Bond Companies	178	99	331	176
Total revenues	854	752	1,605	1,391
Expenses:				
Operation and maintenance, excluding Bond Companies	349	341	689	681
Depreciation and amortization, excluding Bond Companies	100	103	198	199
Taxes other than income taxes	60	58	121	118
Bond Companies	164	79	301	136
Total expenses	673	581	1,309	1,134
Operating Income	$181	$ 171	$296	$ 257
Operating Income:				
TDU	$167	$ 151	$266	$ 217
Bond Companies (1)	14	20	30	40
Total segment operating income	$181	$ 171	$296	$ 257
Throughput (in GWh):				
Residential	8,327	7,940	13,932	13,092
Total	23,688	22,750	43,332	41,504
Number of metered customers at end of period:				
Residential	2,179,048	2,152,655	2,179,048	2,152,655
Total	2,463,500	2,429,403	2,463,500	2,429,403

(1) Represents the amount necessary to pay interest on the Securitization Bonds.

Three months ended June 30, 2018 compared to three months ended June 30, 2017

Our Electric Transmission & Distribution business segment reported operating income of $181 million for the three months ended June 30, 2018, consisting of $167 million from the TDU and $14 million related to the Bond Companies. For the three months ended June 30, 2017, operating income totaled $171 million, consisting of $151 million from the TDU and $20 million related to the Bond Companies.

TDU operating income increased $16 million, primarily due to the following key factors:

- higher equity return of $14 million, primarily related to the annual true-up of transition charges correcting for under-collections that occurred during the preceding 12 months;

- higher transmission-related revenues of $7 million, exclusive of the TCJA discussed below, and lower transmission costs billed by transmission providers of $7 million;

- rate increases of $12 million related to distribution capital investments;

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- higher usage of $9 million, primarily due to a return to more normal weather; and
- customer growth of $8 million from the addition of over 34,000 customers.

These increases to operating income were partially offset by the following:

- lower revenues of $12 million due to the recording of a regulatory liability and a corresponding decrease to revenue reflecting the difference in revenues collected under existing customer rates and the revenues that would have been collected had existing rates been set using the lower corporate tax rate from the TCJA;
- increased operation and maintenance expenses of $15 million, primarily due to increased contract services and corporate support services;
- lower revenues of $7 million due to lower transmission rate filings as a result of the TCJA; and
- higher depreciation and amortization expense, primarily because of ongoing additions to plant in service, and other taxes of $6 million.

Lower depreciation and amortization expenses related to AMS of $7 million were offset by a corresponding decrease in related revenues.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

Our Electric Transmission & Distribution business segment reported operating income of $296 million for the six months ended June 30, 2018, consisting of $266 million from the TDU and $30 million related to the Bond Companies. For the six months ended June 30, 2017, operating income totaled $257 million, consisting of $217 million from the TDU and $40 million related to the Bond Companies.

TDU operating income increased $49 million, primarily due to the following key factors:

- higher equity return of $28 million, primarily related to the annual true-up of transition charges correcting for under-collections that occurred during the preceding 12 months;
- higher transmission-related revenues of $15 million, exclusive of the TCJA discussed below, and lower transmission costs billed by transmission providers of $13 million;
- rate increases of $21 million related to distribution capital investments;
- higher usage of $17 million, primarily due to a return to more normal weather; and
- customer growth of $14 million from the addition of over 34,000 customers.

These increases to operating income were partially offset by the following:

- lower revenues of $24 million due to the recording of a regulatory liability and a corresponding decrease to revenue reflecting the difference in revenues collected under existing customer rates and the revenues that would have been collected had existing rates been set using the lower corporate tax rate from the TCJA;

- increased operation and maintenance expenses of $21 million primarily due to an increase in labor and benefits, contract services and corporate support services;
- lower revenues of $7 million due to lower transmission rate filings as a result of the TCJA; and
- higher depreciation and amortization expense, primarily because of ongoing additions to plant in service, and other taxes of $6 million.

Lower depreciation and amortization expenses related to AMS of $4 million were offset by a corresponding decrease in related revenues.

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Natural Gas Distribution

For information regarding factors that may affect the future results of operations of the Natural Gas Distribution business segment, please read “Risk Factors — Risk Factors Associated with Our Consolidated Financial Condition,” “— Risk Factors Affecting Our Natural Gas Distribution and Energy Services Businesses” and “— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of CenterPoint Energy’s 2017 Form 10-K.

The following table provides summary data of our Natural Gas Distribution business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions, except throughput and customer data)			
Revenues	$495	$ 477	$1,648	$ 1,393
Expenses:				
Natural gas	185	164	852	625
Operation and maintenance	196	170	409	359
Depreciation and amortization	69	65	137	128
Taxes other than income taxes	38	36	87	71
Total expenses	488	435	1,485	1,183
Operating Income	$7	$ 42	$163	$ 210
Throughput (in Bcf):				
Residential	23	19	110	81
Commercial and industrial	61	57	155	139
Total Throughput	84	76	265	220
Number of customers at end of period:				
Residential	3,204,897	3,176,953	3,204,897	3,176,953
Commercial and industrial	255,115	253,559	255,115	253,559
Total	3,460,012	3,430,512	3,460,012	3,430,512

Three months ended June 30, 2018 compared to three months ended June 30, 2017

Our Natural Gas Distribution business segment reported operating income of $7 million for the three months ended June 30, 2018 compared to $42 million for the three months ended June 30, 2017.

Operating income decreased $35 million as a result of the following key factors:

- lower revenues of $16 million due to the timing of a decoupling normalization accrual recorded in the second quarter of 2017 primarily for the impact of weather not recovered by weather normalization adjustments during the 2016-2017 winter season;

- higher labor and benefits costs of $17 million, resulting primarily from the recording of a regulatory asset (and a corresponding reduction in expense) to recover $16 million of prior postretirement expenses in future rates established in the Texas Gulf rate order in 2017;

- higher operation and maintenance expenses of $5 million, primarily due to higher support services expense and bad debt expense of $11 million, partially offset by a timing-related adjustment associated with the Texas Gulf rate order of $6 million;

- lower revenue of $5 million, associated with the recording of a regulatory liability and a corresponding decrease to revenue in certain jurisdictions of $5 million reflecting the difference in revenues collected under existing customer rates and the revenues that would have been collected had existing rates been set using the lower corporate tax rate from the TCJA; and

- increased depreciation and amortization expense of $4 million, primarily due to ongoing additions to plant-in-service.

