Risk Factors Comparison 2024-02-20 to 2023-02-17 Form: 10-K

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CenterPoint Energy is a holding company that conducts all of its business operations through subsidiaries, primarily Houston Electric, CERC and SIGECO. The following, along with any additional legal proceedings identified or incorporated by reference in Item 3 of this combined report on Form 10- K, summarizes the principal risk factors associated with the holding company and the businesses conducted by its subsidiaries. However, additional risks and uncertainties either not presently known or not currently believed by management to be material may also adversely affect CenterPoint Energy' s businesses. For other factors that may cause actual results to differ from those indicated in any forward- looking statement or projection contained in this combined report on Form 10- K, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Certain Factors Affecting Future Earnings " in Item 7, which should be read in conjunction with the risk factors contained in this Item 1A. Carefully consider each of the risks described below, including those relating to Houston Electric and CERC, which, along with CenterPoint Energy, are collectively referred to as the Registrants. Unless the context indicates otherwise, where appropriate, information relating to a specific registrant has been segregated and labeled as such and specific references to Houston Electric and CERC in this section also pertain to CenterPoint Energy. In this combined report on Form 10- K, the terms " our, " " we " and " us " are used as abbreviated references to CenterPoint Energy, Inc. together with its subsidiaries. Risk Factors Affecting Operations Electric Generation, Transmission and Distribution (CenterPoint Energy and Houston Electric) Disruptions at power generation facilities, generation inadequacy or directives issued by regulatory authorities could cause interruptions in Houston Electric' s and Indiana Electric' s ability to provide transmission and distribution services and adversely affect their reputation, financial condition, results of operations and cash flows. Houston Electric owns the transmission and distribution infrastructure in its service territory that delivers electric power to its customers, but it does not own or operate any power generation facilities, except for its operation of TEEEF. Indiana Electric owns and operates power generation facilities in addition to the transmission and distribution infrastructure in its service territory. Both Houston Electric and Indiana Electric must follow the directives issued by their respective independent system operator, ERCOT and MISO, respectively. ERCOT and MISO have and may in the future issue directives requiring members to implement controlled outages as a result of an emergency or reliability issues **, and Houston Electric has faced and may in the future face challenges to their planning and preparation for such directives and their implementation of Load Shed, including, for example, allegations that they had discretion as to how to shed load and which customers experienced outages and the duration of those outages. As a result, claims and lawsuits could be filed against Houston Electric and Indiana Electric for personal injury, property damage or other damage or loss as a result of their respective Load Shed planning, preparation, implementation, and decisions in order to meet the directives of ERCOT and MISO, respectively** . For example, in February 2021, the ERCOT regulated Texas electric system experienced extreme winter weather conditions and an unprecedented power generation shortage. The amount of electricity generated by the state' s power generation companies was insufficient to meet the amount demanded by customers. This resulted in ERCOT directing TDUs to significantly Load Shed, which caused customer outages across the ERCOT electric grid of Texas, including in Houston Electric' s service territory. See Note 7 to the consolidated financial statements and " — Houston Electric' s use of ~~temporary~~ **TEEEF** ... " for further information. If power generation capacity is severely disrupted or is inadequate for any reason in the future, Houston Electric' s or Indiana Electric' s transmission and distribution services may be diminished or interrupted. Further, as with the lawsuits filed in the aftermath of the February 2021 Winter Storm Event, claims and lawsuits could be filed against the Registrants, and our reputation, financial condition, results of operations and cash flows could be adversely affected. Additionally, Indiana Electric' s generating facilities and the generating facilities that supply the power transmitted by Houston Electric **and Indiana Electric** are subject to operational risks that have and may in the future result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased purchase power costs. For example, in ~~December~~ **June** 2022, **Culley 3,** ~~the A. B. Brown 1 and 2 generating units were offline at various times over an approximately week and~~ a ~~half period due to complications as~~ **coal-fired generation unit, experienced** a **boiler feed pump turbine failure that caused the unit** ~~result of Winter Storm Elliott. If Indiana Electric is unable~~ to ~~meet its generation capacity it would~~ be ~~required to buy its~~ **out of service for nearly nine months. In this time frame, CenterPoint Energy purchased** energy on the open market ~~, which is what occurred during Winter Storm Elliott when A. B. Brown 1~~ and ~~2 went offline~~ **those purchases are currently being challenged at the IURC by multiple intervenors** . Such open market purchases **have and** may **again** result in increased costs and ~~may~~ have an adverse impact on our operations ~~. During the outage in Winter Storm Elliott~~ , ~~Indiana Electric had~~ **financial condition, results of operations** ~~an~~ **and cash flows** ~~increase in cost due to open market purchases because Indiana Electric would have been able to generate electricity at a lower rate than the costs incurred to purchase the electricity on the open market~~ . Further, Indiana Electric is party to a number of PPAs with third parties. Indiana Electric' s power generation may be disrupted or otherwise insufficient if third parties do not deliver required power under our PPAs. These operational risks can arise from circumstances such as facility shutdowns or malfunctions due to equipment failure or operator error; aging infrastructure; interruption of fuel supply or increased prices of fuel as contracts expire and inflation ~~rates rise~~ **rises** ; disruptions in the delivery of electricity; inability to comply with regulatory or permit requirements; labor disputes; or natural disasters, all of which could adversely affect Indiana Electric' s and Houston Electric' s ~~business~~ **businesses** . Further, Indiana Electric currently relies on coal for the majority of its generation capacity. Indiana Electric purchases the majority of its coal supply from a single, unrelated party and, although the coal supply is under long- term contract, the loss of this supplier or transportation interruptions could adversely affect its ability to deliver electricity to its customers and adversely impact Indiana Electric' s financial condition, results of operations and cash flows. In 2021 and part of 2022, Indiana Electric experienced coal supply shortages due to labor shortages that the coal industry ~~is experiencing~~ **experienced** . While the coal supply shortage that Indiana Electric experienced did not impact its ability to deliver electricity to its customers, labor shortages as well as supply shortages in the future, whether caused by insufficient supply or supplier bankruptcy or other regulatory and supply issues in the mining industry, may lead to increased cost and have an adverse impact on our operations, financial condition, results of operations and cash flows. See " — **Disruptions to the global supply... " As Indiana Electric** ~~Continued~~ **continues its generation transition and more renewable energy sources come online, Indiana Electric' s generating facilities may experience unanticipated** disruptions ~~to the~~ **as a result of renewable** supply **shortages, including, but not limited to, due to cloudy or windless days** . **Additionally, such disruptions could adversely affect its ability to deliver electricity to its customers and adversely impact Indiana Electric' s financial condition, results of operations and cash flows** . **The operations of Houston Electric and Indiana Electric are subject to the usual hazards associated with high- voltage electricity transmission, including inclement weather, natural disasters, mechanical failure, contact with electrified facilities by people, equipment, and debris, unscheduled downtime, equipment interruptions, contamination, remediation, explosions, fires, chemical spills, discharges or releases of toxic or hazardous substances, and other environmental risks** . ~~"~~ **Such hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, and environmental damage, and may result in suspension of operations, disruption of service to customers, and the imposition of civil or criminal penalties. Houston Electric and Indiana Electric maintain property and casualty insurance but are not fully insured against all potential hazards incident to their businesses.** Houston Electric' s receivables are primarily concentrated in a small number of REPs, and any delay or default in payments of these receivables could adversely affect Houston Electric' s financial condition, results of operations and cash flows. Houston Electric' s receivables from the distribution of electricity are collected from REPs that supply the electricity. As of December 31, ~~2022~~ **2023** , Houston Electric provided electric delivery service to approximately ~~64~~ **65** REPs. Adverse economic conditions, ~~such as~~ **including, but not limited to,** the impact of COVID- 19, the February 2021 Winter Storm Event **or other extreme weather (which may result in abnormal power prices)** , structural problems in the market served by ERCOT, **mismanagement by the REPs,** inflation or financial difficulties of one or more REPs **,** have and may in the future impair the ability of these REPs to pay for Houston Electric' s services or cause them to delay such payments. Houston Electric depends on these REPs to remit payments on a timely basis **. Applicable PUCT regulations significantly limit the extent to which Houston Electric can apply normal commercial terms to otherwise seek credit protection from firms desiring to provide retail electric service in its service territory, and Houston Electric thus remains at risk for payments relating to services provided prior to any shift to another REP or provider of last resort** . Houston Electric' s PUCT- approved tariff outlines the remedies available to Houston Electric in the event that a REP defaults on amounts owed. Among the remedies available to Houston Electric are seeking recourse against any cash deposit, letter of credit, or surety bond provided by the REP or implementing mutually agreeable terms with the REP. Another remedy is to require that customers be shifted to another REP or a provider of last resort. Houston Electric thus incurs risk for payments related to services provided prior to the shift to another REP or the provider of last resort. A significant portion of Houston Electric' s billed receivables from REPs are from affiliates of NRG and Vistra Energy Corp. Houston Electric' s aggregate billed receivables balance from REPs as of December 31, ~~2022~~ **2023** was $ ~~252~~ **253** million. Approximately 39 % and ~~18~~ **20** % of this amount was owed by affiliates of NRG and Vistra Energy Corp., respectively. Any delay or default in payment by REPs could adversely affect Houston Electric' s financial condition, results of operations and cash flows. If a REP was unable to meet its obligations, it could consider, among various options, restructuring under the bankruptcy laws, in which event such REP might seek to avoid honoring its obligations, and claims might be made regarding prior payments Houston Electric had received from such REP. For example, following the February 2021 Winter Storm Event, multiple REPs filed for bankruptcy. We are currently capturing the amounts owed by these REPs as a permitted regulatory asset for bad debt expenses, which will be subject to a reasonableness review by the PUCT when we seek recovery in our next base rate case. As of both December 31, 2022 and 2021, as authorized by the PUCT, CenterPoint Energy and Houston Electric recorded a regulatory asset of $ 8 million for bad debt expenses resulting from REPs' default on their obligation to pay delivery charges to Houston Electric net of collateral. There is no guarantee that we will be able to recover any or all of the regulatory asset in our next base rate case. See " — Rate ~~Regulation~~ **regulation** of Registrants' Electric... " Indiana Electric' s execution of its generation transition plan, including its IRP, ~~are~~ **is** subject to various risks, including timely recovery of capital investments and increased costs and risks related to the timing and cost of development and / or construction of new generation facilities. Indiana requires each electric utility to perform and submit an IRP to the IURC every three years, unless extended, that uses economic modeling to consider the costs and risks associated with available resource options to provide reliable electric service for the next 20- year period. Indiana Electric has used past IRPs and will continue to use future IRPs to evaluate its mix of generation resources. Indiana Electric engages with the communities it serves, its regulators and third- parties in developing its generation transition plan. Recent IRPs have demonstrated Indiana Electric can most cost effectively serve its customers by transitioning its generation fleet to a wider mix of resources, including renewables. For example, Indiana Electric' s 2019 / 2020 IRP identified a preferred portfolio that retires 730 MW of coal- fired generation facilities and replaces these resources with a mix of generating resources composed primarily of renewables, including solar, wind, and solar with storage, supported by dispatchable natural gas combustion turbines including a pipeline to serve such natural gas generation. Indiana Electric is ~~now preparing~~ **continuing its plan to transition generation resources away from coal- fired generation to** a **more sustainable portfolio** ~~new IRP to be filed in 2023 for which it has conducted a request for proposals to identify the cost~~ of ~~generating~~ resources, including renewables, ~~thermal~~ and **ultimately a goal** ~~demand- side resources, and short- term capacity~~ to ~~meet~~ **exit** the ~~future needs~~ **coal plants that Indiana Electric operates by the end** of **2027, as reflected in** its ~~electric customers~~ **most recent IRP submitted to the IURC in May 2023** . While the IURC does not approve or reject Indiana Electric' s IRP, the IURC does comment on the IRP. Indiana Electric is required to obtain a CPCN prior to constructing or acquiring generating resources. Indiana Electric also obtains IURC approval of PPAs and DSM plans to ensure cost recovery. Indiana Electric must manage several risks associated with its generation transition plan. The IURC may delay providing comments on Indiana Electric' s **most recent** IRP, requiring Indiana Electric to either wait for comments or proceed to implement its IRP without IURC comments. The IURC comments may raise concerns with Indiana Electric' s IRP that make it difficult to obtain approval of the generation transition plan if not addressed. There is no guarantee that the IURC will approve Indiana Electric' s requests to implement part of its generation transition. If Indiana Electric fails to receive IURC approvals necessary to acquire the projects or resources identified in its IRP, Indiana Electric may not be able to implement its generation transition plan in a timely manner or at all. If Indiana Electric is unable to implement its generation transition plan, it may have an adverse effect on CenterPoint Energy' s ability to execute on its net zero and carbon emission goals, its **goal to exit the coal plants that Indiana Electric operates by the end of 2027, its** growth strategy, achieve **its** financial ~~targets~~ **goals** , and otherwise impact results of operations and cash flows. Even if a generation project is approved, risks associated with the development or construction of any new generation exist, including new legislation restricting or delaying new generation, moratorium legislation, the ability to procure resources needed to build at a reasonable cost, scarcity of resources and labor, ability to appropriately estimate costs of new generation, the effects of potential construction delays, project scope changes, and cost overruns and the ability to meet capacity requirements. For example, **the** ~~we, along with our~~ developers of ~~the Posey~~ **a 130 MW Pike County** ~~solar~~ **Solar** project ~~,~~ have **informed** ~~announced plans to downsize the Posey solar project from 300 MW to 191 MW because of supply chain issues experienced in the energy industry, rising cost of commodities and community feedback.