



P.O. Box 21734
Shreveport, LA 71151-1734
T 318 429-2700

September 12, 2014

ADEQ
Permits Branch, Water Division
5301 Northshore Drive
North Little Rock, AR
72118

**RE: Enable Gas Transmission, LLC
Central Arkansas Pipeline Enhancement Project (CAPE)
Notice of Intent – Pipeline Hydrostatic Testing Discharge Permit
Faulkner County, Arkansas
AFI N#: 23-00000**

Dear Sir or Madame:

Please find enclosed the Notice of Intent for the above referenced project. Check #1105726 in the amount of \$200.00 is attached with this letter for the permit fee.

If you have any questions or need additional information, please feel free to contact me at 318-429-3211.

Respectfully submitted,



John J. Reisz
Environmental Specialist

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
 NOTICE OF INTENT
 PIPELINE HYDROSTATIC TESTING DISCHARGE
 NPDES GENERAL PERMIT ARG670000

Outfall Number:	1				
Stream Segment:	3D				
Hydrologic Basin Code:	11110205				
Outfall Latitude:	35	°	6	'	55.9764 ''
Outfall Longitude:	-92	°	30	'	47.2422 ''
County:	Faulkner County				
Start Date:	9/15/14	End Date:	12/15/14		
Name of Receiving Stream:	Cypress Creek				
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	Cypress Creek Cadron Creek				
Estimated Volume of Discharge:	800				gallons
Estimated Rate of Discharge:	200				MGD
Source of Test Water:	Municipal Conway				
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____				
Describe material from which pipeline/vessel was constructed:	Steel				
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas				
Are Corrosion Inhibitors Used?:	No				
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				

Outfall Number:	2				
Stream Segment:	3D				
Hydrologic Basin Code:	11110207				
Outfall Latitude:	35	°	6	'	38.7828 ''
Outfall Longitude:	-92	°	30	'	57.999 ''
County:	Faulkner				
Start Date:	9/15/14	End Date:	12/15/14		
Name of Receiving Stream:	Cadron Creek				
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	Cadron Creek				
Estimated Volume of Discharge:	4,087				gallons
Estimated Rate of Discharge:	200				MGD
Source of Test Water:					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____				
Describe material from which pipeline/vessel was constructed:	Steel				
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas				
Are Corrosion Inhibitors Used?:	No				
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				

Additional Outfalls can be added using separate attached pages.

WATER DIVISION
 5301 NORTHSHORE DRIVE / NORTH LITTLE ROCK, ARKANSAS 72118
 PHONE 501-682-0623 / FAX 501-682-0880
 www.adeg.state.ar.us

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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Outfall Number:	3					
Stream Segment:	3F					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	35	°	4	'	0.3684	”
Outfall Longitude:	-92	°	30	'	37.6554	”
County:	Faulkner					
Start Date:	9/15/14	End Date:	12/15/14			
Name of Receiving Stream:	Tucker Creek					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	14,640				gallons	
Estimated Rate of Discharge:	200				MGD	
Source of Test Water:	Municipal Conway					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

Outfall Number:	4					
Stream Segment:	3F					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	35	°	2	'	33.3996	”
Outfall Longitude:	-92	°	30	'	10.2636	”
County:	Faulkner					
Start Date:	9/15/14	End Date:	12/15/14			
Name of Receiving Stream:	Unnamed Tributary of Tupelo Bayou					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	400				gallons	
Estimated Rate of Discharge:	200				MGD	
Source of Test Water:	Municipal Conway					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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Outfall Number:	5					
Stream Segment:	3F					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	34	°	57	'	14.9718	”
Outfall Longitude:	-92	°	27	'	1.818	”
County:	Faulkner					
Start Date:	9/15/14		End Date:	12/15/14		
Name of Receiving Stream:	Beaver Dam Creek					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	490,000			gallons		
Estimated Rate of Discharge:	500			MGD		
Source of Test Water:	Municipal Conway					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

Outfall Number:	6					
Stream Segment:	3F					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	34	°	57	'	6.9336	”
Outfall Longitude:	-92	°	26	'	59.1036	”
County:	Faulkner					
Start Date:	9/15/14		End Date:	12/15/14		
Name of Receiving Stream:	Beaver Dam Creek					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	6,368			gallons		
Estimated Rate of Discharge:	200			MGD		
Source of Test Water:	Municipal Conway					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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Outfall Number:	7					
Stream Segment:	34					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	34	°	56	'	38.8788	”
Outfall Longitude:	-92	°	26	'	27.8514	”
County:	Faulkner					
Start Date:	9/15/14		End Date:	12/15/14		
Name of Receiving Stream:	Unnamed Tributary of Beaver Dam Creek					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	2,848		gallons			
Estimated Rate of Discharge:	200		MGD			
Source of Test Water:	Municipal Mayflower					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

Outfall Number:	8					
Stream Segment:	3F					
Hydrologic Basin Code:	11110203					
Outfall Latitude:	35	°	2	'	33.3996	”
Outfall Longitude:	-92	°	30	'	10.2636	”
County:	Faulkner					
Start Date:	9/15/14		End Date:	12/15/14		
Name of Receiving Stream:	Palarm Creek					
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No					
Estimated Volume of Discharge:	500		gallons			
Estimated Rate of Discharge:	200		MGD			
Source of Test Water:	Municipal Mayflower					
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____					
Describe material from which pipeline/vessel was constructed:	Steel					
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas					
Are Corrosion Inhibitors Used?:	No					
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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Outfall Number:	9				
Stream Segment:	3F				
Hydrologic Basin Code:	11110203				
Outfall Latitude:	34	°	55	'	51.4596 "
Outfall Longitude:	-92	°	25	'	23.1816 "
County:	Faulkner				
Start Date:	9/15/14		End Date:	12/15/14	
Name of Receiving Stream:	Palarm Creek				
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No				
Estimated Volume of Discharge:	18,910			gallons	
Estimated Rate of Discharge:	200			MGD	
Source of Test Water:	Municipal Mayflower				
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____				
Describe material from which pipeline/vessel was constructed:	Steel				
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas				
Are Corrosion Inhibitors Used?:	No				
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				

Outfall Number:	10				
Stream Segment:	3F				
Hydrologic Basin Code:	11110203				
Outfall Latitude:	35	°	6	'	55.9764 "
Outfall Longitude:	-92	°	19	'	6.7332 "
County:	Faulkner				
Start Date:	9/15/14		End Date:	12/15/14	
Name of Receiving Stream:	Palarm Creek				
Are any of the Receiving Streams on the latest Clean Water Act section 303 (d) list of impaired waters or have an approved TMDL? If yes, list the Receiving Streams.	No				
Estimated Volume of Discharge:	400			gallons	
Estimated Rate of Discharge:	200			MGD	
Source of Test Water:	Municipal Conway				
Pipeline/Vessel:	<input type="checkbox"/> Used <input checked="" type="checkbox"/> Virgin <input type="checkbox"/> Other _____				
Describe material from which pipeline/vessel was constructed:	Steel				
Type of fluid normally contained/transported through pipe/vessel:	Natural Gas				
Are Corrosion Inhibitors Used?:	No				
Does pipeline use compressor lubricants containing polychlorinated biphenyls (PCBs)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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V. FACILITY PERMIT INFORMATION

NPDES Individual Permit Number (If Applicable): N/A
 NPDES General Permit Number (If Applicable): N/A
 State Construction Permit Number(If Applicable): N/A
 NPDES General Construction Stormwater Permit Number (If Applicable): N/A

VI. OTHER INFORMATION:

Additional Location Description: See attached location map
 Additional Comments: Please see quarterly and annual reports and statement of good standing in lieu of Disclosure Statement
 Consultant Contact Name: Scott Urwick, AK Environmental, LLC
 Consultant Email Address: surwick@ak-env.com
 27
 Powwow
 River East
 Consultant Address: Road City: Kingston State: NH Zip: 03827
 Consultant Phone Number: 603-347-1032 Consultant Fax Number: 603-215-0793

Disclosure Statements:

Arkansas Code Annotated Section 8-1-106 requires that all applicants for the issuance or transfer of any permit, license, certification or operational authority issued by the Arkansas Department of Environmental Quality (ADEQ) file a disclosure statement with their applications. The filing of a disclosure statement is mandatory. No application can be considered complete without one. You must submit a new disclosure statement even if you have one on file with the Department. The form may be obtained from ADEQ web site at: http://www.adeq.state.ar.us/disclosure_stmt.pdf.

VII. PERMIT REQUIREMENT VERIFICATION

Please check the following to verify completion of permit requirements.

	Yes	No	* If No is answered for any of the questions, then a permit can not be issued!
Submittal of Complete NOI?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Submittal of Required Permit Fee?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Check Number: <u>1105724</u>
Submittal of Site Map?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Submittal of Disclosure Statement?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

WATER DIVISION
 5301 NORTHSORE DRIVE / NORTH LITTLE ROCK, ARKANSAS 72118
 PHONE 501-682-0623 / FAX 501-682-0880
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ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY
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VIII. CERTIFICATION OF OPERATOR

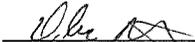
DR (Initial) "I certify that, if this facility is a corporation, it is registered with the Secretary of the State of Arkansas."

DR (Initial) "I certify that the cognizant official designated in this Application is qualified to act as a duly authorized representative under the provisions of 40 CFR 122.22(b). If no cognizant official has been designated, I understand that the Department will accept reports signed only by the Applicant."

DR (Initial) "I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations."

Responsible Official Printed Name: Debra A. Ristig

Title: Sr. Director Environmental

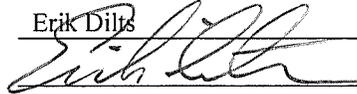
Responsible Official Signature: 

Date: 9/12/14

Responsible Official Email: Debbie.ristig@enablemidstream.com

Cognizant Official Printed Name: Erik Dilts

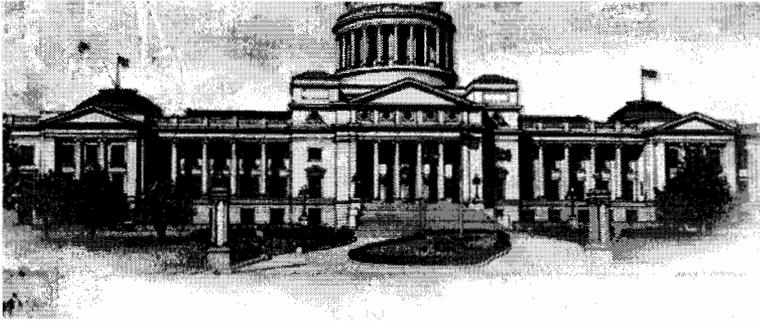
Title: Director of Environmental Projects

Cognizant Official Signature: 

Date: 9/11/14

Cognizant Official Email: Erik.dilts@enablemidstream.com

Telephone: 318-429-3275



ARKANSAS
SECRETARY OF STATE
Mark Martin

Search Incorporations, Cooperatives, Banks and Insurance Companies

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LLC Member information is now confidential per Act 865 of 2007

Use your browser's back button to return to the Search Results

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For service of process contact the [Secretary of State's office](#).

Corporation Name	ENABLE GAS TRANSMISSION, LLC
Fictitious Names	
Filing #	800191196
Filing Type	Foreign Limited Liability Company
Filed under Act	Foreign LLC; 1003 of 1993
Status	Good Standing
Principal Address	
Reg. Agent	THE CORPORATION COMPANY
Agent Address	124 WEST CAPITOL AVENUE SUITE 1900 LITTLE ROCK, AR 72201
Date Filed	01/03/2011
Officers	MARK C. SCHROEDER , Manager GARY L. WHITLOCK , Manager CATHERINE FULLEN , Tax Preparer RICHARD B. DAUPHIN , Incorporator/Organizer
Foreign Name	N/A
Foreign Address	
State of Origin	DE
Purchase a Certificate of Good Standing for this Entity	Pay Franchise Tax for this corporation

Cousins, Sarah

From: Scott Urwick <SURwick@ak-env.com>
Sent: Friday, September 26, 2014 5:27 PM
To: Cousins, Sarah
Subject: Fwd: Enable Gas Transmission, LLC

Follow Up Flag: Follow up
Flag Status: Flagged

Sarah - hopefully this answers the question. Please let me know if you need anything else.

Scott Urwick

Begin forwarded message:

From: Seth Mitchell <SMitchell@ak-env.com>
Date: September 26, 2014 at 4:24:11 PM EDT
To: Scott Urwick <SURwick@ak-env.com>, Andy Kuder <AKuder@ak-env.com>
Subject: RE: Enable Gas Transmission, LLC

Scott –

The correct coordinates for the outfall locations are as followed:

Faulkner County Outfall 8 is: **34° 56' 8.0406"**, **-92° 25' 47.0532"**

Faulkner County Outfall 10 is: **35° 4' 53.6304"**, **-92° 19' 6.7332"**

Pulaski County Outfall 2 is: **34° 54' 6.2706"**, **-92° 24' 14.0934"**

Pulaski County Outfall 5 is: **34° 52' 18.966"**, **-92° 19' 13.8468"**

Pulaski County Outfall 7 is: **34° 51' 25.146"**, **-92° 19' 19.7904"**

Let us know if you require additional information.

Seth Mitchell
AK an NV5 Company
C: 717.881.2665

From: Scott Urwick
Sent: Friday, September 26, 2014 3:22 PM
To: Andy Kuder
Cc: Seth Mitchell
Subject: FW: Enable Gas Transmission, LLC

Andy – can you help with this request?

Thanks

Scott Urwick

AK an NV5 Company

603.347.1032

From: Cousins, Sarah [<mailto:cousins@adeq.state.ar.us>]

Sent: Friday, September 26, 2014 3:17 PM

To: Scott Urwick

Subject: Enable Gas Transmission, LLC

Scott,

I am reviewing the Central Arkansas Pipeline Enhancement applications for the ARG670000 (one for Faulkner Co. and one for Pulaski Co.).

I'm having trouble with some of the outfalls, a few are repeated coordinates.

Faulkner County

There are supposed to be 10 outfalls for this one. On the NOI the coordinates listed for Outfall 8 are the same coordinates given for Outfall 4. Based on the map, I believe the coordinates go with Outfall 4, but you should double check that and provide me the coordinates for Outfall 8 (or the one that is missing).

Pulaski County

This one has 7 outfalls listed on the NOI. The provided coordinates are identical for Outfall 1 and Outfall 2 and there are also identical coordinates listed for Outfall 3 and Outfall 5. I believe that makes two sets of outfall coordinates that are missing (possibly Outfall 2 and Outfall 5).

Please provide me with the missing coordinates and corresponding outfall number for both of these projects.

Thanks,

Sarah Cousins

Permit Engineer

ADEQ-Water Division

501-682-0627

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Entity Details

File Number: 2286779 **Incorporation Date / Formation Date:** 01/31/1992 (mm/dd/yyyy)

Entity Name: ENABLE GAS TRANSMISSION, LLC

Entity Kind: LIMITED LIABILITY COMPANY (LLC) **Entity Type:** GENERAL

Residency: DOMESTIC **State:** DE

Status: GOOD STANDING **Status Date:** 01/31/1992

REGISTERED AGENT INFORMATION

Name: THE CORPORATION TRUST COMPANY

Address: CORPORATION TRUST CENTER 1200 ORANGE ST

City: WILMINGTON **County:** NEW CASTLE

State: DE **Postal Code:** 19801

Phone: (302)658-7581

Additional Information is available for a fee of \$20.00. This information will include current franchise tax assessment, current filing history and more..

Would you like Tax & History Information

To contact a Delaware Online Agent [click here](#).

Delaware

PAGE 1

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "CENTERPOINT ENERGY GAS TRANSMISSION COMPANY, LLC", CHANGING ITS NAME FROM "CENTERPOINT ENERGY GAS TRANSMISSION COMPANY, LLC" TO "ENABLE GAS TRANSMISSION, LLC", FILED IN THIS OFFICE ON THE TWENTY-NINTH DAY OF JULY, A.D. 2013, AT 7:23 O'CLOCK P.M.

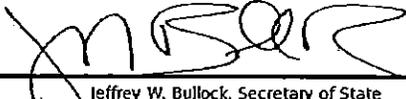
AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF AMENDMENT IS THE THIRTIETH DAY OF JULY, A.D. 2013.

2286779 8100

130931319



You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 0624420

DATE: 07-30-13

**CERTIFICATE OF AMENDMENT
TO
CERTIFICATE OF FORMATION
OF
CENTERPOINT ENERGY GAS TRANSMISSION COMPANY, LLC**

CENTERPOINT ENERGY GAS TRANSMISSION COMPANY, LLC, a limited liability company organized and existing under the Delaware Limited Liability Company Act (6 Del. C. § 18-101 *et. seq.*) of the State of Delaware (the "*Company*") does hereby certify:

FIRST: The name of the Company is CenterPoint Energy Gas Transmission Company, LLC.

SECOND: The Certificate of Formation of the Company is hereby amended to reflect a change in the name of the Company by deleting Section 1 of the Certificate of Formation in its entirety and adding the following:

1. The name of the limited liability company is Enable Gas Transmission, LLC (the "*Company*").

THIRD: The effective date of the name change shall be July 30, 2013.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment of the Company on this 29th day of July, 2013.



By: M. Sean Hakley
Title: Authorized Person

General Permit Route Sheet

#UC: 1110205

Facility Name		Central Arkansas Pipeline	
Permit Number		ARG 670809	AFIN NO.* 88 -J3-01195
Stream Segment:	3D	Receiving Stream:	Cypress Creek
Assigned	Activity	Initials	Date Complete/Entered
Sect.	Application Logged/Assign Tracking Number/Place in red folder with appropriate route sheet and filing folders (1-day)	KB	N/A
Engineer	Completeness and Technical Review/Enter permit information into Database (3-days)	SC	9/30
AA (Max of 5 business days)	AFIN request (1-day)	JB	9/30
	Enter AFIN and other information into PDS and NPDES database prior to requesting invoice (same day)	JB	9/30
	Complete Invoice Request Form and submit Invoice Request (same day)	JB	9/30
	Prepare Authorization letter and attach appropriate permit, forms (1-day)	JB	9/30/10
Engineer	Review/organize folder for scanning (1-day)	SC	10/1 10/1
Engineer Supervisor	Review all the documents/permits/performs technical review for the proposed project. (1-day)		
Assistant Chief	Review the documents and sign the authorization letter or the permit. (1-day)		
AA	Enter Into PDS: Permit Status/Effective Date. Input effective date in access database. (1-day)	JB	10/2
Sect.	Mail original to applicant. Scan complete folder and place in appropriate E-drive folders. Update Zylab. Be sure to include this permit in weekly report, due every Tuesday by 2:00 P.M.	KB	10-8

REMARKS: _____



**Arkansas Secretary of State
Mark Martin**

State Capitol Building ♦ Little Rock, Arkansas 72201-1094 ♦ 501-682-3409

Certificate of Good Standing

I, Mark Martin, Secretary of State of the State of Arkansas, and as such, keeper of the records of domestic and foreign corporations, do hereby certify that the records of this office show

ENABLE GAS TRANSMISSION, LLC

formed under the laws of the state of Delaware, and authorized to transact business in the State of Arkansas as a Foreign Limited Liability Company, was granted a Registration of Foreign Limited Liability Company by this office January 3, 2011.

Our records reflect that said entity, having complied with all statutory requirements in the State of Arkansas, is qualified to transact business in this State.



In Testimony Whereof, I have hereunto set my hand and affixed my official Seal. Done at my office in the City of Little Rock, this 26th day of August 2014.

Mark Martin

Mark Martin
Secretary of State

Online Certificate Authorization Code: fda92b5c0f3f015

To verify the Authorization Code, visit sos.arkansas.gov

INSTRUCTIONS FOR DISCLOSURE STATEMENT

Arkansas Code Annotated Section 8-1-106 requires that all applicants for the issuance, or transfer of any permit, license, certification or operational authority issued by the Arkansas Department of Environmental Quality (ADEQ) file a disclosure statement with their applications. The filing of a disclosure statement is mandatory. No application can be considered complete without one.

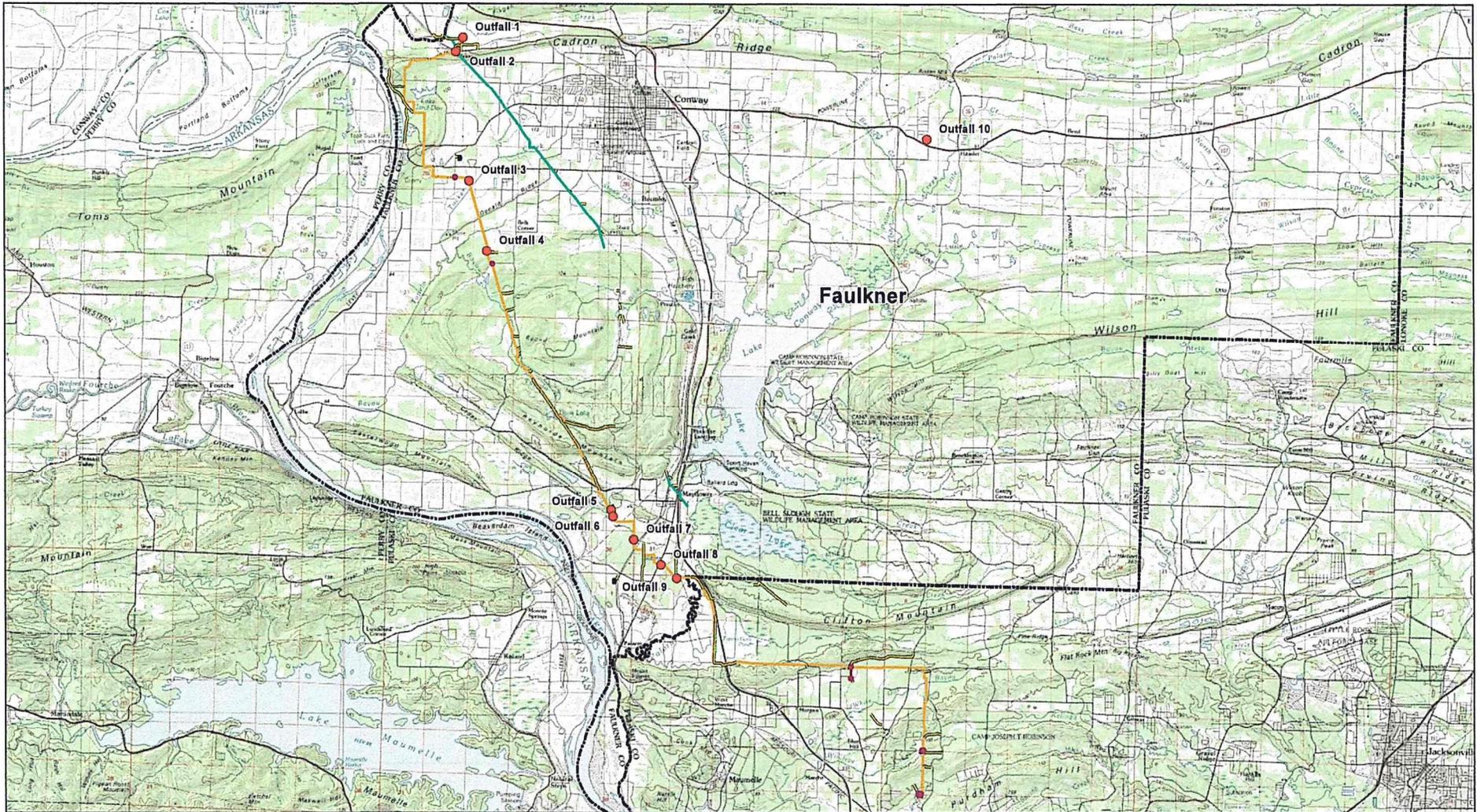
Disclosure statement means a written statement by the applicant that contains:

- The full name and business address of the applicant and all affiliated persons;
- The full name and business address of any legal entity in which the applicant holds a debt or equity interest of at least five percent (5%) or that is a parent company or subsidiary of the applicant, and a description of the ongoing organizational relationships as they may impact operations within the state;
- A description of the experience and credentials of the applicant, including any past or present permits, licenses, certifications, or operational authorizations relating to environmental regulation;
- A listing and explanation of any civil or criminal legal actions by government agencies involving environmental protection laws or regulations against the applicant and affiliated persons in the ten (10) years immediately preceding the filing of the application, including administrative enforcement actions resulting in the imposition of sanctions, permit or license revocations or denials issued by any state or federal authority, actions that have resulted in a finding or a settlement of a violation, and actions that are pending;
- A listing of any federal environmental agency and any other environmental agency outside this state that has or has had regulatory responsibility over the applicant; and
- Any other information the Director of the Arkansas Department of Environmental Quality may require that relates to the competency, reliability, or responsibility of the applicant and affiliated persons.

Exemptions:

The following persons or entities are not required to file a disclosure statement:

- Governmental entities, consisting only of subdivisions or agencies of the federal government, agencies of the state government, counties, municipalities, or duly authorized regional solid waste authorities as defined by § 8-6-702. (This exemption shall not extend to improvement districts or any other subdivision of government which is not specifically instituted by an act of the General Assembly.)
- Applicants for a general permit to be issued by the department pursuant to its authority to implement the National Pollutant Discharge Elimination System for storm water discharge.
- If the applicant is a publicly held company required to file periodic reports under the Securities and Exchange Act of 1934 or a wholly owned subsidiary of a publicly held company, the applicant shall not be required to submit a disclosure statement, but shall submit the most recent annual and quarterly reports required by the Securities and Exchange Commission which provide information regarding legal proceedings in which the applicant has been involved. The applicant shall submit such other information as the director may require that relates to the competency, reliability, or responsibility of the applicant and affiliated persons.



Outfall Locations	Line BT-39 Proposed Sites
Line BT-39 Proposed Route	Shoemaker Site
Line BT-40 Proposed Route	Access Roads
Line BT-41 Proposed Route	Line B Abandonment
Line BT-39 Pipeyards	County Boundary

LEGEND

Facility Overview Map - Faulkner County
 Central Arkansas Pipeline Enhancement Project
 Faulkner County
 Arkansas

0 2.25 4.5 9 Miles

Drawn:	AK Project #:	Drawn By:
8/27/2014	12-046	ARK

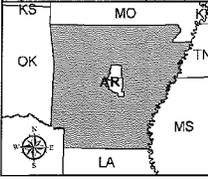
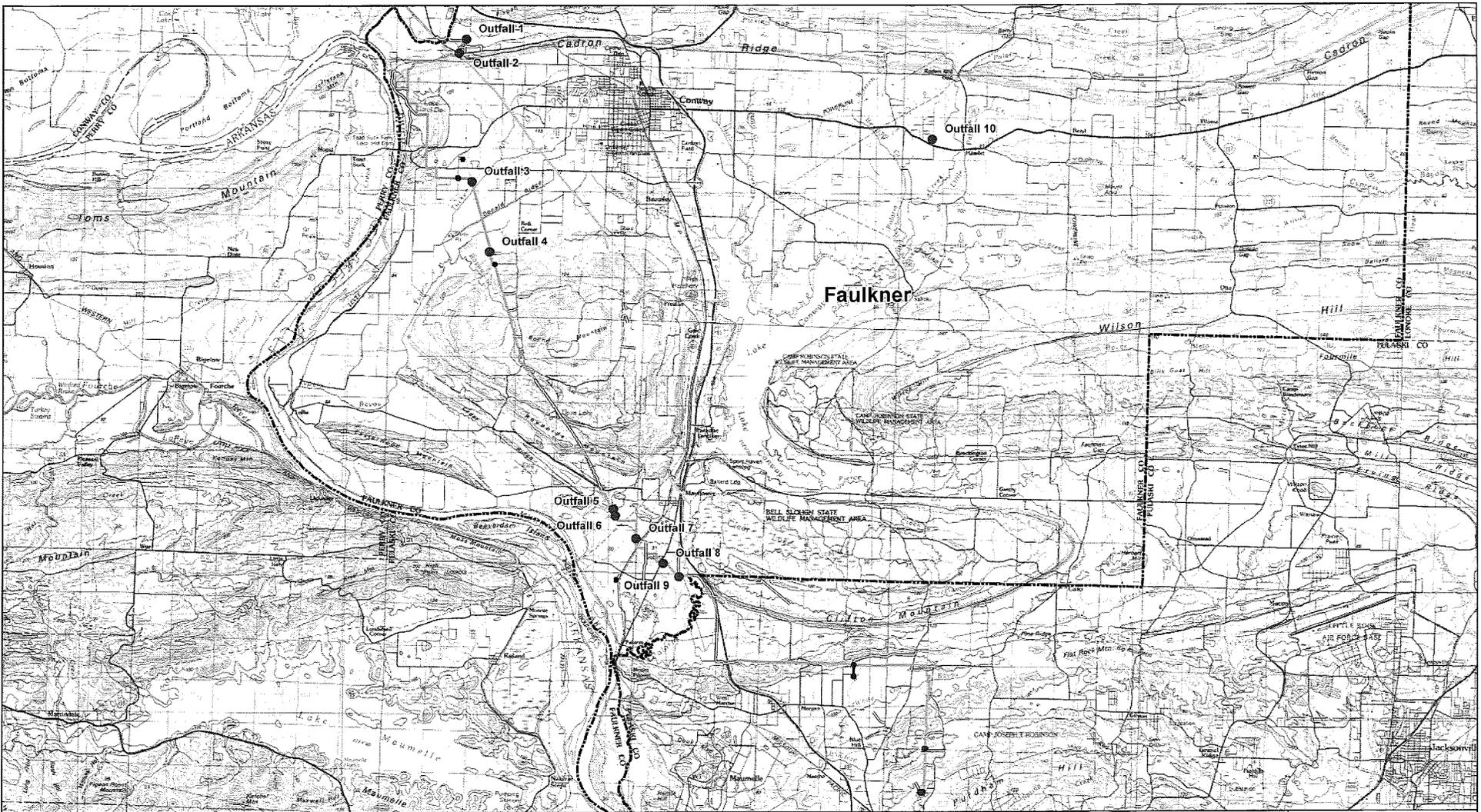
Figure 1

1 inch = 2.25 miles

Prepared For:

ENABLE
MIDSTREAM PARTNERS

AK AK Environmental, LLC
 5020 Ritter Road, Suite 206
 Mechanicsburg, PA 17055



●	Outfall Locations	■	Line BT-39 Proposed Sites
—	Line BT-39 Proposed Route	□	Shoemaker Site
—	Line BT-40 Proposed Route	—	Access Roads
—	Line BT-41 Proposed Route	—	Line B Abandonment
□	Line BT-39 Pipeyards	—	County Boundary

Facility Overview Map - Faulkner County
 Central Arkansas Pipeline Enhancement Project
 Faulkner County
 Arkansas

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 Miles

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Figure 1

1 inch = 2.25 miles

Prepared For:

ENABLE™
 MIDSTREAM PARTNERS

AK AK Environmental, LLC
 5020 Ritter Road, Suite 206
 Mechanicsburg, PA 17055

CENTERPOINT ENERGY INC

FORM 10-Q (Quarterly Report)

Filed 08/06/14 for the Period Ending 06/30/14

Address	1111 LOUISIANA ST HOUSTON, TX 77002
Telephone	7132073000
CIK	0001130310
Symbol	CNP
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

**UNITED STATES SECURITIES AND EXCHANGE
COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2014

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-31447

CenterPoint Energy, Inc.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-0694415

(I.R.S. Employer Identification No.)

1111 Louisiana

Houston, Texas 77002

(Address and zip code of principal executive offices)

(713) 207-1111

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 24, 2014, CenterPoint Energy, Inc. had 429,795,830 shares of common stock outstanding, excluding 166 shares held as treasury stock.

CENTERPOINT ENERGY, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2014

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words.

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

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- state and federal legislative and regulatory actions or developments affecting various aspects of our businesses (including the businesses of Enable Midstream Partners, LP (Enable)), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation and actions regarding the rates charged by our regulated businesses;
- local, state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change;
- timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment;
- the timing and outcome of any audits, disputes and other proceedings related to taxes;
- problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates;
- industrial, commercial and residential growth in our service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns;
- the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids (NGLs), and the effects of geographic and seasonal commodity price differentials ;
- weather variations and other natural phenomena, including the impact of severe weather events on operations and capital;
- any direct or indirect effects on our facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events;
- the impact of unplanned facility outages;
- timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters;
- changes in interest rates or rates of inflation;
- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by credit rating agencies;
- effectiveness of our risk management activities;
- inability of various counterparties to meet their obligations to us;
- non-payment for our services due to financial distress of our customers;
- the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy, Inc. and Reliant Resources, Inc.), a wholly owned subsidiary of NRG Energy, Inc. (NRG), and its subsidiaries to satisfy their obligations to us, including indemnity obligations, or obligations in connection with the contractual arrangements pursuant to which we are their guarantor;

- the ability of retail electric providers (REPs), including REP affiliates of NRG, Energy Future Holdings Corp. and Just Energy Group, Inc., to satisfy their obligations to us and our subsidiaries;
- the outcome of litigation brought by or against us;
- our ability to control costs;
- the investment performance of our pension and postretirement benefit plans;
- our potential business strategies, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which we cannot assure you will be completed or will have the anticipated benefits to us;
- acquisition and merger activities involving us or our competitors;
- future economic conditions in regional and national markets and their effect on sales, prices and costs;
- the performance of Enable, the amount of cash distributions we receive from Enable, and the value of our interest in Enable, and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and:
 - the integration of the operations of the businesses we contributed to Enable with those contributed by OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight);
 - the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of its business plan;
 - competitive conditions in the midstream industry, and actions taken by Enable's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable;
 - the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions served by Enable, and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines;
 - the demand for natural gas, NGLs and transportation and storage services;
 - environmental and other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing;
 - changes in tax status;
 - access to growth capital; and
 - the availability and prices of raw materials for current and future construction projects; and
- other factors we discuss in "Risk Factors" in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2013 and in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, which are incorporated herein by reference, and other reports we file from time to time with the Securities and Exchange Commission.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement.

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED INCOME
(In Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenues	\$ 1,884	\$ 1,894	\$ 5,047	\$ 4,282
Expenses:				
Natural gas	880	880	2,923	2,104
Operation and maintenance	469	446	948	930
Depreciation and amortization	256	253	491	493
Taxes other than income taxes	93	92	204	200
Total	1,698	1,671	4,566	3,727
Operating Income	186	223	481	555
Other Income (Expense):				
Gain on marketable securities	72	30	42	104
Loss on indexed debt securities	(50)	(27)	(7)	(78)
Interest and other finance charges	(89)	(85)	(173)	(183)
Interest on transition and system restoration bonds	(30)	(34)	(60)	(69)
Equity in earnings of unconsolidated affiliates, net	71	37	162	42
Other, net	9	—	18	6
Total	(17)	(79)	(18)	(178)
Income Before Income Taxes	169	144	463	377
Income tax expense	62	244	171	330
Net Income (Loss)	\$ 107	\$ (100)	\$ 292	\$ 47
Basic Earnings (Loss) Per Share	\$ 0.25	\$ (0.23)	\$ 0.68	\$ 0.11
Diluted Earnings (Loss) Per Share	\$ 0.25	\$ (0.23)	\$ 0.68	\$ 0.11
Dividends Declared Per Share	\$ 0.2375	\$ 0.2075	\$ 0.4750	\$ 0.4150
Weighted Average Shares Outstanding, Basic	430	429	429	428
Weighted Average Shares Outstanding, Diluted	431	431	431	430

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME
(In Millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Net income (loss)	\$ 107	\$ (100)	\$ 292	\$ 47
Other comprehensive income:				
Adjustment related to pension and other postretirement plans (net of tax of \$2, \$1, \$3 and \$3)	2	2	3	5
Total	2	2	3	5
Comprehensive income (loss)	\$ 109	\$ (98)	\$ 295	\$ 52

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Millions)
(Unaudited)

ASSETS

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Current Assets:		
Cash and cash equivalents (\$188 and \$207 related to VIEs, respectively)	\$ 206	\$ 208
Investment in marketable securities	809	767
Accounts receivable (\$94 and \$60 related to VIEs, respectively), less bad debt reserve of \$26 and \$28, respectively	834	851
Accrued unbilled revenues	186	398
Natural gas inventory	140	140
Materials and supplies	155	145
Non-trading derivative assets	26	24
Prepaid expenses and other current assets (\$51 and \$41 related to VIEs, respectively)	173	125
Total current assets	<u>2,529</u>	<u>2,658</u>
Property, Plant and Equipment:		
Property, plant and equipment	14,674	14,138
Less: accumulated depreciation and amortization	<u>4,695</u>	<u>4,545</u>
Property, plant and equipment, net	<u>9,979</u>	<u>9,593</u>
Other Assets:		
Goodwill	840	840
Regulatory assets (\$2,971 and \$3,179 related to VIEs, respectively)	3,519	3,726
Notes receivable - affiliated companies	363	363
Non-trading derivative assets	12	10
Investment in unconsolidated affiliates	4,517	4,518
Other	<u>161</u>	<u>162</u>
Total other assets	<u>9,412</u>	<u>9,619</u>
Total Assets	<u>\$ 21,920</u>	<u>\$ 21,870</u>

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS – (continued)
(In Millions, except share amounts)
(Unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Current Liabilities:		
Short-term borrowings	\$ 42	\$ 43
Current portion of VIE transition and system restoration bonds long-term debt	363	354
Indexed debt	147	143
Current portion of other long-term debt	200	—
Indexed debt securities derivative	462	455
Accounts payable	519	689
Taxes accrued	129	184
Interest accrued	135	124
Non-trading derivative liabilities	12	17
Accumulated deferred income taxes, net	662	608
Other	355	402
Total current liabilities	<u>3,026</u>	<u>3,019</u>
Other Liabilities:		
Accumulated deferred income taxes, net	4,508	4,542
Non-trading derivative liabilities	2	4
Benefit obligations	773	802
Regulatory liabilities	1,225	1,152
Other	206	205
Total other liabilities	<u>6,714</u>	<u>6,705</u>
Long-term Debt:		
VIE transition and system restoration bonds	2,847	3,046
Other	4,908	4,771
Total long-term debt	<u>7,755</u>	<u>7,817</u>
Commitments and Contingencies (Note 12)		
Shareholders' Equity:		
Common stock (429,795,830 shares and 428,798,446 shares outstanding, respectively)	4	4
Additional paid-in capital	4,162	4,157
Retained earnings	346	258
Accumulated other comprehensive loss	(87)	(90)
Total shareholders' equity	<u>4,425</u>	<u>4,329</u>
Total Liabilities and Shareholders' Equity	<u>\$ 21,920</u>	<u>\$ 21,870</u>

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(In Millions)
(Unaudited)

	Six Months Ended June 30,	
	2014	2013
Cash Flows from Operating Activities:		
Net income	\$ 292	\$ 47
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	491	493
Amortization of deferred financing costs	14	16
Deferred income taxes	13	257
Unrealized gain on marketable securities	(42)	(104)
Unrealized loss on indexed debt securities	7	78
Write-down of natural gas inventory	—	3
Equity in earnings of unconsolidated affiliates, net of distributions	2	(25)
Pension contributions	(34)	(37)
Changes in other assets and liabilities:		
Accounts receivable and unbilled revenues, net	211	66
Inventory	(10)	(12)
Taxes receivable	—	(21)
Accounts payable	(174)	(108)
Fuel cost recovery	(42)	116
Non-trading derivatives, net	(11)	—
Margin deposits, net	(2)	7
Interest and taxes accrued	(44)	(63)
Net regulatory assets and liabilities	46	56
Other current assets	17	19
Other current liabilities	(50)	(17)
Other assets	8	(3)
Other liabilities	21	17
Other, net	(1)	5
Net cash provided by operating activities	<u>712</u>	<u>790</u>
Cash Flows from Investing Activities:		
Capital expenditures	(625)	(586)
Decrease (increase) in restricted cash of transition and system restoration bond companies	(10)	2
Investment in unconsolidated affiliates	(1)	—
Cash contribution to Enable	—	(38)
Proceeds from sale of marketable securities	—	9
Other, net	(23)	(12)
Net cash used in investing activities	<u>(659)</u>	<u>(625)</u>
Cash Flows from Financing Activities:		
Decrease in short-term borrowings, net	(1)	(1)
Payment of commercial paper, net	(77)	—
Proceeds from long-term debt	600	1,050
Payments of long-term debt	(373)	(1,195)
Cash paid for debt retirement	(1)	—
Debt issuance costs	(6)	—
Redemption of indexed debt securities	—	(8)
Payment of common stock dividends	(204)	(178)
Other, net	7	10

Net cash used in financing activities	(55)	(314)
Net Decrease in Cash and Cash Equivalents	(2)	(149)
Cash and Cash Equivalents at Beginning of Period	208	646
Cash and Cash Equivalents at End of Period	<u>\$ 206</u>	<u>\$ 497</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments:		
Interest, net of capitalized interest	\$ 203	\$ 247
Income taxes, net	140	67
Non-cash transactions:		
Accounts payable related to capital expenditures	78	80

See Notes to Interim Condensed Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Background and Basis of Presentation

General. Included in this Quarterly Report on Form 10-Q (Form 10-Q) of CenterPoint Energy, Inc. are the condensed consolidated interim financial statements and notes (Interim Condensed Financial Statements) of CenterPoint Energy, Inc. and its subsidiaries (collectively, CenterPoint Energy). The Interim Condensed Financial Statements are unaudited, omit certain financial statement disclosures and should be read with the Annual Report on Form 10-K of CenterPoint Energy for the year ended December 31, 2013 (CenterPoint Energy Form 10-K).

Background. CenterPoint Energy, Inc. is a public utility holding company. CenterPoint Energy's operating subsidiaries own and operate electric transmission and distribution facilities and natural gas distribution facilities and own an interest in Enable Midstream Partners, LP (Enable) as described in Note 7. As of June 30, 2014, CenterPoint Energy's indirect wholly owned subsidiaries included:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in the Texas Gulf Coast area that includes the city of Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems (Gas Operations). A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities. As of June 30, 2014, CERC Corp. also owned approximately 55.4% of the limited partner interests in Enable, which owns, operates and develops natural gas and crude oil infrastructure assets.

As of June 30, 2014, CenterPoint Energy had four variable interest entities (VIEs) consisting of transition and system restoration bond companies, which it consolidates. The consolidated VIEs are wholly owned bankruptcy remote special purpose entities that were formed specifically for the purpose of securitizing transition and system restoration property. Creditors of CenterPoint Energy have no recourse to any assets or revenues of the transition and system restoration bond companies. The bonds issued by these VIEs are payable only from and secured by transition and system restoration property, and the bondholders have no recourse to the general credit of CenterPoint Energy.

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

CenterPoint Energy's Interim Condensed Financial Statements reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the respective periods. Amounts reported in CenterPoint Energy's Condensed Statements of Consolidated Income are not necessarily indicative of amounts expected for a full-year period due to the effects of, among other things, (a) seasonal fluctuations in demand for energy and energy services, (b) changes in energy commodity prices, (c) timing of maintenance and other expenditures and (d) acquisitions and dispositions of businesses, assets and other interests.

For a description of CenterPoint Energy's reportable business segments, see Note 14.

(2) New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which significantly changes the existing accounting guidance on discontinued operations. Under ASU 2014-08, only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results should be reported as a discontinued operation. ASU 2014-08 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. ASU 2014-08 should be applied to components classified as held for sale after its effective date. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. The adoption is expected to reduce the number of disposals that meet the definition of a discontinued operation.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09), which supersedes most current revenue recognition guidance. ASU 2014-09 provides a comprehensive new revenue recognition model that requires revenue to be recognized in a manner that depicts the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. ASU 2014-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted, and entities have the option of using either a full retrospective or a modified retrospective adoption approach. Accordingly, CenterPoint Energy will adopt ASU 2014-09 on January 1, 2017, and is currently evaluating the impact that this standard will have on its financial position, results of operations, cash flows and disclosures.

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

(3) Employee Benefit Plans

CenterPoint Energy's net periodic cost includes the following components relating to pension and postretirement benefits:

	Three Months Ended June 30,			
	2014		2013	
	Pension Benefits (1)	Postretirement Benefits	Pension Benefits (1)	Postretirement Benefits
	(in millions)			
Service cost	\$ 11	\$ 1	\$ 11	\$ 1
Interest cost	25	5	23	5
Expected return on plan assets	(31)	(2)	(34)	(2)
Amortization of prior service cost (credit)	2	(1)	2	—
Amortization of net loss	11	1	16	1
Amortization of transition obligation	—	2	—	2
Net periodic cost	<u>\$ 18</u>	<u>\$ 6</u>	<u>\$ 18</u>	<u>\$ 7</u>

	Six Months Ended June 30,			
	2014		2013	
	Pension Benefits (1)	Postretirement Benefits	Pension Benefits (1)	Postretirement Benefits
	(in millions)			
Service cost	\$ 21	\$ 1	\$ 22	\$ 1
Interest cost	50	11	46	10
Expected return on plan assets	(62)	(4)	(68)	(4)
Amortization of prior service cost (credit)	5	(1)	4	—
Amortization of net loss	22	1	32	3
Amortization of transition obligation	—	3	—	4
Net periodic cost	<u>\$ 36</u>	<u>\$ 11</u>	<u>\$ 36</u>	<u>\$ 14</u>

(1) Net periodic cost in these tables is before considering amounts subject to overhead allocations for capital expenditure projects or for amounts subject to deferral for regulatory purposes.

CenterPoint Energy's changes in accumulated comprehensive loss related to defined benefit and postretirement plans are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	Pension and Postretirement Plans		Pension and Postretirement Plans	
	(in millions)			
Beginning Balance	\$ (87)	\$ (129)	\$ (88)	\$ (132)
Amounts reclassified from accumulated other comprehensive loss:				
Prior service cost (1)	1	—	1	1
Actuarial losses (1)	3	3	5	7
Total reclassifications from accumulated other comprehensive loss	4	3	6	8
Tax expense	(2)	(1)	(3)	(3)
Net current period other comprehensive income	2	2	3	5
Ending Balance	\$ (85)	\$ (127)	\$ (85)	\$ (127)

(1) These other comprehensive components are included in the computation of net periodic cost.

CenterPoint Energy expects to contribute a total of approximately \$96 million to its pension plans in 2014 , of which approximately \$31 million and \$34 million , respectively, was contributed during the three and six months ended June 30, 2014 .

CenterPoint Energy expects to contribute a total of approximately \$17 million to its postretirement benefits plan in 2014 , of which approximately \$4 million and \$8 million , respectively, was contributed during the three and six months ended June 30, 2014 .

(4) Regulatory Accounting

As of June 30, 2014 , CenterPoint Energy has not recognized an allowed equity return of \$476 million because such return will be recognized as it is recovered in rates. During the three months ended June 30, 2014 and 2013 , CenterPoint Houston recognized approximately \$17 million and \$12 million , respectively, of the allowed equity return not previously recognized. During the six months ended June 30, 2014 and 2013 , CenterPoint Houston recognized approximately \$32 million and \$20 million , respectively, of the allowed equity return not previously recognized.

(5) Derivative Instruments

CenterPoint Energy is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. CenterPoint Energy utilizes derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on its operating results and cash flows. Such derivatives are recognized in CenterPoint Energy's Condensed Consolidated Balance Sheets at their fair value unless CenterPoint Energy elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business.

CenterPoint Energy has a Risk Oversight Committee composed of corporate and business segment officers that oversees all commodity price, weather and credit risk activities, including CenterPoint Energy's marketing, risk management services and hedging activities. The committee's duties are to establish CenterPoint Energy's commodity risk policies, allocate board-approved commercial risk limits, approve the use of new products and commodities, monitor positions and ensure compliance with CenterPoint Energy's risk management policies, procedures and limits established by CenterPoint Energy's board of directors.

CenterPoint Energy's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

(a) Non-Trading Activities

Derivative Instruments. CenterPoint Energy enters into certain derivative instruments to manage physical commodity price risk and does not engage in proprietary or speculative commodity trading. These financial instruments do not qualify or are not designated as cash flow or fair value hedges.

Weather Hedges. CenterPoint Energy has weather normalization or other rate mechanisms that mitigate the impact of weather on its gas operations in Arkansas, Louisiana, Mississippi and Oklahoma. Gas operations in Texas and Minnesota and electric operations in Texas do not have such mechanisms. As a result, fluctuations from normal weather may have a significant positive or negative effect on Gas Operations' results in these jurisdictions and on CenterPoint Houston's results in its service territory.

CenterPoint Energy entered into heating-degree day swaps for certain Gas Operations jurisdictions to mitigate the effect of fluctuations from normal weather on its results of operations and cash flows for the winter heating season, which contained a bilateral dollar cap of \$15 million in 2012 - 2013 and \$16 million in 2013 - 2014. In 2013, CenterPoint Energy also entered into a similar winter weather hedge for the CenterPoint Houston service territory, which contained a bilateral dollar cap of \$8 million. The swaps are based on ten -year normal weather. During the three months ended June 30, 2014 and 2013, CenterPoint Energy recognized losses of \$-0- and \$3 million, respectively, related to these swaps. During the six months ended June 30, 2014 and 2013, CenterPoint Energy recognized losses of \$8 million and \$6 million, respectively, related to these swaps. Weather hedge gains and losses are included in revenues in the Condensed Statements of Consolidated Income.

(b) Derivative Fair Values and Income Statement Impacts

The following tables present information about CenterPoint Energy's derivative instruments and hedging activities. The first four tables provide a balance sheet overview of CenterPoint Energy's Derivative Assets and Liabilities as of June 30, 2014 and December 31, 2013, while the last two tables provide a breakdown of the related income statement impacts for the three and six months ended June 30, 2014 and 2013.

Total derivatives not designated as hedging instruments	Fair Value of Derivative Instruments		
	Balance Sheet Location	June 30, 2014	
		Derivative Assets Fair Value	Derivative Liabilities Fair Value
		(in millions)	
Natural gas derivatives (1) (2)	Current Assets: Non-trading derivative assets	\$ 31	\$ 5
Natural gas derivatives (1) (2)	Other Assets: Non-trading derivative assets	14	2
Natural gas derivatives (1) (2)	Current Liabilities: Non-trading derivative liabilities	1	13
Natural gas derivatives (1) (2)	Other Liabilities: Non-trading derivative liabilities	—	2
Indexed debt securities derivative	Current Liabilities	—	462
Total		<u>\$ 46</u>	<u>\$ 484</u>

(1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 603 billion cubic feet (Bcf) or a net 97 Bcf long position. Of the net long position, basis swaps constitute 97 Bcf.

(2) Natural gas contracts are presented on a net basis in the Condensed Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Condensed Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$24 million asset as shown on CenterPoint Energy's Condensed Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above.

Offsetting of Natural Gas Derivative Assets and Liabilities

	June 30, 2014		
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)
	(in millions)		
Current Assets: Non-trading derivative assets	\$ 32	\$ (6)	\$ 26
Other Assets: Non-trading derivative assets	14	(2)	12
Current Liabilities: Non-trading derivative liabilities	(18)	6	(12)
Other Liabilities: Non-trading derivative liabilities	(4)	2	(2)
Total	\$ 24	\$ —	\$ 24

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

Fair Value of Derivative Instruments

Total derivatives not designated as hedging instruments	Balance Sheet Location	December 31, 2013	
		Derivative Assets Fair Value	Derivative Liabilities Fair Value
		(in millions)	
Natural gas derivatives (1) (2) (3)	Current Assets: Non-trading derivative assets	\$ 28	\$ 4
Natural gas derivatives (1) (2)	Other Assets: Non-trading derivative assets	10	—
Natural gas derivatives (1) (2)	Current Liabilities: Non-trading derivative liabilities	4	21
Natural gas derivatives (1) (2)	Other Liabilities: Non-trading derivative liabilities	1	5
Indexed debt securities derivative	Current Liabilities	—	455
Total		\$ 43	\$ 485

- (1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 607 Bcf or a net 46 Bcf long position. Of the net long position, basis swaps constitute 99 Bcf.
- (2) Natural gas contracts are presented on a net basis in the Condensed Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Condensed Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$13 million asset as shown on CenterPoint Energy's Condensed Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above, offset by collateral netting of less than \$1 million.
- (3) The \$28 million Derivative Current Asset includes \$1 million related to physical forwards purchased from Enable.

Offsetting of Natural Gas Derivative Assets and Liabilities

	December 31, 2013		
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)
	(in millions)		
Current Assets: Non-trading derivative assets	\$ 32	\$ (8)	\$ 24
Other Assets: Non-trading derivative assets	11	(1)	10
Current Liabilities: Non-trading derivative liabilities	(25)	8	(17)
Other Liabilities: Non-trading derivative liabilities	(5)	1	(4)
Total	\$ 13	\$ —	\$ 13

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

Realized and unrealized gains and losses on derivatives are recognized in the Condensed Statements of Consolidated Income as revenue for physical natural gas sales derivative contracts and as natural gas expense for financial natural gas derivatives and other physical natural gas derivatives. Unrealized gains and losses on indexed debt securities are recorded as Other Income (Expense) in the Condensed Statements of Consolidated Income.

Income Statement Impact of Derivative Activity

Total derivatives not designated as hedging instruments	Income Statement Location	Three Months Ended June 30,	
		2014	2013
		(in millions)	
Natural gas derivatives	Gains (Losses) in Revenues	\$ 5	\$ 27
Natural gas derivatives (1)	Gains (Losses) in Expenses: Natural Gas	4	(18)
Indexed debt securities derivative	Gains (Losses) in Other Income (Expense)	(50)	(27)
Total		\$ (41)	\$ (18)

Income Statement Impact of Derivative Activity

Total derivatives not designated as hedging instruments	Income Statement Location	Six Months Ended June 30,	
		2014	2013
		(in millions)	
Natural gas derivatives	Gains (Losses) in Revenues	\$ (96)	\$ 13
Natural gas derivatives (1)	Gains (Losses) in Expenses: Natural Gas	114	(2)
Indexed debt securities derivative	Gains (Losses) in Other Income (Expense)	(7)	(78)
Total		\$ 11	\$ (67)

- (1) The Gains (Losses) in Expenses: Natural Gas includes \$-0- and \$2 million during the three and six months ended June 30, 2014, respectively, related to physical forwards purchased from Enable.

(c) Credit Risk Contingent Features

CenterPoint Energy enters into financial derivative contracts containing material adverse change provisions. These provisions could require CenterPoint Energy to post additional collateral if the Standard & Poor's Ratings Services or Moody's Investors Service, Inc. credit ratings of CenterPoint Energy, Inc. or its subsidiaries are downgraded. The total fair value of the derivative instruments that contain credit risk contingent features that are in a net liability position at both June 30, 2014 and December 31, 2013 was \$1 million. The aggregate fair value of assets that were posted as collateral was less than \$1 million at both June 30, 2014 and December 31, 2013. If all derivative contracts (in a net liability position) containing credit risk contingent features were

triggered at June 30, 2014 and December 31, 2013 , less than \$1 million and \$1 million , respectively, of additional assets would be required to be posted as collateral.

(6) Fair Value Measurements

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

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are exchange-traded derivatives and equity securities.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets. A market approach is utilized to value CenterPoint Energy's Level 2 assets or liabilities.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Unobservable inputs reflect CenterPoint Energy's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. CenterPoint Energy develops these inputs based on the best information available, including CenterPoint Energy's own data. A market approach is utilized to value CenterPoint Energy's Level 3 assets or liabilities. Currently, CenterPoint Energy's Level 3 assets and liabilities are comprised of physical forward contracts and options. Level 3 physical forward contracts are valued using a discounted cash flow model which includes illiquid forward price curve locations (ranging from \$2.62 to \$4.98 per one million British thermal units) as an unobservable input. Level 3 options are valued through Black-Scholes (including forward start) option models which include option volatilities (ranging from 0 to 62%) as an unobservable input. CenterPoint Energy's Level 3 derivative assets and liabilities consist of both long and short positions (forwards and options) and their fair value is sensitive to forward prices and volatilities. If forward prices decrease, CenterPoint Energy's long forwards lose value whereas its short forwards gain in value. If volatility decreases, CenterPoint Energy's long options lose value whereas its short options gain in value.

CenterPoint Energy determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes transfers between levels at the end of the reporting period. For the six months ended June 30, 2014 , there were no transfers between Level 1 and 2. CenterPoint Energy also recognizes purchases of Level 3 financial assets and liabilities at their fair market value at the end of the reporting period.

The following tables present information about CenterPoint Energy's assets and liabilities (including derivatives that are presented net) measured at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 , and indicate the fair value hierarchy of the valuation techniques utilized by CenterPoint Energy to determine such fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (in millions)	Netting Adjustments ⁽¹⁾	Balance as of June 30, 2014
Assets					
Corporate equities	\$ 812	\$ —	\$ —	\$ —	\$ 812
Investments, including money market funds	51	—	—	—	51
Natural gas derivatives	3	37	6	(8)	38
Total assets	<u>\$ 866</u>	<u>\$ 37</u>	<u>\$ 6</u>	<u>\$ (8)</u>	<u>\$ 901</u>
Liabilities					
Indexed debt securities derivative	\$ —	\$ 462	\$ —	\$ —	\$ 462
Natural gas derivatives	1	19	2	(8)	14
Total liabilities	<u>\$ 1</u>	<u>\$ 481</u>	<u>\$ 2</u>	<u>\$ (8)</u>	<u>\$ 476</u>

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(1) Amounts represent the impact of legally enforceable master netting arrangements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of \$-0- posted with the same counterparties.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (in millions)	Netting Adjustments ⁽¹⁾	Balance as of December 31, 2013
Assets					
Corporate equities	\$ 770	\$ —	\$ —	\$ —	\$ 770
Investments, including money market funds	61	—	—	—	61
Natural gas derivatives (2)	5	33	5	(9)	34
Total assets	<u>\$ 836</u>	<u>\$ 33</u>	<u>\$ 5</u>	<u>\$ (9)</u>	<u>\$ 865</u>
Liabilities					
Indexed debt securities derivative	\$ —	\$ 455	\$ —	\$ —	\$ 455
Natural gas derivatives	1	27	2	(9)	21
Total liabilities	<u>\$ 1</u>	<u>\$ 482</u>	<u>\$ 2</u>	<u>\$ (9)</u>	<u>\$ 476</u>

(1) Amounts represent the impact of legally enforceable master netting arrangements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of less than \$1 million posted with the same counterparties.

(2) The (Level 2) Natural gas derivative assets of \$33 million include \$1 million related to physical forwards purchased from Enable.

The following table presents additional information about assets or liabilities, including derivatives that are measured at fair value on a recurring basis for which CenterPoint Energy has utilized Level 3 inputs to determine fair value:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
	Derivative assets and liabilities, net			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Beginning balance	\$ 1	\$ 3	\$ 3	\$ 2
Total gains	2	1	—	3
Total settlements	1	—	2	(1)
Transfers into Level 3	—	—	(1)	—
Ending balance (1)	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 4</u>
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 3</u>

(1) CenterPoint Energy did not have significant Level 3 purchases, sales or transfers out of Level 3 during the three or six months ended June 30, 2014 or 2013 .

Estimated Fair Value of Financial Instruments

The fair values of cash and cash equivalents, investments in debt and equity securities classified as “trading” and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below. The carrying amounts of non-trading derivative assets and liabilities and CenterPoint Energy’s 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) indexed debt securities derivative are stated at fair value and are excluded from the table below. The fair value of each debt instrument is determined by multiplying the principal amount of each debt instrument by the market price. These assets and liabilities, which are not measured at fair value in the Condensed Consolidated Balance Sheets but for which the fair value is disclosed, would be classified as Level 1 or Level 2 in the fair value hierarchy.

	June 30, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in millions)				
Financial assets:				
Notes receivable - affiliated companies	\$ 363	\$ 369	\$ 363	\$ 363
Financial liabilities:				
Long-term debt	\$ 8,318	\$ 9,103	\$ 8,171	\$ 8,670

(7) Unconsolidated Affiliates

On May 1, 2013 (the Closing Date) CERC Corp., OGE Energy Corp. (OGE) and ArcLight Capital Partners, LLC (ArcLight) closed on the formation of Enable. CenterPoint Energy has the ability to significantly influence the operating and financial policies of Enable and, accordingly, accounts for its investment in Enable using the equity method of accounting. Under the equity method, CenterPoint Energy will adjust its investment in Enable each period for contributions made, distributions received, CenterPoint Energy’s share of Enable’s comprehensive income and accretion of differences, as appropriate. CenterPoint Energy evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline.

CenterPoint Energy’s investment in Enable is considered to be a VIE because the power to direct the activities that most significantly impact Enable’s economic performance does not reside with the holders of equity investment at risk. However, CenterPoint Energy is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable. CenterPoint Energy’s maximum exposure to loss related to Enable is limited to its equity investment as presented in the Condensed Consolidated Balance Sheet at June 30, 2014, CERC Corp.’s guarantee of collection of Enable’s \$1.1 billion senior notes due 2019 and 2024 (Guaranteed Senior Notes) and other guarantees discussed in Note 12, CERC Corp.’s \$363 million notes receivable from Enable and outstanding current accounts receivable from Enable. CERC Corp.’s guarantee of Enable’s Guaranteed Senior Notes is subordinated to all senior debt of CERC and is subject to automatic release on May 1, 2016. The \$363 million of notes receivable from Enable bears interest at an annual rate of 2.10% to 2.45% and matures in 2017. CenterPoint Energy recorded interest income of \$2 million and \$1 million during the three months ended June 30, 2014 and 2013, respectively, and \$4 million and \$1 million during the six months ended June 30, 2014 and 2013, respectively, for interest earned on or after the Closing Date and had interest receivable from Enable of \$5 million and \$4 million as of June 30, 2014 and December 31, 2013, respectively, on its notes receivable from Enable.

Effective on the Closing Date, CenterPoint Energy and Enable entered into a Services Agreement, Employee Transition Agreement, Transitional Services Agreement and other agreements (collectively, Transition Agreements) whereby CenterPoint Energy agreed to provide certain support services to Enable such as accounting, legal, risk management and treasury functions for an initial term ending on April 30, 2016. The support services automatically extend year-to-year at the end of the initial term, unless terminated by Enable with at least 90 days’ notice. Enable may terminate the initial support services at any time with 180 days’ notice if approved by the board of Enable’s general partner. Additionally, CenterPoint Energy agreed to provide seconded employees to Enable to support its operations for an initial term ending on December 31, 2014, unless revised by mutual agreement with CenterPoint Energy, OGE and Enable prior to that date.

CenterPoint Energy billed Enable for reimbursement of transitional services, including the costs of seconded employees, \$37 million and \$28 million during the three months ended June 30, 2014 and 2013, respectively, and \$82 million and \$28 million during the six months ended June 30, 2014 and 2013, respectively, under the Transition Agreements for transition services incurred on or after the Closing Date. Actual transitional services costs are recorded net of reimbursements received from Enable. Effective April 1, 2014, Enable’s general partner, CenterPoint Energy and OGE agreed to reduce certain governance related costs billed to Enable for transition services. CenterPoint Energy had accounts receivable from Enable of \$20 million and \$21 million as of

June 30, 2014 and December 31, 2013, respectively, for amounts billed for transitional services, including the cost of seconded employees.

Enable, at its discretion, has the right to select and offer employment to seconded employees from CenterPoint Energy. CenterPoint Energy did not transfer any employees to Enable at formation of the partnership or at any time during the period from the Closing Date through June 30, 2014. As of June 30, 2014, CenterPoint Energy determined it cannot reasonably estimate the impact of the costs associated with the termination of employees related to the formation of Enable or transfer of employees from CenterPoint Energy to Enable, including the impact of the changes to the actuarial determination of employee benefit plan obligations. Pursuant to the Transition Agreements, Enable has agreed to reimburse CenterPoint Energy for severance and termination costs related to the termination of CenterPoint Energy's seconded employees, regardless of whether such seconded employees are offered employment by Enable.

On April 16, 2014, Enable completed its initial public offering (IPO) of 28,750,000 common units, at a price of \$20.00 per unit, which included 3,750,000 common units sold by ArcLight pursuant to an over-allotment option that was fully exercised by the underwriters. Enable received \$464 million in net proceeds from the sale of the units, after deducting underwriting fees, structuring fees and other offering costs. In connection with Enable's IPO, a portion of CenterPoint Energy's common units were converted into subordinated units, as discussed further below. Subsequent to the IPO, Enable continues to be equally controlled by CenterPoint Energy and OGE; each own 50% of the management rights in the general partner of Enable. CenterPoint Energy and OGE also own a 40% and 60% economic interest, respectively, in the incentive distribution rights held by the general partner of Enable.

As a result of Enable's IPO, CenterPoint Energy's limited partner interest in Enable was reduced from approximately 58.3% to approximately 54.7%. CenterPoint Energy accounted for the dilution of its investment in Enable as a result of Enable's IPO as a failed partial sale of in-substance real estate. CenterPoint Energy did not receive any cash from Enable's IPO and, as such, CenterPoint Energy did not recognize a gain or loss. CenterPoint Energy's basis difference in Enable was reduced for the impact of the Enable IPO.

In accordance with the Enable formation agreements, CenterPoint Energy had certain put rights, and Enable had certain call rights, exercisable with respect to the 25.05% interest in Southeast Supply Header, LLC (SESH) retained by CenterPoint Energy on the Closing Date, under which CenterPoint Energy would contribute its retained interest in SESH, in exchange for a specified number of limited partner units in Enable and a cash payment, payable either from CenterPoint Energy to Enable or from Enable to CenterPoint Energy, to the extent of changes in the value of SESH subject to certain restrictions. Specifically, the rights were and are exercisable with respect to (1) a 24.95% interest in SESH (24.95% Put), which closed on May 30, 2014 as discussed below and (2) a 0.1% interest in SESH, which may be exercised no earlier than June 2015 for 25,341 common units in Enable.

On May 30, 2014, CenterPoint Energy closed its 24.95% Put and contributed to Enable its 24.95% interest in SESH in exchange for 6,322,457 common units of Enable, which increased CenterPoint Energy's limited partner interest in Enable from approximately 54.7% to approximately 55.4%. No cash payment was required to be made pursuant to the Enable formation agreements in connection with CenterPoint Energy's exercise of the 24.95% Put. CenterPoint Energy accounted for the contribution of its 24.95% interest in SESH to Enable in exchange for common units of Enable as a non-monetary transaction of in-substance real estate equity method investments. As such, CenterPoint Energy recorded the 6,322,457 common units at the historical cost of the contributed 24.95% interest in SESH of \$198 million and recorded no gain or loss in connection with its exercise of the 24.95% Put. As a result, CenterPoint Energy's basis difference in Enable was reduced for the impact of its exercise of the 24.95% Put.

CenterPoint Energy incurred natural gas expenses, including transportation and storage costs, of \$27 million and \$28 million, during the three months ended June 30, 2014 and 2013, respectively, and \$75 million and \$28 million during the six months ended June 30, 2014 and 2013, respectively, for transactions with Enable occurring on or after the Closing Date. CenterPoint Energy had accounts payable to Enable of \$15 million and \$22 million at June 30, 2014 and December 31, 2013, respectively, from such transactions.

As of June 30, 2014, CenterPoint Energy held an approximate 55.4% limited partner interest in Enable consisting of 94,126,366 common units and 139,704,916 subordinated units and a 0.1% interest in SESH. The principal difference between Enable common units and subordinated units is that in any quarter during the subordination period, holders of the subordinated units are not entitled to receive any distribution of available cash until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution from prior quarters. If Enable does not pay distributions on its subordinated units, the subordinated units will not accrue arrearages for those unpaid distributions. At the end of the subordination period, CenterPoint Energy's subordinated units in Enable will be converted to common units in Enable on a one-for-one basis. On June 30, 2014, Enable's common units closed at \$26.19 per unit on the New York Stock Exchange.

Investment in Unconsolidated Affiliates:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
	(in millions)	
Enable	\$ 4,517	\$ 4,319
SESH (1)	—	199
Total	<u>\$ 4,517</u>	<u>\$ 4,518</u>

(1) On May 30, 2014, CenterPoint Energy contributed a 24.95% interest in SESH to Enable, leaving CenterPoint Energy with a 0.1% interest in SESH as of June 30, 2014.

Equity in Earnings of Unconsolidated Affiliates, net:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	(in millions)			
Enable (1)	\$ 69	\$ 33	\$ 157	\$ 33
SESH (2)	2	4	5	9
Total	<u>\$ 71</u>	<u>\$ 37</u>	<u>\$ 162</u>	<u>\$ 42</u>

(1) On May 1, 2013, CenterPoint Energy formed Enable with OGE and ArcLight.

(2) On each of May 1, 2013 and May 30, 2014, CenterPoint Energy contributed a 24.95% interest in SESH to Enable, leaving CenterPoint Energy with a 0.1% interest in SESH as of June 30, 2014.

Summarized unaudited consolidated income information for Enable is as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2013 (1)</u>
	(in millions)			
Operating revenues	\$ 826	\$ 502	\$ 1,828	\$ 502
Cost of sales, excluding depreciation and amortization	478	295	1,111	295
Operating income	139	75	301	75
Net income attributable to Enable	120	65	269	65
CenterPoint Energy's approximate interest	\$ 67	\$ 38	\$ 154	\$ 38
Basis difference accretion (amortization)	2	(5)	3	(5)
CenterPoint Energy's equity in earnings, net	<u>\$ 69</u>	<u>\$ 33</u>	<u>\$ 157</u>	<u>\$ 33</u>

(1) The summarized income information for Enable and CenterPoint Energy's equity in earnings, net of basis difference amortization, presented for the three and six months ended June 30, 2013 reflects Enable's operating results with the contributions from both OGE and CenterPoint Energy recorded at historical cost for the two-month period from the Closing Date to June 30, 2013.

Enable concluded that its formation was considered a business combination, in which the fair value of the consideration paid for Enogex, LLC (Enogex), the businesses contributed by OGE, was allocated to the assets acquired and liabilities assumed by Enable on the Closing Date. In the third quarter of 2013, Enable completed its valuation of Enogex, and Enogex's assets, liabilities and equity, and the related depreciation and amortization for the two-month period ended June 30, 2013, was accordingly adjusted to estimated fair value as of the Closing Date. CenterPoint Energy's equity in earnings, net of basis difference, in the second quarter of 2013 was not materially different as a result of the final fair value determination.

Summarized unaudited consolidated balance sheet information for Enable is as follows:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
	(in millions)	
Current assets	\$ 923	\$ 549
Non-current assets	10,815	10,683
Current liabilities	584	720
Non-current liabilities	2,343	2,331
Non-controlling interest	32	33
Enable partners' capital	8,779	8,148
CenterPoint Energy's ownership interest in Enable's partner capital	\$ 4,862	\$ 4,753
CenterPoint Energy's basis difference	(345)	(434)
CenterPoint Energy's investment in Enable	<u>\$ 4,517</u>	<u>\$ 4,319</u>

Cash distributions received from Enable and SESH were approximately \$90 million and \$4 million, respectively, during the three months ended June 30, 2014 and were \$0- and \$8 million, respectively, during the three months ended June 30, 2013. Cash distributions received from Enable and SESH were approximately \$157 million and \$7 million, respectively, during the six months ended June 30, 2014 and were \$0- and \$17 million, respectively, during the six months ended June 30, 2013.

(8) Goodwill

Goodwill by reportable business segment as of both June 30, 2014 and December 31, 2013 is as follows (in millions):

Natural Gas Distribution	\$ 746
Energy Services	83
Other Operations	11
Total	<u>\$ 840</u>

(9) Capital Stock

CenterPoint Energy, Inc. has 1,020,000,000 authorized shares of capital stock, comprised of 1,000,000,000 shares of \$0.01 par value common stock and 20,000,000 shares of \$0.01 par value preferred stock. At June 30, 2014, 429,795,996 shares of CenterPoint Energy, Inc. common stock were issued and 429,795,830 shares were outstanding. At December 31, 2013, 428,798,612 shares of CenterPoint Energy, Inc. common stock were issued and 428,798,446 shares were outstanding. Outstanding common shares exclude 166 treasury shares at both June 30, 2014 and December 31, 2013.

(10) Short-term Borrowings and Long-term Debt

(a) Short-term Borrowings

Inventory Financing. Gas Operations has asset management agreements associated with its utility distribution service in Arkansas, north Louisiana and Oklahoma that extend through 2015. Pursuant to the provisions of the agreements, Gas Operations sells natural gas and agrees to repurchase an equivalent amount of natural gas during the winter heating seasons at the same cost, plus a financing charge. These transactions are accounted for as a financing and had an associated principal obligation of \$42 million and \$43 million as of June 30, 2014 and December 31, 2013, respectively.

(b) Long-term Debt

On March 17, 2014, CenterPoint Energy Houston Electric, LLC issued \$600 million principal amount of 4.50% General Mortgage Bonds due 2044.

Debt Repayments. Approximately \$44 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston were redeemed on March 3, 2014 at 101% of their principal amount plus accrued interest. The bonds had

an interest rate of 4.25% , were scheduled to mature in 2017 and were collateralized by general mortgage bonds of CenterPoint Houston.

Approximately \$56 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston were purchased by CenterPoint Houston on March 3, 2014 at 101% of their principal amount plus accrued interest pursuant to the mandatory tender provisions of the bonds. The bonds had an interest rate of 5.60% prior to CenterPoint Houston's purchase and have a variable rate thereafter. The bonds mature in 2027 and are collateralized by general mortgage bonds of CenterPoint Houston. The purchased pollution control bonds may be remarketed.

Approximately \$84 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston were redeemed on June 2, 2014 at 100% of their principal amount plus accrued interest. The bonds had an interest rate of 4.25% , were scheduled to mature in 2017 and were collateralized by general mortgage bonds of CenterPoint Houston.

Credit Facilities. As of June 30, 2014 and December 31, 2013 , CenterPoint Energy, CenterPoint Houston and CERC Corp. had the following revolving credit facilities and utilization of such facilities (in millions):

	Size of Facility	June 30, 2014			December 31, 2013		
		Loans	Letters of Credit	Commercial Paper	Loans	Letters of Credit	Commercial Paper
CenterPoint Energy	\$ 1,200	\$ —	\$ 6	\$ 41	\$ —	\$ 6	\$ —
CenterPoint Houston	300	—	4	—	—	4	—
CERC Corp.	600	—	—	—	—	—	118
Total	\$ 2,100	\$ —	\$ 10	\$ 41	\$ —	\$ 10	\$ 118

CenterPoint Energy's \$1.2 billion revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on CenterPoint Energy's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Energy's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Energy's consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and CenterPoint Energy certifies to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve -month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date CenterPoint Energy delivers its certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of CenterPoint Energy's certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 112.5 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

CenterPoint Energy, CenterPoint Houston and CERC Corp. were in compliance with all financial covenants in their respective revolving credit facilities as of June 30, 2014 .

(11) Income Taxes

The effective tax rate reported for both the three and six months ended June 30, 2014 was 37% , compared to 169% and 88% , respectively, for the same periods in 2013 . The higher effective rate for the three and six months ended June 30, 2013 was primarily associated with the formation of Enable. As a result of the formation of Enable, a deferred tax liability of \$225 million was recorded for the book-to-tax basis difference in CenterPoint Energy's investment resulting from the goodwill that was contributed by CenterPoint Energy. In addition, CenterPoint Energy recognized a tax benefit of \$29 million associated with the remeasurement of state deferred taxes related to Enable's formation.