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These decreases were partially offset by the following:

- rate increases of $7 million, primarily in the Texas and Minnesota jurisdictions, exclusive of the TCJA impact discussed above; and

- a $2 million increase associated with customer growth from the addition of over 29,000 customers.

Increased operation and maintenance expenses related to energy efficiency programs of $4 million and increased gross receipts taxes of $2 million were offset by corresponding increases in the related revenues.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

Our Natural Gas Distribution business segment reported operating income of $163 million for the six months ended June 30, 2018 compared to $210 million for the six months ended June 30, 2017.

Operating income decreased $47 million as a result of the following key factors:

- higher labor and benefits costs of $23 million, resulting primarily from the recording of a regulatory asset (and a corresponding reduction in expense) to recover $16 million of prior postretirement expenses in future rates established in the Texas Gulf rate order in 2017;

- lower revenue of $20 million, associated with the recording of a regulatory liability and a corresponding decrease to revenue in certain jurisdictions of $11 million reflecting the difference in revenues collected under existing customer rates and the revenues that would have been collected had existing rates been set using the lower corporate tax rate from the TCJA and lower rate filings in Minnesota and South Texas of $9 million associated with the lower corporate tax rate as a result of the TCJA;

- higher operation and maintenance expenses of $15 million, primarily due to higher support services expense, contract services expense and bad debt expense of $21 million, partially offset by a timing-related adjustment associated with the Texas Gulf rate order of $6 million;

- lower revenues of $12 million due to the timing of a decoupling normalization accrual recorded in the second quarter of 2017 primarily for the impact of weather not recovered by weather normalization adjustments during the 2016-2017 winter season;

- higher other taxes of $10 million, primarily due to the 2017 Minnesota property tax refund of $9 million; and

- increased depreciation and amortization expense of $8 million, primarily due to ongoing additions to plant-in-service.

These decreases were partially offset by the following:

- rate increases of $29 million, primarily in the Texas, Minnesota and Arkansas jurisdictions, exclusive of the TCJA impact discussed above; and

- a $5 million increase associated with customer growth from the addition of over 29,000 customers.

Increased operation and maintenance expenses related to energy efficiency programs of $12 million and increased gross receipts taxes of $6 million were offset by corresponding increases in the related revenues.

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Energy Services

For information regarding factors that may affect the future results of operations of the Energy Services business segment, please read "Risk Factors — Risk Factors Associated with Our Consolidated Financial Condition," "— Risk Factors Affecting Our Natural Gas Distribution and Energy Services Businesses" and "— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP" in Item 1A of Part I of CenterPoint Energy's 2017 Form 10-K.

The following table provides summary data of our Energy Services business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions, except throughput and customer data)			
Revenues	$860	$ 931	$2,145	$2,127
Expenses:				
Natural gas	820	889	2,101	2,026
Operation and maintenance	21	22	46	43
Depreciation and amortization	3	3	8	6
Taxes other than income taxes	1	1	1	1
Total expenses	845	915	2,156	2,076
Operating Income (Loss)	$15	$ 16	$(11)	$51
Timing impacts related to mark-to-market gain (loss) (1)	$8	$ 6	$(72)	$21
Throughput (in Bcf)	311	273	686	592
Approximate number of customers at end of period (2)	30,000	31,000	30,000	31,000

(1) Includes the change in unrealized mark-to-market value and the impact from derivative assets and liabilities acquired through the purchase of Continuum and AEM.

(2) Does not include approximately 71,000 and 61,000 natural gas customers as of June 30, 2018 and 2017, respectively, that are under residential and small commercial choice programs invoiced by their host utility.

Three months ended June 30, 2018 compared to three months ended June 30, 2017

Our Energy Services business segment reported operating income of $15 million for the three months ended June 30, 2018 compared to $16 million for the three months ended June 30, 2017.

Operating income decreased $1 million, primarily due to timing impacts related to natural gas storage activity. This decrease in operating income was partially offset by decreases to operation and maintenance expenses.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

Our Energy Services business segment reported an operating loss of $11 million for the six months ended June 30, 2018 compared to operating income of $51 million for the six months ended June 30, 2017.

Operating income decreased $62 million as a result of the following key factors:

- a $93 million decrease from mark-to-market accounting for derivatives associated with certain natural gas purchases and sales used to lock in economic margins;
- a $3 million increase in operation and maintenance expenses, primarily due to higher contract and services expense related to pipeline integrity testing, higher bad debt expense and higher support services expense; and
- a $2 million increase in depreciation and amortization, primarily due to the amortization of AEM acquired intangibles.

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These decreases in operating income were partially offset by a $36 million increase in margin due to incremental volumes from customers and improved margin rates, resulting from realized commercial opportunities attributable to the Continuum and AEM acquisitions and colder than normal weather in several regions of the United States, primarily in the first quarter of 2018.

Midstream Investments

For information regarding factors that may affect the future results of operations of the Midstream Investments business segment, please read "Risk Factors — Risk Factors Affecting Our Interests in Enable Midstream Partners, LP" and "— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP" in Item 1A of Part I of CenterPoint Energy's 2017 Form 10-K.

The following table provides pre-tax equity income of the Midstream Investments business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions)			
Equity earnings from Enable, net	$58	$ 59	$127	$131

Other Operations

The following table shows the operating income (loss) of CenterPoint Energy's Other Operations business segment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in millions)			
Revenues	$4	$3	$8	$7
Expenses	20	(8)	18	(6)
Operating Income (Loss)	$(16)	$11	$(10)	$13

Three months ended June 30, 2018 compared to three months ended June 30, 2017

Our Other Operations business segment reported an operating loss of $16 million for the three months ended June 30, 2018 compared to operating income of $11 million for the three months ended June 30, 2017. Operating income decreased $27 million, primarily due to transaction costs related to the Merger.