~~ Indiana Electric ~~will also~~ **that, due to delays in the MISO interconnection queue and inflationary pressures, costs have exceeded the agreed upon levels in the BTA. We and the developers are actively evaluating possible cost impacts to the project, which may lead to a refile for approval of the project with the IURC and further delay the completion of the project. If Indiana Electric is not able to reach a mutually acceptable solution with the developers of the Pike County Solar project, Indiana Electric may** seek ~~recovery of costs related~~ to **terminate** the **project** ~~amendments of the Posey agreement~~ . For additional information, see " — ~~Continued disruptions~~ **Disruptions** to the **global** supply... " Furthermore, we have begun to acquire and / or develop additional solar and wind facilities as part of our capital plan. However, we have not yet entered into definitive agreements with developers for the acquisition and / or development of all of the additional projects, and we face significant competition with other bidders for a limited number of such generation facilities that developers plan to construct and for solar panels. For additional information, see " — Increases in the cost or reduction in supply... " The number of available projects is further limited by the MISO interconnection queue due to potential interconnection costs that may render projects infeasible. As a result, suitable generation facility project candidates or resources necessary to construct such projects may not be available on terms and conditions we find acceptable, or the expected benefits of a completed facility may not be realized fully or at all, or may not be realized in the anticipated timeframe. If Indiana Electric was unable to meet its generation needs as a result of project delays or cancellations it would be required to buy the necessary capacity and electricity on the open market. Such open market purchases may result in increased costs and may have an adverse impact on our operations, financial condition, results of operations and cash flows. If we are unable to complete or acquire such generation facilities or resources, or if they do not perform as anticipated, our future growth, financial condition, results of operations and cash flows may be adversely affected. Increases in the cost or reduction in supply of solar energy system components due to tariffs or trade restrictions imposed by the U. S. government may have an adverse effect on our business, financial condition and results of operations. China is a major producer of solar panels and other solar products. Certain solar cells, modules, laminates and panels from China are subject to various antidumping and countervailing duty rates, depending on the exporter supplying the product, imposed by the U. S. government as a result of determinations the United States was materially injured as a result of such imports being sold at less than fair value and subsidized by the Chinese government. In March 2022, the DOC announced it would initiate an investigation into whether imports of solar cells and panels produced in Cambodia, Malaysia, Thailand and Vietnam are circumventing U. S. rules and laws, such as antidumping and countervailing duty rates, which impose a tariff on imports of solar cells and panels manufactured in China. ~~In December~~ **On August 18,** ~~2022~~ **2023** , the DOC ~~issued~~ **announced** its **final determination** ~~preliminary findings noting~~ that **five** ~~circumvention was occurring in each~~ of the ~~four~~ **eight companies investigated were attempting to bypass U. S. duties by doing minor processing in Southeast Asian** countries **before shipment to** ~~. If an affirmative finding is made by~~ the **United States** ~~DOC, it could impose duties on imports of solar cells and panels from Cambodia, Malaysia, Thailand and Vietnam with both forward- looking and retroactive application~~ . In addition, in December 2021, President Biden signed into law the Uyghur Forced Labor Prevention Act, which bans goods from China' s Xinjiang region due to the use of forced labor. Continuing tensions between the United States and China may lead to restrictions in trade between the two countries or new legislation, tariffs or bans, any of which could further negatively impact the supply of solar panels. These or similar duties and legislation have and may in the future also put upward pressure on prices of these solar energy products, which may reduce our ability to acquire these items in a timely and cost- efficient manner. If we or the developers we are working with are unable to secure such solar energy products in a timely and cost- efficient manner, we may be forced to delay, downsize and / or cancel solar projects and we may not be able to procure the resources needed to fully execute on our ten- year capital plan or achieve our net zero emissions goals. We have experienced project delays due to developers of our projects being unable to acquire solar panels due to supply chain constraints. Additionally, delays or cancellations by developers of third- party solar power facilities expected to interconnect with CenterPoint Energy' s and Houston Electric' s system may have adverse impacts, such as delayed or reduced potential future revenues. We cannot predict what additional actions the U. S. government may adopt with respect to tariffs or other trade regulations in the future or what actions may be taken by other countries in retaliation for such measures. If ~~an affirmative finding is made by~~ the DOC **imposes tariffs on solar panels as a result of its findings** or other additional measures are imposed, our business, financial condition and results of operations may be adversely affected. **The occurrence** ~~In the aftermath~~ of ~~the February 2021~~ **extreme weather events, including** ~~Winter~~ **winter** ~~Storm Event~~ **storms and record hot temperatures** , ~~there have been calls for~~ - **or other causes could lead to additional** ~~reform~~ **reforms** ~~of~~ **to** the Texas electric market, some measure of which, if implemented, could have an adverse impact on Houston Electric. During and in the aftermath of the February 2021 Winter Storm Event, the Texas legislature revised applicable statutes and granted the PUCT and ERCOT additional regulatory authority, both oversight and enforcement, that focuses on ensuring ERCOT market participants, including power generation facilities and TDUs (like Houston Electric), have adopted sufficient winterization standards and protection. Houston Electric **believes it** is in compliance with the requirements applicable to it. If any additional protections are required in the future **as a result of additional extreme weather events or other causes** , complying with these new protections may increase the cost of electricity, which could adversely affect Houston Electric' s results of operations. Any potential decreases in customer usage due to higher electricity prices charged by REPs may not result in increased base rates charged by Houston Electric for its services until its next general base rate proceeding. For further information on Houston Electric' s regulatory proceedings, see " — Rate regulation of ~~Houston~~ **Registrants'** Electric ~~' s~~ ... " ~~Various governmental and regulatory agencies and other entities have called for or are conducting inquiries and investigations into the February 2021 Winter Storm Event and the efforts made by various entities to prepare for, and respond to, this event, including the electricity generation shortfall issues. Such agencies and entities include the United States Congress, FERC, NERC, Texas RE, ERCOT, Texas government entities and officials such as the Texas Governor' s office, the Texas Legislature, the Texas Attorney General, the PUCT, the City of Houston and other municipal and county entities in Houston Electric' s service area, among other entities.~~ In addition ~~to questions around preparation and response~~ , ~~some federal and other~~ -- **the PUCT** ~~officials, as well as members of the public~~ and ~~media, have called~~ **ERCOT continue to review the appropriate reliability standard and market design** for ~~reviews and reforms of~~ the Texas electric market ~~, including whether it should continue to be governed by ERCOT or instead be subject to FERC jurisdiction and regulation by joining an ISO such as MISO, as well as the division of the market between power generators, TDUs (such as Houston Electric) and REPs~~ . There are ~~significant~~ uncertainties whether any further ~~market structure or governance~~ changes will result from these discussions **or other efforts** . If there are changes to how the Texas electric market is structured or regulated, such changes could have an adverse impact on Houston Electric' s business, financial condition and results of operations. See Note 7 to the consolidated financial statements for further information. Houston Electric' s use of TEEEF is subject to various risks, including ~~related~~ failure to obtain and deploy sufficient TEEEF resources, potential performance issues and allegations about Houston Electric' s deployment of the resources (including the planning, execution, and effectiveness of the same), regulatory and environmental requirements, and timely recovery of capital. Following the February 2021 Winter Storm Event, the Texas legislature passed a law, effective September 1, 2021, that allows TDUs, such as Houston Electric, to lease and temporarily operate back- up generation resources during widespread power outages where ERCOT has ordered a TDU to Load Shed or the TDU' s distribution facilities are not being fully served by the bulk power system under normal operations. In response to this legislation, Houston Electric entered into two leases for TEEEF (mobile generation). **In 2023, the Texas legislature amended the law to allow wider use of TEEEF.** If Houston Electric is ~~otherwise~~ unable to deploy a sufficient number of TEEEF **resources** in time to respond to a particular event; if ~~the~~ TEEEF **resources** fail to perform as intended; if Houston Electric is otherwise unable to provide back- up generation resources and restore power as intended; or if the use of TEEEF **resources** or their failure to perform causes or is alleged to cause any personal injury, property damage, or other damage or loss due to allegations ~~it~~ **Houston Electric** failed to deploy such units reasonably or effectively and failed to respond to particular power outages, Houston Electric could be subject to claims, demands, litigation, liability, regulatory scrutiny, and loss of reputation. While Houston Electric has insurance coverage and indemnity rights for its use of TEEEF **resources** , if its insurers or indemnitors fail to meet their indemnity obligations, Houston Electric could be liable for personal injury, property damage, or other damage or loss. As noted above, the legislation prescribes specific and limited use for ~~the~~ TEEEF, and Houston Electric' s TEEEF have limited generation capacity, such that in future events customers could still be without power despite deployment of ~~the~~ TEEEF **resources** . Further, ~~the~~ TEEEF **resources** are subject to various environmental regulations and permitting requirements, which could have an impact on Houston Electric' s ability to use these units. If Houston Electric is not in compliance with any environmental regulation or permitting requirement, Houston Electric could be subject to further potential liability. The use of TEEEF is also subject to various requirements, and failure to comply with them could subject Houston Electric to additional liability as well as challenges to its use of TEEEF in general. ~~Additionally~~ **In April 2023** , **the PUCT approved revenue recovery of $ 39 million of TEEEF costs incurred in 2021, and in October 2023, an agreement with intervenors was reached with respect to** Houston Electric' s **second TEEEF filing for revenue** recovery of ~~its~~ **$ 153 million ($ 114 million incremental to the prior filing) of TEEEF** costs ~~for~~ **incurred through December 31, 2022, and the agreement was approved by PUCT in February 2024. Despite the recovery of these** TEEEF ~~is~~ **costs in the past, there can be** ~~not~~ - **no assurances that** ~~certain. In April 2022,~~ Houston Electric ~~sought~~ **will be able** to recover **future** ~~its costs for TEEEF through a DCRF application. In July 2022, Houston Electric amended its filing to include the TEEEF cost in a separate rider and intervenors filed testimony in September 2022 challenging the acquisition and deployment of TEEEF. On January 27, 2023, the administrative law judges issued a proposal for decision recommending that the leasing of the TEEEF was not prudent or reasonable and necessary and that the PUCT deny recovery of all of the~~ TEEEF costs ~~. The PUCT is expected to consider the proposal for decision on March 9, 2023~~ . If Houston Electric is unable to recover any or all of its TEEEF costs **our** ~~, it could have an adverse impact on its~~ financial condition, results of operations and cash flows **may be adversely affected** . For further information, see " — Rate ~~Regulation~~ **regulation** of ~~Houston~~ **Registrants'** Electric ~~' s~~ ... ", " — Our insurance coverage may not... " and " — We are subject to operational... " **The impact of wildfires could negatively affect Houston Electric' s and Indiana Electric' s financial condition, results of operations and cash flows. Wildfires have the potential to negatively affect communities within Houston Electric' s and Indiana Electric' s service territories and the**