CenterPoint Energy reported no uncertain tax liability as of June 30, 2014 and expects no significant change to the uncertain tax liability over the next twelve months ending June 30, 2015. The consolidated federal income tax return filed for the year ended

December 31, 2012 is currently under audit by the Internal Revenue Service, and all other consolidated federal income tax returns have been audited and settled through tax year 2011.

(12) Commitments and Contingencies

(a) Natural Gas Supply Commitments

Natural gas supply commitments include natural gas contracts related to CenterPoint Energy's Natural Gas Distribution and Energy Services business segments, which have various quantity requirements and durations, that are not classified as non-trading derivative assets and liabilities in CenterPoint Energy's Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013 as these contracts meet an exception as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas supply commitments also include natural gas transportation contracts that do not meet the definition of a derivative. As of June 30, 2014, minimum payment obligations for natural gas supply commitments are approximately \$259 million for the remaining six months in 2014, \$528 million in 2015, \$454 million in 2016, \$384 million in 2017, \$376 million in 2018 and \$174 million after 2018.

(b) Legal, Environmental and Other Regulatory Matters

Legal Matters

Gas Market Manipulation Cases. CenterPoint Energy, CenterPoint Houston or their predecessor, Reliant Energy, Incorporated (Reliant Energy), and certain of their former subsidiaries have been named as defendants in certain lawsuits described below. Under a master separation agreement between CenterPoint Energy and a former subsidiary, Reliant Resources, Inc. (RRI), CenterPoint Energy and its subsidiaries are entitled to be indemnified by RRI and its successors for any losses, including certain attorneys' fees and other costs, arising out of these lawsuits. In May 2009, RRI sold its Texas retail business to a subsidiary of NRG and RRI changed its name to RRI Energy, Inc. In December 2010, Mirant Corporation merged with and became a wholly owned subsidiary of RRI, and RRI changed its name to GenOn Energy, Inc. (GenOn). In December 2012, NRG acquired GenOn through a merger in which GenOn became a wholly owned subsidiary of NRG. None of the sale of the retail business, the merger with Mirant Corporation, or the acquisition of GenOn by NRG alters RRI's (now GenOn's) contractual obligations to indemnify CenterPoint Energy and its subsidiaries, including CenterPoint Houston, for certain liabilities, including their indemnification obligations regarding the gas market manipulation litigation, nor does it affect the terms of existing guarantee arrangements for certain GenOn gas transportation contracts discussed below.

A large number of lawsuits were filed against numerous gas market participants in a number of federal and western state courts in connection with the operation of the natural gas markets in 2000-2002. CenterPoint Energy and its affiliates have since been released or dismissed from all but one such case. CenterPoint Energy Services, Inc. (CES), a subsidiary of CERC Corp., is a defendant in a case now pending in federal court in Nevada alleging a conspiracy to inflate Wisconsin natural gas prices in 2000-2002. In July 2011, the court issued an order dismissing the plaintiffs' claims against other defendants in the case, each of whom had demonstrated Federal Energy Regulatory Commission jurisdictional sales for resale during the relevant period, based on federal preemption. The plaintiffs appealed this ruling to the United States Court of Appeals for the Ninth Circuit, which reversed the trial court's dismissal of the plaintiffs' claims. In August 2013, the other defendants filed a petition for review with the U.S. Supreme Court, which the court granted on July 1, 2014. CenterPoint Energy believes that CES is not a proper defendant in this case and will continue to pursue a dismissal. CenterPoint Energy does not expect the ultimate outcome of this matter to have a material impact on its financial condition, results of operations or cash flows.

Environmental Matters

Manufactured Gas Plant Sites. CERC and its predecessors operated manufactured gas plants (MGPs) in the past. There are seven MGP sites in CERC's Minnesota service territory. CERC believes it never owned or operated, and therefore has no liability with respect to, two of these sites. With respect to two other sites, CERC has completed state ordered remediation, other than ongoing monitoring and water treatment.

At June 30, 2014, CERC had recorded a liability of \$13 million for remediation of these Minnesota sites. The estimated range of possible remediation costs for the sites for which CERC believes it may have responsibility was \$6 million to \$41 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRPs), if any, and the remediation methods used. The Minnesota Public Utilities Commission includes approximately \$285,000 annually in rates to fund normal ongoing remediation costs. As of June 30, 2014, CERC had collected \$6 million from insurance companies to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC and CenterPoint Energy do not expect the ultimate outcome of these investigations will have a material adverse impact on the financial condition, results of operations or cash flows of either CenterPoint Energy or CERC.

Asbestos. Some facilities owned by CenterPoint Energy contain or have contained asbestos insulation and other asbestos-containing materials. CenterPoint Energy or its subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by subsidiaries of CenterPoint Energy, but most existing claims relate to facilities previously owned by CenterPoint Energy's subsidiaries, some of which are currently owned by an affiliate of NRG. CenterPoint Energy anticipates that additional claims like those received may be asserted in the future. In 2004 and early 2005, CenterPoint Energy sold its generating business, to which most of these claims relate, to a company which is now an affiliate of NRG. Under the terms of the arrangements regarding separation of the generating business from CenterPoint Energy and its sale of that business, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but CenterPoint Energy has agreed to continue to defend such claims to the extent they are covered by insurance maintained by CenterPoint Energy, subject to reimbursement of the costs of such defense by the NRG affiliate. Although their ultimate outcome cannot be predicted at this time, CenterPoint Energy intends to continue vigorously contesting claims that it does not consider to have merit and, based on its experience to date, does not expect these matters, either individually or in the aggregate, to have a material adverse effect on CenterPoint Energy's financial condition, results of operations or cash flows.

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

Other Proceedings

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

(c) Guarantees

Prior to the distribution of CenterPoint Energy's ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$51 million as of June 30, 2014. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral then provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of June 30, 2014, CenterPoint Energy had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus

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agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees and to release CenterPoint Energy from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees as applicable.

CERC Corp. has also provided a guarantee of collection of \$1.1 billion of Enable's Guaranteed Senior Notes. This guarantee is subordinated to all senior debt of CERC Corp. and is subject to automatic release on May 1, 2016.

As of June 30, 2014, no amounts had been recorded in the Condensed Consolidated Balance Sheets related to these guarantees.

(13) Earnings Per Share

The following table reconciles numerators and denominators of CenterPoint Energy's basic and diluted earnings (loss) per share calculations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions, except share and per share amounts)			
Net income (loss)	\$ 107	\$ (100)	\$ 292	\$ 47
Basic weighted average shares outstanding	429,773,000	428,571,000	429,470,000	428,268,000
Plus: Incremental shares from assumed conversions:				
Stock options	—	108,000	—	103,000
Restricted stock	1,636,000	1,875,000	1,636,000	1,875,000
Diluted weighted average shares	<u>431,409,000</u>	<u>430,554,000</u>	<u>431,106,000</u>	<u>430,246,000</u>
Basic earnings (loss) per share:				
Net income (loss)	<u>\$ 0.25</u>	<u>\$ (0.23)</u>	<u>\$ 0.68</u>	<u>\$ 0.11</u>
Diluted earnings (loss) per share:				
Net income (loss)	<u>\$ 0.25</u>	<u>\$ (0.23)</u>	<u>\$ 0.68</u>	<u>\$ 0.11</u>

(14) Reportable Business Segments

CenterPoint Energy's determination of reportable business segments considers the strategic operating units under which CenterPoint Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. CenterPoint Energy uses operating income as the measure of profit or loss for its business segments.

CenterPoint Energy's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Energy Services, Midstream Investments and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers. Energy Services represents CenterPoint Energy's non-rate regulated gas sales and services operations. Midstream Investments consists primarily of CenterPoint Energy's investment in Enable and its retained interest in SESH. Other Operations consists primarily of other corporate operations which support all of CenterPoint Energy's business operations.

Prior to May 1, 2013, CenterPoint Energy also reported an Interstate Pipelines business segment, which included CenterPoint Energy's interstate natural gas pipeline operations, and a Field Services business segment, which included CenterPoint Energy's non-rate regulated natural gas gathering, processing and treating operations. The formation of Enable closed on May 1, 2013. Enable now owns substantially all of CenterPoint Energy's former Interstate Pipelines and Field Services business segments, except for a 0.1% interest in SESH. As a result, effective May 1, 2013, CenterPoint Energy reports equity earnings associated with its interest in Enable and equity earnings associated with its interest in SESH under a new Midstream Investments segment, and no longer has Interstate Pipelines and Field Services reporting segments prospectively.

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Financial data for business segments is as follows (in millions):

	For the Three Months Ended June 30, 2014		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income
Electric Transmission & Distribution	\$ 698 ⁽¹⁾	\$ —	\$ 145
Natural Gas Distribution	526	6	30
Energy Services	657	19	11
Midstream Investments ⁽³⁾	—	—	—
Other Operations	3	—	—
Eliminations	—	(25)	—
Consolidated	\$ 1,884	\$ —	\$ 186

	For the Three Months Ended June 30, 2013		
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)
Electric Transmission & Distribution	\$ 656 ⁽¹⁾	\$ —	\$ 165
Natural Gas Distribution	524	5	25
Energy Services	622	6	3
Interstate Pipelines	41 ⁽²⁾	13 ⁽²⁾	20 ⁽²⁾
Field Services	48 ⁽²⁾	7 ⁽²⁾	20 ⁽²⁾
Midstream Investments ⁽³⁾	—	—	—
Other Operations	3	—	(10)
Eliminations	—	(31)	—
Consolidated	\$ 1,894	\$ —	\$ 223

	For the Six Months Ended June 30, 2014			Total Assets as of June 31, 2014
	Revenues from External Customers	Net Intersegment Revenues	Operating Income	
Electric Transmission & Distribution	\$ 1,327 ⁽¹⁾	\$ —	\$ 250	\$ 9,809
Natural Gas Distribution	2,004	15	192	4,989
Energy Services	1,709	51	37	896
Midstream Investments ⁽³⁾	—	—	—	4,517
Other Operations	7	—	2	2,902 ⁽⁴⁾
Eliminations	—	(66)	—	(1,193)
Consolidated	\$ 5,047	\$ —	\$ 481	\$ 21,920

	For the Six Months Ended June 30, 2013			Total Assets as of December 31, 2013
	Revenues from External Customers	Net Intersegment Revenues	Operating Income (Loss)	
Electric Transmission & Distribution	\$ 1,188 ⁽¹⁾	\$ —	\$ 249	\$ 9,605
Natural Gas Distribution	1,567	13	164	4,976
Energy Services	1,210	15	10	895
Interstate Pipelines	133 ⁽²⁾	53 ⁽²⁾	72 ⁽²⁾	—
Field Services	178 ⁽²⁾	18 ⁽²⁾	73 ⁽²⁾	—
Midstream Investments ⁽³⁾	—	—	—	4,518
Other Operations	6	—	(13)	3,026 ⁽⁴⁾
Eliminations	—	(99)	—	(1,150)
Consolidated	\$ 4,282	\$ —	\$ 555	\$ 21,870

- (1) Sales to affiliates of NRG in the three months ended June 30, 2014 and 2013 represented approximately \$164 million and \$148 million , respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the three months ended June 30, 2014 and 2013 represented approximately \$41 million and \$37 million , respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of NRG in the six months ended June 30, 2014 and 2013 represented approximately \$330 million and \$291 million , respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in the six months ended June 30, 2014 and 2013 represented approximately \$81 million and \$73 million , respectively, of CenterPoint Houston's transmission and distribution revenues.
- (2) Results reflected in the three months ended June 30, 2013 represent only the month of April 2013. Results reflected in the six months ended June 30, 2013 represent only January 2013 through April 2013.
- (3) Midstream Investments reported equity earnings of \$69 million from Enable and \$2 million of equity earnings from CenterPoint Energy's interest in SESH for the three months ended June 30, 2014 . Midstream Investments reported equity earnings of \$157 million from Enable and \$5 million of equity earnings from CenterPoint Energy's interest in SESH for the six months ended June 30, 2014 . Midstream Investments reported equity earnings of \$33 million from Enable and \$2 million of equity earnings from CenterPoint Energy's interest in SESH for the months of May and June 2013. Included in total assets of Midstream Investments as of June 30, 2014 and December 31, 2013 is \$4,517 million and \$4,319 million , respectively, related to CenterPoint Energy's investment in Enable and \$-0- and \$199 million , respectively, related to CenterPoint Energy's interest in SESH.
- (4) Included in total assets of Other Operations as of June 30, 2014 and December 31, 2013 are pension and other postemployment related regulatory assets of \$605 million and \$627 million , respectively.

(15) Subsequent Events

On July 24, 2014 , CenterPoint Energy's board of directors declared a regular quarterly cash dividend of \$0.2375 per share of common stock payable on September 10, 2014 , to shareholders of record as of the close of business on August 15, 2014 .

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

The following discussion and analysis should be read in combination with our Interim Condensed Financial Statements contained in this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2013 (2013 Form 10-K).

EXECUTIVE SUMMARY

Recent Events

Debt Matters. Approximately \$84 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) were redeemed on June 2, 2014 at 100% of their principal amount plus accrued interest. The bonds had an interest rate of 4.25%, were scheduled to mature in 2017 and were collateralized by general mortgage bonds of CenterPoint Houston.

Enable Initial Public Offering. On April 16, 2014, Enable Midstream Partners, LP (Enable) completed its initial public offering (IPO) of 28,750,000 common units at a price of \$20.00 per unit, which included 3,750,000 common units sold by ArcLight Capital Partners, LLC (ArcLight) pursuant to an over-allotment option that was fully exercised by the underwriters. Enable received approximately \$464 million in net proceeds from the sale of the units, after deducting underwriting fees, structuring fees and other offering costs.

In connection with its IPO, on March 25, 2014, Enable effected a 1 for 1.279082616 reverse unit split. Immediately following the unit split, CenterPoint Energy Resources Corp. (CERC Corp.) owned 227,508,825 common units, representing a 58.3% limited partner interest in Enable. Also in connection with Enable's IPO, 139,704,916 of CERC Corp.'s common units and 68,150,514 of OGE Energy Corp.'s (OGE) common units were converted into subordinated units.

Immediately following Enable's IPO, CERC Corp. owned 87,803,909 common units and 139,704,916 subordinated units in Enable, representing a 54.7% limited partner interest. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE also own a 40% and 60% economic interest, respectively, in the incentive distribution rights held by the general partner of Enable.

Subsequent to Enable's IPO, Enable is expected to pay a minimum quarterly distribution of \$0.2875 per unit on its outstanding units to the extent it has sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to its general partner and its affiliates (referred to as "available cash") within 45 days after the end of each quarter. Enable adjusted the amount of this distribution for the period from the completion of its IPO through June 30, 2014 based on the actual length of the period.

Put Rights. In accordance with the Enable formation agreements, we had certain put rights, and Enable had certain call rights, exercisable with respect to the 25.05% interest in Southeast Supply Header, LLC (SESH) retained by us, under which we would contribute our retained interest in SESH, in exchange for a specified number of limited partner units in Enable and a cash payment, payable either from us to Enable or from Enable to us, for changes in the value of SESH. Specifically, the rights were and are exercisable with respect to (1) a 24.95% interest in SESH (24.95% Put), which closed on May 30, 2014 and (2) a 0.1% interest in SESH, which may be exercised no earlier than June 2015 for 25,341 common units in Enable. Subject to certain restrictions, if the fair market value of the contributed SESH interest is more or less than the value of the common units issued as consideration for the SESH interest, a cash payment may be required to be made by either Enable or us.

On May 30, 2014, we closed our 24.95% Put and contributed to Enable our 24.95% interest in SESH in exchange for 6,322,457 common units of Enable, which increased our limited partner interest in Enable from approximately 54.7% to approximately 55.4%. No cash payment was required to be made pursuant to the Enable formation agreements in connection with our exercise of the 24.95% Put.

CONSOLIDATED RESULTS OF OPERATIONS

All dollar amounts in the tables that follow are in millions, except for per share amounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 1,884	\$ 1,894	\$ 5,047	\$ 4,282
Expenses	1,698	1,671	4,566	3,727
Operating Income	186	223	481	555
Interest and Other Finance Charges	(89)	(85)	(173)	(183)
Interest on Transition and System Restoration Bonds	(30)	(34)	(60)	(69)
Equity in Earnings of Unconsolidated Affiliates, net	71	37	162	42
Other Income, net	31	3	53	32
Income Before Income Taxes	169	144	463	377
Income Tax Expense	62	244	171	330
Net Income (Loss)	\$ 107	\$ (100)	\$ 292	\$ 47
Basic Earnings (Loss) Per Share	\$ 0.25	\$ (0.23)	\$ 0.68	\$ 0.11
Diluted Earnings (Loss) Per Share	\$ 0.25	\$ (0.23)	\$ 0.68	\$ 0.11

Three months ended June 30, 2014 compared to three months ended June 30, 2013

We reported consolidated net income of \$107 million (\$0.25 per diluted share) for the three months ended June 30, 2014 compared to a loss of \$100 million (\$0.23 per diluted share) for the same period in 2013 . The increase in net income of \$207 million was primarily due to a \$182 million decrease in income tax expense (as discussed below), a \$42 million increase in the gain on our marketable securities and a \$34 million increase in equity earnings of unconsolidated affiliates, which were partially offset by a \$37 million decrease in operating income (discussed by segment below) and a \$23 million increase in the loss on our indexed debt securities.

Six months ended June 30, 2014 compared to six months ended June 30, 2013

We reported consolidated net income of \$292 million (\$0.68 per diluted share) for the six months ended June 30, 2014 compared to net income of \$47 million (\$0.11 per diluted share) for the same period in 2013 . The increase in net income of \$245 million was primarily due to a \$159 million decrease in income tax expense (as discussed below), a \$120 million increase in equity earnings of unconsolidated affiliates, a \$71 million decrease in the loss on our indexed debt securities and a \$19 million decrease in interest expense, which were partially offset by a \$74 million decrease in operating income (discussed by segment below) and a \$62 million decrease in the gain on our marketable securities.

Income Tax Expense

Our effective tax rate reported for both the three and six months ended June 30, 2014 was 37% , compared to 169% and 88% , respectively, for the same periods in 2013. The higher effective tax rate for the three and six months ended June 30, 2013 was primarily associated with the formation of Enable. As a result of the formation of Enable, a deferred tax liability of \$225 million was recorded for the book-to-tax basis difference in our investment resulting from the goodwill that we contributed. In addition, we recognized a tax benefit of \$29 million associated with the remeasurement of state deferred taxes related to Enable's formation.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income (loss) (in millions) for each of our business segments for the three and six months ended June 30, 2014 and 2013 . Included in revenues are intersegment sales. We account for intersegment sales as if the sales were to third parties, that is, at current market prices.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Electric Transmission & Distribution	\$ 145	\$ 165	\$ 250	\$ 249
Natural Gas Distribution	30	25	192	164
Energy Services	11	3	37	10
Interstate Pipelines	—	20 (1)	—	72 (2)
Field Services	—	20 (1)	—	73 (2)
Other Operations	—	(10)	2	(13)
Total Consolidated Operating Income	<u>\$ 186</u>	<u>\$ 223</u>	<u>\$ 481</u>	<u>\$ 555</u>

(1) Represents April 2013 results only.

(2) Represents January 2013 through April 2013 results only.

Electric Transmission & Distribution

segment, please read “Risk Factors — Risk Factors Affecting Our Electric Transmission & Distribution Business,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 (First Quarter Form 10-Q).

The following table provides summary data of our Electric Transmission & Distribution business segment for the three and six months ended June 30, 2014 and 2013 (in millions, except throughput and customer data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Electric transmission and distribution utility	\$ 554	\$ 513	\$ 1,056	\$ 934
Transition and system restoration bond companies	144	143	271	254
Total revenues	698	656	1,327	1,188
Expenses:				
Operation and maintenance, excluding transition and system restoration bond companies	300	246	588	484
Depreciation and amortization, excluding transition and system restoration bond companies	83	79	164	158
Taxes other than income taxes	56	57	114	112
Transition and system restoration bond companies	114	109	211	185
Total expenses	553	491	1,077	939
Operating Income	\$ 145	\$ 165	\$ 250	\$ 249
Operating Income:				
Electric transmission and distribution utility	\$ 115	\$ 131	\$ 190	\$ 180
Transition and system restoration bond companies (1)	30	34	60	69
Total segment operating income	\$ 145	\$ 165	\$ 250	\$ 249
Throughput (in gigawatt-hours (GWh)):				
Residential	6,981	7,233	12,263	11,791
Total	20,608	20,773	38,327	37,134
Number of metered customers at end of period:				
Residential	2,008,293	1,964,338	2,008,293	1,964,338
Total	2,272,293	2,224,036	2,272,293	2,224,036

(1) Represents the amount necessary to pay interest on the transition and system restoration bonds.

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Our Electric Transmission & Distribution business segment reported operating income of \$145 million for the three months ended June 30, 2014, consisting of \$115 million from the regulated electric transmission and distribution utility (TDU) and \$30 million related to transition and system restoration bond companies (Bond Companies). For the three months ended June 30, 2013, operating income totaled \$165 million, consisting of \$131 million from the TDU and \$34 million related to Bond Companies. TDU operating income decreased \$16 million due to decreased usage (\$10 million), primarily due to milder weather, increased operating and maintenance expenses (\$8 million, excluding \$46 million of higher transmission costs largely offset by increased transmission revenue) and increased depreciation expense (\$4 million), partially offset by customer growth (\$7 million) from the addition of over 48,000 new customers.

Six months ended June 30, 2014 compared to six months ended June 30, 2013

For the six months ended June 30, 2014, consisting of \$190 million from TDU and \$60 million related to Bond Companies. For the six months ended June 30, 2013, operating income totaled \$249 million, consisting of \$180 million from the TDU and \$69 million related to Bond Companies. TDU operating income increased \$10 million due to customer growth (\$14 million) from the addition of over 48,000 new customers, higher equity returns (\$13 million) primarily related to true-up proceeds and increased usage (\$9 million), primarily due to colder winter weather, partially offset by increased operating and maintenance expenses (\$13 million, excluding \$91 million of higher transmission costs largely offset by increased transmission revenue), increased depreciation expense (\$6 million) and increased taxes other than income taxes (\$2 million).

Natural Gas Distribution

For information regarding factors that may affect the future results of operations of our Natural Gas Distribution business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution and Energy Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our First Quarter Form 10-Q.

The following table provides summary data of our Natural Gas Distribution business segment for the three and six months ended June 30, 2014 and 2013 (in millions, except throughput and customer data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 532	\$ 529	\$ 2,019	\$ 1,580
Expenses:				
Natural gas	251	268	1,290	924
Operation and maintenance	168	160	355	330
Depreciation and amortization	49	46	97	91
Taxes other than income taxes	34	30	85	71
Total expenses	502	504	1,827	1,416
Operating Income	\$ 30	\$ 25	\$ 192	\$ 164
Throughput (in billion cubic feet (Bcf)):				
Residential	21	25	128	105
Commercial and industrial	55	56	151	142
Total Throughput	76	81	279	247
Number of customers at end of period:				
Residential	3,080,462	3,051,621	3,080,462	3,051,621
Commercial and industrial	246,055	244,215	246,055	244,215
Total	3,326,517	3,295,836	3,326,517	3,295,836

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Our Natural Gas Distribution business segment reported operating income of \$30 million for the three months ended June 30, 2014 compared to \$25 million for the three months ended June 30, 2013. Operating income increased \$5 million due to increased usage primarily due to colder than normal weather, partially mitigated by weather hedges and weather normalization adjustments (\$3 million), increased economic activity across our footprint including the addition of approximately 31,000 customers (\$2 million) and rate increases (\$10 million). These increases were partially offset by higher depreciation (\$3 million), higher property taxes (\$1 million) and higher operating expenses (\$6 million). Increased expense related to energy efficiency programs (\$2 million) and increased expense related to higher gross receipt taxes (\$3 million) were offset by the related revenues.

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Our Natural Gas Distribution business segment reported operating income of \$192 million for the six months ended June 30, 2014 compared to \$164 million for the six months ended June 30, 2013. Operating income increased \$28 million due to increased

usage primarily due to colder than normal weather, partially mitigated by weather hedges and weather normalization adjustments (\$16 million), rate increases (\$25 million) and increased economic activity across our footprint including the addition of approximately 31,000 customers (\$6 million). These increases were partially offset by higher depreciation (\$5 million), higher bad debt expense (\$5 million), an increase in property taxes (\$3 million), and other operating expenses (\$6 million). Increased expense related to energy efficiency programs (\$8 million) and increased expense related to higher gross receipt taxes (\$10 million) were offset by the related revenues.

Energy Services

For information regarding factors that may affect the future results of operations of our Energy Services business segment, please read “Risk Factors — Risk Factors Affecting Our Natural Gas Distribution and Energy Services Businesses,” “— Risk Factors Associated with Our Consolidated Financial Condition” and “— Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our First Quarter Form 10-Q.

The following table provides summary data of our Energy Services business segment for the three and six months ended June 30, 2014 and 2013 (in millions, except throughput and customer data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 676	\$ 628	\$ 1,760	\$ 1,225
Expenses:				
Natural gas	653	612	1,698	1,190
Operation and maintenance	10	11	22	22
Depreciation and amortization	1	1	2	2
Taxes other than income taxes	1	1	1	1
Total expenses	665	625	1,723	1,215
Operating Income	\$ 11	\$ 3	\$ 37	\$ 10
Throughput (in Bcf)	139	137	323	299
Number of customers at end of period	17,746	17,190	17,746	17,190

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Our Energy Services business segment reported operating income of \$11 million for the three months ended June 30, 2014 compared to \$3 million for the three months ended June 30, 2013. The increase in operating income of \$8 million was primarily due to \$4 million of improved margins, decreased fixed transportation costs and basis volatility early in the quarter due to an extended winter. This quarter included a \$6 million benefit resulting from mark-to-market accounting for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins compared to a benefit of \$6 million for the same period of 2013.

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Our Energy Services business segment reported operating income of \$37 million for the six months ended June 30, 2014 compared to \$10 million for the six months ended June 30, 2013. The increase in operating income of \$27 million was primarily due to \$15 million of improved margins resulting from optimization of existing gas transportation assets, reduced fixed costs, increased throughput and price volatility. The first half of 2014 included a \$10 million benefit resulting from mark-to-market accounting for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins compared to a benefit of \$1 million for the same period of 2013.

Interstate Pipelines

For information regarding factors that may affect our historical Interstate Pipelines business segment, please read “Risk Factors — Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” and “ — Additional Risk Factors Affecting Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our First Quarter Form 10-Q.

The following table provides summary data of our historical Interstate Pipelines business segment for the three and six months ended June 30, 2013 (in millions, except throughput data):

	<u>Three Months Ended June 30, 2013 (1)</u>	<u>Six Months Ended June 30, 2013 (2)</u>
Revenues	\$ 54	\$ 186
Expenses:		
Natural gas	15	35
Operation and maintenance	13	51
Depreciation and amortization	5	20
Taxes other than income taxes	1	8
Total expenses	<u>34</u>	<u>114</u>
Operating Income	<u>\$ 20</u>	<u>\$ 72</u>
Equity in earnings of unconsolidated affiliates	<u>\$ 2</u>	<u>7</u>
Transportation throughput (in Bcf)	<u>117</u>	<u>482</u>

(1) Represents April 2013 results only.

(2) Represents January 2013 through April 2013 results only.

Our Interstate Pipeline business segment reported operating income of \$20 million and \$72 million for the three and six months ended June 30, 2013, respectively. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the three and six months ended June 30, 2014 are not comparable to the same periods in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

Equity Earnings. In addition, this business segment recorded equity income from its ownership in SESH, a jointly owned pipeline, of \$2 million and \$7 million for the three and six months ended June 30, 2013, respectively. Beginning May 1, 2013, equity earnings related to our interest in SESH and Enable are reported as components of equity income in our Midstream Investments segment.

Field Services

For information regarding factors that may affect our historical Field Services business segment, please read “Risk Factors — Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” and “ — Additional Risk Factors Affecting Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our First Quarter Form 10-Q.

The following table provides summary data of our historical Field Services business segment for the three and six months ended June 30, 2013 (in millions, except throughput data):

	<u>Three Months Ended June 30, 2013 (1)</u>	<u>Six Months Ended June 30, 2013 (2)</u>
Revenues	\$ 55	\$ 196
Expenses:		
Natural gas	16	54
Operation and maintenance	13	45
Depreciation and amortization	5	20
Taxes other than income taxes	1	4
Total expenses	<u>35</u>	<u>123</u>
Operating Income	<u>\$ 20</u>	<u>\$ 73</u>
Gathering throughput (in Bcf)	<u>62</u>	<u>252</u>

(1) Represents April 2013 results only.

(2) Represents January 2013 through April 2013 results only.

Our Field Services business segment reported operating income of \$20 million and \$73 million for the three and six months ended June 30, 2013, respectively. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, the three and six months ended June 30, 2014 are not comparable to the same periods in the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

Midstream Investments

For information regarding factors that may affect the future results of operations of our Midstream Investments business segment, please read “Risk Factors — Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP” and “ — Additional Risk Factors Affecting Our Interests in Enable Midstream Partners, LP” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II of our First Quarter Form 10-Q.

The following table provides pre-tax equity income of our Midstream Investments business segment for the three and six months ended June 30, 2014 and 2013 (in millions):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2013 (1)</u>
Enable	\$ 69	\$ 33	\$ 157	\$ 33
SESH	2	2	5	2
Total	<u>\$ 71</u>	<u>\$ 35</u>	<u>\$ 162</u>	<u>\$ 35</u>

(1) Represents our 58.3% limited partner interest in Enable and our 25.05% interest in SESH for the months of May and June 2013.

Other Operations

The following table shows the operating income (loss) of our Other Operations business segment for the three and six months ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues	\$ 3	\$ 3	\$ 7	\$ 6
Expenses	3	13	5	19
Operating Income (Loss)	\$ —	\$ (10)	\$ 2	\$ (13)

Three months ended June 30, 2014 compared to three months ended June 30, 2013

Our Other Operations business segment reported operating income of \$-0- for the three months ended June 30, 2014 compared to an operating loss of \$10 million for the three months ended June 30, 2013. The increase in operating income of \$10 million is primarily related to the absence in 2014 of costs associated with the formation of Enable in 2013 (\$10 million).

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Our Other Operations business segment reported operating income of \$2 million for the six months ended June 30, 2014 compared to an operating loss of \$13 million for the six months ended June 30, 2013. The increase in operating income of \$15 million is primarily related to the absence in 2014 of costs associated with the formation of Enable in 2013 (\$12 million), lower miscellaneous operating expenses (\$2 million) and higher rental revenue (\$1 million).

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

For information on other developments, factors and trends that may have an impact on our 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 our 2013 Form 10-K, “Risk Factors” in Item 1A of Part I of our 2013 Form 10-K and Item 1A of Part II in our First Quarter 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 for the six months ended June 30, 2014 and 2013 :

	Six Months Ended June 30,	
	2014	2013
	(in millions)	
Cash provided by (used in):		
Operating activities	\$ 712	\$ 790
Investing activities	(659)	(625)
Financing activities	(55)	(314)

Cash Provided by Operating Activities

Net cash provided by operating activities in the first six months of 2014 decreased \$78 million compared to the same period in 2013 due primarily to decreased cash provided by fuel cost recovery (\$158 million) and increased cash paid for income taxes (\$73 million), which were partially offset by increased cash provided by net accounts receivable/payable (\$79 million), decreased cash paid for interest (\$44 million) and increased equity earnings, net of distributions (\$27 million).

Cash Used in Investing Activities

Net cash used in investing activities in the first six months of 2014 increased \$34 million compared to the same period in 2013 due primarily to increased capital expenditures (\$39 million), increased restricted cash (\$12 million) and decreased proceeds from the sale of marketable securities (\$9 million), which were partially offset by decreased contributions to Enable (\$38 million).

Cash Used in Financing Activities

Net cash used by financing activities in the first six months of 2014 decreased \$259 million compared to the same period in 2013 primarily due to decreased payments of long-term debt (\$822 million), which were partially offset by decreased proceeds from long-term debt (\$450 million), increased net payments of commercial paper (\$77 million) and increased payment of common stock dividends (\$26 million).

Future Sources and Uses of Cash

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments and working capital needs. Substantially all of our capital expenditures are expected to be used for investment in infrastructure for our electric transmission and distribution operations, and our natural gas transmission and distribution operations. These capital expenditures relate to reliability, safety and system expansions. Our principal cash requirements for the remaining six months of 2014 include the following:

- capital expenditures of approximately \$745 million ;
- scheduled principal payments on transition and system restoration bonds of \$165 million ;
- contributions to pension plans aggregating approximately \$62 million ; and
- dividend payments on CenterPoint Energy common stock and interest payments on debt.

We expect that invested cash, borrowings under our credit facilities, proceeds from commercial paper, anticipated cash flows from operations, and distributions from Enable will be sufficient to meet our anticipated cash needs for the remaining six months of 2014. Discretionary financing or refinancing may result in the issuance of equity or debt securities in the capital markets or the arrangement of additional credit facilities. Issuances of equity or debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

Off-Balance Sheet Arrangements

Prior to the distribution of our ownership in Reliant Resources, Inc. (RRI) to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn Energy, Inc. (GenOn)) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$51 million as of June 30, 2014 . Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of June 30, 2014 , CenterPoint Energy had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees and to release CenterPoint Energy from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees as applicable.

CERC Corp. has also provided a guarantee of collection of \$1.1 billion of Enable's senior notes due 2019 and 2024. This guarantee is subordinated to all senior debt of CERC Corp. and is subject to automatic release on May 1, 2016.

As of June 30, 2014 , no amounts have been recorded related to the guarantees discussed above in the Condensed Consolidated Balance Sheets. Other than the guarantees described above and operating leases, we have no off-balance sheet arrangements.

Regulatory Matters

Significant regulatory developments that have occurred since our First Quarter Form 10-Q was filed with the Securities and Exchange Commission (SEC) are discussed below.

CenterPoint Houston

In October 2009, the Public Utility Commission of Texas (Texas Utility Commission) issued an order disallowing recovery of a performance bonus of \$2 million on approximately \$10 million in 2008 energy efficiency costs expended pursuant to the terms of a settlement agreement in a prior rate case. CenterPoint Houston appealed the denial of the full 2008 performance bonus. CenterPoint Houston had also appealed similar orders by the Texas Utility Commission providing for the partial disallowance of performance bonuses totaling approximately \$5.5 million relating to CenterPoint Houston's 2009, 2010 and 2011 (only through August 2011) energy efficiency programs. These subsequent cases were abated pending the final outcome of the 2008 bonus appeal. In August 2013, the court of appeals reversed the Texas Utility Commission's decision disallowing such bonuses and in January 2014, the Texas Supreme Court declined to hear the Texas Utility Commission's appeal. As a result of the Texas Supreme Court's decision, in April 2014, four separate proceedings were initiated, which were later consolidated into one proceeding, at the Texas Utility Commission to determine the amount CenterPoint Houston is to recover. In May 2014, parties to the proceeding entered into a unanimous stipulation agreeing to the amount to be recovered but not to the customer class recovery allocation. The parties agreed that CenterPoint Houston is to recover \$7.5 million in performance bonus, \$0.2 million in rate case expenses associated with appeals of the proceedings and at least \$2.5 million in carrying costs, with final determination of carrying costs based on the timing of the decision regarding customer class recovery allocation. CenterPoint Houston expects to start recovery in the third or fourth quarter of 2014. Starting September 2011, CenterPoint Houston's energy efficiency programs are no longer funded pursuant to the terms of the prior settlement, and performance bonus calculations subsequent to that date are not affected by the court's decision.

Transmission Cost of Service (TCOS). On March 26, 2014, CenterPoint Houston filed an application with the Texas Utility Commission for an interim update of its TCOS seeking an increase in annual revenue of \$13.6 million based on an increase in total rate base of \$184.5 million. CenterPoint Houston received approval from the Texas Utility Commission during the second quarter of 2014, and rates became effective May 12, 2014.

Energy Efficiency Cost Recovery Factor (EECRF). On May 30, 2014, CenterPoint Energy filed an application for approval of an adjustment to its EECRF for 2015. CenterPoint Energy's requested recovery is \$51.4 million composed of approximately: (1) \$39.1 million in estimated 2015 program costs; (2) a performance bonus for 2013 achievements of \$16.2 million; (3) \$1 million for 2015 evaluation, measurement and verification costs; (4) a credit of \$5.1 million for the over-recovery of 2013 program costs; and (5) \$0.2 million in 2013 proceeding for rate case expenses. The Texas Utility Commission is expected to rule on the EECRF application in the fourth quarter of 2014. Upon approval, the effective date of the rate adjustment will be March 1, 2015.

Brazos Valley Connection Project. In July 2013, CenterPoint Houston and other parties submitted analyses and transmission proposals to the Electric Reliability Council of Texas (ERCOT) for an additional transmission path into the Houston Region (Brazos Valley Connection, formerly referred to as the Houston Import Project). In April 2014, ERCOT's Board of Directors voted to endorse the Brazos Valley Connection and deemed the project critical for reliability. ERCOT has estimated the costs for the entire project to be approximately \$600 million. The project will consist of (i) construction of a new double-circuit 345 kilovolt (kV) line spanning 130 miles, (ii) upgrades to three substations to accommodate new connections and additional capacity, and (iii) improvements to approximately 11 miles of an existing transmission line to increase its rating. ERCOT anticipates that this project will be completed no later than June 2018. On April 30, 2014, ERCOT staff determined that CenterPoint Houston would be the designated transmission service provider for the portion of the project between our Zenith substation and the Gibbons Creek substation owned by the Texas Municipal Power Agency, consisting of approximately 60 miles of 345 kV transmission line, upgrades to the Limestone and Zenith substations and upgrades to 11 miles of the 345 kV TH Wharton-Addicks transmission line. Other transmission service providers were designated by ERCOT for the portion of the project from Gibbons Creek Substation to the Limestone Substation as well as the upgrades to the Gibbons Creek Substation. As the owner of the originating and terminating substations of the entire project, CenterPoint Houston appealed that determination to the Texas Utility Commission in May 2014 and is seeking the right to construct, own, and maintain the entire project, except for necessary upgrades to the Gibbons Creek Substation. CenterPoint Houston requested an expedited decision from the Texas Utility Commission, which is expected to hear the appeal on August 21, 2014.

Agreement with City of Houston . On June 13, 2014, CenterPoint Houston entered into an agreement with the City of Houston, Texas providing that neither CenterPoint Houston nor the city will initiate a base rate case for CenterPoint Houston earlier than December 31, 2016, subject to a \$20 million force majeure provision. During that period, CenterPoint Houston has the right to

adjust its rates through (1) the schedules and riders in its tariff approved by the Texas Utility Commission; (2) adjustments to its distribution rates using the distribution cost recovery factor rule adopted by the Texas Utility Commission; and (3) adjustments to its transmission rates under Texas Utility Commission rules. CenterPoint Houston also has the right to propose rates for new services. This agreement is not binding on any other city within CenterPoint Houston's service territory or the Texas Utility Commission.

Gas Operations

Houston, South Texas and Beaumont/East Texas Gas Reliability Infrastructure Programs (GRIP). The natural gas distribution business of CERC's (Gas Operations) Houston, South Texas and Beaumont/East Texas Divisions each submitted annual GRIP filings on March 31, 2014. For the Houston Division, CERC has asked that its GRIP filing to recover costs related to \$66.6 million in incremental capital expenditures that were incurred in 2013 be operationally suspended for one year so as to ensure earnings more consistent with those currently approved. For the South Texas Division, the filing is to recover costs related to \$15.9 million in incremental capital expenditures that were incurred in 2013. The increase in revenue requirements for this filing period is \$1.8 million annually based on an authorized rate of return of 8.75%. Rates were implemented for certain customers in May 2014. In those areas in which the jurisdictional deadline was extended by regulatory action, the rates were implemented in July 2014 after final approval by the Railroad Commission of Texas (Railroad Commission). For the Beaumont/East Texas Division, the first GRIP filing is to recover costs related to \$31.4 million in incremental capital expenditures that were incurred in 2012 and 2013. The increase in revenue requirements for this filing period is \$3.0 million annually based on an authorized rate of return of 8.51%. Rates were implemented for certain customers in May 2014. In those areas in which the jurisdictional deadline was extended by regulatory action, the rates were implemented in July 2014 after final approval by the Railroad Commission.

Minnesota Rate Proceeding. On August 2, 2013, Gas Operations filed a general rate case in Minnesota to increase base rates by \$44.3 million (including the movement of a \$15 million energy efficiency rider into base rates), based on a rate base of \$700 million and return on equity (ROE) of 10.3%. In compliance with state law, Gas Operations implemented interim rates reflecting \$42.9 million dollars of the requested increase for gas used on and after October 1, 2013. This rate filing is intended to recover significant capital expenditures Gas Operations is making in Minnesota and included moving \$15 million of energy efficiency expenditures to base rates. Evidentiary hearings were held before an administrative law judge (ALJ) in January 2014. On April 9, 2014 the ALJ issued its findings of fact and recommendations, which support a \$31.6 million revenue increase based on a 9.59% ROE. In May 2014, the Minnesota Public Utility Commission (MPUC) entered an order approving a rate increase of \$33 million based on a 9.59% ROE and a 52.6% equity ratio. The MPUC also authorized the implementation of a three-year pilot revenue decoupling mechanism with an effective date of July 1, 2015. Gas Operations anticipates final rates will be implemented in the fourth quarter of 2014. Since the adopted revenue increase is less than the interim revenue increase, a refund to customers, which has been accrued, is anticipated in the fourth quarter of 2014.

Other Matters

Credit Facilities

As of July 24, 2014, we had the following revolving credit facilities (in millions):

<u>Date Executed</u>	<u>Company</u>	<u>Size of Facility</u>	<u>Amount Utilized at July 24, 2014 ⁽¹⁾</u>	<u>Termination Date</u>
September 9, 2011	CenterPoint Energy	\$ 1,200	\$ 6 ⁽²⁾	September 9, 2018
September 9, 2011	CenterPoint Houston	300	4 ⁽²⁾	September 9, 2018
September 9, 2011	CERC Corp.	600	—	September 9, 2018

(1) Based on the consolidated debt to capitalization covenant in our revolving credit facility and the revolving credit facility of each of CenterPoint Houston and CERC Corp., we would have been permitted to utilize the full capacity of such revolving credit facilities, which aggregated \$2.1 billion at June 30, 2014.

(2) Represents outstanding letters of credit.

Our \$1.2 billion revolving credit facility can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on our current credit ratings. The revolving credit facility contains a financial covenant which limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and we certify to the administrative agent that CenterPoint Houston has incurred system restoration

costs reasonably likely to exceed \$100 million in a consecutive twelve -month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date we deliver our certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of our certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility can be drawn at LIBOR plus 112.5 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

Borrowings under each of the three revolving credit facilities are subject to customary terms and conditions. However, there is no requirement that the borrower make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under 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.

Our \$1.2 billion revolving credit facility backstops our \$1.0 billion commercial paper program. CERC Corp.'s \$600 million revolving credit facility backstops its \$600 million commercial paper program. As of June 30, 2014 , there was \$41 million of commercial paper outstanding under our \$1.0 billion commercial paper program.

Securities Registered with the SEC

CenterPoint Energy, CenterPoint Houston and CERC Corp. have filed a joint shelf registration statement with the SEC registering indeterminate principal amounts of CenterPoint Houston'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.

Temporary Investments

As of July 24, 2014 , we had temporary investments in money market funds of approximately \$63 million .

Money Pool

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.

Impact on Liquidity of a Downgrade in Credit Ratings

The interest on borrowings under our credit facilities is based on our credit rating. As of July 24, 2014, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, and Fitch, Inc. (Fitch) had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

Dpn qbozQlotusvn fou	N ppezÁ!		T' Q!		Gjudi !	
	Sbjoh!	Pvuppl !)2*!	Sbjoh!	Pvuppl !)3*!	Sbjoh!	Pvuppl !)4*!
CenterPoint Energy Senior Unsecured Debt	Baa1	Stable	BBB+	Stable	BBB	Stable
CenterPoint Houston Senior Secured Debt	A1	Stable	A	Stable	A	Stable
CERC Corp. Senior Unsecured Debt	Baa2	Stable	A-	Stable	BBB	Stable

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

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

A decline in credit ratings could increase borrowing costs under our \$1.2 billion revolving credit facility, CenterPoint Houston's \$300 million revolving credit facility and CERC Corp.'s \$600 million revolving credit facility. If our credit ratings or those of CenterPoint Houston or CERC Corp. had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed at June 30, 2014, 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 our 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 our Natural Gas Distribution and Energy Services business segments.

CERC Corp. and its subsidiaries purchase natural gas from one of their suppliers under supply agreements that contain an aggregate credit threshold of \$140 million based on CERC Corp.'s S&P senior unsecured long-term debt rating of A-. Under these agreements, CERC may need to provide collateral if the aggregate threshold is exceeded or if the S&P senior unsecured long-term debt rating is downgraded below BBB+.

CenterPoint Energy Services, Inc. (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 gas utilities throughout the central and eastern United States. In order 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 in excess of the credit threshold is routinely collateralized by CES. As of June 30, 2014, the amount posted as collateral aggregated approximately \$6 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, 2014, unsecured credit limits extended to CES by counterparties aggregated \$308 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 \$161 million as of June 30, 2014 . The amount of collateral will depend on seasonal variations in transportation levels.

In September 1999, we issued Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of \$1.0 billion of which \$828 million remains outstanding at June 30, 2014 . Each ZENS note was originally exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. common stock (TW Common) attributable to such note. The number and identity of the reference shares attributable to each ZENS note are adjusted for certain corporate events. On June 6, 2014, Time Warner Inc. spun off its ownership of Time Inc. by distributing one share of Time Inc. common stock (Time Common) for every eight shares of TW Common held on the May 23, 2014 record date. As of June 30, 2014 , the reference shares for each ZENS note consisted of 0.5 share of TW Common, 0.125505 share of Time Warner Cable Inc. (TWC) common stock (TWC Common), 0.045455 share of AOL Inc. common stock (AOL Common) and 0.0625 share of Time Common. On February 13, 2014, TWC announced that it had agreed to merge with Comcast Corporation (Comcast). In the merger, each share of TWC Common would be exchanged for 2.875 shares of Comcast common stock (Comcast Common). Upon the closing of the merger (assuming no change in the merger consideration), the reference shares for each ZENS note would include 0.360827 share of Comcast Common in place of the current 0.125505 share of TWC Common. If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS note holders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common, TWC Common, AOL Common and Time Common that we own or from other sources. We own shares of TW Common, TWC Common, AOL Common and Time Common equal to approximately 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because tax deferrals related to the ZENS notes and TW Common, TWC Common, AOL Common and Time Common shares would typically cease when ZENS notes are exchanged or otherwise retired and TW Common, TWC Common, AOL Common and Time Common shares are sold. The ultimate tax liability related to the ZENS notes 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 notes. If all ZENS notes had been exchanged for cash on June 30, 2014 , deferred taxes of approximately \$360 million would have been payable in 2014.

Cross Defaults

Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$75 million by us or any of our significant subsidiaries will cause a default. In addition, three outstanding series of our senior notes, aggregating \$750 million in principal amount as of June 30, 2014 , provide that a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of \$50 million, will cause a default. A default by CenterPoint Energy would not trigger a default under our 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 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.

Enable Midstream Partners

Certain of the entities contributed to Enable by CERC Corp. are obligated on approximately \$363 million of indebtedness owed to a wholly owned subsidiary of CERC Corp. that is scheduled to mature in 2017.

Prior to its IPO, Enable was obligated to distribute 100% of its distributable cash (as such term was defined in its partnership agreement) to its limited partners each fiscal quarter within 45 days following the end of the applicable quarter. During the three months ended June 30, 2014, CERC Corp. received a cash distribution of approximately \$90 million from Enable made with respect to CERC Corp.'s limited partner interest in Enable for the first quarter of 2014. CERC Corp. expects to receive a cash distribution of approximately \$13 million with respect to the period commencing April 1, 2014 and ending on April 15, 2014, the date immediately prior to the completion of Enable's IPO. Following its IPO, Enable is expected to pay a minimum quarterly distribution of \$0.2875 per unit on its outstanding units to the extent it has sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to its general partner and its affiliates (referred to as "available

cash”) within 45 days after the end of each quarter. On July 25, 2014, Enable declared a quarterly cash distribution of \$0.2464 per unit on all of its outstanding common and subordinated units for the quarter ended June 30, 2014, which amount was adjusted for the period from the completion of its IPO through June 30, 2014 based on the actual length of the period. The distribution equates to \$0.2950 per unit on a full-quarter basis. Accordingly, CERC Corp. expects to receive an additional cash distribution of approximately \$58 million from Enable in the third quarter of 2014 to be made with respect to the remainder of the second quarter of 2014.

Dodd-Frank Swaps Regulation

We use derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on our operating results and cash flows. Following enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) in July 2010, the Commodity Futures Trading Commission (CFTC) has promulgated regulations to implement Dodd-Frank’s changes to the Commodity Exchange Act, including the definition of commodity-based swaps subject to those regulations. The CFTC regulations are intended to implement new reporting and record keeping requirements related to their swap transactions and a mandatory clearing and exchange-execution regime for various types, categories or classes of swaps, subject to certain exemptions, including the trade-option and end-user exemptions. Although we anticipate that most, if not all, of our swap transactions should qualify for an exemption to the clearing and exchange-execution requirements, we will still be subject to record keeping and reporting requirements. Other changes to the Commodity Exchange Act made as a result of Dodd-Frank and the CFTC’s implementing regulations could increase the cost of entering into new swaps.

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 our weather hedging arrangements, and gas purchases, gas price and gas storage activities of our Natural Gas Distribution and Energy Services business segments;
- acceleration of payment dates on certain gas supply contracts, under certain circumstances, as a result of increased 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 to satisfy their obligations in respect of GenOn’s indemnity obligations to us and our subsidiaries;
- the ability of retail electric providers (REPs), including REP affiliates of NRG Energy, Inc., Energy Future Holdings Corp. and Just Energy Group, Inc., to satisfy their obligations to us and our subsidiaries;
- slower customer payments and increased write-offs of receivables due to higher gas prices or changing economic conditions;
- the outcome of litigation brought by and against us;
- 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 our 2013 Form 10-K and in Item 1A of Part II of our First Quarter Form 10-Q.

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

CenterPoint Houston's revolving credit facility limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of its consolidated capitalization. CERC Corp.'s revolving credit facility limits CERC's consolidated debt to an amount not to exceed 65% of its consolidated capitalization. Our revolving credit facility limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit in our revolving credit facility will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory that meets certain criteria. Additionally, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2 to our Interim Condensed Consolidated Financial Statements for a discussion of new accounting pronouncements that affect us.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk From Non-Trading Activities

We use derivative instruments as economic hedges to offset the commodity price exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to hedge, is described below. We measure the commodity risk of our non-trading energy derivatives using a sensitivity analysis. The sensitivity analysis performed on our non-trading energy derivatives measures the potential loss in fair value based on a hypothetical 10% movement in energy prices. At June 30, 2014, the recorded fair value of our non-trading energy derivatives was a net asset of \$24 million (before collateral), all of which is related to our Energy Services business segment. An increase of 10% in the market prices of energy commodities from their June 30, 2014 levels would have decreased the fair value of our non-trading energy derivatives net asset by \$6 million.

The above analysis of the non-trading energy derivatives utilized for commodity price risk management purposes does not include the favorable impact that the same hypothetical price movement would have on our non-derivative physical purchases and sales of natural gas to which the hedges relate. Furthermore, the non-trading energy derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of non-trading energy derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above is expected to be substantially offset by a favorable impact on the underlying hedged physical transactions.

Interest Rate Risk

As of June 30, 2014, we had outstanding long-term debt, bank loans, lease obligations and obligations under our ZENS (indexed debt securities) that subject us to the risk of loss associated with movements in market interest rates.

At June 30, 2014 and December 31, 2013, our floating-rate obligations aggregated \$41 million and \$118 million, respectively.

At June 30, 2014 and December 31, 2013, we had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$8.3 billion and \$8.1 billion, respectively, in carrying amount and having a fair value of \$9.1 billion and \$8.6 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 \$240 million if interest rates were to decline by 10% from their levels at June 30, 2014. 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 \$147 million at June 30, 2014 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 \$25 million if interest rates were to decline by 10% from levels at June 30, 2014. Changes in the fair value of the derivative component, a \$462 million recorded liability at June 30, 2014, 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, 2014 levels, the fair value of the derivative component liability would

increase by approximately \$10 million , which would be recorded as an unrealized loss in our Condensed Statements of Consolidated Income.

Equity Market Value Risk

We are exposed to equity market value risk through our ownership of 7.1 million shares of TW Common, 1.8 million shares of TWC Common, 0.6 million shares of AOL Common and 0.9 million shares of Time Common, which we hold to facilitate our ability to meet our obligations under the ZENS. A decrease of 10% from the June 30, 2014 aggregate market value of these shares would result in a net loss of approximately \$13 million , which would be recorded as an unrealized loss in our Condensed Statements of Consolidated Income.

Item 4. CONTROLS AND PROCEDURES

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued an updated version of its Internal Control - Integrated Framework (2013 Framework). Originally issued in 1992 (1992 Framework), the framework helps organizations design, implement and evaluate the effectiveness of internal control concepts and simplify their use and application. The 1992 Framework remains available during the transition period, which extends to December 15, 2014, after which time COSO will consider it as superseded by the 2013 Framework. As of June 30, 2014, we continue to utilize the 1992 Framework and will transition to the 2013 Framework by the end of 2014.

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2014 to provide assurance that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There has been no change in our internal controls over financial reporting that occurred during the three months ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

For a description of certain legal and regulatory proceedings affecting CenterPoint Energy, please read Note 12(b) to our 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 our 2013 Form 10-K.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in our 2013 Form 10-K and First Quarter Form 10-Q.

Item 5. OTHER INFORMATION

Ratio of Earnings to Fixed Charges. The ratio of earnings to fixed charges for the six months ended June 30, 2014 and 2013 was 2.90 and 2.33 , respectively. We do not believe that the ratios for these six -month periods are necessarily indicative of the ratios for the twelve-month periods due to the seasonal nature of our business. The ratios were calculated pursuant to applicable rules of the Securities and Exchange Commission.

Item 6. EXHIBITS

The following exhibits are filed herewith:

Exhibits not incorporated by reference to a prior filing 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 CenterPoint Energy, Inc., any other persons, any state of affairs or other matters.

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has 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 CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 8-K dated July 24, 2008	1-31447	3.2
3.2	Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 8-K dated July 24, 2014	1-31447	3.1
3.3	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)
4.1	Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
4.2	\$1,200,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.1
4.3	\$300,000,000 Credit Agreement, dated as of September 9, 2011, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.2
4.4	\$950,000,000 Credit Agreement, dated as of September 9, 2011, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.3
4.5	First Amendment to Credit Agreement, dated as of April 11, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.1
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+31.2	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
+32.1	Section 1350 Certification of Scott M. Prochazka			
+32.2	Section 1350 Certification of Gary L. Whitlock			
+101.INS	XBRL Instance Document			
+101.SCH	XBRL Taxonomy Extension Schema Document			
+101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

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+101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	XBRL Taxonomy Extension Labels Linkbase Document			
+101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	Six Months Ended June 30,	
	2014 (1)	2013 (1)
Net income	\$ 292	\$ 47
Equity in earnings of unconsolidated affiliates, net of distributions	2	(25)
Income taxes	171	330
Capitalized interest	(6)	(5)
	459	347
Fixed charges, as defined:		
Interest	233	252
Capitalized interest	6	5
Interest component of rentals charged to operating expense	2	4
Total fixed charges	241	261
Earnings, as defined	\$ 700	\$ 608
Ratio of earnings to fixed charges	2.90	2.33

(1) Excluded from the computation of fixed charges for the six months ended June 30, 2014 and 2013 is interest expense of \$3 million and interest income of less than \$1 million, respectively, which is included in income tax expense.

CERTIFICATIONS

I, Scott M. Prochazka, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ Scott M. Prochazka

Scott M. Prochazka

President and Chief Executive Officer

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

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

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Scott M. Prochazka, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott M. Prochazka

Scott M. Prochazka

President and Chief Executive Officer

August 6, 2014

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

In connection with the Quarterly Report of CenterPoint Energy, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2014 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

August 6, 2014

CENTERPOINT ENERGY INC

FORM 10-K (Annual Report)

Filed 02/26/14 for the Period Ending 12/31/13

Address	1111 LOUISIANA ST HOUSTON, TX 77002
Telephone	7132073000
CIK	0001130310
Symbol	CNP
SIC Code	4911 - Electric Services
Industry	Electric Utilities
Sector	Utilities
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 1-31447

CenterPoint Energy, Inc.

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction of incorporation or organization)

74-0694415

(I.R.S. Employer Identification No.)

1111 Louisiana
Houston, Texas 77002

(Address and zip code of principal executive offices)

(713) 207-1111

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

Common Stock, \$0.01 par value

New York Stock Exchange
Chicago Stock Exchange

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

None

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of CenterPoint Energy, Inc. (CenterPoint Energy) was \$9,975,930,939 as of June 30, 2013, using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers. As of February 14, 2014, CenterPoint Energy had 428,841,792 shares of Common Stock outstanding. Excluded from the number of shares of Common Stock outstanding are 166 shares held by CenterPoint Energy as treasury stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the 2014 Annual Meeting of Shareholders of CenterPoint Energy, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2013, are incorporated by reference in Item 10, Item 11, Item 12, Item 13 and Item 14 of Part III of this Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words.

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

Some of the factors that could cause actual results to differ from those expressed or implied by our forward-looking statements are described under “Risk Factors” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Certain Factors Affecting Future Earnings” and “ – Liquidity and Capital Resources – Other Matters – Other Factors That Could Affect Cash Requirements” in Item 7 of this report, which discussions are incorporated herein by reference.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward-looking statements.

PART I

Item 1. *Business*

OUR BUSINESS

Overview

We are a public utility holding company. Our operating subsidiaries own and operate electric transmission and distribution facilities and natural gas distribution facilities and own interests in Enable Midstream Partners, LP (Enable) as described below. Our indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes the city of Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems in six states (Gas Operations). A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities. As of December 31, 2013, CERC Corp. also owned approximately 58.3% of the limited partner interests in Enable, an unconsolidated partnership jointly controlled with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets.

Our reportable business segments are Electric Transmission & Distribution, Natural Gas Distribution, Energy Services, Midstream Investments and Other Operations. From time to time, we consider the acquisition or the disposition of assets or businesses.

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

We make available free of charge on our Internet website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such reports with, or furnish them to, the Securities and Exchange Commission (SEC). Additionally, we make available free of charge on our Internet website:

- our Code of Ethics for our Chief Executive Officer and Senior Financial Officers;
- our Ethics and Compliance Code;
- our Corporate Governance Guidelines; and
- the charters of the audit, compensation, finance and governance committees of our Board of Directors.

Any shareholder who so requests may obtain a printed copy of any of these documents from us. Changes in or waivers of our Code of Ethics for our Chief Executive Officer and Senior Financial Officers and waivers of our Ethics and Compliance Code for directors or executive officers will be posted on our Internet website within five business days of such change or waiver and maintained for at least 12 months or reported on Item 5.05 of Form 8-K. Our website address is www.centerpointenergy.com. Except to the extent explicitly stated herein, documents and information on our website are not incorporated by reference herein.

Electric Transmission & Distribution

CenterPoint Houston is a transmission and distribution electric utility that operates wholly within the state of Texas. Neither CenterPoint Houston nor any other subsidiary of CenterPoint Energy makes retail or wholesale sales of electric energy or owns or operates any electric generating facilities.

Electric Transmission

On behalf of retail electric providers (REPs), CenterPoint Houston delivers electricity from power plants to substations, from one substation to another and to retail electric customers taking power at or above 69 kilovolts (kV) in locations throughout CenterPoint Houston's certificated service territory. CenterPoint Houston constructs and maintains transmission facilities and provides transmission services under tariffs approved by the Public Utility Commission of Texas (Texas Utility Commission).

Electric Distribution

In the Electric Reliability Council of Texas, Inc. (ERCOT), end users purchase their electricity directly from certificated REPs. CenterPoint Houston delivers electricity for REPs in its certificated service area by carrying lower-voltage power from the substation to the retail electric customer. CenterPoint Houston's distribution network receives electricity from the transmission grid through power distribution substations and delivers electricity to end users through distribution feeders. CenterPoint Houston's operations include construction and maintenance of distribution facilities, metering services, outage response services and call center operations. CenterPoint Houston provides distribution services under tariffs approved by the Texas Utility Commission. Texas Utility Commission rules and market protocols govern the commercial operations of distribution companies and other market participants. Rates for these existing services are established pursuant to rate proceedings conducted before municipalities that have original jurisdiction and the Texas Utility Commission.

ERCOT Market Framework

CenterPoint Houston is a member of ERCOT. Within ERCOT, prices for wholesale generation and retail electric sales are unregulated, but services provided by transmission and distribution companies, such as CenterPoint Houston, are regulated by the Texas Utility Commission. ERCOT serves as the regional reliability coordinating council for member electric power systems in most of Texas. ERCOT membership is open to consumer groups, investor and municipally-owned electric utilities, rural electric cooperatives, independent generators, power marketers, river authorities and REPs. The ERCOT market includes most of the State of Texas, other than a portion of the panhandle, portions of the eastern part of the state bordering Arkansas and Louisiana and the area in and around El Paso. The ERCOT market represents approximately 85% of the demand for power in Texas and is one of the nation's largest power markets. The ERCOT market included available generating capacity of over 74,000 megawatts (MW) at December 31, 2013. Currently, there are only limited direct current interconnections between the ERCOT market and other power markets in the United States and Mexico.

The ERCOT market operates under the reliability standards set by the North American Electric Reliability Corporation (NERC) and approved by the Federal Energy Regulatory Commission (FERC). These reliability standards are administered by the Texas Regional Entity (TRE), a functionally independent division of ERCOT. The Texas Utility Commission has primary jurisdiction over the ERCOT market to ensure the adequacy and reliability of electricity supply across the state's main interconnected power transmission grid. The ERCOT independent system operator (ERCOT ISO) is responsible for operating the bulk electric power supply system in the ERCOT market. Its responsibilities include ensuring that electricity production and delivery are accurately accounted for among the generation resources and wholesale buyers and sellers. Unlike certain other regional power markets, the ERCOT market is not a centrally dispatched power pool, and the ERCOT ISO does not procure energy on behalf of its members other than to maintain the reliable operations of the transmission system. Members who sell and purchase power are responsible for contracting sales and purchases of power bilaterally. The ERCOT ISO also serves as agent for procuring ancillary services for those members who elect not to provide their own ancillary services.

CenterPoint Houston's electric transmission business, along with those of other owners of transmission facilities in Texas, supports the operation of the ERCOT ISO. The transmission business has planning, design, construction, operation and maintenance responsibility for the portion of the transmission grid and for the load-serving substations it owns, primarily within its certificated area. CenterPoint Houston participates with the ERCOT ISO and other ERCOT utilities to plan, design, obtain regulatory approval for and construct new transmission lines necessary to increase bulk power transfer capability and to remove existing constraints on the ERCOT transmission grid.

Restructuring of the Texas Electric Market

In 1999, the Texas legislature adopted the Texas Electric Choice Plan (Texas electric restructuring law). Pursuant to that legislation, integrated electric utilities operating within ERCOT were required to unbundle their integrated operations into separate retail sales, power generation and transmission and distribution companies. The legislation provided for a transition period to move to the new market structure and provided a mechanism for the formerly integrated electric utilities to recover stranded and certain other costs resulting from the transition to competition. Those costs were recoverable after approval by the Texas Utility Commission either through the issuance of securitization bonds or through the implementation of a competition transition charge as a rider to the utility's tariff. CenterPoint Houston's integrated utility business was restructured in accordance with the Texas electric restructuring law and its generating stations were sold to third parties. Ultimately CenterPoint Houston was authorized to recover a total of approximately \$5 billion in stranded costs, other charges and related interest. Most of that amount was recovered through the issuance of transition bonds by special purpose subsidiaries of CenterPoint Houston. The transition bonds are repaid through charges imposed on customers in CenterPoint Houston's service territory. As of December 31, 2013, approximately \$2.9 billion aggregate principal amount of transition bonds were outstanding.

Customers

!!!

CenterPoint Houston serves nearly all of the Houston/Galveston metropolitan area. At December 31, 2013, CenterPoint Houston's customers consisted of approximately 70 REPs, which sell electricity to over two million metered customers in CenterPoint Houston's certificated service area, and municipalities, electric cooperatives and other distribution companies located outside CenterPoint Houston's certificated service area. Each REP is licensed by, and must meet minimum creditworthiness criteria established by, the Texas Utility Commission.

Sales to REPs that are affiliates of NRG Energy, Inc. (NRG) represented approximately 38%, 39% and 36% of CenterPoint Houston's transmission and distribution revenues in 2013, 2012 and 2011, respectively. Sales to REPs that are affiliates of Energy Future Holdings Corp. (Energy Future Holdings) represented approximately 10%, 10% and 11% of CenterPoint Houston's transmission and distribution revenues in 2013, 2012 and 2011, respectively. CenterPoint Houston's aggregate billed receivables balance from REPs as of December 31, 2013 was \$172 million. Approximately 38%, 8% and 8% of this amount was owed by affiliates of NRG, Just Energy Group, Inc. and Energy Future Holdings, respectively. CenterPoint Houston does not have long-term contracts with any of its customers. It operates using a continuous billing cycle, with meter readings being conducted and invoices being distributed to REPs each business day.

Advanced Metering System and Distribution Grid Automation (Intelligent Grid)

In May 2012, CenterPoint Houston substantially completed the deployment of an advanced metering system (AMS), having installed approximately 2.2 million smart meters. This technology should encourage greater energy conservation by giving Houston-area electric consumers the ability to better monitor and manage their electric use and its cost in near real time. To recover the cost of the AMS, the Texas Utility Commission approved a monthly surcharge payable by REPs, initially over 12 years. For the first 24 months, which began in February 2009, the surcharge for residential customers was \$3.24 per month. Beginning in February 2011, the surcharge was reduced to \$3.05 per month. In September 2011, the surcharge duration was reduced from 12 years to approximately six years for residential customers and approximately eight years for commercial customers. The surcharge amounts and duration are subject to adjustment in future proceedings to reflect actual costs incurred and to address required changes in scope. Please read “ – Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Regulatory Matters – CenterPoint Houston.”

CenterPoint Houston is also pursuing deployment of an electric distribution grid automation strategy that involves the implementation of an “Intelligent Grid” (IG) which would provide on-demand data and information about the status of facilities on its system. Although this technology is still in the developmental stage, CenterPoint Houston believes it has the potential to provide an improvement in grid planning, operations, maintenance and customer service for the CenterPoint Houston distribution system. These improvements are expected to result in fewer and shorter outages, better customer service, improved operations costs, improved security and more effective use of our workforce. We expect to include the costs of the deployment in future rate proceedings before the Texas Utility Commission.

In October 2009, the U.S. Department of Energy (DOE) selected CenterPoint Houston for a \$200 million grant to help fund its AMS and IG projects. CenterPoint Houston received substantially all of the \$200 million of grant funding from the DOE by 2011 and used \$150 million of it to accelerate completion of its deployment of advanced meters to 2012, instead of 2014 as originally scheduled. CenterPoint Houston estimates that capital expenditures of approximately \$660 million for the installation of the advanced meters and corresponding communication and data management systems were incurred over the advanced meter deployment period. CenterPoint Houston is using the other \$50 million from the grant for an initial deployment of an IG that covers approximately 12% of its service territory. This initial deployment is expected to be completed in 2014. It is expected that the capital portion of the IG project subject to partial funding by the DOE will cost approximately \$140 million.

Competition

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

Seasonality

A significant portion of CenterPoint Houston's revenues is derived from rates that it collects from each REP based on the amount of electricity it delivers on behalf of such REP. Thus, CenterPoint Houston's revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months.

Properties

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

All real and tangible properties of CenterPoint Houston, subject to certain exclusions, are currently subject to:

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

As of December 31, 2013, CenterPoint Houston had approximately \$1.9 billion aggregate principal amount of general mortgage bonds outstanding under the General Mortgage, including (a) \$290 million held in trust to secure pollution control bonds that are not reflected in our consolidated financial statements because we are both the obligor on the bonds and the current owner of the bonds, (b) approximately \$118 million held in trust to secure pollution control bonds for which we are obligated and (c) approximately \$183 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, as of December 31, 2013, CenterPoint Houston had approximately \$102 million aggregate principal amount of first mortgage bonds outstanding under the Mortgage. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately \$3.9 billion of additional first mortgage bonds and general mortgage bonds in the aggregate could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2013. However, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

Electric Lines - Overhead. As of December 31, 2013, CenterPoint Houston owned 28,113 pole miles of overhead distribution lines and 3,703 circuit miles of overhead transmission lines, including 355 circuit miles operated at 69,000 volts, 2,132 circuit miles operated at 138,000 volts and 1,216 circuit miles operated at 345,000 volts.

Electric Lines - Underground. As of December 31, 2013, CenterPoint Houston owned 21,763 circuit miles of underground distribution lines and 26 circuit miles of underground transmission lines, including 2 circuit miles operated at 69,000 volts and 24 circuit miles operated at 138,000 volts.

Substations. As of December 31, 2013, CenterPoint Houston owned 234 major substation sites having a total installed rated transformer capacity of 54,931 megavolt amperes.

Service Centers. CenterPoint Houston operates 14 regional service centers located on a total of 291 acres of land. These service centers consist of office buildings, warehouses and repair facilities that are used in the business of transmitting and distributing electricity.

Franchises

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

Natural Gas Distribution

CERC Corp.'s natural gas distribution business (Gas Operations) engages in regulated intrastate natural gas sales to, and natural gas transportation for, approximately 3.3 million residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. The largest metropolitan areas served in each state by Gas Operations are Houston, Texas; Minneapolis, Minnesota; Little Rock, Arkansas; Shreveport, Louisiana; Biloxi, Mississippi; and Lawton, Oklahoma. In 2013, approximately 41% of Gas Operations' total throughput was to residential customers and approximately 59% was to commercial and industrial customers.

The table below reflects the number of natural gas distribution customers by state as of December 31, 2013:

	<u>Residential</u>	<u>Commercial/ Industrial</u>	<u>Total Customers</u>
Arkansas	383,454	48,323	431,777
Louisiana	231,508	17,182	248,690
Minnesota	754,575	68,498	823,073
Mississippi	111,016	12,585	123,601
Oklahoma	91,582	10,798	102,380
Texas	1,518,831	89,714	1,608,545
Total Gas Operations	<u>3,090,966</u>	<u>247,100</u>	<u>3,338,066</u>

Gas Operations also provides unregulated services in Minnesota consisting of residential appliance repair and maintenance services along with heating, ventilating and air conditioning (HVAC) equipment sales.

The demand for intrastate natural gas sales to residential customers and natural gas sales and transportation for commercial and industrial customers is seasonal. In 2013, approximately 68% of the total throughput of Gas Operations' business occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas for heating purposes during those periods.

Supply and Transportation. In 2013, Gas Operations purchased virtually all of its natural gas supply pursuant to contracts with remaining terms varying from a few months to four years. Major suppliers in 2013 included BP Energy Company/BP Canada Energy Marketing (16.2% of supply volumes), Cargill, Inc. (13.2%), Tenaska Marketing Ventures (10.5%), Kinder Morgan Tejas Pipeline/Kinder Morgan Texas Pipeline (8.1%), Shell Energy North America (7.8%), Sequent Energy Management (4.5%), Conoco Inc. (4.0%), Mico Inc. (3.4%), Renaissance (2.7%), and Laclede Energy Resources (2.5%). Numerous other suppliers provided the remaining 27.1% of Gas Operations' natural gas supply requirements. Gas Operations transports its natural gas supplies through various intrastate and interstate pipelines, including those owned by our other subsidiaries, under contracts with remaining terms, including extensions, varying from one to ten years. Gas Operations anticipates that these gas supply and transportation contracts will be renewed or replaced prior to their expiration.

Gas Operations actively engages in commodity price stabilization pursuant to annual gas supply plans presented to and/or filed with each of its state regulatory authorities. These price stabilization activities include use of storage gas and contractually establishing structured prices (e.g., fixed price, costless collars and caps) with our physical gas suppliers. Its gas supply plans generally call for 50-75% of winter supplies to be stabilized in some fashion.

The regulations of the states in which Gas Operations operates allow it to pass through changes in the cost of natural gas, including savings and costs of financial derivatives associated with the index-priced physical supply, to its customers under purchased gas adjustment provisions in its tariffs. Depending upon the jurisdiction, the purchased gas adjustment factors are updated periodically, ranging from monthly to semi-annually. The changes in the cost of gas billed to customers are subject to review by the applicable regulatory bodies.

Gas Operations uses various third-party storage services or owned natural gas storage facilities to meet peak-day requirements and to manage the daily changes in demand due to changes in weather and may also supplement contracted supplies and storage from time to time with stored liquefied natural gas and propane-air plant production.

Gas Operations owns and operates an underground natural gas storage facility with a capacity of 7.0 billion cubic feet (Bcf). It has a working capacity of 2.0 Bcf available for use during the heating season and a maximum daily withdrawal rate of 50 million cubic feet (MMcf). It also owns eight propane-air plants with a total production rate of 180,000 Dekatherms (DTH) per day and on-site storage facilities for 12 million gallons of propane (1.0 Bcf natural gas equivalent). It owns a liquefied natural gas plant

facility with a 12 million-gallon liquefied natural gas storage tank (1.0 Bcf natural gas equivalent) and a production rate of 72,000 DTH per day.

On an ongoing basis, Gas Operations enters into contracts to provide sufficient supplies and pipeline capacity to meet its customer requirements. However, it is possible for limited service disruptions to occur from time to time due to weather conditions, transportation constraints and other events. As a result of these factors, supplies of natural gas may become unavailable from time to time, or prices may increase rapidly in response to temporary supply constraints or other factors.

Gas Operations has entered into various asset management agreements associated with its utility distribution service in Arkansas, Louisiana, Mississippi, Oklahoma and Texas. Generally, these asset management agreements are contracts between Gas Operations and an asset manager that are intended to transfer the working capital obligation and maximize the utilization of the assets. In these agreements, Gas Operations agreed to release transportation and storage capacity to other parties to manage gas storage, supply and delivery arrangements for Gas Operations and to use the released capacity for other purposes when it is not needed for Gas Operations. Gas Operations is compensated by the asset manager through payments made over the life of the agreements based in part on the results of the asset optimization. Gas Operations has received approval from the state regulatory commissions in Arkansas, Louisiana, Mississippi and Oklahoma to retain a share of the asset management agreement proceeds. The agreements have varying terms, the longest of which expires in 2016.

Assets

As of December 31, 2013, Gas Operations owned approximately 73,000 linear miles of natural gas distribution mains, varying in size from one-half inch to 24 inches in diameter. Generally, in each of the cities, towns and rural areas served by Gas Operations, it owns the underground gas mains and service lines, metering and regulating equipment located on customers' premises and the district regulating equipment necessary for pressure maintenance. With a few exceptions, the measuring stations at which Gas Operations receives gas are owned, operated and maintained by others, and its distribution facilities begin at the outlet of the measuring equipment. These facilities, including odorizing equipment, are usually located on land owned by suppliers.