Six months ended June 30, 2018 compared to six months ended June 30, 2017

Our Other Operations business segment reported an operating loss of $10 million for the three months ended June 30, 2018 compared to operating income of $13 million for the three months ended June 30, 2017. Operating income decreased $23 million, primarily due to transaction costs related to the Merger.

The following table shows the operating income (loss) of CERC's Other Operations business segment:

	Three Months Ended	Six Months Ended

	June 30,		June 30,	
	2018	2017	2018	2017
	(in millions)			
Revenues	$—	$—	$—	$—
Expenses	—	(1)	(1)	3
Operating Income (Loss)	$—	$ 1	$ 1	$ (3)

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on the Registrants' future earnings, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings" in Item 7 of Part II of CenterPoint Energy's 2017 Form 10-K, "Risk Factors" in Item 1A of Part I of each of the Registrants'

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2017 Form 10-K and in Item 1A of Part II of CenterPoint Energy’s First Quarter 2018 Form 10-Q and “Cautionary Statement Regarding Forward-Looking Information” in this Form 10-Q.

LIQUIDITY AND CAPITAL RESOURCES

Historical Cash Flows

The following table summarizes the net cash provided by (used in) operating, investing and financing activities:

	Six Months Ended June 30,					
	2018			2017		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
	(in millions)					
Cash provided by (used in):						
Operating activities	$1,093	$ 443	$746	$677	$ 279	$278
Investing activities	(267)	(468)	(197)	(640)	(418)	(205)
Financing activities	(756)	42	(560)	(138)	35	(73)

Operating Activities. The following items contributed to increased (decreased) net cash provided by operating activities for the six months ended June 30, 2018 compared to the same period of 2017:

	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Changes in net income after adjusting for non-cash items	$132	$ 162	$(97)
Changes in working capital	187	10	403
Change in equity in earnings from Enable, net of distributions (1)	122	—	122
Higher pension contribution	(46)	—	—
Other	21	(8)	40
	$416	$ 164	$468

(1) 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 for the six months ended June 30, 2018 compared to the same period of 2017:

	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Proceeds from the sale of marketable securities	$398	$ —	$ —
AEM acquisition in 2017	132	—	132
Higher capital expenditures	(48)	(27)	(7)
Net change in notes receivable from unconsolidated affiliates	—	(31)	—
Change in distributions from Enable in excess of cumulative earnings	(119)	—	(119)
Other	10	8	2
	$373	$ (50)	$ 8

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Financing Activities. The following items contributed to (increased) decreased net cash used in financing activities for the six months ended June 30, 2018 compared to the same period of 2017:

	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Net changes in commercial paper outstanding	$(1,472)	$ —	$(482)
Net changes in long-term debt outstanding, excluding commercial paper	938	89	599
Net changes in debt issuance costs	(29)	(1)	(4)
Net changes in short-term borrowings	(28)	—	(28)
Distributions to ZENS note holders	(16)	—	—
Increased payment of common stock dividends	(10)	—	—
Net change in notes payable from affiliated companies	—	(60)	(570)
Contribution from parent	—	—	(38)
Dividend to parent	—	(21)	37
Other	(1)	—	(1)
	$(618)	$ 7	$(487)

Future Sources and Uses of Cash

The liquidity and capital requirements of the Registrants, other than in connection with the proposed Merger with Vectren (see Note 3 to the Interim Condensed Financial Statements), 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 transmission and distribution operations and natural gas distribution operations. These capital expenditures are anticipated to maintain reliability and safety, increase resiliency and expand our systems through value-added projects. In addition to dividend payments on CenterPoint Energy's common stock and interest payments on debt, the Registrants' principal anticipated cash requirements for the remaining six months of 2018 include the following:

	CenterPoint Energy	Houston Electric	CERC
	(in millions)		
Estimated capital expenditures	$972	$ 532	$ 407
Maturing collateralized pollution control bonds	50	—	—
Scheduled principal payments on Securitization Bonds	204	204	—
Distribution to ZENS note holders	382	—	—

The Registrants expect that anticipated cash needs for the remaining six months of 2018 will be met with borrowings under their credit facilities, proceeds from the issuance of long-term debt, anticipated cash flows from operations and, with respect to CenterPoint Energy and CERC, proceeds from commercial paper and distributions from Enable. In addition, if CenterPoint Energy and CERC decide to sell all or a portion of the Enable common units that they own in the public equity markets or otherwise in 2018 (reducing the amount of future distributions CenterPoint Energy and CERC receives from Enable to the extent of any such sales), any net proceeds received from such sales could provide a source for CenterPoint Energy's and CERC's remaining 2018 cash needs. 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, additional credit facilities and any sales of CenterPoint Energy's and CERC's Enable common units may not, however, be available to us on acceptable terms.

For more information on CenterPoint Energy’s acquisition financing plan with respect to the proposed Merger with Vectren, see Note 3 to the Interim Condensed Financial Statements.

Off-Balance Sheet Arrangements

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

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Regulatory Matters

Brazos Valley Connection Project (CenterPoint Energy and Houston Electric)

Houston Electric completed construction on and energized the Brazos Valley Connection in March 2018, ahead of the original June 1, 2018 energization date. The final capital costs of the project were approximately $285 million, which was within the estimated range of approximately $270-$310 million in the PUCT's original order. Houston Electric applied for interim recovery of project costs not already included in rates in a filing with the PUCT in May 2018 and received approval for interim recovery in July 2018. Final approval by the PUCT of the project costs will occur in Houston Electric's next base rate case.

Freeport Master Plan Project (CenterPoint Energy and Houston Electric)

In April 2017, Houston Electric submitted a proposal to ERCOT requesting its endorsement of a transmission project in the greater Freeport, Texas area, which includes enhancements to two existing substations and the construction of a new 345 kV double-circuit transmission line located in Brazoria, Matagorda and Wharton counties. On December 12, 2017, Houston Electric received approval from ERCOT. Houston Electric expects to file in September 2018 an application with the PUCT seeking approval to build the project at a current estimated cost of as much as $630 million (previously estimated at $250 million) and anticipates that the PUCT will provide a decision in the third quarter of 2019 regarding the need for and route of the project. The revised preliminary project cost includes additional costs associated with line routing to mitigate environmental and other land use impacts and structure design to address soil and coastal wind conditions.