surrounding areas, as well as Houston Electric' s and Indiana Electric' s vast network of electric transmission and distribution lines and facilities. The possibility of wildfires and the risk of damage to our network and facilities resulting therefrom may be exacerbated by severe weather events and the effects of climate change. For more information regarding climate related risks, see " — Climate change could adversely impact... " The continued expansion of the wildland- urban interface has also increased wildfire risk to communities in our service territories. While we proactively take steps to mitigate wildfire risk in the areas of our electrical assets, wildfire risk is always present. Houston Electric or Indiana Electric could be held liable for damages incurred as a result of wildfires or incur reputational harm if it was determined that they were caused by or enhanced due to any fault of Houston Electric or Indiana Electric. Wildfires could also lead to significant financial distress and further increased costs for wildfire insurance or lack of availability thereof. Furthermore, any damage caused to our assets, loss of service to our customers, or liability imposed as a result of wildfires could negatively impact Houston Electric' s or Indiana Electric' s financial condition, results of operations, and cash flows. Natural Gas (CenterPoint Energy and CERC) Access to natural gas supplies and pipeline transmission and storage capacity are essential components of reliable service for Natural Gas' customers. Natural Gas depends on third- party service providers to maintain an adequate supply of natural gas and for available storage and intrastate and interstate pipeline capacity to satisfy its customers' needs, all of which are critical to system reliability. Substantially all of Natural Gas' natural gas supply is purchased on intrastate and interstate pipelines. If Natural Gas is unable to secure an independent natural gas supply of its own or if third- party service providers fail to timely deliver natural gas to meet Natural Gas' requirements, the resulting decrease in natural gas supply in Natural Gas' service territories could have an adverse effect on its financial condition, results of operations and cash flows. Additionally, a significant disruption, whether through reduced intrastate and interstate pipeline transmission or storage capacity or other events affecting natural gas supply, including, but not limited to, operational failures, hurricanes, tornadoes, floods, severe winter weather conditions, **wildfires,** acts of terrorism **, human error** or cyberattacks or changes in legislative or regulatory requirements, could also adversely affect Natural Gas' businesses. Further, to the extent that Natural Gas' natural gas requirements cannot be met through access to or continued use of existing natural gas infrastructure or if additional infrastructure, including onshore and offshore exploration and production facilities, gathering and processing systems and pipeline and storage capacity is not constructed at a rate that satisfies demand, then Natural Gas' operations could be negatively affected. Natural Gas is subject to fluctuations in natural gas prices, which could affect the ability of its suppliers and customers to meet their obligations or may impact its operations **,** which could adversely affect CERC' s financial condition, results of operations and cash flows. Natural Gas is subject to risk associated with changes in the price of natural gas. Significant increases in natural gas prices, such as those experienced during the February 2021 Winter Storm Event, might affect Natural Gas' ability to collect balances due from customers and could create the potential for uncollectible accounts expense to exceed the recoverable levels built into tariff rates. In addition, a sustained period of high natural gas prices could (i) decrease demand for natural gas in the areas in which Natural Gas operates, thereby resulting in decreased sales and revenues and (ii) increase the risk that Natural Gas' suppliers or customers fail or are unable to meet their obligations. An increase in natural gas prices would also increase working capital requirements by increasing the investment that must be made to maintain natural gas inventory levels. Natural Gas must compete with alternate energy sources, which could result in less natural gas delivered and have an adverse impact on CenterPoint Energy' s and CERC' s financial condition, results of operations and cash flows. Natural Gas competes primarily with alternate energy sources such as electricity and other fuel sources. In some areas, intrastate pipelines, other natural gas distributors and natural gas marketers also compete directly with Natural Gas for natural gas sales to end users. In addition, as a result of federal regulatory changes affecting interstate pipelines, natural gas marketers operating on these pipelines may be able to bypass Natural Gas' facilities and market, sell and / or transport natural gas directly to commercial and industrial customers. Any reduction in the amount of natural gas delivered by Natural Gas as a result of competition with alternate energy sources may have an adverse impact on CenterPoint Energy and CERC' s financial condition, results of operations and cash flows. We are exposed to risks related to......) to the consolidated financial statements. Risk Factors Affecting Regulatory, Environmental and Legal Risks Rate regulation of Registrants' Electric and Natural Gas businesses may delay or deny their ability to earn an expected return and fully and timely recover their costs. The Registrants' Electric and Natural Gas businesses are regulated by certain municipalities and state commissions. Their rates are set in comprehensive base rate proceedings (i. e., general rate cases) based on an analysis of their invested capital, their expenses and other factors in a designated test year (often either fully or partially historic), subject to periodic review and adjustments. Each of these rate proceedings is subject to third- party intervention and appeal, and the timing of a general base rate proceeding may be out of the Registrants' control. ~~Houston Electric,~~ Indiana Electric and CERC each ~~plan to file~~ **filed** rate cases during 2023 **. Houston Electric and CERC, with respect to its Ohio gas territory, each plan to file a rate case during 2024** . The Registrants can make no assurance that their or their subsidiaries respective base rate proceedings will result in requested or favorable adjustments to their rates, in full and timely cost recovery or approval of other requested items, including, among other things, capital structure and ROE. Moreover, these base rate proceedings have caused in certain instances, and in the future could cause, the Registrants' Electric and / or Natural Gas businesses to recover their investments below their requested levels, below the national average return for utilities or below recently approved return levels for other utilities in their respective jurisdictions. For instance, in the 2019 Houston Electric general rate case, Houston Electric filed a base rate case seeking approval for revenue increases of approximately $ 194 million and a 10. 4 % ROE, but after entering into a Stipulation and Settlement Agreement filed with the PUCT, Houston Electric received an overall revenue requirement increase of approximately $ 13 million and a 9. 4 % ROE. To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. Further, the Registrants or their subsidiaries might be required to implement additional measures, such as the adoption of ring- fencing measures by Houston Electric in connection with its 2019 rate case proceeding. Such additional measures may adversely impact the ~~Registrant~~

Registrants ' ~~s~~ businesses and could have an adverse effect on their financial condition, results of operations and cash flows. The rates that Registrants' Electric and Natural Gas businesses are allowed to charge may not match their costs at any given time, a situation referred to as " regulatory lag. " Regulatory lag has been and may be exaggerated in the future under certain circumstances, such as increasing inflation rates like those experienced in 2022 **and continuing into 2023** . For example, the MPUC ~~has~~ ordered ~~the amortization period for~~ extraordinary gas costs ~~resulting from~~ **incurred in** the February 2021 Winter Storm Event be **recovered over a** ~~increased from 27- months to~~ 63- ~~months~~ - **month period from** ~~beginning on January 1,~~ 2022 ~~,~~ **— 2027** and CERC forego recovery of the associated carrying costs ~~to make customer monthly bills more affordable and due to carrying costs not being typically recoverable in Minnesota~~ . Though several interim rate adjustment mechanisms have been approved by jurisdictional regulatory authorities and implemented by the Registrants and their subsidiaries to reduce the effects of regulatory lag (for example, CSIA, DCRF, DRR, DSMA, GRIP, RCRA, RRA, RSP, TCOS and TDSIC), such adjustment mechanisms are subject to the applicable regulatory body' s approval, which we cannot assure would be approved, and are subject to certain limitations that may reduce or otherwise impede the Registrants' or their subsidiaries ability to adjust its rates or result in rates below those requested. Therefore, the Registrants can make no assurance filings for such mechanisms will result in favorable adjustments to rates or in full cost recovery. Further, from time to time, the Registrants' regulators approve the issuance of securitization bonds in order to recover certain costs, including costs incurred as a result of severe weather or to recover stranded asset costs. The issuance of these securitization bonds may be delayed. **If the** ~~For instance, CenterPoint Energy and CERC have filed for securitization of natural gas costs in Texas, received commission approval and~~ issuance of ~~a financing order in 2022, and expect the Texas Public Financing Authority to issue customer rate relief bonds in first half of 2023. If the issuance of such~~ securitization bonds is delayed, we may not be able to recover our costs in a timely manner, which could have an adverse effect on CenterPoint Energy' s ~~and~~ **,** CERC **' s, and Houston Electric** ' s financial condition, results of operations and cash flows. Inherent in the regulatory process is some level of risk jurisdictional regulatory authorities may challenge the reasonableness or prudency of operating expenses incurred or capital investments made by the Registrants or their subsidiaries and deny the full recovery of their cost of service in rates. From time to time, these reviews and investigations have caused in certain instances, and in the future could cause, the Registrants' to recover their costs or investments below their requested levels. For example, in October 2022, the MPUC issued a written order disallowing recovery of approximately $ 36 million of the $ 409 million originally requested by CERC in connection with its recovery of costs incurred as a result of the February 2021 Winter Storm Event ~~. In November 2022, CERC filed a petition for reconsideration with the MPUC and the MPUC issued a written order denying the petition on January 6, 2023~~ . Notwithstanding the application of such rate adjustment mechanisms, the regulatory process by which rates are determined is subject to change as a result of legislative processes or rulemakings, as the case may be, and may not always be available or result in rates that will produce recovery of the Registrants' or their subsidiaries' costs or enable them to earn their authorized return. Changes to the rate case or interim adjustment mechanisms could result in an increase in regulatory lag or otherwise impact the Registrants' ability to recover their costs in a timely manner. **Additionally, decisions from regulators are typically subject to appeal, and any such appeal could further exacerbate regulatory lag and lead to additional uncertainty associated with rate case proceedings.** To the extent the regulatory process does not allow the Registrants to make a full and timely recovery of appropriate costs, their financial condition, results of operations and cash flows could be adversely affected. For further information on rate case proceedings and interim rate adjustment mechanisms, see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Regulatory Matters " in Item 7 of Part II of this report. We **face risks related to project siting, financing, construction, permitting, governmental approvals, public opposition, and the negotiation of project development agreements that may impede our development and operating activities. Houston Electric, Indiana Electric and CERC own, develop, construct, manage and operate electric generation, transmission and distribution facilities or natural gas distribution facilities, as applicable. A key component of our growth is our ability to construct and operate these facilities. As part of these operations, we must periodically apply for licenses and permits from various local, state, federal and other regulatory authorities and abide by their respective conditions. We have previously experienced delays in receiving approval with regards to certain permits and licenses, and have had investigations and enforcement actions with regards to certain of our projects, which have caused delays to our projects in the past. Should we in the future be unsuccessful in obtaining necessary licenses or permits on acceptable terms or resolving third- party challenges to such licenses or permits, should there be a delay in obtaining or renewing necessary licenses or permits, or should regulatory authorities initiate any associated investigations or enforcement actions or impose related penalties or disallowances, our future net income and cash flows could be reduced and our financial condition could be impacted. Any failure to negotiate successful project development agreements for new facilities with third parties could also have adverse effects. Additionally, our projects have faced and may in the future face opposition from individuals, community organizations, environmental and other activist groups, and other public- interest entities. We** are subject to operational and financial risks and liabilities arising from environmental laws and regulations, including regulation of CCR, climate change legislation and certain local initiatives that seek to limit fossil fuel usage. Our operations are subject to stringent and complex laws and regulations pertaining to the environment. As an owner or operator of natural gas pipelines, distribution systems and storage, electric generating facilities and electric transmission and distribution systems, and the facilities that support these systems, we must comply with these laws and regulations at the federal, state and local levels. These laws and regulations can restrict or impact our business activities in many ways, including among others, restricting the use of fossil fuels through future climate legislation or regulation, restricting the use of natural gas- fired appliances in new homes, limiting airborne emissions from generating facilities, restricting the way we manage wastes, including wastewater discharges, air emissions and CCR removal, and requiring remedial action or monitoring to mitigate environmental actions caused by our operations or attributable to former operations. We may need to spend substantial amounts and devote other resources from time to time to comply with these requirements ~~. For example, Indiana Electric has determined that two ponds, one at F. B. Culley and one at A. B. Brown, were required to be closed under the CCR Rule. Indiana Electric has timely filed extension requests under the CCR Rule. If Indiana Electric does not receive approval of these or future extension requests, Indiana Electric may have increased and potentially significant operational costs in connection with the accelerated implementation of an alternative ash disposal system~~ . Further, in the course of operations we have released, and may in the future inadvertently release, various contaminants. Any such releases could have a significant impact on the environment and result in significant fines. Failure to comply with applicable environmental laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, which we have been subject to from time to time, revocation of permits, the imposition of remedial actions, and the issuance of orders enjoining future