Competition

Gas Operations competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other gas distributors and marketers also compete directly for gas sales to end-users. In addition, as a result of federal regulations affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass Gas Operations' facilities and market and sell and/or transport natural gas directly to commercial and industrial customers.

Energy Services

CERC offers variable and fixed-priced physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities through CenterPoint Energy Services, Inc. (CES) and its subsidiary, CenterPoint Energy Intrastate Pipelines, LLC (CEIP).

In 2013, CES marketed approximately 600 Bcf of natural gas, related energy services and transportation to approximately 17,500 customers (including approximately 6 Bcf to affiliates) in 21 states. Not included in the 2013 customer count are approximately 8,800 natural gas customers that are served under residential and small commercial choice programs invoiced by their host utility. CES customers vary in size from small commercial customers to large utility companies in the central and eastern regions of the United States.

CES offers a variety of natural gas management services to gas utilities, large industrial customers, electric generators, smaller commercial and industrial customers, municipalities, educational institutions and hospitals. These services include load forecasting, supply acquisition, daily swing volume management, invoice consolidation, storage asset management, firm and interruptible transportation administration and forward price management. CES also offers a portfolio of physical delivery services and financial products designed to meet customers' supply and price risk management needs. These customers are served directly, through interconnects with various interstate and intrastate pipeline companies, and portably, through our mobile energy solutions business.

In addition to offering natural gas management services, CES procures and optimizes transportation and storage assets. CES currently transports natural gas on 47 interstate and intrastate pipelines within states located throughout the central and eastern United States. CES maintains a portfolio of natural gas supply contracts and firm transportation and storage agreements to meet the natural gas requirements of its customers. CES aggregates supply from various producing regions and offers contracts to buy natural gas with terms ranging from one month to over five years. In addition, CES actively participates in the spot natural gas

markets in an effort to balance daily and monthly purchases and sales obligations. Natural gas supply and transportation capabilities are leveraged through contracts for ancillary services including physical storage and other balancing arrangements.

As described above, CES offers its customers a variety of load following services. In providing these services, CES uses its customers' purchase commitments to forecast and arrange its own supply purchases, storage and transportation services to serve customers' natural gas requirements. As a result of the variance between this forecast activity and the actual monthly activity, CES will either have too much supply or too little supply relative to its customers' purchase commitments. These supply imbalances arise each month as customers' natural gas requirements are scheduled and corresponding natural gas supplies are nominated by CES for delivery to those customers. CES' processes and risk control environment are designed to measure and value imbalances on a real-time basis to ensure that CES' exposure to commodity price risk is kept to a minimum. The value assigned to these imbalances is calculated daily and is known as the aggregate Value at Risk (VaR).

Our risk control policy, which is overseen by our Risk Oversight Committee, defines authorized and prohibited trading instruments and trading limits. CES is a physical marketer of natural gas and uses a variety of tools, including pipeline and storage capacity, financial instruments and physical commodity purchase contracts, to support its sales. The CES business optimizes its use of these various tools to minimize its supply costs and does not engage in proprietary or speculative commodity trading. The VaR limit within which CES currently operates, a \$4 million maximum, is consistent with CES' operational objective of matching its aggregate sales obligations (including the swing associated with load following services) with its supply portfolio in a manner that minimizes its total cost of supply. In 2013, CES' VaR averaged \$0.2 million with a high of \$0.7 million.

Assets

CEIP owns and operates approximately 235 miles of intrastate pipeline in Louisiana and Texas and contracts out approximately 2.3 Bcf of storage at its Pierce Junction facility in Texas under long-term leases. In addition, CES leases transportation capacity on various interstate and intrastate pipelines and storage to service its shippers and end-users.

Competition

CES competes with regional and national wholesale and retail gas marketers, including the marketing divisions of natural gas producers and utilities. In addition, CES competes with intrastate pipelines for customers and services in its market areas.

Midstream Investments

On March 14, 2013, CenterPoint Energy entered into a Master Formation Agreement (MFA) with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to which CenterPoint Energy, OGE and ArcLight agreed to form Enable as a private limited partnership. On May 1, 2013, the parties closed on the formation of Enable pursuant to which Enable became the owner of substantially all of CERC Corp.'s former Interstate Pipelines and Field Services businesses.

As of December 31, 2013, CERC Corp., OGE and ArcLight held approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in Enable. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE also own a 40% and 60% interest, respectively, in the incentive distribution rights held by the general partner of Enable.

Our investment in Enable is accounted for on an equity basis. Equity earnings associated with CenterPoint Energy's interest in Enable and equity earnings associated with CenterPoint Energy's 25.05% interest in Southeast Supply Header, LLC (SESH) are reported under the Midstream Investments segment.

Enable. Enable's assets and operations are organized into two business segments: (i) gathering and processing, which primarily provides natural gas gathering, processing and fractionation services and crude oil gathering for its producer customers, and (ii) transportation and storage, which provides interstate and intrastate natural gas pipeline transportation and storage service to natural gas producers, utilities and industrial customers.

Enable's natural gas gathering and processing assets are located in four states and serve natural gas production from shale developments in the Anadarko, Arkoma and Ark-La-Tex basins. Enable also owns an emerging crude oil gathering business in the Bakken shale formation that commenced initial operations in November 2013. Enable's natural gas transportation and storage assets extend from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois.

As of December 31, 2013, Enable's assets included approximately 11,000 miles of gathering pipelines, 12 major processing plants with approximately 2.1 Bcf/d of processing capacity, approximately 7,900 miles of interstate pipelines (including SESH), approximately 2,300 miles of intrastate pipelines and eight storage facilities comprising 86.5 Bcf of storage capacity.

Enable's Gathering and Processing segment. Enable provides gathering, processing, treating, compression, dehydration and natural gas liquids (NGL) fractionation for natural gas producers. Six of Enable's processing plants in the Anadarko basin are interconnected via its large-diameter, rich gas gathering system in western Oklahoma, which spans 18 counties and has approximately 1.2 Bcf/d of processing capacity. Enable refers to this system as its "super-header" system. Enable has configured this system to optimize the flow of natural gas and the utilization of the processing plants connected to it. Enable has made investments to expand the super-header system, including its newest plant located in Custer County, Oklahoma (the McClure Plant) that was placed in service in December 2013. The McClure Plant increased Enable's natural gas processing capacity in the basin by over 15%, providing an additional 200 MMcf/d of natural gas processing capacity. Enable expects to continue to grow the capacity of the super-header system through the planned addition of another new cryogenic processing plant and related gathering pipelines. The new plant, which will be located in Grady County, Oklahoma (the Bradley plant), will provide an additional 200 MMcf/d of processing capacity and is expected to be completed in the first quarter of 2015.

Enable's gathering and processing systems compete with gatherers and processors of all types and sizes, including those affiliated with various producers, other major pipeline companies and various independent midstream entities. Enable's primary competitors are master limited partnerships who are active in the regions where it operates. In the process of selling NGLs, Enable competes against other natural gas processors extracting and selling NGLs.

Enable's Transportation and Storage segment. Enable's natural gas transportation and storage business segment consists of its interstate pipelines, its intrastate pipelines and its storage assets. Enable provides pipeline takeaway capacity for natural gas producers from supply basins to market hubs and critical natural gas supply for industrial end users and utilities, such as local distribution companies (LDCs) and power generators. Enable's interstate pipeline system, including SESH, includes approximately 7,900 miles of transportation pipelines and extends from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois. Enable's eight storage facilities in Oklahoma, Louisiana and Illinois have 86.5 Bcf of storage capacity.

Enable generates revenue primarily by charging demand fees pursuant to applicable tariffs for the transportation and storage of natural gas on its system.

Enable's interstate pipelines compete with other interstate and intrastate pipelines. The principal elements of competition among pipelines are rates, terms of service, and flexibility and reliability of service.

SESH. CenterPoint Southeastern Pipelines Holding, LLC, a wholly owned subsidiary of CERC, owned a 25.05% interest in SESH as of December 31, 2013. SESH owns a 1.0 Bcf per day, 274-mile interstate pipeline that runs from the Perryville Hub in Louisiana to Coden, Alabama. The pipeline was placed into service in the third quarter of 2008. The rates charged by SESH for interstate transportation services are regulated by the FERC.

On May 1, 2013, CenterPoint Energy contributed a 24.95% interest in SESH to Enable. CERC has certain put rights, and Enable has certain call rights, exercisable with respect to the 25.05% interest in SESH retained by CERC, under which CERC would contribute its retained interest in SESH, in exchange for a specified number of limited partner units in Enable and a cash payment, payable either from CERC to Enable or from Enable to CERC, for changes in the value of SESH. Affiliates of Spectra Energy Corp own the remaining 50% interest in SESH.

Other Operations

Our Other Operations business segment includes office buildings and other real estate used in our business operations and other corporate operations that support all of our business operations.

Financial Information About Segments

For financial information about our segments, see Note 17 to our consolidated financial statements, which note is incorporated herein by reference.

REGULATION

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

Federal Energy Regulatory Commission

The FERC has jurisdiction under the Natural Gas Act and the Natural Gas Policy Act of 1978, as amended, to regulate the transportation of natural gas in interstate commerce and natural gas sales for resale in interstate commerce that are not first sales. The FERC regulates, among other things, the construction of pipeline and related facilities used in the transportation and storage of natural gas in interstate commerce, including the extension, expansion or abandonment of these facilities. The FERC has authority to prohibit market manipulation in connection with FERC-regulated transactions and to impose significant civil and criminal penalties for statutory violations and violations of the FERC's rules or orders. Our Energy Services business segment markets natural gas in interstate commerce pursuant to blanket authority granted by the FERC.

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

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

State and Local Regulation – Electric Transmission & Distribution

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

CenterPoint Houston's distribution rates charged to REPs for residential customers are primarily based on amounts of energy delivered, whereas distribution rates for a majority of commercial and industrial customers are primarily based on peak demand. All REPs in CenterPoint Houston's service area pay the same rates and other charges for transmission and distribution services. This regulated delivery charge includes the transmission and distribution rate (which includes municipal franchise fees), a nuclear decommissioning charge associated with decommissioning the South Texas nuclear generating facility, an energy efficiency cost recovery charge, a surcharge related to the implementation of AMS and charges associated with securitization of regulatory assets, stranded costs and restoration costs relating to Hurricane Ike. Transmission rates charged to distribution companies are based on amounts of energy transmitted under "postage stamp" rates that do not vary with the distance the energy is being transmitted. All distribution companies in ERCOT pay CenterPoint Houston the same rates and other charges for transmission services.

For a discussion of certain of CenterPoint Houston's ongoing regulatory proceedings, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters — CenterPoint Houston" in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

State and Local Regulation – Natural Gas Distribution

In almost all communities in which Gas Operations provides natural gas distribution services, it operates under franchises, certificates or licenses obtained from state and local authorities. The original terms of the franchises, with various expiration dates, typically range from 10 to 30 years, although franchises in Arkansas are perpetual. Gas Operations expects to be able to renew expiring franchises. In most cases, franchises to provide natural gas utility services are not exclusive.

Substantially all of Gas Operations is subject to cost-of-service rate regulation by the relevant state public utility commissions and, in Texas, by the Railroad Commission of Texas (Railroad Commission) and those municipalities served by Gas Operations that have retained original jurisdiction. In certain of its jurisdictions, Gas Operations has in effect annual rate adjustment mechanisms that provide for changes in rates dependent upon certain changes in invested capital, earned returns on equity or actual margins realized.

For a discussion of certain of Gas Operations' ongoing regulatory proceedings, see “Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters — Gas Operations” in Item 7 of Part II of this report, which discussion is incorporated herein by reference.

Department of Transportation

In December 2006, Congress enacted the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006 (2006 Act), which reauthorized the programs adopted under the Pipeline Safety Improvement Act of 2002 (2002 Act). These programs included several requirements related to ensuring pipeline safety, and a requirement to assess the integrity of pipeline transmission facilities in areas of high population concentration.

Pursuant to the 2006 Act, the Pipeline and Hazardous Materials Safety Administration (PHMSA) at the Department of Transportation (DOT) issued regulations, effective February 12, 2010, requiring operators of gas distribution pipelines to develop and implement integrity management programs similar to those required for gas transmission pipelines, but tailored to reflect the differences in distribution pipelines. Operators of natural gas distribution systems were required to write and implement their integrity management programs by August 2, 2011. Our natural gas distribution systems met this deadline.

Pursuant to the 2002 Act and the 2006 Act, PHMSA has adopted a number of rules concerning, among other things, distinguishing between gathering lines and transmission facilities, requiring certain design and construction features in new and replaced lines to reduce corrosion and requiring pipeline operators to amend existing written operations and maintenance procedures and operator qualification programs. PHMSA also updated its reporting requirements for natural gas pipelines effective January 1, 2011.

In December 2011, Congress passed the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (2011 Act). This act increases the maximum civil penalties for pipeline safety administrative enforcement actions; requires the DOT to study and report on the expansion of integrity management requirements and the sufficiency of existing gathering line regulations to ensure safety; requires pipeline operators to verify their records on maximum allowable operating pressure; and imposes new emergency response and incident notification requirements.

We anticipate that compliance with PHMSA's regulations, performance of the remediation activities by CERC's natural gas distribution companies and verification of records on maximum allowable operating pressure will require increases in both capital expenditures and operating costs. The level of expenditures will depend upon several factors, including age, location and operating pressures of the facilities. In particular, the cost of compliance with DOT's integrity management rules will depend on integrity testing and the repairs found to be necessary by such testing. Changes to the amount of pipe subject to integrity management, whether by expansion of the definition of the type of areas subject to integrity management procedures or of the applicability of such procedures outside of those defined areas, may also affect the costs we incur. Implementation of the 2011 Act by PHMSA may result in other regulations or the reinterpretation of existing regulations that could impact our compliance costs. In addition, we may be subject to DOT's enforcement actions and penalties if we fail to comply with pipeline regulations. Please also see the discussion under “— Midstream Investments — Safety and Health Regulation” below.

Midstream Investments - Rate and Other Regulation

Federal, state, and local regulation of pipeline gathering and transportation services may affect certain aspects of Enable's business and the market for its products and services.

Interstate Natural Gas Pipeline Regulation

Enable's interstate pipeline systems — EGT, MRT and SESH — are subject to regulation by FERC under the Natural Gas Act of 1938 (NGA) and are considered natural gas companies. Natural gas companies may not charge rates that have been determined to be unjust or unreasonable by the FERC. In addition, the FERC prohibits natural gas companies from unduly preferring or unreasonably discriminating against any person with respect to pipeline rates or terms and conditions of service. Under the NGA, the rates for service on Enable's interstate facilities must be just and reasonable and not unduly discriminatory. Generally, the maximum filed recourse rates for interstate pipelines are based on the pipeline's cost of service including recovery of and a return on the pipeline's actual prudent investment cost. Key determinants in the ratemaking process are costs of providing service, allowed rate of return, volume throughput and contractual capacity commitment assumptions. Enable's interstate pipelines business operations may be affected by changes in the demand for natural gas, the available supply and relative price of natural gas in the Mid-continent and Gulf Coast natural gas supply regions and general economic conditions. Tariff changes can only be implemented upon approval by the FERC.

Market Behavior Rules; Posting and Reporting Requirements

On August 8, 2005, Congress enacted the Energy Policy Act of 2005 (EPAAct of 2005). Among other matters, the EPAAct of 2005 amended the NGA to add an anti-manipulation provision that makes it unlawful for any entity to engage in prohibited behavior in contravention of rules and regulation to be prescribed by the FERC and, furthermore, provides the FERC with additional civil penalty authority. On January 19, 2006, the FERC issued Order No. 670, a rule implementing the anti-manipulation provisions of the EPAAct of 2005. The rules make it unlawful for any entity, directly or indirectly in connection with the purchase or sale of natural gas subject to the jurisdiction of the FERC or the purchase or sale of transportation services subject to the jurisdiction of the FERC, to (1) use or employ any device, scheme or artifice to defraud; (2) to make any untrue statement of material fact or omit to make any such statement necessary to make the statements not misleading; or (3) to engage in any act or practice that operates as a fraud or deceit upon any person. The EPAAct of 2005 also amends the NGA and the Natural Gas Policy Act of 1978 (NGPA) to give the FERC authority to impose civil penalties for violations of these statutes and FERC's regulations, rules, and orders, up to \$1 million per day per violation for violations occurring after August 8, 2005. Should Enable fail to comply with all applicable FERC-administered statutes, rules, regulations and orders, it could be subject to substantial penalties and fines. In addition, the Commodity Futures Trading Commission (CFTC) is directed under the Commodities Exchange Act (CEA) to prevent price manipulations for the commodity and futures markets, including the energy futures markets. Pursuant to the Dodd-Frank Act and other authority, the CFTC has adopted anti-market manipulation regulations that prohibit fraud and price manipulation in the commodity and futures markets. The CFTC also has statutory authority to seek civil penalties of up to the greater of \$1 million or triple the monetary gain to the violator for violations of the anti-market manipulation sections of the CEA.

Intrastate Natural Gas Pipeline and Storage Regulation

Enable's transmission lines are subject to state regulation of rates and terms of service. In Oklahoma, its intrastate pipeline system is subject to regulation by the Oklahoma Corporation Commission. Oklahoma has a non-discriminatory access requirement, which is subject to a complaint-based review. In Illinois, Enable's intrastate pipeline system is subject to regulation by the Illinois Commerce Commission.

Intrastate natural gas transportation is largely regulated by the state in which the transportation takes place. An intrastate natural gas pipeline system may transport natural gas in interstate commerce provided that the rates, terms, and conditions of such transportation service comply with FERC regulation and Section 311 of the NGPA and Part 284 of the FERC's regulations. The NGPA regulates, among other things, the provision of transportation and storage services by an intrastate natural gas pipeline on behalf of an interstate natural gas pipeline or a LDC served by an interstate natural gas pipeline. Under Section 311, rates charged for transportation must be fair and equitable, and amounts collected in excess of fair and equitable rates are subject to refund with interest. The rates under Section 311 are maximum rates and Enable may negotiate contractual rates at or below such maximum rates. Rates for service pursuant to Section 311 of the NGPA are generally subject to review and approval by FERC at least once every five years. Should the FERC determine not to authorize rates equal to or greater than Enable's currently approved Section 311 rates, its business may be adversely affected.

Failure to observe the service limitations applicable to transportation services provided under Section 311, failure to comply with the rates approved by FERC for Section 311 service, or failure to comply with the terms and conditions of service established in the pipeline's FERC-approved Statement of Operating Conditions could result in the assertion of federal NGA jurisdiction by

FERC and/or the imposition of administrative, civil and criminal penalties, as described under “— Interstate Natural Gas Pipeline Regulation” above.

Natural Gas Gathering Pipeline Regulation

Section 1(b) of the NGA exempts natural gas gathering facilities from the jurisdiction of the FERC. Although the FERC has not made formal determinations with respect to all of the facilities Enable considers to be gathering facilities, it believes that its natural gas pipelines meet the traditional tests that the FERC has used to determine that a pipeline is a gathering pipeline and is therefore not subject to FERC jurisdiction. The distinction between FERC-regulated transmission services and federally unregulated gathering services, however, has been the subject of substantial litigation, and the FERC determines whether facilities are gathering facilities on a case-by-case basis, so the classification and regulation of Enable’s gathering facilities is subject to change based on future determinations by the FERC, the courts or Congress. If the FERC were to consider the status of an individual facility and determine that the facility and/or services provided by it are not exempt from FERC regulation under the NGA and that the facility provides interstate service, the rates for, and terms and conditions of, services provided by such facility would be subject to regulation by the FERC under the NGA or the NGPA. Such regulation could decrease revenue, increase operating costs, and, depending upon the facility in question, could adversely affect Enable’s results of operations and cash flows. In addition, if any of Enable’s facilities were found to have provided services or otherwise operated in violation of the NGA or NGPA, this could result in the imposition of civil penalties as well as a requirement to disgorge charges collected for such service in excess of the rate established by the FERC.

States may regulate gathering pipelines. State regulation of gathering facilities generally includes various safety, environmental and, in some circumstances, requirements prohibiting undue discrimination, and in some instances complaint-based rate regulation. Enable’s gathering operations may be subject to ratable take and common purchaser statutes in the states in which they operate. These statutes are designed to prohibit discrimination in favor of one producer over another producer or one source of supply over another source of supply and have the effect of restricting Enable’s right as an owner of gathering facilities to decide with whom it contracts to purchase or transport natural gas.

Enable’s gathering operations could be adversely affected should they be subject in the future to the application of state or federal regulation of rates and services. Enable’s gathering operations could also be subject to additional safety and operational regulations relating to the design, construction, testing, operation, replacement and maintenance of gathering facilities. Additional rules and legislation pertaining to these matters are considered or adopted from time to time. We cannot predict what effect, if any, such changes might have on Enable’s operations, but the industry could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes.

Crude Oil Gathering Regulation

Enable provides interstate transportation on its crude oil gathering system in North Dakota pursuant to a public tariff in accordance with FERC regulatory requirements. Crude oil gathering pipelines that provide interstate transportation service may be regulated as a common carrier by the FERC under the Interstate Commerce Act (ICA), the Energy Policy Act of 1992, and the rules and regulations promulgated under those laws. The ICA and FERC regulations require that rates for interstate service pipelines that transport crude oil and refined petroleum products (collectively referred to as “petroleum pipelines”) and certain other liquids, be just and reasonable and are to be non-discriminatory or not confer any undue preference upon any shipper. FERC regulations also require interstate common carrier petroleum pipelines to file with the FERC and publicly post tariffs stating their interstate transportation rates and terms and conditions of service. Under the ICA, the FERC or interested persons may challenge existing or changed rates or services. The FERC is authorized to investigate such charges and may suspend the effectiveness of a new rate for up to seven months. A successful rate challenge could result in a common carrier paying refunds together with interest for the period that the rate was in effect. The FERC may also order a pipeline to change its rates, and may require a common carrier to pay shippers reparations for damages sustained for a period up to two years prior to the filing of a complaint.

For some time now, the FERC has been issuing regulatory assurances that necessarily balance the anti-discrimination and undue preference requirements of common carriage with the expectations of investors in new and expanding petroleum pipelines. There is an inherent tension between the requirements imposed upon a common carrier and the need for owners of petroleum pipelines to be able to enter into long-term, firm contracts with shippers willing to make the commitments which underpin such large capital investments. The FERC’s solution has been to allow carriers to hold an “open season” prior to the in-service date of pipeline, during which time interested shippers can make commitments to the proposed pipeline project. Throughput commitments from interested shippers during an open season can be for firm service or for non-firm service. Typically, such an open season is for a 30-day period, must be publicly announced, and culminates in interested parties entering into transportation agreements with the carrier. Under FERC precedent, a carrier typically may reserve up to 90% of available capacity for the provision of firm service to shippers making a commitment. At least 10% of capacity ordinarily is reserved for “walk-up” shippers.

Midstream Investments - Safety and Health Regulation

Certain of Enable's facilities are subject to pipeline safety regulations. PHMSA regulates safety requirements in the design, construction, operation and maintenance of jurisdictional natural gas and hazardous liquid pipeline facilities. All natural gas transmission facilities, such as Enable's interstate natural gas pipelines, are subject to PHMSA's pipeline safety regulations, but natural gas gathering pipelines are subject to the pipeline safety regulations only to the extent they are classified as regulated gathering pipelines. In addition, several NGL pipeline facilities and crude oil pipeline facilities are regulated as hazardous liquids pipelines. Pursuant to various federal statutes, including the Natural Gas Pipeline Safety Act of 1968 (NGPSA) the DOT, through PHMSA, regulates pipeline safety and integrity. NGL and crude oil pipelines are subject to regulation by PHMSA under the HLPESA which requires PHMSA to develop, prescribe, and enforce minimum federal safety standards for the transportation of hazardous liquids by pipeline, and comparable state statutes with respect to design, installation, testing, construction, operation, replacement and management of pipeline facilities. PHMSA has developed regulations that require natural gas pipeline operators to implement integrity management programs, including more frequent inspections and other measures to ensure pipeline safety in high consequence areas (HCAs). Although many of Enable's pipeline facilities fall within a class that is currently not subject to these integrity management requirements, Enable may incur significant costs and liabilities associated with repair, remediation, preventive or mitigating measures associated with its non-exempt pipelines. Additionally, should Enable fail to comply with DOT or comparable state regulations, it could be subject to penalties and fines. If future DOT pipeline integrity management regulations were to require that Enable expand its integrity managements program to currently unregulated pipelines, including gathering lines, its costs associated with compliance may have a material effect on its operations.

ENVIRONMENTAL MATTERS

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

- restricting the way we can handle or dispose of wastes;
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions or areas inhabited by endangered species;
- requiring remedial action to mitigate environmental conditions caused by our operations or attributable to former operations;
- enjoining the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations; and
- impacting the demand for our services by directly or indirectly affecting the use or price of natural gas.

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

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

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

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

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

Global Climate Change

In recent years, there has been increasing public debate regarding the potential impact on global climate change by various “greenhouse gases” (GHGs) such as carbon dioxide, a byproduct of burning fossil fuels, and methane, the principal component of the natural gas that we transport and deliver to customers. The United States Congress has, from time to time, considered adopting legislation to reduce emissions of GHGs, and there has been a wide-ranging policy debate, both nationally and internationally, regarding the impact of these gases and possible means for their regulation. Some of the proposals would require industrial sources to meet stringent new standards that would require substantial reductions in carbon emissions. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues. Following a finding by the U.S. Environmental Protection Agency (EPA) that certain GHGs represent an endangerment to human health, the EPA adopted two sets of rules regulating GHG emissions under the Clean Air Act. One requires a reduction in emissions of GHGs from motor vehicles beginning January 2, 2011. The other regulates emissions of GHGs from certain large stationary sources under the Clean Air Act's Prevention of Significant Deterioration and Title V programs, commencing when the motor vehicle standards took effect on January 2, 2011. Also, the EPA adopted its “Mandatory Reporting of Greenhouse Gases Rule” that requires the annual calculation and reporting of GHG emissions from natural gas transmission, gathering, processing and distribution systems and electric distribution systems that emit 25,000 metric tons or more of CO₂ equivalent per year. These additional reporting requirements began in 2012 and we are currently in compliance. These permitting and reporting requirements could lead to further regulation of GHGs by the EPA.

Although the adoption of new legislation is uncertain, action by the EPA to impose new standards and reporting requirements regarding GHG emissions continues. In addition, many states and regions of the United States have begun to regulate GHGs. CERC's revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or would have the effect of reducing the consumption of natural gas. Our electric transmission and distribution business, in contrast to some electric utilities, does not generate electricity and thus is not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity. Nevertheless, CenterPoint Houston's revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within its service territory. Likewise, incentives to conserve energy or use energy sources other than natural gas could result in a decrease in demand for our services. Conversely, regulatory actions that effectively promote the consumption of natural gas because of its lower emissions characteristics would be expected to beneficially affect CERC and its natural gas-related businesses. At this point in time, however, it would be speculative to try to quantify the magnitude of the impacts from possible new regulatory actions related to GHG emissions, either positive or negative, on our businesses.

To the extent climate changes occur, our businesses may be adversely impacted, though we believe any such impacts are likely to occur very gradually and hence would be difficult to quantify. To the extent global climate change results in warmer temperatures in our service territories, financial results from our natural gas distribution businesses could be adversely affected through lower gas sales, and Enable's businesses could experience lower revenues. On the other hand, warmer temperatures in our electric service territory may increase our revenues from transmission and distribution through increased demand for electricity for cooling. Another possible effect of climate change is more frequent and more severe weather events, such as hurricanes or tornadoes. Since many of our facilities are located along or near the Gulf Coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers. When we cannot deliver electricity or natural gas to customers, or our customers cannot receive our services, our financial results can be impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs, or if higher rates resulting from our recovery of such costs result in reduced demand for our services, our future financial results may be adversely impacted.

Air Emissions

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

The EPA continues to adopt amendments to its regulations regarding maximum achievable control technology for stationary internal combustion engines (sometimes referred to as the RICE MACT rule), the most recent being January 14, 2013. On August 29, 2013, the EPA announced that it was reconsidering three issues related to the RICE MACT rule, but the agency has not subsequently issued a rule proposal. Compressors and back up electrical generators used by our Natural Gas Distribution segment are generally compliant. Additional rules are expected to be proposed by the EPA this year for compliance by 2016. We believe, however, that our operations will not be materially adversely affected by such requirements.

In addition, on August 16, 2012, the EPA published final rules that establish new air emission control requirements for natural gas and NGL production, processing and transportation activities, including New Source Performance Standards to address emissions of sulfur dioxide and volatile organic compounds, and National Emission Standards for Hazardous Air Pollutants (NESHAPS) to address hazardous air pollutants frequently associated with gas production and processing activities. The finalized regulations establish specific new requirements for emissions from compressors, controllers, dehydrators, storage tanks, gas processing plants and certain other equipment. The final rules under NESHAPS include maximum achievable control technology standards for “small” glycol dehydrators that are located at major sources of hazardous air pollutants and modifications to the leak detection standards for valves. Compliance with such rules is not expected to result in significant costs that would adversely impact our results of operations.

Water Discharges

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

Hazardous Waste

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

Liability for Remediation

The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA), also known as “Superfund,” and comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons responsible for the release of hazardous substances into the environment. Such classes of persons include the current and past owners or operators of sites where a hazardous substance was released and companies that disposed or arranged for the disposal of hazardous substances at offsite locations such as landfills. Although petroleum, as well as natural gas, is excluded

from CERCLA's definition of a "hazardous substance," in the course of our ordinary operations we generate wastes that may fall within the definition of a "hazardous substance." CERCLA authorizes the EPA and, in some cases, third parties to take action in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. Under CERCLA, we could be subject to joint and several liability for the costs of cleaning up and restoring sites where hazardous substances have been released, for damages to natural resources, and for the costs of certain health studies.

Liability for Preexisting Conditions

Manufactured Gas Plant Sites. CERC and its predecessors operated manufactured gas plants (MGPs) in the past. In Minnesota, CERC has completed remediation on two sites, other than ongoing monitoring and water treatment. There are five remaining sites in CERC's Minnesota service territory. CERC believes that it has no liability with respect to two of these sites.

As of December 31, 2013, CERC had recorded a liability of \$14 million for remediation of these Minnesota sites. The estimated range of possible remediation costs for the sites CERC believes it has responsibility for was \$6 million to \$41 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRPs), if any, and the remediation methods used. The Minnesota Public Utilities Commission includes approximately \$285,000 annually in rates to fund normal on-going remediation costs. As of December 31, 2013, CERC had collected \$6.3 million from insurance companies to be used for future environmental remediation.

In addition to the Minnesota sites, the EPA and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. We and CERC do not expect the ultimate outcome of these investigations will have a material adverse impact on the financial condition, results of operations or cash flows of either us or CERC.

Asbestos. Some facilities owned by us contain or have contained asbestos insulation and other asbestos-containing materials. We or our subsidiaries have been named, along with numerous others, as defendants in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by us, but most existing claims relate to facilities previously owned by our subsidiaries. We anticipate that additional claims like those received may be asserted in the future. In 2004, we sold our generating business, to which most of these claims relate, to a company which is now an affiliate of NRG. Under the terms of the arrangements regarding separation of the generating business from us and our sale of that business, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by the NRG affiliate. Although their ultimate outcome cannot be predicted at this time, we intend to continue vigorously contesting claims that we do not consider to have merit and do not expect, based on our experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on our financial condition, results of operations or cash flows.

Other Environmental. From time to time we identify the presence of environmental contaminants on property where we conduct or have conducted operations. Other such sites involving contaminants may be identified in the future. We have remediated and expect to continue to remediate identified sites consistent with our legal obligations. From time to time we have received notices from regulatory authorities or others regarding our status as a PRP in connection with sites found to require remediation due to the presence of environmental contaminants. In addition, we have been named from time to time as a defendant in litigation related to such sites. Although the ultimate outcome of such matters cannot be predicted at this time, we do not expect, based on our experience to date, these matters, either individually or in the aggregate, to have a material adverse effect on our financial condition, results of operations or cash flows.

EMPLOYEES

As of December 31, 2013, we had 8,591 full-time employees, 1,099 of which are seconded to Enable and included below under the Midstream Investments business segment. The following table sets forth the number of our employees by business segment:

Business Segment	Number	Number Represented by Unions or Other Collective Bargaining Groups
Electric Transmission & Distribution	2,629	1,277
Natural Gas Distribution	3,475	1,303
Energy Services	140	—
Midstream Investments	1,099	—
Other Operations	1,248	—
Total	8,591	2,580

As of December 31, 2013, approximately 30% of our employees were covered by collective bargaining agreements.

EXECUTIVE OFFICERS (as of February 14, 2014)

Name	Age	Title
Milton Carroll	63	Executive Chairman
Scott M. Prochazka	47	President and Chief Executive Officer and Director
Scott E. Rozzell	64	Executive Vice President, General Counsel and Corporate Secretary
Thomas R. Standish	64	Executive Vice President
Gary L. Whitlock	64	Executive Vice President and Chief Financial Officer
Tracy B. Bridge	55	Executive Vice President and President, Electric Division
Joseph B. McGoldrick	60	Executive Vice President and President, Gas Division

Milton Carroll has served on the Board of Directors of CenterPoint Energy or its predecessors since 1992. He has served as Executive Chairman of CenterPoint Energy since June 2013 and as Chairman from September 2002 until May 2013. Mr. Carroll has served as a director of Halliburton Company since 2006, Western Gas Holdings, LLC, the general partner of Western Gas Partners, LP, since 2008 and LyondellBasell Industries N.V. since July 2010. He has served as a director of Healthcare Service Corporation since 1998 and as its chairman since 2002. He previously served as a director of LRE GP, LLC, general partner of LRR Energy, L.P., from November 2011 to January 2014.

Scott M. Prochazka has served as a Director and President and Chief Executive Officer of CenterPoint Energy since January 1, 2014. He previously served as Executive Vice President and Chief Operating Officer from July 2012 to December 2013; as Senior Vice President and Division President, Electric Operations from May 2011 to July 2012; as Division Senior Vice President, Electric Operations of CenterPoint Houston from February 2009 to May 2011; as Division Senior Vice President Regional Operations of CERC from February 2008 to February 2009; and as Division Vice President, Customer Service Operations from October 2006 to February 2008. He currently serves on the Boards of Directors of Gridwise Alliance, Edison Electric Institute, American Gas Association and Greater Houston Partnership.

Scott E. Rozzell has served as Executive Vice President, General Counsel and Corporate Secretary of CenterPoint Energy since September 2002. He served as Executive Vice President and General Counsel of the Delivery Group of Reliant Energy from March 2001 to September 2002. Before joining Reliant Energy in 2001, Mr. Rozzell was a senior partner in the law firm of Baker Botts L.L.P. He currently serves on the Board of Directors of Powell Industries, Inc.

Thomas R. Standish has served as Executive Vice President of CenterPoint Energy since May 2011. He previously served as Senior Vice President and Group President-Regulated Operations of CenterPoint Energy from August 2005 to May 2011; as Senior Vice President and Group President and Chief Operating Officer of CenterPoint Houston from June 2004 to August 2005;

and as President and Chief Operating Officer of CenterPoint Houston from August 2002 to June 2004. He served as President and Chief Operating Officer for both electricity and natural gas for Reliant Energy's Houston area from 1999 to August 2002.

Gary L. Whitlock has served as Executive Vice President and Chief Financial Officer of CenterPoint Energy since September 2002. He served as Executive Vice President and Chief Financial Officer of the Delivery Group of Reliant Energy from July 2001 to September 2002. Mr. Whitlock served as the Vice President, Finance and Chief Financial Officer of Dow AgroSciences, a subsidiary of The Dow Chemical Company, from 1998 to 2001. He currently serves on the Board of Directors of KiOR, Inc.

Tracy B. Bridge has served as Executive Vice President and President, Electric Division since February 2014. He previously served as Senior Vice President and Division President, Electric Operations from September 2012 to February 2014; as Senior Vice President and Division President, Gas Distribution Operations from May 2011 to September 2012; as Division Senior Vice President - Support Operations from February 2008 to May 2011; and as Division Vice President Regional Operations of CERC from January 2007 to February 2008. He currently serves on the Board of Directors of the Greater Houston Chapter of the American Red Cross.

Joseph B. McGoldrick has served as Executive Vice President and President, Gas Division since February 2014. He previously served as Senior Vice President and Division President, Gas Operations from September 2012 to February 2014; as Senior Vice President and Division President, Energy Services from May 2011 to September 2012, and as Division President, Gas Operations from February 2007 to May 2011.

Item 1A. Risk Factors

We are a holding company that conducts all of our business operations through subsidiaries, primarily CenterPoint Houston and CERC. We also own interests in Enable Midstream Partners, LP (Enable), a midstream partnership jointly controlled by CERC Corp. and OGE. The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this report, summarizes the principal risk factors associated with the businesses conducted by our subsidiaries and our interests in Enable:

Risk Factors Affecting Our Electric Transmission & Distribution Business

A substantial portion of CenterPoint Houston's receivables is concentrated in a small number of REPs, and any delay or default in payment could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations.

CenterPoint Houston's receivables from the distribution of electricity are collected from REPs that supply the electricity CenterPoint Houston distributes to their customers. As of December 31, 2013, CenterPoint Houston did business with approximately 70 REPs. Adverse economic conditions, structural problems in the market served by ERCOT or financial difficulties of one or more REPs could impair the ability of these REPs to pay for CenterPoint Houston's services or could cause them to delay such payments. CenterPoint Houston depends on these REPs to remit payments on a timely basis. Applicable regulatory provisions require that customers be shifted to another REP or a provider of last resort if a REP cannot make timely payments. Applicable Texas Utility Commission regulations significantly limit the extent to which CenterPoint Houston can apply normal commercial terms or otherwise seek credit protection from firms desiring to provide retail electric service in its service territory, and CenterPoint Houston thus remains at risk for payments not made prior to the shift to another REP or the provider of last resort. The Texas Utility Commission revised its regulations in 2009 to (i) increase the financial qualifications required of REPs that began selling power after January 1, 2009, and (ii) authorize utilities to defer bad debts resulting from defaults by REPs for recovery in a future rate case. A significant portion of CenterPoint Houston's billed receivables from REPs are from affiliates of NRG, Just Energy Group, Inc. (Just Energy Group) and Energy Future Holdings. CenterPoint Houston's aggregate billed receivables balance from REPs as of December 31, 2013 was \$172 million. Approximately 38%, 8% and 8% of this amount was owed by affiliates of NRG, Just Energy Group and Energy Future Holdings, respectively. In the fourth quarter of 2013, Energy Future Holdings publicly disclosed that it had engaged in discussions with certain of its creditors with respect to the capital structure of Energy Future Holdings and its affiliates, including the possibility of a restructuring transaction in bankruptcy. The disclosures do not make clear whether those discussions included or addressed the capital structure of affiliates of Energy Future Holdings that are REPs. Any delay or default in payment by REPs could adversely affect CenterPoint Houston's cash flows, financial condition and results of operations. 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 by creditors involving payments CenterPoint Houston had received from such REP.

Rate regulation of CenterPoint Houston's business may delay or deny CenterPoint Houston's ability to earn a reasonable return and fully recover its costs.

CenterPoint Houston's rates are regulated by certain municipalities and the Texas Utility Commission based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CenterPoint Houston is allowed to charge may not match its expenses at any given time. The regulatory process by which rates are determined may not always result in rates that will produce full recovery of CenterPoint Houston's costs and enable CenterPoint Houston to earn a reasonable return on its invested capital.

Disruptions at power generation facilities owned by third parties could interrupt CenterPoint Houston's sales of transmission and distribution services.

CenterPoint Houston transmits and distributes to customers of REPs electric power that the REPs obtain from power generation facilities owned by third parties. CenterPoint Houston does not own or operate any power generation facilities. If power generation is disrupted or if power generation capacity is inadequate, CenterPoint Houston's sales of transmission and distribution services may be diminished or interrupted, and its results of operations, financial condition and cash flows could be adversely affected.

CenterPoint Houston's revenues and results of operations are seasonal.

A significant portion of CenterPoint Houston's revenues is derived from rates that it collects from each REP based on the amount of electricity it delivers on behalf of such REP. Thus, CenterPoint Houston's revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity usage, with revenues generally being higher during the warmer months.

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

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

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

CenterPoint Houston has deployed an AMS throughout its service territory. The deployment consisted, among other elements, of replacing existing meters with new electronic meters that record metering data at 15-minute intervals and wirelessly communicate that information to CenterPoint Houston over a bi-directional communications system installed for that purpose. The AMS integrates equipment and computer software from various vendors in order to eliminate the need for physical meter readings to be taken at consumers' premises, such as monthly readings for billing purposes and special readings associated with a customer's change in REPs or the connection or disconnection of electric service. Unanticipated difficulties could be encountered during the operation of the AMS, including failures or inadequacy of equipment or software, difficulties in integrating the various components of the AMS, changes in technology, cyber-security issues and factors outside the control of CenterPoint Houston, which could result in delayed or inaccurate metering data that might lead to delays or inaccuracies in the calculation and imposition of delivery or other charges, which could have a material adverse effect on CenterPoint Houston's results of operations, financial condition and cash flows.

Risk Factors Affecting Our Natural Gas Distribution and Energy Services Businesses

Rate regulation of CERC's business may delay or deny CERC's ability to earn a reasonable return and fully recover its costs.

CERC's rates for Gas Operations are regulated by certain municipalities and state commissions based on an analysis of its invested capital and its expenses in a test year. Thus, the rates that CERC is allowed to charge may not match its expenses at any given time. The regulatory process in which rates are determined may not always result in rates that will produce full recovery of CERC's costs and enable CERC to earn a reasonable return on its invested capital.

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

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

CERC's natural gas distribution and energy services businesses are subject to fluctuations in notional natural gas prices as well as geographic and seasonal natural gas price differentials, which could affect the ability of CERC's suppliers and customers to meet their obligations or otherwise adversely affect CERC's liquidity and results of operations and financial condition.

CERC is subject to risk associated with changes in the notional price of natural gas as well as geographic and seasonal natural gas price differentials. Increases in natural gas prices might affect CERC's ability to collect balances due from its customers and, for Gas Operations, could create the potential for uncollectible accounts expense to exceed the recoverable levels built into CERC's tariff rates. In addition, a sustained period of high natural gas prices could (i) apply downward demand pressure on natural gas consumption in the areas in which CERC operates, thereby resulting in decreased sales and revenues and (ii) increase the risk that CERC's suppliers or customers fail or are unable to meet their obligations. An increase in natural gas prices would also increase CERC's working capital requirements by increasing the investment that must be made in order to maintain natural gas inventory levels. Additionally, a decrease in natural gas prices could increase the amount of collateral that CERC must provide under its hedging arrangements.

A decline in CERC's credit rating could result in CERC's having to provide collateral under its shipping or hedging arrangements or in order to purchase natural gas.

If CERC's credit rating were to decline, it might be required to post cash collateral under its shipping or hedging arrangements or in order to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC's results of operations, financial condition and cash flows could be adversely affected.

CERC's revenues and results of operations are seasonal.

A substantial portion of CERC's revenues is derived from natural gas sales. Thus, CERC's revenues and results of operations are subject to seasonality, weather conditions and other changes in natural gas usage, with revenues being higher during the winter months.

The states in which CERC provides regulated local gas distribution may, either through legislation or rules, adopt restrictions regarding organization, financing and affiliate transactions that could have significant adverse impacts on CERC's ability to operate.

Proposals have been put forth in some of the states in which CERC does business to give state regulatory authorities increased jurisdiction and scrutiny over organization, capital structure, intracompany relationships and lines of business that could be pursued by registered holding companies and their affiliates that operate in those states. Some of these frameworks attempt to regulate financing activities, acquisitions and divestitures, and arrangements between the utilities and their affiliates, and to restrict the level of non-utility business that can be conducted within the holding company structure. Additionally, they may impose record-keeping, record access, employee training and reporting requirements related to affiliate transactions and reporting in the event of certain downgrading of the utility's credit rating.

These regulatory frameworks could have adverse effects on CERC's ability to conduct its utility operations, to finance its business and to provide cost-effective utility service. In addition, if more than one state adopts restrictions on similar activities, it may be difficult for CERC and us to comply with competing regulatory requirements.

Risk Factors Associated with Our Consolidated Financial Condition

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

As of December 31, 2013, we had \$8.4 billion of outstanding indebtedness on a consolidated basis, which includes \$3.4 billion of non-recourse transition and system restoration bonds. As of December 31, 2013, approximately \$593 million principal amount of this debt is required to be paid through 2016. This amount excludes principal repayments of approximately \$1.1 billion on transition and system restoration bonds, for which dedicated revenue streams exist. Our future financing activities may be significantly affected by, among other things:

- general economic and capital market conditions;
- credit availability from financial institutions and other lenders;
- investor confidence in us and the markets in which we operate;
- maintenance of acceptable credit ratings;
- market expectations regarding our future earnings and cash flows;
- market perceptions of our ability to access capital markets on reasonable terms;
- our exposure to GenOn Energy, Inc. (GenOn) (formerly known as RRI Energy, Inc., Reliant Energy, Inc. and Reliant Resources, Inc. (RRI)), a wholly owned subsidiary of NRG, in connection with certain indemnification obligations;
- incremental collateral that may be required due to regulation of derivatives; and
- provisions of relevant tax and securities laws.

As of December 31, 2013, CenterPoint Houston had approximately \$1.9 billion aggregate principal amount of general mortgage bonds outstanding under the General Mortgage, including (a) \$290 million held in trust to secure pollution control bonds that are not reflected in our consolidated financial statements because we are both the obligor on the bonds and the current owner of the bonds, (b) approximately \$118 million held in trust to secure pollution control bonds for which we are obligated and (c) approximately \$183 million held in trust to secure pollution control bonds for which CenterPoint Houston is obligated. Additionally, as of December 31, 2013, CenterPoint Houston had approximately \$102 million aggregate principal amount of first mortgage bonds outstanding under the Mortgage. CenterPoint Houston may issue additional general mortgage bonds on the basis of retired bonds, 70% of property additions or cash deposited with the trustee. Approximately \$3.9 billion of additional first mortgage bonds and general mortgage bonds in the aggregate could be issued on the basis of retired bonds and 70% of property additions as of December 31, 2013. However, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

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

As a holding company with no operations of our own, we will depend on distributions from our subsidiaries and from Enable, to meet our payment obligations, and provisions of applicable law or contractual restrictions could limit the amount of those distributions.

We derive all of our operating income from, and hold all of our assets through, our subsidiaries, including our interests in Enable. As a result, we depend on distributions from our subsidiaries, including Enable, in order to meet our payment obligations. In general, our subsidiaries are separate and distinct legal entities and have no obligation to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit our subsidiaries’ ability to make payments or other distributions to us, and our subsidiaries could agree to contractual restrictions on their ability to make distributions. For a discussion of risks that may impact the amount

of cash distributions we receive with respect to our interests in Enable, please read “— Additional Risk Factors Affecting Our Interests in Enable Midstream Partners, LP — Our cash flows will be adversely impacted if we receive less cash distributions from Enable than we currently expect.”

Our right to receive any assets of any subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary’s creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any security interest in the assets of that subsidiary and any indebtedness of the subsidiary senior to that held by us.

Poor investment performance of the pension plan and factors adversely affecting the calculation of pension liabilities could unfavorably impact our liquidity and results of operations.

We maintain a qualified defined benefit pension plan covering all employees. Our costs of providing this plan are dependent upon a number of factors including the investment returns on plan assets, the level of interest rates used to calculate the funded status of the plan, our contributions to the plan and government regulations with respect to funding requirements and the calculation of plan liabilities. Funding requirements may increase as a result of a decline in the market value of plan assets, a decline in the interest rates used to calculate the present value of future plan obligations or government regulations that increase minimum funding requirements or the pension liability. In addition to affecting our funding requirements, each of these factors could adversely affect our results of operations and financial position.

The use of derivative contracts in the normal course of business by us, our subsidiaries or Enable could result in financial losses that could negatively impact our results of operations and those of our subsidiaries or Enable.

We and our subsidiaries use derivative instruments, such as swaps, options, futures and forwards, to manage our commodity, weather and financial market risks. Enable may also use such instruments from time to time to manage its commodity and financial market risk. We, our subsidiaries or Enable could recognize financial losses as a result of volatility in the market values of these contracts or should a counterparty fail to perform. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management’s judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

Other Risk Factors Affecting Our Businesses or Our Interests in Enable Midstream Partners, LP

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

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

- restricting the way we can handle or dispose of wastes;
- limiting or prohibiting construction activities in sensitive areas such as wetlands, coastal regions, or areas inhabited by endangered species;
- requiring remedial action to mitigate environmental conditions caused by our operations, or attributable to former operations;
- enjoining the operations of facilities deemed in non-compliance with permits issued pursuant to such environmental laws and regulations; and
- impacting the demand for our services by directly or indirectly affecting the use or price of natural gas.

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

- construct or acquire new equipment;
- acquire permits for facility operations;

- modify or replace existing and proposed equipment; and
- clean up or decommission waste disposal areas, fuel storage and management facilities and other locations and facilities.

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

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

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

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

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

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

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

- merchant energy, energy trading and REP businesses transferred to RRI or its subsidiaries in connection with the organization and capitalization of RRI prior to its initial public offering in 2001 and now owned by affiliates of NRG; and
- Texas electric generating facilities transferred to a subsidiary of Texas Genco Holdings, Inc. (Texas Genco) in 2002, later sold to a third party and now owned by an affiliate of NRG.

In connection with the organization and capitalization of RRI (now GenOn), that company and its subsidiaries assumed liabilities associated with various assets and businesses Reliant Energy transferred to them. RRI also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston and CERC, with respect to liabilities associated with the transferred assets and businesses. These indemnity provisions were intended to place sole financial responsibility on RRI and its subsidiaries for all liabilities associated with the current and historical businesses and operations of RRI, regardless of the time those liabilities arose. If RRI (now GenOn) were unable to satisfy a liability that has been so assumed in circumstances in which Reliant Energy and its subsidiaries were not released from the liability in connection with the transfer, we, CenterPoint Houston or CERC could be responsible for satisfying the liability.

Prior to the distribution of our ownership in RRI to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its

remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$58 million as of December 31, 2013. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral then provided as security may be insufficient to satisfy CERC's obligations.

If GenOn were unable to meet its obligations, it could consider, among various options, restructuring under the bankruptcy laws, in which event GenOn might not honor its indemnification obligations and claims by GenOn's creditors might be made against us as its former owner.

Reliant Energy and RRI (GenOn's predecessor) are named as defendants in a number of lawsuits arising out of sales of natural gas in California and other markets. Although these matters relate to the business and operations of GenOn, claims against Reliant Energy have been made on grounds that include liability of Reliant Energy as a controlling shareholder of GenOn's predecessor. We, CenterPoint Houston or CERC could incur liability if claims in one or more of these lawsuits were successfully asserted against us, CenterPoint Houston or CERC and indemnification from GenOn were determined to be unavailable or if GenOn were unable to satisfy indemnification obligations owed with respect to those claims.

In connection with the organization and capitalization of Texas Genco (now an affiliate of NRG), Reliant Energy and Texas Genco entered into a separation agreement in which Texas Genco assumed liabilities associated with the electric generation assets Reliant Energy transferred to it. Texas Genco also agreed to indemnify, and cause the applicable transferee subsidiaries to indemnify, us and our subsidiaries, including CenterPoint Houston, with respect to liabilities associated with the transferred assets and businesses. In many cases the liabilities assumed were obligations of CenterPoint Houston, and CenterPoint Houston was not released by third parties from these liabilities. The indemnity provisions were intended generally to place sole financial responsibility on Texas Genco and its subsidiaries for all liabilities associated with the current and historical businesses and operations of Texas Genco, regardless of the time those liabilities arose. If Texas Genco (now an affiliate of NRG) were unable to satisfy a liability that had been so assumed or indemnified against, and provided we or Reliant Energy had not been released from the liability in connection with the transfer, CenterPoint Houston could be responsible for satisfying the liability.

In connection with our sale of Texas Genco, the separation agreement was amended to provide that Texas Genco would no longer be liable for, and we would assume and agree to indemnify Texas Genco against, liabilities that Texas Genco originally assumed in connection with its organization to the extent, and only to the extent, that such liabilities are covered by certain insurance policies held by us.

We or our subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by us, but most existing claims relate to facilities previously owned by our subsidiaries. We anticipate that additional claims like those received may be asserted in the future. Under the terms of the arrangements regarding separation of the generating business from us and our sale of that business to an affiliate of NRG, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but we have agreed to continue to defend such claims to the extent they are covered by insurance maintained by us, subject to reimbursement of the costs of such defense by the NRG affiliate.

Cyber-attacks, acts of terrorism or other disruptions could adversely impact our results of operations, financial condition and cash flows or the results of operations, financial condition and cash flows of Enable.

We and Enable are subject to cyber-security risks related to breaches in the systems and technology used (i) to manage operations and other business processes and (ii) to protect sensitive information maintained in the normal course of business. The operation of our electric transmission and distribution system is dependent on not only physical interconnection of our facilities, but also on communications among the various components of our system. As we deploy smart meters and the intelligent grid, reliance on communication between and among those components increases. Similarly, the distribution of natural gas to our customers and the gathering, processing and transportation of natural gas or other commodities from Enable's gathering, processing and pipeline facilities, are dependent on communications among Enable's facilities and with third-party systems that may be delivering natural gas or other commodities into or receiving natural gas and other products from Enable's facilities. Disruption of those communications, whether caused by physical disruption such as storms or other natural phenomena, by failure of equipment or technology, or by manmade events, such as cyber-attacks or acts of terrorism, may disrupt our ability or Enable's ability to conduct operations and control assets. Cyber-attacks could also result in the loss of confidential or proprietary data or security breaches of other information technology systems that could disrupt operations and critical business functions, adversely affect reputation, and subject us or Enable to possible legal claims and liability. Neither we nor Enable is fully insured against all cyber-

security risks, any of which could have a material adverse effect on either our, or Enable's, results of operations, financial condition and cash flows. In addition, electrical distribution and transmission facilities and gas distribution and pipeline systems may be targets of terrorist activities that could disrupt either our or Enable's ability to conduct our respective businesses and have a material adverse effect on either our or Enable's results of operations, financial condition and cash flows.

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

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

- operator error or failure of equipment or processes;
- operating limitations that may be imposed by environmental or other regulatory requirements;
- labor disputes;
- information technology system failures; and
- catastrophic events such as fires, earthquakes, explosions, floods, droughts, hurricanes, pandemic health events or other similar occurrences.

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

Our merger and acquisition activities may not be successful or may result in completed acquisitions that do not perform as anticipated.

From time to time, we have made and may continue to make acquisitions of businesses and assets. However, suitable acquisition candidates may not continue to be available on terms and conditions we find acceptable. In addition, any completed or future acquisitions involve substantial risks, including the following:

- acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels;
- acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate;
- we may assume liabilities that were not disclosed to us, that exceed our estimates, or for which our rights to indemnification from the seller are limited;
- we may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems; and
- acquisitions, or the pursuit of acquisitions, could disrupt our ongoing businesses, distract management, divert resources and make it difficult to maintain our current business standards, controls and procedures.

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

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

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

The United States Congress has from time to time considered adopting legislation to reduce emissions of GHGs, and there has been a wide-ranging policy debate, both nationally and internationally, regarding the impact of these gases and possible means for their regulation. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues, such as the United Nations Climate Change Conference in Doha, Qatar in 2012. Following a finding by the EPA that certain GHGs represent an endangerment to human health, the EPA adopted two sets of rules regulating GHG emissions under the Clean Air Act, one that requires a reduction in emissions of GHGs from motor vehicles and another that regulates emissions of GHGs from certain large stationary sources. In addition, the EPA expanded its existing GHG emissions reporting requirements to include upstream petroleum and natural gas systems that emit 25,000 metric tons or more of CO₂ equivalent per year. These permitting and reporting requirements could lead to further regulation of GHGs by the EPA. As a distributor and transporter of natural gas, or a consumer of natural gas in its pipeline and gathering businesses, CERC's or Enable's revenues, operating costs and capital requirements, as applicable, could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or would have the effect of reducing the consumption of natural gas. Our electric transmission and distribution business, in contrast to some electric utilities, does not generate electricity and thus is not directly exposed to the risk of high capital costs and regulatory uncertainties that face electric utilities that burn fossil fuels to generate electricity. Nevertheless, CenterPoint Houston's revenues could be adversely affected to the extent any resulting regulatory action has the effect of reducing consumption of electricity by ultimate consumers within its service territory. Likewise, incentives to conserve energy or use energy sources other than natural gas could result in a decrease in demand for our services.

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

To the extent climate changes occur, our businesses may be adversely impacted, though we believe any such impacts are likely to occur very gradually and hence would be difficult to quantify with specificity. To the extent global climate change results in warmer temperatures in our service territories, financial results from our natural gas distribution businesses could be adversely affected through lower gas sales, and our gas transmission and field services businesses could experience lower revenues. Another possible climate change is more frequent and more severe weather events, such as hurricanes or tornadoes. Since many of our facilities are located along or near the Gulf Coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers. When we cannot deliver electricity or natural gas to customers or our customers cannot receive our services, our financial results can be impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs, or if higher rates resulting from our recovery of such costs result in reduced demand for our services, our future financial results may be adversely impacted.

Additional Risk Factors Affecting Our Interests in Enable Midstream Partners, LP

We hold a substantial limited partnership interest in Enable (58.3% of Enable's outstanding limited partnership interests as of December 31, 2013), as well as 50% of the management rights in Enable's general partner and a 40% interest in the incentive distribution rights held by Enable's general partner. Accordingly, our future earnings, results of operations, cash flows and financial condition will be affected by the performance of Enable, the amount of cash distributions we receive from Enable and the value of our interests in Enable. Factors that may have a material impact on Enable's performance and cash distributions, and the value of our interests in Enable, include the risk factors outlined below, as well as the risks described elsewhere under "Risk Factors" that are applicable to Enable.

Our cash flows will be adversely impacted if we receive less cash distributions from Enable than we currently expect.

Prior to an initial public offering of Enable, Enable is obligated to distribute 100% of its distributable cash (as such term is defined in its partnership agreement) to its limited partners each fiscal quarter within 45 days following the end of the applicable quarter. Following an initial public offering of Enable, (i) we expect that both CERC Corp. and OGE will hold their limited partnership interests in Enable in the form of both common units and subordinated units, and (ii) Enable is expected to pay a specified minimum quarterly distribution on its outstanding units to the extent it has sufficient cash from operations after establishment of cash reserves and payment of fees and expenses, including payments to its general partner and its affiliates (referred to as "available cash"). The principal difference between Enable's common units and subordinated units is that in any quarter during the applicable subordination period, holders of the subordinated units are not entitled to receive any distribution of available cash until the common units have received the minimum quarterly distribution plus any arrearages in the payment of the minimum quarterly distribution on common units from prior quarters. If Enable does not pay distributions on its subordinated units, its subordinated units will not accrue arrearages for those unpaid distributions. Accordingly, if Enable is unable to pay its

minimum quarterly distribution following is initial public offering, the amount of cash distributions we receive from Enable may be adversely affected. Enable may not have sufficient available cash each quarter to enable it to pay the minimum quarterly distribution. The amount of cash Enable can distribute on its units will principally depend upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

- the fees and gross margins it realizes with respect to the volume of natural gas and crude oil that it handles;
- the prices of, levels of production of, and demand for natural gas and crude oil;
- the volume of natural gas and crude oil it gathers, compresses, treats, dehydrates, processes, fractionates, transports and stores;
- the relationship among prices for natural gas, NGLs and crude oil;
- cash calls and settlements of hedging positions;
- margin requirements on open price risk management assets and liabilities;
- the level of competition from other midstream energy companies;
- adverse effects of governmental and environmental regulation;
- the level of its operation and maintenance expenses and general and administrative costs; and
- prevailing economic conditions.

In addition, the actual amount of cash Enable will have available for distribution will depend on other factors, including:

- the level and timing of its capital expenditures;
- the cost of acquisitions;
- its debt service requirements and other liabilities;
- fluctuations in its working capital needs;
- its ability to borrow funds and access capital markets;
- restrictions contained in its debt agreements;
- the amount of cash reserves established by its general partner; and
- other business risks affecting its cash levels.

We are not able to exercise control over Enable, which entails certain risks.

Enable is controlled equally by CERC Corp. and OGE, who each own 50% of the management rights in the general partner of Enable. The general partner of Enable is currently governed by a board made up of an equal number of representatives designated by each of us and OGE and an independent director. In addition, until the completion of Enable's initial public offering, ArcLight will have approval rights over certain material activities of Enable, including material increases in capital expenditures and certain equity issuances, entering into transactions with related parties, and acquiring, pledging or disposing of certain material assets. Following completion of Enable's initial public offering, the board of directors of Enable's general partner is expected to be composed of an equal number of directors appointed by OGE and by us, the president and chief executive officer of Enable's general partner and up to three directors who are independent as defined under the independence standards established by the New York Stock Exchange. Accordingly, we are not able to exercise control over Enable .

We may not realize the benefits we expect from our interests in Enable.

Enable may under-perform, causing our financial results to differ from our own or the investment community's expectations. In addition, Enable may not be able to achieve anticipated operational and commercial synergies or realize expected growth opportunities. The success of Enable will in part depend on its ability to integrate the operations of the businesses we contributed to Enable with those contributed by OGE and ArcLight. The integration process may be complex, costly and time-consuming. The potential difficulties of integrating the operations include, among others:

- implementing our business plan for the combined business;
- changes in applicable laws and regulations or conditions imposed by regulators;
- retaining key employees;
- operating risks inherent in the contributed businesses;
- realizing growth, revenue and expense targets; and
- unanticipated issues, costs, obligations and liabilities.

Although we jointly control Enable with OGE, we may have conflicts of interest with Enable that could subject us to claims that we have breached our fiduciary duty to Enable and its unitholders.

CERC Corp. and OGE each own 50% of the management rights in Enable's general partner, as well as limited partnership interests in Enable, and interests in the incentive distribution rights held by Enable's general partner. Conflicts of interest may arise between us and Enable and its unitholders. In resolving these conflicts, we may favor our own interests and the interests of our affiliates over the interests of Enable and its unitholders as long as the resolution does not conflict with Enable's partnership agreement. These circumstances could subject us to claims that, in favoring our own interests and those of our affiliates, we breached a fiduciary duty to Enable or its unitholders.

Enable's contracts are subject to renewal risks.

Enable generates a substantial portion of its gross margins under long-term, fee-based agreements. As these and other contracts expire, Enable may have to negotiate extensions or renewals with existing suppliers and customers or enter into new contracts with other suppliers and customers. Enable may be unable to obtain new contracts on favorable commercial terms, if at all. It also may be unable to maintain the economic structure of a particular contract with an existing customer or the overall mix of its contract portfolio. For example, depending on prevailing market conditions at the time of a contract renewal, gathering and processing customers with fixed-fee or fixed-margin contracts may desire to enter into contracts under different fee arrangements. To the extent Enable is unable to renew its existing contracts on terms that are favorable to it, if at all, or successfully manage its overall contract mix over time, its revenue, results of operations and distributable cash flow could be adversely affected.

Enable depends on a small number of customers for a significant portion of its firm transportation and storage services revenues. The loss of, or reduction in volumes from, these customers could result in a decline in sales of its transportation and storage services and its consolidated financial position, results of operations and its ability to make cash distributions.

Enable provides firm transportation and storage services to certain key customers on its system. Its major transportation customers are affiliates of CenterPoint Energy, Laclede Group (Laclede), OGE, American Electric Power Company, Inc. (AEP) and Exxon Mobil Corporation (Exxon). Enable's interstate transportation and storage assets were designed and built to serve affiliates of CenterPoint Energy, Laclede, OGE and AEP.

Enable-Mississippi River Transmission, LLC's (MRT) firm transportation and storage contracts with Laclede are scheduled to expire in 2015 and 2016. The primary terms of Enable Gas Transmission, LLC's (EGT) firm transportation and storage contracts with CERC's natural gas distribution business will expire in 2018.

Enable's firm transportation contract with an affiliate of AEP expires January 1, 2015 and will remain in effect from year to year thereafter unless either party provides written notice of termination to the other party at least 180 days prior to the commencement of the succeeding annual period. The stated term of the OG&E transportation and storage contract expired April 30, 2009, but the contract remained in effect from year to year thereafter. On January 31, 2014, OG&E provided written notice of termination of the contract, effective April 30, 2014. Negotiations regarding the new contract are ongoing, and there can be no

assurance that the new contract will be agreed upon, or, if agreed upon, that the terms of the new contract will be as favorable to Enable as the expiring contract.

The loss of all or even a portion of the interstate or intrastate transportation and storage services for any of these customers, the failure to extend or replace these contracts or the extension or replacement of these contracts on less favorable terms, as a result of competition or otherwise, could adversely affect Enable's consolidated financial position, results of operations and its ability to make cash distributions.

Enable's businesses are dependent, in part, on the drilling and production decisions of others.

Enable's businesses are dependent on the continued availability of natural gas and crude oil production. Enable has no control over the level of drilling activity in its areas of operation, the amount of reserves associated with wells connected to its systems or the rate at which production from a well declines. In addition, Enable's cash flows associated with wells currently connected to its systems will decline over time. To maintain or increase throughput levels on its gathering and transportation systems and the asset utilization rates at its natural gas processing plants, Enable's customers must continually obtain new natural gas and crude oil supplies. The primary factors affecting Enable's ability to obtain new supplies of natural gas and crude oil and attract new customers to its assets are the level of successful drilling activity near these systems, its ability to compete for volumes from successful new wells and its ability to expand capacity as needed. If Enable is not able to obtain new supplies of natural gas and crude oil to replace the natural decline in volumes from existing wells, throughput on its gathering, processing, transportation and storage facilities will decline, which could have a material adverse effect on its results of operations and distributable cash flow. Enable has no control over producers or their drilling and production decisions, which are affected by, among other things:

- the availability and cost of capital;
- prevailing and projected commodity prices, including the prices of natural gas, NGLs and crude oil;
- demand for natural gas, NGLs and crude oil;
- levels of reserves;
- geological considerations;
- environmental or other governmental regulations, including the availability of drilling permits and the regulation of hydraulic fracturing; and
- the availability of drilling rigs and other costs of production and equipment.

Fluctuations in energy prices can also greatly affect the development of new natural gas and crude oil reserves. Drilling and production activity generally decreases as commodity prices decrease. In general terms, the prices of natural gas, crude oil and other hydrocarbon products fluctuate in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond Enable's control. Because of these factors, even if new natural gas or crude oil reserves are known to exist in areas served by Enable's assets, producers may choose not to develop those reserves. Declines in natural gas or crude oil prices can have a negative impact on exploration, development and production activity and, if sustained, could lead to decreases in such activity. A sustained decline could also lead producers to shut in production from their existing wells. Sustained reductions in exploration or production activity in Enable's areas of operation could lead to further reductions in the utilization of its systems, which could have a material adverse effect on its business, financial condition, results of operations and ability to make cash distributions.

In addition, it may be more difficult to maintain or increase the current volumes on Enable's gathering systems, as several of the formations in the unconventional resource basins in which it operates generally have higher initial production rates and steeper production decline curves than wells in more conventional basins. Should Enable determine that the economics of its gathering assets do not justify the capital expenditures needed to grow or maintain volumes associated therewith, Enable may reduce such capital expenditures, which could cause revenues associated with these assets to decline over time. In addition to capital expenditures to support growth, the steeper production decline curves associated with unconventional resource plays may require Enable to incur higher maintenance capital expenditures relative to throughput over time, which will reduce its distributable cash flow.

Because of these and other factors, even if new reserves are known to exist in areas served by Enable's assets, producers may choose not to develop those reserves. Reductions in drilling activity would result in Enable's inability to maintain the current levels of throughput on its systems and could have a material adverse effect on its results of operations and distributable cash flow.

Enable's industry is highly competitive, and increased competitive pressure could adversely affect its results of operations and distributable cash flow.

Enable competes with similar enterprises in its respective areas of operation. The principal elements of competition are rates, terms of service and flexibility and reliability of service. Enable's competitors include large crude oil, natural gas and petrochemical companies that have greater financial resources and access to supplies of natural gas, NGLs and crude oil than Enable. Some of these competitors may expand or construct gathering, processing, transportation and storage systems that would create additional competition for the services Enable provides to its customers. Excess pipeline capacity in the regions served by Enable's interstate pipelines could also increase competition and adversely impact Enable's ability to renew or enter into new contracts with respect to its available capacity when existing contracts expire. In addition, Enable's customers that are significant producers of natural gas may develop their own gathering, processing, transportation and storage systems in lieu of using Enable's systems. Enable's ability to renew or replace existing contracts with its customers at rates sufficient to maintain current revenues and cash flows could be adversely affected by the activities of its competitors and customers. Further, natural gas utilized as a fuel competes with other forms of energy available to end-users, including electricity, coal and liquid fuels. Increased demand for such forms of energy at the expense of natural gas could lead to a reduction in demand for natural gas gathering, processing, transportation and transportation services. All of these competitive pressures could adversely affect Enable's results of operations and distributable cash flow.

Enable may not be able to recover the costs of its substantial planned investment in capital improvements and additions, and the actual cost of such improvements and additions may be significantly higher than it anticipates.

Enable's business plan calls for extensive investment in capital improvements and additions. The construction of additions or modifications to Enable's existing systems, and the construction of new midstream assets, involves numerous regulatory, environmental, political and legal uncertainties, many of which are beyond Enable's control and may require the expenditure of significant amounts of capital, which may exceed its estimates. These projects may not be completed at the planned cost, on schedule or at all. The construction of new pipeline, gathering, treating, processing, compression or other facilities is subject to construction cost overruns due to labor costs, costs of equipment and materials such as steel, labor shortages or weather or other delays, inflation or other factors, which could be material. In addition, the construction of these facilities is typically subject to the receipt of approvals and permits from various regulatory agencies. Those agencies may not approve the projects in a timely manner, if at all, or may impose restrictions or conditions on the projects that could potentially prevent a project from proceeding, lengthen its expected completion schedule and/or increase its anticipated cost. Moreover, Enable's revenues and cash flows may not increase immediately upon the expenditure of funds on a particular project. For instance, if Enable expands an existing pipeline or constructs a new pipeline, the construction may occur over an extended period of time, and Enable may not receive any material increases in revenues or cash flows until the project is completed. In addition, Enable may construct facilities to capture anticipated future growth in production in a region in which such growth does not materialize. As a result, the new facilities may not be able to achieve Enable's expected investment return, which could adversely affect its results of operations and its ability to make cash distributions.

In connection with Enable's capital investments, Enable may engage a third party to estimate potential reserves in areas to be developed prior to constructing facilities in those areas. To the extent Enable relies on estimates of future production in deciding to construct additions to its systems, those estimates may prove to be inaccurate due to numerous uncertainties inherent in estimating future production. As a result, new facilities may not be able to attract sufficient throughput to achieve expected investment return, which could adversely affect Enable's results of operations and its ability to make cash distributions. In addition, the construction of additions to existing gathering and transportation assets may require new rights-of-way prior to construction. Those rights-of-way to connect new natural gas supplies to existing gathering lines may be unavailable and Enable may not be able to capitalize on attractive expansion opportunities. Additionally, it may become more expensive to obtain new rights-of-way or to renew existing rights-of-way. If the cost of renewing or obtaining new rights-of-way increases, Enable's results of operations and its ability to make cash distributions could be adversely affected.

Natural gas, NGL and crude oil prices are volatile, and changes in these prices could adversely affect Enable's results of operations and its ability to make cash distributions.

Enable's results of operations and its ability to make cash distributions could be negatively affected by adverse movements in the prices of natural gas, NGLs and crude oil depending on factors that are beyond its control. These factors include demand for these commodities, which fluctuates with changes in market and economic conditions and other factors, including the impact of seasonality and weather, general economic conditions, the level of domestic and offshore natural gas production and consumption, the availability of imported natural gas, LNG, NGLs and crude oil, actions taken by foreign natural gas and oil producing nations, the availability of local, intrastate and interstate transportation systems, the availability and marketing of competitive fuels, the

impact of energy conservation efforts, technological advances affecting energy consumption and the extent of governmental regulation and taxation.

Enable's keep-whole natural gas processing arrangements expose it to fluctuations in the pricing spreads between NGL prices and natural gas prices. Under these arrangements, the processor processes raw natural gas to extract NGLs and pays to the producer the natural gas equivalent Btu value of raw natural gas received from the producer in the form of either processed natural gas or its cash equivalent. The processor is generally entitled to retain the processed NGLs and to sell them for its own account. Accordingly, the processor's margin is a function of the difference between the value of the NGLs produced and the cost of the processed natural gas used to replace the natural gas equivalent Btu value of those NGLs. Therefore, if natural gas prices increase and NGL prices do not increase by a corresponding amount, the processor has to replace the Btu of natural gas at higher prices and processing margins are negatively affected.

Under Enable's percent-of-proceeds and percent-of-liquids natural gas processing agreements, the processor generally gathers raw natural gas from producers at the wellhead, transports the natural gas through its gathering system, processes the natural gas and sells the processed natural gas and/or NGLs at prices based on published index prices. The price paid to producers is based on an agreed percentage of the actual proceeds of the sale of processed natural gas, NGLs or both, or the expected proceeds based on an index price. These arrangements expose Enable to risks associated with the price of natural gas and NGLs.

At any given time, Enable's overall portfolio of processing contracts may reflect a net short position in natural gas (meaning that it is a net buyer of natural gas) and a net long position in NGLs (meaning that it is a net seller of NGLs). As a result, Enable's gross margin could be adversely impacted to the extent the price of NGLs decreases in relation to the price of natural gas.

Enable has limited experience in the crude oil gathering business.

In November 2013, Enable commenced initial operations on a new crude oil gathering pipeline system in North Dakota's Bakken shale formation, and Enable expects to place additional related assets in service in 2014. The gathering system, located in Dunn and McKenzie Counties in North Dakota, has a planned capacity of up to 19,500 barrels per day. These facilities are the first crude oil gathering system that Enable has built and operated. Other operators of gathering systems in the Bakken shale formation may have more experience in the construction, operation and maintenance of crude oil gathering systems than Enable. This relative lack of experience may hinder Enable's ability to fully implement its business plan in a timely and cost efficient manner, which, in turn, may adversely affect its results of operations and its ability to make cash distributions.

Enable provides certain transportation and storage services under long-term, fixed-price "negotiated rate" contracts that are not subject to adjustment, even if its cost to perform such services exceeds the revenues received from such contracts, and, as a result, Enable's costs could exceed its revenues received under such contracts.

Enable has been authorized by the FERC to provide transportation and storage services at its facilities at negotiated rates. Generally, negotiated rates are in excess of the maximum recourse rates allowed by the FERC, but it is possible that costs to perform services under "negotiated rate" contracts will exceed the revenues obtained under these agreements. If this occurs, it could decrease the cash flow realized by Enable's systems and, therefore, decrease the cash it has available for distribution.