Rate Change Applications

Houston Electric and CERC 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, Houston Electric is periodically involved in proceedings to adjust its capital tracking mechanisms (TCOS and DCRF) and annually files to adjust its EECRF. CERC is periodically involved in proceedings to adjust its capital tracking mechanisms in Texas (GRIP), its cost of service adjustments in Arkansas, Louisiana, Mississippi and Oklahoma (FRP, RSP, RRA and PBRC, respectively), its decoupling mechanism in Minnesota, and its energy efficiency cost trackers in Arkansas, Minnesota, Mississippi and Oklahoma (EECR, CIP, EECR and EECR, respectively). The table below reflects significant applications pending or completed since our 2017 Form 10-K was filed with the SEC.

Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
Houston Electric (PUCT)					
TCOS	N/A	February 2018	April 2018	April 2018	Revised TCOS annual revenue application approved in November 2017 by a reduction of $41.6 million to recognize decrease in the federal income tax rate, amortize certain EDIT balances and adjust rate base by EDIT attributable to new plant since the last rate case, all of which are related to the TCJA.
TCOS	$40.8	May 2018	July 2018	July 2018	Requested an increase of $285 million to rate base and reflects a $40.8 million annual increase in current

					revenues. Also reflects a one-time refund of $6.6 million in excess federal income tax collected from January to April 2018.
EECRF	8.4	June 2018	TBD	TBD	Revised application requests recovery of 2019 EECRF of $41.7 million, including a $8.4 million performance bonus.
DCRF	30.9	April 2018	September 2018	TBD	Unanimous settlement agreement results in incremental annual revenue of $30.9 million. The agreement filed with the PUCT in June 2018 recommends a $120.6 million annual revenue requirement effective September 1, 2018. The settlement agreement also reflects an approximately $39 million decrease in the federal income tax rate, a $20 million decrease to return to customers the reserve recorded recognizing this decrease in the federal income tax rate from January 25, 2018 through August 31, 2018 and a $19.2 million decrease related to the unprotected EDIT. Effective September 1, 2019, the reserve amount returned to customers ends.
CERC - South Texas (Railroad Commission)					
Rate Case	(1.0)	November 2017	May 2018	May 2018	Unanimous settlement agreement approved by the Railroad Commission in May 2018 that provides for a $1 million annual decrease in current revenues. The settlement agreement also reflects an approximately $2 million decrease in the federal income tax rate and amortization of certain EDIT balances and establishing a 9.8% ROE for future GRIP filings for the South Texas jurisdiction.

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Mechanism	Annual Increase (Decrease) (1) (in millions)	Filing Date	Effective Date	Approval Date	Additional Information
CERC - Beaumont/East Texas, Houston and Texas Coast (Railroad Commission)					
GRIP	14.7	March 2018	July 2018	June 2018	Based on net change in invested capital of $70.0 million and reflects a $14.7 million annual increase in current revenues. Also reflects an approximately $1.0 million decrease in the federal income tax rate.
Administrative 104.111	N/A	July 2018	TBD	TBD	Beaumont/East Texas, Houston and Texas Coast propose to decrease base rates by $12.9 million to reflect the change in the federal income tax rate. In addition, Beaumont/East Texas proposed to decrease the GRIP charge to reflect the change in the federal income tax rate. The impact of deferred taxes is expected to be reflected in the next rate case.
CERC - Arkansas (APSC)					
FRP	13.2	August 2018	October 2018	TBD	Based on ROE of 9.5% as approved in the last rate case and reflects a $13.2 million annual increase in current revenues, excluding the effects of the recently enacted TCJA. With TCJA impacts considered, the annual increase is reduced by approximately $8.1 million, which include the effects of a lower federal income tax rate and amortization of EDIT balances.
CERC - Minnesota (MPUC)					
Rate Case	56.5	August 2017	TBD	TBD	Reflects a proposed 10.0% ROE on a 52.18% equity ratio. Includes a proposal to extend decoupling beyond current expiration date of June 2018. Interim rates reflecting an annual increase of $47.8 million were effective October 1, 2017. A unanimous settlement agreement was filed in March 2018, which is subject to MPUC approval. The settlement agreement increases base rates by $3.9 million, makes decoupling a permanent part of the tariff, incorporates the impact of the decrease in the federal income tax rate and amortization of EDIT balances (approximately $20 million) and establishes or continues tracker recovery mechanisms that account for approximately $13.3 million in the initial filing. The MPUC voted to approve the settlement and a formal order was issued on July 20, 2018. Final rates (and the refund of interim rates that exceed final rates) are expected to be implemented later this year after required compliance filings are approved.
CERC - Mississippi (MPSC)					
RRA	5.7	May 2018	TBD	TBD	Based on authorized ROE of 9.144% and a capital structure of 50% debt and 50% equity and reflects a $5.7 million annual increase in revenues, excluding the effects of the recently enacted TCJA. With the impact of the lower

					federal income tax rate considered, the annual increase is reduced by approximately $1.7 million.
CERC - Oklahoma (OCC)					
PBRC	6.7	March 2018	TBD	TBD	Based on ROE of 10% and reflects a $6.7 million annual increase in revenues, excluding the effects of the recently enacted TCJA . With TCJA impacts considered, the annual increase is reduced by approximately $1.2 million, which includes the effects of a lower federal income tax rate and amortization of certain EDIT balances.

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

Tax Reform

For Houston Electric and CERC’s NGD, federal income tax expense is included in the rates approved by state commissions and local municipalities and charged by those utilities to consumers. As Houston Electric and NGD file general rate cases and other periodic rate adjustments, the impacts of the TCJA (including the lower tax rate and the calculation and amortization of EDIT), along with other increases and decreases in our revenue requirements, will be incorporated into Houston Electric’s and NGD’s future rates as allowed by IRS rules. The effect of any potential return of tax savings resulting from the TCJA to consumers may differ depending on how each regulatory body requires us to return such savings. Regulatory commissions across most of Houston Electric’s and NGD’s jurisdictions have issued accounting orders to track or record a regulatory liability for (1) the difference between revenues collected under existing rates and revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates and (2) the balance of EDIT that now exists because of the reduction in federal income tax rates.