operations. Certain environmental statutes impose strict joint and several liability for costs required to clean, restore and monitor sites where hazardous substances have been stored, disposed or released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other waste products into the environment. Regulatory agencies have also adopted, and from time to time consider adopting, new legislation and / or modifying existing laws and regulations to reduce GHGs. There continues to be a wide- ranging policy and regulatory debate, both nationally and internationally, regarding the ~~potential impact of GHGs and~~ possible means for their regulation. The trend in environmental regulation has been to place more restrictions and limitations on activities that may impact the environment ~~, which is expected to continue under the current administration~~ . On April 22, 2021, President Biden announced new goals of 50 % reduction of economy- wide GHG emissions and 100 % carbon- free electricity by 2035, which formed the basis of the United States' commitments announced in Glasgow, Scotland. **These renewed** ~~Reentry into the Paris Agreement, revised~~ climate commitments coming out of the 2021 United Nations Climate Change Conference held in Glasgow and President Biden' s executive orders ~~may~~ **have** ~~result~~ **resulted** in the development of additional regulations ~~or~~ **and** changes to existing regulations. **For example, in May 2023, the EPA proposed regulations setting new GHG emission reduction targets for coal and gas-fired electric generating units that could** ~~Potential~~ **potentially** ~~future~~ **require additional operating costs or operating** restrictions ~~include, among other things, the United States enacting~~ **related to operation of Indiana Electric' s natural- gas fired units. The administration is expected to finalize** additional GHG regulations and mandated financial, emissions and other disclosures. As a distributor and transporter of natural gas and electricity, and a generator of electricity in Indiana, the Registrants' revenues, operating costs and capital requirements could be adversely affected as a result of any regulatory action that would require installation of new control technologies or a modification of its operations or that would have the effect of reducing the consumption of natural gas or electricity or prevent the use of certain fuel types. Also, there can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be greater than the amounts we currently anticipate, which could adversely affect our financial condition, results of operations and cash flows. Likewise, incentives to conserve energy or use energy sources other than natural gas could result in a decrease in demand for our services. For further discussion, see " Business — Environmental Matters " in Item 1 and " — Natural Gas must compete with **…** ~~...~~" Evolving investor sentiment related to the use of fossil fuels and initiatives to restrict continued production of fossil fuels may have substantial impacts on CenterPoint Energy' s and CERC' s electric generation and natural gas businesses. For example, because Indiana Electric' s current generating ~~facilities~~ **units** substantially rely on coal for their operations, certain financial institutions **may** choose not to participate in CenterPoint Energy' s financing arrangements **until future coal generation closures satisfy their thresholds for investments** . Further, some investors choose to not invest in CenterPoint Energy due to CenterPoint Energy' s and CERC' s use of fossil fuels. Also, certain cities in CenterPoint Energy' s and CERC' s Natural Gas operational footprint have discussed the adoption of initiatives to prohibit the construction of new natural gas facilities that would provide service and focus on electrification. For example, Minneapolis has adopted carbon emission reduction goals in an effort to decrease reliance on fossil **natural** gas. Certain state and local governments ~~in states such as New York and California~~ have also passed, or are considering, legislation banning the use of natural gas- fired appliances in new homes, which could affect consumer use of natural gas. Should such bans be enacted within Natural Gas' operational footprint, they could adversely affect consumer demand for natural gas. Any such initiatives and legislation could adversely affect CenterPoint Energy' s and CERC' s results of operations **. Further, investors, lenders, regulators and other stakeholders are focusing on issues related to environmental justice, which may result in increased scrutiny of our applicable regulatory processes and additional costs of compliance or may adversely affect our reputation. This focus on environmental justice matters at the federal and state levels may also provide communities opposed to our operations with greater opportunities to challenge or delay our projects. Opposition to our projects or successful challenges or appeals to permits issued for our projects could result in cancellation of such projects and the loss of investments we have made with respect thereto** . CenterPoint Energy is subject to operational and financial risks and liabilities associated with the implementation of and efforts to achieve its carbon emissions reduction goals. In September 2021, CenterPoint Energy announced its net zero emission goals for Scope 1 and certain Scope 2 emissions by 2035 and a 20- 30 % reduction in certain Scope 3 emissions by 2035 as compared to 2021 levels. CenterPoint Energy' s analysis and plan for execution requires it to make a number of assumptions. These goals and underlying assumptions involve risks and uncertainties and are not guarantees. Should one or more of CenterPoint Energy' s underlying assumptions prove incorrect, its actual results and ability to achieve net zero emissions by 2035 could differ materially from its expectations. Certain of the assumptions that could impact CenterPoint Energy' s ability to meet its net zero emissions goals include, but are not limited to: emission levels, service territory size and capacity needs remaining in line with expectations ~~(inclusive of changes related to the sale of CenterPoint Energy' s Natural Gas businesses in Arkansas and Oklahoma)~~ ; regulatory ~~approval~~ **approvals** ~~of~~ **related to** Indiana Electric' s generation transition plan **; customer demand for carbon free energy** ; impacts of future environmental regulations or legislation; impacts of future carbon pricing regulation or legislation, including a future carbon tax; price, availability and regulation of carbon offsets; price of fuel, such as natural gas; cost of energy generation technologies, such as wind and solar, natural gas and storage solutions; adoption of alternative energy by the public, including adoption of electric vehicles; rate of technology innovation with regards to alternative energy resources; CenterPoint Energy' s ability to implement its modernization plans for its pipelines and facilities; the ability to complete and timely implement generation alternatives, such as solar and wind generation, to Indiana Electric' s coal generation and retirement dates of Indiana Electric' s coal facilities by 2035; the ability to construct and / or permit new natural gas pipelines; the ability to procure resources needed to build at a reasonable cost, the lack of or scarcity of resources and labor, any project cancellations, construction delays or overruns and the ability to appropriately estimate costs of new generation; impact of any supply chain disruptions; changes in applicable standards or methodologies; and enhancement of energy efficiencies. Our businesses may face increased scrutiny from investors and other stakeholders related to our sustainability activities, including the goals, targets, and objectives we announce, our methodologies and timelines for pursuing them, and related disclosures. If our sustainability practices do not ~~meet~~ **align with** investor or other stakeholder expectations and standards, which continue to evolve, our reputation, our ability to attract or retain employees, and our attractiveness as an investment or business partner could be negatively affected. Similarly, our failure or perceived failure to pursue or fulfill our sustainability- focused goals, targets, and objectives, to comply with ethical, environmental, or other standards, regulations, or expectations, or to satisfy various reporting standards with respect to these matters, within the timelines we announce, or at all, could adversely affect our business or reputation, as well as expose us to government enforcement actions and private litigation. Developing and implementing plans for compliance with voluntary climate commitments can lead to additional capital, personnel and operation and maintenance expenditures and could significantly affect the economic position of existing facilities and proposed projects. To the extent that we believe any of these costs are recoverable in rates, cost recovery could be resisted by our regulators and our regulators might attempt to deny or defer timely recovery of these costs. Moreover, we cannot predict the ultimate impact of achieving our emissions reduction goals, or the various implementation aspects, on our system reliability or our financial condition and results of operations. Houston Electric and Indiana Electric, as a member of ERCOT and MISO, respectively, could be subject to higher costs for system improvements, as well as fines or other sanctions as a result of FERC mandatory reliability standards. Houston Electric and Indiana Electric are members of ERCOT and MISO, respectively, which serve the electric transmission needs of their applicable regions. As a result of their respective participation in ERCOT and MISO, Houston Electric and Indiana Electric do not have operational control over their transmission facilities and are subject to certain costs for improvements to these regional electric transmission systems. In addition, ~~the~~ FERC has jurisdiction with respect to ensuring the reliability of electric transmission service, including transmission facilities owned by Houston Electric and other utilities within ERCOT and Indiana Electric and other utilities within MISO, respectively. ~~The~~ FERC has designated ~~the~~ NERC as the ERO to promulgate standards, under FERC oversight, for all owners, operators and users of the bulk power system. ~~The~~ FERC has approved the delegation by ~~the~~ NERC of authority for reliability in ERCOT to the Texas RE, a Texas non- profit corporation, and for reliability in the portion of MISO that includes Indiana Electric to ReliabilityFirst Corporation, a Delaware non- profit corporation. Compliance with mandatory reliability standards may subject Houston Electric and Indiana Electric to higher operating costs and may result in increased capital expenditures, which may not be fully recoverable in rates. While Houston Electric and Indiana Electric have received minor fines in the past for noncompliance, if Houston Electric or Indiana Electric were to be found to be in noncompliance with applicable mandatory reliability standards again, they would be subject to sanctions, including potential monetary penalties, which could range as high as over a million dollars per violation per day, and non- monetary penalties, such as having to file a mitigation plan to prevent recurrence of a similar violation and having certain milestones in such plan tracked. We are involved in numerous legal proceedings, the outcomes of which are uncertain, and resolutions adverse to us could negatively affect our financial results. The Registrants are subject to numerous legal proceedings, including lawsuits and environmental matters in addition to regulatory proceedings, the most significant of which are summarized in Note 15 to the consolidated financial statements. Litigation is subject to many uncertainties; recent trends ~~suggest~~ **have shown** jury verdicts **, settlements** and other liability have been **significantly** increasing; and the Registrants cannot predict the outcome of all matters with assurance. Additionally, under some circumstances, the Registrants could potentially have claims filed against them or incur liabilities associated with assets and businesses no longer owned by them as a result of sales, divestitures or other transfers to third parties who may be unable to fulfill their indemnity obligations to the Registrants. Final resolution of these matters, or any potential future claims or liabilities, may require additional expenditures over an extended period of time that may be in excess of established insurance or reserves and may have an adverse effect on the Registrants' financial results. Our businesses may be adversely affected by the intentional misconduct of our employees. We are committed to living our core values of safety, integrity, accountability, initiative and respect and complying with all applicable laws and regulations. Despite that commitment and efforts to prevent misconduct, it is possible for employees to engage in intentional misconduct, fail to uphold our core values, and violate laws and regulations for individual gain through contract or procurement fraud, misappropriation, bribery or corruption, fraudulent related- party transactions and serious breaches of our Ethics and Compliance Code and other policies. If such intentional misconduct by employees should occur, it could result in substantial liability, higher costs, increased regulatory scrutiny and negative public perceptions, any of which could have an adverse effect on our financial condition, results of operations and cash flows. From time to time, including as part of our Ethics and Compliance program' s efforts to detect misconduct, we become aware of and expect to continue to become aware of instances of employee misconduct, which we investigate, remediate and disclose as appropriate and proportionate to the incident. Risk Factors Affecting Financial, Economic and Market Risks ~~Continued disruptions~~ **Disruptions** to the global supply chain may lead to higher prices for goods and services and impact our operations, which could have an adverse impact on our ability to execute our capital plan and on our financial condition, results of operations and cash flows. The global supply chain has experienced ~~and is expected to continue to experience~~ disruptions due to a multitude of factors, such as the COVID- 19 pandemic, labor shortages, resource availability, long lead time, **delivery delays,** inflation ~~and~~ **, severe** weather **events and**