"Negotiated rate" contracts generally do not include provisions allowing for adjustment for increased costs due to inflation, pipeline safety activities or other factors that are not tied to an applicable tracking mechanism authorized by the FERC. Successful recovery of any shortfall of revenue, representing the difference between "recourse rates" (if higher) and negotiated rates, is not assured under current FERC policies.

If third-party pipelines and other facilities interconnected to Enable's gathering, processing or transportation facilities become partially or fully unavailable for any reason, Enable's results of operations and its ability to make cash distributions could be adversely affected.

Enable depends upon third-party natural gas pipelines to deliver natural gas to, and take natural gas from, its transportation systems. Enable also depends on third-party facilities to transport and fractionate NGLs that are delivered to the third party at the tailgates of the processing plants. Fractionation is the separation of the heterogeneous mixture of extracted NGLs into individual components for end-use sale. For example, an outage or disruption on certain pipelines or fractionators operated by a third party could result in the shutdown of certain of Enable's processing plants, and a prolonged outage or disruption could ultimately result in a reduction in the volume of NGLs Enable is able to produce. Additionally, Enable depends on third parties to provide electricity for compression at many of its facilities. Since Enable does not own or operate any of these third-party pipelines or other facilities, their continuing operation is not within its control. If any of these third-party pipelines or other facilities become partially or fully

unavailable for any reason, Enable's results of operations and its ability to make cash distributions to unitholders could be adversely affected.

Enable does not own all of the land on which its pipelines and facilities are located, which could disrupt its operations.

Enable does not own all of the land on which its pipelines and facilities have been constructed, and it is therefore subject to the possibility of more onerous terms and/or increased costs to retain necessary land use if it does not have valid rights-of-way or if such rights-of-way lapse or terminate. Enable may obtain the rights to construct and operate its pipelines on land owned by third parties and governmental agencies for a specific period of time. A loss of these rights, through Enable's inability to renew right-of-way contracts or otherwise, could cause it to cease operations temporarily or permanently on the affected land, increase costs related to the construction and continuing operations elsewhere and adversely affect its results of operations and ability to make cash distributions.

Enable conducts a portion of its operations through joint ventures, which subject it to additional risks that could have a material adverse effect on the success of these operations and Enable's financial position and results of operations.

Enable conducts a portion of its operations through joint ventures with third parties, including affiliates of Spectra Energy Corp, DCP Midstream Partners, LP, Trans Louisiana Gas Pipeline, Inc. and Pablo Gathering LLC. Enable may also enter into other joint venture arrangements in the future. These third parties may have obligations that are important to the success of the joint venture, such as the obligation to pay their share of capital and other costs of the joint venture. The performance of these third-party obligations, including the ability of the third parties to satisfy their obligations under these arrangements, is outside Enable's control. If these parties do not satisfy their obligations under these arrangements, Enable's business may be adversely affected.

Enable's joint venture arrangements may involve risks not otherwise present when operating assets directly. For example, Enable's joint venture partners may share certain approval rights over major decisions or be in a position to take actions contrary to Enable's instructions or requests or contrary to its policies or objectives.

These risks or the failure to continue Enable's joint ventures or to resolve disagreements with Enable's joint venture partners could adversely affect Enable's ability to transact the business that is the subject of such joint venture, which would in turn negatively affect Enable's financial condition and results of operations.

Enable's business involves many hazards and operational risks, some of which may not be fully covered by insurance. Insufficient insurance coverage and increased insurance costs could adversely impact its results of operations and its ability to make cash distributions.

Enable's operations are subject to all of the risks and hazards inherent in the gathering, processing, transportation and storage of natural gas and crude oil, including:

- damage to pipelines and plants, related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters, acts of terrorism and actions by third parties;
- inadvertent damage from construction, vehicles, farm and utility equipment;
- leaks of natural gas, crude oil and other hydrocarbons or losses of natural gas and crude oil as a result of the malfunction of equipment or facilities;
- ruptures, fires and explosions; and
- other hazards that could also result in personal injury and loss of life, pollution and suspension of operations.

These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property, plant and equipment and pollution or other environmental damage. These risks may also result in curtailment or suspension of Enable's operations. A natural disaster or other hazard affecting the areas in which Enable operates could have a material adverse effect on its operations. Enable is not fully insured against all risks inherent in its business. We and OGE currently have general liability and property insurance in place to cover certain of Enable's facilities in amounts that we consider appropriate. Such policies are subject to certain limits and deductibles. Enable does not have business interruption insurance coverage for all of its operations. Insurance coverage may not be available in the future at current costs or on commercially reasonable terms, and the

insurance proceeds received for any loss of, or any damage to, any of Enable's facilities may not be sufficient to restore the loss or damage without negative impact on its results of operations and its ability to make cash distributions.

Enable's ability to grow is dependent on its ability to access external financing sources.

Enable expects that it will distribute all of its "available cash" to its unitholders following its initial public offering. As a result, Enable is expected to rely primarily upon external financing sources, including commercial bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion capital expenditures. As a result, to the extent Enable is unable to finance growth externally, Enable's cash distribution policy will significantly impair its ability to grow. In addition, because Enable is expected to distribute all of its available cash, its growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations.

To the extent Enable issues additional units in connection with any acquisitions or expansion capital expenditures, the payment of distributions on those additional units may increase the risk that Enable will be unable to maintain or increase its per unit distribution level, which in turn may impact the available cash that it has to distribute on each unit. There are no limitations in Enable's partnership agreement on its ability to issue additional units, including units ranking senior to the common units. The incurrence of additional commercial borrowings or other debt by Enable to finance its growth strategy would result in increased interest expense, which in turn may negatively impact the available cash that Enable has to distribute to its unitholders.

If Enable does not make acquisitions or is unable to make acquisitions on economically acceptable terms, its future growth will be limited.

Enable's ability to grow depends, in part, on its ability to make acquisitions that result in an increase in its cash generated from operations. If Enable is unable to make accretive acquisitions either because: (i) it is unable to identify attractive acquisition targets or it is unable to negotiate purchase contracts on acceptable terms, (ii) it is unable to obtain acquisition financing on economically acceptable terms, or (iii) it is outbid by competitors, then its future growth and ability to increase distributions will be limited.

Enable's debt levels may limit its flexibility in obtaining additional financing and in pursuing other business opportunities.

As of December 31, 2013, Enable had approximately \$1.9 billion of long-term debt outstanding and \$200 million of short-term debt outstanding, excluding the premiums on senior notes. Enable has \$363 million of long-term notes payable-affiliated companies due to CenterPoint Energy. Enable has a \$1.4 billion revolving credit facility for working capital, capital expenditures and other partnership purposes, including acquisitions, of which \$1.1 billion was available as of December 31, 2013. As of January 2014, Enable has the ability to issue up to \$1.4 billion in commercial paper, subject to available borrowing capacity under its revolving credit facility and market conditions. Enable will continue to have the ability to incur additional debt, subject to limitations in its credit facilities. The levels of Enable's debt could have important consequences, including the following:

- the ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or the financing may not be available on favorable terms, if at all;
- a portion of cash flows will be required to make interest payments on the debt, reducing the funds that would otherwise be available for operations, future business opportunities and distributions;
- Enable's debt level will make it more vulnerable to competitive pressures or a downturn in its business or the economy generally; and
- Enable's debt level may limit its flexibility in responding to changing business and economic conditions.

Enable's ability to service its debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond Enable's control. If operating results are not sufficient to service current or future indebtedness, Enable may be forced to take actions such as reducing distributions, reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing debt, or seeking additional equity capital. These actions may not be effected on satisfactory terms, or at all.

Enable's credit facilities contain operating and financial restrictions, including covenants and restrictions that may be affected by events beyond Enable's control, which could adversely affect its business, financial condition, results of operations and ability to make quarterly distributions.

Enable's credit facilities contain customary covenants that, among other things, limit its ability to:

- permit its subsidiaries to incur or guarantee additional debt;
- incur or permit to exist certain liens on assets;
- dispose of assets;
- merge or consolidate with another company or engage in a change of control;
- enter into transactions with affiliates on non-arm's length terms; and
- change the nature of its business.

Enable's credit facilities also require it to maintain certain financial ratios. Enable's ability to meet those financial ratios can be affected by events beyond its control, and we cannot assure you that it will meet those ratios. In addition, Enable's credit facilities contain events of default customary for agreements of this nature.

Enable's ability to comply with the covenants and restrictions contained in its credit facilities may be affected by events beyond its control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, Enable's ability to comply with these covenants may be impaired. If Enable violates any of the restrictions, covenants, ratios or tests in its credit facilities, a significant portion of its indebtedness may become immediately due and payable. In addition, Enable's lenders' commitments to make further loans to it under the revolving credit facility may be suspended or terminated. Enable might not have, or be able to obtain, sufficient funds to make these accelerated payments.

Costs of compliance with existing environmental laws and regulations are significant, and the cost of compliance with future environmental laws and regulations may adversely affect Enable's results of operations and its ability to make cash distributions.

Enable is subject to extensive federal, state and local environmental statutes, rules and regulations relating to air quality, water quality, waste management, wildlife conservation, natural resources and health and safety that could, among other things, delay or increase its costs of construction, restrict or limit the output of certain facilities and/or require additional pollution control equipment and otherwise increase costs. There are significant capital, operating and other costs associated with compliance with these environmental statutes, rules and regulations and those costs may be even more significant in the future.

There is inherent risk of the incurrence of environmental costs and liabilities in Enable's operations due to its handling of natural gas, NGLs and crude oil, air emissions related to its operations and historical industry operations and waste disposal practices. These activities are subject to stringent and complex federal, state and local laws and regulations governing environmental protection, including the discharge of materials into the environment and the protection of plants, wildlife, and natural and cultural resources. These laws and regulations can restrict or impact Enable's business activities in many ways, such as restricting the way it can handle or dispose of wastes or requiring remedial action to mitigate pollution conditions that may be caused by its operations or that are attributable to former operators. Joint and several strict liability may be incurred, without regard to fault, under certain of these environmental laws and regulations in connection with discharges or releases of wastes on, under or from Enable's properties and facilities, many of which have been used for midstream activities for a number of years, oftentimes by third parties not under its control. Private parties, including the owners of the properties through which Enable's gathering systems pass and facilities where its wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance, as well as to seek damages for non-compliance, with environmental laws and regulations or for personal injury or property damage. For example, an accidental release from one of Enable's pipelines could subject it to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations. Enable may be unable to recover these costs from insurance. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase compliance costs and the cost of any remediation that may become necessary. Further, stricter requirements could negatively impact Enable's customers' production and operations, resulting in less demand for its services.

Increased regulation of hydraulic fracturing could result in reductions or delays in natural gas production by Enable's customers, which could adversely affect its results of operations and ability to make cash distributions.

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, sand, and chemicals under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. Many of Enable's customers commonly use hydraulic fracturing techniques in their drilling and completion programs. Hydraulic fracturing typically is regulated by state oil and natural gas commissions. In addition, Congress from time to time has considered the adoption of legislation to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act (SDWA) and to require disclosure of the chemicals used in the hydraulic fracturing process. Some states have adopted, and other states are considering adopting, legal requirements that could impose more stringent permitting, public disclosure or well construction requirements on hydraulic fracturing activities. Local government also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where Enable's oil and natural gas exploration and production customers operate, they could incur potentially significant added costs to comply with such requirements, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from drilling wells, some or all of which activities could adversely affect demand for Enable's services to those customers.

In addition, certain governmental reviews have been conducted or are underway that focus on environmental aspects of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater. A draft final report drawing conclusions about the potential impacts of hydraulic fracturing on drinking water resources is currently expected to be available for public comment and peer review in 2014. Moreover, the EPA has announced that it will develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities by 2014. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, have evaluated or are evaluating various other aspects of hydraulic fracturing. President Obama created the Interagency Working Group on Unconventional Natural Gas and Oil by Executive Order on April 13, 2012, which is charged with coordinating and aligning federal agency research and scientific studies on unconventional natural gas and oil resources, including hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms.

Enable's operations are subject to extensive regulation by federal regulatory authorities. Changes or additional regulatory measures adopted by such authorities could have a material adverse effect on Enable's results of operations and ability to make cash distributions.

The rates charged by several of Enable's pipeline systems, including for interstate gas transportation service provided by its intrastate pipelines, are regulated by the FERC. The FERC and state regulatory agencies also regulate other terms and conditions of the services Enable may offer. If one of these regulatory agencies, on its own initiative or due to challenges by third parties, were to lower its tariff rates or deny any rate increase or other material changes to the types, or terms and conditions, of service Enable might propose or offer, the profitability of Enable's pipeline businesses could suffer. If Enable were permitted to raise its tariff rates for a particular pipeline, there might be significant delay between the time the tariff rate increase is approved and the time that the rate increase actually goes into effect, which could also limit its profitability. Furthermore, competition from other pipeline systems may prevent Enable from raising its tariff rates even if regulatory agencies permit it to do so. The regulatory agencies that regulate Enable's systems periodically implement new rules, regulations and terms and conditions of services subject to their jurisdiction. New initiatives or orders may adversely affect the rates charged for Enable's services or otherwise adversely affect its financial condition, results of operations and cash flows and its ability to make cash distributions.

Enable's natural gas interstate pipelines are regulated by the FERC under the Natural Gas Act of 1938, or NGA, the Natural Gas Policy Act of 1978, or the NGPA, and the Energy Policy Act of 2005, or EPCA of 2005. Generally, the FERC's authority over interstate natural gas transportation extends to:

- rates, operating terms, conditions of service and service contracts;
- certification and construction of new facilities;
- extension or abandonment of services and facilities or expansion of existing facilities;
- maintenance of accounts and records;
- acquisition and disposition of facilities;

- initiation and discontinuation of services;
- depreciation and amortization policies;
- conduct and relationship with certain affiliates;
- market manipulation in connection with interstate sales, purchases or natural gas transportation; and
- various other matters.

The FERC's jurisdiction extends to the certification and construction of interstate transportation and storage facilities, including, but not limited to expansions, lateral and other facilities and abandonment of facilities and services. Prior to commencing construction of significant new interstate transportation and storage facilities, an interstate pipeline must obtain a certificate authorizing the construction, or an order amending its existing certificate, from the FERC. Certain minor expansions are authorized by blanket certificates that the FERC has issued by rule. Typically, a significant expansion project requires review by a number of governmental agencies, including state and local agencies, whose cooperation is important in completing the regulatory process on schedule. Any failure by an agency to issue sufficient authorizations or permits in a timely manner for one or more of these projects may mean that Enable will not be able to pursue these projects or that they will be constructed in a manner or with capital requirements that Enable did not anticipate. Enable's inability to obtain sufficient permits and authorizations in a timely manner could materially and negatively impact the additional revenues expected from these projects.

The FERC conducts audits to verify compliance with the FERC's regulations and the terms of its orders, including whether the websites of interstate pipelines accurately provide information on the operations and availability of services. The FERC's regulations require uniform terms and conditions for service, as set forth in agreements for transportation and storage services executed between interstate pipelines and their customers. These service agreements are required to conform, in all material respects, with the standard form of service agreements set forth in the pipeline's FERC-approved tariff. Non-conforming agreements must be filed with, and accepted by, the FERC. In the event that the FERC finds that an agreement, in whole or part, is materially non-conforming, it could reject the agreement or require Enable to seek modification, or alternatively require it to modify its tariff so that the non-conforming provisions are generally available to all customers.

The rates, terms and conditions for transporting natural gas in interstate commerce on certain of Enable's intrastate pipelines and for services offered at certain of its storage facilities are subject to the jurisdiction of the FERC under Section 311 of the NGPA. Rates to provide such interstate transportation service must be "fair and equitable" under the NGPA and are subject to review, refund with interest if found not to be fair and equitable, and approval by the FERC at least once every five years.

Enable's crude oil gathering pipelines are subject to common carrier regulation by the FERC under the Interstate Commerce Act, or ICA. The ICA requires that Enable maintain tariffs on file with the FERC setting forth the rates it charges for providing transportation services, as well as the rules and regulations governing such services. The ICA requires, among other things, that Enable's rates must be "just and reasonable" and that it provides service in a manner that is nondiscriminatory.

Enable's operations may also be subject to regulation by state and local regulatory authorities. Changes or additional regulatory measures adopted by such authorities could adversely affect its results of operations and its ability to make cash distributions.

Enable's pipeline operations that are not regulated by the FERC may be subject to state and local regulation applicable to intrastate natural and transportation services. The relevant states in which Enable operates include North Dakota, Oklahoma, Arkansas, Louisiana, Texas, Missouri, Kansas, Mississippi, Tennessee and Illinois. State and local regulations generally focus on safety, environmental and, in some circumstances, prohibition of undue discrimination among shippers. Additional rules and legislation pertaining to these matters are considered and, in some instances, adopted from time to time. We cannot predict what effect, if any, such changes might have on Enable's operations, but Enable could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes. Other state and local regulations also may affect Enable's business. Any such state or local regulation could have an adverse effect on its business and the results of its operations.

Enable's gathering lines may be subject to ratable take and common purchaser statutes. Ratable take statutes generally require gatherers to take, without undue discrimination, oil or natural gas production that may be tendered to the gatherer for handling. Similarly, common purchaser statutes generally require gatherers to purchase without undue discrimination as to source of supply or producer. These statutes restrict Enable's right as an owner of gathering facilities to decide with whom it contracts to purchase or transport oil or natural gas. Federal law leaves economic regulation of natural gas gathering to the states. The states in which

Enable operates have adopted complaint-based regulation of oil and natural gas gathering activities, which allows oil and natural gas producers and shippers to file complaints with state regulators in an effort to resolve grievances relating to access to oil and natural gas gathering pipelines and rate discrimination.

Other state regulations may not directly regulate Enable's business, but may nonetheless affect the availability of natural gas for processing, including state regulation of production rates and maximum daily production allowable from gas wells. While Enable's gathering lines are currently subject to limited state regulation, there is a risk that state laws will be changed, which may give producers a stronger basis to challenge the regulatory status of a line, or the rates, terms and conditions of a gathering line providing transportation service.

A change in the jurisdictional characterization of some of Enable's assets by federal, state or local regulatory agencies or a change in policy by those agencies may result in increased regulation of its assets, which may cause its revenues to decline and operating expenses to increase.

Enable's natural gas gathering and intrastate transportation operations are generally exempt from the jurisdiction of the FERC under the NGA, but FERC regulation may indirectly impact these businesses and the markets for products derived from these businesses. The FERC's policies and practices across the range of its oil and natural gas regulatory activities, including, for example, its policies on interstate open access transportation, ratemaking, capacity release, and market center promotion may indirectly affect intrastate markets. In recent years, the FERC has pursued pro-competitive policies in its regulation of interstate oil and natural gas pipelines. However, we cannot assure you that the FERC will continue to pursue this approach as it considers matters such as pipeline rates and rules and policies that may indirectly affect the intrastate natural gas transportation business. Although the FERC has not made a formal determination with respect to all of Enable's facilities it considers to be gathering facilities, Enable believe that its natural gas gathering pipelines meet the traditional tests that the FERC has used to determine that a pipeline is a gathering pipeline and are therefore not subject to FERC jurisdiction. The distinction between FERC-regulated transmission services and federally unregulated gathering services, however, has been the subject of substantial litigation, and the FERC determines whether facilities are gathering facilities on a case-by-case basis, so the classification and regulation of Enable's gathering facilities is subject to change based on future determinations by the FERC, the courts or Congress. If the FERC were to consider the status of an individual facility and determine that the facility and/or services provided by it are not exempt from FERC regulation under the NGA and that the facility provides interstate service, the rates for, and terms and conditions of, services provided by such facility would be subject to regulation by the FERC under the NGA or the NGPA. Such regulation could decrease revenue, increase operating costs, and, depending upon the facility in question, could adversely affect Enable's financial condition, results of operations and cash flows and its ability to make cash distributions. In addition, if any of Enable's facilities were found to have provided services or otherwise operated in violation of the NGA or NGPA, this could result in the imposition of substantial civil penalties, as well as a requirement to disgorge revenues collected for such services in excess of the maximum rates established by the FERC.

Natural gas gathering may receive greater regulatory scrutiny at the state level; therefore, Enable's natural gas gathering operations could be adversely affected should they become subject to the application of state regulation of rates and services. Enable's gathering operations could also be subject to safety and operational regulations relating to the design, construction, testing, operation, replacement and maintenance of gathering facilities. We cannot predict what effect, if any, such changes might have on Enable's operations, but Enable could be required to incur additional capital expenditures and increased costs depending on future legislative and regulatory changes.

Enable may incur significant costs and liabilities resulting from pipeline integrity and other similar programs and related repairs.

The DOT has adopted regulations requiring pipeline operators to develop integrity management programs for transportation pipelines located in "high consequence areas," which are those areas where a leak or rupture could do the most harm. The regulations require operators, including Enable, to, among other things:

- develop a baseline plan to prioritize the assessment of a covered pipeline segment;
- identify and characterize applicable threats that could impact a high consequence area;
- improve data collection, integration, and analysis;
- repair and remediate pipelines as necessary; and
- implement preventive and mitigating action.

Although many of Enable's pipelines fall within a class that is currently not subject to these requirements, it may incur significant cost and liabilities associated with repair, remediation, preventive or mitigation measures associated with its non-exempt pipelines. Should Enable fail to comply with DOT or comparable state regulations, it could be subject to penalties and fines. Also, the scope of the integrity management program and other related pipeline safety programs could be expanded in the future.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Character of Ownership

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

Electric Transmission & Distribution

For information regarding the properties of our Electric Transmission & Distribution business segment, please read "Business — Our Business — Electric Transmission & Distribution — Properties" in Item 1 of this report, which information is incorporated herein by reference.

Natural Gas Distribution

For information regarding the properties of our Natural Gas Distribution business segment, please read "Business — Our Business — Natural Gas Distribution — Assets" in Item 1 of this report, which information is incorporated herein by reference.

Energy Services

For information regarding the properties of our Energy Services business segment, please read "Business — Our Business — Energy Services — Assets" in Item 1 of this report, which information is incorporated herein by reference.

Midstream Investments

For information regarding the properties of our Midstream Investments business segment, please read "Business — Our Business — Midstream Investments" in Item 1 of this report, which information is incorporated herein by reference.

Other Operations

For information regarding the properties of our Other Operations business segment, please read "Business — Our Business — Other Operations" in Item 1 of this report, which information is incorporated herein by reference.

Item 3. *Legal Proceedings*

For a discussion of material legal and regulatory proceedings affecting us, please read "Business — Regulation" and "Business — Environmental Matters" in Item 1 of this report, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters" in Item 7 of this report and Note 14(d) to our consolidated financial statements, which information is incorporated herein by reference.

Item 4. *Mine Safety Disclosures*

Not applicable.

PART II

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

As of February 14, 2014, our common stock was held by approximately 37,137 shareholders of record. Our common stock is listed on the New York and Chicago Stock Exchanges and is traded under the symbol "CNP."

The following table sets forth the high and low closing prices of the common stock of CenterPoint Energy on the New York Stock Exchange composite tape during the periods indicated, as reported by *Bloomberg*, and the cash dividends declared in these periods.

	Market Price		Dividend Declared Per Share
	High	Low	
2013			
First Quarter			\$ 0.2075
January 8		\$ 19.47	
March 28	\$ 23.96		
Second Quarter			\$ 0.2075
April 30	\$ 24.68		
June 20		\$ 22.49	
Third Quarter			\$ 0.2075
August 1	\$ 25.16		
September 5		\$ 22.76	
Fourth Quarter			\$ 0.2075
November 15	\$ 25.07		
December 13		\$ 22.68	
2012			
First Quarter			\$ 0.2025
January 3	\$ 19.89		
January 27		\$ 18.23	
Second Quarter			\$ 0.2025
April 10		\$ 19.06	
June 18	\$ 20.71		
Third Quarter			\$ 0.2025
August 23		\$ 20.24	
September 26	\$ 21.45		
Fourth Quarter			\$ 0.2025
October 17	\$ 21.75		
December 28		\$ 19.00	

The closing market price of our common stock on December 31, 2013 was \$23.18 per share.

The amount of future cash dividends will be subject to determination based upon our results of operations and financial condition, our future business prospects, any applicable contractual restrictions and other factors that our board of directors considers relevant and will be declared at the discretion of the board of directors.

On January 20, 2014, we announced a regular quarterly cash dividend of \$0.2375 per share, payable on March 10, 2014 to shareholders of record on February 14, 2014.

Repurchases of Equity Securities

During the quarter ended December 31, 2013, none of our equity securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 were purchased by or on behalf of us or any of our “affiliated purchasers,” as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934.

Item 6. Selected Financial Data

The following table presents selected financial data with respect to our consolidated financial condition and consolidated results of operations and should be read in conjunction with our consolidated financial statements and the related notes in Item 8 of this report.

	Year Ended December 31,				
	2013	2012	2011 (1)	2010	2009
	(in millions, except per share amounts)				
Revenues	\$ 8,106	\$ 7,452	\$ 8,450	\$ 8,785	\$ 8,281
Equity in Earnings of Unconsolidated Affiliates	\$ 188 (2)	31	30	29	15
Income before Extraordinary Item	311	417	770	442	372
Extraordinary Item, net of tax	—	—	587	—	—
Net income	<u>\$ 311</u>	<u>\$ 417</u>	<u>\$ 1,357</u>	<u>\$ 442</u>	<u>\$ 372</u>
Basic earnings per common share:					
Income before Extraordinary Item	\$ 0.73	\$ 0.98	\$ 1.81	\$ 1.08	\$ 1.02
Extraordinary Item, net of tax	—	—	1.38	—	—
Basic earnings per common share	<u>\$ 0.73</u>	<u>\$ 0.98</u>	<u>\$ 3.19</u>	<u>\$ 1.08</u>	<u>\$ 1.02</u>
Diluted earnings per common share:					
Income before Extraordinary Item	\$ 0.72	\$ 0.97	\$ 1.80	\$ 1.07	\$ 1.01
Extraordinary Item, net of tax	—	—	1.37	—	—
Diluted earnings per common share	<u>\$ 0.72</u>	<u>\$ 0.97</u>	<u>\$ 3.17</u>	<u>\$ 1.07</u>	<u>\$ 1.01</u>
Cash dividends declared per common share	\$ 0.83	\$ 0.81	\$ 0.79	\$ 0.78	\$ 0.76
Dividend payout ratio	114%	83%	44% (3)	72%	75%
Return on average common equity	7%	10%	21% (3)	15%	16%
Ratio of earnings to fixed charges	2.42	2.29	2.96 (3)	2.08	1.82
At year-end:					
Book value per common share	\$ 10.09	\$ 10.09	\$ 9.91	\$ 7.53	\$ 6.74
Market price per common share	23.18	19.25	20.09	15.72	14.51
Market price as a percent of book value	230%	191%	203%	209%	215%
Total assets	\$ 21,870	\$ 22,871	\$ 21,703	\$ 20,111	\$ 19,773
Short-term borrowings	43	38	62	53	55
Transition and system restoration bonds, including current maturities	3,400	3,847	2,522	2,805	3,046
Other long-term debt, including current maturities	4,914	5,910	6,603	6,624	6,976
Capitalization:					
Common stock equity	34%	31%	32%	25%	21%
Long-term debt, including current maturities	66%	69%	68%	75%	79%
Capitalization, excluding transition and system restoration bonds:					
Common stock equity	47%	42%	39%	33%	27%
Long-term debt, excluding transition and system restoration bonds, and including current maturities	53%	58%	61%	67%	73%
Capital expenditures	\$ 1,272	\$ 1,188	\$ 1,191	\$ 1,462	\$ 1,148

(1) 2011 Income before Extraordinary Item includes a \$224 million after-tax (\$0.53 and \$0.52 per basic and diluted share, respectively) return on true-up balance related to a portion of interest on the appealed true-up amount.

(2) Following the formation of Enable Midstream Partners LP (Enable) on May 1, 2013, Enable owns substantially all of our former Interstate Pipelines and Field Services business segments, except for our retained 25.05% interest in Southeast Supply Header, LLC (SESH). As of December 31, 2013, we owned approximately 58.3% of the limited partner interest in Enable, an unconsolidated subsidiary, which we account for on an equity basis.

(3) Calculated using Income before Extraordinary Item.

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

The following discussion and analysis should be read in combination with our consolidated financial statements included in Item 8 herein.

OVERVIEW

Background

We are a public utility holding company. Our operating subsidiaries own and operate electric transmission and distribution facilities and natural gas distribution facilities and own interests in Enable Midstream Partners, LP (Enable) as described below. Our indirect wholly owned subsidiaries include:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in a 5,000-square mile area of the Texas Gulf Coast that includes the city of Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems in six states (Gas Operations). A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities. As of December 31, 2013, CERC Corp. also owned approximately 58.3% of the limited partner interests in Enable, an unconsolidated partnership jointly controlled with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets.

Business Segments

In this Management's Discussion and Analysis, we discuss our results from continuing operations on a consolidated basis and individually for each of our business segments. We also discuss our liquidity, capital resources and certain critical accounting policies. We are first and foremost an energy delivery company and it is our intention to remain focused on these segments of the energy business. The results of our business operations are significantly impacted by weather, customer growth, economic conditions, cost management, competition, rate proceedings before regulatory agencies and other actions of the various regulatory agencies to whose jurisdiction we are subject. Our electric transmission and distribution services are subject to rate regulation and are reported in the Electric Transmission & Distribution business segment, as are impacts of generation-related stranded costs and other true-up balances recoverable by the regulated electric utility. Our natural gas distribution services are also subject to rate regulation and are reported in the Natural Gas Distribution business segment. The results of our Midstream Investments segment are dependent upon the results of Enable, which are driven primarily by the volume of natural gas that Enable gathers, processes and transports across its systems and other factors as discussed below under "- Factors Influencing Our Midstream Investments Segment." A summary of our reportable business segments as of December 31, 2013 is set forth below:

Electric Transmission & Distribution

Our electric transmission and distribution operations provide electric transmission and distribution services to retail electric providers (REPs) serving over two million metered customers in a 5,000-square-mile area of the Texas Gulf Coast that has a population of approximately six million people and includes the city of Houston.

On behalf of REPs, CenterPoint Houston delivers electricity from power plants to substations, from one substation to another and to retail electric customers in locations throughout CenterPoint Houston's certificated service territory. The Electric Reliability Council of Texas, Inc. (ERCOT) serves as the regional reliability coordinating council for member electric power systems in Texas. ERCOT membership is open to consumer groups, investor and municipally-owned electric utilities, rural electric cooperatives, independent generators, power marketers, river authorities and REPs. The ERCOT market represents approximately 85% of the demand for power in Texas and is one of the nation's largest power markets. Transmission and distribution services are provided under tariffs approved by the Public Utility Commission of Texas (Texas Utility Commission).

Natural Gas Distribution

CERC owns and operates our regulated natural gas distribution business (Gas Operations), which engages in intrastate natural gas sales to, and natural gas transportation for, approximately 3.3 million residential, commercial and industrial customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas.

Energy Services

CERC's operations also include non-rate regulated natural gas sales to, and transportation services for, commercial and industrial customers in 21 states in the central and eastern regions of the United States.

Midstream Investments

We have a significant equity investment in Enable, an unconsolidated subsidiary that owns, operates and develops natural gas and crude oil assets. Our Midstream Investments segment includes equity earnings associated with the operations of Enable and a 25.05% interest in SESH currently owned by CERC.

Other Operations

Our other operations business segment includes office buildings and other real estate used in our business operations and other corporate operations which support all of our business operations.

EXECUTIVE SUMMARY

Factors Influencing Our Businesses

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

To the extent adverse economic conditions affect our suppliers and customers, results from our energy delivery businesses may suffer. Reduced demand and lower energy prices could lead to financial pressure on some of our customers who operate within the energy industry. Also, adverse economic conditions, coupled with concerns for protecting the environment, may cause consumers to use less energy or avoid expansions of their facilities, resulting in less demand for our services.

Performance of our Electric Transmission & Distribution and Natural Gas Distribution business segments is significantly influenced by the number of customers and energy usage per customer. Weather conditions can have a significant impact on energy usage, and we compare our results on a weather adjusted basis. The Houston area experienced extremely hot and dry weather during 2011. In 2012, we experienced a return to more normal weather in the summer months. However, every state in which we distribute natural gas had the warmest winter on record. In 2013, we experienced a colder than normal spring and very cold weather in November and December in Houston and all of the states in which we have gas customers. In recent years, customers have typically reduced their energy consumption, and reduced consumption can adversely affect our results. However, due to more affordable energy prices and continued economic improvement in the areas we serve, the trend toward lower usage has slowed in some of the areas we serve. In addition, in many of our service areas, particularly in the Houston area and in Minnesota, we have benefited from a growth in the number of customers that also tends to mitigate the effects of reduced consumption. We anticipate that this trend will continue as the regions' economies resume typical growth. The profitability of our businesses is influenced significantly by the regulatory treatment we receive from the various state and local regulators who set our electric and gas distribution rates.

Our Energy Services business segment contracts with customers for transportation, storage and sales of natural gas on an unregulated basis. Its operations serve customers in the central and eastern regions of the United States. The segment benefits from favorable price differentials, either on a geographic basis or on a seasonal basis. While this business utilizes financial derivatives to hedge its exposure to price movements, it does not engage in speculative or proprietary trading and maintains a low value at risk level, or VaR, to avoid significant financial exposures. Lower geographic and seasonal price differentials during 2013, 2012 and 2011 adversely affected results for this business segment.

The nature of our businesses requires significant amounts of capital investment, and we rely on internally generated cash, borrowings under our credit facilities, proceeds from commercial paper and issuances of debt and equity in the capital markets to satisfy these capital needs. We strive to maintain investment grade ratings for our securities in order to access the capital markets on terms we consider reasonable. A reduction in our ratings generally would increase our borrowing costs for new issuances of

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

We expect to make contributions to our pension plan aggregating approximately \$87 million in 2014 and may need to make larger contributions in subsequent years. Consistent with the regulatory treatment of such costs, we can defer the amount of pension expense that differs from the level of pension expense included in our base rates for our Electric Transmission & Distribution business segment and our Gas Operations in Texas.

Factors Influencing Our Midstream Investments Segment

The results of our Midstream Investments segment are primarily dependent upon the results of Enable, which are driven primarily by the volume of natural gas that Enable gathers, processes and transports across its systems, which depends significantly on the level of production from natural gas wells connected to its systems. Aggregate production volumes are affected by the overall amount of drilling and completion activity, as production must be maintained or increased by new drilling or other activity, because the production rate of a natural gas well declines over time. Producers' willingness to engage in new drilling is determined by a number of factors, the most important of which are the prevailing and projected prices of natural gas and NGLs, the cost to drill and operate a well, the availability and cost of capital and environmental and government regulations. The level of drilling is expected to positively correlate with long-term trends in commodity prices. Similarly, production levels nationally and regionally generally tend to positively correlate with drilling activity.

To maintain and increase gathering throughput volumes on its systems, Enable must continue to contract its capacity to shippers, including producers and marketers. Enable's transportation and storage systems compete for customers based on the type of service a customer needs, operating flexibility, receipt and delivery points and geographic flexibility and available capacity and price. To maintain and increase Enable's transportation and storage volumes, it must continue to contract its capacity to shippers, including producers, marketers, LDCs, power generators and end-users.

Enable's operation and maintenance expenses are comprised primarily of labor expenses, lease costs, utility costs, insurance premiums and repairs and maintenance expenses. These expenses generally remain relatively stable across broad ranges of throughput volumes but can fluctuate from period to period depending on the mix of activities performed during that period and the timing of these expenses. The current high levels of crude oil exploration, development and production activities are increasing competition for personnel and equipment. This increased competition is placing upward pressure on the prices Enable pays for labor, supplies and miscellaneous equipment. To the extent Enable is unable to procure necessary services or offset higher costs, its operating results will be negatively affected.

Our Midstream Investments segment currently includes a 25.05% interest in SESH owned by CERC that may be contributed by CERC to Enable in the future, upon exercise of certain put or call rights under which CERC would contribute to Enable CERC's retained interest in SESH at a price equal to the fair market value of such interest at the time the put right or call right is exercised (which may be no earlier than May 2014 and May 2015 for a 24.95% and a 0.1% interest, respectively). If CERC were to exercise such put right or Enable were to exercise such call right, CERC's retained interest in SESH would be contributed to Enable in exchange for consideration consisting of a certain number of limited partnership units in Enable (subject to certain antidilution adjustments) for a 24.95% and a 0.1% interest in SESH, respectively, and, subject to certain restrictions, a cash payment, payable either from CERC to Enable or from Enable to CERC for changes in the value of SESH.

Significant Events

Enable Midstream Partners. On March 14, 2013, we entered into a Master Formation Agreement (MFA) with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to which we, OGE and ArcLight agreed to form Enable Midstream Partners, LP (Enable) as a private limited partnership. On May 1, 2013, the parties closed on the formation of Enable pursuant to the terms of the MFA. In connection with the closing (i) CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC) converted its direct wholly owned subsidiary, CenterPoint Energy Field Services, LLC, a Delaware limited liability company (CEFS), into a Delaware limited partnership that became Enable, (ii) CERC Corp. contributed to Enable its equity interests in each of CenterPoint Energy Gas Transmission Company, LLC, which has been subsequently renamed Enable Gas Transmission, LLC (EGT), CenterPoint Energy - Mississippi River Transmission, LLC, which has been subsequently renamed Enable Mississippi River Transmission, LLC (MRT), certain of its other midstream subsidiaries, and a 24.95% interest in Southeast Supply Header, LLC (SESH), and (iii) OGE and ArcLight indirectly contributed 100% of the equity interests in Enogex LLC, which has been subsequently renamed Enable Oklahoma Intrastate Transmission, LLC, to Enable. Enable

owns substantially all of our former Interstate Pipelines and Field Services business segments, except for our retained 25.05% interest in SESH.

As of December 31, 2013, CERC Corp., OGE and ArcLight held approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in Enable. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE also own a 40% and 60% interest, respectively, in the incentive distribution rights held by the general partner of Enable.

On May 1, 2013, Enable (i) entered into a \$1.05 billion three-year senior unsecured term loan facility, (ii) repaid \$1.05 billion of indebtedness owed to CERC, and (iii) entered into a \$1.4 billion senior unsecured revolving credit facility.

As a result of the formation of Enable, we no longer have Interstate Pipelines or Field Services business segments. Enable is an unconsolidated subsidiary which we account for on an equity basis. Equity earnings associated with our interest in Enable and our retained 25.05% interest in SESH are reported under our Midstream Investments segment. For a further description of our reportable business segments, see Note 17 to our consolidated financial statements.

Debt Matters. In March 2013, CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) retired \$450 million aggregate principal amount of its 5.70% general mortgage bonds at their maturity.

In April 2013, CERC Corp. retired approximately \$365 million aggregate principal amount of its 7.875% senior notes at their maturity. The retirement of senior notes was financed by CERC Corp. with the issuance of commercial paper.

In May 2013, CERC Corp. applied proceeds from Enable's May 1, 2013 debt repayment of \$1.05 billion to the repayment of \$357 million aggregate principal amount of its commercial paper and to the May 31, 2013 redemption of \$160 million aggregate principal amount of its 5.95% senior notes due January 15, 2014 at 103.419% of their aggregate principal amount.

On August 1, 2013, approximately \$92 million aggregate principal amount of pollution control bonds issued on our behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of August 1, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

On September 9, 2013, our revolving credit facility and the revolving credit facilities of CenterPoint Houston and CERC Corp. were amended to, among other things, (i) reduce the size of the CERC Corp. facility from \$950 million to \$600 million, (ii) extend the scheduled termination dates of the three facilities from September 9, 2016 to September 9, 2018, and (iii) change the financial covenant in our facility to a covenant that limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization (subject to a temporary increase to 70% of our consolidated capitalization under certain circumstances described therein).

On October 15, 2013, approximately \$59 million aggregate principal amount of pollution control bonds issued on our behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4%, a maturity date of October 15, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

In January 2014, approximately \$44 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston were called for redemption on March 3, 2014 at 101% of their principal amount plus accrued interest. The bonds have an interest rate of 4.25%, mature in 2017 and are collateralized by general mortgage bonds of CenterPoint Houston.

In February 2014, notice was given that approximately \$56 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston must be tendered for purchase by CenterPoint Houston on March 3, 2014 at 101% of their principal amount plus accrued interest pursuant to the mandatory tender provisions of the bonds. The bonds have an interest rate of 5.60%, mature in 2027 and are collateralized by general mortgage bonds of CenterPoint Houston. The purchased pollution control bonds will remain outstanding and may be remarketed.

CERTAIN FACTORS AFFECTING FUTURE EARNINGS

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

- state and federal legislative and regulatory actions or developments affecting various aspects of our businesses (including the businesses of Enable), including, among others, energy deregulation or re-regulation, pipeline integrity and safety, health care reform, financial reform, tax legislation and actions regarding the rates charged by our regulated businesses;
- state and federal legislative and regulatory actions or developments relating to the environment, including those related to global climate change;
- timely and appropriate rate actions that allow recovery of costs and a reasonable return on investment;
- the timing and outcome of any audits, disputes and other proceedings related to taxes;
- problems with construction, implementation of necessary technology or other issues with respect to major capital projects that result in delays or in cost overruns that cannot be recouped in rates;
- industrial, commercial and residential growth in our service territories and changes in market demand, including the effects of energy efficiency measures and demographic patterns;
- the timing and extent of changes in commodity prices, particularly natural gas and natural gas liquids (NGLs), and the effects of geographic and seasonal commodity price differentials ;
- weather variations and other natural phenomena, including the impact of severe weather events on operations and capital;
- any direct or indirect effects on our facilities, operations and financial condition resulting from terrorism, cyber-attacks, data security breaches or other attempts to disrupt our businesses or the businesses of third parties, or other catastrophic events;
- the impact of unplanned facility outages;
- timely and appropriate regulatory actions allowing securitization or other recovery of costs associated with any future hurricanes or natural disasters;
- changes in interest rates or rates of inflation;
- commercial bank and financial market conditions, our access to capital, the cost of such capital, and the results of our financing and refinancing efforts, including availability of funds in the debt capital markets;
- actions by credit rating agencies;
- effectiveness of our risk management activities;
- inability of various counterparties to meet their obligations to us;
- non-payment for our services due to financial distress of our customers;
- the ability of GenOn Energy, Inc. (formerly known as RRI Energy, Inc., Reliant Energy, Inc. and Reliant Resources, Inc.), a wholly owned subsidiary of NRG Energy, Inc. (NRG), and its subsidiaries to satisfy their obligations to us, including indemnity obligations, or obligations in connection with the contractual arrangements pursuant to which we are their guarantor;
- the ability of retail electric providers (REPs), including REP affiliates of NRG, Just Energy Group, Inc. and Energy Future Holdings Corp., which are CenterPoint Energy Houston Electric, LLC's largest customers, to satisfy their obligations to us and our subsidiaries;
- the outcome of litigation brought by or against us;
- our ability to control costs;
- the investment performance of our pension and postretirement benefit plans;
- our potential business strategies, including restructurings, joint ventures and acquisitions or dispositions of assets or businesses, which we cannot assure you will be completed or will have the anticipated benefits to us;

- acquisition and merger activities involving us or our competitors;
- future economic conditions in regional and national markets and their effect on sales, prices and costs;
- the performance of Enable, the amount of cash distributions we receive from Enable, the value of our interest in Enable and factors that may have a material impact on such performance, cash distributions and value, including certain of the factors specified above and:
 - the integration of the operations of the businesses we contributed to Enable with those contributed by OGE and ArcLight;
 - the achievement of anticipated operational and commercial synergies and expected growth opportunities, and the successful implementation of its business plan;
 - competitive conditions in the midstream industry and actions taken by Enable's customers and competitors, including the extent and timing of the entry of additional competition in the markets served by Enable;
 - the timing and extent of changes in the supply of natural gas and associated commodity prices, particularly prices of natural gas and NGLs, the competitive effects of the available pipeline capacity in the regions served by Enable and the effects of geographic and seasonal commodity price differentials, including the effects of these circumstances on re-contracting available capacity on Enable's interstate pipelines;
 - the demand for natural gas, NGLs and transportation and storage services;
 - changes in tax status;
 - access to growth capital;
 - the availability and prices of raw materials for current and future construction projects;
 - the timing and terms of Enable's planned initial public offering, the actual consummation of which is subject to market conditions, regulatory requirements and other factors; and
- other factors we discuss under "Risk Factors" in Item 1A of this report and in other reports we file from time to time with the SEC.

CONSOLIDATED RESULTS OF OPERATIONS

All dollar amounts in the tables that follow are in millions, except for per share amounts.

	Year Ended December 31,		
	2013	2012	2011
Revenues	\$ 8,106	\$ 7,452	\$ 8,450
Expenses	7,096	6,414	7,152
Operating Income	1,010	1,038	1,298
Gain on Marketable Securities	236	154	19
Gain (Loss) on Indexed Debt Securities	(193)	(71)	35
Interest and Other Finance Charges	(351)	(422)	(456)
Interest on Transition and System Restoration Bonds	(133)	(147)	(127)
Equity in Earnings of Unconsolidated Affiliates	188	31	30
Return on True-Up Balance	—	—	352
Step acquisition gain	—	136	—
Other Income, net	24	38	23
Income Before Income Taxes and Extraordinary Item	781	757	1,174
Income Tax Expense	470	340	404
Income Before Extraordinary Item	311	417	770
Extraordinary Item, net of tax	—	—	587
Net Income	<u>\$ 311</u>	<u>\$ 417</u>	<u>\$ 1,357</u>
Basic Earnings Per Share:			
Income Before Extraordinary Item	\$ 0.73	\$ 0.98	\$ 1.81
Extraordinary Item, net of tax	—	—	1.38
Net Income	<u>\$ 0.73</u>	<u>\$ 0.98</u>	<u>\$ 3.19</u>
Diluted Earnings Per Share:			
Income Before Extraordinary Item	\$ 0.72	\$ 0.97	\$ 1.80
Extraordinary Item, net of tax	—	—	1.37
Net Income	<u>\$ 0.72</u>	<u>\$ 0.97</u>	<u>\$ 3.17</u>

2013 Compared to 2012

Net Income. We reported net income of \$311 million (\$0.72 per diluted share) for 2013 compared to \$417 million (\$0.97 per diluted share) for the same period in 2012. The decrease in net income of \$106 million was primarily due to a \$136 million non-cash step acquisition gain related to the acquisition of an additional 50% interest in Waskom in 2012, a \$130 million increase in income tax expense discussed below, a \$122 million increase in the loss on our indexed debt securities and a \$28 million decrease in operating income (discussed below by segment). Operating income in 2012 included a \$252 million non-cash goodwill impairment charge. These decreases were partially offset by a \$157 million increase in equity earnings of unconsolidated affiliates, a \$85 million decrease in interest expense and a \$82 million increase in the gain on our marketable securities.

Income Tax Expense. We reported an effective tax rate of 60.2% for 2013 compared to 44.9% for the same period in 2012. Our effective tax rate for 2013 increased by 15.3% primarily as a result of the formation of Enable with deferred tax expense of \$225 million related to the book-to-tax basis difference for contributed non-tax deductible goodwill and a tax benefit of \$29 million associated with the remeasurement of state deferred taxes at formation. In addition, we recognized a tax benefit of \$8 million based on the settlement with the Internal Revenue Service (IRS) of outstanding tax claims for the 2002 and 2003 audit cycles. Our effective tax rate for 2013 was approximately 36.2% excluding the tax effects from the adjustments described above.

Our effective tax rate for 2012 of 44.9% was primarily impacted by an increase in tax expense of \$88 million related to the non-tax deductible impairment of goodwill of \$252 million and a reduction in tax expense of \$28 million for the release of tax reserves settled with the IRS. Our effective tax rate for 2012 was approximately 37% excluding the tax effects from the adjustments described above.

2012 Compared to 2011

Net Income. We reported net income of \$417 million (\$0.97 per diluted share) for 2012 compared to \$1.357 billion (\$3.17 per diluted share) for the same period in 2011. The decrease in net income of \$940 million was primarily due to the resolution in 2011 of the true-up appeal resulting in an after-tax extraordinary gain of \$587 million and a \$352 million return on the true-up balance, a \$260 million decrease in operating income (discussed by segment below), including a \$252 million non-cash goodwill impairment charge, and a \$106 million increase in the loss on our indexed debt securities, which were partially offset by a \$136 million non-cash step acquisition gain related to the acquisition of an additional 50% interest in Waskom, a \$135 million increase in the gain on our marketable securities, a \$64 million decrease in income tax expense and a \$14 million decrease in interest expense due to lower levels of debt.

Income Tax Expense. We reported an effective tax rate of 44.9% for 2012 compared to 34.4% for the same period in 2011. The increase in the effective tax rate of 10.5% is due to goodwill impairment of \$252 million which is non-deductible for tax purposes. It is partially offset by favorable tax adjustments, including the re-measurement of certain unrecognized tax benefits of \$28 million related to the Internal Revenue Service (IRS) settlement of tax years 2006 through 2009.

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

The following table presents operating income (loss) (in millions) for each of our business segments for 2013 , 2012 and 2011 . Included in revenues are intersegment sales. We account for intersegment sales as if the sales were to third parties, that is, at current market prices.

Operating Income (Loss) by Business Segment

	Year Ended December 31,		
	2013	2012	2011
Electric Transmission & Distribution	\$ 607	\$ 639	\$ 623
Natural Gas Distribution	263	226	226
Energy Services	13	(250)	6
Interstate Pipelines	72	207	248
Field Services	73	214	189
Other Operations	(18)	2	6
Total Consolidated Operating Income	<u>\$ 1,010</u>	<u>\$ 1,038</u>	<u>\$ 1,298</u>

Electric Transmission & Distribution

The following tables provide summary data of our Electric Transmission & Distribution business segment, CenterPoint Houston, for 2013, 2012 and 2011 (in millions, except throughput and customer data):

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Electric transmission and distribution utility	\$ 2,063	\$ 1,949	\$ 1,893
Transition and system restoration bond companies	507	591	444
Total revenues	2,570	2,540	2,337
Expenses:			
Operation and maintenance, excluding transition and system restoration bond companies	1,045	942	908
Depreciation and amortization, excluding transition and system restoration bond companies	319	301	279
Taxes other than income taxes	225	214	210
Transition and system restoration bond companies	374	444	317
Total expenses	1,963	1,901	1,714
Operating Income	\$ 607	\$ 639	\$ 623
Operating Income:			
Electric transmission and distribution operations	\$ 474	\$ 492	\$ 496
Transition and system restoration bond companies (1)	133	147	127
Total segment operating income	\$ 607	\$ 639	\$ 623
Throughput (in gigawatt-hours (GWh)):			
Residential	27,485	27,315	28,511
Total	79,985	78,593	80,013
Number of metered customers at end of period:			
Residential	1,982,699	1,943,423	1,904,818
Total	2,244,289	2,199,764	2,155,710

(1) Represents the amount necessary to pay interest on the transition and system restoration bonds.

2013 Compared to 2012. Our Electric Transmission & Distribution business segment reported operating income of \$607 million for 2013, consisting of \$474 million from our regulated electric transmission and distribution utility operations (TDU) and \$133 million related to transition and system restoration bond companies. For 2012, operating income totaled \$639 million, consisting of \$492 million from the TDU and \$147 million related to transition and system restoration bond companies. TDU operating income decreased \$18 million due to decreased usage (\$13 million), primarily due to unfavorable weather, increased taxes other than income taxes (\$11 million), increased depreciation (\$10 million, excluding \$8 million from increased investment in AMS offset by the related revenues), increased labor and benefits costs (\$7 million), increased contracts and services (\$4 million), increased support services (\$4 million) and increased insurance costs (\$3 million), partially offset by customer growth (\$26 million) from the addition of over 44,000 new customers and higher transmission-related revenues net of the costs billed by transmission providers (\$9 million).

2012 Compared to 2011. Our Electric Transmission & Distribution business segment reported operating income of \$639 million for 2012, consisting of \$492 million from the TDU and \$147 million related to transition and system restoration bond companies. For 2011, operating income totaled \$623 million, consisting of \$496 million from the TDU and \$127 million related to transition and system restoration bond companies. TDU operating income decreased \$4 million due to decreased usage (\$54 million), primarily due to a return to more normal summer weather when compared to the previous year, and the impact of the 2010 rate case implemented in September 2011 (\$34 million), partially offset by higher equity returns (\$28 million) primarily related to true-up proceeds, increased miscellaneous revenues (\$24 million), primarily from right-of-way easement grants, customer growth (\$24 million) from the addition of over 44,000 new customers and decreased labor and benefits costs (\$6 million).

Natural Gas Distribution

The following table provides summary data of our Natural Gas Distribution business segment for 2013 , 2012 and 2011 (in millions, except throughput and customer data):

	Year Ended December 31,		
	2013	2012	2011
Revenues	\$ 2,863	\$ 2,342	\$ 2,841
Expenses:			
Natural gas	1,607	1,196	1,675
Operation and maintenance	667	637	655
Depreciation and amortization	185	173	166
Taxes other than income taxes	141	110	119
Total expenses	2,600	2,116	2,615
Operating Income	\$ 263	\$ 226	\$ 226
Throughput (in Bcf):			
Residential	182	140	172
Commercial and industrial	265	243	251
Total Throughput	447	383	423
Number of customers at end of period:			
Residential	3,090,966	3,058,695	3,036,267
Commercial and industrial	247,100	246,413	246,220
Total	3,338,066	3,305,108	3,282,487

2013 Compared to 2012. Our Natural Gas Distribution business segment reported operating income of \$263 million for 2013 compared to \$226 million for 2012. Operating income increased \$37 million primarily due to increased usage as a result of colder weather compared to the prior year, partially mitigated by weather hedges and weather normalization adjustments (\$29 million), rate increases (\$29 million), and increased economic activity across our footprint including the addition of approximately 33,000 residential customers (\$7 million). These increases were partially offset by increased operating expenses (\$6 million), higher bad debt expense (\$5 million), higher depreciation and amortization expense (\$12 million) and an increase in taxes (\$5 million), primarily attributable to property taxes. Increased expense related to energy efficiency programs (\$17 million) and increased expense related to higher gross receipt taxes (\$26 million) were offset by a corresponding increase in the related revenues.

2012 Compared to 2011. Our Natural Gas Distribution business segment reported operating income of \$226 million for each of 2012 and 2011. Operating income was unchanged despite substantially reduced revenues from near record mild temperatures in the first quarter of 2012 that were partially mitigated by weather hedges and weather normalization adjustments (\$21 million), increased depreciation and amortization expense (\$7 million) and increased property taxes (\$4 million). These adverse impacts were offset by certain reduced operation and maintenance expenses (\$5 million), lower bad debt expense (\$7 million), the addition of over 22,000 customers (\$6 million) and rate increases (\$12 million). Decreased expense related to energy efficiency programs (\$4 million) and decreased expense related to lower gross receipts taxes (\$12 million) were offset by a corresponding reduction in the related revenues.

Energy Services

The following table provides summary data of our Energy Services business segment for 2013 , 2012 and 2011 (in millions, except throughput and customer data):

	Year Ended December 31,		
	2013	2012	2011
Revenues	\$ 2,401	\$ 1,784	\$ 2,511
Expenses:			
Natural gas	2,336	1,730	2,458
Operation and maintenance	46	45	41
Depreciation and amortization	5	6	5
Taxes other than income taxes	1	1	1
Goodwill impairment	—	252	—
Total expenses	2,388	2,034	2,505
Operating Income (Loss)	\$ 13	\$ (250)	\$ 6
Throughput (in Bcf)	600	562	558
Number of customers at end of period (1)	17,510	16,330	14,267

(1) These numbers do not include approximately 8,800 and 12,700 natural gas customers as of December 31, 2013 and 2012, respectively, that are under residential and small commercial choice programs invoiced by their host utility.

2013 Compared to 2012. Our Energy Services business segment reported operating income of \$13 million compared to \$2 million for 2012, excluding the goodwill impairment charge discussed below. The increase in operating income of \$11 million was primarily due to a \$14 million positive impact from mark-to-market accounting for derivatives associated with certain natural gas purchases and sales used to lock in economic margins. A \$2 million mark-to-market charge was incurred in 2013 compared to a charge of \$16 million for 2012. Energy Services grew both volume and customers in 2013 offsetting the impact of the lower unit margin environment.

2012 Compared to 2011. Our Energy Services business segment reported operating income, excluding the goodwill impairment discussed below, of \$2 million for 2012 compared to \$6 million for 2011. The decrease in operating income of \$4 million was primarily due to a \$24 million negative impact of mark-to-market accounting for derivatives associated with certain forward natural gas purchases and sales used to lock in economic margins. 2012 included mark-to-market charges of \$16 million compared to an \$8 million benefit for the same period of 2011. Substantially offsetting this decrease was a \$20 million improvement in operating margins primarily as a result of the termination of uneconomic transportation contracts and an increase in retail sales customers and volumes.

Goodwill Impairment

A non-cash goodwill impairment charge of \$252 million for our Energy Services business segment was recorded in 2012. The adverse wholesale market conditions facing our energy services business, specifically the prospects for continued low geographic and seasonal price differentials for natural gas, led to a reduction in our estimate of the fair value of goodwill associated with this reporting unit.

Interstate Pipelines

The following table provides summary data of our Interstate Pipelines business segment for 2013 , 2012 and 2011 (in millions, except throughput data):

	Year Ended December 31,		
	2013 (1)	2012	2011
Revenues	\$ 186	\$ 502	\$ 553
Expenses:			
Natural gas	35	57	67
Operation and maintenance	51	153	152
Depreciation and amortization	20	56	54
Taxes other than income taxes	8	29	32
Total expenses	114	295	305
Operating Income	\$ 72	\$ 207	\$ 248
Equity in earnings of unconsolidated affiliates	\$ 7	\$ 26	\$ 21
Transportation throughput (in Bcf)	482	1,367	1,579

(1) Represents January 2013 through April 2013 results only.

2013 Compared to 2012. Our Interstate Pipeline business segment reported operating income of \$72 million for 2013 compared to \$207 million for 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, 2013 is not comparable to the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

2012 Compared to 2011. Our Interstate Pipeline business segment reported operating income of \$207 million for 2012 compared to \$248 million for 2011. Operating income decreased \$41 million primarily due to lower margins resulting from a backhaul contract that expired in 2011 (\$16 million), as well as the associated reduction in compressor efficiency (\$8 million) on the Carthage to Perryville pipeline due to lower volumes, lower off-system transportation revenues (\$8 million), lower seasonal and market-sensitive transportation contracts (\$7 million) and ancillary services (\$7 million). These margin decreases were partially offset by the effects of the 10-year agreement with our natural gas distribution affiliate (\$5 million) which we restructured in 2010. Operating income decreases due to higher operations and maintenance expenses (\$1 million) and higher depreciation and amortization expenses (\$2 million) due to asset additions were offset by lower taxes other than income taxes (\$3 million).

Equity Earnings. This business segment recorded equity income of \$7 million , \$26 million and \$21 million for the years ended December 31, 2013, 2012 and 2011, respectively, from its interest in Southeast Supply Header, LLC (SESH), a jointly-owned pipeline. The decrease from the year ended December 31, 2012 to the year ended December 31, 2013 was primarily due to the contribution of a 24.95% interest in SESH to Enable on May 1, 2013. Beginning May 1, 2013, equity earnings related to the interest in SESH contributed to Enable, as well as our remaining 25.05% interest in SESH, are reported as components of equity income in our Midstream Investments segment.

Field Services

The following table provides summary data of our Field Services business segment for 2013 , 2012 and 2011 (in millions, except throughput data):

	Year Ended December 31,		
	2013 (1)	2012	2011
Revenues	\$ 196	\$ 506	\$ 412
Expenses:			
Natural gas	54	122	68
Operation and maintenance	45	115	112
Depreciation and amortization	20	50	37
Taxes other than income taxes	4	5	6
Total expenses	123	292	223
Operating Income	\$ 73	\$ 214	\$ 189
Equity in earnings of unconsolidated affiliates	\$ —	\$ 5	\$ 9
Gathering throughput (in Bcf)	252	896	823

(1) Represents January 2013 through April 2013 results only.

2013 Compared to 2012. Our Field Services business segment reported operating income of \$73 million for 2013 compared to \$214 million for 2012. Substantially all of this segment was contributed to Enable on May 1, 2013. As a result, 2013 is not comparable to the prior year. Effective May 1, 2013, our equity method investment and related equity income in Enable are included in our Midstream Investments segment.

2012 Compared to 2011. Our Field Services business segment reported operating income of \$214 million for 2012 compared to \$189 million for 2011. Operating income increased \$25 million primarily from increased margins (\$36 million) due to gathering projects in the Haynesville shale, including revenues from throughput guarantees, growth in gathering services and retained natural gas volumes, and acquisitions completed during 2012 (\$13 million), partially offset by lower commodity prices (\$28 million) on sales of retained natural gas. Operating income also increased (\$3 million) due to the classification of earnings from the 50% partnership interest in Waskom which we already owned as operating income beginning in August 2012 instead of equity earnings as reported for prior periods, due to our July 31, 2012 purchase of the 50% interest in Waskom that we did not already own. Lower operation and maintenance expenses (\$7 million) were partially offset by higher depreciation expense (\$6 million).

Equity Earnings. This business segment recorded equity income of \$-0- , \$5 million and \$9 million for the years ended December 31, 2013, 2012 and 2011, respectively, from its interest in Waskom. These amounts are included in Equity in earnings of unconsolidated affiliates under the Other Income (Expense) caption in the Statements of Consolidated Income. From August 1, 2012 through April 30, 2013, financial results for Waskom are included in operating income. On May 1, 2013, our 100% investment in Waskom was contributed to Enable.

Midstream Investments

During the eight months ended December 31, 2013, we reported pre-tax equity income of \$173 million from our 58.3% limited partner interest in Enable and \$8 million of pre-tax equity income from our 25.05% interest in SESH. Enable's gathering and processing operations in 2013 were positively impacted by increases in gross margin resulting from acquisitions, higher gathering and processing fixed-fee volumes, higher natural gas prices and increased processing margins, partially offset by a decline in customer volumes, a decline in NGL price spreads between Conway and Mont Belvieu, and the conversion of a processing contract from keep-whole to fixed-fee. Enable's transportation and storage operations in 2013 were adversely impacted by a decline in gross margins attributable to lower volumes, primarily due to lower price differentials, which negatively impacted margins on ancillary services, a reduction in liquid sales, a reduction to margins on off-system transportation revenues, a decline in interruptible transportation fees, and a reduction to storage demand fees.

Cash distributions received from Enable and SESH were approximately \$106 million and \$6 million, respectively, during the eight months ended December 31, 2013 .

Enable Operating Data during the eight months ended December 31, 2013

	<u>Eight Months Ended December 31, 2013</u>
Natural gas gathered volumes - Trillion British Thermal Units per day (TBtu/d)	3.49
Natural gas transportation volumes - TBtu/d	4.58
Natural gas processed volumes - TBtu/d	1.45
Natural gas liquids sold - Gallons per day	2.61

Other Operations

The following table provides summary data for our Other Operations business segment for 2013 , 2012 and 2011 (in millions):

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues	\$ 14	\$ 11	\$ 11
Expenses	32	9	5
Operating Income (Loss)	<u>\$ (18)</u>	<u>\$ 2</u>	<u>\$ 6</u>

2013 Compared to 2012. Our Other Operations business segment reported an operating loss of \$18 million for 2013 compared to operating income of \$2 million for 2012. The decrease in operating income of \$20 million is primarily related to the costs associated with the formation of Enable (\$13 million), higher depreciation expense (\$3 million) and higher property taxes (\$2 million).

LIQUIDITY AND CAPITAL RESOURCES

Historical Cash Flows

The net cash provided by (used in) operating, investing and financing activities for 2013 , 2012 and 2011 is as follows (in millions):

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash provided by (used in):			
Operating activities	\$ 1,613	\$ 1,860	\$ 1,888
Investing activities	(1,300)	(1,603)	(1,206)
Financing activities	(751)	169	(661)

Cash Provided by Operating Activities

Net cash provided by operating activities decreased \$247 million in 2013 compared to 2012 primarily due to decreased operating income (\$280 million), excluding the non-cash goodwill impairment charge of \$252 million, decreased cash provided by net accounts receivable/payable (\$108 million), cash related to gas storage inventory (\$43 million), decreased net margin deposits (\$37 million), decreased cash from non-trading derivatives (\$16 million), increased pension contributions (\$9 million) and decreased cash provided by net regulatory assets and liabilities (\$5 million), which was partially offset by increased cash provided by fuel cost recovery (\$160 million), increased distributions from equity method investments (\$91 million) and decreased net tax payments (\$11 million).

Net cash provided by operating activities decreased \$28 million in 2012 compared to 2011 primarily due to increased net tax payments (\$251 million), which was partially offset by increased cash provided by net accounts receivable/payable (\$45 million), increased cash provided by net regulatory assets and liabilities (\$35 million), increased cash from non-trading derivative

(\$33 million), increased cash related to gas storage inventory (\$25 million), decreased net margin deposits (\$19 million) and increased cash provided by fuel cost recovery (\$18 million).

Cash Used in Investing Activities

Net cash used in investing activities decreased \$303 million in 2013 compared to 2012 due to decreased cash paid for acquisitions (\$360 million) and decreased restricted cash (\$30 million) and increased proceeds from sale of marketable securities (\$9 million), which were partially offset by increased capital expenditures (\$74 million) and cash contributed to Enable (\$38 million).

Net cash used in investing activities increased \$397 million in 2012 compared to 2011 due to increased cash paid for acquisitions (\$360 million) and decreased cash received from the DOE grant (\$110 million), which were partially offset by decreased capital expenditures (\$91 million).

Cash Provided by (Used in) Financing Activities

Net cash used in financing activities increased \$920 million in 2013 compared to 2012 primarily due to decreased proceeds from long-term debt (\$1,445 million) and increased payments of common stock dividends (\$9 million), which were partially offset by increased proceeds from commercial paper (\$403 million), decreased cash paid for debt retirement (\$62 million), increased short-term borrowings (\$29 million), decreased payments of long-term debt (\$17 million) and decreased debt issuance costs (\$13 million).

Net cash provided by financing activities increased \$830 million in 2012 compared to 2011 primarily due to increased proceeds from long-term debt (\$1,945 million) and decreased debt issuance costs (\$8 million), which were partially offset by increased payments of long-term debt (\$681 million), increased payments of commercial paper (\$387 million), decreased short-term borrowings (\$33 million), increased cash paid for debt retirement (\$11 million) and increased payments of common stock dividends (\$9 million).

Future Sources and Uses of Cash

Our liquidity and capital requirements are affected primarily by our results of operations, capital expenditures, debt service requirements, tax payments, working capital needs and various regulatory actions. Our principal anticipated cash requirements for 2014 include the following:

- capital expenditures of approximately \$1.4 billion;
- scheduled principal payments on transition and system restoration bonds of \$354 million;
- the expected March 2014 purchase and redemption of pollution control bonds aggregating approximately \$100 million at 101% of their principal amount;
- pension contributions aggregating approximately \$87 million; and
- dividend payments on CenterPoint Energy common stock and interest payments on debt.

We expect that anticipated 2014 cash needs will be met with borrowings under our credit facilities, proceeds from commercial paper, proceeds from the issuance of general mortgage bonds, anticipated cash flows from operations, and distributions from Enable. Discretionary financing or refinancing may result in the issuance of equity or debt securities in the capital markets or the arrangement of additional credit facilities. Issuances of equity or debt in the capital markets and additional credit facilities may not, however, be available to us on acceptable terms.

The following table sets forth our capital expenditures for 2013 and estimates of our capital expenditures for currently identified or planned projects for 2014 through 2018 (in millions):

	2013	2014	2015	2016	2017	2018
Electric Transmission & Distribution	\$ 759	\$ 781	\$ 833	\$ 718	\$ 655	\$ 666
Natural Gas Distribution	430	521	491	401	421	404
Energy Services	3	10	19	36	11	11
Interstate Pipelines (1)	29	—	—	—	—	—
Field Services (1)	16	—	—	—	—	—
Other Operations	35	62	47	43	53	52
Total	\$ 1,272	\$ 1,374	\$ 1,390	\$ 1,198	\$ 1,140	\$ 1,133

(1) Following the formation of Enable on May 1, 2013, substantially all of the assets of CenterPoint Energy's former Interstate Pipelines and Field Services business segments are owned by Enable.

Our capital expenditures are expected to be used for investment in infrastructure for our electric transmission and distribution operations and our natural gas distribution operations. These capital expenditures are anticipated to maintain reliability and safety as well as expand our systems through value-added projects.

The following table sets forth estimates of our contractual obligations, including payments due by period (in millions):

Contractual Obligations	Total	2014	2015-2016	2017-2018	2019 and thereafter
Transition and system restoration bond debt	\$ 3,400	\$ 354	\$ 763	\$ 845	\$ 1,438
Other long-term debt (1)	5,533	—	593	1,396	3,544
Interest payments — transition and system restoration bond debt (2)	594	119	203	146	126
Interest payments — other long-term debt (2)	3,433	286	538	435	2,174
Short-term borrowings	43	43	—	—	—
Capital leases	1	—	—	—	1
Operating leases (3)	21	6	8	4	3
Benefit obligations (4)	—	—	—	—	—
Non-trading derivative liabilities	21	17	4	—	—
Other commodity commitments (5)	1,723	408	701	494	120
Total contractual cash obligations (6)	\$ 14,769	\$ 1,233	\$ 2,810	\$ 3,320	\$ 7,406

(1) 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) obligations are included in the 2019 and thereafter column at their contingent principal amount as of December 31, 2013 of \$763 million. These obligations are exchangeable for cash at any time at the option of the holders for 95% of the current value of the reference shares attributable to each ZENS (\$767 million at December 31, 2013), as discussed in Note 10 to our consolidated financial statements.

(2) We calculated estimated interest payments for long-term debt as follows: for fixed-rate debt and term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate debt and/or non-term debt, we used interest rates in place as of December 31, 2013. We typically expect to settle such interest payments with cash flows from operations and short-term borrowings.

(3) For a discussion of operating leases, please read Note 14(c) to our consolidated financial statements.

(4) In 2014, we expect to make contributions to our qualified pension plan aggregating approximately \$87 million. We expect to contribute approximately \$9 million and \$17 million, respectively, to our non-qualified pension and postretirement benefits plans in 2014.

(5) For a discussion of other commodity commitments, please read Note 14(a) to our consolidated financial statements.

- (6) This table does not include estimated future payments for expected future asset retirement obligations. These payments are primarily estimated to be incurred after 2019. We record a separate liability for the fair value of these asset retirement obligations which totaled \$134 million as of December 31, 2013. See Note 3(c), Asset Retirement Obligation in our consolidated financial statements.

Off-Balance Sheet Arrangements

Prior to the distribution of our ownership in Reliant Resources, Inc. (RRI) to our shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn Energy, Inc. (GenOn)) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$58 million as of December 31, 2013. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement, GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy, Inc. has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of December 31, 2013, CenterPoint Energy, Inc. had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy, Inc. have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees, and to release CenterPoint Energy, Inc. from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees as applicable. CERC Corp. has also provided a guarantee of collection of Enable's obligations under its \$1.05 billion three-year unsecured term loan facility, which guarantee is subordinated to all senior debt of CERC Corp.

As of December 31, 2013, no amounts have been recorded related to the guarantees discussed above in the Consolidated Balance Sheets. Other than the guarantees discussed above and operating leases, we have no off-balance sheet arrangements.

Regulatory Matters

CenterPoint Houston

In October 2009, the Public Utility Commission of Texas (Texas Utility Commission) issued an order disallowing recovery of a performance bonus of \$2 million on approximately \$10 million in 2008 energy efficiency costs expended pursuant to the terms of a settlement agreement in a prior rate case. CenterPoint Houston appealed the denial of the full 2008 performance bonus. Similar orders by the Texas Utility Commission providing for the partial disallowance of performance bonuses totaling approximately \$5.5 million relating to CenterPoint Houston's 2009, 2010 and 2011 (only through August 2011) energy efficiency programs were also appealed. These subsequent cases were abated pending the final outcome of the 2008 bonus appeal. In August 2013, the court of appeals reversed the Texas Utility Commission's decision disallowing such bonuses and the Texas Utility Commission appealed that decision to the Texas Supreme Court in October 2013. In January 2014, the Texas Supreme Court denied the Texas Utility Commission's appeal. CenterPoint Houston's energy efficiency programs are no longer funded pursuant to the terms of the prior settlement, and no additional performance bonus disallowances are expected.

In December 2013, CenterPoint Houston filed an application at the Texas Utility Commission seeking (i) to reconcile approximately \$473 million in Advanced Metering System costs incurred during the time period April 1, 2010 through September 30, 2013 and currently in rates, and (ii) approval to amend the surcharge recovery period to account for the reconciled costs through September 30, 2013 as well as to recover costs expected to be incurred after September 30, 2013. A decision by the Texas Utility Commission is expected later this year.

Gas Operations

City of Houston Settlement. In January 2013, the City of Houston initiated a rate proceeding against Gas Operations claiming regulatory disclosures indicated that Gas Operations was earning more on an annual basis than authorized. In February 2014, Gas Operations and City of Houston agreed (i) to terminate the rate proceeding, and (ii) that Gas Operations would not seek a base rate increase before Fall 2016.

Houston and South Texas Gas Reliability Infrastructure Programs (GRIP) . The natural gas distribution business of CERC's (Gas Operations) Houston and South Texas Divisions each submitted annual GRIP filings on March 28, 2013. For the Houston Division, the filing was to recover costs related to \$55.8 million in incremental capital expenditures that were incurred in 2012. The increase in revenue requirements for this filing period is \$10.7 million annually based on an authorized rate of return of 8.65%. For the South Texas Division, the filing was to recover costs related to \$17.5 million in incremental capital expenditures that were incurred in 2012. The increase in revenue requirements for this filing period is \$2.9 million annually based on an authorized rate of return of 8.75%. Rates were completely implemented by July 2013.

Arkansas Billing Determinant Rate Adjustment Tariff (BDA) Filing. Gas Operations' Arkansas Division made its annual BDA filing with the Arkansas Public Service Commission (APSC) on March 27, 2013 to request recovery of a calendar year 2012 shortfall of \$6.8 million. No exceptions were noted by the APSC staff and the revised rates went into effect on June 1, 2013.

Mississippi Rate Regulation Adjustment Rider (RRA) . Gas Operations' Mississippi Division submitted an annual RRA filing with the Mississippi Public Service Commission (MPSC) on May 1, 2013 to request recovery of a calendar year 2012 earnings shortfall of approximately \$3.2 million. The MPSC approved approximately \$2.9 million, and the revised rates went into effect in July 2013.