On January 25, 2018, the PUCT issued an accounting order in Project No. 47945 directing electric utilities, including Houston Electric, to record as a regulatory liability (1) the difference between revenues collected under existing rates and revenues that would have been collected had the existing rates been set using the recently approved federal income tax rates and (2) the balance of EDIT that now exists because of the reduction in federal income tax rates. On February 13, 2018, Houston Electric and other likely parties to a future rate case announced a settlement that requires Houston Electric to make (i) a TCOS filing by February 20, 2018 to reflect the change in the federal income tax rate for Houston Electric’s transmission rate base through July 31, 2017

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and account for certain EDIT (and such filing was timely submitted), (ii) a DCRF filing in April 2018 to reflect the change in the federal income tax rate for Houston Electric's distribution rate base through December 31, 2017 (and such filing was timely submitted) and (iii) a full rate case filing by April 30, 2019. The settlement was presented to the PUCT during its open meeting on February 15, 2018. In response to the settlement, the PUCT did not proceed with a prior proposal to require Houston Electric to file a rate case in the summer of 2018. The PUCT also amended its prior accounting order to remove the requirement that utilities include carrying costs in the new regulatory liability. Additional information related to tax reform for Houston Electric is described in the table above.

On January 12, 2018, the APSC issued an order in Docket No. 18-006-U opening an investigatory docket into the TCJA and directing utilities, including CERC, to record as a regulatory liability the current and deferred impacts of the TCJA. On July 26, 2018, the APSC issued an order in the investigatory docket requiring CERC to (1) Include the reduction in tax expense due to the January 1, 2018 change in the tax rate from 35% to 21% in the utility's FRP as a reduction to the revenue requirement; this reduction will be reflected in the utility's historical year netting process in the 2019 FRP filing; (2) File and include all unprotected EDIT, including plant-related unprotected EDIT, in a separate rider within 30 days and refund the entire balance before December 31, 2019; (3) Include protected EDIT in the FRP and amortize such amount using the ARAM method; and (4) Adjust all other riders impacted by the TCJA changes and apply carrying charges calculated using the pre-tax cost of capital of 6.44% for the amounts related to the TCJA within 30 days of the July 26, 2018 order.

FERC Revised Policy Statement and NOPR (CenterPoint Energy and CERC)

On March 15, 2018, the FERC addressed treatment of federal income tax allowances in FERC-regulated pipeline rates. The FERC issued a Revised Policy Statement stating that it will no longer permit pipelines organized as MLPs to recover an income tax allowance in their cost-of-service rates. The FERC issued the Revised Policy Statement in response to a remand from the U.S. Court of Appeals for the D.C. Circuit in United Airlines v. FERC. On July 18, 2018, the FERC issued an order denying requests for rehearing of its Revised Policy Statement because it is a non-binding policy and parties will have the opportunity to address the policy as applied in future cases. Accordingly, the impacts that such changes may have on the rates Enable can charge for transportation services are unknown at this time.

On March 15, 2018, the FERC also proposed, in a NOPR, the method by which it would apply the Revised Policy Statement to FERC-jurisdictional natural gas pipeline rates, as well as account for the corporate income tax rate reduction in the TCJA. On July 18, 2018, the FERC issued a final rule requiring all FERC-regulated natural gas pipelines that have cost-based rates to make a filing providing certain cost and revenue information and then either propose to reduce or support current cost-based rates, or take no further action. At this time, we cannot predict the outcome of the final rule, but the FERC's adoption of the regulation could adversely impact the rates Enable is permitted to charge its customers.

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 12 to the Interim Condensed Financial Statements.

As of July 23, 2018, the Registrants had the following facilities:

Registrant	Termination Date

(in millions)	Size of Facility		Amount Utilized (1)		
CenterPoint Energy	$ 1,700	(2)	$ 309	(3)	March 3, 2022
Houston Electric	300		4	(4)	March 3, 2022
CERC Corp.	900		513	(5)	March 3, 2022

(1) Based on the consolidated debt to capitalization covenant in our revolving credit facility and the revolving credit facility of each of Houston Electric and CERC Corp., we would have been permitted to utilize the full capacity of such revolving credit facilities, which aggregated $2.9 billion as of June 30, 2018.

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(2) Pursuant to the amendment entered into in May 2018, the aggregate commitments under the CenterPoint Energy revolving credit facility will increase to $3.3 billion upon the satisfaction of certain conditions. For further information, see Note 12 to the Interim Condensed Financial Statements.

(3) Represents outstanding commercial paper of $303 million and outstanding letters of credit of $6 million.

(4) Represents outstanding letters of credit.

(5) Represents outstanding commercial paper of $512 million and outstanding letters of credit of $1 million.

Borrowings under each of the three 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 three revolving credit facilities, the spread to LIBOR and the commitment fees fluctuate based on the borrower's credit rating. The borrowers are currently in compliance with the various business and financial covenants in the three revolving credit facilities.

For more information on the Bridge Facility relating to the proposed Merger with Vectren, see Note 3 to the Interim Condensed Financial Statements.

Long-term Debt

In February 2018, Houston Electric issued $400 million aggregate principal amount of general mortgage bonds. In March 2018, CERC Corp. issued $600 million aggregate principal amount of unsecured senior notes. For further information about our 2018 debt issuances, see Note 12 to the Interim Condensed Financial Statements.

As of June 30, 2018, Houston Electric's outstanding first mortgage bonds and general mortgage bonds aggregated approximately $3.4 billion, of which $118 million is not reflected in its consolidated financial statements because of the contingent nature of the obligation.

The lien of the general mortgage indenture is junior to that of the mortgage pursuant to which the first mortgage bonds are issued. Houston Electric may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately $4.1 billion of additional first mortgage bonds and general mortgage bonds could be issued on the basis of retired bonds and 70% of property additions as of June 30, 2018. Houston Electric has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

Houston Electric's long-term debt consists of its obligations and the obligations of its subsidiaries, including Securitization Bonds issued by its wholly-owned subsidiaries. As of June 30, 2018, the Bond Companies had the following aggregate principal amount, exclusive of debt issuance costs, of Securitization Bonds outstanding.