disruptions to internal or international shipping, including as a result of armed conflicts , and these disruptions have adversely impacted the utility industry. We, as well as other companies in our industry, have experienced supply chain disruptions, as well as increased prices, and we may continue to experience this in the future. Examples of materials necessary for the transmission and distribution of power we and our industry have experienced difficulties in procuring include transformers, wires, cables, meters, poles and solar panels. ~~We~~ **If the supply chain disruption persists or worsens, we** may ~~continue to~~ experience difficulties in procuring these resources and others necessary to operate our businesses in the future **. As a result** ~~, and if we were to experience other significant supply chain disruptions in the future~~ , we may not be able to procure the resources, including labor, needed to timely perform storm restoration activities, fully execute on our ten- year capital plan **and /** or achieve our net zero emission **and carbon emissions reduction** goals. Moreover, high inflation and ~~rising~~ **persistent high** interest rates continue to be an area of economic concern and has contributed to the increased prices for materials and services that have been experienced by us and other companies in our industry. Even if we are able to procure the necessary resources, we might not be able to do so at a reasonable cost or in a timely manner which could result in project cancellations or scope changes, delays, cost overruns and under- recovery of costs. If we are unable to fully execute on capital plans as a result of supply chain disruptions, our financial condition, results of operations and cash flows may be adversely affected. CenterPoint Energy is a holding company that derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. As a result, CenterPoint Energy depends on the performance of and distributions from its subsidiaries to meet its payment obligations and to pay dividends on its common ~~and preferred~~ stock, and provisions of applicable law or contractual restrictions could limit the amount of those distributions. CenterPoint Energy derives all of its operating income from, and holds substantially all of its assets through, its subsidiaries. Similarly, as a result of the Restructuring, CERC derives a significant portion of its operating income from and holds a significant portion of its assets through its subsidiaries, including Indiana Gas and VEDO. As a result, CenterPoint Energy and to a lesser extent, CERC, depend on the performance of and distributions from their respective subsidiaries to meet their respective payment obligations and to pay dividends on their respective common ~~and / or preferred~~ stock. In general, CenterPoint Energy' s and CERC' s subsidiaries are separate and distinct legal entities and have no obligation to provide them with funds for their respective payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable law, such as those limiting the legal sources of dividends, limit CenterPoint Energy' s and CERC' s respective subsidiaries' ability to make payments or other distributions to CenterPoint Energy or CERC, and their respective subsidiaries could agree to contractual restrictions on their ability to make payments or other distributions. Further, as part of Houston Electric' s 2019 base rate case, Houston Electric agreed to certain " ring- fencing " measures to increase its financial separateness from CenterPoint Energy. Houston Electric is expected to file a base rate proceeding in ~~late 2023~~ **2024** . In this proceeding, Houston Electric may be requested to institute further ring- fencing measures or further ring- fencing measures could be imposed on Houston Electric in the future through legislation or PUCT rules or orders. While current ring- fencing measures have not impacted Houston Electric' s ability to pay dividends to CenterPoint Energy, the imposition of any additional measures impacting CenterPoint Energy' s ability to receive dividends from Houston Electric could adversely affect CenterPoint Energy' s cash flows, credit quality, financial condition and results of operations. Any such adverse effect on CenterPoint Energy could also adversely affect Houston Electric' s **and / or CERC' s** cash flows, credit quality, financial condition and results of operations as CenterPoint Energy may not be able to financially support Houston Electric **and / or CERC** if and when necessary. CenterPoint Energy' s right to receive assets of any subsidiary, and therefore the right of its creditors to participate in those assets, are structurally subordinated to the claims of that subsidiary' s creditors, including trade creditors. In addition, even if CenterPoint Energy were a creditor of any subsidiary, its rights as a creditor would likely be effectively subordinated to any security interest in the assets of that subsidiary and any senior indebtedness of the subsidiary. If we are unable to arrange future financings on acceptable terms, our ability to finance our capital expenditures or refinance outstanding indebtedness could be limited. Our businesses are capital intensive, and we rely on various sources to finance our capital expenditures. For example, we depend on (i) long- term debt, (ii) borrowings through our revolving credit facilities and, for CenterPoint Energy and CERC, commercial paper programs and (iii) if market conditions permit, issuances of additional shares of common **stock** or **shares of** preferred stock by CenterPoint Energy. We may also use such sources to refinance any outstanding indebtedness as it matures. Additionally, from time to time, our operating subsidiaries, including Houston Electric and CERC, may rely on intercompany borrowings from CenterPoint Energy that may be sourced from CenterPoint Energy' s external financings. As of December 31, ~~2022~~ **2023** , CenterPoint Energy had $ ~~17~~ **19** billion of outstanding indebtedness on a consolidated basis, which includes $ ~~317~~ **502** million of non- recourse Securitization Bonds. For information on outstanding indebtedness of **CenterPoint Energy,** Houston Electric and CERC as well as future maturities, see Note 13 to the consolidated financial statements. Our future financing activities may be significantly affected by, among other things: • general economic and capital market conditions, including inflation; • credit availability from financial institutions and other lenders; • investor confidence in us and the markets in which we operate; • the future performance of our businesses; • maintenance of acceptable credit ratings; • actions from the Federal Reserve, including ~~further~~ **changes in** interest ~~rate~~ **rates** ~~increases~~ and unanticipated actions; • market expectations regarding our future earnings and cash flows; • investor willingness to invest in companies associated with fossil fuels; • our ability to access capital markets on reasonable terms; • timing of future securitizations by jurisdictions in which we operate; and • provisions of relevant securities laws. The Registrants' current credit ratings and any changes in credit ratings in ~~2022~~ **2023** and to date in ~~2023~~ **2024** are discussed in " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Other Matters — Impact on Liquidity of a Downgrade in Credit Ratings " in Item 7 of Part II of this report. These credit ratings may not remain in effect for any given period of time and one or more of these ratings may be reduced or withdrawn by a rating agency. The Registrants note these credit ratings are not recommendations to buy, sell or hold their securities. Each rating should be evaluated independently of any other rating. Any future reduction or withdrawal of one or more of the Registrants' credit ratings could have an adverse impact on their ability to access capital on acceptable terms. For example, if CERC' s credit rating were to decline, it may have an adverse impact on the cost of borrowings and, in extraordinary market conditions, it may limit the ability to access the debt capital markets. Additionally, CERC might be required to post collateral under its shipping arrangements or to purchase natural gas. If a credit rating downgrade and the resultant cash collateral requirement were to occur at a time when CERC was experiencing significant working capital requirements or otherwise lacked liquidity, CERC' s financial condition, results of operations and cash flows could be adversely affected. **CenterPoint Energy** ~~CERC also expects to receive approximately $ 1. 1 billion in proceeds from the issuance of customer rate relief bonds by Texas Public Financing Authority in the first half of 2023 to reimburse CERC~~ ' s ~~natural gas costs incurred~~ **previously owned Energy Systems Group business has performance and warranty obligations, some of which are guaranteed by CenterPoint Energy. On June 30, 2023, CenterPoint Energy closed the sale of its Energy Systems Group business. Prior to June 30, 2023 and** as **part** ~~a result~~ of **the normal course of its business, Energy Systems Group issued performance bonds and** ~~the~~ **other forms of assurance that committed it** ~~February 2021 Winter Storm Event. Such proceeds were originally expected~~ to ~~forms of assurance that commit it to~~ operate facilities,pay vendors or subcontractors and support warranty obligations.As the parent company **prior to the closing of the sale** ,CenterPoint Energy or Vectren ~~has,and will,from time to time guarantee~~ **guaranteed certain of** its subsidiaries' commitments. **When Energy Systems Group was wholly owned by CenterPoint Energy,** ~~These~~ **these** guarantees ~~do~~ **did** not represent incremental consolidated obligations ~~;~~ **,but** rather, ~~they~~ **these guarantees** ~~represent~~ **represented** ~~parental~~ guarantees of ~~subsidiary~~ **Energy Systems Group' s** obligations to allow **it** ~~the subsidiary the flexibility~~ to conduct business without posting other forms of ~~collateral~~ **assurance** .Neither CenterPoint Energy nor Vectren has been called upon to satisfy any obligations pursuant to these parental guarantees to date ~~.For further information~~ , **but may** ~~see Note 15 (~~ be **required** ~~received in 2022. The failure~~ to ~~receive such proceeds~~ **do so in the future.** ~~or~~ **For** ~~any~~ further ~~delay could adversely affect our~~ **information, see Note 15 (c) to the consolidated** financial **statements** ~~condition, results of operations and cash flows~~ . An impairment of goodwill, long- lived assets, including intangible assets, equity method investments and an impairment or fair value adjustment could reduce our earnings. Long- lived assets, including intangible assets with finite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment at least annually, as well as when events or changes in circumstances indicates the carrying value may not be recoverable. **While** ~~During the year ended December 31, 2020,~~ CenterPoint Energy **has** identified and recorded ~~a~~ goodwill ~~impairment~~ **impairments** ~~charge of $ 185 million~~ in the **past, no** ~~Indiana Electric reporting unit. No~~ impairments to goodwill were recorded during the years ended December 31 **, 2023** , 2022 and 2021. See Note 6 to the consolidated financial statements for further information. Should the annual goodwill impairment test or another periodic impairment test or an observable transaction indicate the fair value of our assets is less than the carrying value, we would be required to take a non- cash charge to earnings with a correlative effect on equity, increasing balance sheet leverage as measured by debt to total capitalization. A non- cash impairment charge or fair value adjustment could adversely impact our financial condition and results of operations. If CenterPoint Energy redeems the ZENS prior to their maturity in 2029, its ultimate tax liability and redemption payments would result in significant cash payments, which would adversely impact its cash flows. Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy' s cash flows. CenterPoint Energy has approximately $ 828 million principal amount of ZENS outstanding as of December 31, ~~2022~~ **2023** . CenterPoint Energy owns shares of ZENS- Related Securities equal to approximately 100 % of the reference shares used to calculate its obligation to the holders of the ZENS. CenterPoint Energy may redeem all of the ZENS at any time at a redemption amount per ZENS equal to the higher of the contingent principal amount per ZENS ($ ~~26~~ **18** million in the aggregate, or $ 1. ~~86~~ **24** per ZENS, as of December 31, ~~2022~~ **2023**), or the sum of the current market value of the reference shares attributable to one ZENS at the time of redemption. In the event CenterPoint Energy redeems the ZENS, in addition to the redemption amount, it would be required to pay deferred taxes related to the ZENS. CenterPoint Energy' s ultimate tax liability related to the ZENS and ZENS- Related Securities continues to increase by the amount of the tax benefit realized each year. If the ZENS had been redeemed on December 31, ~~2022~~ **2023** , deferred taxes of approximately $ ~~665~~ **728** million would have been payable in ~~2022~~ **2023** , based on ~~2022~~ **2023** tax rates in effect. In addition, if all the shares of ZENS- Related Securities had been sold on December 31, ~~2022~~ **2023** to fund the aggregate redemption amount, capital gains taxes of approximately $ ~~80~~ **81** million would have been payable in ~~2022~~ **2023** . Similarly, a significant amount of exchanges of ZENS by ZENS holders could adversely impact CenterPoint Energy' s cash flows. This could happen if CenterPoint Energy' s creditworthiness were to drop, the market for the ZENS were to become illiquid, or for some other reason. While funds for the payment of cash upon exchange of ZENS could be obtained from the sale of the shares of ZENS- Related Securities CenterPoint Energy owns or from other sources, ZENS exchanges result in a cash outflow because tax deferrals related to the ZENS and ZENS- Related Securities shares would typically be disposed when ZENS are exchanged and ZENS- Related Securities shares are sold. ~~Dividend requirements associated with CenterPoint Energy' s Series A Preferred Stock subject it to certain risks. CenterPoint Energy has 800, 000 shares of Series A Preferred Stock outstanding. Any future payments of cash dividends, and the amount of any cash dividends CenterPoint Energy pays, on its Series A Preferred Stock will depend on, among other things, its financial condition, capital requirements and results of operations and the ability of our subsidiaries to distribute cash to CenterPoint Energy, as well as other factors that CenterPoint Energy' s Board of Directors (or an authorized committee thereof) may consider relevant. Any failure to pay scheduled dividends on the Series A Preferred Stock when due could adversely impact our ability to access capital on acceptable terms and would likely have an adverse impact on the market price of the Series A Preferred Stock, Common Stock and CenterPoint Energy' s debt securities and would prohibit CenterPoint Energy, under the terms of the Series A Preferred Stock, from paying cash dividends on or repurchasing shares of Common Stock (subject to limited exceptions) until such time as CenterPoint Energy has paid all accumulated and unpaid dividends on the Series A Preferred Stock. Further, the terms of the Series A Preferred Stock provide that if dividends on any of the respective shares have not been declared and paid for the equivalent of three or more semi- annual or six or more quarterly~~