Cost of Service Adjustment (COSA) Rate Adjustments. In March 2008, Gas Operations filed a request to change its rates with the Railroad Commission of Texas (Railroad Commission) and the 47 cities in its Texas Coast service territory, including a request for an annual cost of service adjustment mechanism, or COSA, that adjusts rates annually for changes in invested capital as well as certain operating expenses. In 2008, the Railroad Commission approved the implementation of rates increasing annual revenues from the Texas Coast service territory by approximately \$3.5 million. The approved rates were contested by a coalition of nine cities in an appeal to the 353rd district court in Travis County, Texas. In 2010, the district court ruled that the Railroad Commission lacked authority to impose the approved COSA mechanism both in those nine cities and in those areas in which the Railroad Commission has original jurisdiction. The decision by the District Court placed at risk certain revenues collected pursuant to COSA mechanisms. The Railroad Commission and Gas Operations appealed the court's ruling on the COSA mechanism. In January 2014, the Texas Supreme Court confirmed that the Railroad Commission had authority to approve the COSA rate adjustments utilized by Gas Operations and remanded the case back to state district court.

Minneapolis Franchise. Gas Operations currently provides natural gas distribution services to approximately 124,000 customers in Minneapolis, Minnesota under a franchise that is due to expire at the end of 2014. In June 2013, the Minneapolis City Council (City Council) voted to hold public hearings on August 1, 2013 to consider (i) authorizing the establishment of a municipal electric utility and authorizing the city to own, operate, construct and extend electric facilities and acquire the property of any existing electric public utility operating within Minneapolis, and (ii) authorizing the establishment of a municipal gas utility and authorizing the city to own, operate, construct and extend gas and similar facilities and acquire the property of any existing gas public utility operating within Minneapolis. On August 16, 2013, the City Council voted not to conduct a special election on the question of whether the city should be authorized to establish a municipal utility. Additionally, the City Council directed city staff to begin negotiations with Gas Operations on a franchise renewal and to work to complete the franchise agreement by June 2014.

Minnesota Rate Proceeding. On August 2, 2013, Gas Operations filed a general rate case in Minnesota to increase overall revenue \$44.3 million annually, based on a rate base of \$700 million and return on equity (ROE) of 10.3%. In compliance with state law, Gas Operations implemented interim rates reflecting \$42.9 million dollars of the requested increase for gas used on and after October 1, 2013. Evidentiary hearings were held before an Administrative Law Judge in January 2014, and Gas Operations expects a final decision from the Minnesota Public Utilities Commission in its rate proceeding in mid-summer 2014. This rate filing is intended to recover significant capital expenditures Gas Operations is making in Minnesota and includes moving \$15.0 million of energy efficiency expenditures into base rates.

Enable Midstream Partners

In August 2012, MRT, a subsidiary of Enable and an interstate pipeline that provides natural gas transportation, natural gas storage and pipeline services to customers principally in Arkansas, Illinois and Missouri, made a rate filing with the Federal Energy Regulatory Commission (FERC) pursuant to Section 4 of the Natural Gas Act. In its filing, MRT requested an annual cost of service of \$104 million (an increase of approximately \$48 million above the annual cost of service underlying the current FERC approved maximum rates for MRT's pipeline), new depreciation rates, an overall rate of return of 10.813% (based on a ROE of 13.62%), a regulatory compliance cost (RCC) surcharge with a true-up mechanism to recover safety, environmental, and security costs associated with mandated requirements and billing determinants reflecting no adjustments for MRT's conversion of a portion of EGT's firm capacity to a lease. On July 30, 2013, MRT filed with the FERC an uncontested Stipulation and Agreement and Offer of Settlement, resolving all issues in the rate case. In particular, MRT withdrew its proposed RCC surcharge. The settlement specifies few particulars, other than setting an annual overall cost-of-service for MRT of \$84.0 million and increasing the depreciation rates for certain asset classes. In September 2013, the FERC approved the settlement. Although the settlement became effective November 1, 2013, the settlement rates are effective as of March 1, 2013. As a result, in the fourth quarter of 2013, MRT made refunds to certain of its customers totaling approximately \$5.9 million, which had previously been reserved.

Other Matters

Credit Facilities

As of February 14, 2014, we had the following facilities (in millions):

Date Executed	Company	Size of Facility	Amount Utilized at February 14, 2014 (1)	Termination Date
September 9, 2011	CenterPoint Energy	\$ 1,200	\$ 6 ⁽²⁾	September 9, 2018
September 9, 2011	CenterPoint Houston	300	4 ⁽²⁾	September 9, 2018
September 9, 2011	CERC Corp.	600	—	September 9, 2018

(1) Based on the consolidated debt to capitalization covenant in our revolving credit facility and the revolving credit facility of each of CenterPoint Houston and CERC Corp., we would have been permitted to utilize the full capacity of such revolving credit facilities, which aggregated \$2.1 billion at December 31, 2013.

(2) Represents outstanding letters of credit.

Our \$1.2 billion revolving credit facility can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on our current credit ratings. The revolving credit facility contains a financial covenant which limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and we certify to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve-month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date we deliver our certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of our certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility can be drawn at LIBOR plus 112.5 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

Borrowings under each of the three revolving credit facilities are subject to customary terms and conditions. However, there is no requirement that the borrower make representations prior to borrowings as to the absence of material adverse changes or litigation that could be expected to have a material adverse effect. Borrowings under 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.

On April 11, 2013, we amended our revolving credit facility and CERC Corp. amended its revolving credit facility to add exceptions to each borrower's covenants which restrict (i) the consolidation, merger or disposal of assets and (ii) the sale of stock in certain significant subsidiaries, in each case to permit the transactions contemplated in the formation of Enable.

On September 9, 2013, our revolving credit facility and the revolving credit facilities of CenterPoint Houston and CERC Corp. were amended to, among other things, (i) reduce the size of the CERC Corp. facility from \$950 million to \$600 million, (ii) extend the scheduled termination dates of the three facilities from September 9, 2016 to September 9, 2018, and (iii) change the financial covenant in our facility to a covenant that limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization (subject to a temporary increase to 70% of our consolidated capitalization under certain circumstances described therein).

Our \$1.2 billion revolving credit facility backstops our \$1.0 billion commercial paper program. CERC Corp.'s \$600 million revolving credit facility backstops its \$600 million commercial paper program. As of December 31, 2013, CERC Corp had \$118 million of outstanding commercial paper.

Securities Registered with the SEC

CenterPoint Energy, CenterPoint Houston and CERC Corp. have filed a joint shelf registration statement with the SEC registering indeterminate principal amounts of CenterPoint Houston'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.

Temporary Investments

As of February 14, 2014, CERC Corp. had temporary investments in a money market fund of \$104 million.

Money Pool

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.

Impact on Liquidity of a Downgrade in Credit Ratings

The interest on borrowings under our credit facilities is based on our credit rating. As of February 14, 2014, Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P), a division of The McGraw-Hill Companies, and Fitch, Inc. (Fitch) had assigned the following credit ratings to senior debt of CenterPoint Energy and certain subsidiaries:

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

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

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

(3) A Fitch rating outlook encompasses a one- to two-year horizon as to the likely ratings direction.

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

A decline in credit ratings could increase borrowing costs under our \$1.2 billion revolving credit facility, CenterPoint Houston's \$300 million revolving credit facility and CERC Corp.'s \$600 million revolving credit facility. If our credit ratings or those of CenterPoint Houston or CERC Corp. had been downgraded one notch by each of the three principal credit rating agencies from the ratings that existed at December 31, 2013, 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 our ability to complete capital market transactions and to access the commercial paper market.

CERC Corp. and its subsidiaries purchase natural gas from one of their suppliers under supply agreements that contain an aggregate credit threshold of \$140 million based on CERC Corp.'s S&P senior unsecured long-term debt rating of A-. Under these agreements, CERC may need to provide collateral if the aggregate threshold is exceeded or if the S&P senior unsecured long-term debt rating is downgraded below BBB+.

CenterPoint Energy Services, Inc. (CES), a wholly owned subsidiary of CERC Corp. operating in our Energy Services business segment, provides comprehensive natural gas sales and services primarily to commercial and industrial customers and electric and gas utilities throughout the central and eastern United States. In order 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 in excess of the credit threshold is routinely collateralized by CES. As of December 31, 2013, the amount posted as collateral aggregated approximately \$5 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 December 31, 2013, unsecured credit limits extended to CES by counterparties aggregate \$308 million and \$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 \$180 million as of December 31, 2013. The amount of collateral will depend on seasonal variations in transportation levels.

In September 1999, we issued Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) having an original principal amount of \$1.0 billion of which \$828 million remains outstanding at December 31, 2013. Each ZENS note was originally exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of Time Warner Inc. common stock (TW Common) attributable to such note. The number and identity of the reference shares attributable to each ZENS note are adjusted for certain corporate events. As of December 31, 2013, the reference shares for each ZENS note consisted of 0.5 share of TW Common, 0.125505 share of Time Warner Cable Inc. (TWC) common stock (TWC Common) and 0.045455 share of AOL Inc. common stock (AOL Common). On February 13, 2014, TWC announced that it had agreed to merge with Comcast Corporation (Comcast). In the merger, each share of TWC Common would be exchanged for 2.875 shares of Comcast common stock (Comcast Common). Upon the closing of the merger (assuming no change in the merger consideration), the reference shares for each ZENS note would include 0.360827 share of Comcast Common in place of the current 0.125505 share of TWC Common. If our creditworthiness were to drop such that ZENS note holders thought our liquidity was adversely affected or the market for the ZENS notes were to become illiquid, some ZENS note holders might decide to exchange their ZENS notes for cash. Funds for the payment of cash upon exchange could be obtained from the sale of the shares of TW Common, TWC Common and AOL Common that we own or from other sources. We own shares of TW Common, TWC Common and AOL Common equal to approximately 100% of the reference shares used to calculate our obligation to the holders of the ZENS notes. ZENS note exchanges result in a cash outflow because tax deferrals

related to the ZENS notes and TW Common, TWC Common and AOL Common shares would typically cease when ZENS notes are exchanged or otherwise retired and TW Common, TWC Common and AOL Common shares are sold. The ultimate tax liability related to the ZENS notes 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 notes. If all ZENS notes had been exchanged for cash on December 31, 2013, deferred taxes of approximately \$364 million would have been payable in 2013.

Cross Defaults

Under our revolving credit facility, a payment default on, or a non-payment default that permits acceleration of, any indebtedness exceeding \$75 million by us or any of our significant subsidiaries will cause a default. In addition, three outstanding series of our senior notes, aggregating \$750 million in principal amount as of December 31, 2013, provide that a payment default by us, CERC Corp. or CenterPoint Houston in respect of, or an acceleration of, borrowed money and certain other specified types of obligations, in the aggregate principal amount of \$50 million, will cause a default. A default by CenterPoint Energy would not trigger a default under our 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 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.

Enable Midstream Partners

In connection with its formation on May 1, 2013, Enable (i) entered into a \$1.05 billion 3-year senior unsecured term loan facility, (ii) repaid \$1.05 billion of indebtedness owed to CERC Corp., and (iii) entered into a \$1.4 billion senior unsecured revolving credit facility. Enable's \$1.4 billion senior unsecured revolving credit facility backstops its \$1.4 billion commercial paper program. As of January 31, 2014, Enable had no outstanding commercial paper and \$318 million borrowed under its revolving credit facility. Any reduction in Enable's credit ratings could prevent it from accessing the commercial paper markets.

The sponsors of Enable, including us, may from time to time provide funds to Enable through loans and/or capital contributions in addition to funds that Enable may obtain from time to time under its revolving credit facility, commercial paper program or from other sources, which loans or capital contributions could be substantial.

Certain of the entities contributed to Enable by CERC Corp. are obligated on approximately \$363 million of indebtedness owed to a wholly owned subsidiary of CERC Corp. that is scheduled to mature in 2017.

Prior to an initial public offering of Enable, Enable is obligated to distribute 100% of its distributable cash (as such term is defined in its partnership agreement) to its limited partners each fiscal quarter within 45 days following the end of the applicable quarter. In July 2013, CERC Corp. received a cash distribution of approximately \$36 million from Enable made with respect to CERC Corp.'s limited partner interest in Enable for the months of May and June 2013 (the two months in the second quarter following the formation of Enable on May 1, 2013). In November 2013, CERC Corp. received a cash distribution of approximately \$70 million from Enable made with respect to CERC Corp.'s limited partner interest in Enable for the third quarter of 2013. CERC Corp. received a cash distribution of approximately \$67 million from Enable in February 2014 made with respect to CERC Corp.'s limited partner interest in Enable for the fourth quarter of 2013.

Under the terms of an omnibus agreement entered into in connection with the formation of Enable, CenterPoint Energy and OGE Energy are obligated to indemnify Enable for specified breaches of representations and warranties in the master formation agreement pursuant to which Enable was formed related to: (i) their respective authority to enter into the transactions that formed Enable and the capitalization of the entities contributed to Enable; (ii) permits related to the operation of the assets contributed to Enable; (iii) compliance with environmental laws; (iv) title to properties and rights of way; (v) the tax classification of the entities contributed to Enable; (vi) indemnified taxes; and (vii) events and conditions associated with CenterPoint Energy and OGE's respective ownership and operation of the assets contributed to Enable. Pursuant to the terms of the omnibus agreement, each of CenterPoint Energy's and OGE's respective maximum liability for this indemnification obligation with respect to permit, environmental and title representations will not exceed \$250 million, and neither OGE Energy nor CenterPoint

Energy will have any obligation under this indemnification until Enable's aggregate indemnifiable losses exceed \$25 million, respectively. CenterPoint Energy's and OGE Energy's indemnification obligations under the omnibus agreement will survive (i) for permit matters until May 1, 2014, (ii) for environmental and title and rights of way matters until May 1, 2016 and (iii) for tax classification matters and indemnified taxes until 30 days following the expiration of the applicable statute of limitations. Indemnification obligations for authority and capitalization matters survive indefinitely.

Dodd-Frank Swaps Regulation

We use derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on our operating results and cash flows. In addition, Enable may also use such instruments from time to time to manage its commodity and financial market risk. Following enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) in July 2010, the Commodity Futures Trading Commission (CFTC) has promulgated regulations to implement Dodd-Frank's changes to the Commodity Exchange Act, including the definition of commodity-based swaps subject to those regulations. The CFTC regulations are intended to implement new reporting and record keeping requirements related to their swap transactions and a mandatory clearing and exchange-execution regime for various types, categories or classes of swaps, subject to certain exemptions, including the trade-option and end-user exemptions. Although we anticipate that most, if not all, of our swap transactions should qualify for an exemption to the clearing and exchange-execution requirements, we will still be subject to record keeping and reporting requirements. Other changes to the Commodity Exchange Act made as a result of Dodd-Frank and the CFTC's implementing regulations could significantly increase the cost of entering into new swaps.

Collection of Receivables from REPs

CenterPoint Houston's receivables from the distribution of electricity are collected from REPs that supply the electricity CenterPoint Houston distributes to their customers. Adverse economic conditions, structural problems in the market served by ERCOT or financial difficulties of one or more REPs could impair the ability of these REPs to pay for CenterPoint Houston's services or could cause them to delay such payments. CenterPoint Houston depends on these REPs to remit payments on a timely basis, and any delay or default in payment by REPs could adversely affect CenterPoint Houston's cash flows. In the event of a REP's default, CenterPoint Houston's tariff provides a number of remedies, including the option of CenterPoint Houston to request that the Texas Utility Commission 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, CenterPoint Houston remains at risk for payments not made 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 CenterPoint Houston involving payments it had received from such REP. If a REP were to file for bankruptcy, CenterPoint Houston 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, Texas Utility Commission regulations authorize utilities, such as CEHE, 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 our weather hedging arrangements, and gas purchases, gas price and gas storage activities of our Natural Gas Distribution and Energy Services business segments;
- acceleration of payment dates on certain gas supply contracts, under certain circumstances, as a result of increased 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 to satisfy their obligations in respect of GenOn’s indemnity obligations to us and our subsidiaries;
- slower customer payments and increased write-offs of receivables due to higher gas prices or changing economic conditions;
- the outcome of litigation brought by and against us;
- contributions to pension and postretirement benefit plans;
- restoration costs and revenue losses resulting from future natural disasters such as hurricanes and the timing of recovery of such restoration costs; and
- various other risks identified in “Risk Factors” in Item 1A of Part I of this report.

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

CenterPoint Houston’s revolving credit facility limits CenterPoint Houston’s consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of its consolidated capitalization. CERC Corp.’s revolving credit facility limits CERC’s consolidated debt to an amount not to exceed 65% of its consolidated capitalization. Our revolving credit facility limits our consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of our consolidated capitalization. The financial covenant limit in our revolving credit facility will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory that meets certain criteria. Additionally, CenterPoint Houston has contractually agreed that it will not issue additional first mortgage bonds, subject to certain exceptions.

CRITICAL ACCOUNTING POLICIES

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

Accounting for Rate Regulation

Accounting guidance for regulated operations provides that rate-regulated entities account for and report assets and liabilities consistent with the recovery of those incurred costs in rates if the rates established are designed to recover the costs of providing the regulated service and if the competitive environment makes it probable that such rates can be charged and collected. Our Electric Transmission & Distribution business segment and our Natural Gas Distribution business segment apply this accounting guidance. Certain expenses and revenues subject to utility regulation or rate determination normally reflected in income are deferred on the balance sheet as regulatory assets or liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers. Regulatory assets and liabilities are recorded when it is probable that these items will be recovered or reflected in future rates. Determining probability requires significant judgment on the part of management and includes, but is not limited to, consideration of testimony presented in regulatory hearings, proposed regulatory decisions, final regulatory orders and the strength or status of applications for rehearing or state court appeals. If events were to occur that would make the recovery of these assets and liabilities no longer probable, we would be required to write off or write down these regulatory assets and liabilities. At December 31, 2013, we had recorded regulatory assets of \$3.7 billion and regulatory liabilities of \$1.2 billion.

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

We review the carrying value of our long-lived assets, including identifiable intangibles, goodwill and equity method investments whenever events or changes in circumstances indicate that such carrying values may not be recoverable, and at least annually for goodwill as required by accounting guidance for goodwill and other intangible assets. A loss in value of an equity method investment is recognized when the decline is deemed to be other than temporary. Unforeseen events and changes in market conditions could have a material effect on the value of long-lived assets, including intangibles, goodwill and equity method investments due to changes in estimates of future cash flows, interest rate and regulatory matters and could result in an impairment charge. We recorded goodwill impairment of \$-0-, \$252 million and \$-0- during 2013, 2012 and 2011. We did not record material impairments to long-lived assets, including intangibles, or equity method investments during 2013, 2012, and 2011.

We performed our annual goodwill impairment test in the third quarter of 2013 and determined, based on the results of the first step, using the income approach, no impairment charge was required for any reporting unit. Our reporting units approximate our reportable segments.

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

The determination of fair value requires significant assumptions by management which are subjective and forward-looking in nature. To assist in making these assumptions, we utilized a third-party valuation specialist in both determining and testing key assumptions used in the valuation of each of our reporting units. We based our assumptions on projected financial information that we believe is reasonable; however, actual results may differ materially from those projections. These projected cash flows factor in planned growth initiatives, and for our Natural Gas Distribution reporting unit, the regulatory environment. The fair value of our Natural Gas Distribution and Energy Services reporting units exceeded the carrying value by approximately \$2.3 billion and \$259 million, respectively, or approximately 80% and 50%, excess fair value over the carrying values for each reporting unit, respectively. A key assumption in the income approach was the weighted average cost of capital of 5.1% and 6.0% applied in the valuation for Natural Gas Distributions and Energy Services, respectively.

Although there was not a goodwill asset impairment in our 2013 annual test, an interim impairment test could be triggered by the following: actual earnings results that are materially lower than expected, significant adverse changes in the operating environment, an increase in the discount rate, changes in other key assumptions which require judgment and are forward looking in nature, or if our market capitalization falls below book value for an extended period of time. No impairment triggers were identified subsequent to our 2013 annual test.

Unbilled Energy Revenues

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

Pension and Other Retirement Plans

We sponsor pension and other retirement plans in various forms covering all employees who meet eligibility requirements. We use several statistical and other factors that attempt to anticipate future events in calculating the expense and liability related to our plans. These factors include assumptions about the discount rate, expected return on plan assets and rate of future compensation increases as estimated by management, within certain guidelines. In addition, our actuarial consultants use subjective factors such as withdrawal and mortality rates. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension expense recorded. Please read “— Other Significant Matters — Pension Plans” for further discussion.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 2(o) to our consolidated financial statements for a discussion of new accounting pronouncements that affect us.

OTHER SIGNIFICANT MATTERS

Pension Plans. As discussed in Note 6(b) to our consolidated financial statements, we maintain a non-contributory qualified defined benefit pension plan covering substantially all employees. Employer contributions for the qualified plan are based on actuarial computations that establish the minimum contribution required under the Employee Retirement Income Security Act of 1974 (ERISA) and the maximum deductible contribution for income tax purposes.

Under the terms of our pension plan, we reserve the right to change, modify or terminate the plan. Our funding policy is to review amounts annually and contribute an amount at least equal to the minimum contribution required under ERISA.

The minimum funding requirements for the qualified pension plan were \$83 million, \$73 million and \$35 million for 2013 , 2012 and 2011 , respectively. We made contributions of \$83 million, \$73 million and \$65 million in 2013 , 2012 and 2011 for the respective years. We expect to make contributions aggregating approximately \$87 million in 2014 .

Additionally, we maintain an unfunded non-qualified benefit restoration plan that allows participants to receive the benefits to which they would have been entitled under our non-contributory pension plan except for the federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated. Employer contributions for the non-qualified benefit restoration plan represent benefit payments made to participants and totaled \$8 million, \$9 million and \$10 million in 2013 , 2012 and 2011 , respectively.

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

As the sponsor of a plan, we are required to (a) recognize on our balance sheet as an asset a plan's over-funded status or as a liability such plan's under-funded status, (b) measure a plan's assets and obligations as of the end of our fiscal year and (c) recognize changes in the funded status of our plans in the year that changes occur through adjustments to other comprehensive income and regulatory assets.

As of December 31, 2013 , the projected benefit obligation exceeded the market value of plan assets of our pension plans by \$350 million. Changes in interest rates or the market values of the securities held by the plan during 2014 could materially, positively or negatively, change our funded status and affect the level of pension expense and required contributions.

Pension cost was \$72 million, \$82 million and \$78 million for 2013 , 2012 and 2011 , respectively, of which \$64 million, \$67 million and \$49 million impacted pre-tax earnings.

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

As of December 31, 2013 , our qualified pension plan had an expected long-term rate of return on plan assets of 7.00%, which is a 1.00% decrease from the rate assumed as of December 31, 2012 due to the increase in the allocation to fixed income investments in our targeted asset allocation. The expected rate of return assumption was developed by a weighted-average return analysis of the targeted asset allocation for CenterPoint Energy's plans and the expected real return for each asset class, based on the long-

term capital market assumptions, adjusted for investment fees and diversification effects, in addition to expected inflation. We regularly review our actual asset allocation and periodically rebalance plan assets to reduce volatility and better match plan assets and liabilities.

As of December 31, 2013, the projected benefit obligation was calculated assuming a discount rate of 4.80%, which is a 0.80% increase from the 4.00% discount rate assumed in 2012. The discount rate was determined by reviewing yields on high-quality bonds that receive one of the two highest ratings given by a recognized rating agency and the expected duration of pension obligations specific to the characteristics of our plan.

Pension cost for 2014, including the benefit restoration plan, is estimated to be \$71 million, of which we expect \$63 million to impact pre-tax earnings, based on an expected return on plan assets of 7.00% and a discount rate of 4.80% as of December 31, 2013. If the expected return assumption were lowered by 0.50% from 7.00% to 6.50%, 2014 pension cost would increase by approximately \$9 million.

As of December 31, 2013, the pension plan projected benefit obligation, including the unfunded benefit restoration plan, exceeded plan assets by \$350 million. If the discount rate were lowered by 0.50% from 4.80% to 4.30%, the assumption change would increase our projected benefit obligation and 2014 pension expense by approximately \$103 million and \$5 million, respectively. In addition, the assumption change would impact our Consolidated Balance Sheet by increasing the regulatory asset recorded as of December 31, 2013 by \$84 million and would result in a charge to comprehensive income in 2013 of \$12 million, net of tax.

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

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

Impact of Changes in Interest Rates and Energy Commodity Prices

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

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

Management has established comprehensive risk management policies to monitor and manage these market risks. We manage these risk exposures through the implementation of our risk management policies and framework. We manage our commodity price risk exposures through the use of derivative financial instruments and derivative commodity instrument contracts. During the normal course of business, we review our hedging strategies and determine the hedging approach we deem appropriate based upon the circumstances of each situation.

Derivative instruments such as futures, forward contracts, swaps and options derive their value from underlying assets, indices, reference rates or a combination of these factors. These derivative instruments include negotiated contracts, which are referred to as over-the-counter derivatives, and instruments that are listed and traded on an exchange.

Derivative transactions are entered into in our non-trading operations to manage and hedge certain exposures, such as exposure to changes in natural gas prices. We believe that the associated market risk of these instruments can best be understood relative to the underlying assets or risk being hedged.

Interest Rate Risk

As of December 31, 2013, 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 \$118 million and \$-0- at December 31, 2013 and 2012, respectively.

As of December 31, 2013 and 2012, we had outstanding fixed-rate debt (excluding indexed debt securities) aggregating \$8.1 billion and \$9.7 billion, respectively, in principal amount and having a fair value of \$8.6 billion and \$10.9 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 (please read Note 12 to our consolidated financial statements). However, the fair value of these instruments would increase by approximately \$222 million if interest rates were to decline by 10% from their levels at December 31, 2013. 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.

As discussed in Note 10 to our consolidated financial statements, the ZENS obligation is bifurcated into a debt component and a derivative component. The debt component of \$143 million at December 31, 2013 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 \$24 million if interest rates were to decline by 10% from levels at December 31, 2013. Changes in the fair value of the derivative component, a \$455 million recorded liability at December 31, 2013, are recorded in our 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 December 31, 2013 levels, the fair value of the derivative component liability would increase by approximately \$12 million, which would be recorded as an unrealized loss in our Statements of Consolidated Income.

Equity Market Value Risk

We are exposed to equity market value risk through our ownership of 7.1 million shares of TW Common, 1.8 million shares of TWC Common and 0.6 million shares of AOL Common, which we hold to facilitate our ability to meet our obligations under the ZENS. Please read Note 10 to our consolidated financial statements for a discussion of our ZENS obligation. A decrease of 10% from the December 31, 2013 aggregate market value of these shares would result in a net loss of approximately \$12 million, which would be recorded as an unrealized loss in our Statements of Consolidated Income.

Commodity Price Risk From Non-Trading Activities

We use derivative instruments as economic hedges to offset the commodity price exposure inherent in our businesses. The stand-alone commodity risk created by these instruments, without regard to the offsetting effect of the underlying exposure these instruments are intended to hedge, is described below. We measure the commodity risk of our non-trading energy derivatives using a sensitivity analysis. The sensitivity analysis performed on our non-trading energy derivatives measures the potential loss in fair value based on a hypothetical 10% movement in energy prices. At December 31, 2013, the recorded fair value of our non-trading energy derivatives was a net asset of \$13 million (before collateral), all of which is related to our Energy Services business segment. An increase of 10% in the market prices of energy commodities from their December 31, 2013 levels would have decreased the fair value of our non-trading energy derivatives net asset by \$4 million.

The above analysis of the non-trading energy derivatives utilized for commodity price risk management purposes does not include the favorable impact that the same hypothetical price movement would have on our non-derivative physical purchases and sales of natural gas to which the hedges relate. Furthermore, the non-trading energy derivative portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, the adverse impact to the fair value of the portfolio of non-trading energy derivatives held for hedging purposes associated with the hypothetical changes in commodity prices referenced above is expected to be substantially offset by a favorable impact on the underlying hedged physical transactions.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012 , and the related statements of consolidated income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 . These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of CenterPoint Energy, Inc. and subsidiaries as of December 31, 2013 and 2012 , and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 , in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013 , based on the criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 26, 2014 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control — Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended December 31, 2013 of the Company and our report dated February 26, 2014 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2014

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

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

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control — Integrated Framework (1992), our management has concluded that our internal control over financial reporting was effective as of December 31, 2013 .

Deloitte & Touche LLP, the Company's independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2013 which is included herein on page 70.

/s/ SCOTT M. PROCHAZKA

President and Chief Executive Officer

/s/ GARY L. WHITLOCK

Executive Vice President and Chief
Financial Officer

February 26, 2014

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME

	Year Ended December 31,		
	2013	2012	2011
	(in millions, except per share amounts)		
Revenues	\$ 8,106	\$ 7,452	\$ 8,450
Expenses:			
Natural gas	3,908	2,873	4,055
Operation and maintenance	1,847	1,874	1,835
Depreciation and amortization	954	1,050	886
Taxes other than income taxes	387	365	376
Goodwill impairment	—	252	—
Total	7,096	6,414	7,152
Operating Income	1,010	1,038	1,298
Other Income (Expense):			
Gain on marketable securities	236	154	19
Gain (loss) on indexed debt securities	(193)	(71)	35
Interest and other finance charges	(351)	(422)	(456)
Interest on transition and system restoration bonds	(133)	(147)	(127)
Equity in earnings of unconsolidated affiliates	188	31	30
Return on true-up balance	—	—	352
Step acquisition gain	—	136	—
Other, net	24	38	23
Total	(229)	(281)	(124)
Income Before Income Taxes and Extraordinary Item	781	757	1,174
Income tax expense	470	340	404
Income Before Extraordinary Item	311	417	770
Extraordinary Item, net of tax	—	—	587
Net Income	\$ 311	\$ 417	\$ 1,357
Basic Earnings Per Share:			
Income Before Extraordinary Item	\$ 0.73	\$ 0.98	\$ 1.81
Extraordinary Item, net of tax	—	—	1.38
Net Income	\$ 0.73	\$ 0.98	\$ 3.19
Diluted Earnings Per Share:			
Income Before Extraordinary Item	\$ 0.72	\$ 0.97	\$ 1.80
Extraordinary Item, net of tax	—	—	1.37
Net Income	\$ 0.72	\$ 0.97	\$ 3.17
Weighted Average Shares Outstanding, Basic	428	427	426
Weighted Average Shares Outstanding, Diluted	431	430	429

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Net income	\$ 311	\$ 417	\$ 1,357
Other comprehensive income (loss):			
Adjustment to pension and other postretirement plans (net of tax of \$25, \$2 and \$7)	44	(2)	(16)
Reclassification of deferred loss from cash flow hedges realized in net income (net of tax of \$-0-, \$-0- and \$-0-)	1	—	—
Other comprehensive income (loss)	45	(2)	(16)
Comprehensive income	\$ 356	\$ 415	\$ 1,341

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2013	December 31, 2012
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents (\$207 and \$266 related to VIEs at December 31, 2013 and 2012, respectively)	\$ 208	\$ 646
Investment in marketable securities	767	540
Accounts receivable, net (\$60 and \$68 related to VIEs at December 31, 2013 and 2012, respectively)	851	768
Accrued unbilled revenues	398	339
Inventory	285	322
Non-trading derivative assets	24	36
Taxes receivable	—	7
Prepaid expense and other current assets (\$41 and \$54 related to VIEs at December 31, 2013 and 2012, respectively)	125	216
Total current assets	2,658	2,874
Property, Plant and Equipment, net	9,593	13,597
Other Assets:		
Goodwill	840	1,468
Regulatory assets (\$3,179 and \$3,545 related to VIEs at December 31, 2013 and 2012, respectively)	3,726	4,324
Notes receivable - affiliated companies	363	—
Non-trading derivative assets	10	6
Investment in unconsolidated affiliates	4,518	405
Other	162	197
Total other assets	9,619	6,400
Total Assets	\$ 21,870	\$ 22,871
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 43	\$ 38
Current portion of VIE transition and system restoration bonds long-term debt	354	447
Indexed debt	143	138
Current portion of other long-term debt	—	815
Indexed debt securities derivative	455	268
Accounts payable	689	561
Taxes accrued	184	160
Interest accrued	124	150
Non-trading derivative liabilities	17	14
Accumulated deferred income taxes, net	608	604
Other	402	380
Total current liabilities	3,019	3,575
Other Liabilities:		
Accumulated deferred income taxes, net	4,542	4,153
Non-trading derivative liabilities	4	2
Benefit obligations	802	1,143
Regulatory liabilities	1,152	1,093
Other	205	247
Total other liabilities	6,705	6,638
Long-term Debt:		
VIE transition and system restoration bonds	3,046	3,400
Other	4,771	4,957
Total long-term debt	7,817	8,357
Commitments and Contingencies (Note 14)		

Shareholders' Equity

4,329

4,301

Total Liabilities and Shareholders' Equity

\$ 21,870

\$ 22,871

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Cash Flows from Operating Activities:			
Net income	\$ 311	\$ 417	\$ 1,357
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	954	1,050	886
Amortization of deferred financing costs	30	32	30
Deferred income taxes	356	328	443
Extraordinary item, net of tax	—	—	(587)
Return on true-up balance	—	—	(352)
Goodwill impairment	—	252	—
Step acquisition gain	—	(136)	—
Unrealized gain on marketable securities	(236)	(154)	(19)
Unrealized loss (gain) on indexed debt securities	193	71	(35)
Write-down of natural gas inventory	4	4	11
Equity in earnings of unconsolidated affiliates, net of distributions	(58)	8	8
Pension contributions	(91)	(82)	(75)
Changes in other assets and liabilities:			
Accounts receivable and unbilled revenues, net	(256)	10	40
Inventory	(22)	27	11
Taxes receivable	7	(7)	138
Accounts payable	152	(6)	(81)
Fuel cost recovery	108	(52)	(70)
Non-trading derivatives, net	4	20	(13)
Margin deposits, net	16	53	34
Interest and taxes accrued	41	(62)	44
Net regulatory assets and liabilities	61	66	31
Other current assets	(2)	(12)	12
Other current liabilities	21	18	18
Other assets	(24)	(18)	(9)
Other liabilities	20	16	42
Other, net	24	17	24
Net cash provided by operating activities	1,613	1,860	1,888
Cash Flows from Investing Activities:			
Capital expenditures, net of acquisitions	(1,286)	(1,212)	(1,303)
Acquisitions, net of cash acquired	—	(360)	—
Decrease (increase) in restricted cash of transition and system restoration bond companies	17	(13)	(3)
Investment in unconsolidated affiliates	—	(5)	(12)
Cash contribution to Enable	(38)	—	—
Cash received from U.S. Department of Energy grant	—	—	110
Proceeds from sale of marketable securities	9	—	—
Other, net	(2)	(13)	2
Net cash used in investing activities	(1,300)	(1,603)	(1,206)
Cash Flows from Financing Activities:			
Increase (decrease) in short-term borrowings, net	5	(24)	9
Proceeds from (payments of) commercial paper, net	118	(285)	102
Proceeds from long-term debt	1,050	2,495	550
Payments of long-term debt	(1,573)	(1,590)	(909)
Cash paid for debt exchange and debt retirement	(7)	(69)	(58)
Other, net	(2)	(1)	(2)

Redemption of indexed debt securities	(8)	—	—
Payment of common stock dividends	(355)	(346)	(337)
Proceeds from issuance of common stock, net	4	4	6
Other, net	18	—	—
Net cash provided by (used in) financing activities	<u>(751)</u>	<u>169</u>	<u>(661)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(438)	426	21
Cash and Cash Equivalents at Beginning of Year	646	220	199
Cash and Cash Equivalents at End of Year	<u>\$ 208</u>	<u>\$ 646</u>	<u>\$ 220</u>

See Notes to Consolidated Financial Statements

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

	<u>Year Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
	(in millions)		
Supplemental Disclosure of Cash Flow Information:			
Cash Payments:			
Interest, net of capitalized interest	\$ 475	\$ 556	\$ 565
Income taxes (refunds), net	35	46	(205)
Non-cash transactions:			
Accounts payable related to capital expenditures	74	110	110
Formation of Enable	4,252	—	—

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	2013		2012		2011	
	Shares	Amount	Shares	Amount	Shares	Amount
	(in millions of dollars and shares)					
Preference Stock, none outstanding	—	\$ —	—	\$ —	—	\$ —
Cumulative Preferred Stock, \$0.01 par value; authorized 20,000,000 shares, none outstanding	—	—	—	—	—	—
Common Stock, \$0.01 par value; authorized 1,000,000,000 shares						
Balance, beginning of year	428	4	426	4	425	4
Issuances related to benefit and investment plans	1	—	2	—	1	—
Balance, end of year	<u>429</u>	<u>4</u>	<u>428</u>	<u>4</u>	<u>426</u>	<u>4</u>
Additional Paid-in-Capital						
Balance, beginning of year		4,130		4,120		4,100
Issuances related to benefit and investment plans		27		10		20
Balance, end of year		<u>4,157</u>		<u>4,130</u>		<u>4,120</u>
Retained Earnings (Accumulated Deficit)						
Balance, beginning of year		302		231		(789)
Net income		311		417		1,357
Common stock dividends		(355)		(346)		(337)
Balance, end of year		<u>258</u>		<u>302</u>		<u>231</u>
Accumulated Other Comprehensive Loss						
Balance, end of year:						
Adjustment to pension and postretirement plans		(88)		(132)		(130)
Net deferred loss from cash flow hedges		(2)		(3)		(3)
Total accumulated other comprehensive loss, end of year		<u>(90)</u>		<u>(135)</u>		<u>(133)</u>
Total Shareholders' Equity		<u>\$ 4,329</u>		<u>\$ 4,301</u>		<u>\$ 4,222</u>

See Notes to Consolidated Financial Statements

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Background

CenterPoint Energy, Inc. is a public utility holding company. CenterPoint Energy's operating subsidiaries own and operate electric transmission and distribution facilities and natural gas distribution facilities and own interests in Enable Midstream Partners, LP (Enable) as described below. As of December 31, 2013, CenterPoint Energy's indirect wholly owned subsidiaries included:

- CenterPoint Energy Houston Electric, LLC (CenterPoint Houston), which engages in the electric transmission and distribution business in the Texas Gulf Coast area that includes the city of Houston; and
- CenterPoint Energy Resources Corp. (CERC Corp. and, together with its subsidiaries, CERC), which owns and operates natural gas distribution systems in six states (Gas Operations). A wholly owned subsidiary of CERC Corp. offers variable and fixed-price physical natural gas supplies primarily to commercial and industrial customers and electric and gas utilities in 21 states. As of December 31, 2013, CERC Corp. also owned approximately 58.3% of the limited partner interests in Enable, an unconsolidated partnership jointly controlled with OGE Energy Corp., which owns, operates and develops natural gas and crude oil infrastructure assets.

For a description of CenterPoint Energy's reportable business segments, see Note 17.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

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

(b) Principles of Consolidation

The accounts of CenterPoint Energy and its wholly owned and majority owned subsidiaries are included in the consolidated financial statements. All intercompany transactions and balances are eliminated in consolidation. CenterPoint Energy generally uses the equity method of accounting for investments in entities in which CenterPoint Energy has an ownership interest between 20% and 50% and exercises significant influence. CenterPoint Energy also uses the equity method for investments in which it has ownership percentages greater than 50%, when it exercises significant influence, does not have control and is not considered the primary beneficiary, if applicable.

On March 14, 2013, CenterPoint Energy entered into a Master Formation Agreement (MFA) with OGE Energy Corp. (OGE) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to which CenterPoint Energy, OGE and ArcLight agreed to form Enable as a private limited partnership. On May 1, 2013, the parties closed on the formation of Enable. In connection with the closing (i) CERC Corp. converted its direct wholly owned subsidiary, CenterPoint Energy Field Services, LLC, a Delaware limited liability company (CEFS), into a Delaware limited partnership that became Enable, (ii) CERC Corp. contributed to Enable its equity interests in each of CenterPoint Energy Gas Transmission Company, LLC, which has been subsequently renamed Enable Gas Transmission, LLC (EGT), CenterPoint Energy - Mississippi River Transmission, LLC, which has been subsequently renamed Enable Mississippi River Transmission, LLC (MRT), certain of its other midstream subsidiaries (Other CNP Midstream Subsidiaries), and a 24.95% interest in Southeast Supply Header, LLC (SESH and, collectively with CEFS, EGT, MRT and Other CNP Midstream Subsidiaries, CenterPoint Midstream), and (iii) OGE and ArcLight indirectly contributed 100% of the equity interests in Enogex LLC, which has been subsequently renamed Enable Oklahoma Intrastate Transmission, LLC (Enogex), to Enable.

As of December 31, 2013, CERC Corp., OGE and ArcLight held approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in Enable. Enable is equally controlled by CERC Corp. and OGE; each own 50% of the management rights in the general partner of Enable. CERC Corp. and OGE also own a 40% and 60% interest, respectively, in the incentive distribution rights held by the general partner of Enable. The general partner of Enable is currently governed by a board of directors made up of an equal number of representatives designated by each of CERC Corp. and OGE. See Note 9 for further discussion on the formation of Enable. The investment in Enable is accounted for utilizing the equity method of accounting. As of December 31,

2013 , CenterPoint Energy determined that Enable was a variable interest entity (VIE); however, CenterPoint Energy is not the primary beneficiary and as such, this entity is not consolidated. See Notes 9 and 17 below.

Prior to July 2012, CenterPoint Energy owned a 50% interest in Waskom Gas Processing Company (Waskom), a Texas general partnership, which owns and operates a natural gas processing plant and natural gas gathering assets. On July 31, 2012, CenterPoint Energy purchased the 50% interest that it did not already own in Waskom, as well as other gathering and related assets from a third-party for approximately \$273 million . The amount of the purchase price allocated to the acquisition of the 50% interest in Waskom was approximately \$201 million , with the remaining purchase price allocated to the other gathering assets, based on a discounted cash flow methodology. The \$273 million purchase price was allocated as follows: \$253 million to property, plant and equipment; \$16 million to goodwill; and the remaining balance to other assets and liabilities. The purchase of the 50% interest in Waskom was determined to be a business combination achieved in stages, and as such CenterPoint Energy recorded a pre-tax gain of approximately \$136 million on July 31, 2012, which is the result of remeasuring its original 50% interest in Waskom to fair value. As a result of the purchase, CenterPoint Energy recorded goodwill of \$24 million , which includes \$17 million related to Waskom (including the re-measurement of its existing 50% interest) and \$7 million related to the other gathering and related assets.

Other investments, excluding marketable securities, are carried at cost.

As of December 31, 2013 , CenterPoint Energy had four VIEs consisting of transition and system restoration bond companies, which it consolidates. The consolidated VIEs are wholly owned bankruptcy remote special purpose entities that were formed specifically for the purpose of securitizing transition and system restoration related property. Creditors of CenterPoint Energy have no recourse to any assets or revenues of the transition and system restoration bond companies. The bonds issued by these VIEs are payable only from and secured by transition and system restoration property and the bondholders have no recourse to the general credit of CenterPoint Energy.

(c) Revenues

CenterPoint Energy records revenue for electricity delivery and natural gas sales and services under the accrual method and these revenues are recognized upon delivery to customers. Electricity deliveries not billed by month-end are accrued based on actual advanced metering system data, daily supply volumes and applicable rates. Natural gas sales not billed by month-end are accrued based upon estimated purchased gas volumes, estimated lost and unaccounted for gas and currently effective tariff rates.

(d) Long-lived Assets and Intangibles

CenterPoint Energy records property, plant and equipment at historical cost. CenterPoint Energy expenses repair and maintenance costs as incurred.

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

(e) Regulatory Assets and Liabilities

CenterPoint Energy applies the guidance for accounting for regulated operations to the Electric Transmission & Distribution business segment and the Natural Gas Distribution business segment. CenterPoint Energy's rate-regulated subsidiaries may collect revenues subject to refund pending final determination in rate proceedings. In connection with such revenues, estimated rate refund liabilities are recorded which reflect management's current judgment of the ultimate outcomes of the proceedings.

CenterPoint Energy's rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. As of December 31, 2013 and 2012 , these removal costs of \$941 million and \$919 million , respectively, are classified as regulatory liabilities in CenterPoint Energy's Consolidated Balance Sheets. In addition, a portion of the amount of removal costs that relate to asset retirement obligations has been reclassified from a regulatory liability to an asset retirement liability in accordance with accounting guidance for asset retirement obligations.

(f) Depreciation and Amortization Expense

Depreciation and amortization is computed using the straight-line method based on economic lives or regulatory-mandated recovery periods. Amortization expense includes amortization of regulatory assets and other intangibles.

(g) Capitalization of Interest and Allowance for Funds Used During Construction

Interest and allowance for funds used during construction (AFUDC) are capitalized as a component of projects under construction and are amortized over the assets' estimated useful lives once the assets are placed in service. AFUDC represents the composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction for subsidiaries that apply the guidance for accounting for regulated operations. During 2013, 2012 and 2011, CenterPoint Energy capitalized interest and AFUDC of \$11 million, \$9 million and \$4 million, respectively. During 2013, 2012 and 2011, CenterPoint Energy recorded AFUDC equity of \$8 million, \$6 million and \$5 million, respectively, which is included in Other Income in its Statements of Consolidated Income.

(h) Income Taxes

CenterPoint Energy files a consolidated federal income tax return and follows a policy of comprehensive interperiod tax allocation. CenterPoint Energy uses the asset and liability method of accounting for deferred income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance is established against deferred tax assets for which management believes realization is not considered to be more likely than not. CenterPoint Energy recognizes interest and penalties as a component of income tax expense.

(i) Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. It is the policy of management to review the outstanding accounts receivable monthly, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts. Account balances are charged off against the allowance when management determines it is probable the receivable will not be recovered. Accounts receivable are net of an allowance for doubtful accounts of \$28 million and \$25 million at December 31, 2013 and 2012, respectively. The provision for doubtful accounts in CenterPoint Energy's Statements of Consolidated Income for 2013, 2012 and 2011 was \$21 million, \$16 million and \$26 million, respectively.

(j) Inventory

Inventory consists principally of materials and supplies and natural gas. Materials and supplies are valued at the lower of average cost or market. Materials and supplies are recorded to inventory when purchased and subsequently charged to expense or capitalized to plant when installed. Natural gas inventories of CenterPoint Energy's Energy Services business segment are also primarily valued at the lower of average cost or market. Natural gas inventories of CenterPoint Energy's Natural Gas Distribution business segment are primarily valued at weighted average cost. During 2013, 2012 and 2011, CenterPoint Energy recorded \$4 million, \$4 million and \$11 million, respectively, in write-downs of natural gas inventory to the lower of average cost or market.

	December 31,	
	2013	2012
Materials and supplies	\$ 140	\$ 177
Natural gas	145	145
Total inventory	<u>\$ 285</u>	<u>\$ 322</u>

(k) Derivative Instruments

CenterPoint Energy is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. CenterPoint Energy utilizes derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on its operating results and cash flows. Such derivatives are recognized in CenterPoint Energy's Consolidated Balance Sheets at their fair value unless CenterPoint Energy elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or normal sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business.

CenterPoint Energy has a Risk Oversight Committee composed of corporate and business segment officers that oversees all commodity price, weather and credit risk activities, including CenterPoint Energy's marketing, risk management services and hedging activities. The committee's duties are to establish CenterPoint Energy's commodity risk policies, allocate board-approved

commercial risk limits, approve the use of new products and commodities, monitor positions and ensure compliance with CenterPoint Energy's risk management policies and procedures and limits established by CenterPoint Energy's board of directors.

CenterPoint Energy's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

(l) Investments in Other Debt and Equity Securities

CenterPoint Energy reports securities classified as trading at estimated fair value in its Consolidated Balance Sheets, and any unrealized holding gains and losses are recorded as other income (expense) in its Statements of Consolidated Income.

(m) Environmental Costs

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

(n) Statements of Consolidated Cash Flows

For purposes of reporting cash flows, CenterPoint Energy considers cash equivalents to be short-term, highly-liquid investments with maturities of three months or less from the date of purchase. In connection with the issuance of transition bonds and system restoration bonds, CenterPoint Energy was required to establish restricted cash accounts to collateralize the bonds that were issued in these financing transactions. These restricted cash accounts are not available for withdrawal until the maturity of the bonds and are not included in cash and cash equivalents. These restricted cash accounts of \$41 million and \$54 million at December 31, 2013 and 2012, respectively, are included in other current assets in CenterPoint Energy's Consolidated Balance Sheets. Cash and cash equivalents included \$207 million and \$266 million at December 31, 2013 and 2012, respectively, that was held by CenterPoint Energy's transition and system restoration bond subsidiaries solely to support servicing the transition and system restoration bonds.

(o) New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). The objective of ASU 2013-02 is to improve the transparency of changes in other comprehensive income and items reclassified out of Accumulated Other Comprehensive Income in financial statements. This new guidance is effective for a reporting entity's first reporting period beginning after December 15, 2012 and should be applied prospectively. CenterPoint Energy's adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

In December 2011 and January 2013, the FASB issued Accounting Standards Update No. 2011-11, "Disclosures About Offsetting Assets and Liabilities" (ASU 2011-11) and No. 2013-01, "Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities" (ASU 2013-01), respectively. The objective of ASU 2011-11 is to enhance disclosures about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective of ASU 2013-01 is to clarify which instruments and transactions are subject to ASU 2011-11. Both ASU 2011-11 and ASU 2013-01 are effective for a reporting entity's first reporting period beginning on or after January 1, 2013 and should be applied retrospectively. CenterPoint Energy's adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

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

(3) Property, Plant and Equipment

(a) Property, Plant and Equipment

Property, plant and equipment includes the following:

	Weighted Average Useful Lives (Years)	December 31,	
		2013	2012
		(in millions)	
Electric Transmission & Distribution	31	\$ 8,741	\$ 8,204
Natural Gas Distribution	31	4,694	4,321
Energy Services	26	82	80
Interstate Pipelines	—	— ⁽¹⁾	2,803
Field Services	—	— ⁽¹⁾	2,359
Other property	23	621	610
Total		<u>14,138</u>	<u>18,377</u>
Accumulated depreciation and amortization:			
Electric Transmission & Distribution		2,907	2,839
Natural Gas Distribution		1,324	1,194
Energy Services		28	25
Interstate Pipelines		—	355
Field Services		—	118
Other property		286	249
Total accumulated depreciation and amortization		<u>4,545</u>	<u>4,780</u>
Property, plant and equipment, net		<u>\$ 9,593</u>	<u>\$ 13,597</u>

(1) Following the formation of Enable on May 1, 2013, substantially all of the assets of CenterPoint Energy's former Interstate Pipelines and Field Services business segments are owned by Enable.

(b) Depreciation and Amortization

The following table presents depreciation and amortization expense for 2013, 2012 and 2011 (in millions).

	2013	2012	2011
Depreciation expense	\$ 531	\$ 562	\$ 529
Amortization expense	423	488	357
Total depreciation and amortization expense	<u>\$ 954</u>	<u>\$ 1,050</u>	<u>\$ 886</u>

(c) Asset Retirement Obligations

A reconciliation of the changes in the asset retirement obligation (ARO) liability is as follows (in millions):

	December 31,	
	2013	2012
Beginning balance	\$ 164	\$ 156
Accretion expense	5	7
Revisions in estimates of cash flows	(35)	1
Ending balance	<u>\$ 134</u>	<u>\$ 164</u>

The decrease of \$35 million in the ARO from the revision of estimate in 2013 is primarily attributable to a decrease in the future expected cash flows associated with the retirement of steel pipe. There were no material additions or settlements during the year ended December 31, 2012.

(4) Goodwill

Goodwill by reportable business segment as of December 31, 2012 and changes in the carrying amount of goodwill as of December 31, 2013 are as follows (in millions):

	December 31, 2011	Impairment Charge	Waskom Acquisition (1)	December 31, 2012	Contributed to Enable (1)	December 31, 2013
Natural Gas Distribution	\$ 746	\$ —	\$ —	\$ 746	\$ —	\$ 746
Interstate Pipelines	579	—	—	579	579	—
Energy Services	335	252	—	83	—	83
Field Services	25	—	24	49	49	—
Other	11	—	—	11	—	11
Total	<u>\$ 1,696</u>	<u>\$ 252</u>	<u>\$ 24</u>	<u>\$ 1,468</u>	<u>\$ 628</u>	<u>\$ 840</u>

(1) See Note 2(b).

CenterPoint Energy performs its goodwill impairment tests at least annually and evaluates goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable. The impairment evaluation for goodwill is performed by using a two-step process. In the first step, the fair value of each reporting unit is compared with the carrying amount of the reporting unit, including goodwill. The estimated fair value of the reporting unit is generally determined on the basis of discounted cash flows. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference.

CenterPoint Energy performed its annual impairment test in the third quarter of 2013 and determined, based on the results of the first step, that no impairment charge was required for any reportable segment. Other intangibles were not material as of December 31, 2013 and 2012.

CenterPoint Energy performed its annual impairment test in the third quarter of 2012 and determined that a non-cash goodwill impairment charge in the amount of \$252 million was required for the Energy Services reportable segment.

CenterPoint Energy estimated the value of the Energy Services reporting unit using an income approach. Under this approach, the fair value of the reporting unit is determined by using the present value of future expected cash flows, which are based on management projections of revenue growth, gross margin, and overall market conditions. These estimated future cash flows are then discounted using a rate that approximates the weighted average cost of capital of a market participant.

The Energy Services reporting unit fair value analysis resulted in an implied fair value of goodwill of \$83 million for this reporting unit, and as a result, a non-cash impairment charge in the amount of \$252 million was recorded in the third quarter of 2012. The adverse wholesale market conditions facing CenterPoint Energy's energy services business, specifically the prospects for continued low geographic and seasonal price differentials for natural gas, led to a reduction in the estimate of the fair value of goodwill associated with this reporting unit.

(5) Regulatory Accounting

(a) Regulatory Assets and Liabilities

The following is a list of regulatory assets/liabilities reflected on CenterPoint Energy's Consolidated Balance Sheets as of December 31, 2013 and 2012 :

	December 31,	
	2013	2012
	(in millions)	
Securitized regulatory assets	\$ 3,179	\$ 3,545
Unrecognized equity return (1)	(508)	(553)
Unamortized loss on reacquired debt	111	119
Pension and postretirement-related regulatory asset (2)	732	1,021
Other long-term regulatory assets (3)	212	192
Total regulatory assets	<u>3,726</u>	<u>4,324</u>
Estimated removal costs	941	919
Other long-term regulatory liabilities	211	174
Total regulatory liabilities	<u>1,152</u>	<u>1,093</u>
Total regulatory assets and liabilities, net	<u>\$ 2,574</u>	<u>\$ 3,231</u>

(1) As of December 31, 2013 , CenterPoint Energy has not recognized an allowed equity return of \$508 million because such return will be recognized as it is recovered in rates. During the years ended December 31, 2013 , 2012 and 2011 , CenterPoint Houston recognized approximately \$45 million , \$47 million and \$21 million , respectively, of the allowed equity return.

(2) CenterPoint Houston's actuarially determined pension and other postemployment expense in excess of the amount being recovered through rates is being deferred for rate making purposes. Deferred pension and other postemployment expenses of \$5 million and \$14 million as of December 31, 2013 and 2012 , respectively, were not earning a return.

(3) Other regulatory assets that are not earning a return were not material as of December 31, 2013 and 2012 .

(b) Resolution of True-Up Appeal

In March 2004, CenterPoint Houston filed a true-up application with the Public Utility Commission of Texas (Texas Utility Commission) requesting recovery of \$3.7 billion , excluding interest, as allowed under the Texas Electric Choice Plan. The legislation provided for a transition period to move to a new market structure and provided a mechanism for the formerly integrated electric utilities to recover stranded and certain other costs resulting from the transition to competition. In December 2004, the Texas Utility Commission issued a final order (True-Up Order) allowing CenterPoint Houston to recover a true-up balance of approximately \$2.3 billion . To reflect the impact of the True-Up Order, in 2004 and 2005, CenterPoint Energy recorded a net after-tax extraordinary loss of \$947 million .

Various parties, including CenterPoint Houston, appealed the True-Up Order. In March 2011, the Texas Supreme Court issued a unanimous ruling on such appeals in which it affirmed in part and reversed in part the decision of the Texas Utility Commission. The case was remanded to the Texas Utility Commission, and in October 2011, the Texas Utility Commission approved a final order (the Remand Order) which provided that (i) CenterPoint Houston was entitled to recover an additional true-up balance of \$1.695 billion (the Recoverable True-Up Balance), (ii) no further interest would accrue on the Recoverable True-Up Balance, and (iii) CenterPoint Houston would reimburse certain parties for their reasonable rate case expenses.

In January 2012, CenterPoint Energy Transition Bond Company IV, LLC (Bond Company IV), a new special purpose subsidiary of CenterPoint Houston, issued \$1.695 billion of transition bonds to securitize the Recoverable True-Up Balance.

As a result of the Remand Order, in 2011 CenterPoint Houston recorded a pre-tax extraordinary gain of \$921 million (\$587 million after taxes of \$334 million) and \$352 million (\$224 million after-tax) of Other Income related to a portion of interest on the appealed amount. An additional \$405 million (\$258 million after-tax) will be recorded as an equity return over the life of the transition bonds.

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

(a) Stock-Based Incentive Compensation Plans

CenterPoint Energy has long-term incentive plans (LTIPs) that provide for the issuance of stock-based incentives, including stock options, performance awards, restricted stock unit awards and restricted and unrestricted stock awards to officers, employees and non-employee directors. Approximately 14 million shares of CenterPoint Energy common stock are authorized under these plans for awards.

Equity awards are granted to employees without cost to the participants. The performance awards granted in 2013, 2012 and 2011 are distributed based upon the achievement of certain objectives over a three-year performance cycle. The stock awards granted in 2013, 2012 and 2011 are subject to the performance condition that total common dividends declared during the three-year vesting period must be at least \$2.49, \$2.43 and \$2.37 per share, respectively. The stock awards generally vest at the end of a three-year period. Upon vesting, both the performance and stock awards are issued to the participants along with the value of dividend equivalents earned over the performance cycle or vesting period. CenterPoint Energy issues new shares in order to satisfy stock-based payments related to LTIPs.

CenterPoint Energy recorded LTIP compensation expense of \$19 million, \$18 million and \$19 million for the years ended December 31, 2013, 2012 and 2011, respectively. This expense is included in Operation and Maintenance Expense in the Statements of Consolidated Income.

The total income tax benefit recognized related to LTIPs was \$7 million, \$7 million and \$7 million for the years ended December 31, 2013, 2012 and 2011, respectively. No compensation cost related to LTIPs was capitalized as a part of inventory or fixed assets in 2013, 2012 or 2011. The actual tax benefit realized for tax deductions related to LTIPs totaled \$13 million, \$14 million and \$8 million for 2013, 2012 and 2011, respectively.

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

The following tables summarize CenterPoint Energy's LTIP activity for 2013 :

Stock Options

	Outstanding Options			
	Year Ended December 31, 2013			
	Shares (Thousands)	Weighted- Average Exercise Price	Remaining Average Contractual Life (Years)	Aggregate Intrinsic Value (Millions)
Outstanding at December 31, 2012	459	\$ 9.84		
Exercised	(339)	9.46		
Outstanding at December 31, 2013	120	10.93	0.2	\$ 1
Exercisable at December 31, 2013	120	10.93	0.2	1

Cash received from stock options exercised was \$3 million, \$3 million and \$5 million for 2013, 2012 and 2011, respectively.

CenterPoint Energy has not issued stock options since 2004.

Performance Awards

	Outstanding and Non-Vested Shares Year Ended December 31, 2013			
	Shares (Thousands)	Weighted- Average Grant Date Fair Value	Remaining Average Contractual Life (Years)	Aggregate Intrinsic Value (Millions)
Outstanding at December 31, 2012	2,992	\$ 16.05		
Granted	899	20.67		
Forfeited or cancelled	(364)	15.90		
Vested and released to participants	(824)	14.21		
Outstanding at December 31, 2013	<u>2,703</u>	18.17	0.9	\$ 46

The outstanding and non-vested shares displayed in the table above assumes that shares are issued at the maximum performance level. The aggregate intrinsic value reflects the impact of current expectations of achievement and stock price.

Stock Awards

	Outstanding and Non-Vested Shares Year Ended December 31, 2013			
	Shares (Thousands)	Weighted- Average Grant Date Fair Value	Remaining Average Contractual Life (Years)	Aggregate Intrinsic Value (Millions)
Outstanding at December 31, 2012	995	\$ 16.43		
Granted	377	21.53		
Forfeited or cancelled	(42)	18.56		
Vested and released to participants	(432)	15.91		
Outstanding at December 31, 2013	<u>898</u>	18.72	1.0	\$ 21

The weighted-average grant-date fair values per unit of awards granted were as follows for 2013, 2012 and 2011 :

	Year Ended December 31,		
	2013	2012	2011
Performance awards	\$ 20.67	\$ 18.79	\$ 15.49
Stock awards	21.53	18.96	15.81

Valuation Data

The total intrinsic value of awards received by participants was as follows for 2013, 2012 and 2011 :

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Stock options exercised	\$ 4	\$ 6	\$ 7
Performance awards	20	24	7
Stock awards	10	9	7

The total grant date fair value of performance and stock awards which vested during the years ended December 31, 2013, 2012 and 2011 was \$19 million, \$19 million and \$12 million, respectively. As of December 31, 2013, there was \$18 million of total unrecognized compensation cost related to non-vested performance and stock awards which is expected to be recognized over a weighted-average period of 1.6 years.

(b) Pension and Postretirement Benefits

CenterPoint Energy maintains a non-contributory qualified defined benefit pension plan covering substantially all employees, with benefits determined using a cash balance formula. Under the cash balance formula, participants accumulate a retirement

benefit based upon 5% of eligible earnings and accrued interest. Participants are 100% vested in their benefit after completing three years of service. In addition to the non-contributory qualified defined benefit pension plan, CenterPoint Energy maintains unfunded non-qualified benefit restoration plans which allow participants to receive the benefits to which they would have been entitled under CenterPoint Energy's non-contributory pension plan except for federally mandated limits on qualified plan benefits or on the level of compensation on which qualified plan benefits may be calculated.

CenterPoint Energy provides certain healthcare and life insurance benefits for retired employees on both a contributory and non-contributory basis. Employees become eligible for these benefits if they have met certain age and service requirements at retirement, as defined in the plans. Under plan amendments, effective in early 1999, healthcare benefits for future retirees were changed to limit employer contributions for medical coverage.

Such benefit costs are accrued over the active service period of employees. The net unrecognized transition obligation is being amortized over approximately 20 years .

CenterPoint Energy's net periodic cost includes the following components relating to pension, including the benefit restoration plan, and postretirement benefits:

	Year Ended December 31,					
	2013		2012		2011	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
	(in millions)					
Service cost	\$ 44	\$ 2	\$ 35	\$ 1	\$ 33	\$ 1
Interest cost	90	20	100	23	100	24
Expected return on plan assets	(135)	(7)	(121)	(7)	(115)	(10)
Amortization of prior service cost	10	1	8	3	3	3
Amortization of net loss	63	6	60	4	57	1
Amortization of transition obligation	—	7	—	7	—	7
Benefit enhancement	—	—	—	1	—	1
Net periodic cost	<u>\$ 72</u>	<u>\$ 29</u>	<u>\$ 82</u>	<u>\$ 32</u>	<u>\$ 78</u>	<u>\$ 27</u>

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

	Year Ended December 31,					
	2013		2012		2011	
	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits	Pension Benefits	Post-retirement Benefits
Discount rate	4.00%	3.90%	4.90%	4.80%	5.25%	5.20%
Expected return on plan assets	8.00	5.50	8.00	5.50	8.00	7.05
Rate of increase in compensation levels	4.00	—	4.20	—	4.60	—

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

The following table summarizes changes in the benefit obligation, plan assets, the amounts recognized in consolidated balance sheets and the key assumptions of CenterPoint Energy's pension, including benefit restoration, and postretirement plans. The measurement dates for plan assets and obligations were December 31, 2013 and 2012 .

	December 31,			
	2013		2012	
	Pension Benefits	Post- retirement Benefits	Pension Benefits	Post- retirement Benefits
(in millions, except for actuarial assumptions)				
Change in Benefit Obligation				
Benefit obligation, beginning of year	\$ 2,316	\$ 538	\$ 2,085	\$ 500
Service cost	44	2	35	1
Interest cost	90	20	100	23
Participant contributions	—	7	—	7
Benefits paid	(142)	(34)	(123)	(35)
Actuarial (gain) loss	(155)	(60)	219	38
Medicare reimbursement	—	3	—	4
Benefit obligation, end of year	<u>2,153</u>	<u>476</u>	<u>2,316</u>	<u>538</u>
Change in Plan Assets				
Fair value of plan assets, beginning of year	1,698	139	1,506	138
Employer contributions	91	19	82	20
Participant contributions	—	7	—	7
Benefits paid	(142)	(34)	(123)	(35)
Actual investment return	156	9	233	9
Fair value of plan assets, end of year	<u>1,803</u>	<u>140</u>	<u>1,698</u>	<u>139</u>
Funded status, end of year	<u>\$ (350)</u>	<u>\$ (336)</u>	<u>\$ (618)</u>	<u>\$ (399)</u>
Amounts Recognized in Balance Sheets				
Current liabilities-other	\$ (9)	\$ (9)	\$ (9)	\$ (9)
Other liabilities-benefit obligations	(341)	(327)	(609)	(390)
Net liability, end of year	<u>\$ (350)</u>	<u>\$ (336)</u>	<u>\$ (618)</u>	<u>\$ (399)</u>
Actuarial Assumptions				
Discount rate	4.80%	4.75%	4.00%	3.90%
Expected return on plan assets	7.00	5.50	8.00	5.50
Rate of increase in compensation levels	3.90	—	4.00	—
Healthcare cost trend rate assumed for the next year - Pre-65	—	7.00	—	9.00
Healthcare cost trend rate assumed for the next year - Post-65	—	7.50	—	9.00
Prescription drug cost trend rate assumed for the next year	—	7.00	—	9.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	—	5.50	—	5.50
Year that the healthcare rate reaches the ultimate trend rate	—	2018	—	2017
Year that the prescription drug rate reaches the ultimate trend rate	—	2018	—	2017

The accumulated benefit obligation for all defined benefit pension plans was \$2,123 million and \$2,283 million as of December 31, 2013 and 2012 , respectively.

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

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

For measurement purposes, medical costs are assumed to increase 7.00% and 7.50% for the pre-65 and post-65 retirees, respectively, and the prescription cost is assumed to increase 7.00% during 2014, after which this rate decreases until reaching the ultimate trend rate of 5.50% in 2018.

CenterPoint Energy's changes in accumulated comprehensive loss related to defined benefit, postretirement and other postemployment plans are as follows (in millions):

	Year Ended December 31, 2013
Beginning Balance	\$ (132)
Other comprehensive income before reclassifications (1)	52
Amounts reclassified from accumulated other comprehensive income:	
Prior service cost (2)	3
Actuarial losses (2)	14
Total reclassifications from accumulated other comprehensive income	17
Tax expense	(25)
Net current period other comprehensive income	44
Ending Balance	<u>\$ (88)</u>

(1) Total other comprehensive income related to the re-measurement of pension, postretirement and other postemployment plans.

(2) These accumulated other comprehensive components are included in the computation of net periodic cost.

Amounts recognized in accumulated other comprehensive loss consist of the following:

	December 31,			
	2013		2012	
	Pension Benefits	Postretirement Benefits	Pension Benefits	Postretirement Benefits
	(in millions)			
Unrecognized actuarial loss	\$ 126	\$ 7	\$ 173	\$ 21
Unrecognized prior service cost	12	1	14	2
Unrecognized transition obligation	—	—	—	1
Net amount recognized in accumulated other comprehensive loss	<u>\$ 138</u>	<u>\$ 8</u>	<u>\$ 187</u>	<u>\$ 24</u>

The changes in plan assets and benefit obligations recognized in other comprehensive income during 2013 are as follows (in millions):

	Pension Benefits	Postretirement Benefits
Net gain	\$ 34	\$ 13
Amortization of net loss	13	1
Amortization of prior service credit	2	1
Amortization of transition obligation	—	1
Total recognized in comprehensive income	<u>\$ 49</u>	<u>\$ 16</u>

The total expense recognized in net periodic costs and other comprehensive income was \$23 million and \$13 million for pension and postretirement benefits, respectively, for the year ended December 31, 2013.

The amounts in accumulated other comprehensive loss expected to be recognized as components of net periodic benefit cost during 2014 are as follows (in millions):

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
Unrecognized actuarial loss	\$ 9	\$ —
Unrecognized prior service cost	2	—
Amounts in accumulated comprehensive loss to be recognized in net periodic cost in 2014	<u>\$ 11</u>	<u>\$ —</u>

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

	<u>December 31,</u>			
	<u>2013</u>		<u>2012</u>	
	<u>Pension Qualified</u>	<u>Pension Non-qualified</u>	<u>Pension Qualified</u>	<u>Pension Non-qualified</u>
	(in millions)			
Accumulated benefit obligation	\$ 2,031	\$ 92	\$ 2,184	\$ 99
Projected benefit obligation	2,061	92	2,217	99
Fair value of plan assets	1,803	—	1,698	—

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

	<u>1% Increase</u>	<u>1% Decrease</u>
	(in millions)	
Effect on the postretirement benefit obligation	\$ 11	\$ 10
Effect on total of service and interest cost	1	1

In managing the investments associated with the benefit plans, CenterPoint Energy's objective is to achieve and maintain a fully funded plan. This objective is expected to be achieved through an investment strategy that manages liquidity requirements while maintaining a long-term horizon in making investment decisions and efficient and effective management of plan assets.

As part of the investment strategy discussed above, CenterPoint Energy has adopted and maintains the following weighted average allocation targets for its benefit plans:

	<u>Pension Benefits</u>	<u>Postretirement Benefits</u>
U.S. equity	15 – 31%	14 – 24%
International developed market equity	8 – 18%	3 – 13%
Emerging market equity	4 – 14%	—
Fixed income	49 – 61%	68 – 78%
Cash	0 – 2%	0 – 2%

The following tables set forth by level, within the fair value hierarchy (see Note 8), CenterPoint Energy's pension plan assets at fair value as of December 31, 2013 and 2012 :

Fair Value Measurements at December 31, 2013				
(in millions)				
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash	\$ 11	\$ 11	\$ —	\$ —
Common collective trust funds (1)	1,107	—	1,107	—
Corporate bonds:				
Investment grade or above	256	—	256	—
Equity securities:				
International companies	75	75	—	—
U.S. companies	77	77	—	—
Cash received as collateral from securities lending	71	71	—	—
U.S. government backed agencies bonds	1	1	—	—
U.S. treasuries	18	18	—	—
Mortgage backed securities	7	—	7	—
Asset backed securities	6	—	6	—
Municipal bonds	61	—	61	—
Mutual funds (2)	172	172	—	—
International government bonds	11	—	11	—
Real estate	1	—	—	1
Obligation to return cash received as collateral from securities lending	(71)	(71)	—	—
Total	\$ 1,803	\$ 354	\$ 1,448	\$ 1

(1) 50% of the amount invested in common collective trust funds is in fixed income securities, 20% is in U.S. equities, 25% is in international equities and 5% is in emerging market equities.

(2) 58% of the amount invested in mutual funds is in international equities, 30% is in emerging market equities and 12% is in U.S. equities.

Fair Value Measurements at December 31, 2012
(in millions)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 6	\$ 6	\$ —	\$ —
Common collective trust funds (1)	1,134	—	1,134	—
Corporate bonds:				
Investment grade or above	108	—	108	—
Equity securities:				
International companies	100	100	—	—
U.S. companies	101	101	—	—
Cash received as collateral from securities lending	52	52	—	—
U.S. government backed agencies bonds	1	1	—	—
U.S. treasuries	13	13	—	—
Mortgage backed securities	9	—	9	—
Asset backed securities	7	—	7	—
Municipal bonds	48	—	48	—
Mutual funds (2)	160	160	—	—
International government bonds	8	—	8	—
Real estate	3	—	—	3
Obligation to return cash received as collateral from securities lending	(52)	(52)	—	—
Total	\$ 1,698	\$ 381	\$ 1,314	\$ 3

(1) 42% of the amount invested in common collective trust funds is in fixed income securities, 27% is in U.S. equities, 26% is in international equities and 5% is in emerging market equities.

(2) 58% of the amount invested in mutual funds is in international equities, 33% is in emerging market equities and 9% is in U.S. equities.

The pension plan utilized both exchange traded and over-the-counter financial instruments such as futures, interest rate options and swaps that were marked to market daily with the gains/losses settled in the cash accounts. The pension plan did not include any holdings of CenterPoint Energy common stock as of December 31, 2013 or 2012 .

The changes in the fair value of the pension plan's level 3 investments for the years ended December 31, 2013 and 2012 were not material.

The following tables present by level, within the fair value hierarchy, CenterPoint Energy's postretirement plan assets at fair value as of December 31, 2013 and 2012 , by asset category:

Fair Value Measurements at December 31, 2013
(in millions)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds (1)	\$ 140	\$ 140	\$ —	\$ —
Total	\$ 140	\$ 140	\$ —	\$ —

(1) 72% of the amount invested in mutual funds is in fixed income securities, 20% is in U.S. equities and 8% is in international equities.

Fair Value Measurements at December 31, 2012
(in millions)

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds (1)	\$ 139	\$ 139	\$ —	\$ —
Total	\$ 139	\$ 139	\$ —	\$ —

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

CenterPoint Energy contributed \$83 million, \$8 million and \$16 million to its qualified pension, non-qualified pension and postretirement benefits plans, respectively, in 2013. CenterPoint Energy expects to contribute approximately \$87 million, \$9 million and \$17 million to its qualified pension, non-qualified pension and postretirement benefits plans, respectively, in 2014.

The following benefit payments are expected to be paid by the pension and postretirement benefit plans (in millions):

	Pension Benefits	Postretirement Benefit Plan	
		Benefit Payments	Medicare Subsidy Receipts
2014	\$ 135	\$ 34	\$ (4)
2015	147	36	(5)
2016	153	38	(5)
2017	161	39	(6)
2018	157	41	(6)
2019-2023	843	221	(39)

(c) Savings Plan

CenterPoint Energy has a tax-qualified employee savings plan that includes a cash or deferred arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), and an employee stock ownership plan (ESOP) under Section 4975(e)(7) of the Code. Under the plan, participating employees may contribute a portion of their compensation, on a pre-tax or after-tax basis, generally up to a maximum of 50% of eligible compensation. The Company matches 100% of the first 6% of each employee's compensation contributed. The matching contributions are fully vested at all times.

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

The savings plan has significant holdings of CenterPoint Energy common stock. As of December 31, 2013, 18,029,972 shares of CenterPoint Energy's common stock were held by the savings plan, which represented approximately 21% of its investments. Given the concentration of the investments in CenterPoint Energy's common stock, the savings plan and its participants have market risk related to this investment.

CenterPoint Energy's savings plan benefit expenses were \$38 million, \$36 million and \$35 million in 2013, 2012 and 2011, respectively.

(d) Postemployment Benefits

CenterPoint Energy provides postemployment benefits for former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement (primarily healthcare and life insurance benefits for participants in the long-term disability plan). The Company recorded postemployment expenses of \$4 million, \$8 million and \$7 million in 2013, 2012 and 2011, respectively.

Included in “Benefit Obligations” in the accompanying Consolidated Balance Sheets at December 31, 2013 and 2012 was \$30 million and \$32 million , respectively, relating to postemployment obligations.