Company	Aggregate Principal Amount Outstanding (in millions)

Bond Company II	$ 296
Bond Company III	110
Bond Company IV	955
Restoration Bond Company	281
Total	$ 1,642

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

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Securities Registered with the SEC

On January 31, 2017, 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 CenterPoint Energy's shares of common stock, shares of preferred stock, as well as stock purchase contracts and equity units. The joint shelf registration statement will expire on January 31, 2020.

Temporary Investments

As of July 23, 2018, the Registrants had no temporary external investments.

Money Pool (Houston Electric and CERC)

We have a money pool through which the holding company and participating 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 money pool are expected to be met with borrowings under our revolving credit facility or the sale of our commercial paper. The money pool may not provide sufficient funds to meet our subsidiaries' cash needs. As of July 23, 2018, Houston Electric and CERC had borrowings from the money pool of $63 million and $-0-, respectively.

Impact on Liquidity of a Downgrade in Credit Ratings

The interest on borrowings under the Registrants' credit facilities is based on their credit ratings. As of July 23, 2018, Moody's, S&P and Fitch had assigned the following credit ratings to senior debt of the Registrants:

	Moody's		S&P		Fitch	
Company/Instrument	Rating	Outlook (1)	Rating	CreditWatch (2)	Rating	Outlook (3)
CenterPoint Energy Senior Unsecured Debt	Baa1	Negative	BBB+	Negative	BBB	Stable
Houston Electric Senior Secured Debt	A1	Stable	A	Negative	A+	Stable
CERC Corp. Senior Unsecured Debt	Baa2	Stable	A-	Negative	BBB	Positive

(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 CreditWatch assesses the potential direction of a short-term or long-term credit rating.

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

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

A decline in credit ratings could increase borrowing costs under the Registrants' revolving credit facilities. If the Registrants' credit ratings had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed as of June 30, 2018, the impact on the borrowing costs under the three revolving credit

facilities would have been immaterial. A decline in credit ratings would also increase the interest rate on long-term debt to be issued in the capital markets and could negatively impact 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 Distribution and Energy Services business segments.

CES, a wholly-owned subsidiary of CERC Corp. operating in our Energy Services business segment, provides natural gas sales and services primarily to commercial and industrial customers and electric and natural gas utilities throughout the United States. To economically hedge its exposure to natural gas prices, CES uses derivatives with provisions standard for the industry, including those pertaining to credit thresholds. Typically, the credit threshold negotiated with each counterparty defines the amount of unsecured credit that such counterparty will extend to CES. To the extent that the credit exposure that a counterparty has to CES at a particular time does not exceed that credit threshold, CES is not obligated to provide collateral. Mark-to-market exposure

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in excess of the credit threshold is routinely collateralized by CES. Similarly, mark-to-market exposure offsetting and exceeding the credit threshold may cause the counterparty to provide collateral to CES. As of June 30, 2018, the amount posted by CES as collateral aggregated approximately $50 million. Should the credit ratings of CERC Corp. (as the credit support provider for CES) fall below certain levels, CES would be required to provide additional collateral up to the amount of its previously unsecured credit limit. We estimate that as of June 30, 2018, unsecured credit limits extended to CES by counterparties aggregated $348 million, and less than $1 million of such amount was utilized.

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 unrecouped cost of any lateral built for such shipper. If the credit ratings of CERC Corp. decline below the applicable threshold levels, CERC Corp. might need to provide cash or other collateral of as much as $184 million as of June 30, 2018. The amount of collateral will depend on seasonal variations in transportation levels.

ZENS and Securities Related to ZENS (CenterPoint Energy)

If our creditworthiness were to drop such that ZENS holders thought our 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 we own or from other sources. We own shares of ZENS-Related Securities equal to approximately 100% of the reference shares used to calculate our obligation to the holders of the ZENS. ZENS exchanges result in a cash outflow because tax deferrals related to the ZENS and ZENS-Related Securities shares would typically cease when ZENS are exchanged or otherwise retired and ZENS-Related Securities shares are sold. The ultimate tax liability related to the ZENS 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 of the ZENS. If all ZENS had been exchanged for cash on June 30, 2018, deferred taxes of approximately $408 million would have been payable in 2018. If all the ZENS-Related Securities had been sold on June 30, 2018, capital gains taxes of approximately $100 million would have been payable in 2018.

For additional information about ZENS, see Note 11 to the Interim Condensed Financial Statements.

Cross Defaults

Under CenterPoint Energy’s revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness for borrowed money and certain other specified types of obligations (including guarantees) exceeding $125 million by it or any of its significant subsidiaries will cause a default. 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, we consider the acquisition or the disposition of assets or businesses or possible joint ventures, strategic initiatives or other joint ownership arrangements with respect to assets or businesses. Any determination to take action in this regard will be based on market conditions and opportunities existing at the time, and accordingly, the timing, size or success of any efforts and the associated potential capital commitments are unpredictable. We may seek to fund all or part of any such efforts with proceeds from debt and/or equity issuances. Debt or equity financing may not, however, be available to us at that time due to a variety of events, including, among others, maintenance of our credit ratings, industry conditions, general economic conditions, market conditions and market perceptions.

In February 2016, we announced that we were evaluating strategic alternatives for our investment in Enable, including a sale or spin-off qualifying under Section 355 of the U.S. Internal Revenue Code. We have decided that we will not pursue a spin option at this time. In the fourth quarter of 2017, we announced that late-stage discussions with a third party regarding a transaction involving our investment in Enable had terminated because an agreement on mutually acceptable terms could not be reached. We may reduce our ownership in Enable over time through sales in the public equity markets, or otherwise, of the Enable common units we hold, subject to market conditions. Although a transaction for all our interests in Enable is not viable at this time, we may pursue such a transaction if it is viable in the future. There can be no assurances that we will engage in any specific action or that any sale transaction or any sale of Enable common units in the public equity markets or otherwise will be completed, and we do not intend to disclose further developments unless and until our Board of Directors approves a specific transaction or as otherwise required by applicable law or NYSE regulations. Any sale transaction or sale of common units in the public equity markets or otherwise may involve significant costs and expenses, including, in connection with any public offering, a significant underwriting discount. We may not realize any or all of the anticipated strategic, financial, operational or other benefits from any completed sale or reduction in our investment in Enable.