~~dividend periods, whether or not for consecutive dividend periods, the holders of such shares, voting together as a single class with holders of any and all other series of CenterPoint Energy' s capital stock on parity with its Series A Preferred Stock (as to the payment of dividends and amounts payable on liquidation, dissolution or winding up of CenterPoint Energy' s affairs) upon which like voting rights have been conferred and are exercisable, will be entitled to vote for the election of a total of two additional members of CenterPoint Energy' s Board of Directors, subject to certain terms and limitations. The replacement of LIBOR, or SOFR, with an alternative reference rate, may adversely affect the cost of capital related to outstanding debt and other financial instruments. LIBOR is currently the basic rate of interest widely used as a global reference for setting interest rates on variable rate loans and other securities. Certain financial instruments entered into by the Registrants' subsidiaries, use LIBOR as a reference rate. Beginning January 1, 2022, the Financial Conduct Authority ceased publishing one week and two-month U. S. dollar LIBOR and is expected to cease publishing all remaining U. S. dollar LIBOR tenors in June 2023 unless cessation is further extended. Each of the Registrants' credit and term loan facilities, including certain facilities or financial instruments entered into by their subsidiaries, use SOFR as a reference rate. Because SOFR is a broad U. S. Treasury repo financing rate that represents overnight secured funding transactions, it differs fundamentally from LIBOR. Any changes in the methods by which LIBOR is determined or regulatory activity related to LIBOR' s phaseout could cause LIBOR to perform differently than in the past or cease to exist. Changes in the method of calculating LIBOR, or the replacement of LIBOR (or SOFR) with an alternative rate or benchmark, may adversely affect interest rates and result in higher borrowing costs. This could adversely affect our cash flow and liquidity. Each of the Registrants' credit facilities provide for a mechanism to replace SOFR with possible alternative benchmarks upon certain benchmark replacement events. We will evaluate the potential impact of any such potential benchmark replacements should it occur.~~ Our potential business strategies and strategic initiatives, including merger and acquisition activities and the disposition of assets or businesses, may not be completed or perform as expected, adversely affecting our financial condition, results of operations and cash flows. Our financial condition, results of operations and cash flows depend, in part, on our management' s ability to implement our business strategies successfully and realize the anticipated benefits therefrom. In 2021, we announced our strategic goals for ~~the Company~~ **CenterPoint Energy** , including our ten- year ~~long- term~~ capital plan, and net zero and carbon emission ~~reduction~~ **reductions** goals. Our strategic goals are subject to the risks described in this section and various assumptions. These assumptions may be proven incorrect or we may not be able to execute on these strategic goals in a timely manner or at all. If we are unable to execute on our strategic goals, including our ~~long~~ **ten** - ~~term~~ **year** capital plan, the benefits therefrom may not be fully realized, if at all, and our reputation may be adversely affected. From time to time we have made, and may continue to make, acquisitions or divestitures of businesses and assets, such as our **proposed sale of our Louisiana and Mississippi natural gas local distribution companies, our** completed sale of our ~~Natural Gas businesses in Arkansas and Oklahoma and the completed Enable Merger and subsequent sale of~~ Energy **Systems Group business** ~~Transfer Common Units and Energy Transfer Series G Preferred Units~~ , form joint ventures or undertake restructurings, such as the ~~recently completed~~ Restructuring. However, suitable acquisition candidates or potential buyers may not continue to be available on terms and conditions we find acceptable, or the expected benefits of completed acquisitions or dispositions may not be realized fully or at all, or may not be realized in the anticipated timeframe. If we are unable to make acquisitions, or if those acquisitions do not perform as anticipated, our future growth may be adversely affected. Further, any completed or future acquisitions or dispositions involve substantial risks, including the following: • acquired businesses or assets may not produce revenues, earnings or cash flow at anticipated levels; • acquired businesses or assets could have environmental, permitting or other problems for which contractual protections prove inadequate; • we may assume liabilities that were not disclosed to us, that exceed our estimates, or for which our rights to indemnification from the seller are limited; • we may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems; • acquisitions or dispositions, or the pursuit of such transactions, including any separation or disentanglement efforts or requirements, such as the provision of transition services, could disrupt our ongoing businesses, distract management, divert resources and make it difficult to maintain current business standards, controls and procedures; and • we may not receive regulatory approvals necessary to complete an acquisition or disposition in a timely manner or at all. **On February 19, 2024, CenterPoint Energy, through its subsidiary CERC Corp., entered into the LAMS Asset Purchase Agreement to sell its Louisiana and Mississippi natural gas local distribution company businesses. The transaction is expected to close in the first quarter of 2025. For further information, see Note 21 to the consolidated financial statements. We can make no assurances regarding the completion of this sale, which could be subject to delays or otherwise not consummated.** Changing demographics, poor investment performance of pension plan assets and other factors adversely affecting the calculation of pension liabilities could unfavorably impact our financial condition, results of operations and liquidity. CenterPoint Energy and its subsidiaries maintain qualified defined benefit pension plans covering certain of its employees. Costs associated with these plans are dependent upon a number of factors including the investment returns on plan assets, the level of interest rates used to calculate the funded status of the plan, contributions to the plan, the number of plan participants and government regulations with respect to funding requirements and the calculation of plan liabilities. Funding requirements may increase and CenterPoint Energy may be required to make unplanned contributions in the event of a decline in the market value of plan assets, a decline in the interest rates used to calculate the present value of future plan obligations, or government regulations that increase minimum funding requirements or the pension liability. In **2023,** 2022 and 2021, ~~the Company~~ **CenterPoint Energy** had a settlement expense for its pension plans as a result of an increase in eligible employee retirements and pension plan distributions. See Note 8 to the consolidated ~~condensed~~ financial statements for further information. In addition to affecting CenterPoint Energy' s funding requirements, these factors could adversely affect our financial condition, results of operations and liquidity. We may be significantly affected by changes in federal income tax laws and regulations, including any comprehensive federal tax reform legislation. Our businesses are impacted by U. S. federal income tax policy. The TCJA, CARES Act, and the IRA significantly changed the U. S. Internal Revenue Code, including taxation of U. S. corporations, by among other things, reducing the federal corporate income tax rate, limiting interest deductions, altering the expensing of capital expenditures, enacting a new **CAMT** ~~corporate alternative minimum tax~~ , and expanding federal tax credits for cleaner energy production. Based on information and forecasts as of December 31, ~~2022~~ **2023** , the Registrants **will** ~~' may~~ be subject to the **CAMT** ~~corporate alternative minimum tax~~ included in the IRA. The interpretive guidance issued by the IRS and state tax authorities may be inconsistent with our interpretation and the legislation could be subject to amendments, which could lessen or increase certain impacts of the legislation. In addition, the retail regulatory treatment of the expanded tax credits and **CAMT** ~~corporate alternative minimum tax~~ could impact the Registrants' future cash flows, and this legislation could result in unintended consequences not yet identified that could have an adverse impact on the Registrants' financial results and future cash flows. Further federal tax reform legislation could be enacted that may significantly change the federal income tax laws applicable to domestic businesses, including changes that may increase the federal income tax rate and impact investment incentives and deductions for depreciation and interest, among other deductions. While CenterPoint Energy and its subsidiaries cannot assess the overall impact of any such potential legislation on our businesses, it is possible that our financial condition, results of operations or cash flows could be negatively impacted. Furthermore, with any enacted federal tax reform legislation, it is uncertain how state commissions and local municipalities may require us to respond to the effects of such tax legislation, including determining the treatment of EDIT and other increases and decreases in our revenue requirements. As such, potential regulatory actions in response to any enacted tax legislation could adversely affect our financial condition, results of operations and cash flows. Risk Factors Affecting Safety and Security Risks The Registrants' businesses have safety risks. The Registrants' facilities and distribution and transmission systems have been and may in the future be involved in incidents that result in injury, death, or property loss to employees, customers, third parties, or the public. Although the Registrants have insurance coverage for many potential incidents, depending upon the nature and severity of any incident, they could experience financial loss, claims and litigation, damage to their reputation, and negative consequences from regulatory authorities or other public authorities. **Further, certain CenterPoint Energy employees who work in the field have experienced threats of violence during the performance of their work. Threats of violence, actual violence and other concerns may result in field employees being unable or unwilling to complete critical functions, which could adversely affect our businesses, financial condition and results of operations, and could make it harder to recruit and retain certain employees.** Cyberattacks, physical security breaches, acts of terrorism or other disruptions could adversely impact our reputation, financial condition, results of operations and cash flows. We are subject to cyber and physical security risks related to **our** ~~adversaries attacking~~ information technology systems, operational technology, network infrastructure, and other technology and facilities used to conduct almost all of our businesses ~~, which includes, among other things, (i) managing operations and other business processes and (ii) protecting sensitive information maintained in the normal course of business~~ . For example, the operation of our electric generation, transmission and distribution systems are dependent on not only physical interconnection of our facilities but also on communications among the various components of our systems and third- party systems. This reliance on information and communication between and among those components has increased since deployment of the intelligent grid, smart devices and operational technologies across our businesses. Further, certain of the various internal systems we use to conduct our businesses are highly integrated. Consequently, a cyberattack or unauthorized access in any one of these systems could potentially impact the other systems. Similarly, our business operations are interconnected with external networks and facilities. For example, the operation of an efficient deregulated wholesale and retail electric market in Texas mandates communication with ERCOT, and competitive retailers; and our Indiana Electric organization has a similar relationship with MISO. Also, the distribution of natural gas to our customers requires communications with third- party systems. Disruption of those communications, whether caused by physical disruption such as storms or other natural disasters, by failure of equipment or technology or by man- made events, such as cyberattacks or acts of terrorism, may disrupt our ability to conduct operations and control assets. **The sophistication of cybersecurity threats, including those leveraging AI, continues to increase, and the controls and preventative actions we take to reduce the risk of cybersecurity incidents and protect our systems, including the regular testing of our cybersecurity incident response plan, may be insufficient. In addition, new technology that could result in greater operational efficiency, such as our use of AI, may further expose our computer systems to the risk of cybersecurity incidents.** Cyberattacks, including phishing attacks and threats from the use of **malware, ransomware and viruses or** malicious code ~~such as malware, ransomware and viruses~~ , and unauthorized access could also result in the loss, or unauthorized use, of confidential, proprietary or critical infrastructure data or security breaches of other information technology systems that could disrupt operations and critical business functions, adversely affect reputation, **impact our customers,** increase costs and subject us to possible legal claims and liability. While we have implemented and maintain a cybersecurity program designed to protect our information technology, operational technology, and data systems from such attacks, our cybersecurity program does not prevent all breaches or cyberattack incidents. We have experienced an increase in the number of attempts by external parties to access our networks or our company data without authorization. We have also experienced, and expect to continue to experience, cyber intrusions and attacks to our information systems and those of third parties, including vendors, suppliers, contractors and quasi government entities ~~, like ERCOT and MISO,~~ who perform certain services for us or administer and maintain our sensitive information. These prior intrusions and attacks have not had a material impact on our **business, results of** operations **, or financial condition** . Because technology is increasingly complex and **cyberattacks** ~~cyber-attacks~~ are increasingly sophisticated and more frequent, there is a risk such incidents could have an adverse effect on us in the future. The risk of a disruption or breach of our operational technology systems, or the compromise of the data processed in connection with our operations, through a cybersecurity breach or ransomware attack **,** has increased as attempted attacks have advanced in sophistication and number around the world. We are not fully insured against all cybersecurity risks, any of which could adversely affect our reputation and could have an adverse effect on our financial condition, results of operations and cash flows. We depend on the secure operations of our physical assets to transport the energy we deliver and our information technology to process, transmit and store electronic information, including information and operational technology we use to safely operate our energy transportation systems. Security breaches, attacks on our infrastructure and facilities, including against the Registrants ~~'~~ or as a means to harm a third- party by disrupting the transmission and distribution of energy, or acts of terrorism, including by foreign or domestic actors, could expose our business to a risk of loss, misuse or interruption of critical physical assets or information and functions that affect our operations, as well as potential data privacy breaches and loss of protected personal information and other sensitive information **,** such as Critical Energy Infrastructure Information. Such losses could result in operational impacts, damage to our assets, public or personal safety incidents, **impacts to our customers,** damage to the environment, reputational harm, competitive disadvantage, regulatory enforcement actions, litigation and a potential adverse effect on our operations, financial condition, results of operations and cash flows. There is no certainty **that** costs incurred related to actual or thwarted cyberattacks, or for the safeguarding against such security threats, will be recoverable through rates. Compliance with and changes in cybersecurity laws and regulations have a cost and operational impact on our business, and failure to comply with such requirements could adversely impact our reputation, financial condition, results of operations and cash flows. Cyberattacks are becoming more sophisticated, and U. S. government warnings have indicated infrastructure assets, including pipelines and electric generation and infrastructure, may be specifically targeted by certain groups. **The** ~~In the second and third quarters of 2021, the~~ TSA announced two new security directives in ~~response to a ransomware attack on~~ the ~~Colonial Pipeline that occurred in~~ **second and third quarters of** 2021. These directives required critical pipeline owners to comply with mandatory reporting measures, designate a cybersecurity coordinator, provide vulnerability assessments, and ensure compliance with certain cybersecurity requirements. In the third quarter of 2022, the TSA ~~announced a third~~ **made significant updates to one of the** security ~~directive~~ **directives to** ~~requiring~~ **require** critical pipeline owners to establish and implement a TSA- approved Cybersecurity Implementation Plan, develop and maintain a Cybersecurity Incident Response Plan, and establish a Cybersecurity Assessment Plan. **The** ~~Pipeline owners are required to continue to implement the measures outlined in the second directive until such time as an organization' s Cybersecurity Implementation Plan is approved.