(e) Other Non-Qualified Plans

CenterPoint Energy has non-qualified deferred compensation plans that provide benefits payable to directors, officers and certain key employees or their designated beneficiaries at specified future dates, upon termination, retirement or death. Benefit payments are made from the general assets of CenterPoint Energy. CenterPoint Energy recorded benefit expense relating to these plans of \$5 million for each of the years in 2013 , 2012 and 2011 . Included in “Benefit Obligations” in the accompanying Consolidated Balance Sheets at December 31, 2013 and 2012 was \$64 million and \$71 million , respectively, relating to deferred compensation plans.

Included in Benefit Obligations in CenterPoint Energy’s Consolidated Balance Sheets at December 31, 2013 and 2012 was \$28 million and \$29 million , respectively, relating to split-dollar life insurance arrangements.

(f) Change in Control Agreements and Other Employee Matters

CenterPoint Energy has agreements with certain of its officers that generally provide, to the extent applicable, in the case of a change in control of CenterPoint Energy and termination of employment, for severance benefits of up to three times annual base salary plus bonus, and other benefits. These agreements are for a one-year term with automatic renewal unless action is taken by CenterPoint Energy’s board of directors prior to the renewal.

As of December 31, 2013 , approximately 30% of CenterPoint Energy’s employees were subject to collective bargaining agreements.

(7) Derivative Instruments

CenterPoint Energy is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. CenterPoint Energy utilizes derivative instruments such as physical forward contracts, swaps and options to mitigate the impact of changes in commodity prices and weather on its operating results and cash flows.

(a) Non-Trading Activities

Derivative Instruments. CenterPoint Energy enters into certain derivative instruments to manage physical commodity price risks and does not engage in proprietary or speculative commodity trading. These financial instruments do not qualify or are not designated as cash flow or fair value hedges.

Weather Hedges. CenterPoint Energy has weather normalization or other rate mechanisms that mitigate the impact of weather on its gas operations in Arkansas, Louisiana, Mississippi and Oklahoma. Gas operations in Texas and Minnesota and electric operations in Texas do not have such mechanisms. As a result, fluctuations from normal weather may have a significant positive or negative effect on Gas Operations’ results in Texas and Minnesota and on CenterPoint Houston’s results in its service territory.

In 2013 and 2012, CenterPoint Energy entered into heating-degree day swaps for certain Gas Operations jurisdictions to mitigate the effect of fluctuations from normal weather on its results of operations and cash flows for the winter heating season. In 2013, CenterPoint Energy also entered into a similar winter weather hedge for the CenterPoint Houston service territory. The swaps are based on ten -year normal weather. During the years ended December 31, 2013 , 2012 and 2011 , CenterPoint Energy recognized losses of \$22 million , gains of \$8 million and losses of less than \$1 million , respectively, related to these swaps. Weather hedge gains and losses are included in revenues in the Statements of Consolidated Income.

(b) Derivative Fair Values and Income Statement Impacts

The following tables present information about CenterPoint Energy's derivative instruments and hedging activities. The first two tables provide a balance sheet overview of CenterPoint Energy's Derivative Assets and Liabilities as of December 31, 2013 and 2012, while the last table provides a breakdown of the related income statement impacts for the years ending December 31, 2013 and 2012.

Fair Value of Derivative Instruments

Total derivatives not designated as hedging instruments	Balance Sheet Location	December 31, 2013	
		Derivative Assets Fair Value	Derivative Liabilities Fair Value
		(in millions)	
Natural gas derivatives (1) (2) (3)	Current Assets: Non-trading derivative assets	\$ 28	\$ 4
Natural gas derivatives (1) (3)	Other Assets: Non-trading derivative assets	10	—
Natural gas derivatives (1) (3)	Current Liabilities: Non-trading derivative liabilities	4	21
Natural gas derivatives (1) (3)	Other Liabilities: Non-trading derivative liabilities	1	5
Indexed debt securities derivative	Current Liabilities	—	455
Total		<u>\$ 43</u>	<u>\$ 485</u>

- (1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 607 Bcf or a net 46 Bcf long position. Of the net long position, basis swaps constitute 99 Bcf.
- (2) The \$28 million Derivative Current Asset includes \$1 million related to physical forwards purchased from Enable.
- (3) Natural gas contracts are presented on a net basis in the Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$13 million asset as shown on CenterPoint Energy's Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above offset by collateral netting of less than \$1 million :

Offsetting of Natural Gas Derivative Assets and Liabilities

	December 31, 2013		
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)
	(in millions)		
Current Assets: Non-trading derivative assets	\$ 32	\$ (8)	\$ 24
Other Assets: Non-trading derivative assets	11	(1)	10
Current Liabilities: Non-trading derivative liabilities	(25)	8	(17)
Other Liabilities: Non-trading derivative liabilities	(5)	1	(4)
Total	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ 13</u>

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

Fair Value of Derivative Instruments

		December 31, 2012	
Total derivatives not designated as hedging instruments	Balance Sheet Location	Derivative Assets Fair Value	Derivative Liabilities Fair Value
(in millions)			
Natural gas derivatives (1) (2)	Current Assets: Non-trading derivative assets	\$ 37	\$ 1
Natural gas derivatives (1) (2)	Other Assets: Non-trading derivative assets	6	—
Natural gas derivatives (1) (2)	Current Liabilities: Non-trading derivative liabilities	5	27
Natural gas derivatives (1) (2)	Other Liabilities: Non-trading derivative liabilities	1	4
Indexed debt securities derivative	Current Liabilities	—	268
Total		<u>\$ 49</u>	<u>\$ 300</u>

- (1) The fair value shown for natural gas contracts is comprised of derivative gross volumes totaling 489 billion cubic feet (Bcf) or a net 101 Bcf long position. Of the net long position, basis swaps constitute 73 Bcf.
- (2) Natural gas contracts are presented on a net basis in the Consolidated Balance Sheets. Natural gas contracts are subject to master netting arrangements. This netting applies to all undisputed amounts due or past due and causes derivative assets (liabilities) to be ultimately presented net in a liability (asset) account within the Consolidated Balance Sheets. The net of total non-trading derivative assets and liabilities was a \$26 million asset as shown on CenterPoint Energy's Consolidated Balance Sheets (and as detailed in the table below), and was comprised of the natural gas contracts derivative assets and liabilities separately shown above offset by collateral netting of \$9 million.

Offsetting of Natural Gas Derivative Assets and Liabilities

				December 31, 2012	
	Gross Amounts Recognized (1)	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amount Presented in the Consolidated Balance Sheets (2)		
(in millions)					
Current Assets: Non-trading derivative assets	\$ 42	\$ (6)	\$ 36		
Other Assets: Non-trading derivative assets	7	(1)	6		
Current Liabilities: Non-trading derivative liabilities	(28)	14	(14)		
Other Liabilities: Non-trading derivative liabilities	(4)	2	(2)		
Total	<u>\$ 17</u>	<u>\$ 9</u>	<u>\$ 26</u>		

- (1) Gross amounts recognized include some derivative assets and liabilities that are not subject to master netting arrangements.
- (2) The derivative assets and liabilities on the Consolidated Balance Sheets exclude accounts receivable or accounts payable that, should they exist, could be used as offsets to these balances in the event of a default.

For CenterPoint Energy's price stabilization activities of the Natural Gas Distribution business segment, the settled costs of derivatives are ultimately recovered through purchased gas adjustments. Accordingly, the net unrealized gains and losses associated with these contracts are recorded as net regulatory assets. Realized and unrealized gains and losses on other derivatives are recognized in the Statements of Consolidated Income as revenue for retail sales derivative contracts and as natural gas expense for financial natural gas derivatives and non-retail related physical natural gas derivatives. Unrealized gains and losses on indexed debt securities are recorded as Other Income (Expense) in the Statements of Consolidated Income.

Income Statement Impact of Derivative Activity

Total derivatives not designated as hedging instruments	Income Statement Location	Year Ended December 31,		
		2013	2012	2011
		(in millions)		
Natural gas derivatives	Gains (Losses) in Revenue	\$ 11	\$ 43	\$ 102
Natural gas derivatives (1) (2)	Gains (Losses) in Expense: Natural Gas	10	(63)	(144)
Indexed debt securities derivative	Gains (Losses) in Other Income (Expense)	(193)	(71)	35
Total		<u>\$ (172)</u>	<u>\$ (91)</u>	<u>\$ (7)</u>

(1) The Gains (Losses) in Expense: Natural Gas includes \$(2) million during the year ended December 31, 2013 related to physical forwards purchased from Enable.

(2) The Gains (Losses) in Expense: Natural Gas includes \$-0- , \$(38) million and \$(107) million of costs in 2013 , 2012 and 2011, respectively, associated with price stabilization activities of the Natural Gas Distribution business segment that will be ultimately recovered through purchased gas adjustments.

(c) Credit Risk Contingent Features

CenterPoint Energy enters into financial derivative contracts containing material adverse change provisions. These provisions could require CenterPoint Energy to post additional collateral if the Standard & Poor's Ratings Services or Moody's Investors Service, Inc. credit ratings of CenterPoint Energy, Inc. or its subsidiaries are downgraded. The total fair value of the derivative instruments that contain credit risk contingent features that are in a net liability position at December 31, 2013 and 2012 was \$1 million and \$5 million , respectively. The aggregate fair value of assets that are already posted as collateral was less than \$1 million at both December 31, 2013 and 2012 . If all derivative contracts (in a net liability position) containing credit risk contingent features were triggered at December 31, 2013 and 2012 , \$1 million and \$5 million , respectively, of additional assets would be required to be posted as collateral.

(d) Credit Quality of Counterparties

In addition to the risk associated with price movements, credit risk is also inherent in CenterPoint Energy's non-trading derivative activities. Credit risk relates to the risk of loss resulting from non-performance of contractual obligations by a counterparty. The following table shows the composition of counterparties to the non-trading derivative assets of CenterPoint Energy as of December 31, 2013 and 2012 (in millions):

	December 31, 2013		December 31, 2012	
	Investment Grade(1)	Total	Investment Grade(1)	Total
Energy marketers	\$ 1	\$ 4	\$ 1	\$ 1
Financial institutions	1	9	—	—
Retail end users (2)	1	21	—	41
Total	<u>\$ 3</u>	<u>\$ 34</u>	<u>\$ 1</u>	<u>\$ 42</u>

(1) "Investment grade" is primarily determined using publicly available credit ratings and considering credit support (including parent company guarantees) and collateral (including cash and standby letters of credit). For unrated counterparties, CenterPoint Energy determines a synthetic credit rating by performing financial statement analysis and considering contractual rights and restrictions and collateral.

(2) Retail end users represent customers who have contracted to fix the price of a portion of their physical gas requirements for future periods.

(8) Fair Value Measurements

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

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at Level 1 fair value generally are exchange-traded derivatives and equity securities.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets. A market approach is utilized to value CenterPoint Energy's Level 2 assets or liabilities.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Unobservable inputs reflect CenterPoint Energy's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. CenterPoint Energy develops these inputs based on the best information available, including CenterPoint Energy's own data. A market approach is utilized to value CenterPoint Energy's Level 3 assets or liabilities. At December 31, 2013, CenterPoint Energy's Level 3 assets and liabilities are comprised of physical forward contracts and options. Level 3 physical forward contracts are valued using a discounted cash flow model which includes illiquid forward price curve locations (ranging from \$3.79 to \$4.94 per one million British thermal units (Btu)) as an unobservable input. Level 3 options are valued through Black-Scholes (including forward start) option models which include option volatilities (ranging from 0 to 53%) as an unobservable input. CenterPoint Energy's Level 3 derivative assets and liabilities consist of both long and short positions (forwards and options) and their fair value is sensitive to forward prices and volatilities. If forward prices decrease, CenterPoint Energy's long forwards lose value whereas its short forwards gain in value. If volatility decreases, CenterPoint Energy's long options lose value whereas its short options gain in value.

CenterPoint Energy determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes transfers between levels at the end of the reporting period. For the year ended December 31, 2013, there were no transfers between Level 1 and 2. CenterPoint Energy also recognizes purchases of Level 3 financial assets and liabilities at their fair market value at the end of the reporting period.

The following tables present information about CenterPoint Energy's assets and liabilities (including derivatives that are presented net) measured at fair value on a recurring basis as of December 31, 2013 and 2012, and indicate the fair value hierarchy of the valuation techniques utilized by CenterPoint Energy to determine such fair value.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Netting Adjustments ⁽¹⁾	Balance at December 31, 2013
	(in millions)				
Assets					
Corporate equities	\$ 770	\$ —	\$ —	\$ —	\$ 770
Investments, including money market funds	61	—	—	—	61
Natural gas derivatives (2)	5	33	5	(9)	34
Total assets	<u>\$ 836</u>	<u>\$ 33</u>	<u>\$ 5</u>	<u>\$ (9)</u>	<u>\$ 865</u>
Liabilities					
Indexed debt securities derivative	\$ —	\$ 455	\$ —	\$ —	\$ 455
Natural gas derivatives	1	27	2	(9)	21
Total liabilities	<u>\$ 1</u>	<u>\$ 482</u>	<u>\$ 2</u>	<u>\$ (9)</u>	<u>\$ 476</u>

(1) Amounts represent the impact of legally enforceable master netting agreements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of less than \$1 million posted with the same counterparties.

(2) The (Level 2) Natural gas derivative assets of \$33 million include \$1 million related to physical forwards purchased from Enable.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (in millions)	Netting Adjustments ⁽¹⁾	Balance at December 31, 2012
Assets					
Corporate equities	\$ 542	\$ —	\$ —	\$ —	\$ 542
Investments, including money market funds	76	—	—	—	76
Natural gas derivatives	1	40	7	(6)	42
Total assets	<u>\$ 619</u>	<u>\$ 40</u>	<u>\$ 7</u>	<u>\$ (6)</u>	<u>\$ 660</u>
Liabilities					
Indexed debt securities derivative	\$ —	\$ 268	\$ —	\$ —	\$ 268
Natural gas derivatives	5	21	5	(15)	16
Total liabilities	<u>\$ 5</u>	<u>\$ 289</u>	<u>\$ 5</u>	<u>\$ (15)</u>	<u>\$ 284</u>

(1) Amounts represent the impact of legally enforceable master netting agreements that allow CenterPoint Energy to settle positive and negative positions and also include cash collateral of \$9 million posted with the same counterparties.

The following tables present additional information about assets or liabilities, including derivatives that are measured at fair value on a recurring basis for which CenterPoint Energy has utilized Level 3 inputs to determine fair value:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Derivative assets and liabilities, net		
	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Beginning balance	\$ 2	\$ 6	\$ 3
Total gains (1)	3	3	6
Total settlements (1)	(3)	(6)	(3)
Total purchases	—	—	2
Transfers out of Level 3	—	(1)	(2)
Transfers into Level 3	1	—	—
Ending balance (2)	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 6</u>
The amount of total gains for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 5</u>

(1) During 2013, 2012 and 2011, CenterPoint Energy did not have Level 3 unrealized gains (losses) or settlements related to price stabilization activities of the Natural Gas Distribution business segment.

(2) During 2013, 2012 and 2011, CenterPoint Energy did not have significant Level 3 sales.

Estimated Fair Value of Financial Instruments

The fair values of cash and cash equivalents, investments in debt and equity securities classified as “trading” and short-term borrowings are estimated to be approximately equivalent to carrying amounts and have been excluded from the table below. The fair values of non-trading derivative assets and liabilities and CenterPoint Energy’s 2.0% Zero-Premium Exchangeable Subordinated Notes due 2029 (ZENS) indexed debt securities derivative are stated at fair value and are excluded from the table below. The fair value of each debt instrument is determined using market interest rates on the applicable dates. These assets and liabilities, which are not measured at fair value in the Consolidated Balance Sheets but for which the fair value is disclosed, would be classified as Level 1 in the fair value hierarchy.

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Financial assets:				
Notes receivable - affiliated companies	\$ 363	\$ 363	\$ —	\$ —
Financial liabilities:				
Long-term debt	\$ 8,171	\$ 8,670	\$ 9,619	\$ 10,807

(9) Unconsolidated Affiliates

As discussed in Note 2, on May 1, 2013 (the Closing Date) CERC Corp., OGE and ArcLight closed on the formation of Enable. Enable owns CenterPoint Midstream, which consists of substantially all of CERC Corp.’s former Interstate Pipelines and Field Services business segments. As a result, CenterPoint Energy no longer has Interstate Pipelines or Field Services business segments. Equity earnings associated with CenterPoint Energy’s interest in Enable and equity earnings associated with its retained 25.05% interest in SESH are now reported under the Midstream Investments segment. For a further description of CenterPoint Energy’s reportable business segments, see Note 17.

The formation of Enable by CenterPoint Energy has been considered a contribution of in-substance real estate to a limited partnership as the businesses are composed of, and reliant upon, substantial real estate assets and integral equipment. Real estate assets and integral equipment primarily includes gas transmission pipelines, compressor station equipment, rights of way, storage and processing assets and long-term customer contracts. Accordingly, CenterPoint Energy did not recognize a gain or loss upon contribution and recorded its investment in Enable using the equity method of accounting based on the historical cost of the contributed assets and liabilities as of the Closing Date. Approximately \$5.8 billion of assets (which includes \$4.7 billion in property, plant and equipment, net, \$629 million in goodwill and \$197 million for the 24.95% investment in SESH) and \$1.5 billion of liabilities (which includes the Term Loan and the indebtedness owed to CERC, both discussed below, of \$1.05 billion and \$363 million, respectively) were contributed by CERC Corp. CenterPoint Energy has the ability to significantly influence the operating and financial policies of Enable and, accordingly, recorded an equity method investment, at the historical costs of net assets contributed, of \$4.3 billion in Enable on the Closing Date. Pursuant to the MFA, CenterPoint Energy retained certain assets and liabilities historically held by CenterPoint Midstream such as balances relating to federal income taxes and benefit plan obligations.

CenterPoint Energy’s investment in Enable is considered to be a VIE because the power to direct the activities that most significantly impact Enable’s economic performance does not reside with the holders of equity investment at risk. However, CenterPoint Energy is not considered the primary beneficiary of Enable since it does not have the power to direct the activities of Enable that are considered most significant to the economic performance of Enable. Under the equity method, CenterPoint Energy’s investment will be adjusted each period for contributions made, distributions received, CenterPoint Energy’s share of Enable’s comprehensive income and accretion of any basis difference. CenterPoint Energy’s maximum exposure to loss related to Enable is limited to its equity investment as presented in the Consolidated Balance Sheet at December 31, 2013 and its guarantee of Enable’s \$1.05 billion Term Loan and certain other guarantees as discussed in Note 14. CenterPoint Energy evaluates its equity method investments for impairment when events or changes in circumstances indicate there is a loss in value of the investment that is other than a temporary decline. See Note 1 for further discussion on Enable’s ownership structure.

Effective on the Closing Date, CenterPoint Energy and Enable entered into a Services Agreement, Employee Transition Agreement, Transitional Services Agreement and other agreements (collectively, Transition Agreements) whereby CenterPoint Energy agreed to provide certain support services to Enable such as accounting, legal, risk management and treasury functions for an initial term ending on April 30, 2016. The support services automatically extend year-to-year at the end of the initial term, unless terminated by Enable with at least 90 days’ notice. Enable may terminate these support services at any time with 180 days’

notice if approved by the board of Enable's general partner. Additionally, CenterPoint Energy agreed to provide seconded employees to Enable to support its operations for an initial term ending on December 31, 2014, unless revised by mutual agreement with CenterPoint Energy, OGE and Enable prior to that date. CenterPoint Energy did not transfer any employees to Enable at formation of the partnership or at any time during the year ended December 31, 2013. CenterPoint Energy billed Enable for reimbursement of transitional services, including the costs of seconded employees, of \$119 million during the year ended December 31, 2013 under the Transition Agreements. Actual transitional services costs are recorded net of reimbursements received from Enable. CenterPoint Energy had accounts receivable from Enable of \$24 million at December 31, 2013 for amounts billed for transitional services, including the cost of seconded employees.

Enable, at its discretion, has the right to select and offer employment to seconded employees from CenterPoint Energy. As of December 31, 2013, CenterPoint Energy determined it cannot reasonably estimate the impact of the costs associated with the termination of employees related to the formation of Enable or transfer of employees from CenterPoint Energy to Enable, including the impact of the changes to the actuarial determination of employee benefit plan obligations. Pursuant to the Transition Agreements, Enable has agreed to reimburse CenterPoint Energy for severance and termination costs related to the termination of CenterPoint Energy's seconded employees, including any potential benefit-related costs, regardless of whether such seconded employees are offered employment by Enable.

On the Closing Date, Enable entered into a \$1.05 billion three-year senior unsecured term loan facility (the Term Loan) with third parties and repaid \$1.05 billion of affiliated notes payable (Affiliated Notes Payable) owed to CERC. CERC provided a guarantee of collection of Enable's obligations under the Term Loan. The guarantee is subordinated to all senior debt of CERC. Certain of the entities contributed to Enable by CERC are obligated on approximately \$363 million of indebtedness owed to CERC bearing interest at an annual rate of 2.10% to 2.45% and scheduled to mature in 2017. CenterPoint Energy recognized interest income of \$5 million for the period May 1, 2013 to December 31, 2013 on its notes receivable of \$363 million due from Enable.

CERC has certain put rights, and Enable has certain call rights, exercisable with respect to the 25.05% interest in SESH retained by CERC, under which CERC would contribute its retained interest in SESH, in exchange for a specified number of limited partnership units in Enable and a cash payment, payable either from CERC to Enable or from Enable to CERC, for changes in the value of SESH. CERC can exercise its first put right in May 2014 pursuant to which CERC would contribute an additional 24.95% interest in SESH to Enable.

For the period May 1, 2013 to December 31, 2013, CenterPoint Energy incurred natural gas expenses, including transportation and storage costs, of \$123 million for transactions with Enable. CenterPoint Energy had accounts payable to Enable of \$22 million at December 31, 2013 from such transactions.

As of December 31, 2013, CenterPoint Energy held an approximate 58.3% limited partner interest in Enable and a 25.05% interest in SESH.

Investment in Unconsolidated Affiliates:

	Year Ended December 31,	
	2013	2012
	(in millions)	
Enable	\$ 4,319	\$ —
SESH ⁽¹⁾	199	404
Other	—	1
Total	<u>\$ 4,518</u>	<u>\$ 405</u>

(1) On May 1, 2013, CERC contributed a 24.95% interest in SESH to Enable, leaving CERC with a 25.05% interest in SESH.

Equity in Earnings of Unconsolidated Affiliates, net:

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Enable	\$ 173	\$ —	\$ —
SESH ⁽¹⁾	15	26	21
Waskom ⁽²⁾	—	5	9
Total	<u>\$ 188</u>	<u>\$ 31</u>	<u>\$ 30</u>

(1) On May 1, 2013, CERC contributed a 24.95% interest in SESH to Enable, leaving CERC with a 25.05% interest in SESH.

(2) On July 31, 2012, Waskom became a wholly owned subsidiary of CenterPoint Energy. Beginning on August 1, 2012, Waskom's operating results are consolidated on the Statements of Consolidated Income. On May 1, 2013, CenterPoint Energy contributed Waskom to Enable.

Summarized income information for Enable from formation on May 1, 2013 through December 31, 2013 is as follows (in millions):

Operating revenues	\$ 2,123
Cost of sales, excluding depreciation and amortization	1,241
Operating income	322
Net income attributable to Enable	289
CenterPoint Energy's approximate 58.3% interest	\$ 168
Basis difference accretion gain	<u>5</u>
CenterPoint Energy's approximate 58.3% interest, net	<u>\$ 173</u>

Summarized balance sheet information for Enable as of December 31, 2013 is as follows (in millions):

Current assets	\$ 549
Non-current assets	10,683
Current liabilities	720
Non-current liabilities	2,331
Noncontrolling interest	33
Enable Partners' Capital	8,148
CenterPoint Energy's approximate 58.3% interest	\$ 4,753
CenterPoint Energy's basis difference	<u>(434)</u>
CenterPoint Energy's investment in Enable	<u>\$ 4,319</u>

Summarized basis difference information for Enable is as follows (in millions):

Basis difference attributable to goodwill as of May 1, 2013 (1)	\$ 229
Basis difference to be accreted over 30 years as of May 1, 2013	210
Total basis difference as of May 1, 2013	<u>439</u>
Accumulated accretion of basis difference as of December 31, 2013	(5)
CenterPoint Energy's basis difference in Enable as of December 31, 2013	<u>\$ 434</u>

(1) This difference related to CenterPoint Energy's proportionate share of Enable's goodwill arising from its acquisition of Enogex, and therefore will not be recognized by CenterPoint Energy.

Enable concluded that the formation of Enable is considered a business combination, and CenterPoint Midstream is the acquirer for accounting purposes. Under this method, the fair value of the consideration paid by CenterPoint Midstream for Enogex is allocated to the assets acquired and liabilities assumed on the Closing Date based on their fair value. Enogex's assets, liabilities and equity were accordingly adjusted to estimated fair value as of May 1, 2013. Determining the fair value of assets and liabilities is judgmental in nature and often involves the use of significant estimates and assumptions. Enable used appraisers to assist in the determination of the estimated fair value of certain assets and liabilities contributed by Enogex.

Cash distributions received from Enable and SESH were approximately \$106 million and \$23 million, respectively, during the year ended December 31, 2013.

(10) Indexed Debt Securities (ZENS) and Time Warner Securities

(a) Investment in Time Warner Securities

In 1995, CenterPoint Energy sold a cable television subsidiary to Time Warner, Inc. (TW) and received TW securities as partial consideration. A subsidiary of CenterPoint Energy now holds 7.1 million shares of TW common stock (TW Common), 1.8 million shares of Time Warner Cable Inc. (TWC) common stock (TWC Common) and 0.6 million shares of AOL, Inc. (AOL) common stock (AOL Common) (together with the TW Common and TWC Common, the TW Securities) which are classified as trading securities and are expected to be held to facilitate CenterPoint Energy's ability to meet its obligation under the ZENS. Unrealized gains and losses resulting from changes in the market value of the TW Securities are recorded in CenterPoint Energy's Statements of Consolidated Income.

(b) ZENS

In September 1999, CenterPoint Energy issued ZENS having an original principal amount of \$1 billion of which \$828 million remain outstanding at December 31, 2013. Each ZENS note was originally exchangeable at the holder's option at any time for an amount of cash equal to 95% of the market value of the reference shares of TW Common attributable to such note. The number and identity of the reference shares attributable to each ZENS note are adjusted for certain corporate events. As of December 31, 2013, the reference shares for each ZENS note consisted of 0.5 share of TW Common, 0.125505 share of TWC Common and 0.045455 share of AOL Common. On February 13, 2014, TWC announced that it had agreed to merge with Comcast Corporation (Comcast). In the merger, each share of TWC Common would be exchanged for 2.875 shares of Comcast common stock (Comcast Common). Upon the closing of the merger (assuming no change in the merger consideration), the reference shares for each ZENS note would include 0.360827 share of Comcast Common in place of the current 0.125505 share of TWC Common. CenterPoint Energy pays interest on the ZENS at an annual rate of 2% plus the amount of any quarterly cash dividends paid in respect of the reference shares attributable to the ZENS. The principal amount of ZENS is subject to being increased or decreased to the extent that the annual yield from interest and cash dividends on the reference shares is less than or more than 2.309%. The adjusted principal amount is defined in the ZENS instrument as "contingent principal." At December 31, 2013, ZENS having an original principal amount of \$828 million and a contingent principal amount of \$763 million were outstanding and were exchangeable, at the option of the holders, for cash equal to 95% of the market value of reference shares deemed to be attributable to the ZENS. At December 31, 2013, the market value of such shares was approximately \$767 million, which would provide an exchange amount of \$880 for each \$1,000 original principal amount of ZENS. At maturity of the ZENS in 2029, CenterPoint Energy will be obligated to pay in cash the higher of the contingent principal amount of the ZENS or an amount based on the then-current market value of the reference shares, which will include any additional publicly-traded securities distributed with respect to the current reference shares prior to maturity.

The ZENS obligation is bifurcated into a debt component and a derivative component (the holder's option to receive the appreciated value of the reference shares at maturity). The bifurcated debt component accretes through interest charges at 17.3% annually up to the contingent principal amount of the ZENS in 2029. Such accretion will be reduced by annual cash interest payments, as described above. The derivative component is recorded at fair value and changes in the fair value of the derivative component are recorded in CenterPoint Energy's Statements of Consolidated Income. Changes in the fair value of the TW Securities held by CenterPoint Energy are expected to substantially offset changes in the fair value of the derivative component of the ZENS.

The following table sets forth summarized financial information regarding CenterPoint Energy's investment in TW Securities and each component of CenterPoint Energy's ZENS obligation (in millions).

	TW Securities	Debt Component of ZENS	Derivative Component of ZENS
Balance at December 31, 2010	\$ 367	\$ 126	\$ 232
Accretion of debt component of ZENS	—	22	—
2% interest paid	—	(17)	—
Gain on indexed debt securities	—	—	(35)
Gain on TW Securities	19	—	—
Balance at December 31, 2011	386	131	197
Accretion of debt component of ZENS	—	24	—
2% interest paid	—	(17)	—
Loss on indexed debt securities	—	—	71
Gain on TW Securities	154	—	—
Balance at December 31, 2012	540	138	268
Accretion of debt component of ZENS	—	24	—
2% interest paid	—	(17)	—
Sale of TW securities	(9)	—	—
Redemption of indexed debt securities	—	(2)	(6)
Loss on indexed debt securities	—	—	193
Gain on TW Securities	236	—	—
Balance at December 31, 2013	\$ 767	\$ 143	\$ 455

(11) Equity

Capital Stock

CenterPoint Energy has 1,020,000,000 authorized shares of capital stock, comprised of 1,000,000,000 shares of \$0.01 par value common stock and 20,000,000 shares of \$0.01 par value cumulative preferred stock.

Dividends Declared

CenterPoint Energy declared dividends per share of \$0.83, \$0.81 and \$0.79, respectively, during the years ended December 31, 2013, 2012 and 2011.

(12) Short-term Borrowings and Long-term Debt

	December 31, 2013		December 31, 2012	
	Long-Term	Current(1)	Long-Term	Current(1)
	(in millions)			
Short-term borrowings:				
Inventory financing	\$ —	\$ 43	\$ —	\$ 38
Total short-term borrowings	—	43	—	38
Long-term debt:				
CenterPoint Energy:				
ZENS(2)	—	143	—	138
Senior notes 5.95% to 6.85% due 2015 to 2018	750	—	750	—
Pollution control bonds 4.00% due 2015(3)	—	—	151	—
Pollution control bonds 4.90% to 5.125% due 2015 to 2028(4)	187	—	187	—
CenterPoint Houston:				
First mortgage bonds 9.15% due 2021	102	—	102	—
General mortgage bonds 2.25% to 6.95% due 2022 to 2042	1,312	—	1,312	450
Pollution control bonds 4.250% to 5.60% due 2017 to 2027(5)	183	—	183	—
System restoration bonds 1.833% to 4.243% due 2014 to 2022	463	47	510	46
Transition bonds 0.90% to 5.302% due 2014 to 2024	2,583	307	2,890	401
CERC Corp.:				
Senior notes 4.50% to 6.625% due 2016 to 2041	2,168	—	2,328	365
Commercial paper (6)	118	—	—	—
Other	1	—	1	—
Unamortized discount and premium, net	(50)	—	(57)	—
Total long-term debt	7,817	497	8,357	1,400
Total debt	\$ 7,817	\$ 540	\$ 8,357	\$ 1,438

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

(2) CenterPoint Energy's ZENS obligation is bifurcated into a debt component and an embedded derivative component. For additional information regarding ZENS, see Note 10(b). As ZENS are exchangeable for cash at any time at the option of the holders, these notes are classified as a current portion of long-term debt.

(3) These series of debt are secured by first mortgage bonds of CenterPoint Houston.

(4) \$118 million of these series of debt were secured by general mortgage bonds of CenterPoint Houston at both December 31, 2013 and 2012.

(5) These series of debt are secured by general mortgage bonds of CenterPoint Houston.

(6) Classified as long-term debt because the termination date of the facility that backstops the commercial paper is more than one year from the date noted.

(a) Short-term Borrowings

Inventory Financing . Gas Operations has asset management agreements associated with its utility distribution service in Arkansas, north Louisiana and Oklahoma that extend through 2015. Pursuant to the provisions of the agreements, Gas Operations sells natural gas and agrees to repurchase an equivalent amount of natural gas during the winter heating seasons at the same cost, plus a financing charge. These transactions are accounted for as a financing and they had an associated principal obligation of \$43 million and \$38 million as of December 31, 2013 and 2012 , respectively.

(b) Long-term Debt

Debt Repayments. In March 2013, CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) retired \$450 million aggregate principal amount of its 5.70% general mortgage bonds at their maturity.

In April 2013, CERC Corp. retired approximately \$365 million aggregate principal amount of its 7.875% senior notes at their maturity. The retirement of senior notes was financed by CERC Corp. with the issuance of commercial paper. In May 2013, CERC Corp. applied proceeds from Enable's May 1, 2013 debt repayment of \$1.05 billion to the repayment of \$357 million aggregate principal amount of its commercial paper and to the May 31, 2013 redemption of \$160 million aggregate principal amount of its 5.95% senior notes due January 15, 2014 at 103.419% of their aggregate principal amount.

On August 1, 2013, approximately \$92 million aggregate principal amount of pollution control bonds issued on CenterPoint Energy's behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4% , a maturity date of August 1, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

On October 15, 2013, approximately \$59 million aggregate principal amount of pollution control bonds issued on CenterPoint Energy's behalf were redeemed at 101% of their aggregate principal amount. These bonds had an interest rate of 4% , a maturity date of October 15, 2015 and were collateralized by first mortgage bonds of CenterPoint Houston.

In January 2014, approximately \$44 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston were called for redemption on March 3, 2014 at 101% of their principal amount plus accrued interest. The bonds have an interest rate of 4.25% , mature in 2017 and are collateralized by general mortgage bonds of CenterPoint Houston.

In February 2014, notice was given that approximately \$56 million aggregate principal amount of pollution control bonds issued on behalf of CenterPoint Houston must be tendered for purchase by CenterPoint Houston on March 3, 2014 at 101% of their principal amount plus accrued interest pursuant to the mandatory tender provisions of the bonds. The bonds have an interest rate of 5.60% , mature in 2027 and are collateralized by general mortgage bonds of CenterPoint Houston. The purchased pollution control bonds may be remarketed.

Transition and System Restoration Bonds. As of December 31, 2013 , CenterPoint Houston had four special purpose subsidiaries consisting of transition and system restoration bond companies, which it consolidates. The consolidated special purpose subsidiaries are wholly owned bankruptcy remote entities that were formed solely for the purpose of purchasing and owning transition or system restoration property through the issuance of transition bonds or system restoration bonds and activities incidental thereto. These transition bonds and system restoration bonds are payable only through the imposition and collection of "transition" or "system restoration" charges, as defined in the Texas Public Utility Regulatory Act, which are irrevocable, non-bypassable charges payable by most of CenterPoint Houston's retail electric customers in order to provide recovery of authorized qualified costs. CenterPoint Houston has no payment obligations in respect of the transition and system restoration bonds other than to remit the applicable transition or system restoration charges it collects. Each special purpose entity is the sole owner of the right to impose, collect and receive the applicable transition or system restoration charges securing the bonds issued by that entity. Creditors of CenterPoint Energy or CenterPoint Houston have no recourse to any assets or revenues of the transition and system restoration bond companies (including the transition and system restoration charges), and the holders of transition bonds or system restoration bonds have no recourse to the assets or revenues of CenterPoint Energy or CenterPoint Houston.

Credit Facilities. As of December 31, 2013 and 2012, CenterPoint Energy, CenterPoint Houston and CERC Corp. had the following revolving credit facilities and utilization of such facilities (in millions):

	December 31, 2013				December 31, 2012			
	Size of Facility	Loans	Letters of Credit	Commercial Paper	Size of Facility	Loans	Letters of Credit	Commercial Paper
CenterPoint Energy	\$ 1,200	\$ —	\$ 6	\$ —	\$ 1,200	\$ —	\$ 7	\$ —
CenterPoint Houston	300	—	4	—	300	—	4	—
CERC Corp.	600	—	—	118	950	—	—	—
Total	\$ 2,100	\$ —	\$ 10	\$ 118	\$ 2,450	\$ —	\$ 11	\$ —

CenterPoint Energy's \$1.2 billion revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on CenterPoint Energy's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Energy's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Energy's consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and CenterPoint Energy certifies to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve -month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date CenterPoint Energy delivers its certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of CenterPoint Energy's certification or (iii) the revocation of such certification.

CenterPoint Houston's \$300 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 112.5 basis points based on CenterPoint Houston's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Houston's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Houston's consolidated capitalization.

CERC Corp.'s \$600 million revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at LIBOR plus 150 basis points based on CERC Corp.'s current credit ratings. The revolving credit facility contains a financial covenant which limits CERC's consolidated debt to an amount not to exceed 65% of CERC's consolidated capitalization.

CenterPoint Energy, CenterPoint Houston and CERC Corp. were in compliance with all financial debt covenants as of December 31, 2013.

Maturities. CenterPoint Energy's maturities of long-term debt, capital leases and sinking fund requirements, excluding the ZENS obligation, are \$354 million in 2014, \$640 million in 2015, \$716 million in 2016, \$1.0 billion in 2017 and \$1.2 billion in 2018. These maturities include transition and system restoration bond principal repayments on scheduled payment dates aggregating \$354 million in 2014, \$372 million in 2015, \$391 million in 2016, \$411 million in 2017 and \$434 million in 2018.

Liens. As of December 31, 2013, CenterPoint Houston's assets were subject to liens securing approximately \$102 million of first mortgage bonds. Sinking or improvement fund and replacement fund requirements on the first mortgage bonds may be satisfied by certification of property additions. Sinking fund and replacement fund requirements for 2013, 2012 and 2011 have been satisfied by certification of property additions. The replacement fund requirement to be satisfied in 2014 is approximately \$198 million, and the sinking fund requirement to be satisfied in 2014 is approximately \$1.6 million. CenterPoint Energy expects CenterPoint Houston to meet these 2014 obligations by certification of property additions. As of December 31, 2013, CenterPoint Houston's assets were also subject to liens securing approximately \$1.9 billion of general mortgage bonds which are junior to the liens of the first mortgage bonds.

(13) Income Taxes

The components of CenterPoint Energy's income tax expense were as follows:

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Current income tax expense (benefit):			
Federal	\$ 91	\$ —	\$ (63)
State	23	12	24
Total current expense (benefit)	114	12	(39)
Deferred income tax expense (benefit):			
Federal	370	280	432
State	(14)	48	11
Total deferred expense	356	328	443
Total income tax expense	\$ 470	\$ 340	\$ 404

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

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Income before income taxes and extraordinary item	\$ 781	\$ 757	\$ 1,174
Federal statutory income tax rate	35.0%	35.0%	35.0%
Expected federal income tax expense	273	265	411
Increase (decrease) in tax expense resulting from:			
State income tax expense, net of federal income tax	21	39	22
Amortization of investment tax credit	—	(2)	(6)
Tax effect related to the formation of Enable	196	—	—
Increase (decrease) in settled and uncertain income tax positions	(9)	(33)	(5)
Goodwill impairment	—	88	—
Other, net	(11)	(17)	(18)
Total	197	75	(7)
Total income tax expense	\$ 470	\$ 340	\$ 404
Effective tax rate	60.2%	44.9%	34.4%

CenterPoint Energy recorded a deferred tax expense of \$225 million at formation of Enable related to the book-to-tax basis difference for contributed non-tax deductible goodwill and recognized a tax benefit of \$29 million associated with the remeasurement of state deferred taxes at formation. In addition, CenterPoint Energy recognized a tax benefit of \$8 million based on the settlement with the Internal Revenue Service (IRS) of outstanding tax claims for the 2002 and 2003 audit cycles.

CenterPoint Energy recorded a non-tax deductible impairment of goodwill of \$252 million in September 2012. CenterPoint Energy recorded a net decrease in income tax expense of \$28 million in 2012 related to the release of certain income tax reserves due to its settlements with the IRS.

CenterPoint Energy recorded a \$9 million decrease in tax expense in 2011 related to the release of income tax reserves on the tax normalization issue discussed below, which resulted in a net decrease in tax expense of \$5 million for all uncertain tax positions. CenterPoint Energy recorded a net reduction in state income tax expense of approximately \$17 million related to lower blended state tax rates and a reduction of the deferred tax liability recorded in December 2011.

In September 2013, the U.S. Treasury issued final regulations addressing the tax consequences associated with the acquisition, production and improvement of tangible property. CenterPoint Energy does not expect the adoption of the regulations to have a material impact on its financial position, results of operations or cash flows.

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

	December 31,	
	2013	2012
	(in millions)	
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	\$ 11	\$ 10
Deferred gas costs	7	—
Other	12	1
Total current deferred tax assets	<u>30</u>	<u>11</u>
Non-current:		
Loss and credit carryforwards	51	90
Employee benefits	258	383
Other	76	64
Total non-current deferred tax assets before valuation allowance	<u>385</u>	<u>537</u>
Valuation allowance	<u>(2)</u>	<u>(2)</u>
Total non-current deferred tax assets, net of valuation allowance	<u>383</u>	<u>535</u>
Total deferred tax assets, net of valuation allowance	<u>413</u>	<u>546</u>
Deferred tax liabilities:		
Current:		
Unrealized gain on indexed debt securities	541	439
Unrealized gain on TW securities	97	151
Deferred gas costs	—	25
Total current deferred tax liabilities	<u>638</u>	<u>615</u>
Non-current:		
Depreciation	1,908	3,279
Regulatory assets, net	1,308	1,278
Investment in unconsolidated affiliates	1,590	—
Other	119	131
Total non-current deferred tax liabilities	<u>4,925</u>	<u>4,688</u>
Total deferred tax liabilities	<u>5,563</u>	<u>5,303</u>
Accumulated deferred income taxes, net	<u>\$ 5,150</u>	<u>\$ 4,757</u>

Tax Attribute Carryforwards and Valuation Allowance. At December 31, 2013, CenterPoint Energy has approximately \$387 million of state net operating loss carryforwards which expire in various years between 2015 and 2033. In addition, CenterPoint Energy has carryforward of approximately \$2 million of Oklahoma State Investment Tax Credits which do not expire.

CenterPoint Energy has approximately \$244 million of state capital loss carryforwards which expire in 2017 for which management established a full valuation allowance of \$3 million state tax effect (\$2 million net of federal tax). The valuation allowance was established based upon management's evaluation that loss carryforwards may not be fully realized.

Uncertain Income Tax Positions . The following table reconciles the beginning and ending balance of CenterPoint Energy's unrecognized tax benefits (expenses):

	December 31,		
	2013	2012	2011
	(in millions)		
Balance, beginning of year	\$ (23)	\$ 51	\$ 252
Tax Positions related to prior years:			
Additions	—	—	(1)
Reductions	(1)	(75)	(203)
Tax Positions related to current year:			
Additions	—	—	5
Settlements	24	1	(1)
Lapse of statute of limitations	—	—	(1)
Balance, end of year	<u>\$ —</u>	<u>\$ (23)</u>	<u>\$ 51</u>

The net decrease in the total amount of unrecognized tax benefits during 2013 is primarily related to CenterPoint Energy's IRS settlements related to open claims for tax years 2002 and 2003. During 2013, the IRS completed the examination cycle and settlement of tax years 2010 and 2011. CenterPoint Energy does not expect the change to the amount of unrecognized tax benefits over the twelve months ending December 31, 2014 to have a material impact on financial position, results of operations and cash flows.

CenterPoint Energy has approximately \$-0- , \$(3) million and \$21 million of unrecognized tax benefits (expenses) that, if recognized, would affect the effective income tax rate for 2013, 2012 and 2011, respectively. CenterPoint Energy recognizes interest and penalties as a component of income tax expense. CenterPoint Energy recognized approximately \$3 million of income tax benefit, \$7 million of income tax benefit and \$13 million of income tax expense related to interest on uncertain income tax positions during 2013, 2012 and 2011, respectively. CenterPoint Energy had approximately \$5 million and \$8 million of interest receivable on uncertain income tax positions accrued at December 31, 2013 and 2012, respectively.

Tax Audits and Settlements. CenterPoint Energy's consolidated federal income tax returns have been audited and settled through tax year 2011. CenterPoint Energy is currently in the early stages of examination by the IRS for tax year 2012. CenterPoint Energy has considered the effects of these examinations in its accrual for settled issues and liability for uncertain income tax positions as of December 31, 2013.

(14) Commitments and Contingencies

(a) Natural Gas Supply Commitments

Natural gas supply commitments include natural gas contracts related to CenterPoint Energy's Natural Gas Distribution and Energy Services business segments, which have various quantity requirements and durations, that are not classified as non-trading derivative assets and liabilities in CenterPoint Energy's Consolidated Balance Sheets as of December 31, 2013 and 2012 as these contracts meet the exception to be classified as "normal purchases contracts" or do not meet the definition of a derivative. Natural gas supply commitments also include natural gas transportation contracts that do not meet the definition of a derivative. As of December 31, 2013 , minimum payment obligations for natural gas supply commitments are approximately \$408 million in 2014 , \$391 million in 2015 , \$310 million in 2016 , \$250 million in 2017 , \$244 million in 2018 and \$120 million after 2018 .

(b) Asset Management Agreements

Gas Operations has asset management agreements (AMAs) associated with its utility distribution service in Arkansas, Louisiana, Mississippi, Oklahoma and Texas. Generally, these AMAs are contracts between Gas Operations and an asset manager that are intended to transfer the working capital obligation and maximize the utilization of the assets. In these AMAs, Gas Operations agreed to release transportation and storage capacity to other parties to manage gas storage, supply and delivery arrangements for Gas Operations and to use the released capacity for other purposes when it is not needed for Gas Operations. Gas Operations is compensated by the asset manager through payments made over the life of the AMAs based in part on the results of the asset optimization. Gas Operations has an obligation to purchase its winter storage requirements that have been released to the asset manager under these AMAs. The AMAs have varying terms, the longest of which expires in 2016.

(c) Lease Commitments

The following table sets forth information concerning CenterPoint Energy's obligations under non-cancelable long-term operating leases at December 31, 2013, which primarily consist of rental agreements for building space, data processing equipment, compression equipment and rights of way (in millions):

2014	\$	6
2015		4
2016		4
2017		2
2018		2
2019 and beyond		3
Total	\$	<u>21</u>

Total lease expense for all operating leases was \$21 million, \$27 million and \$43 million during 2013, 2012 and 2011, respectively.

(d) Legal, Environmental and Other Regulatory Matters

Legal Matters

Gas Market Manipulation Cases. CenterPoint Energy, CenterPoint Houston or their predecessor, Reliant Energy, Incorporated (Reliant Energy), and certain of their former subsidiaries have been named as defendants in certain lawsuits described below. Under a master separation agreement between CenterPoint Energy and a former subsidiary, Reliant Resources, Inc. (RRI), CenterPoint Energy and its subsidiaries are entitled to be indemnified by RRI and its successors for any losses, including certain attorneys' fees and other costs, arising out of these lawsuits. In May 2009, RRI sold its Texas retail business to a subsidiary of NRG Energy, Inc. (NRG) and RRI changed its name to RRI Energy, Inc. In December 2010, Mirant Corporation merged with and became a wholly owned subsidiary of RRI, and RRI changed its name to GenOn Energy, Inc. (GenOn). In December 2012, NRG acquired GenOn through a merger in which GenOn became a wholly owned subsidiary of NRG. None of the sale of the retail business, the merger with Mirant Corporation, or the acquisition of GenOn by NRG alters RRI's (now GenOn's) contractual obligations to indemnify CenterPoint Energy and its subsidiaries, including CenterPoint Houston, for certain liabilities, including their indemnification obligations regarding the gas market manipulation litigation, nor does it affect the terms of existing guarantee arrangements for certain GenOn gas transportation contracts discussed below.

A large number of lawsuits were filed against numerous gas market participants in a number of federal and western state courts in connection with the operation of the natural gas markets in 2000-2002. CenterPoint Energy's former affiliate, RRI, was a participant in gas trading in the California and Western markets. These lawsuits, many of which were filed as class actions, allege violations of state and federal antitrust laws. Plaintiffs in these lawsuits are seeking a variety of forms of relief, including, among others, recovery of compensatory damages (in some cases in excess of \$1 billion), a trebling of compensatory damages, full consideration damages and attorneys' fees. CenterPoint Energy and/or Reliant Energy were named in approximately 30 of these lawsuits, which were instituted between 2003 and 2009. CenterPoint Energy and its affiliates have since been released or dismissed from all but one such case. CenterPoint Energy Services, Inc. (CES), a subsidiary of CERC Corp., is a defendant in a case now pending in federal court in Nevada alleging a conspiracy to inflate Wisconsin natural gas prices in 2000-2002. In July 2011, the court issued an order dismissing the plaintiffs' claims against other defendants in the case, each of whom had demonstrated FERC jurisdictional sales for resale during the relevant period, based on federal preemption. The plaintiffs appealed this ruling to the United States Court of Appeals for the Ninth Circuit, which reversed the trial court's dismissal of the plaintiffs' claims. In August 2013, the other defendants filed a petition for review with the U.S. Supreme Court. CenterPoint Energy believes that CES is not a proper defendant in this case and will continue to pursue a dismissal. CenterPoint Energy does not expect the ultimate outcome of this matter to have a material impact on its financial condition, results of operations or cash flows.

Environmental Matters

Manufactured Gas Plant Sites. CERC and its predecessors operated manufactured gas plants (MGPs) in the past. In Minnesota, CERC has completed remediation on two sites, other than ongoing monitoring and water treatment. There are five remaining sites in CERC's Minnesota service territory. CERC believes that it has no liability with respect to two of these sites.

As of December 31, 2013, CERC had recorded a liability of \$14 million for remediation of these Minnesota sites. The estimated range of possible remediation costs for the sites for which CERC believes it may have responsibility was \$6 million to

\$41 million based on remediation continuing for 30 to 50 years. The cost estimates are based on studies of a site or industry average costs for remediation of sites of similar size. The actual remediation costs will be dependent upon the number of sites to be remediated, the participation of other potentially responsible parties (PRPs), if any, and the remediation methods used. The Minnesota Public Utilities Commission includes approximately \$285,000 annually in rates to fund normal ongoing remediation costs. As of December 31, 2013, CERC had collected \$6.3 million from insurance companies to be used for future environmental remediation.

In addition to the Minnesota sites, the United States Environmental Protection Agency and other regulators have investigated MGP sites that were owned or operated by CERC or may have been owned by one of its former affiliates. CERC and CenterPoint Energy do not expect the ultimate outcome of these investigations will have a material adverse impact on the financial condition, results of operations or cash flows of either CenterPoint Energy or CERC.

Asbestos. Some facilities owned by CenterPoint Energy contain or have contained asbestos insulation and other asbestos-containing materials. CenterPoint Energy or its subsidiaries have been named, along with numerous others, as a defendant in lawsuits filed by a number of individuals who claim injury due to exposure to asbestos. Some of the claimants have worked at locations owned by subsidiaries of CenterPoint Energy, but most existing claims relate to facilities previously owned by CenterPoint Energy's subsidiaries. CenterPoint Energy anticipates that additional claims like those received may be asserted in the future. In 2004 and early 2005, CenterPoint Energy sold its generating business, to which most of these claims relate, to a company which is now an affiliate of NRG. Under the terms of the arrangements regarding separation of the generating business from CenterPoint Energy and its sale of that business, ultimate financial responsibility for uninsured losses from claims relating to the generating business has been assumed by the NRG affiliate, but CenterPoint Energy has agreed to continue to defend such claims to the extent they are covered by insurance maintained by CenterPoint Energy, subject to reimbursement of the costs of such defense by the NRG affiliate. Although their ultimate outcome cannot be predicted at this time, CenterPoint Energy intends to continue vigorously contesting claims that it does not consider to have merit and, based on its experience to date, does not expect these matters, either individually or in the aggregate, to have a material adverse effect on CenterPoint Energy's financial condition, results of operations or cash flows.

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

Other Proceedings

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

(e) Guarantees

Prior to the distribution of CenterPoint Energy's ownership in RRI to its shareholders, CERC had guaranteed certain contractual obligations of what became RRI's trading subsidiary. When the companies separated, RRI agreed to secure CERC against obligations under the guarantees RRI had been unable to extinguish by the time of separation. Pursuant to such agreement, as amended in December 2007, RRI (now GenOn) agreed to provide to CERC cash or letters of credit as security against CERC's obligations under its remaining guarantees for demand charges under certain gas transportation agreements if and to the extent changes in market conditions expose CERC to a risk of loss on those guarantees based on an annual calculation, with any required collateral to be posted each December. The undiscounted maximum potential payout of the demand charges under these transportation contracts, which will be in effect until 2018, was approximately \$58 million as of December 31, 2013. Based on market conditions in the fourth quarter of 2013 at the time the most recent annual calculation was made under the agreement,

GenOn was not obligated to post any security. If GenOn should fail to perform the contractual obligations, CERC could have to honor its guarantee and, in such event, any collateral then provided as security may be insufficient to satisfy CERC's obligations.

CenterPoint Energy, Inc. has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of December 31, 2013, CenterPoint Energy, Inc. had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy, Inc. have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees and to release CenterPoint Energy, Inc. from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees as applicable. CERC Corp. has also provided a guarantee of collection of Enable's obligations under its \$1.05 billion three-year unsecured term loan facility, which guarantee is subordinated to all senior debt of CERC Corp.

As of December 31, 2013, no amounts have been recorded related to the guarantees described above in the Consolidated Balance Sheets.

(15) Earnings Per Share

The following table reconciles numerators and denominators of CenterPoint Energy's basic and diluted earnings per share calculations:

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions, except per share and share amounts)		
Income before extraordinary item	\$ 311	\$ 417	\$ 770
Extraordinary item, net of tax	—	—	587
Net income	<u>\$ 311</u>	<u>\$ 417</u>	<u>\$ 1,357</u>
Basic weighted average shares outstanding	428,466,000	427,189,000	425,636,000
Plus: Incremental shares from assumed conversions:			
Stock options	41,000	152,000	347,000
Restricted stock	2,423,000	2,453,000	2,741,000
Diluted weighted average shares	<u>430,930,000</u>	<u>429,794,000</u>	<u>428,724,000</u>
Basic earnings per share:			
Income before extraordinary item	\$ 0.73	\$ 0.98	\$ 1.81
Extraordinary item, net of tax	—	—	1.38
Net income	<u>\$ 0.73</u>	<u>\$ 0.98</u>	<u>\$ 3.19</u>
Diluted earnings per share:			
Income before extraordinary item	\$ 0.72	\$ 0.97	\$ 1.80
Extraordinary item, net of tax	—	—	1.37
Net income	<u>\$ 0.72</u>	<u>\$ 0.97</u>	<u>\$ 3.17</u>

(16) Unaudited Quarterly Information

Summarized quarterly financial data is as follows:

	Year Ended December 31, 2013			
	First Quarter	Second Quarter (2)	Third Quarter	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	\$ 2,388	\$ 1,894	\$ 1,640	\$ 2,184
Operating income	332	223	244	211
Net income (loss)	147	(100)	151	113
Basic earnings (loss) per share(1)	\$ 0.34	\$ (0.23)	\$ 0.35	\$ 0.26
Diluted earnings (loss) per share(1)	\$ 0.34	\$ (0.23)	\$ 0.35	\$ 0.26
	Year Ended December 31, 2012			
	First Quarter	Second Quarter	Third Quarter (3)	Fourth Quarter
	(in millions, except per share amounts)			
Revenues	\$ 2,084	\$ 1,525	\$ 1,705	\$ 2,138
Operating income	338	302	88	310
Net income	\$ 147	\$ 126	\$ 10	\$ 134
Basic earnings per share(1)	\$ 0.34	\$ 0.29	\$ 0.02	\$ 0.31
Diluted earnings per share(1)	\$ 0.34	\$ 0.29	\$ 0.02	\$ 0.31

(1) Quarterly earnings per common share are based on the weighted average number of shares outstanding during the quarter, and the sum of the quarters may not equal annual earnings per common share.

(2) Effective May 1, 2013, CenterPoint Energy contributed CenterPoint Midstream to Enable. See Note 2(b) and Note 9 for further discussion on the formation of Enable and CenterPoint Energy's investment in Enable, respectively.

(3) See Note 2(b) and Note (4) for further discussion on the acquisition of additional interest in Waskom and the goodwill impairment charge, respectively.

(17) Reportable Business Segments

CenterPoint Energy's determination of reportable business segments considers the strategic operating units under which CenterPoint Energy manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The accounting policies of the business segments are the same as those described in the summary of significant accounting policies except that some executive benefit costs have not been allocated to business segments. CenterPoint Energy uses operating income as the measure of profit or loss for its business segments.

CenterPoint Energy's reportable business segments include the following: Electric Transmission & Distribution, Natural Gas Distribution, Energy Services, Midstream Investments and Other Operations. The electric transmission and distribution function (CenterPoint Houston) is reported in the Electric Transmission & Distribution business segment. Natural Gas Distribution consists of intrastate natural gas sales to, and natural gas transportation and distribution for, residential, commercial, industrial and institutional customers. Energy Services represents CenterPoint Energy's non-rate regulated gas sales and services operations. Midstream Investments consists primarily of CenterPoint Energy's investment in Enable and its retained interest in SESH. Other Operations consists primarily of other corporate operations which support all of CenterPoint Energy's business operations.

Prior to May 1, 2013, CenterPoint Energy also reported an Interstate Pipelines business segment, which included CenterPoint Energy's interstate natural gas pipeline operations, and a Field Services business segment, which included CenterPoint Energy's non-rate regulated natural gas gathering, processing and treating operations. As previously disclosed, the formation of Enable

closed on May 1, 2013. Enable now owns substantially all of CenterPoint Energy's former Interstate Pipelines and Field Services business segments, except for the retained interest in SESH. As a result, effective May 1, 2013, CenterPoint Energy reports equity earnings associated with its interest in Enable and equity earnings associated with its retained interest in SESH under a new Midstream Investments segment, and no longer has Interstate Pipelines and Field Services reporting segments prospectively. See Note 9 for further discussion on Enable formation.

Long-lived assets include net property, plant and equipment, goodwill and other intangibles and equity investments in unconsolidated subsidiaries. Intersegment sales are eliminated in consolidation.

Financial data for business segments and products and services are as follows (in millions):

	Revenues from External Customers	Intersegment Revenues	Depreciation and Amortization	Operating Income (Loss)	Total Assets	Expenditures for Long-Lived Assets
As of and for the year ended December 31, 2013:						
Electric Transmission & Distribution	\$ 2,570 (1)	\$ —	\$ 685	\$ 607	\$ 9,605	\$ 759
Natural Gas Distribution	2,837	26	185	263	4,976	430
Energy Services	2,374	27	5	13	895	3
Interstate Pipelines (2) (4)	133	53	20	72	—	29
Field Services (3) (4)	178	18	20	73	—	16
Midstream Investments (5)	—	—	—	—	4,518	—
Other	14	—	39	(18)	3,026 (6)	35
Reconciling Eliminations	—	(124)	—	—	(1,150)	—
Consolidated	<u>\$ 8,106</u>	<u>\$ —</u>	<u>\$ 954</u>	<u>\$ 1,010</u>	<u>\$ 21,870</u>	<u>\$ 1,272</u>
As of and for the year ended December 31, 2012:						
Electric Transmission & Distribution	\$ 2,540 (1)	\$ —	\$ 729	\$ 639	\$ 11,174	\$ 599
Natural Gas Distribution	2,320	22	173	226	4,775	359
Energy Services	1,758	26	6	(250)	839	6
Interstate Pipelines (2)	356	146	56	207	4,004	132
Field Services (3)	467	39	50	214	2,453	52
Other	11	—	36	2	2,600 (6)	40
Reconciling Eliminations	—	(233)	—	—	(2,974)	—
Consolidated	<u>\$ 7,452</u>	<u>\$ —</u>	<u>\$ 1,050</u>	<u>\$ 1,038</u>	<u>\$ 22,871</u>	<u>\$ 1,188</u>
As of and for the year ended December 31, 2011:						
Electric Transmission & Distribution	\$ 2,337 (1)	\$ —	\$ 587	\$ 623	\$ 11,221	\$ 538
Natural Gas Distribution	2,823	18	166	226	4,636	295
Energy Services	2,488	23	5	6	1,089	5
Interstate Pipelines (2)	421	132	54	248	3,867	98
Field Services (3)	370	42	37	189	1,894	201
Other	11	—	37	6	2,318 (6)	54
Reconciling Eliminations	—	(215)	—	—	(3,322)	—
Consolidated	<u>\$ 8,450</u>	<u>\$ —</u>	<u>\$ 886</u>	<u>\$ 1,298</u>	<u>\$ 21,703</u>	<u>\$ 1,191</u>

(1) Sales to affiliates of NRG in 2013 , 2012 and 2011 represented approximately \$658 million , \$648 million and \$594 million , respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Energy Future Holdings Corp. in 2013 , 2012 and 2011 represented approximately \$167 million , \$162 million and \$182 million , respectively, of CenterPoint Houston's transmission and distribution revenues. Sales to affiliates of Just Energy Group, Inc. in 2013 , 2012 and 2011 represented approximately \$126 million , \$102 million and \$81 million , respectively, of CenterPoint Houston's transmission and distribution revenues.

(2) Interstate Pipelines recorded equity income of \$7 million , \$26 million and \$21 million in the years ended December 31, 2013 , 2012 and 2011 , respectively, from its interest in SESH, a jointly-owned pipeline. These amounts are included in Equity in earnings of unconsolidated affiliates under the Other Income (Expense) caption. Interstate Pipelines' investment in SESH was \$404 million and \$409 million as of December 31, 2012 and 2011 and is included in Investment in unconsolidated affiliates. As discussed above, effective May 1, 2013, CenterPoint Energy reports equity earnings

associated with its interest in Enable and equity earnings associated with its retained interest in SESH under a new Midstream Investments segment, and no longer has an Interstate Pipelines reporting segment prospectively.

- (3) Field Services recorded equity income of \$5 million and \$9 million for the years ended December 31, 2012 and 2011, respectively, from its interest in Waskom. These amounts are included in Equity in earnings of unconsolidated affiliates under the Other Income (Expense) caption. Field Services' investment in the jointly-owned gas processing plant was \$63 million as of December 31, 2011 and is included in Investment in unconsolidated affiliates. Beginning on August 1, 2012, financial results for Waskom are included in operating income due to the July 31, 2012 purchase of the 50% interest in Waskom that CenterPoint Energy did not already own. CenterPoint Energy contributed 100% interest in Waskom to Enable on May 1, 2013. Effective May 1, 2013, CenterPoint Energy reports equity earnings associated with its interest in Enable under a new Midstream Investments segment, and no longer has a Field Services reporting segment prospectively.
- (4) Results reflected in the year ended December 31, 2013 represent only January 2013 through April 2013.
- (5) Midstream Investments reported equity earnings of \$173 million from Enable and \$8 million of equity earnings from CenterPoint Energy's retained interest in SESH for the eight months ended December 31, 2013. Included in total assets of Midstream Investments as of December 31, 2013 is \$4,319 million related to CenterPoint Energy's investment in Enable and \$199 million related to CenterPoint Energy's retained interest in SESH.
- (6) Included in total assets of Other Operations as of December 31, 2013, 2012 and 2011, are pension and other postemployment related regulatory assets of \$627 million, \$832 million and \$796 million, respectively.

Revenues by Products and Services:	Year Ended December 31,		
	2013	2012	2011
Electric delivery	\$ 2,570	\$ 2,540	\$ 2,337
Retail gas sales	4,150	3,328	4,019
Wholesale gas sales	913	613	1,149
Gas transportation and processing	345	847	824
Energy products and services	128	124	121
Total	<u>\$ 8,106</u>	<u>\$ 7,452</u>	<u>\$ 8,450</u>

(18) Subsequent Events

On January 20, 2014, CenterPoint Energy's board of directors declared a regular quarterly cash dividend of \$0.2375 per share of common stock payable on March 10, 2014, to shareholders of record as of the close of business on February 14, 2014.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls And Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2013 to provide assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

There has been no change in our internal controls over financial reporting that occurred during the three months ended December 31, 2013 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Management’s Annual Report on Internal Control over Financial Reporting

See report set forth above in Item 8, “Financial Statements and Supplementary Data.”

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

See report set forth above in Item 8, “Financial Statements and Supplementary Data.”

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information called for by Item 10, to the extent not set forth in “Executive Officers” in Item 1, will be set forth in the definitive proxy statement relating to CenterPoint Energy’s 2014 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 10 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

Item 11. Executive Compensation

The information called for by Item 11 will be set forth in the definitive proxy statement relating to CenterPoint Energy’s 2014 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 11 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

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

The information called for by Item 12 will be set forth in the definitive proxy statement relating to CenterPoint Energy’s 2014 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 12 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

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

The information called for by Item 13 will be set forth in the definitive proxy statement relating to CenterPoint Energy’s 2014 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 13 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

Item 14. Principal Accounting Fees and Services

The information called for by Item 14 will be set forth in the definitive proxy statement relating to CenterPoint Energy’s 2014 annual meeting of shareholders pursuant to SEC Regulation 14A. Such definitive proxy statement relates to a meeting of shareholders involving the election of directors and the portions thereof called for by Item 14 are incorporated herein by reference pursuant to Instruction G to Form 10-K.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a)(1) Financial Statements.

Report of Independent Registered Public Accounting Firm	69
Statements of Consolidated Income for the Three Years Ended December 31, 2013	72
Statements of Consolidated Comprehensive Income for the Three Years Ended December 31, 2013	73
Consolidated Balance Sheets at December 31, 2013 and 2012	74
Statements of Consolidated Cash Flows for the Three Years Ended December 31, 2013	75
Statements of Consolidated Shareholders' Equity for the Three Years Ended December 31, 2013	77
Notes to Consolidated Financial Statements	78

The financial statements of Enable Midstream Partners, LP required pursuant to Rule 3-09 of Regulation S-X are included in this filing as Exhibit 99.5.

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2013

Report of Independent Registered Public Accounting Firm	119
I — Condensed Financial Information of CenterPoint Energy, Inc. (Parent Company)	120
II — Valuation and Qualifying Accounts	125

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

III, IV and V.

(a)(3) Exhibits.

See Index of Exhibits beginning on page 127, which index also includes the management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the consolidated financial statements of CenterPoint Energy, Inc. and subsidiaries (the "Company") as of December 31, 2013 and 2012 , and for each of the three years in the period ended December 31, 2013 , and the Company's internal control over financial reporting as of December 31, 2013 , and have issued our reports thereon dated February 26, 2014 ; such reports are included elsewhere in this Form 10-K. Our audits also included the financial statement schedules of the Company listed in the index at Item 15 (a)(2). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2014

CENTERPOINT ENERGY, INC.

**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)**

STATEMENTS OF INCOME

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Expenses:			
Operation and Maintenance Expenses	\$ (13)	\$ (20)	\$ (12)
Total	(13)	(20)	(12)
Other Income (Expense):			
Interest Income from Subsidiaries	8	10	7
Other Income (Expense)	(5)	6	—
Gain (Loss) on Indexed Debt Securities	(193)	(71)	35
Interest Expense to Subsidiaries	(24)	(25)	(25)
Interest Expense	(104)	(112)	(123)
Total	(318)	(192)	(106)
Loss Before Income Taxes, Equity in Subsidiaries and Extraordinary Item	(331)	(212)	(118)
Income Tax Benefit	137	87	50
Loss Before Equity in Subsidiaries and Extraordinary Item	(194)	(125)	(68)
Equity Income of Subsidiaries	505	542	838
Income Before Extraordinary Item	311	417	770
Extraordinary Item, Net of Tax	—	—	587
Net Income	\$ 311	\$ 417	\$ 1,357

See Notes to Condensed Financial Information (Parent Company) and
CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)**

STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Net income	\$ 311	\$ 417	\$ 1,357
Other comprehensive income (loss):			
Adjustment to pension and other postretirement plans (net of tax of \$25,\$2 and \$7)	44	(2)	(16)
Reclassification of deferred loss from cash flow hedges realized in net income (net of tax of \$-0-, \$-0- and \$-0-)	1	—	—
Other comprehensive income (loss)	45	(2)	(16)
Comprehensive income	\$ 356	\$ 415	\$ 1,341

See Notes to Condensed Financial Information (Parent Company) and
CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)**

BALANCE SHEETS

	December 31,	
	2013	2012
	(in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ —	\$ —
Notes receivable — subsidiaries	88	805
Accounts receivable — subsidiaries	116	136
Other assets	21	50
Total current assets	225	991
Other Assets:		
Investment in subsidiaries	6,142	6,387
Notes receivable — subsidiaries	—	151
Other assets	649	856
Total other assets	6,791	7,394
Total Assets	\$ 7,016	\$ 8,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Notes payable — subsidiaries	\$ 11	\$ 434
Indexed debt	143	138
Indexed debt securities derivative	455	268
Accounts payable:		
Subsidiaries	35	73
Other	5	—
Taxes accrued	517	497
Interest accrued	13	15
Other	—	1
Total current liabilities	1,179	1,426
Other Liabilities:		
Accumulated deferred tax liabilities	232	214
Benefit obligations	340	608
Notes payable — subsidiaries	—	750
Total non-current liabilities	572	1,572
Long-Term Debt	936	1,086
Shareholders' Equity:		
Common stock	4	4
Additional paid-in capital	4,157	4,130
Retained earnings	258	302
Accumulated other comprehensive loss	(90)	(135)
Total shareholders' equity	4,329	4,301
Total Liabilities and Shareholders' Equity	\$ 7,016	\$ 8,385

See Notes to Condensed Financial Information (Parent Company) and
CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

**SCHEDULE I — CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)**

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2013	2012	2011
	(in millions)		
Operating Activities:			
Net income	\$ 311	\$ 417	\$ 1,357
Non-cash items included in net income:			
Equity income of subsidiaries	(505)	(542)	(838)
Deferred income tax expense	6	113	149
Amortization of debt issuance costs	4	4	5
Extraordinary item, net of tax	—	—	(587)
Loss (gain) on indexed debt securities	193	71	(35)
Changes in working capital:			
Accounts receivable/(payable) from subsidiaries, net	47	39	73
Accounts payable	5	—	(1)
Other current assets	—	26	1
Other current liabilities	42	(63)	50
Common stock dividends received from subsidiaries	766	1,700	10
Other	(70)	(72)	(62)
Net cash provided by (used in) operating activities	799	1,693	122
Investing Activities:			
Decrease (increase) in notes receivable from subsidiaries	868	(398)	123
Net cash provided by (used in) investing activities	868	(398)	123
Financing Activities:			
Payments on long-term debt	(151)	(375)	(19)
Debt issuance costs	(2)	—	(7)
Common stock dividends paid	(355)	(346)	(337)
Proceeds from issuance of common stock, net	4	4	6
Increase (decrease) in notes payable to subsidiaries	(1,173)	(578)	112
Redemption of indexed debt securities	(8)	—	—
Other	18	—	—
Net cash provided by (used in) financing activities	(1,667)	(1,295)	(245)
Net Decrease in Cash and Cash Equivalents	—	—	—
Cash and Cash Equivalents at Beginning of Year	—	—	—
Cash and Cash Equivalents at End of Year	\$ —	\$ —	\$ —

See Notes to Condensed Financial Information (Parent Company) and
CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.
SCHEDULE I — NOTES TO CONDENSED FINANCIAL INFORMATION (PARENT COMPANY)

(1) *Background.* The condensed parent company financial statements and notes of CenterPoint Energy, Inc. (CenterPoint Energy) should be read in conjunction with the consolidated financial statements and notes of CenterPoint Energy, Inc. and subsidiaries appearing in the Annual Report on Form 10-K. Credit facilities at CenterPoint Energy Houston Electric, LLC (CenterPoint Houston) and CenterPoint Energy Resources Corp., indirect wholly owned subsidiaries of CenterPoint Energy, limit debt, excluding transition and system restoration bonds, as a percentage of their consolidated capitalization to 65%. These covenants could restrict the ability of these subsidiaries to distribute dividends to CenterPoint Energy.

(2) *New Accounting Pronouncements.* In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). The objective of ASU 2013-02 is to improve the transparency of changes in other comprehensive income and items reclassified out of Accumulated Other Comprehensive Income in financial statements. This new guidance is effective for a reporting entity's first reporting period beginning after December 15, 2012 and should be applied prospectively. CenterPoint Energy's adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

In December 2011 and January 2013, the FASB issued Accounting Standards Update No. 2011-11, "Disclosures About Offsetting Assets and Liabilities" (ASU 2011-11) and No. 2013-01, "Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities" (ASU 2013-01), respectively. The objective of ASU 2011-11 is to enhance disclosures about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective of ASU 2013-01 is to clarify which instruments and transactions are subject to ASU 2011-11. Both ASU 2011-11 and ASU 2013-01 are effective for a reporting entity's first reporting period beginning on or after January 1, 2013 and should be applied retrospectively. CenterPoint Energy's adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

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

(3) *Long-term Debt.* As of December 31, 2013 and 2012, CenterPoint Energy had no borrowings and approximately \$6 million and \$7 million, respectively, of outstanding letters of credit under its \$1.2 billion credit facility. There was no commercial paper outstanding that would have been backstopped by CenterPoint Energy's \$1.2 billion credit facility as of December 31, 2013 and 2012. CenterPoint Energy was in compliance with all financial debt covenants as of December 31, 2013.

CenterPoint Energy's \$1.2 billion revolving credit facility, which is scheduled to terminate on September 9, 2018, can be drawn at the London Interbank Offered Rate (LIBOR) plus 125 basis points based on CenterPoint Energy's current credit ratings. The revolving credit facility contains a financial covenant which limits CenterPoint Energy's consolidated debt (excluding transition and system restoration bonds) to an amount not to exceed 65% of CenterPoint Energy's consolidated capitalization. The financial covenant limit will temporarily increase from 65% to 70% if CenterPoint Houston experiences damage from a natural disaster in its service territory and CenterPoint Energy certifies to the administrative agent that CenterPoint Houston has incurred system restoration costs reasonably likely to exceed \$100 million in a consecutive twelve-month period, all or part of which CenterPoint Houston intends to seek to recover through securitization financing. Such temporary increase in the financial covenant would be in effect from the date CenterPoint Energy delivers its certification until the earliest to occur of (i) the completion of the securitization financing, (ii) the first anniversary of CenterPoint Energy's certification or (iii) the revocation of such certification.

CenterPoint Energy's maturities of long-term debt, excluding the indexed debt securities obligation, are \$269 million in 2015, \$250 million in 2017 and \$350 million in 2018. There are no maturities of long-term debt in 2014 or 2016.

(4) *Guarantees.* CenterPoint Energy, Inc. has provided guarantees (CenterPoint Midstream Guarantees) with respect to the performance of certain obligations of Enable under long-term gas gathering and treating agreements with an indirect wholly owned subsidiary of Encana Corporation and an indirect wholly owned subsidiary of Royal Dutch Shell plc. As of December 31, 2013, CenterPoint Energy, Inc. had guaranteed Enable's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus agreement entered into in connection with the closing of the formation of Enable, Enable and CenterPoint Energy, Inc. have agreed to use commercially reasonable efforts and cooperate with each other to terminate the CenterPoint Midstream Guarantees, and to release CenterPoint Energy, Inc. from such guarantees by causing Enable or one of its subsidiaries to enter into substitute guarantees or to assume the CenterPoint Midstream Guarantees as applicable.