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Enable Midstream Partners (CenterPoint Energy and CERC)

We receive quarterly cash distributions from Enable on its common units and Series A Preferred Units we own. A reduction in the cash distributions we receive from Enable could significantly impact our liquidity. For additional information about cash distributions from Enable, see Notes 9 and 19 to the Interim Condensed Financial Statements.

Hedging of Interest Expense for Future Debt Issuances

From time to time, we may enter into forward interest rate agreements to hedge, in part, volatility in the U.S. treasury rates by reducing variability in cash flows related to interest payments. For further information, see Note 7(a) to the Interim Condensed Financial Statements.

Weather Hedge (CenterPoint Energy and CERC)

We have historically entered into partial weather hedges for certain NGD jurisdictions and electric operations' service territory to mitigate the impact of fluctuations from normal weather. We remain exposed to some weather risk as a result of the partial hedges. For more information about our weather hedges, see Note 7(a) to the Interim Condensed 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, our liquidity and capital resources could be 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 the Natural Gas Distribution and Energy Services business segments;

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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;

- increased costs related to the acquisition of natural gas;
- increases in interest expense in connection with debt refinancings and borrowings under credit facilities;
- various legislative or regulatory actions;
- incremental collateral, if any, that may be required due to regulation of derivatives;
- the ability of GenOn and its subsidiaries, currently the subject of bankruptcy proceedings, to satisfy their obligations in respect of GenOn's indemnity obligations to us;

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- the ability of REPs, including REP affiliates of NRG and Vistra Energy Corp., formerly known as TCEH Corp., to satisfy their obligations to CenterPoint Energy and Houston Electric;
- slower customer payments and increased write-offs of receivables due to higher natural gas prices or changing economic conditions;
- the outcome of litigation;
- 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 each of the Registrants’ 2017 Form 10-K and Item 1A of Part II of CenterPoint Energy’s First Quarter 2018 Form 10-Q.

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

Houston Electric has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions. For information about the total debt to capitalization financial covenants in our revolving credit facilities, see Note 12 to the Interim Condensed Financial Statements.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to the Interim Condensed Financial Statements, incorporated herein by reference, for a discussion of new accounting pronouncements that affect us.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk (CenterPoint Energy)

As of June 30, 2018, we had outstanding long-term debt, lease obligations and obligations under our ZENS that subject us to the risk of loss associated with movements in market interest rates.

Our floating rate obligations aggregated $565 million and $1.8 billion as of June 30, 2018 and December 31, 2017, respectively. If the floating interest rates were to increase by 10% from June 30, 2018 rates, our combined interest expense would increase by approximately $1 million annually.

As of June 30, 2018 and December 31, 2017, we had outstanding fixed-rate debt (excluding indexed debt securities) aggregating $7.8 billion and $7.0 billion, respectively, in principal amount and having a fair value of $8.0 billion and $7.5 billion, respectively. Because these instruments are fixed-rate, they do not expose us to the risk of loss in earnings due to changes in market interest rates. However, the fair value of these instruments would increase by approximately $266 million if interest rates were to decline by 10% from levels at June 30, 2018. In general, such an increase in fair value would impact earnings and cash flows only if we were to reacquire all or a portion of these instruments in the open market prior to their maturity.

The ZENS obligation is bifurcated into a debt component and a derivative component. The debt component of $26 million as of June 30, 2018 was a fixed-rate obligation and, therefore, did not expose us 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 $18 million if interest rates were to decline by 10% from levels at June 30, 2018. Changes in the fair value of the derivative component, a $641 million recorded liability at June 30, 2018, are recorded in our Condensed Statements of Consolidated Income and, therefore, we are 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 June 30, 2018 levels, the fair value of the derivative component liability would decrease by approximately $2 million, which would be recorded as an unrealized gain in our Condensed Statements of Consolidated Income.

Equity Market Value Risk (CenterPoint Energy)

We are exposed to equity market value risk through our ownership of 10.2 million shares of AT&T Common and 0.9 million shares of Charter Common, which we hold to facilitate our ability to meet our obligations under the ZENS. 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 June 30, 2018 aggregate market value of these shares would

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result in a net loss of approximately less than $1 million, which would be recorded as an unrealized loss in our Condensed Statements of Consolidated Income.

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

We use derivative instruments as economic hedges to offset the commodity price exposure inherent in our businesses. The commodity risk created by these instruments, including the offsetting impact on the market value of natural gas inventory, is described below. We measure this commodity risk using a sensitivity analysis. For purposes of this analysis, we estimate commodity price risk by applying a $0.50 change in the forward NYMEX price to our net open fixed price position (including forward fixed price physical contracts, natural gas inventory and fixed price financial contracts) at the end of each period. As of June 30, 2018, the recorded fair value of our non-trading energy derivatives was a net asset of $50 million (before collateral), all of which is related to our Energy Services business segment. A $0.50 change in the forward NYMEX price would have had a combined impact of $8 million on our non-trading energy derivatives net asset and the market value of natural gas inventory.

Commodity price risk is not limited to changes in forward NYMEX prices. Variation of commodity pricing between the different indices used to mark to market portions of our natural gas inventory (Gas Daily) and the related fair value hedge (NYMEX) can result in volatility to our net income. Over time, any gains or losses on the sale of storage gas inventory would be offset by gains or losses on the fair value hedges.

Item 4. CONTROLS AND PROCEDURES

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Registrants carried out separate evaluations, under the supervision and with the participation of each company's management, including the principal executive officer and principal financial officer, of the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based on those evaluations, the principal executive officer and principal financial officer, in each case, concluded that the disclosure controls and procedures were effective as of June 30, 2018 to provide assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There has been no change in the Registrants' internal controls over financial reporting that occurred during the three months ended June 30, 2018 that has materially affected, or is reasonably likely to materially affect, the Registrants' internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of certain legal and regulatory proceedings, please read Note 14(b) to the Interim Condensed Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Future Sources and Uses of Cash" and "— Regulatory Matters," each of which is incorporated herein by reference. See also "Business — Regulation" and "— Environmental Matters" in Item 1 and "Legal Proceedings" in Item 3 of each of the Registrants' 2017 Form 10-K.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in each of the Registrants’ 2017 Form 10-K and CenterPoint Energy’s First Quarter 2018 Form 10-Q.