~~ TSA approved CenterPoint Energy' s Cybersecurity Implementation Plan in December 2022 **. The TSA further updated and renewed the pipeline security directive in July 2023 with updated requirements for Pipeline Cybersecurity Mitigation Actions, Contingency Planning, and Testing. CenterPoint Energy continues to take measures to comply with the TSA pipeline security directive requirements** . We may be required to expend significant additional resources and costs to respond to cyberattacks, to continue to modify or enhance our protective measures, or to assess, investigate and remediate any critical infrastructure security vulnerabilities. There is no certainty that such costs incurred will be recovered through rates. Any failure to remain in compliance with these government regulations or failure in our cybersecurity protective measures may result in enforcement actions which may have an adverse effect on our reputation, financial condition, results of operations and cash flows. Failure to maintain the security of ~~personally~~ -- **personal** ~~identifiable~~ information could adversely affect us. In connection with our businesses, we and our **third parties (** vendors, suppliers **,** and contractors **)** collect and retain ~~personally~~ -- **personal** ~~identifiable~~ information (for example, information of our customers, shareholders, suppliers and employees), and there is an expectation that we and such third parties will adequately protect that information. The regulatory environment surrounding information security and data privacy continues to evolve and is increasingly demanding. New laws and regulations governing data privacy and the unauthorized disclosure of confidential information pose increasingly complex compliance challenges and elevate our costs. Any failure by us to comply with these laws and regulations, including as a result of a security or privacy breach, could result in significant costs, fines and penalties and liabilities for us. While we have implemented and maintain a cybersecurity program designed to protect our information technology, operational technology, and data systems from attacks, and while we have implemented and maintain a data privacy program designed to manage and protect personal information ~~from attacks~~ , neither program can prevent all security or privacy breaches. We and some of our third **parties that** ~~party vendors who~~ maintain ~~personally~~ -- **personal** ~~identifiable~~ information have experienced, and expect to continue to experience, data privacy incidents and breaches **; however, to date, we have not experienced a material data privacy incident or breach** . A significant theft, loss or fraudulent use of the ~~personally~~ -- **personal** ~~identifiable~~ information we maintain **,** or failure of our vendors, suppliers and contractors to use or maintain such data in accordance with contractual provisions and other legal requirements **,** could adversely impact our reputation and could result in significant costs, fines and penalties and liabilities for us. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection privacy, we may incur significant liabilities and penalties as a result **. We may not be successful in our adoption of AI, which could adversely affect our business, reputation, or financial results. We are using and exploring the further use of AI, including generative AI, and its ability to enhance the services we offer to the communities we serve. There are significant risks involved in developing and deploying AI, and there can be no assurance that the use of AI will enhance our services or be beneficial to our business, including with respect to the efficiency and resiliency of our systems. For example, our AI-related efforts may give rise to risks related to harmful content, accuracy, bias, discrimination, toxicity, intellectual property infringement or misappropriation, defamation, data privacy, and cybersecurity, among others. In addition, the adoption of AI may subject us to new or enhanced governmental or regulatory scrutiny, new or amended laws, rules, directives, and regulations governing the use of AI, litigation, ethical concerns, negative consumer perceptions as to automation and AI, or other complications that could adversely affect our business, reputation, or financial results. We may not be able to recover our investments in AI technology through our regulatory proceedings, and our use of AI may subject us to legal liability. Similarly, as AI continues to evolve we may not be able to adopt and implement AI as quickly as our customers or communities desire or regulators may require, which could also adversely affect us. AI is a relatively new and rapidly evolving technology, and we are unable to predict all of the risks that may result from the adoption of our AI initiatives** . General and Other Risks Our revenues and results of operations are seasonal. Houston Electric' s, Indiana

Electric’ s and Natural Gas’ revenues and results of operations are subject to seasonality, weather conditions and other changes in electricity and natural gas usage, as applicable. Houston Electric’ s revenues are generally higher during the warmer months. As in certain past years, unusually mild weather in the warmer months could diminish Houston Electric’ s results of operations and harm its financial condition. Conversely, as in certain past years, extreme warm weather conditions could increase Houston Electric’ s results of operations in a manner that would not likely be annually recurring. A significant portion of Indiana Electric’ s sales are for space heating and cooling. Consequently, as in certain past years, Indiana Electric’ s results of operations may be adversely affected by warmer- than- normal heating season weather or colder- than- normal cooling season weather, while, as has occurred in certain past years, more extreme seasonal weather conditions could increase Indiana Electric’ s results of operations in a manner that would not likely be annually recurring. Natural Gas’ revenues are customarily higher during the winter months. As in certain past years, unusually mild weather in the winter months could diminish Natural Gas’ results of operations and harm its financial condition. Conversely, as occurred in certain past years, extreme cold weather conditions could increase its results of operations in a manner that would not likely be annually recurring. For information related to weather normalization regulatory mechanisms and weather hedges, see Note 9 (a) to the consolidated financial statements. For additional risks related to the February 2021 Winter Storm Event, see Note 7 to the consolidated ~~condensed~~ financial statements for further information. Climate change could adversely impact financial results from our businesses and result in more frequent and more severe weather events that could adversely affect our results of operations. A changing climate creates uncertainty and could result in broad changes, both physical and financial in nature, to our service territories and our business. If climate changes occur that result in warmer temperatures than normal in our service territories, financial results from our businesses could be adversely impacted. For example, where natural gas is used to heat homes and businesses, warmer weather might result in less natural gas being used, adversely affecting us. Another possible result of climate change is more frequent and more severe weather events, such as hurricanes, tornadoes **,** and severe winter weather conditions, including ice storms, all of which may impact our operations and ability to serve our customers. To the extent the frequency and severity of extreme weather events increases, our costs of providing service may increase, including the costs and availability of procuring insurance related to such impacts, and those costs may not be recoverable. Further, events of extreme weather could make it unsafe or hinder the effectiveness of our employees to fix, maintain and restore power to affected areas and could harm our reputation. Since certain of our facilities are located along or near the Texas gulf coast, increased or more severe hurricanes or tornadoes could increase our costs to repair damaged facilities and restore service to our customers. Our Electric and Natural Gas operations in our service territories were both also impacted by the February 2021 Winter Storm Event **and could experience a similar event in the future, which could have an adverse impact on our financial condition, results of operations and cash flows** . In the long term, climate change could also cause shifts in population, including customers moving away from our service territories. When we cannot deliver electricity or natural gas to customers or our customers cannot receive our services, our financial results are impacted by lost revenues, and we generally must seek approval from regulators to recover restoration costs. To the extent we are unable to recover those costs or recover in a timely manner, or if recovery of such costs results in higher rates and reduced demand for our services, our future financial results may be adversely impacted. Similarly, public and private efforts to address climate change, such as by legislation, regulation, actions by private interest groups, and litigation, could impact our ability to continue operating our businesses as we do today, significant aspects of which rely on fossil fuels. These initiatives could have a significant impact on us and our operations as well as on our third **-** party suppliers, vendors and partners, which could impact us by among other things, causing permitting and construction delays, project cancellations or increased project costs passed on to us. For further information on these initiatives, please see “ — We are subject to operational … ” Finally, we may be subject to climate change litigation, which could result in substantial fines, penalties or damages and restrictions on our operations. The oil and gas industry has already faced such litigation, challenging its marketing and use of fossil fuels and attributing climate change to emissions resulting from the use of fossil fuels, and other industries, including ours, could face such litigation in the future. For more information, see Note 7 to the consolidated financial statements, and “ — CenterPoint Energy is subject to operational and financial risks... ” We are exposed to risks related to reduction in energy consumption due to factors such as changes in customers’ perceptions from incidents of other utilities ~~involving natural gas pipelines~~ .Our businesses are affected by reduction in energy consumption due to factors including economic,climate and market conditions in our service territories,energy efficiency initiatives,use of alternative technologies and changes in our customers’ perceptions regarding natural gas usage as a result of incidents of other utilities involving natural gas pipelines,which could impact our ability to grow our customer base and our rate of growth.Growth in customer accounts and growth of customer usage each directly influence demand for electricity and natural gas and the need for additional delivery facilities.Customer growth and customer usage are affected by a number of factors outside our control,such as mandated energy efficiency measures,bans on or further regulation of natural gas- fired appliances,demand- side management goals,distributed generation resources and economic and demographic conditions,including population changes,job and income growth,housing starts,new business formation and the overall level of economic activity.Declines in demand for electricity and natural gas in our service territories due to pipeline incidents of other utilities,increased electricity and natural gas prices as experienced during the February 2021 Winter Storm Event and **during periods of persisting high inflation or** economic downturns,among other factors,could reduce overall usage and lessen cash flows,especially as industrial customers reduce production and,therefore,consumption of electricity and natural gas.Although Houston Electric’ s and Indiana Electric’ s transmission and distribution businesses are subject to regulated allowable rates of return and recovery of certain costs under periodic adjustment clauses,overall declines in electricity delivered and used as a result of economic downturn or recession could reduce revenues and cash flows,thereby diminishing results of operations.A reduction in the rate of economic,employment and / or population growth could result in lower growth and reduced demand for and usage of electricity and natural gas in such service territories.Some or all of these factors could result in a lack of growth or decline in customer demand for electricity or natural gas or number of customers and may result in our failure to fully realize anticipated benefits from significant capital investments and expenditures,which could have an adverse effect on our financial condition,results of operations and cash flows. ~~Energy Systems Group~~ Aging infrastructure may lead to increased costs and disruptions in operations that could negatively impact our financial results. We have risks associated with aging infrastructure assets, including the failure of equipment or processes and potential breakdowns due to such aging. The age of certain of our assets may result in a need for replacement or higher level of maintenance costs because of our risk based federal and state compliant integrity management programs. As part of our long- term capital plan, we continue to make upgrades to our aging infrastructure assets to enhance the reliability of our infrastructure. Failure to achieve timely and full recovery of expenses associated with our aging infrastructure could adversely impact revenues and could result in increased capital expenditures or expenses. In addition, the nature of information available on aging infrastructure assets may make inspections, maintenance, upgrading and replacement of the assets particularly challenging. Also, our ability to successfully maintain or replace our aging infrastructure may be delayed or be at a greater cost than anticipated due to supply chain disruptions. Further, with respect to Natural Gas' operations, if certain pipeline replacements (for example, cast- iron or bare steel pipe) are not completed timely or successfully, government agencies and private parties might allege the uncompleted replacements caused events such as fires, explosions or leaks. Although we maintain insurance for certain of our facilities, our insurance coverage may not be sufficient in the