CENTERPOINT ENERGY, INC.

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
For the Three Years Ended December 31, 2013

Column A	Column B	Column C		Column D	Column E
<u>Description</u>	Balance at Beginning of Period	Additions		Deductions From Reserves (1)	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
		(in millions)			
Year Ended December 31, 2013					
Accumulated provisions:					
Uncollectible accounts receivable	\$ 25	\$ 21	\$ 1	\$ 19	\$ 28
Deferred tax asset valuation allowance	2	—	—	—	2
Year Ended December 31, 2012					
Accumulated provisions:					
Uncollectible accounts receivable	\$ 25	\$ 16	\$ 1	\$ 17	\$ 25
Deferred tax asset valuation allowance	4	(1)	(1)	—	2
Year Ended December 31, 2011					
Accumulated provisions:					
Uncollectible accounts receivable	\$ 25	\$ 26	\$ —	\$ 26	\$ 25
Deferred tax asset valuation allowance	3	—	1	—	4

(1) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the uncollectible accounts reserve, such deductions are net of recoveries of amounts previously written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on the 26th day of February, 2014 .

CENTERPOINT ENERGY, INC.
(Registrant)

By: /s/ Scott M. Prochazka
Scott M. Prochazka
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 26, 2014 .

<u>Signature</u>	<u>Title</u>
<u>/s/ SCOTT M. PROCHAZKA</u> Scott M. Prochazka	President, Chief Executive Officer and Director (Principal Executive Officer and Director)
<u>/s/ GARY L. WHITLOCK</u> Gary L. Whitlock	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<u>/s/ WALTER L. FITZGERALD</u> Walter L. Fitzgerald	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
<u>/s/ MILTON CARROLL</u> Milton Carroll	Executive Chairman of the Board of Directors
<u>/s/ MICHAEL P. JOHNSON</u> Michael P. Johnson	Director
<u>/s/ JANIECE M. LONGORIA</u> Janiece M. Longoria	Director
<u>/s/ SCOTT J. MCLEAN</u> Scott J. McLean	Director
<u>/s/ SUSAN O. RHENEY</u> Susan O. Rheney	Director
<u>/s/ R. A. WALKER</u> R. A. Walker	Director
<u>/s/ PETER S. WAREING</u> Peter S. Wareing	Director

CENTERPOINT ENERGY, INC.

**EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
For Fiscal Year Ended December 31, 2013**

INDEX OF EXHIBITS

Exhibits included with this report are designated by a cross (†); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K. CenterPoint Energy has not filed the exhibits and schedules to Exhibit 2. CenterPoint Energy hereby agrees to furnish supplementally a copy of any schedule omitted from Exhibit 2 to the SEC upon request.

The agreements included as exhibits are included only to provide information to investors regarding their terms. The 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 such agreements should not be relied upon as constituting or providing any factual disclosures about us, any other persons, any state of affairs or other matters.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2	— Transaction Agreement dated July 21, 2004 among CenterPoint Energy, Utility Holding, LLC, NN Houston Sub, Inc., Texas Genco Holdings, Inc. (Texas Genco), HPC Merger Sub, Inc. and GC Power Acquisition LLC	CenterPoint Energy's Form 8-K dated July 21, 2004	1-31447	10.1
3(a)	— Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 8-K dated July 24, 2008	1-31447	3.2
3(b)	— Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2010	1-31447	3(b)
3(c)	— 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)
4(a)	— Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	333-69502	4.1
4(c)	— Contribution and Registration Agreement dated December 18, 2001 among Reliant Energy, CenterPoint Energy and the Northern Trust Company, trustee under the Reliant Energy, Incorporated Master Retirement Trust	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.3
4(d)(1)	— Mortgage and Deed of Trust, dated November 1, 1944 between Houston Lighting and Power Company (HL&P) and Chase Bank of Texas, National Association (formerly, South Texas Commercial National Bank of Houston), as Trustee, as amended and supplemented by 20 Supplemental Indentures thereto	HL&P's Form S-7 filed on August 25, 1977	2-59748	2(b)
4(d)(2)	— Twenty-First through Fiftieth Supplemental Indentures to Exhibit 4(d)(1)	HL&P's Form 10-K for the year ended December 31, 1989	1-3187	4(a)(2)
4(d)(3)	— Fifty-First Supplemental Indenture to Exhibit 4(d)(1) dated as of March 25, 1991	HL&P's Form 10-Q for the quarter ended June 30, 1991	1-3187	4(a)
4(d)(4)	— Fifty-Second through Fifty-Fifth Supplemental Indentures to Exhibit 4(d)(1) each dated as of March 1, 1992	HL&P's Form 10-Q for the quarter ended March 31, 1992	1-3187	4
4(d)(5)	— Fifty-Sixth and Fifty-Seventh Supplemental Indentures to Exhibit 4(d)(1) each dated as of October 1, 1992	HL&P's Form 10-Q for the quarter ended September 30, 1992	1-3187	4

4(d)(6)	— Fifty-Eighth and Fifty-Ninth Supplemental Indentures to Exhibit 4(d)(1) each dated as of March 1, 1993	HL&P's Form 10-Q for the quarter ended March 31, 1993	1-3187	4
4(d)(7)	— Sixtieth Supplemental Indenture to Exhibit 4(d)(1) dated as of July 1, 1993	HL&P's Form 10-Q for the quarter ended June 30, 1993	1-3187	4
4(d)(8)	— Sixty-First through Sixty-Third Supplemental Indentures to Exhibit 4(d)(1) each dated as of December 1, 1993	HL&P's Form 10-K for the year ended December 31, 1993	1-3187	4(a)(8)
4(d)(9)	— Sixty-Fourth and Sixty-Fifth Supplemental Indentures to Exhibit 4(d)(1) each dated as of July 1, 1995	HL&P's Form 10-K for the year ended December 31, 1995	1-3187	4(a)(9)
4(e)(1)	— General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank, as Trustee	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(1)
4(e)(2)	— Second Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(3)
4(e)(3)	— Third Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(4)
4(e)(4)	— Fourth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(5)
4(e)(5)	— Fifth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(6)
4(e)(6)	— Sixth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(7)
4(e)(7)	— Seventh Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(8)
4(e)(8)	— Eighth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(9)
4(e)(9)	— Officer's Certificates dated October 10, 2002 setting forth the form, terms and provisions of the First through Eighth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	4(e)(10)
4(e)(10)	— Ninth Supplemental Indenture to Exhibit 4(e)(1), dated as of November 12, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	4(e)(10)
4(e)(11)	— Officer's Certificate dated November 12, 2003 setting forth the form, terms and provisions of the Ninth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	4(e)(12)
4(e)(12)	— Tenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 18, 2003	CenterPoint Energy's Form 8-K dated March 13, 2003	1-31447	4.1
4(e)(13)	— Officer's Certificate dated March 18, 2003 setting forth the form, terms and provisions of the Tenth Series and Eleventh Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated March 13, 2003	1-31447	4.2
4(e)(14)	— Eleventh Supplemental Indenture to Exhibit 4(e)(1), dated as of May 23, 2003	CenterPoint Energy's Form 8-K dated May 16, 2003	1-31447	4.2
4(e)(15)	— Officer's Certificate dated May 23, 2003 setting forth the form, terms and provisions of the Twelfth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated May 16, 2003	1-31447	4.1

4(e)(16)	— Twelfth Supplemental Indenture to Exhibit 4(e)(1), dated as of September 9, 2003	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.2
4(e)(17)	— Officer's Certificate dated September 9, 2003 setting forth the form, terms and provisions of the Thirteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.3
4(e)(18)	— Thirteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of February 6, 2004	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(16)
4(e)(19)	— Officer's Certificate dated February 6, 2004 setting forth the form, terms and provisions of the Fourteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(17)
4(e)(20)	— Fourteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of February 11, 2004	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(18)
4(e)(21)	— Officer's Certificate dated February 11, 2004 setting forth the form, terms and provisions of the Fifteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(19)
4(e)(22)	— Fifteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(20)
4(e)(23)	— Officer's Certificate dated March 31, 2004 setting forth the form, terms and provisions of the Sixteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(21)
4(e)(24)	— Sixteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(22)
4(e)(25)	— Officer's Certificate dated March 31, 2004 setting forth the form, terms and provisions of the Seventeenth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(23)
4(e)(26)	— Seventeenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 31, 2004	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(24)
4(e)(27)	— Officer's Certificate dated March 31, 2004 setting forth the form, terms and provisions of the Eighteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(e)(25)
4(e)(28)	— Nineteenth Supplemental Indenture to Exhibit 4(e)(1), dated as of November 26, 2008	CenterPoint Energy's Form 8-K dated November 25, 2008	1-31447	4.2
4(e)(29)	— Officer's Certificate dated November 26, 2008 setting forth the form, terms and provisions of the Twentieth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated November 25, 2008	1-31447	4.3
4(e)(30)	— Twentieth Supplemental Indenture to Exhibit 4(e)(1), dated as of December 9, 2008	CenterPoint Houston's Form 8-K dated January 6, 2009	1-3187	4.2
4(e)(31)	— Twenty-First Supplemental Indenture to Exhibit 4(e)(1), dated as of January 9, 2009	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	4(e)(31)
4(e)(32)	— Officer's Certificate dated January 20, 2009 setting forth the form, terms and provisions of the Twenty-First Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	4(e)(32)
4(e)(33)	— Twenty-Second Supplemental Indenture to Exhibit 4(e)(1) dated as of August 10, 2012	CenterPoint Energy's Form 10-K for the year ended December 31, 2012	1-31447	4(e)(33)

4(e)(34)	— Officer's Certificate, dated August 10, 2012 setting forth the form, terms and provisions of the Twenty-Second Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2012	1-31447	4(e)(34)
4(f)(1)	— Indenture, dated as of February 1, 1998, between Reliant Energy Resources Corp. (RERC Corp.) and Chase Bank of Texas, National Association, as Trustee	CERC Corp.'s Form 8-K dated February 5, 1998	1-13265	4.1
4(f)(2)	— Supplemental Indenture No. 1 to Exhibit 4(f)(1), dated as of February 1, 1998, providing for the issuance of RERC Corp.'s 6 1/2% Debentures due February 1, 2008	CERC Corp.'s Form 8-K dated November 9, 1998	1-13265	4.2
4(f)(3)	— Supplemental Indenture No. 2 to Exhibit 4(f)(1), dated as of November 1, 1998, providing for the issuance of RERC Corp.'s 6 3/8% Term Enhanced ReMarketable Securities	CERC Corp.'s Form 8-K dated November 9, 1998	1-13265	4.1
4(f)(4)	— Supplemental Indenture No. 3 to Exhibit 4(f)(1), dated as of July 1, 2000, providing for the issuance of RERC Corp.'s 8.125% Notes due 2005	CERC Corp.'s Registration Statement on Form S-4	333-49162	4.2
4(f)(5)	— Supplemental Indenture No. 4 to Exhibit 4(f)(1), dated as of February 15, 2001, providing for the issuance of RERC Corp.'s 7.75% Notes due 2011	CERC Corp.'s Form 8-K dated February 21, 2001	1-13265	4.1
4(f)(6)	— Supplemental Indenture No. 5 to Exhibit 4(f)(1), dated as of March 25, 2003, providing for the issuance of CenterPoint Energy Resources Corp.'s (CERC Corp.'s) 7.875% Senior Notes due 2013	CenterPoint Energy's Form 8-K dated March 18, 2003	1-31447	4.1
4(f)(7)	— Supplemental Indenture No. 6 to Exhibit 4(f)(1), dated as of April 14, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013	CenterPoint Energy's Form 8-K dated April 7, 2003	1-31447	4.2
4(f)(8)	— Supplemental Indenture No. 7 to Exhibit 4(f)(1), dated as of November 3, 2003, providing for the issuance of CERC Corp.'s 5.95% Senior Notes due 2014	CenterPoint Energy's Form 8-K dated October 29, 2003	1-31447	4.2
4(f)(9)	— Supplemental Indenture No. 8 to Exhibit 4(f)(1), dated as of December 28, 2005, providing for a modification of CERC Corp.'s 6 1/2% Debentures due 2008	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(f)(9)
4(f)(10)	— Supplemental Indenture No. 9 to Exhibit 4(f)(1), dated as of May 18, 2006, providing for the issuance of CERC Corp.'s 6.15% Senior Notes due 2016	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2006	1-31447	4.7
4(f)(11)	— Supplemental Indenture No. 10 to Exhibit 4(f)(1), dated as of February 6, 2007, providing for the issuance of CERC Corp.'s 6.25% Senior Notes due 2037	CenterPoint Energy's Form 10-K for the year ended December 31, 2006	1-31447	4(f)(11)
4(f)(12)	— Supplemental Indenture No. 11 to Exhibit 4(f)(1) dated as of October 23, 2007, providing for the issuance of CERC Corp.'s 6.125% Senior Notes due 2017	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2007	1-31447	4.8
4(f)(13)	— Supplemental Indenture No. 12 to Exhibit 4(f)(1) dated as of October 23, 2007, providing for the issuance of CERC Corp.'s 6.625% Senior Notes due 2037	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2008	1-31447	4.9
4(f)(14)	— Supplemental Indenture No. 13 to Exhibit 4(f)(1) dated as of May 15, 2008, providing for the issuance of CERC Corp.'s 6.00% Senior Notes due 2018	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2008	1-31447	4.9

4(f)(15)	— Supplemental Indenture No. 14 to Exhibit 4(f)(1) dated as of January 11, 2011, providing for the issuance of CERC Corp.'s 4.50% Senior Notes due 2021 and 5.85% Senior Notes due 2041	CenterPoint Energy's Form 10-K for the year ended December 31, 2010	1-31447	4(f)(15)
4(f)(16)	— Supplemental Indenture No. 15 to Exhibit 4(f)(1) dated as of January 20, 2011, providing for the issuance of CERC Corp.'s 4.50% Senior Notes due 2021	CenterPoint Energy's Form 10-K for the year ended December 31, 2010	1-31447	4(f)(16)
4(g)(1)	— Indenture, dated as of May 19, 2003, between CenterPoint Energy and JPMorgan Chase Bank, as Trustee	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.1
4(g)(2)	— Supplemental Indenture No. 1 to Exhibit 4(g)(1), dated as of May 19, 2003, providing for the issuance of CenterPoint Energy's 3.75% Convertible Senior Notes due 2023	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.2
4(g)(3)	— Supplemental Indenture No. 2 to Exhibit 4(g)(1), dated as of May 27, 2003, providing for the issuance of CenterPoint Energy's 5.875% Senior Notes due 2008 and 6.85% Senior Notes due 2015	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.3
4(g)(4)	— Supplemental Indenture No. 3 to Exhibit 4(g)(1), dated as of September 9, 2003, providing for the issuance of CenterPoint Energy's 7.25% Senior Notes due 2010	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.2
4(g)(5)	— Supplemental Indenture No. 4 to Exhibit 4(g)(1), dated as of December 17, 2003, providing for the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes due 2024	CenterPoint Energy's Form 8-K dated December 10, 2003	1-31447	4.2
4(g)(6)	— Supplemental Indenture No. 5 to Exhibit 4(g)(1), dated as of December 13, 2004, as supplemented by Exhibit 4(g)(5), relating to the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes due 2024	CenterPoint Energy's Form 8-K dated December 9, 2004	1-31447	4.1
4(g)(7)	— Supplemental Indenture No. 6 to Exhibit 4(g)(1), dated as of August 23, 2005, providing for the issuance of CenterPoint Energy's 3.75% Convertible Senior Notes, Series B due 2023	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(g)(7)
4(g)(8)	— Supplemental Indenture No. 7 to Exhibit 4(g)(1), dated as of February 6, 2007, providing for the issuance of CenterPoint Energy's 5.95% Senior Notes due 2017	CenterPoint Energy's Form 10-K for the year ended December 31, 2006	1-31447	4(g)(8)
4(g)(9)	— Supplemental Indenture No. 8 to Exhibit 4(g)(1), dated as of May 5, 2008, providing for the issuance of CenterPoint Energy's 6.50% Senior Notes due 2018	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2008	1-31447	4.7
4(h)(1)	— Subordinated Indenture dated as of September 1, 1999	Reliant Energy's Form 8-K dated September 1, 1999	1-3187	4.1
4(h)(2)	— Supplemental Indenture No. 1 dated as of September 1, 1999, between Reliant Energy and Chase Bank of Texas (supplementing Exhibit 4(h)(1) and providing for the issuance Reliant Energy's 2% Zero-Premium Exchangeable Subordinated Notes Due 2029)	Reliant Energy's Form 8-K dated September 15, 1999	1-3187	4.2
4(h)(3)	— Supplemental Indenture No. 2 dated as of August 31, 2002, between CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank (supplementing Exhibit 4(h)(1))	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(e)

4(h)(4)	— Supplemental Indenture No. 3 dated as of December 28, 2005, between CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank (supplementing Exhibit 4(h)(1))	CenterPoint Energy's Form 10-K for the year ended December 31, 2005	1-31447	4(h)(4)
4(i)(1)	— \$1,200,000,000 Credit Agreement dated as of September 9, 2011, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.1
4(i)(2)	— First Amendment to Credit Agreement, dated as of April 11, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.1
4(i)(3)	— Second Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Energy, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.1
4(j)(1)	— \$300,000,000 Credit Agreement dated as of September 9, 2011, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.2
4(j)(2)	— First Amendment to Credit Agreement, dated as of September 9, 2013, among CenterPoint Houston, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.2
4(k)	— \$950,000,000 Credit Agreement dated as of September 9, 2011, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2011	1-31447	4.3
4(k)(2)	— First Amendment to Credit Agreement, dated as of April 11, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated April 11, 2013	1-31447	4.2
4(k)(3)	— Second Amendment to Credit Agreement, dated as of September 9, 2013, among CERC Corp., as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated September 9, 2013	1-31447	4.3

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

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
*10(a)	— CenterPoint Energy Executive Benefits Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.4
*10(b)(1)	— Executive Incentive Compensation Plan of Houston Industries Incorporated (HI) effective as of January 1, 1982	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(b)
*10(b)(2)	— First Amendment to Exhibit 10(b)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(a)
*10(b)(3)	— Second Amendment to Exhibit 10(b)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(b)
*10(b)(4)	— Third Amendment to Exhibit 10(b)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(b)(4)
*10(b)(5)	— Fourth Amendment to Exhibit 10(b)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(b)(5)

*10(c)(1)	— Executive Incentive Compensation Plan of HI as amended and restated on January 1, 1991	HI's Form 10-K for the year ended December 31, 1990	1-7629	10(b)
*10(c)(2)	— First Amendment to Exhibit 10(c)(1) effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(f)(2)
*10(c)(3)	— Second Amendment to Exhibit 10(c)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(d)
*10(c)(4)	— Third Amendment to Exhibit 10(c)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(4)
*10(c)(5)	— Fourth Amendment to Exhibit 10(c)(1) effective as of January 1, 1993	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(5)
*10(c)(6)	— Fifth Amendment to Exhibit 10(c)(1) effective in part, January 1, 1995, and in part, September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(f)(6)
*10(c)(7)	— Sixth Amendment to Exhibit 10(c)(1) effective as of August 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(a)
*10(c)(8)	— Seventh Amendment to Exhibit 10(c)(1) effective as of January 1, 1996	HI's Form 10-Q for the quarter ended June 30, 1996	1-7629	10(a)
*10(c)(9)	— Eighth Amendment to Exhibit 10(c)(1) effective as of January 1, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(a)
*10(c)(10)	— Ninth Amendment to Exhibit 10(c)(1) effective in part, January 1, 1997, and in part, January 1, 1998	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(f)(10)
*10(d)	— Benefit Restoration Plan of HI effective as of June 1, 1985	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(c)
*10(e)	— Benefit Restoration Plan of HI as amended and restated effective as of January 1, 1988	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(g)(2)
*10(f)	— CenterPoint Energy, Inc. 1991 Benefit Restoration Plan, as amended and restated effective as of February 25, 2011	CenterPoint Energy's Form 10-Q for the quarter ended March 31, 2011	1-31447	10.3
*10(g)(1)	— CenterPoint Energy Benefit Restoration Plan, effective as of January 1, 2008	CenterPoint Energy's Form 8-K dated December 22, 2008	1-31447	10.1
*10(g)(2)	— First Amendment to Exhibit 10(g)(1), effective as of February 25, 2011	CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-31447	10.4
*10(h)(1)	— HI 1995 Section 415 Benefit Restoration Plan effective August 1, 1995	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(h)(1)
*10(h)(2)	— First Amendment to Exhibit 10(h)(1) effective as of August 1, 1995	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(h)(2)
*10(i)	— CenterPoint Energy 1985 Deferred Compensation Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.1
*10(j)(1)	— Reliant Energy 1994 Long-Term Incentive Compensation Plan, as amended and restated effective January 1, 2001	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.6
*10(j)(2)	— First Amendment to Exhibit 10(j)(1), effective December 1, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(p)(7)
*10(j)(3)	— Form of Non-Qualified Stock Option Award Notice under Exhibit 10(i)(1)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.6
*10(k)(1)	— Savings Restoration Plan of HI effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1990	1-7629	10(f)
*10(k)(2)	— First Amendment to Exhibit 10(k)(1) effective as of January 1, 1992	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(l)(2)

*10(k)(3)	— Second Amendment to Exhibit 10(k)(1) effective in part, August 6, 1997, and in part, October 1, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(q)(3)
*10(l)(1)	— Amended and Restated CenterPoint Energy, Inc. 1991 Savings Restoration Plan, effective as of January 1, 2008	CenterPoint Energy's Form 8-K dated December 22, 2008	1-31447	10.4
*10(l)(2)	— First Amendment to Exhibit 10(l)(1), effective as of February 25, 2011	CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-31447	10.5
*10(m)(1)	— CenterPoint Energy Savings Restoration Plan, effective as of January 1, 2008	CenterPoint Energy's Form 8-K dated December 22, 2008	1-31447	10.3
*10(m)(2)	— First Amendment to Exhibit 10(m)(1), effective as of February 25, 2011	CenterPoint Energy's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011	1-31447	10.6
*10(n)(1)	— CenterPoint Energy Outside Director Benefits Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.6
*10(n)(2)	— First Amendment to Exhibit 10(n)(1) effective as of January 1, 2004	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2004	1-31447	10.6
*10(n)(3)	— CenterPoint Energy Outside Director Benefits Plan, as amended and restated effective December 31, 2008	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(n)(3)
*10(o)	— CenterPoint Energy Executive Life Insurance Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.5
*10(p)	— Employment and Supplemental Benefits Agreement between HL&P and Hugh Rice Kelly	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(f)
10(q)(1)	— Stockholder's Agreement dated as of July 6, 1995 between Houston Industries Incorporated and Time Warner Inc.	Schedule 13-D dated July 6, 1995	5-19351	2
10(q)(2)	— Amendment to Exhibit 10(q)(1) dated November 18, 1996	HI's Form 10-K for the year ended December 31, 1996	1-7629	10(x)(4)
*10(r)(1)	— Houston Industries Incorporated Executive Deferred Compensation Trust effective as of December 19, 1995	HI's Form 10-K for the year ended December 31, 1995	1-7629	10(7)
*10(r)(2)	— First Amendment to Exhibit 10(r)(1) effective as of August 6, 1997	HI's Form 10-Q for the quarter ended June 30, 1998	1-3187	10
†10(s)	— Summary of Certain Compensation Arrangements of Milton Carroll, Executive Chairman of the Board of Directors of CenterPoint Energy			
*10(t)	— Reliant Energy, Incorporated and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees, as amended and restated effective January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(y)(2)
*10(u)(1)	— Long-Term Incentive Plan of CenterPoint Energy, Inc. (amended and restated effective as of May 1, 2004)	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2004	1-31447	10.5
*10(u)(2)	— First Amendment to Exhibit (u)(1), effective January 1, 2007	CenterPoint Energy's Form 10-Q for the quarter ended March 31, 2007	1-31447	10.5
*10(u)(3)	— Form of Non-Qualified Stock Option Award Agreement under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.1
*10(u)(4)	— Form of Restricted Stock Award Agreement under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.2

*10(u)(5)	— Form of Performance Share Award under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.3
*10(u)(6)	— Form of Performance Share Award Agreement for 20XX-20XX Performance Cycle under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 22, 2006	1-31447	10.2
*10(u)(7)	— Form of Restricted Stock Award Agreement (With Performance Vesting Requirement) under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 21, 2005	1-31447	10.2
*10(u)(8)	— Form of Stock Award Agreement (With Performance Goal) under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 22, 2006	1-31447	10.3
*10(u)(9)	— Form of Performance Share Award Agreement for 20XX — 20XX Performance Cycle under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 21, 2007	1-31447	10.1
*10(u)(10)	— Form of Stock Award Agreement (With Performance Goal) under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 21, 2007	1-31447	10.2
*10(u)(11)	— Form of Stock Award Agreement (Without Performance Goal) under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 21, 2007	1-31447	10.3
*10(u)(12)	— Form of Performance Share Award Agreement for 20XX — 20XX Performance Cycle under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 20, 2008	1-31447	10.1
*10(u)(13)	— Form of Stock Award Agreement (With Performance Goal) under Exhibit 10(u)(1)	CenterPoint Energy's Form 8-K dated February 20, 2008	1-31447	10.2
10(v)(1)	— Master Separation Agreement entered into as of December 31, 2000 between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.1
10(v)(2)	— First Amendment to Exhibit 10(v)(1) effective as of February 1, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(bb)(5)
10(v)(3)	— Employee Matters Agreement, entered into as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.5
10(v)(4)	— Retail Agreement, entered into as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.6
10(v)(5)	— Tax Allocation Agreement, entered into as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.8
10(w)(1)	— Separation Agreement entered into as of August 31, 2002 between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(1)
10(w)(2)	— Transition Services Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(2)
10(w)(3)	— Tax Allocation Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(3)
*10(x)	— Retention Agreement effective October 15, 2001 between Reliant Energy and David G. Tees	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187	10(jj)
*10(y)	— Retention Agreement effective October 15, 2001 between Reliant Energy and Michael A. Reed	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187	10(kk)
*10(z)	— Non-Qualified Unfunded Executive Supplemental Income Retirement Plan of Arkla, Inc. effective as of August 1, 1983	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(gg)

*10(aa)(1)	—	Deferred Compensation Plan for Directors of Arkla, Inc. effective as of November 10, 1988	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(hh)(1)
*10(aa)(2)	—	First Amendment to Exhibit 10(aa)(1) effective as of August 6, 1997	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(hh)(2)
*10(bb)(1)	—	CenterPoint Energy, Inc. Deferred Compensation Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2003	1-31447	10.2
*10(bb)(2)	—	First Amendment to Exhibit 10(bb)(1) effective as of January 1, 2008	CenterPoint Energy's Form 8-K dated February 20, 2008	1-31447	10.4
*10(bb)(3)	—	CenterPoint Energy 2005 Deferred Compensation Plan, effective January 1, 2008	CenterPoint Energy's Form 8-K dated February 20, 2008	1-31447	10.3
*10(bb)(4)	—	Amended and Restated CenterPoint Energy 2005 Deferred Compensation Plan, effective January 1, 2009	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2008	1-31447	10.1
*10(cc)(1)	—	CenterPoint Energy Short Term Incentive Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.3
*10(cc)(2)	—	Second Amendment to Exhibit 10(cc)(1)	CenterPoint Energy's Form 8-K dated December 10, 2009	1-31447	10.1
*10(dd)(1)	—	CenterPoint Energy Stock Plan for Outside Directors, as amended and restated effective May 7, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(ii)
*10(dd)(2)	—	First Amendment to Exhibit 10(dd)(1)	CenterPoint Energy's Form 10-Q for the quarter ended March 31, 2010	1-31447	10.2
*10(dd)(3)	—	Second Amendment to Exhibit 10(dd)(1)	CenterPoint Energy's Registration Statement on Form S-8	333-173660	4.6
10(ee)	—	City of Houston Franchise Ordinance	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2005	1-31447	10.1
10(ff)	—	Letter Agreement dated March 16, 2006 between CenterPoint Energy and John T. Cater	CenterPoint Energy's Form 10-Q for the quarter ended March 30, 2006	1-31447	10
10(gg)(1)	—	Amended and Restated HL&P Executive Incentive Compensation Plan effective as of January 1, 1985	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2008	1-31447	10.2
10(gg)(2)	—	First Amendment to Exhibit 10(gg)(1) effective as of January 1, 2008	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2008	1-31447	10.3
*10(hh)(1)	—	Executive Benefits Agreement by and between HL&P and Thomas R. Standish effective August 20, 1993	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(hh)(1)
*10(hh)(2)	—	First Amendment to Exhibit 10(hh)(1) effective as of December 31, 2008	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(hh)(2)
*10(ii)(1)	—	Executive Benefits Agreement by and between HL&P and David M. McClanahan effective August 24, 1993	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(ii)(1)
*10(ii)(2)	—	First Amendment to Exhibit 10(ii)(1) effective as of December 31, 2008	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(ii)(2)
*10(jj)(1)	—	Executive Benefits Agreement by and between HL&P and Joseph B. McGoldrick effective August 30, 1993	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(jj)(1)
*10(jj)(2)	—	First Amendment to Exhibit 10(jj)(1) effective as of December 31, 2008	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(jj)(2)

*10(kk)(1)	—	CenterPoint Energy, Inc. 2009 Long Term Incentive Plan	CenterPoint Energy's Schedule 14A dated March 13, 2009	1-31447	A
*10(kk)(2)	—	Form of Qualified Performance Award Agreement for 20XX — 20XX Performance Cycle under Exhibit 10(kk)(1)	CenterPoint Energy's Form 8-K dated February 28, 2012	1-31447	10.1
*10(kk)(3)	—	Form of Restricted Stock Unit Award Agreement (With Performance Goal) under Exhibit 10(kk)(1)	CenterPoint Energy's Form 8-K dated February 28, 2012	1-31447	10.2
*10(kk)(4)	—	Form of Restricted Stock Unit Award Agreement (Service-Based Vesting) under Exhibit 10(kk)(1)	CenterPoint Energy's Form 8-K dated February 28, 2012	1-31447	10.3
†10(ll)	—	Summary of non-employee director compensation			
†10(mm)	—	Summary of named executive officer compensation			
10(nn)	—	Form of Executive Officer Change in Control Agreement	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(nn)
10(oo)	—	Form of Corporate Officer Change in Control Agreement	CenterPoint Energy's Form 10-K for the year ended December 31, 2008	1-31447	10(oo)
10(pp)		Master Formation Agreement, dated as of March 14, 2013, among CenterPoint Energy, OGE, Bronco Midstream Holdings, LLC and Bronco Midstream Holdings II, LLC	CenterPoint Energy's Form 8-K dated March 14, 2013	1-31447	2.1
10(qq)		Commitment Letter dated March 14, 2013 by and among CenterPoint Energy, Enogex LLC, Citigroup Global Markets Inc., UBS Loan Finance LLC and UBS Securities LLC relating to a \$1,050,000,000 3-year unsecured term loan facility	CenterPoint Energy's Form 8-K dated March 14, 2013	1-31447	10.1
10(rr)		Commitment Letter dated March 14, 2013 by and among CenterPoint Energy, Inc., Enogex LLC, Citigroup Global Markets Inc., UBS Loan Finance LLC and UBS Securities LLC relating to a \$1,400,000,000 5-year unsecured revolving credit facility	CenterPoint Energy's Form 8-K dated March 14, 2013	1-31447	10.2
10(ss)		First Amended and Restated Agreement of Limited Partnership of CEFS dated as of May 1, 2013	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	10.1
10(tt)		First Amendment to the First Amended and Restated Agreement of Limited Partnership of CEFS dated as of July 30, 2013	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2013	1-31447	10.1
10(uu)		Amended and Restated Limited Liability Company Agreement of CNP OGE GP LLC dated as of May 1, 2013	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	10.2
10(vv)		Second Amended and Restated Limited Liability Company Agreement of Enable GP, LLC dated as of July 30, 2013	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2013	1-31447	10.2
10(ww)		Registration Rights Agreement dated as of May 1, 2013 by and among CEFS, CERC Corp., OGE Enogex Holdings LLC, and Enogex Holdings LLC	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	10.3
10(xx)		Omnibus Agreement dated as of May 1, 2013 among CenterPoint Energy, OGE, Enogex Holdings LLC and CEFS	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	10.4
10(yy)		Agreement, dated June 26, 2013, by and between CERC Corp. and C. Gregory Harper	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2013	1-31447	10.6
†10(zz)		Omnibus Amendment to CenterPoint Energy, Inc. Benefit Plans, dated May 23, 2013			
†12	—	Computation of Ratio of Earnings to Fixed Charges			
†21	—	Subsidiaries of CenterPoint Energy			
†23.1	—	Consent of Deloitte & Touche LLP			
†23.2	—	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm of Enable Midstream Partners, LP			

†31.1	—	Rule 13a-14(a)/15d-14(a) Certification of Scott M. Prochazka			
†31.2	—	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
†32.1	—	Section 1350 Certification of Scott M. Prochazka			
†32.2	—	Section 1350 Certification of Gary L. Whitlock			
99.1	—	\$1,050,000,000 Credit Agreement, dated as of May 1, 2013, among CEFS, as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	99.1
99.2	—	\$1,400,000,000 Credit Agreement, dated as of May 1, 2013, among CEFS as Borrower, and the banks named therein	CenterPoint Energy's Form 8-K dated May 1, 2013	1-31447	99.2
†99.3	—	First Amendment and Waiver to Revolving Credit Agreement dated as of January 23, 2014 by and among Enable Midstream Partners, LP, the lenders party thereto and Citibank, N.A., as agent			
†99.4	—	First Amendment and Waiver to Term Loan Agreement dated as of January 23, 2014 by and among Enable Midstream Partners, LP, the lenders party thereto and Citibank, N.A., as agent			
†99.5	—	Financial Statements of Enable Midstream Partners, LP as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011			
†101.INS	—	XBRL Instance Document			
†101.SCH	—	XBRL Taxonomy Extension Schema Document			
†101.CAL	—	XBRL Taxonomy Extension Calculation Linkbase Document			
†101.DEF	—	XBRL Taxonomy Extension Definition Linkbase Document			
†101.LAB	—	XBRL Taxonomy Extension Labels Linkbase Document			
†101.PRE	—	XBRL Taxonomy Extension Presentation Linkbase Document			

CenterPoint Energy, Inc.
Summary of Certain Compensation Arrangements
of the Executive Chairman of the Board

The following is a summary of certain compensation arrangements payable to Milton Carroll, the Executive Chairman of the Board of Directors (the “Board”) of CenterPoint Energy, Inc. (the “Company”), effective as of June 1, 2013:

- An annual salary of \$450,000 commencing June 1, 2013 and continuing thereafter until the earlier of May 31, 2016 or the termination of Mr. Carroll’s service as Executive Chairman of the Board and payable on a monthly or semi-monthly basis; and
- An annual award of 30,000 shares of common stock to be made during the period commencing on June 1, 2013 and continuing until the earlier of May 31, 2016 or the termination of Mr. Carroll’s service as Executive Chairman of the Board, with each such award payable on June 1, 2013, June 1, 2014 and June 1, 2015, respectively.

In February 2014, Mr. Carroll’s compensation arrangements were modified as follows:

- Mr. Carroll’s annual base salary was increased to \$600,000 effective as of January 1, 2014 and continuing thereafter until the termination of Mr. Carroll’s service as Executive Chairman of the Board or as otherwise modified by the Board;
- Mr. Carroll was granted an award of 30,000 shares of common stock to be payable on June 1, 2016 contingent on his continued service as Chairman on that date; and
- Mr. Carroll will receive a 2014 long term incentive compensation award under the Company’s long term incentive plan that will be allocated between performance shares and stock awards on the same basis as 2014 awards to be made to other executive officers, with an incentive compensation target for Mr. Carroll equal to 200% of base salary.

CenterPoint Energy, Inc.
Summary of Non-Employee Director Compensation

The following is a summary of compensation paid to the non-employee directors of CenterPoint Energy, Inc. (the “Company”) effective April 25, 2013. For additional information regarding the compensation of the non-employee directors, please read the definitive proxy statement relating to the Company’s 2014 annual meeting of shareholders to be filed pursuant to Regulation 14A.

- Annual retainer fee of \$50,000 for Board membership;
- Fee of \$2,000 for each Board or Committee meeting attended;
- Supplemental annual retainer of \$15,000 for serving as a chairman of the Audit Committee or Compensation Committee; and
- Supplemental annual retainer of \$10,000 for serving as a chairman of any other Board committee.

Members of the special CEO Succession Planning Committee receive an annual retainer of \$20,000 instead of the compensation listed above for attending committee meetings and/or serving as chairman of any Board committee.

Stock Grants. Each non-employee director may also receive an annual grant of up to 5,000 shares of CenterPoint Energy common stock which vest on the first anniversary of the grant date. Upon the initial nomination to the Board, in addition to the annual grant, a non-employee director may be granted a one-time grant of up to 5,000 shares of CenterPoint Energy common stock.

Deferred Compensation Plan. Directors may elect each year to defer all or part of their annual retainer fees, including committee chairman fees, and meeting fees. Directors participating in these plans may elect to receive distributions of their deferred compensation and interest in three ways: (i) an early distribution of either 50% or 100% of their account balance in any year that is at least four years from the year of deferral up to the year in which they reach age 70, (ii) a lump sum distribution payable in the year after they reach age 70 or upon leaving the Board of Directors, whichever is later, or (iii) 15 annual installments beginning on the first of the month coincident with or next following age 70 or upon leaving the Board of Directors, whichever is later.

CenterPoint Energy, Inc.
Summary of Senior Executive Officer Compensation

The following is a summary of compensation paid to the Chief Executive Officer, Chief Financial Officer and Executive Vice Presidents identified below (to whom we collectively refer as our “senior executive officers”) of CenterPoint Energy, Inc. (the “Company”). For additional information regarding the compensation of the senior executive officers, please read the definitive proxy statement relating to the Company’s 2014 annual meeting of shareholders to be filed pursuant to Regulation 14A.

Base Salary . The following table sets forth the annual base salary of the Company’s senior executive officers effective April 1, 2014:

Name and Position	Base Salary
Scott M. Prochazka President and Chief Executive Officer	\$ 900,000
Gary L. Whitlock Executive Vice President and Chief Financial Officer	\$ 600,000
Scott E. Rozzell Executive Vice President, General Counsel and Corporate Secretary	\$ 530,000
Thomas R. Standish Executive Vice President	\$ 512,000

Short Term Incentive Plan . Annual bonuses are paid to the Company’s senior executive officers pursuant to the Company’s short term incentive plan, which provides for cash bonuses based on the achievement of certain performance objectives approved in accordance with the terms of the plan at the commencement of the year. Information regarding awards to the Company’s senior executive officers under the short term incentive plan is provided in definitive proxy statements relating to the Company’s annual meeting of shareholders.

Long Term Incentive Plan . Under the Company’s long term incentive plan, the Company’s senior executive officers may receive grants of (i) stock option awards, (ii) stock appreciation rights, (iii) stock awards, (iv) restricted stock unit awards, (v) cash awards and (vi) performance awards. The current forms of the applicable award agreements pursuant to the Company’s long term incentive plan are included as exhibits hereto.

CENTERPOINT ENERGY, INC. AND SUBSIDIARIES

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
(Millions of Dollars)

	2013 (1)	2012 (1)	2011 (1)	2010 (1)	2009 (1)
Income before extraordinary item	\$ 311	\$ 417	\$ 770	\$ 442	\$ 372
Equity in earnings of unconsolidated affiliates, net of distributions	(58)	8	8	13	(3)
Income taxes	470	341	404	263	176
Capitalized interest	(11)	(9)	(4)	(9)	(4)
	<u>712</u>	<u>757</u>	<u>1,178</u>	<u>709</u>	<u>541</u>
Fixed charges, as defined:					
Interest	484	569	583	621	644
Capitalized interest	11	9	4	9	4
Interest component of rentals charged to operating expense	7	9	14	26	12
Total fixed charges	<u>502</u>	<u>587</u>	<u>601</u>	<u>656</u>	<u>660</u>
Earnings, as defined	<u>\$ 1,214</u>	<u>\$ 1,344</u>	<u>\$ 1,779</u>	<u>\$ 1,365</u>	<u>\$ 1,201</u>
Ratio of earnings to fixed charges	<u>2.42</u>	<u>2.29</u>	<u>2.96</u>	<u>2.08</u>	<u>1.82</u>

(1) Excluded from the computation of fixed charges for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 is interest income of \$6 million, interest income of \$11 million, interest income of \$12 million, interest expense of \$9 million and interest income of \$3million respectively, which is included in income tax expense.

SIGNIFICANT SUBSIDIARIES OF CENTERPOINT ENERGY, INC.

The following subsidiaries are deemed “significant subsidiaries” pursuant to Item 601(b) (21) of Regulation S-K:

Utility Holding, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Investment Management, Inc., a Delaware corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Resources Corp., a Delaware corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Houston Electric, LLC, a Texas limited liability company and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

CenterPoint Energy Services, Inc., a Delaware corporation and an indirect wholly owned subsidiary of CenterPoint Energy, Inc.

Enable Midstream Partners, LP (Enable), a Delaware limited partnership. CenterPoint Energy, Inc. indirectly owns 58.3% of the limited partner interests.

Subsidiaries of Enable:

<u>Subsidiary</u>	<u>State of Incorporation/Organization</u>
Enable Intrastate Holdings II, LLC	Delaware
Enable Oklahoma Intrastate Transmission, LLC	Delaware
Enable Gathering & Processing, LLC	Oklahoma
Enable Gas Gathering, LLC	Oklahoma
Enable Products, LLC	Oklahoma
Enable Gas Transmission, LLC	Delaware
Waskom Gas Processing Company	Texas
Enable Prism Holdings, LLC	Delaware

(1) Pursuant to Item 601(b) (21) of Regulation S-K, registrant has omitted the names of subsidiaries, which considered in the aggregate as a single subsidiary, would not constitute a “significant subsidiary” (as defined under Rule 1-02(w) of Regulation S-X) as of December 31, 2013.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-193695, 333-187835, and 333-114543 on Form S-3; Registration Statement Nos. 333-179310, 333-173660, 333-149757, 333-101202, as amended, 333-115976, as amended, 333-159586, as amended, and 333-105773, as amended on Form S-8; Post Effective Amendment No. 1 to Registration Statement Nos. 333-32413-99, 333-49333-99, 333-38188-99, 333-60260-99 and 333-98271-99 on Form S-8; and Post-Effective Amendment No. 5 to Registration Statement No. 333-11329-99 on Form S-8 of our reports dated February 26, 2014, relating to the consolidated financial statements and financial statement schedules of CenterPoint Energy, Inc. and subsidiaries (the “Company”), and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2013 .

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2014

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-193695, 333-187835, and 333-114543 on Form S-3; Registration Statement Nos. 333-179310, 333-173660, 333-149757, 333-101202, as amended, 333-115976, as amended, 333-159586, as amended, and 333-105773, as amended on Form S-8; Post-Effective Amendment No. 1 to Registration Statement Nos. 333-32413-99, 333-49333-99, 333-38188-99, 333-60260-99 and 333-98271-99 on Form S-8; and Post-Effective Amendment No. 5 to Registration Statement No. 333-11329-99 on Form S-8 of CenterPoint Energy, Inc. of our report dated February 21, 2014, relating to the combined and consolidated financial statements of Enable Midstream Partners, LP (previously named CenterPoint Energy Field Services, LLC) and subsidiaries, (collectively the "Partnership") (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the preparation of the combined and consolidated financial statements of Enable Midstream Partners, LP from the historical accounting records maintained by CenterPoint Energy, Inc. and its subsidiaries), appearing in this annual report on Form 10-K of CenterPoint Energy, Inc. for the year ended December 31, 2013.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 26, 2014

CERTIFICATIONS

I, Scott M. Prochazka, certify that:

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2014

/s/ Scott M. Prochazka

Scott M. Prochazka

President and Chief Executive Officer

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this annual report on Form 10-K of CenterPoint Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2014

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2013 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Scott M. Prochazka, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott M. Prochazka

Scott M. Prochazka

President and Chief Executive Officer

February 26, 2014

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

In connection with the Annual Report of CenterPoint Energy, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2013 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, I, Gary L. Whitlock, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Gary L. Whitlock

Gary L. Whitlock

Executive Vice President and Chief Financial Officer

February 26, 2014

**FIRST AMENDMENT AND WAIVER TO
REVOLVING CREDIT AGREEMENT**

THIS FIRST AMENDMENT AND WAIVER TO REVOLVING CREDIT AGREEMENT (this “First Amendment”) is entered into as of January 23, 2014, by and among ENABLE MIDSTREAM PARTNERS, LP, a Delaware limited partnership, formerly known as CenterPoint Energy Field Services LP (the “Borrower”), the Lenders party hereto and CITIBANK, N.A., as Agent.

Preliminary Statements

WHEREAS, the Borrower, the Agent and the Lenders are parties to that certain Revolving Credit Agreement, dated as of May 1, 2013 (the “Existing Revolving Credit Agreement” and, as amended, restated, supplemented, increased and extended or otherwise modified from time to time (including by this First Amendment), the “Revolving Credit Agreement”; capitalized terms used herein that are not defined herein and are defined in the Revolving Credit Agreement are used herein as defined in the Revolving Credit Agreement); and

WHEREAS, the Borrower has requested that the Lenders and the Agent amend the Existing Revolving Credit Agreement and waive certain requirements thereof, and the Agent and the Lenders party hereto, which Lenders constitute the Required Lenders, have agreed to do so subject to the terms and conditions of this First Amendment; and

WHEREAS, the Borrower, the Agent and the Lenders party hereto wish to execute and deliver this First Amendment to evidence such agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Borrower, the Agent and the Lenders party hereto hereby agree as follows:

Section 1. Amendments to the Existing Revolving Credit Agreement.

(a) The introductory paragraph of the Existing Revolving Credit Agreement is hereby amended by inserting the phrase “together with its successors, including, without limitation, Enable Midstream Partners LP, a Delaware limited partnership,” immediately before the phrase “the Borrower” therein.

(b) Section 1.1 of the Existing Revolving Credit Agreement is hereby amended by amending and restating the definition of “General Partner” in its entirety as follows:

“General Partner” means CNP OGE GP LLC, a Delaware limited liability company, and its successors, including, without limitation, Enable GP, LLC, a Delaware limited liability company.

(c) Section 6.1(a) of the Existing Revolving Credit Agreement is hereby amended by inserting the phrase “(it being understood that, notwithstanding anything to the contrary contained herein, the requirements of this Section 6.1(a) may be satisfied by delivering the Borrower’s Annual Report on Form 10-K with respect to such fiscal year as, and to the extent, filed with the Securities and Exchange Commission)” immediately before the period at the end of such Section 6.1(a).

(d) Section 6.1(b) of the Existing Revolving Credit Agreement is hereby amended and restated in its entirety as follows:

Within forty-five (45) days after the end of the first three quarterly periods of each of its fiscal years, financial statements prepared in accordance with GAAP (other than with regard to the absence of footnotes and subject to changes resulting from audit and normal year-end audit adjustments to same) on a consolidated basis for itself and its Subsidiaries, including (x) consolidated unaudited balance sheets as at the end of each such period, setting forth in comparative form figures as at the end of the preceding fiscal year, and (y) consolidated unaudited statements of income and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, in each case in this clause (y), setting forth in comparative form figures for the corresponding period of the preceding fiscal year, and accompanied by a certificate of a Financial Officer to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of their respective dates and have been prepared in accordance with GAAP (other than with regard to the absence of footnotes and subject to changes resulting from audit and normal year-end audit adjustments to same) (it being understood that, notwithstanding anything to the contrary contained herein, the requirements of this Section 6.1(b) may be satisfied by delivering the Borrower’s Quarterly Report on Form 10-Q with respect to such fiscal periods as, and to the extent, filed with the Securities and Exchange Commission).

It is hereby acknowledged and agreed by all parties hereto that the amendment set forth in this Section 1 (e) (except for the addition of the parenthetical beginning “it being understood”) is a clarifying amendment and that Section 6.1(b) of the Revolving Credit Agreement, as amended hereby (except for the addition of the parenthetical beginning “it being understood”), embodies the previous understanding of the parties with respect to the financial statements required to be delivered under Section 6.1(b) of the Existing Revolving Credit Agreement.

Section 2. Waiver. Section 6.1(b) of the Existing Revolving Credit Agreement requires the Borrower to deliver, within forty-five (45) days after the end of the first three quarterly periods of each of its fiscal years, among other things, financial statements prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries in the manner set forth therein. On August 14, 2013 (the “Delivery Date”), pursuant to Section 6.1(b) of the Existing Revolving Credit Agreement, the Borrower delivered to the Lenders a certificate of a Financial Officer (the “2013 Second Quarter Certification”) with respect to the financial statements of the Borrower and its Subsidiaries for the fiscal quarter ending June 30, 2013 (the “2013 Second Quarter Financial”).

Statements”). The 2013 Second Quarter Financial Statements (i) were presented on a historical cost basis (which is not a recognized basis of presentation under GAAP), (ii) did not set forth comparative form figures for the corresponding period of the preceding fiscal year and (iii) did not cover the period from the beginning of the 2013 fiscal year to the end of the fiscal quarter ending June 30, 2013. Accordingly, the Agent and the Lenders party hereto (which constitute the Required Lenders) hereby (a) waive any Default or Event of Default arising as a result of (i) the 2013 Second Quarter Financial Statements failing to be prepared in accordance with GAAP, failing to set forth comparative form figures to the extent required by Section 6.1(b) of the Existing Revolving Credit Agreement and failing to cover the period from the beginning of the 2013 fiscal year to the end of the fiscal quarter ending June 30, 2013 and (ii) the 2013 Second Quarter Certification failing to state that the 2013 Second Quarter Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of the dates of such financial statements and failing to state that such financial statements have been prepared in accordance with GAAP (other than with regard to the absence of footnotes and, subject to changes resulting from audit and normal year-end audit adjustments to same) and (b) acknowledge and agree that, except as described in this Section 2, the 2013 Second Quarter Financial Statements satisfy the requirements of Section 6.1(b) of the Existing Revolving Credit Agreement.

On the First Amendment Closing Date, the waivers set forth in this Section 2 shall be effective retroactively as of the Delivery Date.

The foregoing waivers are limited to the extent described in this First Amendment and shall not be construed to be a consent to or waiver of any other failure to comply with the terms of the Revolving Credit Agreement or any other covenant or other departure from the requirements of, or modification of, any other terms of the Revolving Credit Agreement or any other Loan Document.

Section 3. Representations True; No Default. The Borrower represents and warrants that:

(a) this First Amendment has been duly authorized, executed and delivered on its behalf, and the Existing Revolving Credit Agreement, as amended or otherwise modified by this First Amendment, and the other Loan Documents to which it is a party, constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity;

(b) the representations and warranties of the Borrower contained in Article V of the Revolving Credit Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than (i) the representations and warranties set forth in Sections 5.7 and 5.9 of the Revolving Credit Agreement, which shall only be made on the Closing Date, (ii) those representations and warranties that expressly relate to a specific earlier date, which representations and warranties were true and correct in all material respects as of such earlier date and (iii) those representations and warranties that are by their terms subject to a materiality qualifier, which representations and warranties are true and correct in all respects); and

(c) immediately after giving effect to this First Amendment, no Default or Event of Default under the Revolving Credit Agreement has occurred and is continuing.

Section 4. Effectiveness. This First Amendment shall become effective as of the date (the “First Amendment Closing Date”) when, and only when, the Agent notifies the Borrower that the Agent (or its counsel) has received counterparts of this First Amendment, duly executed and delivered by the Borrower, the Agent and the Required Lenders (it being understood that, on the First Amendment Closing Date, the waivers set forth in Section 2 of this First Amendment shall be effective retroactively in accordance with such Section 2).

Section 5. Miscellaneous Provisions.

(a) From and after the execution and delivery of this First Amendment, the Existing Revolving Credit Agreement shall be deemed to be amended and modified as herein provided, and except as so amended and modified the Existing Revolving Credit Agreement shall continue in full force and effect and is hereby ratified and confirmed. Other than as expressly set forth herein, nothing herein shall act as a waiver of any of the Agent’s or the Lenders’ rights under the Loan Documents.

(b) The Existing Revolving Credit Agreement and this First Amendment shall be read and construed as one and the same instrument.

(c) Any reference in any of the Loan Documents to the Existing Revolving Credit Agreement or Revolving Credit Agreement shall be a reference to the Revolving Credit Agreement as amended by this First Amendment.

(d) This First Amendment is a Loan Document for purposes of the provisions of the other Loan Documents. In furtherance of the foregoing, to the extent contemplated in the Revolving Credit Agreement, any breach of the representations, warranties, and covenants under this First Amendment shall be a Default or an Event of Default under the Loan Documents.

(e) This First Amendment shall be construed in accordance with and governed by the laws of the State of New York.

(f) This First Amendment may be signed in any number of counterparts and by different parties in separate counterparts and may be in original or facsimile form, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this First Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

(g) The headings herein shall be accorded no significance in interpreting this First Amendment.

Section 6. Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the Borrower, the Lenders and the Agent and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein.

[Signature Pages Follow.]

AGENT:

CITIBANK, N.A., as Agent

By: /s/ Maureen P. Maroney

Name: Maureen P. Maroney

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

BANK OF AMERICA, N.A.

By: /s/ William Merritt
Name: William Merritt
Title: VP

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

Barclays Bank PLC

By: /s/ May Huang

Name: May Huang

Title: Assistant Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

BOKF, NA dba BANK OF OKLAHOMA

By: /s/ Laura Christofferson

Name: Laura Christofferson

Title: Senior Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

LENDERS:

CITIBANK, N.A., as Lender

By: /s/ Maureen P. Maroney

Name: Maureen P. Maroney

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

Compass Bank

By: /s/ Payton K. Swope
Name: Payton K. Swope
Title: Executive Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

**CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH**

By: /s/ Christopher Day
Name: Christopher Day
Title: Authorized Signatory

By: /s/ Samuel Miller
Name: Samuel Miller
Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

By: /s/ Virginia Cosenza

Name: Virginia Cosenza

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

HP MEN BOITBDI TICBOL !VTB!

By: /s/ Ashwin Ramakrishna

Name: Ashwin Ramakrishna

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

JPMORGAN CHASE BANK, N.A.,

By: /s/ Bridget Killackey

Name: Bridget Killackey

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

KEYBANK NATIONAL ASSOCIATION

By: /s/ Keven D Smith

Name: Keven D Smith

Title: Senior Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

MIZUHO BANK, LTD.

By: /s/ Leon Mo
Name: Leon Mo
Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

MORGAN STANLEY BANK, N.A.

By: /s/ John Durland
Name: John Durland
Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

PNC BANK, NATIONAL BANK

By: /s/ John Berry

Name: John Berry

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

ROYAL BANK OF CANADA

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

SunTrust Bank

By: /s/ Andrew Johnson

Name: Andrew Johnson

Title: Director

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

The Bank of New York Mellon

By: /s/ Hussam S. Alsahlani

Name: Hussam S. Alsahlani

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

**THE BANK OF TOKYO-MITSUBISHI UFJ,
LTD.**

By: /s/ Mark Oberreuter

Name: Mark Oberreuter

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC

By: /s/ Emily Freedman

Name: Emily Freedman

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

UBS Loan Finance LLC

By: /s/ Lana Gifas

Name: Lana Gifas

Title: Director

By: /s/ Jennifer Anderson

Name: Jennifer Anderson

Title: Associate Director

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

U.S. BANK NATIONAL ASSOCIATION, as a
lender

By: /s/ James O'Shaughnessy

Name: James O'Shaughnessy

Title: Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

Wells Fargo Bank, N.A.

By: /s/ Gabriela Ramirez
Name: Gabriela Ramirez
Title: Assistant Vice President

Signature Page to First Amendment and Waiver to Revolving Credit Agreement

**FIRST AMENDMENT AND WAIVER TO
TERM LOAN AGREEMENT**

THIS FIRST AMENDMENT AND WAIVER TO TERM LOAN AGREEMENT (this “First Amendment”) is entered into as of January 23, 2014, by and among ENABLE MIDSTREAM PARTNERS, LP, a Delaware limited partnership, formerly known as CenterPoint Energy Field Services LP (the “Borrower”), the Lenders party hereto and CITIBANK, N.A., as Agent.

Preliminary Statements

WHEREAS, the Borrower, the Agent and the Lenders are parties to that certain Term Loan Agreement, dated as of May 1, 2013 (the “Existing Term Loan Agreement” and, as amended, restated, supplemented, increased and extended or otherwise modified from time to time (including by this First Amendment), the “Term Loan Agreement”; capitalized terms used herein that are not defined herein and are defined in the Term Loan Agreement are used herein as defined in the Term Loan Agreement); and

WHEREAS, the Borrower has requested that the Lenders and the Agent amend the Existing Term Loan Agreement and waive certain requirements thereof, and the Agent and the Lenders party hereto, which Lenders constitute the Required Lenders, have agreed to do so subject to the terms and conditions of this First Amendment; and

WHEREAS, the Borrower, the Agent and the Lenders party hereto wish to execute and deliver this First Amendment to evidence such agreement.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Borrower, the Agent and the Lenders party hereto hereby agree as follows:

Section 1. Amendments to the Existing Term Loan Agreement .

(a) The introductory paragraph of the Existing Term Loan Agreement is hereby amended by inserting the phrase “together with its successors, including, without limitation, Enable Midstream Partners LP, a Delaware limited partnership,” immediately before the phrase “the Borrower” therein.

(b) Section 1.1 of the Existing Term Loan Agreement is hereby amended by amending and restating the definition of “General Partner” in its entirety as follows:

“General Partner” means CNP OGE GP LLC, a Delaware limited liability company, and its successors, including, without limitation, Enable GP, LLC, a Delaware limited liability company.

(c) Section 2.7(a) of the Existing Term Loan Agreement is hereby amended by:

- (1) re-lettering the existing clause (e) as clause (f);
- (2) re-lettering the existing clause (f) as clause (g);
- (3) inserting the following new clause (e) in the appropriate alphabetical order:

“(e) any Indebtedness under any commercial paper program entered into for the general corporate (or equivalent) purposes of the Borrower and its Subsidiaries,” and

(4) deleting the reference to “the foregoing clauses (a) through (e)” in the new clause (g) and replacing it with a reference to “the foregoing clauses (a) through (f)”.

(d) Section 6.1(a) of the Existing Term Loan Agreement is hereby amended by inserting the phrase “(it being understood that, notwithstanding anything to the contrary contained herein, the requirements of this Section 6.1(a) may be satisfied by delivering the Borrower’s Annual Report on Form 10-K with respect to such fiscal year as, and to the extent, filed with the Securities and Exchange Commission)” immediately before the period at the end of such Section 6.1(a).

(e) Section 6.1(b) of the Existing Term Loan Agreement is hereby amended and restated in its entirety as follows:

Within forty-five (45) days after the end of the first three quarterly periods of each of its fiscal years, financial statements prepared in accordance with GAAP (other than with regard to the absence of footnotes and subject to changes resulting from audit and normal year-end audit adjustments to same) on a consolidated basis for itself and its Subsidiaries, including (x) consolidated unaudited balance sheets as at the end of each such period, setting forth in comparative form figures as at the end of the preceding fiscal year, and (y) consolidated unaudited statements of income and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, in each case in this clause (y), setting forth in comparative form figures for the corresponding period of the preceding fiscal year, and accompanied by a certificate of a Financial Officer to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of their respective dates and have been prepared in accordance with GAAP (other than with regard to the absence of footnotes and subject to changes resulting from audit and normal year-end audit adjustments to same) (it being understood that, notwithstanding anything to the contrary contained herein, the requirements of this Section 6.1(b) may be satisfied by delivering the Borrower’s Quarterly Report on Form 10-Q with respect to such fiscal periods as, and to the extent, filed with the Securities and Exchange Commission).

It is hereby acknowledged and agreed by all parties hereto that the amendment set forth in this Section 1(e) (except for the addition of the parenthetical beginning “it being understood”) is a clarifying amendment and that Section 6.1(b) of the Term Loan Agreement, as amended hereby (except for the addition of the parenthetical beginning “it being understood”), embodies the previous understanding of the parties with respect to the financial statements required to be delivered under Section 6.1(b) of the Existing Term Loan Agreement.

Section 2. Waiver. Section 6.1(b) of the Existing Term Loan Agreement requires the Borrower to deliver, within forty-five (45) days after the end of the first three quarterly periods of each of its fiscal years, among other things, financial statements prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries in the manner set forth therein. On August 14, 2013 (the “Delivery Date”), pursuant to Section 6.1(b) of the Existing Term Loan Agreement, the Borrower delivered to the Lenders a certificate of a Financial Officer (the “2013 Second Quarter Certification”) with respect to the financial statements of the Borrower and its Subsidiaries for the fiscal quarter ending June 30, 2013 (the “2013 Second Quarter Financial Statements”). The 2013 Second Quarter Financial Statements (i) were presented on a historical cost basis (which is not a recognized basis of presentation under GAAP), (ii) did not set forth comparative form figures for the corresponding period of the preceding fiscal year and (iii) did not cover the period from the beginning of the 2013 fiscal year to the end of the fiscal quarter ending June 30, 2013. Accordingly, the Agent and the Lenders party hereto (which constitute the Required Lenders) hereby (a) waive any Default or Event of Default arising as a result of (i) the 2013 Second Quarter Financial Statements failing to be prepared in accordance with GAAP, failing to set forth comparative form figures to the extent required by Section 6.1(b) of the Existing Term Loan Agreement and failing to cover the period from the beginning of the 2013 fiscal year to the end of the fiscal quarter ending June 30, 2013 and (ii) the 2013 Second Quarter Certification failing to state that the 2013 Second Quarter Financial Statements fairly present in all material respects the financial condition of the Borrower and its Subsidiaries on a consolidated basis as of the dates of such financial statements and failing to state that such financial statements have been prepared in accordance with GAAP (other than with regard to the absence of footnotes and, subject to changes resulting from audit and normal year-end audit adjustments to same) and (b) acknowledge and agree that, except as described in this Section 2, the 2013 Second Quarter Financial Statements satisfy the requirements of Section 6.1(b) of the Existing Term Loan Agreement.

On the First Amendment Closing Date, the waivers set forth in this Section 2 shall be effective retroactively as of the Delivery Date.

The foregoing waivers are limited to the extent described in this First Amendment and shall not be construed to be a consent to or waiver of any other failure to comply with the terms of the Term Loan Agreement or any other covenant or other departure from the requirements of, or modification of, any other terms of the Term Loan Agreement or any other Loan Document.

Section 3. Representations True; No Default. The Borrower represents and warrants that:

(a) this First Amendment has been duly authorized, executed and delivered on its behalf, and the Existing Term Loan Agreement, as amended or otherwise modified by this First

Amendment, and the other Loan Documents to which it is a party, constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity;

(b) the representations and warranties of the Borrower contained in Article V of the Term Loan Agreement are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than (i) the representations and warranties set forth in Sections 5.7 and 5.9 of the Term Loan Agreement, which shall only be made on the Closing Date, (ii) those representations and warranties that expressly relate to a specific earlier date, which representations and warranties were true and correct in all material respects as of such earlier date and (iii) those representations and warranties that are by their terms subject to a materiality qualifier, which representations and warranties are true and correct in all respects); and

(c) immediately after giving effect to this First Amendment, no Default or Event of Default under the Term Loan Agreement has occurred and is continuing.

Section 4. Effectiveness. This First Amendment shall become effective as of the date (the "First Amendment Closing Date") when, and only when, the Agent notifies the Borrower that the Agent (or its counsel) has received counterparts of this First Amendment, duly executed and delivered by the Borrower, the Agent and the Required Lenders (it being understood that, on the First Amendment Closing Date, the waivers set forth in Section 2 of this First Amendment shall be effective retroactively in accordance with such Section 2).

Section 5. Miscellaneous Provisions.

(a) From and after the execution and delivery of this First Amendment, the Existing Term Loan Agreement shall be deemed to be amended and modified as herein provided, and except as so amended and modified the Existing Term Loan Agreement shall continue in full force and effect and is hereby ratified and confirmed. Other than as expressly set forth herein, nothing herein shall act as a waiver of any of the Agent's or the Lenders' rights under the Loan Documents.

(b) The Existing Term Loan Agreement and this First Amendment shall be read and construed as one and the same instrument.

(c) Any reference in any of the Loan Documents to the Existing Term Loan Agreement or Term Loan Agreement shall be a reference to the Term Loan Agreement as amended by this First Amendment.

(d) This First Amendment is a Loan Document for purposes of the provisions of the other Loan Documents. In furtherance of the foregoing, to the extent contemplated in the Term Loan Agreement, any breach of the representations, warranties, and covenants under this First Amendment shall be a Default or an Event of Default under the Loan Documents.

(e) This First Amendment shall be construed in accordance with and governed by the laws of the State of New York.

(f) This First Amendment may be signed in any number of counterparts and by different parties in separate counterparts and may be in original or facsimile form, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this First Amendment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

(g) The headings herein shall be accorded no significance in interpreting this First Amendment.

Section 6. Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the Borrower, the Lenders and the Agent and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties have caused this First Amendment to be duly executed as of the date first set forth above, to be effective as of the First Amendment Closing Date.

BORROWER:

ENABLE MIDSTREAM PARTNERS, LP, as the
Borrower

By: Enable GP, LLC, its General Partner

By: /s/ E. Keith Mitchell
Name: E. Keith Mitchell
Title: Chief Operating Officer

Signature Page to First Amendment and Waiver to Term Loan Agreement

AGENT:

CITIBANK, N.A., as Agent

By: /s/ Maureen P. Maroney

Name: Maureen P. Maroney

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Term Loan Agreement

CBOL !P GBN FS JDB -IO/B/!!

By: /s/ William Merritt

Name: William Merritt

Title: VP

Signature Page to First Amendment and Waiver to Term Loan Agreement

BOKF, NA dba BANK OF OKLAHOMA

By: /s/ Laura Christofferson

Name: Laura Christofferson

Title: Senior Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

LENDERS:

CITIBANK, N.A., as Lender

By: /s/ Maureen P. Maroney

Name: Maureen P. Maroney

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Term Loan Agreement

Compass Bank

By: /s/ Payton K. Swope
Name: Payton K. Swope
Title: Executive Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

DEUTSCHE BANK AG NEW YORK BRANCH

By: /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

By: /s/ Virginia Cosenza

Name: Virginia Cosenza

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

GOLDMAN SACHS BANK USA

By: /s/ Ashwin Ramakrishna

Name: Ashwin Ramakrishna

Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Term Loan Agreement

**Industrial and Commercial Bank of China
Limited. New York Branch**

By: /s/ Mr. Qing Hong
Name: Mr. Qing Hong
Title: Deputy General Manager

Signature Page to First Amendment and Waiver to Term Loan Agreement

JPMORGAN CHASE BANK, N.A.,

By: /s/ Bridget Killackey

Name: Bridget Killackey

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

KEYBANK NATIONAL ASSOCIATION

By: /s/ Keven D Smith

Name: Keven D Smith

Title: Senior Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

MIZUHO BANK (USA)

By: /s/ Leon Mo
Name: Leon Mo
Title: Senior Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

PNC BANK, NATIONAL ASSOCIATION

By: /s/ John Berry

Name: John Berry

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

ROYAL BANK OF CANADA

By: /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

Signature Page to First Amendment and Waiver to Term Loan Agreement

SunTrust Bank

By: /s/ Andrew Johnson

Name: Andrew Johnson

Title: Director

Signature Page to First Amendment and Waiver to Term Loan Agreement

The Bank of New York Mellon

By: /s/ Hussam S. Alsahlani

Name: Hussam S. Alsahlani

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

**THE BANK OF TOKYO-MITSUBISHI UFJ,
LTD.**

By: /s/ Mark Oberreuter

Name: Mark Oberreuter

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

**THE ROYAL BANK OF SCOTLAND
FINANCE (IRELAND)**

By: /s/ Len O'Connell

Name: Len O'Connell

Title: Director

By: /s/ Paul Mitchell

Name: Paul Mitchell

Title: Director

Signature Page to First Amendment and Waiver to Term Loan Agreement

U.S. BANK NATIONAL ASSOCIATION, as a
lender

By: /s/ James O'Shaughnessy

Name: James O'Shaughnessy

Title: Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

Wells Fargo Bank, N.A.

By: /s/ Gabriela Ramirez
Name: Gabriela Ramirez
Title: Assistant Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

WOODFOREST NATIONAL BANK

By: /s/ Stephen J. Andersen

Name: Stephen J. Andersen

Title: Senior Vice President

Signature Page to First Amendment and Waiver to Term Loan Agreement

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of
Enable Midstream Partners, LP
Oklahoma City, Oklahoma

We have audited the accompanying combined and consolidated balance sheets of Enable Midstream Partners, LP (previously named CenterPoint Energy Field Services, LLC) and subsidiaries (the "Partnership") as of December 31, 2013 and 2012, and the related combined and consolidated statements of income, comprehensive income, cash flows, and parent net equity and partners' capital for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined and consolidated financial statements present fairly, in all material respects, the financial position of Enable Midstream Partners, LP and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the combined and consolidated financial statements, the combined and consolidated financial statements have been prepared from the historical accounting records maintained by CenterPoint Energy, Inc. and its subsidiaries for the Partnership until May 1, 2013 and may not necessarily be indicative of the financial position, results of operations and cash flows that would have existed had the Partnership operated as a separate and unaffiliated company until the Partnership formation on May 1, 2013. All of the Partnership's combined entities were under common control and management for the periods presented until May 1, 2013. Beginning on May 1, 2013, the Partnership consolidated Enogex LLC and all previously combined entities.

/s/ Deloitte & Touche LLP

Houston, Texas
February 21, 2014

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Revenues (including revenues from affiliates (Note 11))	\$ 2,489	\$ 952	\$ 932
Cost of Goods Sold, excluding depreciation and amortization (including expenses from affiliates (Note 11))	1,313	129	101
Operating Expenses:			
Operation and maintenance (including expenses from affiliates (Note 11))	429	267	263
Depreciation and amortization	212	106	91
Impairment	12	—	—
Taxes other than income taxes	54	34	37
Total Operating Expenses	<u>707</u>	<u>407</u>	<u>391</u>
Operating Income	<u>469</u>	<u>416</u>	<u>440</u>
Other Income (Expense):			
Interest expense (including expenses from affiliates (Note 11))	(67)	(85)	(90)
Equity in earnings of equity method affiliates	15	31	31
Interest income—affiliated companies	9	21	14
Step acquisition gain	—	136	—
Total	<u>(43)</u>	<u>103</u>	<u>(45)</u>
Income Before Income Taxes	426	519	395
Income tax expense (benefit)	(1,192)	203	163
Net Income	<u>\$ 1,618</u>	<u>\$ 316</u>	<u>\$ 232</u>
Less: Net income attributable to noncontrolling interest	3	—	—
Net Income attributable to Enable Midstream Partners, LP	<u>\$ 1,615</u>	<u>\$ 316</u>	<u>\$ 232</u>
Limited partners' interest in net income attributable to Enable Midstream Partners, LP (Note 1)	<u>\$ 289</u>	<u>\$ —</u>	<u>\$ —</u>
Number of outstanding limited partner units	<u>499</u>	<u>—</u>	<u>—</u>
Basic and diluted earnings per limited partner unit	<u>\$ 0.58</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Net Income	\$ 1,618	\$ 316	\$ 232
Other comprehensive income	—	—	—
Comprehensive income	\$ 1,618	\$ 316	\$ 232
Less: Comprehensive income attributable to noncontrolling interest	3	—	—
Comprehensive income attributable to Enable Midstream Partners, LP .	\$ 1,615	\$ 316	\$ 232

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	
	2013	2012
	(In millions)	
Current Assets:		
Cash and cash equivalents	\$ 108	\$ —
Accounts receivable	306	78
Accounts receivable—affiliated companies	28	25
Notes receivable—affiliated companies	—	479
Inventory	83	57
Taxes receivable	—	45
Deferred income tax assets	—	31
Gas imbalances	10	—
Other current assets	14	24
Total current assets	<u>549</u>	<u>739</u>
Property, Plant and Equipment:		
Property, plant and equipment	9,655	5,175
Less: accumulated depreciation and amortization	<u>665</u>	<u>470</u>
Property, plant and equipment, net	<u>8,990</u>	<u>4,705</u>
Other Assets:		
Intangible assets, net	383	—
Goodwill	1,068	629
Investment in equity method affiliates	198	405
Other	44	4
Total other assets	<u>1,693</u>	<u>1,038</u>
Total Assets	<u>\$ 11,232</u>	<u>\$ 6,482</u>

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED BALANCE SHEETS, continued

LIABILITIES AND PARTNERS' CAPITAL	December 31,	
	2013	2012
	(In millions)	
Current Liabilities:		
Accounts payable	\$ 400	\$ 83
Accounts payable—affiliated companies	40	28
Current portion of long-term debt	204	—
Notes payable—affiliated companies	—	753
Taxes accrued	20	25
Gas imbalances	13	7
Other	43	26
Total current liabilities	720	922
Other Liabilities:		
Accumulated deferred income taxes, net	8	1,272
Notes payable—affiliated companies	363	1,009
Benefit obligations	—	21
Regulatory liabilities	16	16
Other	28	21
Total other liabilities	415	2,339
Long-Term Debt	1,916	—
Commitments and Contingencies (Note 12)		
Partners' Capital:		
Partners' Capital	8,148	3,221
Accumulated other comprehensive loss	—	(6)
Total Enable Midstream Partners, LP Partners' Capital	8,148	3,215
Noncontrolling interest	33	6
Total Partners' Capital	8,181	3,221
Total Liabilities and Partners' Capital	\$ 11,232	\$ 6,482

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Cash Flows from Operating Activities:			
Net income	\$ 1,618	\$ 316	\$ 232
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	212	106	91
Deferred income taxes	(1,194)	196	176
Impairments	12	—	—
Step acquisition gain	—	(136)	—
Gain on sale/retirement of assets	2	—	—
Equity in earnings of equity method affiliates, net of distributions	9	8	8
Changes in other assets and liabilities:			
Accounts receivable, net	(81)	(9)	45
Accounts receivable – affiliated companies	(4)	1	28
Inventory	(6)	2	13
Taxes receivable	19	(1)	13
Other current assets	15	(3)	10
Other assets	1	—	3
Accounts payable	62	(3)	7
Accounts payable – affiliated companies	3	(3)	(1)
Taxes accrued	—	(19)	21
Other current liabilities	(2)	(4)	(3)
Other liabilities	(18)	—	19
Net cash provided by operating activities	<u>648</u>	<u>451</u>	<u>662</u>
Cash Flows from Investing Activities:			
Capital expenditures, net of acquisitions	(573)	(202)	(346)
Acquisitions, net of cash	—	(360)	—
Decrease (increase) in notes receivable affiliated companies	434	(77)	(219)
Investment in equity method affiliates	—	(5)	(13)
Other, net	(1)	(1)	18
Net cash used in investing activities	<u>(140)</u>	<u>(645)</u>	<u>(560)</u>
Cash Flows from Financing Activities:			
Proceeds from long-term debt, net of issuance costs	1,046	—	—
Proceeds from line of credit	1,126	—	—
Repayment of line of credit	(754)	—	—
Increase (decrease) notes payable – affiliated companies	(1,542)	194	(102)
Repayment of advance with affiliated companies	(136)	—	—
Capital contributions from partners	43	—	—
Distribution to partners	(183)	—	—
Net cash provided by (used in) financing activities	<u>(400)</u>	<u>194</u>	<u>(102)</u>
Net Change in Cash and Cash Equivalents	<u>108</u>	<u>—</u>	<u>—</u>
Cash and Cash Equivalents at Beginning of the Year	<u>—</u>	<u>—</u>	<u>—</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 108</u>	<u>\$ —</u>	<u>\$ —</u>

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Supplemental Disclosure of Cash Flow Information:			
Cash Payments:			
Interest, net of capitalized interest	\$ 65	\$ 85	\$ 90
Income taxes (refunds), net	(9)	26	(67)
Non-cash transactions:			
Accounts payable related to capital expenditures	\$ 43	\$ 37	\$ 31
Acquisition of Enogex (Note 3)	3,788	-	-

See Notes to the Combined and Consolidated Financial Statements

ENABLE MIDSTREAM PARTNERS, LP

COMBINED AND CONSOLIDATED STATEMENTS OF
ENABLE MIDSTREAM PARTNERS, LP PARENT NET EQUITY AND PARTNERS' CAPITAL

	Partners' Capital		Parent Net Investment	Accumulated Other Comprehensive Loss	Total Enable Midstream Partners, LP Partners' Capital	Noncontrolling Interest	Total Partners' Capital
	Units	Value	Value	Value	Value	Value	Value
(In millions)							
Balance as of December 31, 2010	—	\$ —	\$ 2,672	\$ (6)	\$ 2,666	\$ 6	\$ 2,672
Net income	—	—	232	—	232	—	232
Balance as of December 31, 2011	—	\$ —	\$ 2,904	\$ (6)	\$ 2,898	\$ 6	\$ 2,904
Net income	—	—	316	—	316	—	316
Net transfers from parent	—	—	1	—	1	—	1
Balance as of December 31, 2012	—	\$ —	\$ 3,221	\$ (6)	\$ 3,215	\$ 6	\$ 3,221
Net income	—	—	1,326	—	1,326	—	1,326
Contributions from (Distributions to) CenterPoint Energy prior to formation (Note 1)	—	—	(295)	6	(289)	—	(289)
Balance as of April 30, 2013	—	\$ —	\$ 4,252	\$ —	\$ 4,252	\$ 6	\$ 4,258
Conversion to a limited partnership	291	4,252	(4,252)	—	—	—	—
Issuance of units upon acquisition of Enogex on May 1, 2013 (Note 3)	208	3,788	—	—	3,788	26	3,814
Net income	—	289	—	—	289	3	292
Distributions to Partners	—	(181)	—	—	(181)	(2)	(183)
Balance as of December 31, 2013	499	\$ 8,148	\$ —	\$ —	\$ 8,148	\$ 33	\$ 8,181

See Notes to the Combined and Consolidated Financial Statements

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization

Enable Midstream Partners, LP (Partnership) is a private limited partnership formed on May 1, 2013 by CenterPoint Energy, Inc. (CenterPoint Energy), OGE Energy Corp. (OGE Energy) and affiliates of ArcLight Capital Partners, LLC (ArcLight), pursuant to the terms of the Master Formation Agreement dated March 14, 2013 (MFA). The Partnership is a large-scale, growth-oriented limited partnership formed to own, operate and develop strategically located natural gas and crude oil infrastructure assets. The Partnership's assets and operations are organized into two business segments: (i) Gathering and Processing, which primarily provides natural gas and crude oil gathering, processing and fractionation services for our producer customers, and (ii) Transportation and Storage, which provides interstate and intrastate natural gas pipeline transportation and storage service to natural gas producers, utilities and industrial customers. The natural gas gathering and processing assets are strategically located in four states and serve natural gas production in the Anadarko, Arkoma and Ark-La-Tex basins. This segment also includes an emerging crude oil gathering business in the Bakken shale formation, principally located in the Williston basin. The natural gas transportation and storage assets extend from western Oklahoma and the Texas Panhandle to Alabama and from Louisiana to Illinois.