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Item 5. OTHER INFORMATION

Ratio of Earnings to Fixed Charges. The Registrants do not believe that the ratios for these six-month periods are necessarily indicative of the ratios for the 12-month periods due to the seasonal nature of their business. The ratios were calculated pursuant to applicable rules of the SEC.

	Six Months Ended June 30,					
	2018			2017		
	CenterPoint Energy	Houston Electric	CERC	CenterPoint Energy	Houston Electric	CERC
Ratio of earnings to fixed charges	1.69	2.88	4.64	3.61	2.31	6.35

Item 6. EXHIBITS

Exhibits filed herewith are designated by a cross (+); all exhibits not so designated are incorporated by reference to a prior filing as indicated. Agreements included as exhibits are included only to provide information to investors regarding their terms. Agreements listed below may contain representations, warranties and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and no such agreement should be relied upon as constituting or providing any factual disclosures about the Registrants, any other persons, any state of affairs or other matters.

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

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference	CenterPoint Energy	Houston Electric	CERC
2.1*	Agreement and Plan of Merger, dated as of April 21, 2018, by and among Vectren Corporation, CenterPoint Energy, Inc. and Pacer Merger Sub, Inc.	CenterPoint Energy's Form 8-K dated April 21, 2018	1-31447	2.1	x		
3.1	Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 8-K dated July 24, 2008	1-31447	3.2	x		
3.2	Restated Certificate of Formation of Houston Electric	Houston Electric's Form 10-Q for the quarter ended June 30, 2011	1-3187	3.1		x	
3.3	Certificate of Incorporation of RERC Corp.	CERC Form 10-K for the year ended December 31, 1997	1-13265	3(a)(1)			x
3.4	Certificate of Merger merging former NorAm Energy Corp. with and into HI Merger, Inc. dated August 6, 1997	CERC Form 10-K for the year ended December 31, 1997	1-13265	3(a)(2)			x
3.5			1-13265	3(a)(3)			x

	Certificate of Amendment changing the name to Reliant Energy Resources Corp.	CERC Form 10-K for the year ended December 31, 1998					
3.6	Certificate of Amendment changing the name to CenterPoint Energy Resources Corp.	CERC Form 10-Q for the quarter ended June 30, 2003	1-13265	3(a)(4)			x
3.7	Third Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 8-K dated February 21, 2017	1-31447	3.1	x		
3.8	Amended and Restated Limited Liability Company Agreement of Houston Electric	Houston Electric's Form 10-Q for the quarter ended June 30, 2011	1-3187	3.2		x	
3.9	Bylaws of RERC Corp.	CERC Form 10-K for the year ended December 31, 1997	1-13265	3(b)			x
3.10	Statement of Resolutions Deleting Shares Designated Series A Preferred Stock of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2011	1-31447	3(c)	x		

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Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference	CenterPoint Energy	Houston Electric	CERC
4.1	Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1	x		
4.2	$1,600,000,000 Credit Agreement, dated as of March 3, 2016, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated March 3, 2016	1-31447	4.1	x		
4.3	$300,000,000 Credit Agreement, dated as of March 3, 2016, among Houston Electric, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated March 3, 2016	1-31447	4.2	x	x	
4.4	$600,000,000 Credit Agreement, dated as of March 3, 2016, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated March 3, 2016	1-31447	4.3	x		x
4.5	First Amendment to Amended and Restated Credit Agreement, dated as of June 16, 2017, by and among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated June 16, 2017	1-31447	4.1	x		
4.6	Second Amendment to Amended and Restated Credit Agreement, dated as of May 25, 2018, by and among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated May 25, 2018	1-31447	4.1	x		
4.7	First Amendment to Credit Agreement, dated as of June 16, 2017, among Houston Electric, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated June 16, 2017	1-31447	4.2	x	x	
4.8	First Amendment to Credit Agreement, dated as of June 16, 2017, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated June 16, 2017	1-31447	4.3	x		x
10.1	Commitment Letter, dated as of April 21, 2018, by Goldman Sachs Bank USA and Morgan Stanley Senior Funding, Inc. to CenterPoint Energy, Inc.	CenterPoint Energy's Form 8-K dated April 21, 2018	1-31447	10.1	x		
+12.1					x		

	Computation of Ratios of Earnings to Fixed Charges			
+12.2	Computation of Ratios of Earnings to Fixed Charges		x	
+12.3	Computation of Ratios of Earnings to Fixed Charges			x
+31.1.1	Rule 13a-14(a)/15d-14(a) Certification of Scott M. Prochazka	x		
+31.1.2	Rule 13a-14(a)/15d-14(a) Certification of Scott M. Prochazka		x	
+31.1.3	Rule 13a-14(a)/15d-14(a) Certification of Scott M. Prochazka			x
+31.2.1	Rule 13a-14(a)/15d-14(a) Certification of William D. Rogers	x		
+31.2.2	Rule 13a-14(a)/15d-14(a) Certification of William D. Rogers		x	
+31.2.3	Rule 13a-14(a)/15d-14(a) Certification of William D. Rogers			x
+32.1.1	Section 1350 Certification of Scott M. Prochazka	x		
+32.1.2	Section 1350 Certification of Scott M. Prochazka		x	
+32.1.3	Section 1350 Certification of Scott M. Prochazka			x
+32.2.1	Section 1350 Certification of William D. Rogers	x		
+32.2.2	Section 1350 Certification of William D. Rogers		x	
+32.2.3	Section 1350 Certification of William D. Rogers			x
+101.INS	XBRL Instance Document	x	x	x

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Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference	CenterPoint Energy	Houston Electric	CERC
+101.SCH	XBRL Taxonomy Extension Schema Document				x	x	x
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				x	x	x
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				x	x	x
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document				x	x	x
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				x	x	x

* Schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedules will be furnished supplementally to the SEC upon request; provided, however, that the parties may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any document so furnished.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTERPOINT ENERGY, INC.
CENTERPOINT ENERGY HOUSTON ELECTRIC, LLC
CENTERPOINT ENERGY RESOURCES CORP.

By: /s/ Kristie L. Colvin
Kristie L. Colvin
Senior Vice President and Chief Accounting Officer

Date: August 3, 2018

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