event a catastrophic loss is alleged to have been caused by a failure to timely complete equipment replacements. Insufficient insurance coverage and increased insurance costs could adversely impact our financial condition, results of operations and cash flows. Finally, aging infrastructure may complicate our utility operations ability to address climate change concerns and efforts to enhance resiliency and reliability. See " — ~~Continued disruptions~~ **Disruptions** to the **global** supply... " Our financial condition, results of operations and cash flows may be adversely affected if we are unable to successfully operate our facilities or perform certain corporate functions. Our performance depends on the successful operation of our facilities. Operating these facilities involves many risks inherent in the generation, transmission and distribution of electricity and in the delivery of natural gas that could result in substantial losses or other damages. From time to time, we have and may in the future experience various risks associated with the operations of our facilities, including, but not limited to, the following: • operator error or failure of equipment or processes, including failure to follow appropriate safety protocols for, among others, the transmission and distribution of electricity and in the delivery of natural gas, including operations of our peak shaving, propane- air facilities; • the handling of hazardous equipment or materials that could result in serious personal injury, loss of life and environmental and property damage; • operating limitations that may be imposed by environmental or other regulatory requirements; • labor disputes; • information technology or financial and billing system failures, including those due to the implementation and integration of new technology, that impair our information technology infrastructure, reporting systems or disrupt normal business operations; • **compliance mandates that result in penalties from our regulators; •** failure to obtain in a timely manner and at reasonable prices the necessary fuel, such as coal and natural gas, building materials or other items needed to operate our facilities; • information technology failure that affects our ability to access customer information or causes us to lose confidential or proprietary data that adversely affects our reputation or exposes us to legal claims; and • catastrophic events such as fires, earthquakes, explosions, leaks, floods, droughts, hurricanes, ice storms, flooding, terrorism, wildfires, pandemic health events or other similar occurrences, including any environmental impacts related thereto, which catastrophic events may require participation in mutual assistance efforts by us or other utilities to assist in power restoration efforts. Such events may result in a decrease or elimination of revenue from our facilities, an increase in the cost of operating our facilities or delays in cash collections, any of which could have an adverse effect on our financial condition, results of operations and cash flows. Such events have and may in the future result in the imposition of regulatory or environmental fines and increased litigation. Our businesses will continue to have to adapt to technological change and may not be successful or may have to incur significant expenditures to adapt to technological change. We operate businesses that require sophisticated data collection, processing systems, software and other technology. Some of the technologies supporting the industries we serve are changing rapidly and increasing in complexity. New technologies will emerge or grow that may be superior to, or may not be compatible with, some of our existing technologies, and may require us to make significant investments and expenditures so that we can continue to provide cost- effective and reliable methods for energy production and delivery. Among such technological advances are distributed generation resources (e. g., private solar, microturbines, fuel cells), energy storage devices and more energy- efficient buildings and products designed to reduce energy consumption and waste. As these technologies become a more cost- competitive option over time, whether through cost effectiveness or government incentives and subsidies, **such as under the IRA,** certain customers may choose to meet their own energy needs and subsequently decrease usage of our systems and services, including Indiana Electric' s generating facilities becoming less competitive and economical. Further, certain regulatory and legislative bodies have introduced or are considering requirements and / or incentives to reduce energy consumption by certain dates. **Just as high** ~~Similarly to the impact of rising~~ inflation and rising interest rates, ~~among other items that~~ incentivize our customers to consume less energy, technological advances driven by federal laws mandating new levels of energy efficiency in end- use electric and natural gas devices or other improvements in or applications of technology could lead to declines in per capita energy consumption. Our future success will depend, in part, on our ability to anticipate and adapt to these technological changes in a cost- effective manner, to offer, on a timely basis, reliable services that meet customer demands and evolving industry standards, and to recover all, or a significant portion of, any unrecovered investment in obsolete assets. If we fail to adapt successfully to any technological change or obsolescence, fail to obtain access to important technologies or incur significant expenditures in adapting to technological change, or if implemented technology does not operate as anticipated, our businesses, financial condition, results of operations and cash flows could be adversely affected. Our insurance coverage may not be sufficient. Insufficient insurance coverage and increased insurance costs could adversely impact our financial condition, results of operations and cash flows. We currently have insurance in place, such as general liability and property insurance, to cover certain of our facilities in amounts that we consider appropriate. Such policies are subject to certain limits and deductibles and do not include business interruption coverage. Insurance coverage **premiums continue to increase, and insurance coverage** may not be available in the future at current costs or on commercially reasonable terms, and the insurance proceeds received for any loss of, or any damage to, any of our facilities may not be sufficient to fully cover or restore the loss or damage without negative impact on our financial condition, results of operations and cash flows. Costs, damages and other liabilities related to recent events and incidents that affected other utilities, such as wildfires, winter storms and explosions, among other things, have exceeded or could exceed such utilities' insurance coverage. Further, as a result of these recent events and incidents, the marketplace for insurance coverage to utility companies may be unavailable or limited in capacity or any such available coverage may be deemed by us to be cost prohibitive under current conditions. Insurance premiums for any such coverage, if available, may not be eligible for recovery, whether in full or in part, by us through the rates charged by our utility businesses. In common with other companies in its line of business that serve coastal regions, Houston Electric does not have insurance covering its transmission and distribution system, other than substations, because Houston Electric believes it to be cost prohibitive and insurance capacity to be limited. Historically, Houston Electric has been able to recover the costs incurred in restoring its transmission and distribution properties following hurricanes or other disasters through issuance of storm restoration bonds or a change in its regulated rates or otherwise. In the future, any such recovery may not be granted. Therefore, Houston Electric may not be able to restore any loss of, or damage to, any of its transmission and distribution properties without negative impact on its financial condition, results of operations and cash flows. Global or regional health pandemics, epidemics or similar public health threats could negatively impact our business, outlook, financial condition, results of operations and liquidity. Current and future health pandemics, epidemics and similar public health threats, such as COVID- 19 and its variants, and the measures implemented to contain their spread, such as travel bans and restrictions, quarantines and vaccination mandates, continue to and may in the future have widespread impacts on the global economy, our employees, customers, and third- party business partners. The severity, magnitude and duration of a current or future health threat is uncertain, rapidly changing and hard to predict. Any future health threat, including the emergence of a new variant of COVID- 19, could, in the future, impact our business in numerous ways, including, but not limited to, those outlined below: • reduced demand from our commercial and industrial customers and shifts in demand for our services; • ~~delay~~ **delayed** ~~the timeliness of our~~ service to customers because of shutdowns and / or illness and travel restrictions among our employees; • ~~negatively~~ -- **negative** ~~impact~~ **impacts to** the financial condition of our customers and REPs and their ability to pay for our services, and our ability to disconnect service for non- payment may be limited, and state regulators may impose bill deferral programs; • ~~may~~ **potential** ~~limit~~ **limits** or ~~curtail significantly~~ -- **significant** or ~~entirely~~ -- **entire curtailments of** the ability of public utility commissions to approve or authorize applications and other requests we may make with respect to our businesses, including delaying rate making proceedings; • increased risk to our cybersecurity program as a result of an increase in **cyberattacks** ~~cyber attacks~~ during the pandemic and increased remote working arrangements, see above " Risks Affecting our Safety and Security Risks "; • increased rates of inflation and delays in our supply chain and our ability to complete maintenance, repairs, and capital programs, which could result in disruption, increased costs and our inability to execute on or require us to make modifications to our capital plan; and • accelerated employee turnover as a result of concerns regarding restrictions and guidelines, including mask mandates and quarantine mandates, and increased acceptability of alternative work arrangements. Like many companies, we experienced the above and other impacts pursuant to the COVID- 19 pandemic. These and other impacts of global or regional health pandemics, epidemics or similar public health threats could also have the effect of heightening many of the other risks described in this section and the other reports we file from time to time with the SEC. We might not be able to predict or respond to all impacts on a timely basis to prevent near- or long- term adverse impacts to our operations, financial condition and liquidity. The ultimate impact of public health threats on our business depends on factors beyond our knowledge or control, including the duration and severity of the outbreak as well as third- party actions taken to contain the spread and mitigate the public health effects. Any of these factors could have a negative impact on our business, outlook, financial condition and results of operations, which impact could be material. Our success depends upon our ability to attract, effectively transition, motivate and retain key employees and identify and develop talent to succeed senior management. We depend on senior executive officers and other key personnel. Our success depends on our ability to attract, effectively transition and retain key personnel. Further tightening of the labor market and increasing wages to attract and retain key personnel may adversely affect our ability to attract and retain key personnel. The inability to recruit and retain or effectively transition key personnel or the unexpected loss of key personnel may adversely affect our operations. In addition, because of the reliance on our management team, our future success depends in part on our ability to identify and develop talent to succeed senior management. The retention of key personnel and appropriate senior management succession planning will continue to be critically important to the successful implementation of our strategies. Failure to attract and retain an appropriately qualified workforce and maintain good labor relations could adversely impact the operations of our facilities and our results of operations. Our businesses are dependent on recruiting, retaining and motivating employees. Like many companies in the utilities industry and other industries, we have experienced higher than normal turnover of employees as a result of a number of factors, including the COVID- 19 pandemic, a tightening labor market, increasing remote working opportunities, employees shifting industries, individuals deciding not to work and a maturing workforce. Of our employee population, not including employees of Energy Systems Group **prior to the divestiture on June 30, 2023** or temporary employees, **18. 7 %,** 19. 3 % ~~,~~ **and** 23. 6 ~~% and 26. 1~~ % were retirement eligible as of December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. Certain circumstances, such as an aging workforce without appropriate replacements, a mismatch of existing skillsets to future needs, or the unavailability of contract resources may lead to operating challenges such as a lack of resources, loss of knowledge or a lengthy time period associated with skill development. Our costs, including costs to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor may adversely affect the ability to manage and operate our businesses, particularly the specialized skills and knowledge required to construct and operate generation facilities, a technology- enabled power grid and transmission and distribution infrastructure, among other facilities. If we are unable to successfully attract and retain an appropriately qualified workforce, our ability to execute on our 10- year capital plan and our results of operations could be negatively affected. Furthermore, the operations of our facilities depend on good labor relations with our employees, and several of our businesses have in place collective bargaining agreements with different labor unions, comprising approximately ~~39~~ **40** % of our workforce. We have several separate bargaining units, each with a unique collective bargaining agreement described further in Note 8 (j) to the consolidated financial statements, which information is incorporated herein by reference. The collective bargaining agreements with **Teamsters Local 135** ~~IBEW 1393, USW 12213, USW 7441~~ related to **SIGECO** ~~Natural Gas~~ employees and ~~IBEW 66~~ **Utility Workers Union of America, Local 175** related to **VEDO** ~~Houston Electric~~ employees are scheduled to expire in ~~May~~ **September** ~~2023~~ **2024** ~~for IBEW 66~~ and **October** ~~the remainder are scheduled to expire in December 2023~~ **2024 , respectively** , and negotiations of these agreements are expected to be completed before the respective expirations. Any failure to reach an agreement on new labor contracts or to negotiate these labor contracts might result in strikes, boycotts or other labor disruptions. These potential labor disruptions could have an adverse effect on our businesses, results of operations and / or cash flows. Labor disruptions, strikes or significant negotiated wage and benefit increases, whether due to union activities, employee turnover or otherwise, could have an adverse effect on our businesses, results of operations and cash flows.