As of December 31, 2013, CenterPoint Energy, OGE Energy and ArcLight hold approximately 58.3%, 28.5% and 13.2%, respectively, of the limited partner interests in the Partnership. The general partner of the Partnership is Enable GP, LLC (General Partner). The limited partner interests of the Partnership have limited voting rights on matters affecting the business. As such, limited partners do not have rights to elect the Partnership's General Partner on an annual or continuing basis and may not remove the Partnership's General Partner without at least 75% vote by all unitholders, including all units held by the Partnership's limited partners, and General Partner and its affiliates, voting together as a single class.

The Partnership is controlled equally by CenterPoint Energy and OGE Energy, who each have 50% of the management rights of the General Partner. The General Partner was established by CenterPoint Energy and OGE Energy to govern the Partnership and has no other operating activities. The General Partner is governed by a board made up of an equal number of representatives designated by each of CenterPoint Energy and OGE Energy, along with board members CenterPoint Energy and OGE Energy mutually agree to appoint. Based on the 50/50 management ownership, with neither company having control, effective May 1, 2013, CenterPoint Energy and OGE Energy deconsolidated their interests in the Partnership and Enogex LLC (Enogex), respectively. Effective July 30, 2013, the name of Enogex was changed to Enable Oklahoma Intrastate Transmission, LLC (Enable Oklahoma).

CenterPoint Energy and OGE Energy also own a 40% and 60% interest, respectively, in the incentive distribution rights held by the General Partner. In addition, for a period of time prior to an initial public offering, ArcLight will have protective approval rights over certain material activities of the Partnership, including material increases in capital expenditures and certain equity issuances, entering into transactions with related parties and acquiring, pledging or disposing of certain material assets.

Upon conversion to a limited partnership on May 1, 2013, the Partnership's earnings are no longer subject to income tax (other than Texas state margin taxes) and are taxable at the individual partner level. As a result of the conversion to a partnership immediately prior to formation, CenterPoint Energy assumed all outstanding current income tax liabilities and the Partnership derecognized the deferred income tax assets and liabilities by recording an income tax benefit of \$1.24 billion. Consequently, the Combined and Consolidated Statements of Income do not include an

income tax provision on income earned on or after May 1, 2013 (other than Texas state margin taxes). See Note 13 for further discussion of the Partnership's income taxes.

Prior to May 1, 2013, the financial statements of the Partnership include Enable Gas Transmission, LLC (EGT), Enable Mississippi River Transmission, LLC (MRT), and the non-rate regulated natural gas gathering, processing and treating operations (consisting of CenterPoint Energy Field Services, LLC and its subsidiaries), which were under common control by CenterPoint Energy, and a 50% interest in Southeast Supply Header, LLC (SESH). On May 1, 2013, CenterPoint Energy converted CenterPoint Energy Field Services, LLC, an indirect wholly owned subsidiary into a Delaware limited partnership, which subsequently changed its name to Enable Midstream Partners, LP.

As discussed in Note 1 under "Enable Midstream Partners, LP Parent Net Equity and Partners' Capital," through the Partnership formation on May 1, 2013, CenterPoint Energy retained certain assets and liabilities and related balances in accumulated other comprehensive loss, historically held by the Partnership, such as certain intercompany notes payable to CenterPoint Energy and benefit plan obligations. Additionally, the Partnership distributed a 25.05% interest in SESH to CenterPoint Energy, subject to future acquisition by the Partnership through put and call options discussed in Note 7. On May 1, 2013, OGE Energy and ArcLight indirectly contributed 100% of the equity interests in Enogex to the Partnership in exchange for limited partner interests and, for OGE Energy only, interests in the General Partner. The Partnership concluded that the Partnership formation on May 1, 2013 was considered a business combination, and for accounting purposes, the Partnership was the acquirer of Enogex. Subsequent to May 1, 2013, the financial statements of the Partnership are consolidated to reflect the acquisition of Enogex, and the remaining 24.95% interest in SESH. See Note 3 for further discussion of the acquisition of Enogex.

In addition, as of December 31, 2013, as a result of the acquisition of Enogex on May 1, 2013, the Partnership holds a 50% ownership interest in Atoka Midstream LLC (Atoka). As of December 31, 2013, the Partnership consolidated Atoka in its Combined and Consolidated Financial Statements as Enable Oklahoma acted as the managing member of Atoka and had control over the operations of Atoka.

On November 26, 2013, the Partnership filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of its common units, representing limited partner interests in the Partnership (the Offering). At the date of these financial statements, the registration statement relating to the Offering is not effective. The completion of the Offering is subject to numerous conditions and no assurances can be made that it will be successfully completed. The securities offered under the registration statement may not be sold, nor may offers to buy be accepted, prior to the time that the registration statement becomes effective. The information contained in these financial statements with respect to the Offering shall not constitute an offer to sell or a solicitation of an offer to buy any securities.

Basis of Presentation

These combined and consolidated financial statements and related notes of the Partnership have been prepared in accordance with accounting principles generally accepted in the United States. For accounting and financial reporting purposes, (i) the formation of the Partnership is considered a contribution of real estate by CenterPoint Energy and is reflected at CenterPoint Energy's historical cost as of May 1, 2013 and (ii) the Partnership acquired Enogex on May 1, 2013.

These combined and consolidated financial statements have been prepared from the historical accounting records maintained by CenterPoint Energy for the Partnership until May 1, 2013 and may not necessarily be indicative of the condition that would have existed or the results of operations if the Partnership had been operated as a separate and unaffiliated entity. All of Partnership's combined entities were under common control and management for the periods presented until May 1, 2013, and all intercompany transactions and balances are eliminated in combination and consolidation, as applicable. Beginning on May 1, 2013, the Partnership consolidated Enogex and all previously combined entities of the Partnership.

These combined and consolidated financial statements and the related financial statement disclosures reflect all normal recurring adjustments that are, in the opinion of management, necessary to present fairly the financial position and results of operations for the respective periods.

For a description of the Partnership's reportable business segments, see Note 14.

Enable Midstream Partners, LP Parent Net Equity and Partners' Capital

Prior to May 1, 2013, Enable Midstream Partners, LP Parent Net Equity on the Combined Balance Sheet represents the investment of CenterPoint Energy in the Partnership. On April 30, 2013 immediately prior to formation of the limited partnership, while under common control, CenterPoint Energy completed equity transactions with the Partnership, whereby CenterPoint Energy made a cash contribution to the Partnership and retained certain assets and liabilities previously held by the Partnership, all of which were deemed to be transfers of net assets not constituting a transfer of a business, as follows:

	<u>Amounts retained prior to May 1, 2013</u>	
	(In millions)	
Contributions from (Distributions to) CenterPoint Energy		
Cash	\$	40
Pension and postretirement plans		22
Deferred financing cost		6
Investment in 25.05% of SESH (see Note 7)		(197)
Increase in Notes payable—affiliated companies (see Note 11)		(143)
Decrease in Notes receivable—affiliated companies (see Note 11)		(45)
Income tax obligations, net		28
Net distributions to CenterPoint Energy prior to formation	<u>\$</u>	<u>(289)</u>

Effective May 1, 2013, Enable Midstream Partners, LP Partners' Capital on the Consolidated Balance Sheet represents the net amount of capital, accumulated net income, contributions and distributions affecting the investments of CenterPoint Energy, OGE Energy, and ArcLight in the Partnership. On August 14, 2013 and November 14, 2013, the Partnership distributed \$61 million and \$120 million to the unitholders of record as of July 1, 2013 and October 1, 2013, respectively.

Earnings per Limited Partner Unit

Earnings per limited partner unit is calculated by dividing the limited partners' interest in net income attributable to Enable Midstream Partners, LP by the weighted average number of limited partner units outstanding. Earnings per limited partner unit assumes that cash distributions are equal to the limited partners' interest in net income attributable to Enable Midstream Partners, LP. Limited partners' interest in net income attributable to Enable Midstream Partners, LP reflects net income attributable to Enable Midstream Partners, LP subsequent to its formation as a limited partnership on May 1, 2013, as no limited partner units were outstanding prior to this date. The and limited partner units that may be issued in connection with acquiring the additional 24.95% and 0.10% interests in SESH, respectively, as discussed in Note 7, are not included in the calculation of diluted earnings per limited partner unit as the impact of the potential transactions is anti-dilutive.

Use of Estimates

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

Revenues

Revenues for gathering, processing, transportation and storage services for the Partnership are recorded each month based on the current month's estimated volumes, contracted prices (considering current commodity prices), historical seasonal fluctuations and any known adjustments. The estimates are reversed in the following month and customers are billed on actual volumes and contracted prices. Gas sales are calculated on current-month nominations and contracted prices. Revenues associated with the production of NGLs are estimated based on current-month estimated production and contracted prices. These amounts are reversed in the following month and the customers are billed on actual production and contracted

prices. Estimated revenues are reflected in Accounts Receivable or Accounts Receivable — affiliated companies, as appropriate, on the Combined or Consolidated Balance Sheets and in Revenues on the Combined and Consolidated Statements of Income.

The Partnership recognizes revenue from natural gas gathering, processing, transportation and storage services to third parties as services are provided. Revenue associated with NGLs is recognized when the production is sold. The partnership records deferred revenue when it receives consideration from a third party before achieving certain criteria that must be met for revenue to be recognized in accordance with GAAP. The Partnership has \$9 million and \$-0- of deferred revenues on the Consolidated and Combined Balance Sheets as of December 31, 2013 and 2012, respectively.

The Partnership relies on certain key natural gas producer customers for a significant portion of natural gas and NGLs supply. The Partnership relies on certain key utilities for a significant portion of transportation and storage demand. The Partnership depends on third-party facilities to transport and fractionate NGLs that it delivers to third parties at the inlet of their facilities. Additionally for the year ended December 31, 2013, one third party purchases approximately 30% of the NGLs delivered to its system, which accounted for approximately \$232 million or 9% of total revenue. Other than revenues from affiliates discussed in Note 11, there are no other revenue concentrations with individual customers in the year ended December 31, 2013, 2012 and 2011.

Natural Gas Purchases

Estimates for gas purchases are based on estimated volumes and contracted purchase prices. Estimated gas purchases are included in Accounts Payable or Accounts Payable — affiliated companies, as appropriate on the Combined or Consolidated Balance Sheets and in Cost of Goods Sold, excluding Depreciation and Amortization on the Combined and Consolidated Statements of Income.

Environmental Costs

The Partnership expenses or capitalizes environmental expenditures, as appropriate, depending on their future economic benefit. The Partnership expenses amounts that relate to an existing condition caused by past operations that do not have future economic benefit. The Partnership records undiscounted liabilities related to these future costs when environmental assessments and/or remediation activities are probable and the costs can be reasonably estimated. There are no material amounts accrued at December 31, 2013 or 2012.

Depreciation and Amortization Expense

Depreciation is computed using the straight-line method based on economic lives or a regulatory-mandated recovery period. Amortization of intangible assets is computed using the straight-line method over the respective lives of the intangible assets.

During 2013, the Partnership completed a depreciation study for the Gathering and Processing segment, as well as the acquired Enogex assets. The new depreciation rates have been applied prospectively. There were no material changes in weighted average useful lives for pre-acquisition Gathering and Processing assets.

Income Taxes

Prior to May 1, 2013, the Partnership was included in the consolidated income tax returns of CenterPoint Energy. The Partnership calculated its income tax provision on a separate return basis under a tax sharing agreement with CenterPoint Energy. The Partnership used the asset and liability method of accounting for deferred income taxes in accordance with accounting guidance for income taxes. Deferred income tax assets and liabilities were recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A valuation allowance was established against deferred tax assets for which management believed realization was not considered more likely than not. Current federal and certain state income taxes were payable to or receivable from CenterPoint Energy. The Partnership recognized interest and penalties as a component of income tax expense. Upon conversion to a limited partnership on May 1, 2013, the Partnership's earnings are no longer subject to income tax (other than Texas state margin taxes) and are taxable at the individual partner level. For more information, see Note 13.

Cash and Cash Equivalents

The Partnership considers cash equivalents to be short-term, highly liquid investments with maturities of three months or less from the date of purchase. The Combined or Consolidated Balance Sheets have \$108 million and \$-0- of cash and cash equivalents as of December 31, 2013 and 2012, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. It is the policy of management to review the outstanding accounts receivable monthly, as well as the bad debt write-offs experienced in the past. Based on this review, management determined that no allowance for doubtful accounts was required as of December 31, 2013 and 2012.

Inventory

Materials and supplies inventory is valued at cost and is subsequently recorded at the lower of cost or market. During the year ended December 31, 2013, the Partnership recorded write-downs to market value related to materials and supplies inventory of \$2 million associated with the Service Star business line impairment discussed in Note 9. No such write-downs were recorded in the years ended December 31, 2012 and 2011. Materials and supplies are recorded to inventory when purchased and, as appropriate, subsequently charged to Operation and maintenance expense on the Combined and Consolidated Statements of Income or capitalized to Property, plant and equipment on the Combined or Consolidated Balance Sheets when installed.

Natural gas inventory is held, through the Transportation and Storage business segment, to provide operational support for the intrastate pipeline deliveries and to manage leased intrastate storage capacity. Natural gas liquids inventory is held, through the Gathering and Processing business segment, due to timing differences between the production of certain natural gas liquids and ultimate sale to third parties. Natural gas and natural gas liquids inventory is valued using moving average cost and is subsequently recorded at the lower of cost or market. During the year ended December 31, 2013, the Partnership recorded write-downs to market value related to natural gas and natural gas liquids inventory of \$4 million. No such write-downs were recorded in the years ended December 31, 2012 and 2011. The cost of gas associated with sales of natural gas and natural gas liquids inventory is presented in Cost of goods sold, excluding depreciation and amortization on the Combined and Consolidated Statements of Income.

	December 31,	
	2013	2012
	(In millions)	
Materials and supplies	\$ 60	\$ 56
Natural gas inventory	23	1
Total inventory	<u>\$ 83</u>	<u>\$ 57</u>

Gas Imbalances

Gas imbalances occur when the actual amounts of natural gas delivered from or received by the Partnership's pipeline system differ from the amounts scheduled to be delivered or received. Imbalances are due to or due from shippers and operators and can be settled in cash or made up in-kind depending on contractual terms. The Partnership values all imbalances at individual, or where appropriate an average of, current market indices applicable to the Partnership's operations, not to exceed net realizable value.

Long-Lived Assets (including Intangible Assets)

The Partnership records property, plant and equipment and intangible assets at historical cost. The Partnership expenses repair and maintenance costs as incurred.

Assessing Impairment of Long-lived Assets (including Intangible Assets) and Goodwill

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

The Partnership assesses its goodwill for impairment at least annually and evaluates goodwill when events or changes in circumstances indicate that its carrying value may not be recoverable by comparing the fair value of the reporting unit with its book value, including goodwill. The Partnership tested its goodwill for impairment on May 1, 2013 upon formation and following formation tests annually on October 1. The Partnership utilizes the market or income approaches to estimate the fair value of the reporting unit, also giving consideration to the alternative cost approach. Under the market approach, historical and current year forecasted cash flows are multiplied by a market multiple to determine fair value. Under the income approach, anticipated cash flows over a period of years plus a terminal value are discounted to present value using appropriate discount rates. If the estimated fair value of the reporting unit is less than the carrying amount of the reporting unit, then a second step must be completed in order to determine the amount of the goodwill impairment that should be recorded. In the second step, the implied fair value of the reporting unit's goodwill is determined by allocating the reporting unit's fair value to all of its assets and liabilities other than goodwill (including any unrecognized intangible assets) in a manner similar to a purchase price allocation. The resulting implied fair value of the goodwill that results from the application of this second step is then compared to the carrying amount of the goodwill and an impairment charge is recorded for the difference. The Partnership performs its goodwill impairment testing one level below the Transportation and Storage and Gathering and Processing business segment level at the operating segment level.

Regulatory Assets and Liabilities

The Partnership applies the guidance for accounting for regulated operations to portions of the Transportation and Storage business segment. The Partnership's rate-regulated businesses recognize removal costs as a component of depreciation expense in accordance with regulatory treatment. As of each of December 31, 2013 and 2012, these removal costs of \$16 million are classified as regulatory liabilities in the Combined or Consolidated Balance Sheets.

Capitalization of Interest and Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the approximate net composite interest cost of borrowed funds and a reasonable return on the equity funds used for construction. Although AFUDC increases both utility plant and earnings, it is realized in cash when the assets are included in rates for combined entities that apply guidance for accounting for regulated operations. Interest and AFUDC are capitalized as a component of projects under construction and will be amortized over the assets' estimated useful lives. During the year ended December 31, 2013, 2012 and 2011, the Partnership capitalized interest and AFUDC of \$7 million, \$2 million and \$-0- million, respectively.

Derivative Instruments

The Partnership is exposed to various market risks. These risks arise from transactions entered into in the normal course of business. At times, the Partnership utilizes derivative instruments such as physical forward contracts to mitigate the impact of changes in commodity prices on its operating results and cash flows. Such derivatives are recognized in the Partnership's Combined or Consolidated Balance Sheets at their fair value unless the Partnership elects the normal purchase and sales exemption for qualified physical transactions. A derivative may be designated as a normal purchase or normal sale if the intent is to physically receive or deliver the product for use or sale in the normal course of business.

The Partnership's policies prohibit the use of leveraged financial instruments. A leveraged financial instrument, for this purpose, is a transaction involving a derivative whose financial impact will be based on an amount other than the notional amount or volume of the instrument.

Fair Value Measurements

The Partnership determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required, the Partnership utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy included in current accounting guidance. The Partnership generally applies the market

approach to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

Accumulated Other Comprehensive Loss

There were no material changes in the components of accumulated other comprehensive loss attributable to the Partnership during the year ended December 31, 2013. At both December 31, 2013 and 2012, there was no accumulated other comprehensive loss related to the Partnership's noncontrolling interest.

No significant amounts were reclassified out of accumulated other comprehensive loss to net income during the year ended December 31, 2013, 2012 and 2011.

(2) New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). The objective of ASU 2013-02 is to improve the transparency of changes in other comprehensive income and items reclassified out of Accumulated Other Comprehensive Income in financial statements. This new guidance is effective for a reporting entity's first reporting period beginning after December 15, 2012 and should be applied prospectively. The Partnership's adoption of this new guidance on January 1, 2013 did not have a material impact on its financial position, results of operations or cash flows.

In December 2011 and January 2013, the FASB issued Accounting Standards Update No. 2011-11, "Disclosures About Offsetting Assets and Liabilities" (ASU 2011-11) and No. 2013-01, "Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities" (ASU 2013-01), respectively. The objective of ASU 2011-11 is to enhance disclosures about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The objective of ASU 2013-01 is to clarify which instruments and transactions are subject to ASU 2011-11. Both ASU 2011-11 and ASU 2013-01 are effective for a reporting entity's first reporting period beginning on or after January 1, 2013 and should be applied retrospectively. The Partnership's adoption of this new guidance on January 1, 2013 did not have a material impact on its combined and consolidated financial position, results of operations or cash flows.

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

(3) Acquisition of Enogex

Under the acquisition method, the fair value of the consideration transferred by the Partnership to OGE Energy and ArcLight for the contribution of Enogex in exchange for interest in the Partnership is allocated to the assets acquired and liabilities assumed on May 1, 2013 based on their estimated fair value. Enogex's assets, liabilities and equity are recorded at their estimated fair value as of May 1, 2013, and beginning on May 1, 2013, the Partnership consolidated Enogex. The Partnership completed the purchase price allocation for this transaction in the fourth quarter of 2013.

On May 1, 2013, in accordance with the MFA, CenterPoint Energy, OGE Energy, and ArcLight received 291,002,583 common units, 141,956,176 common units, and 65,908,224 common units, respectively representing limited partner interests in the Partnership. The fair value of consideration transferred to OGE Energy and ArcLight in exchange for the contribution of Enogex consists of the fair value of the limited and general partner interests. The Partnership utilized the market approach to estimate the fair value of the limited partner interests, general partner interests and Atoka, also giving consideration to alternative methods such as the income and cost approaches as it relates to the underlying assets and liabilities. The primary inputs for the market valuation are the historical and current year forecasted cash flows and market multiples. The primary inputs for the income approach are forecasted cash flows and discount rates. The primary inputs for the cost approach are costs for similar assets and ages of the assets. All fair value measurements of assets acquired and liabilities assumed are based on a combination of inputs that are not observable in the market and thus represent Level 3 inputs.

The Partnership incurred no acquisition related costs in the Combined and Consolidated Statement of Income based upon the terms in the MFA related to the acquisition of Enogex.

The following table summarizes the amounts recognized by the Partnership for the estimated fair value of assets acquired and liabilities assumed for the acquisition of 100% interest Enogex as of May 1, 2013 and is reconciled to the consideration transferred by the Partnership (in millions):

	Bn pvout!Sf dphoj{fe!bt! pg!N bz!2-!3124!
Assets	
Current Assets	\$ 192
Property, plant and equipment	3,919
Goodwill	439
Other intangible assets	401
Other assets	21
Total assets	<u>\$ 4,972</u>
Liabilities	
Current Liabilities	\$ 393
Long-term debt	745
Other liabilities	20
Total liabilities	<u>1,158</u>
Less: Noncontrolling interest at fair value	<u>26</u>
Fair value of consideration transferred	<u>\$ 3,788</u>

The amounts of Enogex's revenue, operating income, net income and net income attributable to Enable Midstream Partners, LP included in the Partnership's Combined and Consolidated Statement of Income for the period from May 1, 2013 through December 31, 2013 are as follows (in millions):

Revenues	\$ 1,406
Operating income	92
Net income	77
Net income attributable to Enable Midstream Partners, LP	74

See Note 7 for discussion of the Partnership's acquisition of Waskom during 2012.

Impact on Depreciation

The property, plant and equipment acquired from Enogex have differing weighted average useful lives from the existing assets of the Partnership. These assets will be depreciated over a weighted average estimated useful life of 32 years.

Unaudited Pro forma Results of Operations

The Partnership's unaudited pro forma results of operations in the combined entity had the acquisition of Enogex been completed on January 1, 2012 are as follows (in millions):

	Year ended December 31,	
	2013	2012
Unaudited pro forma results of operations:		
Pro forma revenues	\$ 3,120	\$ 2,563
Pro forma operating income	487	558
Pro forma net income	1,638	433
Pro forma net income attributable to Enable Midstream Partners, LP	1,635	431

The unaudited pro forma results of operations include adjustments to:

- Include the historical results of Enogex beginning on January 1, 2012;
- Include incremental depreciation and amortization incurred on the step-up of Enogex's assets;
- Include adjustments to revenue and cost of sales to reflect Enogex purchase price adjustments for the recurring impact of certain loss contracts and deferred revenues; and
- Include a reduction to interest expense for recognition of a premium on Enogex's fixed rate senior notes.

The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the consolidated operations.

(4) Property, Plant and Equipment

Property, plant and equipment includes the following:

	Weighted Average Useful Lives (Years)	December 31,	
		2013	2012
Property, plant and equipment, gross:		(In millions)	
Gathering and Processing	35	\$ 5,123	\$ 2,339
Transportation and Storage	42	4,300	2,772
Construction work-in-progress		232	64
Total		\$ 9,655	\$ 5,175
Accumulated depreciation:			
Gathering and Processing		213	118
Transportation and Storage		452	352
Total accumulated depreciation		665	470
Property, plant and equipment, net		\$ 8,990	\$ 4,705

(5) Intangible Assets, Net

Prior to May 1, 2013, the Partnership did not have any intangible assets. Associated with the acquisition of Enogex, the Partnership recorded \$401 million in intangible assets associated with customer relationships. Intangible assets are as follows as of December 31, 2013 (in millions):

	<u>Acquisition of Enogex</u>	<u>Accumulated Amortization</u>	<u>Net Intangible Assets</u>
Customer relationships	\$ 401	\$ 18	\$ 383
Total	<u>\$ 401</u>	<u>\$ 18</u>	<u>\$ 383</u>

The Partnership determined that intangible assets have a weighted average useful life of 15 years for customer relationships as of May 1, 2013. Intangible assets do not have any significant residual value or renewal options of existing terms. There are no intangible assets with indefinite useful lives.

Amortization expense in the year ended December 31, 2013 is \$18 million. The following table summarizes the Partnership's expected amortization of intangible assets for each of the next five years (in millions).

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expected amortization of intangible assets	\$ 27	\$ 27	\$ 27	\$ 27	\$ 27

(6) Goodwill

The excess of the consideration transferred over the fair value of the net assets acquired is allocated to goodwill. The goodwill arising from the acquisition of Enogex consists largely of the synergies and economies of scale expected from combining the operations of the Partnership and Enogex. The Partnership determined that its reporting units are one level below the Gathering and Processing and Transportation and Storage business segment level at the operating segment level.

Goodwill by reportable segment is as follows (in millions):

	<u>Gathering and Processing</u>	<u>Transportation and Storage</u>	<u>Total</u>
Balance at January 1	\$ 26	\$ 579	\$ 605
Acquisition of Waskom	24	—	24
Balance at December 31, 2012	<u>\$ 50</u>	<u>\$ 579</u>	<u>\$ 629</u>
Acquisition of Enogex	439	—	439
Balance at December 31, 2013	<u>\$ 489</u>	<u>\$ 579</u>	<u>\$ 1,068</u>

The Partnership does not amortize goodwill but instead annually assesses goodwill for impairment. The Partnership performed an interim test upon formation as a limited partnership on May 1, 2013 and its annual impairment tests in the fourth quarter of 2013 and the third quarters of 2012 and 2011. The Partnership determined that no impairment charge for goodwill was required for the years ended December 31, 2013, 2012 and 2011. See Note 1 for further discussion regarding goodwill impairment testing.

(7) Investments in Equity Method Affiliates

The Partnership uses the equity method of accounting for investments in entities in which it has an ownership interest between 20% and 50% and exercises significant influence. Until May 1, 2013, the Partnership held a 50% investment in SESH, a 270-mile interstate natural gas pipeline, which was accounted for as an investment in equity method affiliates. On May 1, 2013, the Partnership distributed a 25.05% interest in SESH to CenterPoint Energy, retaining a 24.95% interest in SESH.

Following the distribution of SESH, CenterPoint Energy indirectly owns a 25.05% interest in SESH that may be contributed to Partnership in the future, upon exercise of certain put or call rights, under which CenterPoint Energy would

contribute to the Partnership CenterPoint Energy's retained interest in SESH at a price equal to the fair market value of such interest at the time the put right or call right is exercised (which may be no earlier than May 2014 and May 2015 for 24.95% and 0.1% interest, respectively). If CenterPoint Energy were to exercise such put right or the Partnership were to exercise such call right, CenterPoint Energy's retained interest in SESH would be contributed to the Partnership in exchange for consideration consisting of and limited partnership units (subject to certain adjustments) for 24.95% and 0.1% interest in SESH, respectively, and, subject to certain restrictions, a cash payment, payable either from CenterPoint Energy to the Partnership or from the Partnership to CenterPoint Energy, in an amount such that the total consideration exchanged is equal in value to the fair market value of the contributed interest in SESH, subject to adjustment for accretion and dilution events. Affiliates of Spectra Energy Corp. own the remaining 50% interest in SESH.

Prior to July 2012, the Partnership owned a 50% interest in Waskom, a natural gas processing plant, which was accounted as an investment in equity method affiliates.

On July 31, 2012, the Partnership purchased the 50% interest that it did not already own in Waskom, as well as other gathering and related assets from a third-party for approximately \$273 million in cash. The amount of the purchase price allocated to the acquisition of the 50% interest in Waskom was approximately \$201 million, with the remaining purchase price allocated to the other gathering assets. The \$273 million purchase price was allocated to the fair value of assets received as follows: \$253 million to property, plant and equipment; \$16 million to goodwill; and the remaining balance to other assets and liabilities. The original 50% interest held by Partnership in Waskom had a fair value of approximately \$201 million prior to its acquisition of the additional 50% interest in Waskom, based on a discounted cash flow methodology (a level 3 valuation technique for which the key inputs are the discount rate and operating cash flow projections). The purchase of the additional 50% interest in Waskom was determined to be a business combination achieved in stages, and as such the Partnership recorded a pre-tax gain of approximately \$136 million and goodwill of \$8 million on July 31, 2012, which is the result of Partnership remeasuring its original 50% interest in Waskom to fair value. As a result of the purchase, Partnership combined its wholly owned investment in Waskom beginning on July 31, 2012, which included goodwill totaling \$24 million, consisting of \$17 million related to Waskom (including the re-measurement of its existing 50% interest) and \$7 million related to the other gathering and related assets. On May 1, 2013, CenterPoint Energy contributed a 100% interest in Waskom to the Partnership.

Investment in Equity Method Affiliates:

	December 31,	
	2013	2012
	(In millions)	
SESH	\$ 198	\$ 404
Other	—	1
Total	<u>\$ 198</u>	<u>\$ 405</u>

Equity in Earnings of Equity Method Affiliates:

	Year Ended December 31,		
	2013 (1)	2012 (2)	2011
	(In millions)		
Waskom	\$ —	\$ 5	\$ 10
SESH	15	26	21
Total	<u>\$ 15</u>	<u>\$ 31</u>	<u>\$ 31</u>

(1) Until May 1, 2013, the combined results of operations for Partnership reflect a 50% interest in SESH, as historically combined in the Partnership's financial statements. On May 1, 2013, the Partnership distributed a 25.05% interest in SESH to CenterPoint Energy, retaining a 24.95% interest in SESH.

(2) On July 31, 2012, Waskom became a wholly owned subsidiary of the Partnership. Beginning on August 1, 2012, Waskom's operating results are combined or consolidated, as appropriate, in the Combined and Consolidated Statement of Income

Summarized financial information of SESH is presented below:

	December 31,	
	2013	2012
(In millions)		
Balance Sheets:		
Current assets	\$ 53	\$ 51
Property, plant and equipment, net	1,132	1,147
Other non-current assets	—	1
Total assets	<u>\$ 1,185</u>	<u>\$ 1,199</u>
Current liabilities	\$ 20	\$ 19
Non-current liabilities	375	377
Member's equity	790	803
Total liabilities and member's equity	<u>\$ 1,185</u>	<u>\$ 1,199</u>
Reconciliation:		
Investment in SESH	\$ 198	\$ 404
Less: Capitalized interest on investment in SESH	<u>(1)</u>	<u>(2)</u>
The Partnership's share of member's equity	\$ 197	\$ 402

	Year Ended December 31,		
	2013	2012	2011
(In millions)			
Income Statements:			
Revenues	\$ 107	\$ 110	\$ 100
Operating income	66	71	61
Net income	47	52	42

(8) Debt

Prior to May 1, 2013, the Partnership's debt was all payable to affiliates, which is discussed in Note 11 as notes payable—affiliated companies. The Partnership's third party debt effective May 1, 2013 is as follows:

On May 1, 2013, the Partnership entered into a \$1.05 billion three-year senior unsecured term loan facility (Term Loan Facility), the proceeds of which were used to repay \$1.05 billion of intercompany indebtedness owed to CenterPoint Energy. A wholly owned subsidiary of CenterPoint Energy has guaranteed collection of the Partnership's obligations under the Term Loan Facility, which guarantee is subordinated to all senior debt of such wholly owned subsidiary of CenterPoint Energy.

On May 1, 2013, the Partnership also entered into a \$1.4 billion, five-year senior unsecured revolving credit facility (Revolving Credit Facility) in accordance with the terms of the MFA, discussed in Note 1. As of December 31, 2013, there was \$333 million in principal advances and \$2 million in letters of credit outstanding under the Revolving Credit Facility.

The Term Loan Facility and the Revolving Credit Facility each permit outstanding borrowings to bear interest at the London Interbank Offered Rate (LIBOR) and/or an alternate base rate, at the Partnership's election, plus an applicable margin. The applicable margin is based on the Partnership's applicable credit ratings. As of December 31, 2013, the applicable margin for LIBOR-based borrowings under the Term Loan Facility and the Revolving Credit Facility was 1.625% based on the Partnership's credit ratings. In addition, the Revolving Credit Facility requires the Partnership to pay a fee on unused commitments. The commitment fee is based on the Partnership's applicable credit rating from the rating agencies. As of December 31, 2013, the commitment fee under the Revolving Credit Facility was 0.25% per annum based on the Partnership's credit ratings.

Effective May 1, 2013, the Partnership's debt includes Enable Oklahoma's \$200 million of 6.875% senior notes due July of 2014 and \$250 million of 6.25% senior notes due March of 2020 (collectively, the Enable Oklahoma Senior Notes).

The Enable Oklahoma Senior Notes have a \$37 million unamortized premium at December 31, 2013, of which \$4 million relates to the senior notes due July of 2014 and \$33 million relates to the senior notes due March of 2020, resulting in an effective interest rate of 3.39% and 3.77%, respectively, during the year ended December 31, 2013. Additionally, the Partnership's debt includes Enable Oklahoma's \$250 million variable rate term loan (Enable Oklahoma Term Loan). The Enable Oklahoma Term Loan permits outstanding borrowings to bear interest at the London Interbank Offered Rate (LIBOR) and/or an alternate base rate, at Enable Oklahoma's election, plus an applicable margin. The applicable margin is based on Enable Oklahoma's applicable credit ratings. As of December 31, 2013, the applicable margin for LIBOR-based borrowings under the Enable Oklahoma Term Loan was 1.50% based on Enable Oklahoma's credit ratings.

Maturities of long-term debt, excluding unamortized premiums, are as follows:

	<u>Long-term debt</u>
2014 \$	200
2015	250
2016	1,050
2017	—
2018	333
Thereafter	250

Unamortized debt expense of \$9 million and \$-0- at December 31, 2013 and 2012, respectively, is classified in Other assets in the Combined or Consolidated Balance Sheets and is being amortized over the life of the respective debt using the effective interest method. Unamortized premium on long-term debt of \$37 million and \$-0- as of December 31, 2013 and 2012, respectively, is classified as either Long-term debt or Current portion of long-term debt, consistent with the underlying debt instrument, in the Combined or Consolidated Balance Sheets and is being amortized over the life of the respective debt using the effective interest method.

As of December 31, 2013, the Partnership and Enable Oklahoma complied with all of their debt agreements, including financial covenants.

(9) Fair Value Measurements

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

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments classified as Level 1 include natural gas futures, swaps and options transactions for contracts traded on the New York Mercantile Exchange (NYMEX) and settled through a NYMEX clearing broker.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are derivatives with fair values based on inputs from actively quoted markets. Instruments classified as Level 2 include over-the-counter NYMEX natural gas swaps, natural gas basis swaps and natural gas purchase and sales transactions in markets such that the pricing is closely related to the NYMEX pricing, and over-the-counter West Texas Intermediate (WTI) crude swaps for condensate sales.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. Unobservable inputs reflect the Partnership's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Partnership develops these inputs based on the best information available, including the Partnership's own data.

The Partnership utilizes the market approach in determining the fair value of its derivative positions by using either NYMEX or WTI published market prices, independent broker pricing data or broker/dealer valuations. The valuations of derivatives with pricing based on NYMEX published market prices may be considered Level 1 if they are settled through

a NYMEX clearing broker account with daily margining. Over-the-counter derivatives with NYMEX or WTI based prices are considered Level 2 due to the impact of counterparty credit risk. Valuations based on independent broker pricing or broker/dealer valuations may be classified as Level 2 only to the extent they may be validated by an additional source of independent market data for an identical or closely related active market. In certain less liquid markets or for longer-term contracts, forward prices are not as readily available. In these circumstances, contracts are valued using internally developed methodologies that consider historical relationships among various quoted prices in active markets that result in management's best estimate of fair value. These contracts are classified as Level 3.

The Partnership determines the appropriate level for each financial asset and liability on a quarterly basis and recognizes transfers between levels at the end of the reporting period. For the year ended December 31, 2013, there were no transfers between Level 1 and 2 and no Level 3 investments were held.

The impact to the fair value of derivatives due to credit risk is calculated using the probability of default based on Standard & Poor's Ratings Services and/or internally generated ratings. The fair value of derivative assets is adjusted for credit risk. The fair value of derivative liabilities is adjusted for credit risk only if the impact is deemed material.

Estimated Fair Value of Financial Instruments

The fair values of all accounts receivable, notes receivable, accounts payable, short-term notes payable—affiliated companies, and other such financial instruments on the Combined and Consolidated Balance Sheets are estimated to be approximately equivalent to their carrying amounts and have been excluded from the table below. The following table summarizes the fair value and carrying amount of the Partnership's financial instruments at December 31, 2013 and 2012 (in millions). The Company had no material financial instruments measured at fair value on a recurring basis at December 31, 2013 and 2012.

	December 31,			
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Long Term Debt:				
Long-term notes payable—affiliated companies (Level 2)	\$ 363	\$ 363	\$ 1,009	\$ 1,232
Revolving Credit Facility (Level 2)	333	333	—	—
Term Loan Facility (Level 2)	1,050	1,050	—	—
Enable Oklahoma Term Loan (Level 2)	250	250	—	—
Enable Oklahoma Senior Notes (Level 2) ⁽¹⁾	487	477	—	—

(1) Includes \$204 million of current portion as of December 31, 2013.

The fair value of the Partnership's Term Loan Facility and Long-term notes payable—affiliated companies, along with the Enable Oklahoma Senior Notes, is based on quoted market prices and estimates of current rates available for similar issues with similar maturities and is classified as Level 2 in the fair value hierarchy.

Non-Financial Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances (e.g., when there is evidence of impairment).

During the year ended December 31, 2013, the Partnership remeasured the Service Star assets at fair value. Upon formation as a private partnership on May 1, 2013, management of the Partnership reassessed the long-term strategy related to the Service Star business line, a component of the Gathering and Processing business segment which provides measurement and communication services to third parties. Based on forecasted future undiscounted cash flows management determined that the carrying value of the Service Star assets were not fully recoverable. The Partnership utilized the income approach (generally accepted valuation approach) to estimate the fair value of these assets. The primary inputs are forecast cash flows

and the discount rate. The fair value measurement is based on inputs that are not observable in the market and thus represent level 3 inputs. Applying a discounted cash flow model to the property, plant and equipment and reviewing the associated materials and supplies inventory, during the year ended December 31, 2013 the Partnership recognized a \$12 million impairment, consisting of a \$10 million write-down of property, plant and equipment and a \$2 million write-down of materials and supplies inventory considered either excess or obsolete.

At December 31, 2012, no material fair value adjustments or fair value measurements were required for these non-financial assets or liabilities.

Contracts with Master Netting Arrangements

Fair value amounts recognized for forward, interest rate swap, option and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement may be offset. The reporting entity's choice to offset or not must be applied consistently. A master netting arrangement exists if the reporting entity has multiple contracts, whether for the same type of conditional or exchange contract or for different types of contracts, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract. Offsetting the fair values recognized for forward, interest rate swap, option and other conditional or exchange contracts outstanding with a single counterparty results in the net fair value of the transactions being reported as an asset or a liability in the Combined or Consolidated Balance Sheets. The Partnership has presented the fair values of its derivative contracts under master netting agreements using a net fair value presentation. The Partnership had no material commodity contracts recorded at fair value on its Combined or Consolidated Balance Sheet at December 31, 2013 and 2012.

The following tables summarize the Partnership's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 (in millions):

	Gas Imbalances ^(A)	
	Assets ^(B)	Liabilities ^(C)
Significant other observable inputs (Level 2)	\$ 8	\$ 10

(A) The Partnership uses the market approach to fair value its gas imbalance assets and liabilities at individual, or where appropriate an average of, current market indices applicable to the Partnership's operations, not to exceed net realizable value. Gas imbalances held by Enable Oklahoma are valued using an average of the Inside FERC Gas Market Report for Panhandle Eastern Pipe Line Co. (Texas, Oklahoma Mainline), ONEOK (Oklahoma) and ANR Pipeline (Oklahoma) indices. There were no netting adjustments as of December 31, 2013.

(B) Gas imbalance assets exclude fuel reserves for under retained fuel due from shippers of \$2 million at December 31, 2013, which fuel reserves are based on the value of natural gas at the time the imbalance was created and which are not subject to revaluation at fair market value.

(C) Gas imbalance liabilities exclude fuel reserves for over retained fuel due to shippers of \$3 million at December 31, 2013, which fuel reserves are based on the value of natural gas at the time the imbalance was created and which are not subject to revaluation at fair market value.

The Partnership has no material assets or liability measured at fair value on a recurring basis at December 31, 2012.

(10) Derivative Instruments and Hedging Activities

The Partnership is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivatives instruments are commodity price risk and interest rate risk. The Partnership is also exposed to credit risk in its business operations.

Commodity Price Risk

The Partnership has used forward physical contracts, commodity price swap contracts and commodity price option features to manage the Partnership's commodity price risk exposures in the past. Commodity derivative instruments used by the Partnership are as follows:

- NGL put options and NGL swaps are used to manage the Partnership's NGL exposure associated with its processing agreements;
- natural gas swaps are used to manage the Partnership's keep-whole natural gas exposure associated with its processing operations and the Partnership's natural gas exposure associated with operating its gathering, transportation and storage assets; and
- natural gas futures and swaps, natural gas options and natural gas commodity purchases and sales are used to manage the Partnership's natural gas exposure associated with its storage and transportation contracts and asset management activities.

Normal purchases and normal sales contracts are not recorded in the Combined or Consolidated Balance Sheets and earnings are recognized in the period in which physical delivery of the commodity occurs. Management applies normal purchases and normal sales treatment to: (i) commodity contracts for the purchase and sale of natural gas used in or produced by the Partnership's operations and (ii) commodity contracts for the purchase and sale of NGLs produced by Partnership's Gathering and Processing segment.

The Partnership recognizes its non-exchange traded derivative instruments in the Combined or Consolidated Balance Sheets at fair value with such amounts classified as current or long-term based on their anticipated settlement. Exchange traded transactions are settled on a net basis daily through margin accounts with a clearing broker and, therefore, are recorded at fair value on a net basis in Other current assets in the Combined or Consolidated Balance Sheets.

Credit Risk

The Partnership is exposed to certain credit risks relating to its ongoing business operations. Credit risk includes the risk that counterparties that owe the Partnership money or energy will breach their obligations. If the counterparties to these arrangements fail to perform, the Partnership may be forced to enter into alternative arrangements. In that event, Partnership's financial results could be adversely affected and the Partnership could incur losses.

Cash Flow Hedges

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of the change in fair value of the derivative instrument is reported as a component of Accumulated other comprehensive income (loss) and recognized into earnings in the same period during which the hedged transaction affects earnings. The ineffective portion of a derivative's change in fair value or hedge components excluded from the assessment of effectiveness is recognized currently in earnings. The Partnership measures the ineffectiveness of commodity cash flow hedges using the change in fair value method whereby the change in the expected future cash flows designated as the hedge transaction are compared to the change in fair value of the hedging instrument. Forecasted transactions, which are designated as the hedged transaction in a cash flow hedge, are regularly evaluated to assess whether they continue to be probable of occurring. If the forecasted transactions are no longer probable of occurring, hedge accounting will cease on a prospective basis and all future changes in the fair value of the derivative will be recognized directly in earnings.

The Partnership designates as cash flow hedges derivatives used to manage commodity price risk exposure for the Partnership's NGLs volumes and corresponding keep-whole natural gas resulting from its natural gas processing contracts (processing hedges) and natural gas positions resulting from its natural gas gathering and processing operations and natural gas transportation and storage operations (operational gas hedges). The Partnership also designates as cash flow hedges certain derivatives used to manage natural gas commodity exposure for certain natural gas storage inventory positions. The Partnership had no instruments designated as cash flow hedges at December 31, 2013 and 2012.

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedge risk are recognized currently in earnings. The Partnership includes the gain or loss on the hedged items in Revenues, offsetting the loss or gain on the related hedging derivative.

At December 31, 2013 and 2012, the Partnership had no derivative instruments that were designated as fair value hedges.

Derivatives Not Designated as Hedging Instruments

Derivative instruments not designated as hedging instruments are utilized in the Partnership's asset management activities. For derivative instruments not designated as hedging instruments, the gain or loss on the derivative is recognized currently in earnings, unless designated as normal purchases or normal sales.

Quantitative Disclosures, Balance Sheet Presentation and Income Statement Presentation Related to Derivative Instruments

At December 31, 2013 and 2012 and for the year ended December 31, 2013, 2012 and 2011 the Partnership had no material derivative instruments to disclose.

Credit-Risk Related Contingent Features in Derivative Instruments

In the event Moody's Investors Services or Standard & Poor's Ratings Services were to lower the Partnership's or Enable Oklahoma's senior unsecured debt ratings to a below investment grade rating, the Partnership or Enable Oklahoma would have been required to post no cash collateral to satisfy its obligation under its financial and physical contracts relating to derivative instruments that are in a net liability position at December 31, 2013. The Partnership or Enable Oklahoma could be required to provide additional credit assurances in future dealings with third parties, which could include letters of credit or cash collateral.

(11) Related Party Transactions

The related party transactions with CenterPoint Energy, OGE Energy and their respective subsidiaries are summarized and described below. There were no material related party transactions with other affiliates.

The Partnership's revenues from affiliated companies accounted for 9%, 14% and 15% of revenues during the year ended December 31, 2013, 2012 and 2011, respectively. Amounts of revenues from affiliated companies included in the Partnership's Combined and Consolidated Statements of Income are summarized as follows:

	December 31,		
	2013	2012	2011
	(In millions)		
Gas transportation and storage - CenterPoint Energy	\$ 108	\$ 133	\$ 140
Gas sales - CenterPoint Energy	70	—	—
Gas transportation and storage - OGE Energy ⁽¹⁾	32	—	—
Gas sales - OGE Energy ⁽²⁾	14	—	—
Total revenues—affiliated companies	<u>\$ 224</u>	<u>\$ 133</u>	<u>\$ 140</u>

(1) The Partnership has contracts with OGE Energy to transport natural gas to OGE Energy's natural gas-fired generation facilities and store natural gas that are reflected in Partnership's Combined and Consolidated Statement of Income beginning on May 1, 2013.

(2) The Partnership sells natural gas to OGE Energy's natural gas-fired generation facilities that are reflected in the Partnership's Combined and Consolidated Statement of Income beginning on May 1, 2013.

Amounts of natural gas purchased from affiliated companies included in the Partnership's Combined and Consolidated Statements of Income are summarized as follows:

	December 31,		
	2013	2012	2011
	(In millions)		
Cost of goods sold—CenterPoint Energy	\$ 4	\$ 1	\$ 1

The Partnership recorded an expense from OGE Energy of \$8 million for the period beginning May 1, 2013 and ended December 31, 2013 for electricity used to power the Partnership's electric compression assets, which is reflected in the Partnership's Combined and Consolidated Statement of Income as operation and maintenance expense beginning on May 1, 2013.

Prior to May 1, 2013, the Partnership had employees and reflected the associated benefit costs directly and not as corporate services. Under the terms of the MFA, effective May 1, 2013 the Partnership's employees were seconded by CenterPoint Energy and OGE Energy, and the Partnership began reimbursing each CenterPoint Energy and OGE Energy for all employee costs under the seconding agreements until terminated with at least 90 days' notice by CenterPoint Energy or OGE Energy, respectively, or by the Partnership. The Partnership intends to identify those seconded employees ("selected employees") to whom it will extend an employment offer during 2014. The Partnership anticipates transitioning the selected employees from CenterPoint Energy and OGE Energy to the Partnership effective January 1, 2015.

Prior to May 1, 2013, the Partnership received certain services and support functions from CenterPoint Energy described below. Under the terms of the MFA, effective May 1, 2013 the Partnership receives services and support functions from CenterPoint Energy and OGE Energy under service agreements for an initial term ending on April 30, 2016. The service agreements automatically extend year-to-year at the end of the initial term, unless terminated by the Partnership with at least 90 days' notice. Additionally, the Partnership may terminate these service agreements at any time with 180 days' notice, if approved by the Board of the General Partner. The Partnership reimburses CenterPoint Energy and OGE Energy for these services up to annual caps, initially \$44 million and \$30 million, respectively. The Board of Directors of the General Partner has approved 2014 annual caps of \$38 million and \$28 million for CenterPoint Energy and OGE Energy, respectively.

The Partnership's operations are dependent on CenterPoint Energy's and OGE Energy's ability to perform under these service agreements, which include certain support functions for accounting, finance, investor relations, planning, legal, communications, governmental and regulatory affairs, and human resources, as well as information technology services and other shared services such as corporate security, facilities management, office support services, and purchasing and logistics. The cost of these services has been charged directly to the Partnership through 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. In some instances, OGE Energy uses the "Distrigas" method to allocate operating costs to the Partnership. The Distrigas method is a three-factor formula that uses an equal weighting of payroll, net operating revenues and gross property, plant and equipment. OGE Energy adopted the Distrigas method in January 1996 as a result of a recommendation by the Staff of the Oklahoma Corporation Commission. CenterPoint Energy uses the Composite Ratio Formula that allocates costs incurred by a service company on behalf of its affiliates to those affiliates. This three-part formula consisting of gross margin, assets, and the number of employees applied 40%, 40% and 20% respectively, attempts to weight various aspects of each of the affiliates so that a fair distribution of the overhead cost is allocated to each affiliate member. These charges are not necessarily indicative of what would have been incurred had the Partnership not been an affiliate of CenterPoint Energy or OGE Energy.

Amounts charged to the Partnership by affiliates for seconded employees and corporate services, included primarily in operating and maintenance expenses in Partnership's Combined and Consolidated Statements of Income are as follows:

	December 31,		
	2013	2012	2011
	(In millions)		
Seconded Employee Costs—CenterPoint Energy ⁽¹⁾	\$ 92	\$ —	\$ —
Corporate Services—CenterPoint Energy ⁽¹⁾	38	39	37
Seconded Employee Costs—OGE Energy ⁽²⁾	78	—	—
Corporate Services—OGE Energy ⁽²⁾	18	—	—
Total corporate services and seconded employee expense	<u>\$ 226</u>	<u>\$ 39</u>	<u>\$ 37</u>

(1) Beginning on May 1, 2013, CenterPoint Energy assumed all employees of Partnership and seconded such employees to the Partnership. Therefore, costs historically incurred directly by Partnership for employment services are reflected as seconded employee costs subsequent to formation on May 1, 2013.

(2) Corporate services and seconded employee expenses from OGE Energy are reflected in the Statement of Combined and Consolidated Income beginning on May 1, 2013. With respect to the annual cap of \$30 million for corporate services, \$28 million was incurred during the year ended December 31, 2013, including \$10 million prior to the Partnership's acquisition of Enogex on May 1, 2013.

On July 1, 2009, OGE Energy and Enogex entered into hedging transactions to offset natural gas long positions at Enogex with short natural gas exposures at OGE Energy resulting from the cost of generation associated with a wholesale power sales contract. These transactions are for approximately 50,000 million British thermal unit per month from August 2009 to December 2013. These transactions are reflected in the Combined and Consolidated Statement of Income beginning on May 1, 2013.

Until May 1, 2013, the Partnership participated in a "money pool" through which it could borrow or invest with CenterPoint Energy on a short-term basis. Funding needs were aggregated and external borrowing or investing was based on the net cash position. The Partnership's money pool borrowings and investments were reflected in notes payable—affiliated companies and notes receivable—affiliated companies, respectively, in the Combined Balance Sheet as of December 31, 2012.

The notes receivable—affiliated companies as of December 31, 2012 include \$434 million and \$45 million investments in the money pool and other notes receivable, respectively, and bear an interest rate of 4.869% and 3.25%, respectively. Immediately prior to formation as a limited partnership on May 1, 2013, the Partnership received cash for repayment of the \$434 million of investments in the money pool and received a contribution from CenterPoint Energy for the settlement of the \$45 million of other notes receivable. Interest income of \$9 million, \$21 million, and \$14 million for the year ended December 31, 2013, 2012 and 2011, respectively, is included in Interest income — affiliated companies.

The Partnership has outstanding short-term and long-term notes payable — affiliated companies to CenterPoint Energy as presented below:

	Year ended December 31,			
	2013		2012	
	Long-Term	Current	Long-Term	Current
Short-term notes payable—affiliated companies:	(In millions)			
Notes payable—affiliated companies ⁽¹⁾	\$ —	\$ —	\$ —	\$ 753
Long-term notes payable—affiliated companies:				
Notes payable—affiliated companies ⁽²⁾	\$ 363	\$ —	\$ 363	\$ —
Notes payable—affiliated companies ⁽³⁾	—	—	646	—
Total long-term notes payable—affiliated companies	<u>\$ 363</u>	<u>\$ —</u>	<u>\$ 1,009</u>	<u>\$ —</u>

(1) These notes were payable on demand to CenterPoint Energy. Substantially all of these notes represented the Partnership's money pool borrowings. At December 31, 2012, the Partnership's money pool borrowings had an interest rate of 4.869%. These notes were repaid and terminated immediately prior to formation as a limited partnership on May 1, 2013 without premium or penalty.

(2) These notes are payable to CenterPoint Energy and mature in 2017. Notes having an aggregate principal amount of approximately \$273 million bear a fixed interest rate of 2.10% and notes having an aggregate principal amount of approximately \$90 million bear a fixed interest rate of 2.45%.

(3) These notes were payable to CenterPoint Energy, bear a fixed interest rate of 6.30% and were scheduled to mature in 2036. These notes were repaid and terminated immediately prior to formation as a limited partnership on May 1, 2013 without premium or penalty.

Prior to repayment of the \$753 million and \$646 million of short-term and long-term notes payable—affiliated companies, respectively, the Partnership assumed an additional \$143 million through a distribution of the Partnership. In total, the repayment of notes payable—affiliated companies immediately prior to formation as a limited partnership on May 1, 2013 was \$1.54 billion.

The liabilities recognized upon acquisition of Enogex included \$136 million of advances due affiliated companies, payable to OGE Energy. On May 1, 2013, these advances were repaid from proceeds under the Revolving Credit Agreement.

The Partnership recorded affiliated interest expense to CenterPoint Energy of \$34 million, \$85 million and \$90 million during the year ended December 31, 2013, 2012 and 2011, respectively, on notes payable—affiliated companies, which is included in Interest expense on the Combined and Consolidated Statements of Income.

CenterPoint Energy has provided guarantees (Encana and Shell Guarantees) with respect to the performance of certain obligations of the Partnership under long-term gas gathering and treating agreements with an affiliate of Encana Corporation (Encana) and an affiliate of Royal Dutch Shell plc (Shell). As of December 31, 2013, CenterPoint Energy had guaranteed the Partnership's obligations up to an aggregate amount of \$100 million under these agreements. Under the terms of the omnibus agreement entered into in connection with the Partnership's formation as a limited partnership on May 1, 2013, the Partnership and CenterPoint Energy have agreed to use commercially reasonable efforts and cooperate with each other to terminate the Encana and Shell Guarantees, and to release CenterPoint Energy from such guarantees by causing the Partnership or one of its subsidiaries to enter into substitute guarantees or to assume the Encana and Shell Guarantees.

(12) Commitments and Contingencies

(a) Long-Term Agreements

Long-term Gas Gathering and Treating Agreements. The Partnership has long-term agreements with Encana and Shell to provide gathering and treating services for their natural gas production from certain Haynesville Shale and Bossier Shale formations in Texas and Louisiana.

Under the long-term agreements, Encana or Shell may elect to require the Partnership to expand the capacity of its gathering systems by up to an additional 1.3 Bcf per day. The Partnership estimates that the cost to expand the capacity of its gathering systems by an additional 1.3 Bcf per day would be as much as \$440 million. Encana and Shell would provide incremental volume commitments in connection with an election to expand system capacity.

Long-term Agreement with Exxon. In March 2013, Enable Bakken entered into a long-term agreement with an affiliate of Exxon-Mobil Corporation (Exxon), to provide gathering services for certain of Exxon's crude oil production through a new crude oil gathering and transportation pipeline system in North Dakota's liquids-rich Bakken shale. The agreement with Exxon was entered into pursuant to the open season announced by Enable Bakken in February 2013. Under the terms of the agreement, which includes volume commitments, Enable Bakken will provide service to Exxon over a gathering system to be constructed by Enable Bakken in Dunn and McKenzie counties in North Dakota with a capacity of up to 19,500 barrels per day. Certain portions of the pipeline system were placed in service in 2013 with the remaining portions to be placed in service in the third quarter of 2014. As of December 31, 2013, the Partnership estimates the remaining construction costs to be \$17 million.

Operating Lease Obligations. The Partnership has operating lease obligations expiring at various dates. Future minimum payments for noncancellable operating leases are as follows:

<u>Year ended December 31 (In millions)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>After 2018</u>	<u>Total</u>
Noncancellable operating leases	\$ 7	\$ 5	\$ 2	\$ 1	\$ —	\$ —	\$ 15

Total rental expense for all operating leases was \$12 million, \$16 million and \$26 million in 2013, 2012 and 2011, respectively.

The Partnership currently occupies 134,219 square feet of office space at its executive offices under a lease that expires March 31, 2017. The lease payments are \$11 million over the lease term, which began April 1, 2012. This lease has rent escalations which increase after 5 and 10 years if the lease is renewed. These lease expenses are reflected in the Statement of Combined or Consolidated Income beginning on May 1, 2013.

The Partnership currently has 23 compression service agreements, of which three agreements are on a month-to-month basis, three agreements will expire in 2014, 17 agreements will expire in 2015 and 2 agreements will expire in 2016. The Partnership also has 8 gas treating agreements, of which 6 agreements are on a month-to-month basis, one agreement will expire in 2013 and one agreement will expire in 2014. These lease expenses are reflected in the Statement of Combined or Consolidated Income beginning on May 1, 2013.

Other Purchase Obligations and Commitments . In 2004, Enable Oklahoma entered into a firm transportation service agreement with Cheyenne Plains, who operates the Cheyenne Plains Pipeline that provides firm transportation services in Wyoming, Colorado and Kansas, for 60,000 dekatherms/day of firm capacity on the pipeline. The firm transportation service agreement was for a 10-year term beginning with the in-service date of the Cheyenne Plains Pipeline in March 2005 with an annual demand fee of \$7 million. Effective March 1, 2007, Enable Oklahoma and Cheyenne Plains amended the firm transportation service agreement to provide for Enable Oklahoma to turn back 20,000 dekatherms/day of its capacity beginning in January 2008 for the remainder of the term.

In 2006, Enable Oklahoma entered into a firm capacity agreement with Midcontinent Express Pipeline (MEP) for a primary term of 10 years (subject to possible extension) that gives MEP and its shippers' access to capacity on Enable Oklahoma's system. The quantity of capacity subject to the MEP capacity agreement is currently 272 MMcf/d, with the quantity subject to being increased by mutual agreement pursuant to the capacity agreement. In 2009, Enable Oklahoma entered into a firm transportation service agreement with MEP for 10,000 dekatherms/day of firm capacity on the pipeline. The firm transportation service agreement was for a five-year term beginning with the in-service date of the MEP pipeline in June 2009 with an annual demand fee of \$2 million.

The Partnership's other future purchase obligations and commitments estimated for the next five years are as follows:

<u>Year ended December 31 (In millions)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
Other purchase obligations and commitments	\$ 11	\$ 4	\$ 1	\$ —	\$ —	\$ 16

(b) Legal, Regulatory and Other Matters

Regulatory Matters

MRT Rate Case. MRT, a subsidiary of the Partnership, made a rate filing with the FERC pursuant to Section 4 of the Natural Gas Act, on August 22, 2012 that became effective March 1, 2013, following a five-month suspension, in which it requested an annual cost of service of \$104 million (an increase of approximately \$47 million above the annual cost of service underlying the current FERC approved maximum rates for MRT's pipeline). On July 30, 2013, MRT filed with the FERC an uncontested Stipulation and Agreement and Offer of Settlement, resolving all issues in the rate case. The settlement specifies few particulars, other than setting an annual overall cost-of-service for MRT of \$84 million and increasing the depreciation rates for certain asset classes. In September 2013, the FERC approved the settlement. Although the settlement became effective November 1, 2013, the settlement rates are effective as of March 1, 2013. As a result, in the fourth quarter of 2013 MRT made refunds to certain of its customers totaling approximately \$6 million, which amounts had previously been reserved.

2013 Fuel Filing. On March 1, 2013, Enable Oklahoma submitted its annual fuel filing to establish the fixed fuel percentages for its East Zone and West Zone for the upcoming fuel year (April 1, 2013 through March 31, 2014).

The deadline for interventions and protests on the filing was March 18, 2013 and no protests were filed. On June 25, 2013, the FERC accepted Enable Oklahoma's proposed zonal fuel percentages.

Other Proceedings

The Partnership is involved in other legal, environmental, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business. Some of these proceedings involve substantial amounts. The Partnership regularly analyzes current information and, as necessary, provides accruals for probable liabilities on the eventual disposition of these matters. The Partnership does not expect the disposition of these matters to have a material adverse effect on its financial condition, results of operations or cash flows.

(13) Income Taxes

Prior to May 1, 2013, the Partnership was included in the consolidated income tax returns of CenterPoint Energy. The Partnership calculated its income tax provision on a separate return basis under a tax sharing agreement with CenterPoint Energy.

Upon conversion to a limited partnership on May 1, 2013, the Partnership's earnings are no longer subject to income tax (other than Texas state margin taxes) and are taxable at the individual partner level. The Partnership and its subsidiaries are pass-through entities for federal income tax purposes. See Note 1 for further discussion of the conversion to a limited partnership. For these entities, all income, expenses, gains, losses and tax credits generated flow through to their owners and, accordingly, do not result in a provision for income taxes in the financial statements, (other than Texas state margin taxes). Consequently, the Combined and Consolidated Statements of Income do not include an income tax provision for income earned on or after May 1, 2013 (other than Texas state margin taxes).

The items comprising income tax expense are as follows:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Provision (benefit) for current income taxes:			
Federal	\$ 1	\$ 6	\$ (20)
State	1	1	7
Total Provision (benefit) current income taxes	<u>2</u>	<u>7</u>	<u>(13)</u>
Provision (benefit) for deferred income taxes, net :			
Federal	(1,039)	164	146
State	(155)	32	30
Total provision (benefit) for deferred income taxes, net	<u>(1,194)</u>	<u>196</u>	<u>176</u>
Total income tax expense (benefit)	<u>\$ (1,192)</u>	<u>\$ 203</u>	<u>\$ 163</u>

The following schedule reconciles the statutory Federal tax rate to the effective income tax rate:

	Year Ended December 31,		
	2013	2012	2011
	(In millions)		
Income before income taxes	\$ 426	\$ 519	\$ 395
Federal statutory rate	35 %	35%	35%
Expected federal income tax expense	149	182	138
Increase in tax expense resulting from:			
State income taxes, net of federal income tax	8	21	24
Income not subject to tax	(103)	—	—
Conversion to partnership	(1,240)	—	—
Other, net	(6)	—	1
Total	(1,341)	21	25
Total income tax expense (benefit)	\$ (1,192)	\$ 203	\$ 163
Effective tax rate	(275.9)%	39.1%	41.2%

As a result of the conversion to a partnership, CenterPoint Energy assumed all outstanding current income tax liabilities and the deferred income tax assets and liabilities were eliminated by recording a provision for income tax benefit equal to \$1.24 billion. Therefore, there were no federal deferred income tax assets and liabilities balances at December 31, 2013. The components of Deferred Income Taxes as of December 31, 2013 and 2012 were as follows:

	December 31,	
	2013	2012
	(In millions)	
Deferred tax assets:		
Current:		
Deferred gas costs	\$ —	\$ 29
Other	—	2
Total current deferred tax assets	—	31
Non-current:		
Employee benefits	—	11
Net operating loss carryforwards	—	8
Other	—	7
Total non-current deferred tax assets	—	26
Total deferred tax assets	—	57
Deferred tax liabilities:		
Non-current:		
Depreciation	8	1,219
Other	—	79
Total non-current deferred tax liabilities	8	1,298
Accumulated deferred income taxes, net	\$ 8	\$ 1,241

Tax Attribute Carryforwards and Valuation Allowance. At December 31, 2012, the Partnership had approximately \$5 million of federal net operating loss carryforwards which begin to expire in 2031 and \$120 million of state net operating loss carryforwards which expire in various years between 2013 and 2032. At December 31, 2012 the Partnership expected to realize the benefit of its deferred tax assets before expiration and as a result there was no valuation allowance at December 31, 2012. As a result of the conversion to a partnership, the federal and state

net operating losses were distributed to CenterPoint Energy as part of a deemed liquidation for tax purposes on May 1, 2013. Accordingly, there were no remaining carryforwards available to the Partnership as of December 31, 2013.

Uncertain Income Tax Positions. The following table reconciles the beginning and ending balance of the Partnership's unrecognized tax benefits:

	December 31,		
	2013	2012	2011
	(In millions)		
Balance, beginning of year	\$ —	\$ 3	\$ 5
Tax Positions related to prior years:			
Reductions	—	(3)	(2)
Balance, end of year	\$ —	\$ —	\$ 3

The Partnership's unrecognized tax benefits on uncertain tax positions would not affect the effective income tax rate if they were recognized. The Partnership recognizes interest and penalties as a component of income tax expense. There was no unrecognized tax benefit as of December 31, 2013 and 2012. The Partnership recognized approximately \$-0- million, \$1 million of income tax benefit, and less than \$1 million of income tax expense related to the Partnership's interest on uncertain income tax positions during the year ended December 31, 2013, 2012 and 2011 respectively. The Partnership accrued no interest on uncertain income tax positions related to the Partnership at December 31, 2013 and 2012.

Tax Audits and Settlements. CenterPoint Energy's consolidated federal income tax returns have been audited by the IRS and settled through the 2011 tax year. CenterPoint Energy is currently under examination by the IRS for tax year 2012. The Partnership considered the effect of this examination in its accrual for settled issues and liability for uncertain income tax positions as of December 31, 2013.

(14) Reportable Business Segments

The Partnership's determination of reportable business segments considers the strategic operating units under which it manages sales, allocates resources and assesses performance of various products and services to wholesale or retail customers in differing regulatory environments. The accounting policies of the business segments are the same as those described in the summary of significant accounting described in Note 1. Some executive benefit costs of Partnership, incurred prior to May 1, 2013 have not been allocated to business segments. The Partnership uses operating income as the measure of profit or loss for its business segments.

The Partnership's assets and operations are organized into two business segments: (i) Gathering and Processing, which primarily provides natural gas and crude oil gathering, processing and fractionation services for our producer customers, and (ii) Transportation and Storage, which provides interstate and intrastate natural gas pipeline transportation and storage service to natural gas producers, utilities and industrial customers. Effective May 1, 2013, the intrastate natural gas pipeline operations acquired from Enogex were combined with the interstate pipelines in the Transportation and Storage segment and the non-rate regulated natural gas gathering, processing and treating operations acquired from Enogex were combined within the Gathering and Processing segment.

During the integration of the operations acquired from Enogex, the intrastate natural gas pipelines and non- rate regulated natural gas gathering, processing and treating operations have been identified as separate operating segments, which are aggregated with the respective interstate pipelines and legacy gathering and processing operations as the respective (1) Transportation and Storage and (2) Gathering and Processing reportable segments.

Financial data for business segments and services are as follows:

Year Ended December 31, 2013	Gathering and Processing ⁽¹⁾	Transportation and Storage ⁽²⁾	Eliminations	Total
(In millions)				
Operating revenues ⁽³⁾⁽⁴⁾	\$ 1,740	\$ 1,149	\$ (400)	\$ 2,489
Cost of goods sold	1,075	636	(398)	1,313
Operation and maintenance	222	209	(2)	429
Depreciation and amortization	117	95	—	212
Impairment	12	—	—	12
Taxes other than income	20	34	—	54
Operating income	<u>\$ 294</u>	<u>\$ 175</u>	<u>\$ —</u>	<u>\$ 469</u>
Total assets	<u>\$ 7,157</u>	<u>\$ 5,717</u>	<u>\$ (1,642)</u>	<u>\$ 11,232</u>
Capital expenditures	<u>\$ 431</u>	<u>\$ 142</u>	<u>\$ —</u>	<u>\$ 573</u>

Year Ended December 31, 2012	Gathering and Processing ⁽¹⁾	Transportation and Storage ⁽²⁾	Eliminations	Total
(In millions)				
Operating revenues ⁽³⁾⁽⁴⁾	\$ 502	\$ 502	\$ (52)	\$ 952
Cost of goods sold	124	55	(50)	129
Operation and maintenance	114	155	(2)	267
Depreciation and amortization	50	56	—	106
Taxes other than income	5	29	—	34
Operating income	<u>\$ 209</u>	<u>\$ 207</u>	<u>\$ —</u>	<u>\$ 416</u>
Total assets	<u>\$ 2,439</u>	<u>\$ 4,052</u>	<u>\$ (9)</u>	<u>\$ 6,482</u>
Capital expenditures	<u>\$ 70</u>	<u>\$ 132</u>	<u>\$ —</u>	<u>\$ 202</u>

Year Ended December 31, 2011	Gathering and Processing ⁽¹⁾	Transportation and Storage ⁽²⁾	Eliminations	Total
(In millions)				
Operating revenues ⁽³⁾⁽⁴⁾	\$ 415	\$ 553	\$ (36)	\$ 932
Cost of goods sold	70	65	(34)	101
Operation and maintenance	111	154	(2)	263
Depreciation and amortization	37	54	—	91
Taxes other than income	5	32	—	37
Operating income	<u>\$ 192</u>	<u>\$ 248</u>	<u>\$ —</u>	<u>\$ 440</u>
Total assets	<u>\$ 1,933</u>	<u>\$ 3,869</u>	<u>\$ (6)</u>	<u>\$ 5,796</u>
Capital expenditures	<u>\$ 248</u>	<u>\$ 98</u>	<u>\$ —</u>	<u>\$ 346</u>

(1) Gathering and processing recorded equity income of \$-0-, \$5 million and \$10 million for the year ended December 31, 2013, 2012 and 2011, respectively, from its 50% interest in a jointly-owned gas processing plant, Waskom. These amounts are included in Equity in earnings of equity method affiliates under the Other income (expense) caption. The Partnership consolidated Waskom during the third quarter of 2012. See Note 7 for further discussion regarding Waskom.

(2) Transportation and storage recorded equity income of \$15 million, \$26 million and \$21 million for the year ended December 31, 2013, 2012 and 2011 respectively, from its interest in SESH, a jointly-owned pipeline. These amounts are included in Equity in earnings of equity method affiliates under the Other

Income (Expense) caption. Transportation and Storage's investment in SESH was \$198 million, \$404 million as of December 31, 2013 and 2012, respectively, and is included in Investments in equity method affiliates. The Partnership reflected a 50% interest in SESH until May 1, 2013 when the Partnership distributed a 25.05% interest in SESH to CenterPoint Energy. See Note 7 for further discussion regarding SESH.

(3) Revenues are comprised of gathering, processing, transportation and storage revenues.

(4) The Partnership had no external customers accounting for 10% or more of revenues in periods shown. See Note 11 for revenues from affiliated companies.

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On February 14, 2014, the Partnership distributed \$114 million to the unitholders of record as of January 1, 2014.